

**THIRD WORLD NETWORK
INFORMATION SERVICE ON CLIMATE CHANGE**

13th Meeting of the Board of the Green Climate Fund (Article 4)

GCF Board approves simplified process for small-scale funding proposals and other funding related decisions

Kuala Lumpur, 11 July (Hilary Chiew) – The Board of the Green Climate Fund (GCF) at its 13th meeting in Songdo, Republic of Korea approved a simplified procedure for funding proposals that are of micro or small-scale.

The meeting took place on 28-30 June.

According to the document prepared for the Board’s consideration on the matter, the rationale behind establishing a simplified approval process was to ensure that developing countries where certain historical data and/or records do not exist, including small-island developing countries (SIDs), the least developed countries (LDCs) and African States, are not excluded from accessing GCF resources. The document states further that feedback from a number of direct access accredited entities was that undertaking full feasibility studies is a costly and lengthy exercise, which resulted in concerns that they may be unable to access GCF resources. (See below for further details on the decision.)

Other matters considered by the Board in relation to funding proposals included the following: the project preparation facility, the request for proposals, and matters related to the interim redress procedure when a funding application is turned down.

Simplified processes for approval of proposals

Introducing the agenda item on ‘*Simplified processes for approval of proposals of certain activities, in particular small-scale activities*’ **Co-Chair Ewen McDonald (Australia)** said members had been consulted actively on the matter over the past three months and asked the Board to consider the recommendations proposed by the Co-Chairs.

The Board decided that “a simplified process for small-scale activities will apply to both micro-scale and small-scale funding proposals that are assessed to fall under the low/no risk Category C/Intermediation 3”.

(According to previous decisions by the Board, ‘micro-scale’ is defined as the total project costs which are up to USD 10 million, while ‘small-scale’ is above USD 10 million and up to USD 50 million. ‘Category C projects’ are defined as “activities with minimal or no adverse environmental and/or social risks and/or impacts” and ‘intermediation 3’ is defined as “when an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.”)

The Board also decided that “the simplified process will apply to proposals from all accredited entities, including subnational, national, regional and international, especially direct access entities”.

It also requested the Secretariat to present to the Board, for consideration and approval at its next meeting, “guidelines on the simplified processes for the approval of proposals for certain activities, in particular small-scale activities ...”

It further decided that “the simplified process will include a revised full funding proposal template for micro-and small-scale activities, and the Board’s agreement on simplifying the level of details required in terms of feasibility studies and other supporting documentation for these proposals.” It also decided to “review the simplified process following the completion of the initial resource mobilisation period, based on experience gained and lessons learned”.

Prior to the adoption of the decision, several Board members gave their views.

Diann Black-Layne (Antigua and Barbuda) pointed out that direct access entities (DAEs) in recipient countries should be prioritised. She said many international entities with all the capacities would have no problem submitting proposals, noting that the idea is to get more projects from national entities into the project pipeline.

Richard Muyungi (Tanzania) called for the simplified process to apply to proposals from National Designated Authorities (NDAs) as well and to reflect the prioritisation of proposals from DAEs. **Amjad Abdulla (Maldives)** and **Colin Young (Belize)** supported these views.

Kamal Uddin Ahmed (Bangladesh) stressed the importance of ensuring that entities from LDCs and SIDS are not excluded from GCF resources due to unnecessarily burdensome and undifferentiated, one-size-fits-all project cycle.

“Simplified procedures should mainly enable DAEs with limited capacity to access GCF funding for smaller scale activities. International entities usually have more experience and resources at their disposal. To correct the imbalance, simplified procedures should only apply to regional and national DAEs with the exception for international entities in LDCs and SIDS where there are no DAEs,” he elaborated. He also called for the application of the simplified procedure throughout the entire project cycle and not just at the project approval process alone.

Andrea Ledward (United Kingdom) said the decision proposed by the Co-chairs is for targeting support for more proposals and not to lower the bar in terms of quality of the proposals. She disagreed with including NDAs in the decision as it would be confusing because NDAs do not submit proposals for funding and are therefore not relevant to the simplified procedure that deals with the submission of funding proposals.

In response **Muyungi (Tanzania)** insisted the Board needs to address the issue of proposals from NDAs and wanted the matter to be dealt with at the Board’s next meeting in October this year in Ecuador.

Co-Chair McDonald noted that the issue will be on the agenda of the 14th meeting.

Project Preparation Facility (PPF)

(The Board had last year agreed to establish a facility for the preparation of project proposals called the PPF. The PPF can provide funding to entities of up to 10% of the requested GCF funding sought, with a maximum of USD 1.5mil for any single proposal.)

The Board at the recent meeting in Songdo decided that “the PPF will support project and programme preparation requests from all accredited entities, especially direct access entities, especially for projects in the micro-to-small size category,...with a view to enhancing the balance and diversity of the project pipeline.”

It also decided that the PPF will support funding for the following activities: “pre-feasibility and feasibility studies, and project design; environmental, social and gender studies; risk assessments; identification of programme and project level indicators; pre-contract services, including revision of tender documents; advisory services and/or other services to financially structure a proposed activity; and other project preparation activities where necessary and with sufficient justification.”

The Board further decided on the operating modalities which included the following: “The PPF requests will be developed by accredited entities in consultation with the NDAs or focal points and with support from the Secretariat; the PPF requests will be submitted by accredited entities in conjunction with a no-objection letter (from the NDAs); the Board authorises the Executive Director (of the GCF) to approve the PPF requests based on an assessment of the request against the investment criteria of the GCF... , a justification of needs, and consistency with relevant GCF policies; and each approved PPF request will be disclosed on the GCF website upon approval; an amount of US\$40mil will be made available for the implementation of the initial phase of the PPF.”

The Board also decided “that the independent evaluation unit will review the implementation of operational guidelines and the effectiveness of the PPF in order to draw lessons learned...”

Prior to the adoption of the decision, several Board members gave their views on the draft decision on the PPF which was prepared by the Secretariat.

Omar El-Arini (Egypt) cautioned against requesting the Secretariat to manage PPF requests with a view to seeking geographic balance and a balance between national, regional and international accredited entities at this early stage. On the operation modalities, he asked where the role of developing countries was if the PPF requests are to be developed by accredited entities in consultation with the Secretariat. (The final decision as set out above requires the accredited entities to consult also with the NDAs or focal points).

Diann Black-Layne (Antigua and Barbuda) said that PPF should be for national and regional entities instead of international entities.

Ali'ioaiga Feturi (Samoa) said PPF needs to be operationalised as a matter of priority to complement the simplified approval procedures for small-scale and certain activities. He stressed the importance of the readiness programme operating in a complementary manner with the PPF.

Tosi Mpanu Mpanu (Democratic Republic of Congo) agreed that priority should be given to DAEs but it should not be limited to them to avoid being too restrictive. He said the PPF should complement the readiness programme and the simplified process for approval of proposals for certain activities. **Colin young (Belize)** stressed that the involvement of NDAs is critical.

Karsten Sach (Germany) said the PPF should be primarily but not specifically for projects in the micro-sized category and disagreed that pre-feasibility studies should be supported as this should be funded through the readiness programme.

Andrea Ledward (United Kingdom) said success of the POPF should be measured by the quality funding proposals, adding that the guidelines needed more clarity.

Anton Hilber (Switzerland) cautioned against ‘shopping phenomena’ between PPF and the readiness programme in terms of supporting the activity of feasibility study. He felt that the amount provided (up to USD1.5mil) was on the high side but was nevertheless ready to support the decision but said he “would not like to see the maximum amount being the normal case”.

Leo Martinez (United States) concurred with El-Arini’s concerns about the delegation of power to the Secretariat. He noted that as this is a learning process, an early evaluation of the PPF is needed and that this is the job for the independent evaluation unit (IEU). He suggested adding advisory services to help NDAs to structure their financial activities across the different funding windows.

Request for Proposal

(In relation to the Private Sector Facility of the GCF, the Board last year had agreed to establish a pilot programme to support micro, small, and medium-sized enterprises of up to USD 200 million for mitigation and adaptation activities.)

The Board at its recent meeting, endorsed the draft request for proposals (RFPs) (prepared by the Secretariat) for the micro, small, and medium-sized enterprise pilot programme.

It requested the Secretariat to issue the RFPs to solicit responses from accredited entities and potential accredited entities in order to establish and manage the pilot projects/programmes.

The Board decided to limit participation of the GCF in the first pilot programme to USD100 million. It also decided to consider funding proposals that are submitted in response to the RFPs as part of the wider portfolio of the GCF, and through the same modalities as spontaneous proposals.

The Board also requested the Secretariat to prepare the terms of reference for one or more RFPs for the remainder of the micro, small, and medium-sized enterprises pilot programme, taking into account lessons learned from this first phase, and to present this to the Board consideration.

It also requested the Secretariat to provide a status update on the progress of the pilot programme for its next meeting.

Interim procedures for redress

The Board approved ‘interim procedures for redress’ for the ‘reconsideration of funding decisions’. Given that the Head of the Independent Redress Mechanism (IRM) has just been appointed by the Board, the procedures that were adopted are interim.

(The IRM of the GCF has two functions: (i) the reconsideration of funding decisions and (ii) to address the grievances and complaints by communities and peoples that have been directly affected by projects funded by the GCF. At the recent Board meeting, members only considered an interim redress procedure for reconsideration of funding decisions.)

According to the interim procedures adopted, within 60 calendar days from the date on which the Secretariat informs the relevant NDA or Focal Point of the relevant Board decision denying funding to a specific project or programme, the relevant NDA or Focal Point (referred to as the ‘applicant’) of the developing country concerned may file a request for reconsideration of the funding decision with the Head of the IRM. Several other steps were agreed to on what the Head of the IRM must upon receipt of the request.

The decision adopted by the Board also requested the Head of the IRM “to prepare, with the support of the Secretariat, for consideration by the Board no later than its 16th meeting, the detailed guidelines and procedures for the IRM...in close consultation with similar or equivalent mechanisms of accredited entities and other stakeholders.”

It also requested the Head of the IRM, “when preparing such detailed guidelines and procedures to consider how the GCF should contribute to the third party costs and expenses incurred by those who are entitled to seek redress from the GCF and make a recommendation to the Board in this regard, including in respect of the circumstance under which such costs may be claimed and the modalities pursuant to which such costs will be assessed...”

The decision also affirmed that prior to the full operationalisation of the GCF’s IRM, grievances and complaints from communities and people should be addressed by the institutional grievance mechanism of the relevant accredited entity and invited the Head of the IRM, following consultations with relevant stakeholders to recommend any necessary updates to the terms of reference of the IRM for the Board’s consideration no later than the fifteenth meeting of the Board.”

During the discussions prior to the adoption of the decision in this regard, some Board members expressed concerns over the issue of the costs and expenses for drafting and filing of the redress request that are to be borne by the applicants.

Ayman Shasly (Saudi Arabia) noted that it would be prohibitive to the party who is eligible for the funding to bear the cost and urged members to consider using the operational costs of the Fund for this purpose.

Echoing Shasly, **Diann Black-Layne (Antigua and Barbuda)** said “we know who the people are that will be affected ... they will be the people and community from the developing countries.”

Leonardo Martinez (United States) wanted to know how (redress) costs are handled in other accredited entities (referring to the likes of United Nations Development Programme and the World Bank) for consideration of this matter. He also suggested that the newly-appointed Head of IRM to report back to the Board between now and the 16th Board meeting on the status of the guidelines.

Noting that there is no process on how to deal with any appeal to the IRM between now and the time the IRM is operational as regards grievances and complaints from affected

communities and people, Martinez proposed that those affected should be able to go to the institutional grievance mechanism of the accredited entities.

Andrea Rodriguez (the alternate active civil society observer from developing countries) urged the Board to give guidance to the newly-appointed Head of IRM to expedite development of an interim procedure for the second function of addressing grievances from communities affected so that any concerns relating to projects already approved can be raised. She also said the Board should give full authority to the Head to engage in a consultative and participatory process to develop the operational policies and procedures for affected communities to raise grievances.