Handbook
on
A to Z of

GREEN CLIMATE FUND

(GCF)

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1. BASICS of GREEN CLIMATE FUND

1.1 GREEN CLIMATE FUND (GCF):

The Green Climate Fund (GCF) is the world's largest climate dedicated fund for helping developing countries to reduce their Greenhouse Gas (GHG) emissions and enhance their ability to respond to climate change. The GCF is an international climate fund designed to help developing countries respond to climate change by investing in low-carbon resilient development. Green Climate Fund (GCF) was established and set up by the UNFCCC through an agreement by the 194 governments at the 16th Conference of Parties (COP) in 2010 under the Cancun Agreement in Mexico.

The COP and the Board of the GCF have signed a Memorandum of Understanding (MOU) which guides the relationship of the COP and the GCF which the COP provides annual guidance to the Board related to policies, programme priorities, and eligibility criteria. As a result of decisions contained in Article 9, paragraph 8, of the Paris Agreement, and UNFCCC decision 1of the CP/21, paragraph 58, the GCF also serves the Paris Agreement and the objectives contained therein.

GCF is a main operating entity under the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) which was given the mandate to make "an ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change." The Conference of the Parties" to the UNFCCC established GCF to make a significant shift towards low emission and climate-resilient development pathways in developing countries and help achieve the goal of keeping the rise of average global temperature well below 2 degrees Celsius.

The Fund is expected to make a significant contribution to delivering the global objective of providing USD 100 billion in climate finance per year from public and private sources by 2020. The Fund aims to deliver a equal balance between mitigation and adaptation allocations in its portfolio and ensure that at least 50% of adaptation funding goes to particularly vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States (SIDS) and the African States.

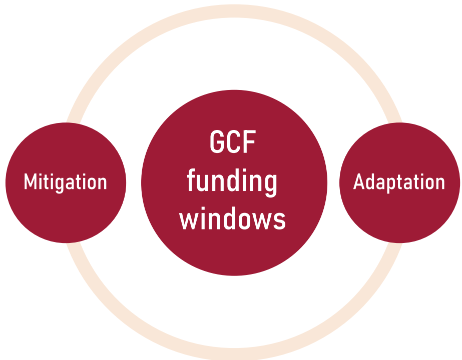


Figure-1: Illustrates the two funding windows through which countries can access GCF funds: adaptation and mitigation.

The GCF finances low-emission (mitigation) and climate-resilient (adaptation) projects developed by the public and private sectors to contribute to countries' climate change priorities. Cross cutting projects that deliver both of mitigation and adaptation, are eligible for funding by the GCF. It should be noted that the GCF strongly encourages shifting away from a project approach towards the use of a more programmatic approach to deliver sustainable climate results and impact in the GCF result areas efficiently, effectively and at a global scale.

1.2. UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC):

The United Nations Framework Convention on Climate Change (UNFCCC)is an intergovernmental framework for dealing with the issue, was negotiated from February 1991 to May 1992 and opened for signature at the June 1992 UN Conference on Environment and Development (UNCED) also known as the Rio Earth Summit. The UNFCCC entered into force on 21 March 1994, ninety days after the 50th country's ratification had been received.
Currently, there are 197 parties to the United Nations Framework Convention on Climate Change (UNFCC). The UNFCCC states that its ultimate objectives of the treatise are to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system" and prevent human damage and interference with the climate system. In 2010, governments agreed that emissions need to be reduced so

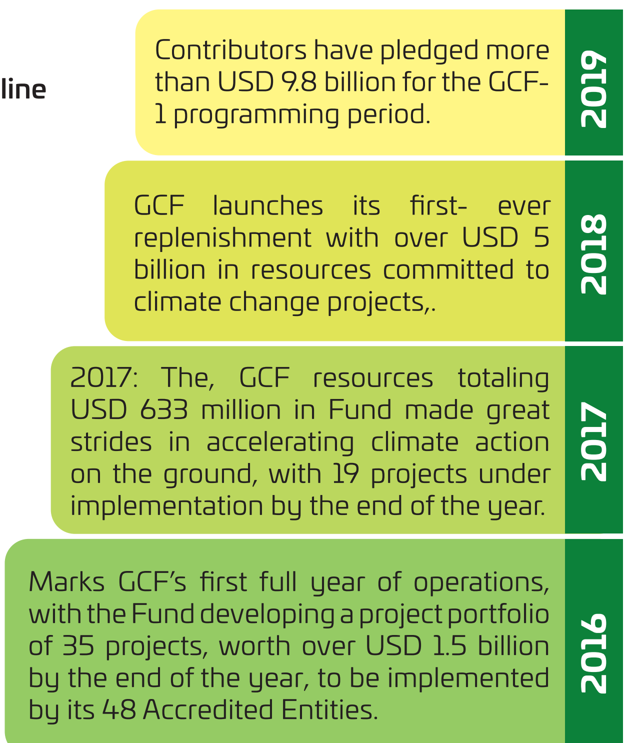
that increase in global temperature are limited to below 2 degrees Celsius. Since 1995 the Secretariat of the UNFCCC, or Climate Change Secretariat who is located in Bonn, Germany. Lead by the Executive Secretary, around 500 Climate Change Secretariat staff from all around the world support governments and stakeholders from all disciplines in their work towards these solutions.

The UNFCCC Secretariat supports all institutions involved in international climate change negotiations. Two to five negotiating sessions are held each year out of which the largest and most important is the Conference of the Parties (COP),

1.3. GCF TIMELINE:

GCF was established under the Cancún Agreements in 2010 as a dedicated financing vehicle for developing countries within the global climate architecture, serving the Financial Mechanism of the UNFCCC and the Paris Agreement. Since the approval of the first project funding in 2015, GCF has made rapid strides in building a portfolio of more than 190 projects. Timeline from 2009 to 2021 is mentioned in figure 2.

Figure 2: GCF Timeline



2015

The first investment decisions are taken, including both mitigation and adaptation projects, meeting the target set by the UNFCCC in advance of the Paris COP. 195 countries agree to the historic Paris Agreement, which GCF now serves as a financial mechanism of the Convention.

2014

Following the establishment of its operational principles and guidelines, GCF commences its initial resource mobilization, raising over or equivalent to USD 10 billion by the end of the year. Initial mobilization lasts until 2018, while the Fund remains open for further contributions during this time from both public and private sources.

2013

HélaCheikhrouhou, the first GCF's Executive Director, is appointed. The Fund establishes its permanent headquarters in Songdo, Republic of Korea, in December 2013.

2012

GCF's Governing Board holds its first meeting. The Board is equally balanced with members from both developed and developing countries.

2011

GCF's Governing Instrument is adopted in Durban, South Africa (COP 17), with the mandate to make "an ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change."

2010

The COP in Cancun, Mexico (COP 16), decides to establish GCF.

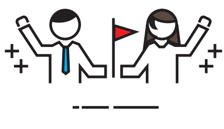
2009

The general concept for GCF is first proposed at the Conference of the Parties 15 (COP 15) to the UNFCCC in Copenhagen, Denmark.

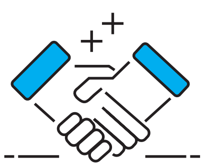
1.4. GCF KEY FEATURES /CHARACTERISTICS:

GCF invests in adaptation and mitigation activities in developing countries, managing a project portfolio that is implemented by its partner organizations, known as Accredited Entities (AEs) of GCF is marked below:

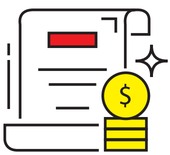
- **Country driven:** A core GCF principle is to follow a country-driven approach, which means that developing countries lead GCF programming and implementation. Country ownership of GCF financing decisions enables developing countries to turn NDC ambitions into climate action. GCF's country-driven approach is underpinned by capacity-building support through its Readiness Programme that is available to all developing countries.



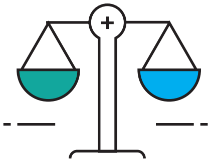
- **An open, partnership organization:** GCF operates through a network of over 200 Accredited Entities and delivery partners who work directly with developing countries for project design and implementation. Partners include international and national commercial banks, multilateral, regional and national development finance institutions, equity funds institutions, United Nations agencies, and civil society organizations. This open partnership enables the Fund to foster unprecedented coalitions between private investors, development agencies and civil society organizations to achieve transformative change and support harmonization of standards and practices.



- **A range of financing instruments:** GCF can structure its financial support through a flexible combination of grant, concessional loan, guarantees or equity instruments to leverage blended finance and private investment for climate action in developing countries. This flexibility enables the Fund to pilot new financial structures to support green market creation.

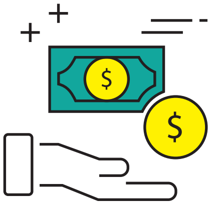


- **Balanced allocation:**



GCF is mandated to invest grant equivalent to 50% of its resources to mitigation and 50% for adaptation. At least half of its adaptation resources must be invested in the most climate vulnerable countries (SIDS, LDCs, and African States). The GCF programming strategy recognizes that we must scale up both mitigation and adaptation efforts. GCF aims to leverage synergies and minimize potential trade-offs between adaptation and mitigation.

- **Risk-taking, patient capital:**



GCF adds value to its partners by not only enabling them to raise the ambition of their climate action but also by leveraging the risk management capacity of our partners and our own set of investment, risk and results management frameworks, GCF can accept higher risks to support early-stage project development as well as policy, institutional, technological and financial innovation to catalyse climate finance. This capacity to take risk is backed up by a robust second level due diligence system.

1.5. INVESTMENT CRITERIA of GCF:

The investment criteria and its related indicators guide GCF stakeholders in the development, assessment, and approval of projects. GCF seek to promote consistency and transparency in funding proposals and promote efficiency in the assessment process. By enhancing the clarity of how funding proposals meet GCF investment criteria, these indicators should be used by Accredited Entities to enhance the quality of funding proposals. The GCF has six investment criteria with which all projects and programmes need to comply:

a) Impact potential: This defines the potential of a project or programme to achieve the Fund's objectives and results areas. It is translated into two core indicators: for mitigation, it is the total tons of avoided or reduced carbon dioxide equivalent (CO_2 eq.) per year; and for adaptation it is the total number of direct and indirect beneficiaries and their share of the total population, as it describes how many people will be protected against the negative consequences of climate change.

b) Paradigm shift potential: This describes the potential to catalyze impact beyond a one-off project or programme investment. The GCF is looking for the following types of projects and programmes:

(1) Proposals that have the potential for being scaled up and replicated in other places and by other actors;
(2) Proposals that can promote innovative solutions as well as learning and knowledge creation;
(3) Proposals that can contribute to creating an enabling environment; and,
(4) Proposals that can contribute to establishing an appropriate regulatory framework and policies at the local, regional, or national level.

c) Sustainable development potential: In order to show the potential to provide wider benefits, a project or programme needs to demonstrate that it has additional environmental, social, health and economic co-benefits as well as gender impacts. These co-benefits may include job creation (economic), access to education (social), improved soil quality or biodiversity (environmental) or the empowerment of women and contribution to gender equality. The project should also highlight how it contributes to the achievement of one or more of the Sustainable Development Goals (SDGs).

d) Needs of the recipient: There are several dimensions to this criterion. For adaptation proposals, it describes the scale and intensity of the vulnerability of the country and the project beneficiaries to climate change impacts. Another aspect is the economic and social development level of the country and beneficiaries, including particularly vulnerable population groups or communities, as well as the need to strengthen institutions and implementation capacity in the respective country. Finally, the existence of alternative sources of financing for the project or programme is an important factor.

e) Country ownership: A GCF funded project or programme

needs to prove its country ownership and capacity to implement the activities mainly by detailing how it is aligned with strategic national objectives and priorities defined in national plans such as climate change policies and plans, NAPs or NDCs. This can include having the project listed as a potential activity or having a project intervention opportunities contained in the plans.

f) Efficiency and effectiveness: Through economic and financial analysis, a project or programme needs to show that it has a financially viable model and is cost-effective and efficient. It needs to establish a financial structure that corresponds to objectives and planned activities. It should also demonstrate how best practice or technologies are implemented in the funding proposal.

1.6. INTUITIONAL ARRANGEMENT AND WORKING MODALITIES OF GCF:

The Fund is designated not only as an operating entity of the financial mechanism under Article 11 of the Convention but also will be accountable to and function under the guidance of the Conference of the Parties (COP).

The Fund is governed and supervised by a Board that has full responsibility for funding decisions. Arrangements supposed to be concluded between the COP and the Fund, consistent with Article 11 of the Convention, to ensure that the Fund is accountable to and functions under the guidance of the COP. In order to ensure accountability to the COP, pursuant to Article 11, paragraph 3, the Board will:

a) Receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria, and matters related thereto;
b) Take appropriate action in response to the guidance received;
c) Submit annual reports to the COP for its consideration and receive further guidance.

The Board has 24 members with an equal number of members from developing and developed country Parties. Representation from developing country Parties should include representatives of relevant United Nations regional groupings and representatives from Small Island Developing States (SIDS) and Least Developed Countries (LDCs).

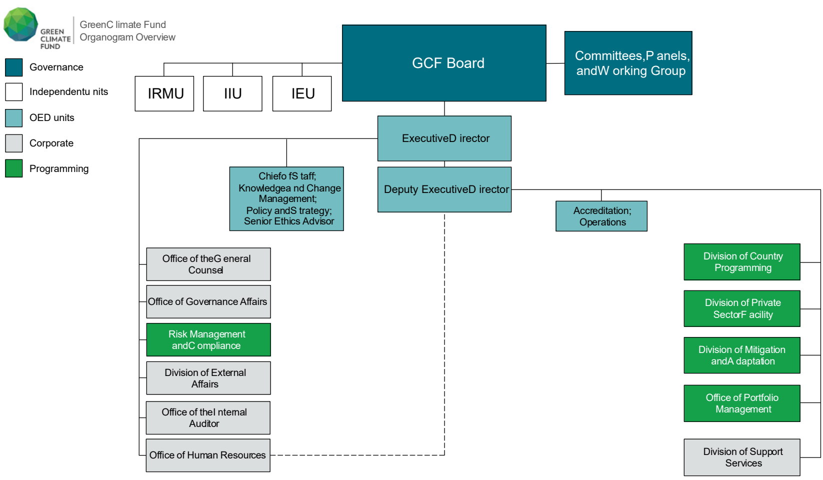
Each Board member have an alternate member who are entitled to participate in the meetings of the Board only through the principal member, without the right to vote, unless they are serving as the member. During the absence of the member from all or part of a meeting of the Board, his or her alternative can serve as the member.
GCF has a fully independent Secretariat which is responsible for executing the day-to-day operations of the Fund and it's services are accountable to the Board. The Secretariat is headed by an Executive Director with the necessary experiences and skills, who is appointed by and be accountable to the Board. The Board approves the job description and qualifications for the Executive Director. The Executive Director selection has been done through a merit-based, open, and transparent process. The Secretariat already staffed with professional staff with relevant experience.

The staff selection is managed by the Executive Director and it is open, transparent, and based on merit, taking into account geographical and gender balance. At present GCF has around 220 staff members at its headquarters, in addition to the several consultants who support the staff. Some limited support is being provided offsite, in other countries. GCF's diversity reflects the global nature of the climate challenge as it represents a close to 50/50 balance between men and women, in as many as 61 nationalities, and through many more languages spoken.
The GCF Secretariat is composed of several divisions and offices that report to the Office of Executive Director. Divisions and offices are as follows:

- Executive Director's office
- Risk Management and Compliance Office
- Portfolio Management Office
- Country Programming Division
- Mitigation and Adaptation Division
- Private Sector Facility Division
- External Affairs Division
- Internal Auditor Office
- Support Services Division
- Human Resources Office
- Governance Affairs Office
- General Counsel Office

The Fund provides simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and encourages the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects. The Board steers the Fund's operations so that they evolve with the Fund's scale and maturity and exercise flexibility to allow the Fund to evolve and become the main global fund for climate change finance.

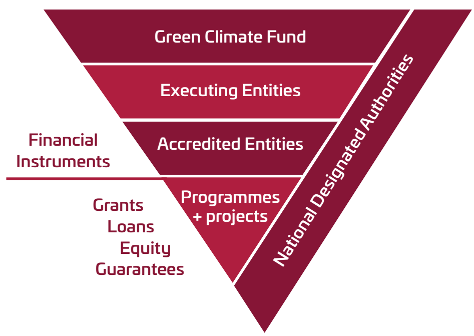
Figure 3 : Organogram of GCF



1.7. ACTORS OF GCF AND ROLE OF NDA, EXECUTING ENTITY (EEs), IMPLEMENTING ENTITY(IEs):

There are three main actors with a role to play in interacting with the GCF as shown in Figure 4; putting a funding proposal together; and, if successfully approved, overseeing and managing implementation and completion of the project.

Figure 4: GCF Architecture



a. National Designated Authority (NDA): The NDA or Focal Point is the national focal agency and point of contact between countries and the GCF. The NDA/Focal Point develops work programmes and oversees funding proposals.

b. Accredited Entity (AE): An Accredited Entity is an institution that is accredited by and accountable directly to the GCF's Board for the overall management of projects such as developing and submitting funding proposals, as well as for the financial, monitoring and reporting aspects of project activities. The AE may be public or private and may include the following:

I. Direct Access Entities (DAEs): DAE corresponds to sub-national, national or regional entities. They may include national ministries or government agencies, national development banks, national climate funds, commercial banks, other financial institutions, etc.; and

II. International Access Entities (IAEs): Which may be bilateral, multilateral, or regional entities. They may include bilateral development agencies, such as Deutsche Gesell schaftfürInternationaleZusammenarbeit (GIZ), multilateral development banks (e.g. World Bank), United Nations agencies (e.g. United Nations Development Programme), regional development banks (e.g. African Development Bank), inter-governmental organizations (e.g. World Wildlife Fund), etc.

In addition to project management responsibilities, an AE may be an intermediary that administers grants and loans while blending funds with its own and others'. When developing a GCF project, a project proponent should identify an AE that will oversee the implementation and management of the proposed project. When selecting an AE, it is important to consider how the Fund categorizes AEs through a customized "fit-for-purpose" accreditation approach.

In addition, a project proponent should identify areas of expertise that an AE can provide to assist in developing the proposal (budgeting, economic and financial analysis, pre-feasibility and feasibility studies, M&E, etc.).

c. Executing Entity (EE): A project proponent that is not an AE can act as an Executing Entity (EE). While an AE acts as a country's fund programme manager, the EE oversees executing eligible activities supported by the GCF under the oversight of the AE. An AE can also execute projects itself. Table: 1 summarizes the main functions of the three actors.

Table1: The National Designated Authority or Focal Point, Accredited Entity, and Executing Entity's Main Functions

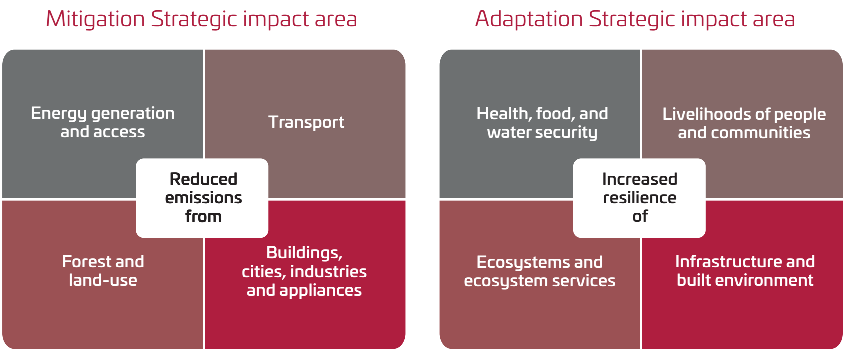
Type of Entity	Roles
National Designated Authority (NDA)	• Provides strategic oversight of a country's priorities; • Convenes national stakeholders; • Provides nomination letters for the accreditation of DAEs; • Provides no-objection letters for projects and programmes; and • Approves readiness support.
Accredited Entity (AE)	• Develops and submits funding proposals for projects and programmes; • Oversees project and programme management and implementation • Deploys and administering a range of financial instruments (grants, • concessional loans, equity and guarantees); and • Mobilizes private-sector capital for blending with GCF and/or own resources.
Executing Entity (EE)	• Develops and submitting funding proposals for projects and programmes through AEs; • Executes funding proposals; and • Works under the supervision and overall management of the AE (no need for accreditation).

1.8. GCF STRATEGIC IMPACT AREAS:

The GCF finances low-emission (mitigation) and climate-resilient (adaptation) projects and programmes developed by the public and private sectors to contribute to countries' climate change priorities. Projects that deliver co-benefits in terms of both mitigation and adaptation, also known as cross-cutting, are eligible for funding by the GCF.

In GCF "project" refers to both projects and programmes, unless explicitly referring to a project example. The GCF strongly encourages to move away from a small, project by project approach towards the use of a more programmatic approach to deliver sustained climate results and impact in the GCF result areas efficiently, effectively and at scale. When developing a GCF project, a project proponent will have to demonstrate the climate change impact of its proposed project or programme in terms of mitigation, adaptation, or cross-cutting.

Figure 5: GCF strategic area



The project proponents should identify which strategic impact areas their proposed project contributes towards the eight strategic impact areas (Figure 5) for mitigation and adaptation.

The GCF has eight mitigation and adaptation results areas in which it seeks to have strategic impact (Figure 6) towards the reduction of emissions and increase in resilience through its projects and programmes.

Figure 6: Strategic impact of adaption and mitigation result

Mitigation	Strategic impact area
 Energy generation and access	**Energy generation and access** plays an important role both economically and socially within society. The energy sector is one of the largest sources of carbon emissions. Replacing fuel-powered generators with the use of cleaner energy technology to produce electricity, such as photovoltaic solar panels and/or wind turbines, is becoming more affordable and will help us lower our national greenhouse gas emissions.

Mitigation	Strategic impact area
 Transport	**Transport** is a sector that contributes to high carbon emissions and therefore requires a long term plan. There are opportunities to replace fuel-operated vehicles with electrical charging stations. Carbone missions can be reduced by having the choice of investing in electric or hybrid vehicles.
 Forest and land-use	**Forest and land-use** projects have a number of benefits, ranging from food, tourism, watersheds, and erosion control. Reducing emissions from deforestation can be a low-cost intervention. Afforestation and reforestation of clear areas can contribute to the reduction of emissions while at the same time providing shelter for animals and insects. Agriculture can face challenges from droughts or more frequent rainfall and flooding, and increasing forest area would help the health of watersheds.
 Buildings, cities, industries and appliances	**Buildings, cities, industries and appliances** is an area with a range of innovative opportunities for transport and planning. For example, the design of new buildings or homes could be encouraged to use natural sunlight in order to reduce electricity use during the day or by using solar panels to generate energy in order to reduce use, costs and emissions at night.
Adaptation	**Strategic impact area**
 Health, food, and water security	**Health, food, and water security** is threatened by the impacts of climate change. Research and experimental methods for the planting of resistant foods using adapted farming techniques will help during prolonged drought periods as water tanks and well-maintained taps and pipelines will ensure we have adequate water. Health may also be affected by extreme weather events, through a rise in vector-borne diseases (e.g. dengue), water-borne diseases (e.g. diarrhea) and heatstroke from extreme heat waves.

Mitigation	Strategic impact area
 Livelihoods of people and communities	**Livelihoods of people and communities** are sustainable when they can cope with as well as recover from, the impacts of climate change. Planning to address vulnerability can help protect community livelihoods which could include adaptation measures to protect water sources, coastlines, food supply and prevent erosion.
 Ecosystems and ecosystem services	**Ecosystems and ecosystem services** provide great value and opportunities for our livelihood. For example, fishing to feed families and facilitating development aspirations in our tourism industry. Protecting ecosystems from environmental degradation and the impacts of climate change is more important than ever.
 Infrastructure and built environment	**Infrastructure and built environment** is an area that could consider designs to reduce emissions, as well as be built to adapt to climate change based on an area's vulnerability. Emission and vulnerability can be reduced by increasing road drainage capacity to minimize flood-prone areas during heavy rains and tropical cyclones.

1.9. GCF PROJECT CATEGORIES:

The proposed project or programme submitted will fall into one of the four GCF project size categories (Table 2).

Sl.#	Project category	Amount of fund (million)
1.	Micro	US$ 0-10
2.	Small	US$ 10-50
3.	Medium	US$ 50-250
4.	Large	US$>250

Table 2: GCF Project Categories

2. GCF FINANCIAL INSTRUMENTS

The GCF uses four financial instruments: grants, concessional loans, equity and guarantees. Grants include reimbursable grants (providing funding after expenses have been incurred) and non-reimbursable grants. Concessional loans include senior loans and subordinate loans. It is important to note that two or more instruments may be blended, with more than one instrument being used by the GCF itself on a project, or a GCF instrument or instruments being combined with instruments from other sources of financiers. For each GCF financing instrument, the project proponent should detail the amount request, grace period, tenor and pricing.

2.1. FINANCIAL INSTRUMENTS AND MODALITIES:

There are four basic instruments that can be used through different modalities and (Table: 3). Such instruments may be supplied through either simple or more complex and sophisticated modalities or structures for projects and/or (policy-based) programmes and in the context of sector-wide approaches. Provision of financing may involve debt swaps, advanced market commitments, performance-based payments, public-private partnerships and a range of other innovative arrangements involving co-financing and leveraging resources on capital markets.

Instruments:

The following options for financial instruments that could be utilized by the fund are not mutually exclusive and can be phased in as the fund evolves. The Board could choose for the Fund to utilize some or all of them.

Option 1: Grants:

Grants are resources generally channeled to fund investments without the expectation that the money be repaid. Such resources can be used, inter alia, to:

a. Cover all or part of the cost of the externality when the abatement cost is not covered by the internal revenue generation of the investment;
b. Cover the incremental cost of climate change investments;
c. Provide technical assistance and capacity building;
d. Undertake feasibility studies; and

e. Offer capacity building to financial intermediaries to leverage resources through other instruments.

Often, grants are used to complement other instruments, such as concessional loans, to maximize the impact of investments. Grants can be provided up-front or disbursed through an incentive-based schedule after achieving specific goals.

Grants can contribute to information generation, data analysis, development and dissemination of knowledge products;, enhance the capacity of national institutions for a robust policy reform and priority setting; and build a strong and sustainable pipeline.

Option 2: Concessional lending:

The up-front transfer or resources from one party to another with the agreement that the money will be repaid on conditions more favorable than market terms is known as concessional or soft lending. This lowers the cost of capital and reduces the risk to all participants by offering low or no interest rates, longer repayment and/or grace periods, or a combination of these features. Intrinsically, concessional lending includes a grant component that can be quantified based on how favorable the lending terms are (the “grant element” of the loan).

Concessional lenders generally consider the existing debt levels and capacity to repay of the loan recipient before extending financing to them. An example of concessional lending is the IADB loan to Trinidad and Tobago to strengthen and modernize the regulatory, institutional and policy framework to develop and promote instruments to assess and reduce vulnerability and risks associated with climate change and to promote carbon markets and policies to reduce greenhouse gas (GHG) emissions.

Option 3: Guarantees:

Some investments entail inadequate risk-adjusted returns to investors or governments and fail to attract capital through debt on terms that could ensure the feasibility of the project. Guarantees help to mitigate or manage such risks. Guarantee instruments are commitments in which a guarantor undertakes to fulfill the obligations of a borrower to a lender in the event of non-performance or default of its obligations by the borrower, in exchange for a fee. Guarantees can cover the entire investment or just a portion of it.

Risk mitigation instruments focus on reducing key default risks at various points in the financing cycle. They can help mitigate specific counterparty risk in a project or provide cover from changes in policy or regulatory frameworks. They can help address project- specific increases in operations and maintenance costs above estimates and where the operator has refused to guarantee additional cost coverage because of a new technology, or degradation of performance beyond the operator's guarantees.

Option 4: Equity investments:

Equity consists of an investment into a project or asset to leverage debt and achieve better returns. Some projects have significant risks and financial requirements that investors are not necessarily willing to take. In such cases, it is possible to make equity investments, which directly inject capital to grow the operation of a project or a firm and allow it to leverage further resources, as they mitigate the risk for other investors. Equity investors own part of the company or assets and therefore, depend on the results of the project to secure a financial return on their investments; they do not have any guarantee of repayment or return. In the case of failure of a project, the debt holders involved in the project have priority on any available returns over the equity investors. Equity is used when the probability of failure of the investment is high, but there still remains a probability of success and, therefore, of return to the equity holder.

It is important to note that two or more instruments can be blended, with more than one instrument being used by the Fund itself on a particular project, or a Fund instrument or instruments being combined with instruments from other sources of financing.

Sl.	Financial instrument	Definition
1.	Concessional loans	The up-front transfer of resources from one party to another with the agreement that the money will be repaid on conditions more favorable than market terms is known as concessional or soft lending. Concessional lending includes a grant component that can be quantified based on how favorable the lending terms are (the 'grant element' of the loan).

2.	Equity	Consists of an investment into a project or asset to leverage debt and achieve better returns.
3.	Guarantee	Guarantee instruments are commitments in which a guarantor undertakes to fulfill the obligations of a borrower to a lender in the event of non-performance or default of its obligations by the borrower, in exchange for a fee. Guarantees can cover the entire investment or just a portion of it.
4.	Grants	Resources generally channeled to fund investments without the expectation that the money be repaid. Grants can be provided up-front or disbursed through an incentive based schedule after achieving specific goals.
5.	Non-reimbursable grants	Unlike reimbursable grants, non-reimbursable grants are standard transfers made in cash, goods or services for which no repayment is required. This amounts to direct aid as opposed to repayable assistance.
6.	Reimbursable grant	Assimilated to loans, reimbursable grants consist in contribution provided to a recipient institution for investment purposes, with the expectation of long-term re-flows at conditions specified in the financing agreement. The provider assumes the risk of total or partial failure of the investment; it can also decide if and when to reclaim its investment.
7.	Senior loan	A senior bank loan is a debt financing obligation that holds legal claim to the borrower's assets above all other debt obligations. The loan is considered senior to all other claims against the borrower, which means that in the event of a bankruptcy the senior bank loan is the first to be repaid before all other interested parties receive repayment

Table 3: Financial instruments of GCF

3. GCF ACCREDITATION:

3.1 ACCREDITATION:

Accreditation is a process under which entities have to demonstrate that they can manage the fund's resources per standards and criteria set out in the accreditation application. Economic Relations Division (ERD) under the Ministry of Finance (MoF), which is the National Designated Entity (NDA) to GCF nominates the entities for accreditation. GCF approved accreditation of 103 entities, out of which Direct (National) 47%, Direct (Regional) 13%, and International 40%.

Accredited Entities can be private or public, non-governmental, sub-national, national, regional or international, as long as they meet the standards of the Fund. Accredited Entities carry out activities that usually ranges from development of funding proposals to the management and monitoring of projects and programmes. Countries may simultaneously access GCF resources through multiple entities.

A team of experts from the accreditation panel undertake an independent review of the application to assess whether the applicant entity meets GCF's fiduciary standards and Environmental and Social Safeguards (ESS) and complies with its gender policy.

There are two types of GCF Accredited Entities based on access modalities: Direct Access Entities and International Access Entities.

3.2 ACCREDITATION ELIGIBILITY (Not for international)

Any sub-national, national, regional, public or private agency can apply for accreditation. The condition it has to be followed are:

a. **A legal status:** It has to be legally established within Bangladesh.
b. **An institutional system:** With robust policies, procedures, and guidelines.
c. **A track record:** So it can demonstrate that it implements these policies, procedures and guidelines.

Key facts about accreditation:

- Accreditation is an ongoing, interactive process. The communication must be frequent and effective among applicants, the NDA, and the GCF Secretariat/ accreditation panel. Throughout, whenever the

applicants need clarification or explanation regarding the accreditation process the applicants should approach the NDA and the GCF.
- All application materials and documents should be submitted electronically via the OAS. No hard copy or post-submission materials are accepted. Applicants can check their application status online at any time and will receive regular notifications regarding the application's status.
- Additional information about the application may be requested at any time during the process.
- Accreditation documents should all be in English although GCF is exploring the possibility of enabling submission in all UN official languages.
- The accreditation timeframe is six months, provided all required materials have been submitted.

3.3 ACCREDITATION METHODS:

An entity seeking accreditation will need to submit a completed application through GCF Accreditation that is consistent with the fit-for-purpose accreditation approach at the Green Climate Fund. This approach recognizes the role of a wide range of entities, which differ in the scope as well as nature of their activities, as well as their capacities in advancing the objectives of the Fund. The accreditation approach accommodates this diversity by matching the nature, scale, and risk of intended activities to the application of fiduciary standards, environmental and social safeguards, and gender policy.

Sub-national, national, and regional entities, public and private, applying for accreditation will require a submission of a nomination letter from a National Designated Authority or Focal Point as a part of their application for accreditation. A template for this nomination letter is available.

GCF receives applications for accreditation on a rolling basis. There is no deadline for submitting accreditation applications. Entities that are not accredited by the Fund may still submit funding proposals through an Accredited Entity to obtain resources for climate change projects and programmes (https://www.greenclimate.fund/accreditation) .

- **Online accreditation:** The Online Accreditation System

- ("OAS") allows entities to submit an application for accreditation to GCF.

In order to gain access to the OAS, applicants need to complete this request form, which should then be sent to the GCF Secretariat. The completed form should be signed by a duly authorized official of the entity, and should include the names and e-mail addresses of persons to whom the Fund is permitted to release OAS account information (including a username and initial password). This letter should be accompanied by documentation acceptable to the Fund evidencing the authority of the signatory.

- **Nomination letter for application for accreditation:** Sub-national, national, and regional entities, public and private, applying for accreditation will need to submit a nomination letter from a National Designated Authority (NDA) or Focal Point (FP) as a part of their application for accreditation. This template may be used as a basis for the nomination letter. International entities are not required to submit an NDA / FP nomination letter.

- **Application for accreditation:** An applicant entity can submit only one application at a time for accreditation to the Green Climate Fund using this form. All applications and supporting documents must be completed and submitted in English or an English translation must be provided until it is feasible to accept and process applications in other official United Nations languages.

  Applications must be submitted via the Online Accreditation System (https:/accreditation.gcfund.org/). Each application will automatically be assigned an application number based on the date and time of receipt by the Secretariat to begin Stage I of the accreditation process.

- **Accreditation Master Agreement (AMA):** The Accreditation Master Agreement (AMA) is signed between an Accredited Entity and GCF as a pre-requisite for the disbursement of funds for a GCF approved project. It contains the general terms and conditions applicable to all GCF funded activities of the AE including conditions precedent to disbursement, fiduciary standards, and privileges and immunities. This document may be used by GCF and an AE as an initial template for the final AMA to be signed between the two parties.

4. GCF FUNDING MECHANISM/ WINDOW

The GCF provides comprehensive support to developing countries to realize the objectives of the UNFCCC and the Paris Agreement, through the Readiness Programme, Project Preparation Facility (PPF) and the funding of transformative projects and programmes (Funding Proposals).

4.1 THE READINESS SUPPORT PROGRAMME (READINESS AND PREPARATORY SUPPORT PROGRAMME):

The Readiness Programme is mandated for the developing countries by the Governing Instrument of the GCF to provide resources for strengthening institutional capacities, governance mechanisms, and planning and programming frameworks to identify a transformational long-term climate action agenda.

The Readiness Programme provides grants and technical assistance to National Designated Authorities (NDAs) and/or focal points (FPs). Readiness funding can also be deployed to strengthen Direct Access Entities. The objective is to enhance the capacity of national institutions to efficiently engage with GCF. Dedicated readiness funding may also assist countries in undertaking adaptation planning and developing strategic frameworks to build their programming with GCF.

All developing country Parties to the UNFCCC can access the Readiness Programme. The GCF aims to commit at least 50 per cent of the resources allocated by the Board to particularly vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States (SIDS), and the African States. Resources may be provided in the form of grants and/or technical assistance. Based on the submission of high-quality proposals, the Readiness Programme may provide:

- Up to USD 1 million per country per year[1] for support related to institutional capacity building, coordination, policy and planning, and programming for investment. Of this overall amount, NDAs/Focal Points may request up to USD 300,000 per year in direct support to help establish or strengthen an NDA or Focal Point to help the country to access the full array of GCF resources. It should be noted that this amount is not a national allocation. NDAs are advised that they may have multiple readiness grants under implementation simultaneously but are expected to ensure readiness proposals build on previous national vision.

interventions and maintain complementarity and coherence within a national vision.

- Up to USD 3 million per country for the formulation of national adaptation plans (NAPs) and/or other adaptation planning processes. This may include support for sub-national adaptation plans and/or sectorial adaptation planning processes.

The Readiness Programme is designed to be a flexible tool to support developing countries, so GCF has not defined a list of activities that can be supported under the programme. The Board has shaped the Readiness Programme over time through a series of decisions, most significantly through B.08/11 and B.13/32 and associated annexes which describe work areas and "indicative activities". Within these parameters, countries are encouraged to develop readiness support requests based on defined needs in complementarity with previous or ongoing initiatives and in alignment with the national vision for climate action.

The resources of the GCF must be managed according to the Fund's Environmental and Social Safeguards System, Indigenous Peoples Policy, and Gender Policy, as well as the Policy on Prohibited Practices and the Policy on the Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment. Information contained within these documents must be complied with when completing the Readiness and Preparatory Support proposal template.

4.2 PROJECT PREPARATION FACILITY (PPF):

The Project Preparation Facility (PPF) supports Accredited Entities (AEs) in preparing full funding proposals for consideration by the Board, based on a concept note that has been cleared for project preparation support vis-a-vis GCF investment criteria.

As mandated by Board decision B.13/21, the Project Preparation Facility (PPF) provides support to Accredited Entities (AE) to prepare funding proposals for submission to the Green Climate Fund (GCF).GCF recognizes developing countries may face capacity constraints in developing climate finance proposals. That is why we provide financial and technical assistance for the preparation of project and programme funding proposals through the Project Preparation Facility (PPF).The PPF support includes feasibility studies, gender assessment, and environment and social assessments, among other inputs required for submission of a funding proposal to GCF.

The PPF is designed especially to support Direct Access Entities (DAE) for projects in the micro (<USD 10 million) to small (USD 10-50 million) size category, with a view to enhancing the balance and diversity of the GCF project portfolio. However, all AEs (direct access and international) are eligible to apply. Financial support for project preparation will be in the form of grants and repayable grants, and equity may also be considered for private sector projects.

Funding available is up to USD 1.5 million for each application to the PPF, commensurate to the funding proposal being developed and to the activities included in the PPF application. On average, the requested value of PPF support is approximately USD 600,000.

The Project Preparation Facility is especially designed to support Direct Access Entities for projects in the micro and small-sized category. However, all Accredited Entities are eligible to apply.

ELIGIBLE PPF ACTIVITIES:

The PPF can support one or more of the following activities. The activities need to contribute directly to the development of one particular project and will need to be submitted as part of the Funding Proposal package.

i. Pre-feasibility and feasibility studies, as well as project design
ii. Environmental, social and gender studies
iii. Risk assessments
iv. Identification of programme/project-level indicators
v. Pre-contract services, including the revision of tender documents
vi. Advisory services and/or other services to financially structure a proposed activity
vii. Other project preparation activities

i. Pre-feasibility and feasibility: Studies, as well as project design: In particular, studies should compare scenarios with and without the project under a projection of climate change and against a baseline situation, and compare those scenarios to each other to determine the impact of the project. This would include data collection, research, site specific technical appraisals, and cost benefit analysis, as well as market research and estimated GHG reduction calculations. Such as a pre-feasibility study or feasibility study for scaling up deployment of a specific climate solution (e.g. solar photovoltaic, or specific climate resilient crops, etc.).

ii. **Environmental, social and gender studies:** As articulated in the Environmental and Social Safeguards Policy, GCF requires that due diligence is exercised in the projects and programmes such that all measures are undertaken to identify, assess and manage the environmental and social risks and impacts and follow Good International Industry Practices (GIIP) and based on established relevant guidance.

iii. **Risk Assessments:**

For example:

- Analysis on risk mitigation instruments
- Site-specific hazard assessments, including identifying hazards and determining hazard mitigations
- Risk analysis as part of the pre-feasibility and detailed feasibility studies
- Development of sensitivities and case scenarios as part of the financial analysis (for example: macroeconomic: currency value fluctuations, inflation and interest rate fluctuations and risk mitigation or project related: costs overrun, potential decrease in project revenues).
- Identification and assessment of potential executing entities in the Funding Proposal to the GCF

iv. **Identification of programme- and project-level indicators and methods to monitor them, if not already included in the feasibility study.**

For example:

a. Logical frameworks, including GCF relevant indicators, and project indicators, their baselines and targets;
b. Assessment of the project/programme against GCF investment criteria;
c. Market assessment and recommendations;
d. Economic analysis and recommendations, including cost benefit analysis; and
e. Financial analysis and recommendations.

v. **Pre-contract services, including the revision of tender documents.**

For example:

a. Terms of reference (TOR);
b. Bidding documents;

c. Procurement packages;
d. Request for proposals;
e. Expressions of interest; and
f. Pre-qualification criteria.

vi). Advisory services and/or other services to financially structure a proposed project/programme.

For example:
a. Advisory services for costing and budgeting according to GCF standards, including the costing in relation to incremental cost for adaptation, in case the project/programme targets adaptation or cross-cutting results; and
b. Advice on legal, financial, tax, regulatory and governance matters, to help structure the investments (can also be a part of feasibility studies); and

vii). Other project preparation activities, where necessary, and with sufficient justification.

For example:
a. Workshops and consultations; and
b. Translation of project documents.

Expenditures that are not eligible for PPF support include:

- Costs associated with normal responsibilities of an AE and/or government staff
- beyond specific project preparation activities for the project in question;
- Project start-up costs, demonstration and pilot projects;
- Capital goods other than those directly required for project preparation, such as
- computers, hardware and mechanical equipment;
- Country level inventories, policies, studies, and general capacity-building activities that can be supported by the GCF Readiness Programme; and
- Purchase of vehicles.

5. GCF FUNDING PROPOSAL TYPE

5.1 THE SIMPLIFIED APPROVAL PROCESS (SAP):

The Simplified Approval Process (SAP) aims to allow for quick review, approval, and disbursement of funding for projects that are ready for scaling-up, of low environmental and social risk (Category C) and small (US$ 10 million). The process is particularly directed to DAEs to encourage them to submit funding proposals. The GCF aims overtime at having 50% of SAP-approved projects coming from DAEs.

Adopted during the 18th Board meeting in October 2017, the SAP intends 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 simplifications are two-fold:

1. The application process is simpler, requiring fewer pages and easier form-filling. There are dedicated templates for Concept Notes and full Funding Proposals; and
2. The review and approval processes are streamlined.

These two simplifications lead to a reduction in time and effort required to go from project conception to implementation.

Dedicated templates of Concept Notes and full Funding Proposals have been developed for the SAP. This form, developed for submitting Concept Notes under the Simplified Approval Process (SAP), needs to be completed by the National Designated Authority (NDA), Focal Point (FP), or Accredited Entity (AE), and submitted to the GCF Secretariat as one of the steps needed in developing Funding Proposals under the SAP.

This form, developed for submitting full Funding Proposals under the Simplified Approval Process (SAP), needs to be completed by the National Designated Authority (NDA), Focal Point (FP), or Accredited Entity (AE), and submitted to the GCF Secretariat.

The key benefit of the SAP is that it reduces time and effort required to go from project concept to implementation. During project formulation, the concept notes and the funding proposal templates are simpler, require fewer pages, and are easier to fill in. There are dedicated templates for the SAP window available on the GCF website, alongside other template

annexes for the full-funding proposal stage.
Projects are eligible under the SAP application window if they meet the following conditions:

- A mitigation or adaptation project that is ready for scaling up;
- A required GCF contribution under $10 million USD of the total project budget; and
- A no- to low-E&S risk level (category C). GCF can support several activities under the SAP window that qualify as no- to low-E&S risk level (category C). Examples of eligible activities under SAP include:
- Learning, communication, and monitoring activities (e.g. planning support);
- Household-level facilities and production within an already built-up area and with no additional footprint (e.g. rainwater harvesting, small-scale climate-resilient agriculture); and
- Small-scale rural and urban community-based projects, rural water supply and drainage at village level (e.g. rural energy, community forest management activities).

What is not eligible are projects with known risk factors that require additional information or more detailed due diligence and stakeholder consultation. Examples of ineligible activities with inherently high-risk factors include those involving the displacement of people or affecting indigenous peoples, those occurring in protected areas and cultural heritage sites, or those that generate waste and affect peoples' health or involve trans-boundary impacts. Over time, projects from Direct Access Entities should constitute at least 50 percent of the SAP portfolio.

SAP can support several activities. A few examples are:
- Early warning and other monitoring systems
- Household-level facilities such as rainwater harvesting and small-scale renewable energy
- Small-scale rural and urban community-based projects such as village water supply and drainage, and climate-resilient agriculture.

Each of the phases of the SAP application process is further described in Table 4. After approval, the GCF Secretariat undertakes robust monitoring to ensure the implementation of the conditions and covenants, and to verify that the GCF procedures and safeguards are maintained.

Phase	Definition
Project submission	• AEs and NDAs must submit concept notes using the SAP concept note template and ESS checklist. This is a mandatory step. • The GCF Secretariat validates the risk categories and notifies the AE and/or NDA if the submitted project is eligible for SAP. • AEs develops a funding proposal, using the dedicated SAP Funding Proposal template including a pre-feasibility study, a summary of the consultations, a stakeholder engagement plan with the grievance re-dress mechanism, and an Environmental and Social Action Plan as applicable
Project review	• The GCF Secretariat reviews the Funding Proposal and annexes, as does the Independent Technical Advisory Panel (ITAP), on a rolling basis. • The activities included in the Funding Proposal will be assessed on a case-by-case basis to determine their eligibility under the SAP
Board approval	• The Board considers the funding proposals during regular Board meetings.
Post -approval	• The Secretariat expedites the post-approval process.
Implementation	• During the implementation, robust monitoring shall ensure compliance with GCF procedures and safeguards are maintained.

Table 4: SAP Approval Process Phases

Proposals for projects or programmes meeting the eligibility criteria can be submitted by Accredited Entities (AEs), with an emphasis on the participation of Direct Access Entities. Concept notes can also be submitted by National Designated Authorities (NDAs) and Focal Points.

SAP funding package:

1. SAP funding proposal
2. Annex 1: NOL (No -objection Letter)
3. Annex 2: Pre-feasibility study
4. Annex 3: Detailed budget
5. Annex 4: Gender assessment and action plan
6. Annex 5: Co-finance letters
7. Annex 6: Term sheet
8. Annex 7: Risk assessment and management
9. Annex 8: Procurement plan
10. Annex 9a: Legal due diligence
11. Annex 9b: Legal opinion certificate of internal approval
12. Annex 10: Economic and financial analysis

5.2 ENHANCING DIRECT ACCESS (EDA):

In 2015, the Board of the Green Climate Fund (GCF) approved a pilot phase to channel climate financing to homegrown organizations in developing countries through the Enhancing Direct Access (EDA) pilot.

The EDA pilot phase aims to enhance access to GCF climate finance by sub-national, national and regional, public and private accredited entities. It sets aside USD 200million for at least 10 pilots, including at least 4 pilots to be implemented in small island developing states (SIDS), least developed countries (LDC), and African states.

Objectives of EDA:

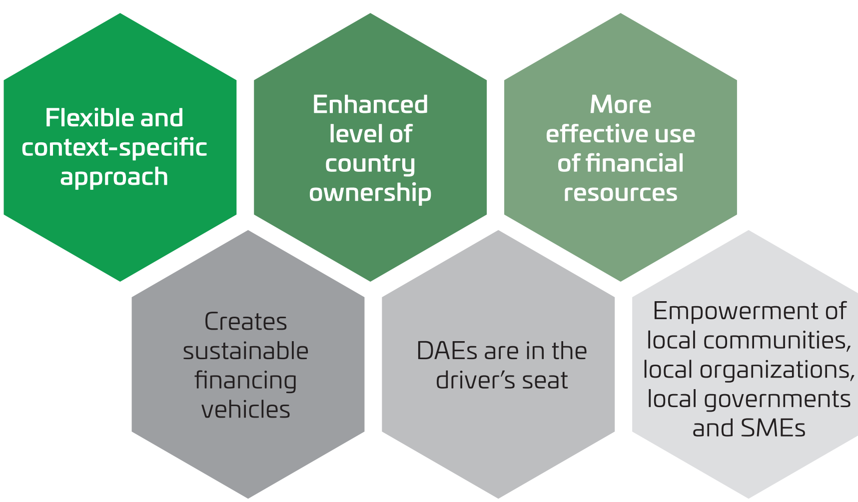
The objective of the EDA pilot is will include devolved decision-making to such entities, once accredited, and stronger local multi stakeholder engagement" (Decision B.10/04). In doing so, the EDA pilot intends to promote country ownership of projects and programmes by empowering local actors with climate finance decision-making to best address their climate needs through a dedicated envelope of resources for GCF's DAEs.

The EDA pilot has been designed to provide DAEs with opportunities to move beyond the financing of individual projects towards a more comprehensive and stakeholder-driven programmatic approach. The EDA pilot differs from other GCF access windows because individual sub-projects neither have to be presented in the funding proposal nor subsequently submitted to GCF for approval. Instead, the decision-making mechanism for such sub-projects is devolved at the country level through pre-approved selection criteria. The composition of the decision-making body as well as other features of the EDA pilot should be captured in the funding proposal. Furthermore, the EDA pilot provides flexibility to accommodate a broad range of country conditions and circumstances while the AE maintains the oversight mechanism to ensure effective delivery of funding.

EDA projects allow an effective operationalization of modalities with the potential to enhance access to the GCF funding by sub-national, national and regional, public and private entities.

- Key advantages of EDA include:
- Flexible and context-specific approach
- Enhanced level of country ownership;
- More effective use of financial resources;
- Creates sustainable financing vehicles
- DAEs are in the driver's seat
- Empowerment of local communities, local organizations, local government, and SMEs.

Figure 7: EDA's Key Advantages



OPERATIONAL MODALITIES:

Scope of EDA Projects:

a. EDA projects may include both adaptation and mitigation activities, under one or more of GCF's result areas;
b. EDA projects can cover both public and private sector projects and programmes;
c. GCF requested amount is not set, however, given the size of the current envelope and requirements, it is expected to be on average USD 20 million per EDA pilot proposal. This figure excludes co-financing;
d. EDA projects may be funded through the simplified approval process (SAP) access window;
e. Activities financed under the EDA pilot are limited to environmental and social risk categories B and C;
f. Resources may be channeled through grants, loans, equity or guarantees, depending also on the entity's accreditation scope and the nature of the activities proposed;
g. EDA projects may benefit from the Project Preparation Facility (PPF), including for the development of their annexes, following the endorsement of the EDA Concept Note by GCF's Climate Investment Committee.

Eligible activities under the EDA pilot:

- EDA pilot proposals can include both adaptation and mitigation activities, under one or more of GCF's result areas.
- EDA pilot proposals should directly support communities or small and medium-enterprises (SMEs) through, for example, small grants or extended lines of credit.
- Activities should target local actors, addressing gender aspects and the needs of vulnerable communities.

Who can submit EDA Project:

Submission requirements for EDA are as follows:

a. The EDA pilot intends to focus on direct access entities. While it gives the opportunity to GCF accreditation applicants to submit EDA concept notes, with a specific endorsement by the relevant National Designated Authority (NDA)/focal point, they should be accredited to

GCF before they can submit the full EDA funding proposal.

b. Only DAEs accredited for the grant-award function or other allocation mechanisms, such as on-lending and/or blending functions, are eligible to apply for the EDA pilot and can submit EDA concept notes and funding proposals; and

c. If the EDA proposal is submitted under the simplified approval process (SAP),the concept note is mandatory and should be submitted through the SAP online submission system.

MAIN FEATURES OF EDA PROJECTS:

a. Generally, EDA projects are expected to:

b. Support community-based organizations, local organizations, local governments or micro and small to medium enterprises (SMEs);

c. Target local actors, addressing gender aspects and the needs of vulnerable communities;

d. Differ from the traditional direct access modality since there will be no submission of individual projects or programmes to GCF, and decision-making for the funding of specific sub-projects will be devolved to the local level.

5.3 PRIVATE SECTOR FACILITY (PSF):

The magnitude of the required resources to combat climate change is on the order of trillions of USD. Hence, the role of the private sector is fundamental in the mobilization of climate finance, but more importantly in the transformation of the global economic and financial system. The Intergovernmental Panel on Climate Change's (IPCC) Special Report on 1.5°C emphasized the urgency for average annual sustainable energy investments of up to USD 830 billion to transition to a zero-carbon and climate-resilient global economy

In order to scale up GCF's activities and de-risk the delivery of capital flows, GCF has set up the Private Sector Facility (PSF), a dedicated division designed to fund and mobilize private sector actors, including institutional investors, project sponsors and financial institutions.PSF promotes private sector investment through concessional instruments, including low-interest and long-tenor project loans, lines of credit to banks and other financial institutions, equity investments and risk mitigators, such as guarantees, first-loss protection, and grant-based capacity-building programmes. PSF structures these instruments across different practices including:

- **Financial Institutions:** Mainstreaming climate change considerations in the financial system
- **Project Finance:** Tailoring life cycle concessional finance to de-risk infrastructure projects for climate
- **Climate Funds:** Structuring anchor investments in climate equity/ debt Funds
- **Climate Markets:** Developing Capital/Carbon markets that require bespoke structuring solutions
- **Climate Innovations:** Scaling investments into high-impact climate technologies and innovations.

ACTORS OF PSF:

There are two private sector actors such as;

- Enterprises: Produce market goods and/or non-financial services and require lending to invest (such as; MSMEs and large corporations); and
- Private financiers (such as commercial banks and institutional investors): Provide the finance required for investment in the real economy.

As a result, the Private Sector Facility (PSF), the private sector arm of the GCF was set to maximize private sector engagement from both actors to provide transformational solutions and catalyze private finance that supports climate change mitigation and adaptation projects in developing countries.

The PSF provides equity, grants, concessional loans and guarantees through a variety of financial instruments and structures in an effort to: de-risk investment; bundle small projects into larger portfolios; support capacity-building; develop public-private climate-resilient infrastructure; and encourage innovation. The PSF has a particular focus on LDCs, SIDS, and African states.
As of March 2021 GCF approved a total of 8.4 billion USD for 173 projects. Out of which USD 2.8 billion (33%) for approved 34 projects under Private Sector and USD 5.6 billion (67%) for 139 projects under public sector.

GCF'S PRIVATE SECTOR VALUE PROPOSITION:

- Aim to de-risk the movement of global capital to solve climate challenges in developing countries;

- have a special focus on Least Developed Countries, Small Island Developing States, and African states;
- can provide expertise to help to assess the potential climate benefits of project ideas;
- Offer long-term funding through various instruments and can structure in concessionality where necessary to achieve results; and
- Are strategic and flexible

Under the PSF, the Fund has catalyzed private finance by issuing Requests for Proposals (RfPs) and to-date, there are two pilot programmes issued under RfPs. These two pilot programmes include:

a. The Micro, Small and Medium-sized Enterprises (MSME)
b. The Mobilising Funding at Scale (MFS)

a. The Micro, Small and Medium-sized Enterprises (MSME): The MSME pilot programme which aims to use public finance to work with local MSMEs. The objective is to unlock innovative solutions for tackling climate change, in particular on adaptation, using requests for proposals to which all AEs able to demonstrate a track record of successfully working with and financing MSMEs can respond to; and

At the tenth meeting, the board of Green Climate Fund (GCF) established a pilot programme to support Micro, Small and Medium-sized Enterprises (MSMEs) in order to address adaptation and mitigation.

Through the Micro, Small, and Medium Sized Enterprises (MSME) Pilot Programme, GCF aims to provide financing for MSMEs at all stages of growth.

The GCF Board allocated up to USD 200 million for the Programme. The GCF Secretariat will seek to allocate at least USD 100 million for developing countries that are particularly vulnerable to the adverse effects of climate change, including least developed countries (LDCs), Small Island Developing States (SIDS) and African States, over the course of the Programme.

This diverse programme recognizes the diversity of MSME conditions in the various regions, countries and sectors, as well as the need to test appropriate business and institutional models, and various financial instruments in order to ensure the Fund’s resources reach MSME and have a measurable impact on the ground.

Eligibility:
The RFP is open to projects or programmes supporting MSMEs that fit within national climate priorities, and that fit within the eight GCF key result areas. This includes MSMEs that work in any area of the supply chain for climate goods and services (from production and service, to distribution or retail), in both mitigation and adaptation-related activities. This can include MSMEs at any stage in their business life cycle. Eligibility criteria's are:

- track record of working successfully with and financing MSMEs;
- ability to monitor the results
- ability to use GCF resources to create a significant climate

b. The Mobilizing Funding at Scale (MFS): The MFS pilot programme which aims to mobilize funds at scale from institutional investors such as commercial banks, investment funds, insurance companies, pension funds and sovereign wealth funds. To engage with these institutional investors, the fund intends to develop a range of invest-able financial products, some of which include green bonds, commercial paper, syndications and club deals. Institutional investors can benefit from these products, which can help them to raise additional third party capital for climate-related investments.

This Request For proposal (RFP) was a first global call for proposals in the developing world; it has the potential to disrupt the way climate change projects are funded by catalyzing substantial private investments. The aims of mobilizing Fund at Scale is to identify innovative, high-impact projects and programmes that mobilize private sector investment in climate change activity.

5.4. GCF CONCEPT NOTE AND FUNDING PROPOSAL

5.4.1. CONCEPT NOTE:

A document which provides essential information about a proposal to seek feedback on whether the concept is aligned with the objectives, policies, and investment criteria of the GCF. The concept note presents a summary of a proposed project/programme to the GCF in order to receive feedback from the GCF Secretariat on whether the concept is aligned with the Fund's objectives, policies, and investment criteria. Such feedback will provide information to further develop and strengthen the project/programme idea. The concept note template can be downloaded from the GCF website.

Prior to the submission of the concept note, if applicable, but no later than the submission of a funding proposal to the Secretariat, the accredited entity shall:

a. Inform the NDA or, if applicable, the focal point about the proposed activity to be implemented in their country and commence consultations with a view to confirming it is in accordance with the country's strategic framework and priorities; and
b. Inform the Secretariat that it has commenced consultations with the NDA or, if applicable, the focal point.

Any feedback provided by the GCF Secretariat does not represent acceptance or commitment to provide financial resources in respect of a specific project/programme. Funding decisions can only be made by the GCF's Board. Any feedback is intended to provide non-binding guidance to enable the Accredited Entity to initiate the next phase, the preparation, and submission of the full funding proposal. The concept note is not mandatory but strongly encouraged to promote early feedback from the GCF Secretariat, to streamline with the Project Preparation Facility (PPF), and to allow for a faster review process.

Table of contents of a concept note template:

A. Project/programme summary
B. roject/programme information
C. ndicative financing/Cost information
D. Supporting documents submitted

(includes the documents which can be submitted with the concept note but are optional)

- Map indicating the location of the project/programme
- Diagram of theory of change
- Economic and financial model with key assumptions and potential stressed scenarios
- Pre-feasibility study
- Evaluation report of previous project/s
- Results of environmental and social risk screening

5.5 PROJECT PREPARATION AND SUBMISSION OF FUNDING PROPOSAL

5.5.1 PROJECT PREPERATION:

Accredited Entities develop funding proposals, in close consultation with NDAs or focal points, based on the differing climate finance needs of individual developing countries. Accredited Entities can also respond to Requests for Proposals issued by GCF to fill current gaps in climate financing. In issuing some Requests for Proposals, GCF may accept proposals from entities it has not yet accredited. However, non-accredited entities will have to team-up with Accredited Entities when formally submitting funding proposals to GCF. Entities that submit proposals through the Requests for Proposals can be prioritized when applying for accreditation.

GCF does not implement projects directly itself, but through partnerships with Accredited Entities. Accredited Entities comprise the core of GCF's funding proposal cycle. They are responsible for presenting funding applications to GCF, and then overseeing, supervising, managing and monitoring the overall GCF-approved projects and programmes.

It is not necessary for Accredited Entities to act as the direct implementer of funding proposals. Executing Entities can also do this on behalf of Accredited Entities by channeling funds and carrying out the funded activity. In these cases, Accredited Entities will continue to be important as they maintain oversight of Executive Entities' GCF-related activities.

GCF has developed dedicated templates for Concept Notes and full Funding Proposals that Accredited Entities and National Designated Authorities should use for submission to the Secretariat.

- Funding Proposal template
- Annex 1: No objection letter template
- Annex 4: Detailed budget plan template
- Annex 5: Implementation timetable template
- Annex 6: ESS disclosure report template
- Annex 8: Gender assessment and action plan template
- Annex 10: Procurement plan template
- Annex 11: Monitoring and evaluation plan template
- Annex 12: Accredited Entity fee request budget template

- Annex 13: Co-financing commitment letter template
- Annex 15: Evidence of internal approval template
- Annex 17: Multi-country project/programme information template
- Temporary annex: Co-financing policy requirements
- Request template for extension of deadline for fulfillment of conditions prior to FAA execution

Source: https:/www.greenclimate.fund/projects/process

5.5.2 WAY TO MAKE A GOOD PROPOSAL:

A good GCF (adaptation, mitigation or crosscutting) project or programme should demonstrate how it will contribute to achieving a paradigm shift to a country's low-emission and climate-resilient development pathway. To demonstrate this, project proponents should:

- Ensure their funding proposal is underpinned by a strong climate rationale providing the scientific foundation for evidence-based decision making. This is must be fully grounded in the best available climate data and science;
- Describe a long-term vision through its theory of change and how this can be achieved through the logical framework (or log frame) of realizing short, medium, and long-term changes, including by supporting systemic shifts through strategic investments in regulatory and policy actions that have the potential to change behaviour in markets and economies beyond one-off investments;
- Promote country ownership through alignment with national climate change priorities and comprehensive consultation and engagement with all relevant stakeholders, including the National Designated Authority (NDA) the target group (especially vulnerable communities, women, minority groups, etc.), government staff from different ministries or departments, other relevant organizations and sector experts;
- Generate multiple benefits beyond climate impacts, including non-climate environmental, social, economic benefits;
- Be gender-responsive by actively promoting gender equality, and the respect and value of both women's and men's contribution;
- Embed long-term sustainability in the project's design to ensure its impacts will be sustained after financial support from the GCF and other funding sources runs out; and

- Demonstrate value for money and, where possible, secure up-front co-financing to encourage crowding in, that is, stimulating long-term investments beyond the GCF resources and the up-front commitments.

5.5.3 KEY GCF PROJECT DESIGN ELEMENTS:

Before developing a funding proposal, a project proponent should review key GCF policies, procedures and guidelines including the GCF's results management framework, environmental and social safeguards, gender policy, Indigenous peoples policy, stakeholder consultation and engagement, policy on co-financing, and independent redress mechanism.

5.5.3.1 Results Management Framework (RMF):

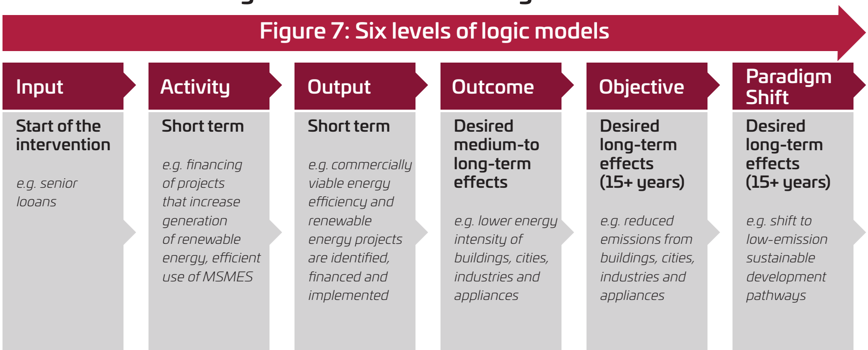
The GCF's Results Management Framework (RMF) defines the elements of a paradigm shift towards low-carbon, climate-resilient, country driven development pathways within individual countries and across the Fund's activities. It is based on two key elements: the logic model and the Performance Measurement Framework (PMF).

Logic model: The logic model demonstrates how inputs and activities are converted to changes in the form of results achieved at the project, country, strategic impact and paradigm shift levels. Figure 11 shows the levels of the logic model and indicates the estimated time required to achieve the relevant results from the time of project inception. The attribution of funded activities to results achieved becomes increasingly difficult as one moves from inputs to results achieved at the paradigm shift level.

The log frame also captures basic monitoring and evaluation (M&E) requirements, which are also key aspects of the RMF. The Accredited Entities (AEs) are primarily responsible for the M&E of their projects and will report accordingly to the GCF. The PMF comprises a set of indicators that allow the GCF to monitor results at the project and aggregate portfolio levels.

In other words, the logic models for adaptation and mitigation represent the results chain and the theory of change. In the proposal, the logic model is reflected in the log frame which will enable project proponents to demonstrate a long-term vision in the changes and impacts to be achieved through the project.

Figure 8: Six levels of logic models



Source: (GCF 2014)

Performance Measurement Framework (PMF): The PMF is the performance measurement system intended to monitor the Fund's results at the project and aggregate portfolio levels. It includes a set of indicators that measure progress towards intended results based on the paradigm shift objective, Fund-level impacts, and project outcomes outlined in the Fund's mitigation and adaptation logic models. See table 20-21 below the full list of indicators presented in the GCF's PMF.

In other words, the logic models for adaptation and mitigation represent the results chain and the theory of change. In the proposal, the logic model is reflected in the log frame which will enable project proponents to demonstrate a long-term vision in the changes and impacts to be achieved through the project.

Table 5: Indicators in the Performance Management Framework mitigation logic model

Expected result	Indicator (indicative)
Paradigm shift objectives	
Shift to low-emission, sustainable development pathways	M-1 Tons of carbon dioxide equivalent (t CO2eq) emitted by countries receiving mitigation funding
	M-2 Cost per tCO2eq decreased for all Fund-funded mitigation projects
	M-3 Volume of public and private funds catalysed by the Fund (core indicator)

Impact (strategic level)	
1.0 Increased low emission energy access and power generation	1.1 Level of national/ regional capacity (MW) from low emission Sources (renewable energy)
2.0 Increased access to low emission transport	2.1 Emissions levels from vehicles
3.1 Annual energy savings (GWh)	Energy balance data
4.1 Forest area under improved management and reduced carbon emissions practices	Existing levels
Project/programme outcome	
5.0 Increased gender-sensitive low-emission development mainstreamed in government	5.1 Number and gender sensitivity of policy, laws and sector strategies supported by the Fund
6.0 More small, medium and large low-emission power suppliers	6.1 MW of capacity from low emission sources
7.0 Lower country energy intensity trajectory	7.1 Energy savings (GWh)
8.0 Increased use of low-carbon transport	8.1 Number of passengers (disaggregated by gender where possible) using low- emission vehicles
	8.2 Modal share (by transportation type)
9.0 Stabilization of forest coverage	9.1 Rate of net deforestation and forest degradation
	9.2 Trend in women/ men's livelihood from Sustainable forestry

Table 6: Indicators in the Performance Management Framework adaption logic model

Expected result	Indicator (indicative)
Paradigm shift objective Project / programme outcomes Impacts (strategic level)	
1.0 Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions	1.1 Percentage reduction in the number of people affected (cf. CRED definition; see Endnote 15) by climate- related disasters, including the differences between vulnerable groups (women, elderly, etc.) and the population as a whole
	1.2 Number (percentage) of households adopting a wider variety of livelihood strategies/ coping mechanisms
2.0 Increased resilience of health and wellbeing, and food and water security	2.1 Percentage of food- secure households (reduced food gaps)
	2.2 Percentage of households with year-round access to adequate water (quality and quantity for household use)
	2.3 Climate-induced disease incidence in areas where adaptation health measures have been introduced (percentage of population)
	2.4 Area (ha) of agricultural land made more resilient to climate change through changed agricultural practices (e.g. planting times, new and resilient native varieties, efficient irrigation systems adopted)
3.0 Increased resilience of infrastructure and the built environment to climate change threats	3.1 Value of infrastructure made more resilient to rapid onset events (e.g. floods, storm surges, heat waves) and slow-onset processes (e.g. sea level rise)

1.0 Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions	3.2 Number of new infrastructure projects or physical assets strengthened or constructed to withstand conditions Resulting from climate variability and change (e.g. to heat, humidity, wind velocity and floods)
4.0 Improved resilience of ecosystems	4.1 Area (ha) of habitat or kilometers of coastline rehabilitated (e.g. reduced external pressures such as overgrazing and land degradation through logging/ collecting); restored (e.g. through replanting); or protected (e.g. improved fire management; flood plain/ buffer maintenance)
	4.2 Number and area of agro-forestry projects, forest–pastoral systems, or ecosystem based adaptation systems established or enhanced
5.0 Strengthened government institutional and regulatory systems for climate-responsive Development planning	5.1 Degree of integration/ mainstreaming of climate change in national and sector planning and coordination in information sharing and project implementation [Core indicator]
6.0 Increased generation and use of climate information in decision-making	6.1 Evidence that climate data are collected, analysed and applied to decision- making in climate sensitive sectors at critical times by the government, private sector and men/ women [Core indicator]
	6.2 Perception of men, women, vulnerable populations and emergency response agencies of the timeliness, content and reach of early warning systems [Core indicator]
7.0 Strengthened adaptive capacity and reduced	7.1 Extent to which vulnerable households, communities,

exposure to climate risks	businesses, and public sector services use improved tools, instruments, strategies and activities (including those supported by the Fund) to respond to climate variability and climate change [Core indicator
8.0 Strengthened awareness of climate threats and risk reduction processes	8.1 Percentage of target population aware of the potential impacts of climate change and range of possible responses [Core indicator]
Additional tracking measure	
	Number of direct and indirect beneficiaries, disaggregated by sex and income level

Source: GCF, 2017

5.5.3.2 INTERIM ENVIRONMENTAL AND SOCIAL SAFEGUARDS (ESS):

The Environmental and Social Safeguards (ESS) are part of GCF's Environmental and Social Management System (ESMS) as a broader operational framework that enables the GCF to incorporate social and environmental considerations into its decision-making processes and operations. The E&S policy is one element of this ESMS framework, along with the ESS and other management processes. ESS are checks and balances within a proposal and its phases to avoid, reduce or compensate for negative environmental and/or social impacts from a project's activities. Project proponents are required to meet the objectives of the standards relevant to their project, in order to manage, mitigate, or avoid the E&S risks associated with their activities.

The GCF's interim ESS are based on the International Finance Corporation's (IFC) eight Performance Standards (PS) on Environmental and Social Sustainability and their objectives. As seen in Table 7, these standards consist of one overarching standard (PS1) and seven standards covering specific issue areas (PS2– 8). PS1 covers the elements that need to be in place to ensure the remaining seven standards are implemented.

The ESS belongs to the GCF's ESMS, namely a broad operational framework that enables the GCF to incorporate social and environmental considerations into its decision-making processes and operations.

P1: Assessment and Management of Environmental and Social Risks and Impacts						
PS 2 Labour and working	**PS 3** Resource efficiency and pollution prevention	**PS 4** Community health, safety, and security	**PS 5** Land acquisition and involuntary resettlement	**PS 6** Biodiversity conservation and sustainable management of living natural resources	**PS 7** Indigenous peoples	**PS 8** Cultural heritage

Source: GCF 2014e

Table 7: Overview of the IFC performance standards

5.5.3.3. GENDER POLICY AND GENDER ACTION PLAN:

The integration of gender considerations within a funding proposal is another key requirement. As per the GCF's Gender Policy, all funding proposals should include qualitative and quantitative gender indicators; be aligned with the national policies and priorities on gender; and provide equitable opportunities for women in stakeholder consultations and decision-making processes throughout the entire project cycle. In addition, it is mandatory that project proponents include in their funding proposal a project-level Gender Action Plan (GAP), which provides an overview of how gender equality will be promoted within the project.

The GCF emphasizes the importance of, and its commitment to, gender equality as a key element of the Fund's programming architecture, both in terms of access to and the impact of climate funding. Gender mainstreaming is central to the GCF; the Governing Instrument pursues gender balance in the appointment of members of its Board and Secretariat and establishes a clear mandate to take a gender-sensitive approach in the Fund's processes and operations.

In 2015, the Board adopted an initial Gender Policy and GAP which was revised in 2019 to incorporate the Paris Agreement, lessons learned from stakeholders, as well as a public call for inputs. The resulting revision led the GCF to adopt a Gender Action Plan 2020 – 2023, as well as an updated Gender Policy. The Gender Action Plan 2020 – 2023 details how the Gender Policy will be operationalized.

5.5.3.4. INDIGENOUS PEOPLES POLICY

The GCF recognizes that Indigenous peoples are disadvantaged by traditional models of mitigation, adaptation and development.

Therefore, responding to the need to engage indigenous peoples in climate change policies and actions, and as enshrined in the Cancun and Paris Agreements, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and International Labour Organization (ILO) Convention 169, the GCF approved an Indigenous Peoples Policy (IPP) that aims to ensure that indigenous peoples receive culturally appropriate social and economic benefits arising from GCF activities, and do not suffer adverse effects during the design and implementation of GCF-financed activities. The policy is underpinned by a rigorous Free, Prior and Informed Consent (FPIC) process incorporating Indigenous peoples' participation in project design and implementation, grievance redress, capacity-building, and consent prior to commencing any GCF activity.

5.5.3.5 STAKEHOLDER CONSULTATION AND ENGAGEMENT:

Stakeholder engagement is a key component of the E&S Policy that applies to all activities financed by the GCF. Project proponents should establish a meaningful consultation and engagement process inclusive of vulnerable and marginalized groups and individuals (including Indigenous communities, women, young and the elderly) who are affected or potentially affected by proposed GCF-funded activities. Meaningful consultation goes beyond consultation by providing a deep commitment by the project proponents to use stakeholder engagement as an opportunity to improve each phase of their activities, instead of just seeking validation or confirmation on stakeholders' positions. It is a more in-depth, nuanced and time-intensive process that gives stakeholders a larger role in framing questions and participating actively in discussions about the project. It involves an ongoing, two-way dialogue that aims to build trust and collaboration to identify ways to innovate and find solutions to shared challenges.

5.5.3.6 POLICY ON CO-FINANCING:

While there is no minimum amount and specific source of co-financing required by GCF, co-financing by the AE and other third parties is strongly encouraged to maximize impact of GCF funding, promote crowding in, demonstrate alignment of interests between the GCF and AEs, and country ownership by developing countries.

They take the form of grants, loans, guarantees and equities. On the rare occasion, in-kind co-financing goods and/or services that would otherwise not be measured in monetary terms can be provided by LDCs. In particular, co-financing can include:

- **Public finance:** All financial resources, other than the GCF proceeds, provided for the implementation of a project from the public sector or entities that are more than 50 per cent owned and/or controlled by the public sector;
- **Private finance:** All financial resources that are provided for the implementation of a project from entities that are more than 50 per cent owned and/or controlled by private shareholders;
- **Leveraged finance (also referred to as catalyzed finance):** Private investment resulting from the contribution associated with GCF involvement in an investment, including investment made as a result of the intervention of additional investors after the first project is completed;
- **Mobilized private finance:** Private finance mobilized as a result of the GCF proceeds; and
- **Parallel financing:** Financial resources flowing alongside GCF proceeds to a project but are not required for the implementation of the project and earmarked for other outcomes consistent with general mitigation and adaptation measures.

The GCF does not use co-financing metrics or dollar amounts of mobilized private finance as targets since maximizing financial spending does not equate with achieving climate mitigation and adaptation results, strong impact potential and high paradigm shift potential.

In a funding proposal, AEs are responsible for including the amount of expected co-financing (the ex-ante estimation expected to be necessary for implementing a project), aggregated by private and public finance sources. AEs are also responsible for monitoring and reporting on the delivery of realized co-financing, including separately with respect to private finance and public finance. Realized co-financing refers to the ex-post amount of co-financing that is actually provided to the project during implementation. This is meant to assess the extent to which expected co-financing was actually provided by co-financiers and, if applicable, to identify other financial resources that were provided but were not previously included in the funding proposal. The provisions on reporting realized co-financing should be included in the final annual performance report (or project completion report) and cover to the extent possible parallel finance, and leveraged finance.

5.5.3.7 INDEPENDENT REDRESS MECHANISM:

To ensure GCF's accountability to its own policies and procedures and have a grievance mechanism, the Board established the Independent Redress Mechanism (IRM). It is meant to address complaints from people in developing countries who are affected by GCF-funded activities in a transparent and effective manner.

Cases can be filed with the IRM by two or more people who believe they have been directly affected by adverse impacts through the failure of a project funded by GCF to implement GCF's operational policies and procedures, including ESS. Other kinds of complaints, such as allegations of corruption and irregular procurement, are handled by separate independent units associated with GCF, including the Independent Integrity Unit (IIU), and cases can be filed on GCF website.

For reconsideration of a GCF Board decision denying funding for a project, NDAs can submit a request to the IRM. The request must show that the denial of funding was based on a non-compliance by the GCF with its policies, programme priorities and eligibility criteria. A request for reconsideration should be made within 60 calendar days from when the GCF Secretariat informs the NDA about the Board decision. The 60-day period starts on the day the Secretariat sends the notification of the decision to the NDA.

5.5.4. SUBMISSION OF FUNDING PROPOSAL:

Project proponents can submit funding proposals to the GCF through an AE spontaneously on an ongoing basis or by responding to a request for a proposal published on the GCF website. Funding proposals submitted to the GCF should include a no-objection letter signed by the NDA. Through the no-objection procedure, the NDA is responsible for ensuring that funding proposals are aligned with national priorities.

The GCF project cycle includes seven main steps.

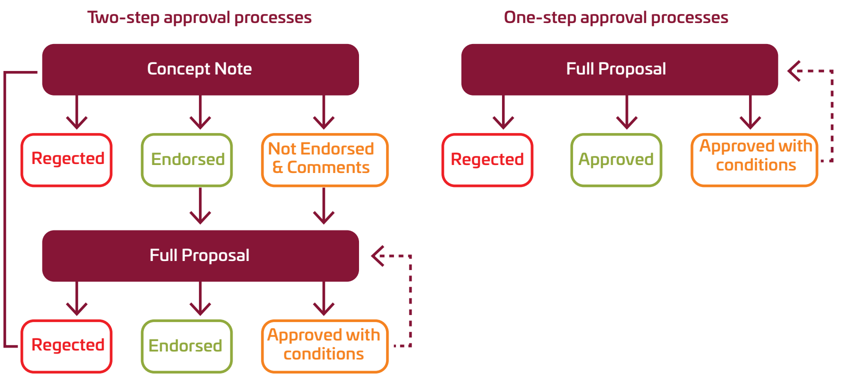
1. The AE or the NDA submits a concept note (voluntary);
2. The AE submits the project proposal to the GCF, in conjunction with a no-objection letter signed by the NDA and submitted within 30 days of the proposal itself;
3. The GCF reviews selected sections of the proposal to assess compliance with GCF policies and the Independent Technical Advisory Panel (ITAP) of the Fund undertakes a technical assessment and provides recommendations;
4. Based on the review and the technical assessment, the GCF Board decides whether to approve the funding or not;
5. If the proposal is approved, a Funded Activity Agreement (FAA) between the AE and the GCF is negotiated and signed;
6. The project enters the GCF portfolio, moving into the implementation phase. Funds are transferred to the AE according to agreed tranches; then

7. The project becomes effective, and the process of monitoring, evaluation, and reporting commences and continues until the project or programme closes and exits the Fund's portfolio.

5.5.5 THE GCF APPROVAL PROCESS:

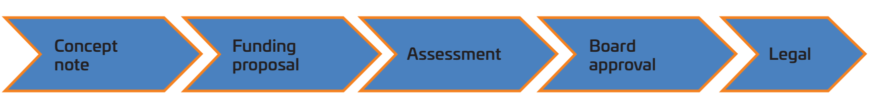
Project proponents can decide to prepare a one-step application (full proposal) or two-step application (concept note followed by full proposal). While it is a voluntary step, developing a concept note is highly recommended as experience has shown that it leads to better proposals. This provides the opportunity to start a dialogue with the GCF Secretariat and receive valuable feedback and guidance. While it is highly recommended, it is not mandatory to identify an AE at the concept note stage. The NDA can also submit a concept note without an associated AE and solicit feedback. The approval process can be seen in Figure 47. Once the concept note has been submitted, further technical assistance support is available through an AE to turn a project concept note into a fully-fledged funding proposal. The Board will approve these requests for support under the Project Preparation Facility (PPF) based on an appropriate review and assessment against GCF's investment criteria and a justification of needs for project preparation funding with information on the underlying project.

Figure 9: Two- step and one- step approval processes



Source: adapted from GCF infographics.

Figure 10: Step by step approval process



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