

Request for proposals

Developing Methodology for Determining the Risk Appetite of the Green Climate Fund (Deadline Extended)

1. Background

1.1 The Green Climate Fund (the “Fund”) was established in December 2010 with the purpose of making a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change. In the context of sustainable development, the Fund will promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

1.2 The Fund was designated as an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (“UNFCCC”). It is governed and supervised by a Board that has responsibility for funding decisions pursuant to the Governing Instrument for the Green Climate Fund. It is supported by an independent Secretariat, accountable to the Board, having management capabilities to execute day-to-day operations of the Fund, providing administrative, legal and financial expertise. The Fund’s headquarters are located in Songdo, Incheon City, Republic of Korea.

1.3 The Fund held the first pledging session of its Initial Resource Mobilization process on 20 November 2014 in Berlin. To date, an amount of US\$10.2 billion equivalent has been pledged by contributing countries to the Fund. It is anticipated that the Fund will start accrediting intermediaries and implementing entities in the first half of 2015 to be followed by developing a pipeline of projects and programme activities.

1.4 Within the Fund’s Secretariat, the Division of CFO and Support Services (“DSS”) is responsible for all budgetary and operational financial matters as well as providing financial and accounting services.

2. Invitation

2.1 Through this request for proposals (“RFP”), the Fund is seeking a firm (“Firm”) interested in developing a methodology to determine risk appetite of the Fund. This methodology must take into account the Fund’s climate change objectives to ensure that the level of risk taken as part of the Fund’s financial activities is not only consistent with the Fund’s financial losses tolerance, but also with the type of engagements necessary to promote the paradigm shift towards low-emission and climate-resilient development pathways.

2.2 The Fund has adopted a financial risk management framework to manage its risk exposure relating to financial risk. This framework consists of financial risk policies, risk



monitoring and reporting, and risk governance. This framework will be expanded to include non-financial risks to manage the Fund's exposure to it.

2.3 At its seventh meeting of the Board, the Board requested the Secretariat to develop a methodology to determine the initial risk appetite of the Fund and to carry out multiple analyses using a methodology to support the Board in the setting of the Fund's initial risk appetite.

2.5 The risk appetite of an organization is the aggregate of many dimensions of risks, each with its own risk profile. While the Board's decision B.07/05 concentrates on financial risks, the methodology for determining the Fund's risk appetite must be more general and take into account a broader set of risks that the Fund may face. In particular, the mandate of the Fund is such that an adequate level of risk appetite must also explicitly consider climate impact risks (i.e. the risk that activities supported by the Fund do not contribute to the Fund's strategic objective on positive climate impacts).

2.6 In addition to this general invitation, the RFP includes the following sections:

- Instructions to Proposers
- Terms of Reference
- Annex I: Evaluation Criteria

2.7 The Fund reserves the right to accept or reject any proposal and to annul the selection process and reject all proposals at any time prior to selection, without thereby incurring any liability to proposers/Firms.

3. Instructions to Proposers

3.1 The tender process comprises three steps:

Submission – The Fund expects technical and financial proposals (three copies each) to be delivered, at the same time, by close of business on **27 March 2015** to:

Green Climate Fund
G-Tower, 175, Art Center-daero
Yeonsu-gu, Incheon 406-840
Republic of Korea

Attention: Division of CFO and Support Services
Secretariat@gcfund.org

Short Listing – The Fund intends to complete a short-list by **1 April 2015** (target date). Additional information may or may not be requested before drawing up the short-list.



Final Step – It is expected that the Fund will make a final decision selecting by **7 April 2015** (target date). For this purpose, short-listed proposers may be required to undergo an interview process and/or make presentations in person or via video link.

Deliverables Deadline

Phase I: Methodology for determining the Fund’s risk appetite	27 March 2015
Phase II: Introduction and integration of risk oriented Investment portfolio management software	To be determined

3.2 **Corrupt, Fraudulent, Coercive, Collusive and other Prohibited Practices.** The Fund requires that all Fund staff, proposers/bidders, suppliers, service providers and any other person or entity involved in Fund-related activities observe the highest standard of ethics during the procurement and execution of all contracts. The Fund may reject any proposal put forward by proposers, or where applicable, terminate their contract, if it is determined that they have engaged in corrupt, fraudulent, coercive, collusive or other prohibited practices.

3.3 **Clarifications and Amendments.** At any time before submission of proposals, the Fund may amend the RFP. Any amendment made will be made available on the Fund’s website and, if applicable, to all short-listed Firms at the same time.

3.4 Interested proposers may request clarification(s) on any part of the RFP. The request must be sent to the Fund at the email address indicated above prior to the submission date.

3.5 **Preparation of the Proposal.** A proposal shall have two (2) components:

- Technical Proposal, and
- Financial Proposal.

3.6 The proposal shall be in English. All reports, opinions and other communications shall be in English unless agreed otherwise for a specific assignment.

3.7 The financial proposal shall express the price for Services in United States Dollar (USD).

3.8 **Technical Proposal.** The technical proposal shall provide the following information using the proposer’s preferred proposal template:

- The proposer’s size and geographic scope, including office locations globally
- The proposer’s experience and list of track record, particularly in risk management;
- Substantial experience in climate impacts and related risks and investment portfolio management software;
- A list of proposed staff, including their CVs, and areas of expertise they will oversee under the proposal;
- The main contact point(s) and responsible partner/manager for the Fund;
- An initial proposal summary on Phase I deliverables listed in Article 4.3 below.



3.9 The technical proposal must be in a sealed envelope separate from that of the financial proposal.

3.10 The technical proposal will be evaluated using the above criteria and will account for **70%** of the evaluation.

3.11 **Financial Proposal.** The financial proposal shall include the following information using the proposer's preferred proposal template:

- Fee structure/pricing for Services, including any discounts, grouped according to practice teams, countries, or other bases. This will include a detailed listing of specific hourly rates of consultant/staff in the Firm who will be performing Services for the Fund;
- Transparency in, and feasibility of, the pricing of services; and,
- Billing/invoicing procedures, including the proposer's policy for charging disbursements. Please note that the hourly rates are deemed to include general office cost.

3.12 The financial proposal must be in a sealed envelope separate from that of the technical proposal. All rates are expected to remain valid for three years following selection.

3.13 The financial proposal will account for **30%** of the evaluation.

3.14 The contract will be awarded to the tenderer with the most economically advantageous tender on quality and cost.

3.15 **Conflict of Interest.** In their proposal, proposers must (i) confirm that, based on their current best knowledge, there are no real or potential conflict of interest involved in rendering Services for the Fund, and (ii) set out their policy on dealing with conflicts of interest should these arise.

3.16 **Confidentiality.** Information relating to the evaluation of proposals and recommendations concerning selection of a Firm will not be disclosed to Firms that submitted proposals.

3.17 The Selected Firm will be required to adhere to the Fund's policies, rules and guidelines. They shall not disclose any information related to tasks/assignments, including working drafts, in any form to any other parties and will be held responsible for any violation of this restriction.\



4. Terms of Reference

4.1 **Introduction.** The Fund is seeking qualified, reputable and experienced Firm to identify the need and existing gaps in the Fund's risk management framework, policies and processes.

4.2 **Scope of Service.** The services may be required or, on an as needed basis, to complete the deliverables listed in Article 4.3.

- Understand the Fund's risk appetite and propose methodologies to be presented to the Board;
- Conduct in-depth research on climate finance and climate impact by sector and region in relation to risk appetite methodologies;
- Define impact parameters and develop a quantitative model to identify the climate impact in a financial term;
- Conduct sensitivity analysis, stress test, VaR, and relevant models;
- Produce a statistical result and coefficients to estimate the quantitative climate impact;
- Propose a pricing policy base on the statistical result and financial terms approved by the Board;
- Assist to establish asset and liability policies, guidelines and management toolkits.

4.3 Deliverables.

Phase I

Policies and procedures for:

- Credit and investment risk, including:
 - i) Senior debt (bilateral, syndicated, private placement, securities);
 - ii) Subordinated and mezzanine debt (bilateral, syndicated, private placement, securities);
 - iii) Equity (bilateral, syndicated, private placement, securities);
 - iv) Guarantees (financial, performance, political, others);
 - v) Foreign exchange and interest rate hedging;
- Market risk, including foreign exchange risk, funding risk, liquidity risk, asset liability mismatch risk;
- Key non-financial risks to which the Fund may be exposed including: climate impact risk (i.e. the risk that the Fund fails to accomplish its climate change objectives, reputational risk, fiduciary risk (or operational risk), legal risk, compliance risk;
- Allocation methodology;
- Development of a matrix in each area of risk appetite. This financial matrixes should include: loss, capital/budget and liquidity;
- Range of acceptable level on risk matrix for each indicator in the respective areas of risk appetite.



Phase II

- Proposal on the introduction of a software that allows the Fund to manage its investment portfolio in a manner matching with the specific demands of the organization, especially in relation to advanced risk management, while ensuring agility and transparency.

Upon successful completion of Phase I, the Firm will be requested to design, implement, integrate and/or customize an appropriate software to manage risks as per the policies and processes drafted in Phase I. The Firm will also be expected to produce customized training material covering the Fund's related new business processes and to train the Fund's staff in their application via the chosen software solution.

The technical context for Phase II can be summarized like that:

- Following a respective RFP with application deadline of 9 January 2015, the Fund intends to select its solution provider for implementation of core ERP functionalities by mid-February 2015, with project work commencing soon after. The Fund may or not chose to utilize project and project portfolio management modules from the ERP suite for covering its basic or extended business needs in that domain.
- The Fund will be required to handle (review wise) the very first wave of incoming investment project proposals as soon as Q2 2015. Current intentions are to provide a modern and intelligently integrated web interface for readiness assistance/knowledge management, future project proposal making, review workflows and all aspects of active and sophisticated risk management during the projects' life time, and the portfolio as a whole.
- The Fund must be interested in avoiding information silos, costly solution fragmentation. But it is even more interested in providing a modern, compelling and differentiating way of handing its investment portfolio, with latter being a core concern of the organization.
- As to preexisting technical platforms, the Fund has already a first component of its business portal in production use, covering the accreditation process for entities interested in future project implementation work. At technical level that happens as Cloud based solution stack with Microsoft Azure, SharePoint and Nintex for advanced workflow management.

4.4 Reporting. The Services will be provided under the guidance and direction of the Fund's DSS. The successful Firm will appoint a key focal point for communication purposes and will be available to respond to contact of DSS pertaining to such Services.

4.5 Duration. It is expected that the duration of the selected Firm's service will be until the deadline of Deliverables stipulated in Article 4.2, otherwise, shall be determined in accordance with the Service Agreement signed between the Fund and the selected Firm.



4.6 **Service Agreement.** The successful Firm will be expected to enter into a Service Agreement with the Fund setting out the general terms and conditions of the call-offs, applicable fees, billing cycle and reporting. The Service Agreement shall be governed by English law, shall contain a PCA arbitration clause (place of arbitration Seoul, Republic of Korea) and shall contain an explicit acknowledgement by the relevant Firm of the Fund's privileges and immunities.



Annex I Evaluation Criteria

A. Evaluation and Comparison of Proposals

1. A two-stage procedure will be implemented to evaluate the proposals. In the first stage, the technical proposals will be evaluated before any financial proposal is opened and compared. Only those financial proposals of the offers that meet at least the minimum score in the evaluation of the technical proposals will be opened. Although price is obviously an important factor for the selection, the Fund has decided to use weightings across a list of selection criteria for determining the best choice. 30% of weight will be given for the financial aspect of offer, 70% for the non-financial aspects, with details below.
2. All proposers are expected to adhere to the formal requirements for submitting a proposal and failure to do so will result in disqualification of the proposal from consideration as part of this evaluation.

B. Evaluation of Technical Proposal

3. A review committee established in the GCF Secretariat will evaluate each technical proposal submitted. Each technical proposal will be evaluated on the basis of its responsiveness to the requirements detailed in this RFP, and will be assessed and scored according to technical evaluation criteria listed below:

Selection Criteria	Max. Points
The proposer's size and geographic scope, including office locations globally	5
A list of proposed staff, including their CVs, and areas of expertise they will oversee under the proposal	5
Substantial experience in climate impacts and related risks and investment portfolio management software	20
The proposer's experience and list of track record, particularly in risk management; The main contact point(s) and responsible partner/manager for the Fund	15
An initial proposal summary on Phase I and II deliverables	25
TOTAL	70

4. Those offers that are reaching at least **45** points during the technical evaluation process will be compared for the financial evaluation.



C. Evaluation of Financial Proposal

5. All proposals are evaluated against the following set of basic financial criteria:

Selection Criteria	Max. Points
Fee structure/pricing for Services, including any discounts, grouped according to practice teams, countries, or other bases. This will include a detailed listing of specific hourly rates of consultant/staff in the Firm who will be performing Services for the Fund;	20
Transparency in, and feasibility of, the pricing of services	5
Billing/invoicing procedures, including the proposer’s policy for charging disbursements. Please note that the hourly rates are deemed to include general office cost.	5
TOTAL	30

The financially most attractive offer will be given the maximum score of **30** points. Other offers will receive a point score proportional with their cost deviation.

D. Consolidated Evaluation

6. The total score of 100 points will be consist of 70 points from technical evaluation 30 points from financial evaluation. For those proposals received **below 60** points in total will **NOT** be considered as short-listed proposers.
