Annex X: Simplified approvals process pilot scheme

I.   Objective

1.   The objective of this pilot scheme ("Pilot Scheme") is to apply best practices in order to reduce the time and effort needed in the preparation, review, approval and disbursement procedures for proposals of certain activities, in particular small-scale activities. The details of the Pilot Scheme are set out below. Unless otherwise specifically modified herein, all other relevant GCF policies apply as usual to the Pilot Scheme.

II.   Eligible projects/programmes

2.   Subject to paragraph 4 below, this Pilot Scheme applies to projects and/or programmes which satisfy the following criteria:

(a)   Projects or programmes that are ready for scaling up and have the potential for transformation, promoting a paradigm shift to low-emission and climate-resilient development;

(b)   Projects or programmes with a GCF contribution of up to USD 10 million; and

(c)   Projects or programmes whose environmental and social risks and impacts are classified as minimal to none.

3.   Projects or programmes falling within paragraph 2(c) above are typically considered to have minimal or no environmental and social risks and impacts. Activities under this category are project and context specific, and will be assessed on a case-by case basis, and include, among others:

(a)   Capacity development, planning support, institutional development, advisory services, communication and outreach, household-level facilities and production within an already built-up area and with no additional footprint (basic post-harvest processing, rainwater harvesting, pico- to micro-scale renewable energy, retrofit renewable energy systems and energy efficiency and conservation, agroforestry and small-scale climate resilient agriculture);

(b)   Early warning and other monitoring systems, response planning support;

(c)   In-situ rehabilitation of existing public facilities including maintenance and upgrading where waste will not be an issue, small-scale rural and urban community projects, village-level rural water supply and drainage (including smallholder farm irrigation such as drip irrigation, shallow wells, etc.), rural energy, small-scale infrastructure (including rehabilitation, maintenance and upgrading), small-scale watershed management and rehabilitation, climate resilient agriculture, habitat restoration and rehabilitation, soil and water conservation, forest management activities and agroforestry.

4.   Projects and/or programmes that include known "risk factors" that would require additional information and more detailed due diligence and consultations by the relevant entities shall not be eligible for the Pilot Scheme notwithstanding that it meets the criteria set out in paragraph 2(a) above. The "risk factors" include but are not limited to:

- Activities with potential resettlement and dispossession, land acquisition, and economic displacement issues;

- Activities that may affect indigenous peoples;

- Activities within protected areas and areas of ecological significance including critical habitats, key biodiversity areas and internationally recognized conservation sites;

- Activities that may affect cultural heritage and physical cultural properties;

- Activities with critical infrastructure (like dams, water impoundments, coastal and river bank infrastructure) that would require further technical assessment and safety studies;

- Activities that may generate waste including hazardous waste and pollutants and require further studies on management, minimization and control and compliance to country and applicable international environmental quality standards;

- Activities that may adversely affect working conditions and health and safety of workers or potentially employ vulnerable categories of workers;

- Activities that may involve trans-boundary impacts including those that would require further due diligence and notification to downstream riparian states; and

- Activities that have associated facilities and require further due diligence of such associated facilities.

III.   Eligible entities

5.   The GCF shall only consider projects or programmes which have been submitted by entities which have already been accredited by the Board.

6.   The Secretariat shall take appropriate measures to encourage and provide support to direct access entities to submit projects or programmes under this Pilot Scheme with the aim of ensuring that submissions from such entities constitute at least 50% of all approved projects under the Pilot Scheme.

IV.   Project screening, review and approval

4.1   Project screening and further development

7.   The Pilot Scheme will require the submission of a Concept Note (CN). The Concept Note shall set out a summary of the project or programme and details relating to the project size, the proposed extent of the GCF's participation and the environmental and social risks and impacts of the project or programme. The Secretariat will develop a simplified Concept Note template for this purpose as soon as possible.

8.   The Secretariat will put in place the structure and process for review of proposals with target schedule and completion dates of reviews and report to the Board on the implementation of the structure and process by B.19.

9.   The Concept Note may be submitted at any point during the operation of the Pilot Scheme and shall be accompanied by the results of the environmental and social risk screening that identify project-related environmental and social risks and impacts and their proposed mitigation measures.

10.   Such screening by the entities will be conducted against standardized screening form which shall be developed and published by the Secretariat, and which shall be supplemented by explanation on how the screening form should be completed by entities and how the screening will be conducted.

11.	An Environmental and Social Action Plan (ESAP) may also be required that will describe the actions necessary to carry out the mitigation measures including timelines for their implementation, continuing consultations and engagement, monitoring and reporting, and actions to develop further the institutional environmental and social management system where gaps are identified. The ESAP will also identify any additional studies and work that will need to be carried out by the entity post approval stage and prior to the execution of relevant activities. The result of the environmental and social risk screening and the ESAP, as required, will allow the Secretariat to confirm the level of risk and the environmental and social safeguards requirements of the activities proposed for GCF financing and will be attached as a covenant to the Funding Proposal, becoming binding on the approval of the project. All environmental and social risks and impacts are to be checked by the Secretariat.

12.	Upon receipt of the Concept Note and related documentation, the Secretariat shall first assess the eligibility of the proposed project or programme and the relevant entity. Concept Notes which satisfy the eligibility criteria set out in sections II and III shall then be developed into funding proposals.

13.	Entities whose Concept Notes are eligible and whose screening has concluded in a positive determination shall be invited to submit a Funding Proposal for the Secretariat's review.

14.	The Funding Proposal will follow a simplified format based on the updated project approval process and using a template that will be developed by the Secretariat for this purpose.

15.	Funding proposals will include a pre-feasibility study, and be screened in relation to the environmental and social risks and impacts, stakeholder engagement undertaken, and grievance redress mechanisms, which will be put in place.

16.	The entity proposing the project or programme will need to provide a summary of consultations and a stakeholder engagement plan including activity-level and entity-level grievance redress mechanisms following the guidance and standard format to be provided by the Secretariat.

17.	The review of safeguards will take into account the results of the environmental and social risk screening and the ESAP, as required.

18.	In addition, the Secretariat will provide technical support on how to complete Funding Proposals to relevant entities through the use of any appropriate means.

## 4.2	Project review

19.	It is expected that the entity will conduct all relevant due diligence for the project or programme prior to the submission of a funding proposal.

20.	The Secretariat will carry out its second-level due-diligence based on the simplified set of documents. The Secretariat will confirm the risk category of the project or programme activity. The Secretariat will confirm during project or programme assessment that all activities are consistent with the risk categories adopted.

21.	Proposals under this Pilot Scheme will be subject to iTAP review on a rolling basis. This review will be based on the simplified set of documents.

22.	Simplified financial and other terms shall be included with the Funding Proposal.

23.	Pilot projects assessed with minimal to no ESS risks do not have ESS disclosure requirements by the submitting entities**.**

4.3 Project approval

24.   Funding Proposals whose approval is recommended by the Secretariat shall be submitted to the Board for consideration during its regular meetings, until such time as a process for approving Funding Proposals under this Pilot Scheme through in-between Board meetings is adopted by the Board.

4.4 Post Approval

25.   The Secretariat will implement the full post-approval process for approved Funding Proposals, in an expedited manner where possible, including in relation to the clearance of any conditions, and disbursements.

4.5 Implementation

26.   The list of items attached as conditions and covenants to the project or programme will be implemented by the entity and monitored by the Secretariat

27.   Any changes to project or programme design and implementation arrangements will trigger a project or programme restructuring process that will include re-assessment of project or programme risks and compliance with relevant GCF policies.

28.   A robust monitoring system will be put in place to assist projects or programmes reach compliance, where possible gaps exist. This robust monitoring system may also build capacity of the entities to meet GCF standards and to be able to put forward full proposals in the future. The Secretariat will develop this monitoring system for the simplified approval process in this regard.