

Date: 20 October
2016
Reference: RFP/2016/ 017

Revised Request for proposals (RFP/2016/017)

Consultancy Services for the Development of Risk Policies and Rating Methodologies

1. Background

1.1 The Green Climate Fund (the “GCF”) 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 GCF 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. The GCF is willing to take on risks that other funds/institutions are not able or willing to take, including risks associated with deploying innovative climate technologies.

1.2 The GCF 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 GCF, providing administrative, legal and financial expertise. The GCF’s headquarters are located in Songdo, Incheon City, Republic of Korea.

2. Invitation

2.1 Through this request for proposals (“RFP”), the GCF is seeking to employ a firm to assist the Secretariat in developing the GCF’s comprehensive risk management policies and manuals, risk rating methodologies to integrate isolated prior Board decisions into one comprehensive risk management framework, and to fill in the gap where necessary components are missing. Proposals must be submitted to the Secretariat no later than **28 October 2016 at 6.00 pm Korean time**.

2.2 The RFP includes the following annexes:

Annex 1	Terms of Reference
Annex 2	Requirement for Firm’s Financial Proposal
Annex 3	Evaluation Criteria
Annex 4	Company Profile Form
Annex 5	Acknowledgement Letter
Annex 6	Timeline
Annex 7	Investment Criteria and Impact Areas
Annex 8	Financial Risk Management Framework
Annex 9	Risk Register
Annex 10	Interim Risk and Investment Guidelines for Private Sector
Annex 11	Risk dashboard and related categories and subcategories of risk

Annex 12	Risk appetite methodology
Annex 13	Markets and Products

2.3 Please note that this document is an RFP and not an invitation to bid. The terms set forth in this RFP, including all the annexes listed above, will form part of a contract, should the Secretariat accept your proposal. Any such contract will require compliance with all factual statements and representations made in the proposal, subject to any modifications agreed to by the Secretariat in the context of any negotiations entered into it.

2.4 The GCF may, at its discretion, cancel the requirement in part or in whole. It also 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.

2.5 Proposers may withdraw the proposal after submission provided that written notice of withdrawal is received by the GCF prior to the deadline prescribed for submission of proposals. No proposal may be modified subsequent to the deadline for submission of proposals. No proposal may be withdrawn in the interval between the deadline for submission of proposals and the expiration of the period of proposal validity.

2.6 All proposals shall remain valid and open for acceptance for a period of 90 calendar days after the date specified for receipt of proposals. A proposal valid for a shorter period may be rejected. In exceptional circumstances, the GCF may solicit the proposer’s consent to an extension of the period of validity. The request and the responses thereto shall be made in writing.

2.7 Effective with the release of this solicitation, all communications must be directed only to the Procurement Specialist by email at procurement@gcfund.org. Proposers must not communicate with any other personnel of the GCF regarding this RFP.

2.8 This RFP is issued under the GCF Administrative Procurement Guidelines¹. Information regarding the Guidelines can be found at [http://www.gcfund.org/fileadmin/00_customer/documents/MOB201410-8th/GCF B.08 31 GCF Procurement Guidelines fin 20141005.pdf](http://www.gcfund.org/fileadmin/00_customer/documents/MOB201410-8th/GCF_B.08_31_GCF_Procurement_Guidelines_fin_20141005.pdf)

2.9 The Guidelines apply for the interpretation of this procurement process.

3. Request for Clarification of RFP documents

3.1 A prospective proposer requiring any clarification of the solicitation documents may notify the GCF in writing via the GCF email address indicated in the RFP by the specified date and time mentioned in Annex 6. The GCF will respond in writing to any request for clarification of the solicitation documents that it receives by the due date published in Annex 6. Written copies of the GCF response (including an explanation of the query but without identifying the source of inquiry) will be sent to all prospective proposers that have received the solicitation documents.

3.2 If the RFP has been advertised publicly, the results of any clarification exercise (including an explanation of the query but without identifying the source of inquiry) will be posted on the GCF website.

¹ Annex II “Corporate Procurement Guidelines on the Use of Consultants”

4. Amendments to RFP Documents

4.1 At any time prior to the deadline for submission of proposals, the GCF may, for any reason, whether at its own initiative or in response to a clarification requested by a prospective proposer, modify the RFP documents by amendment. All prospective proposers that have received the RFP documents will be notified in writing of all amendments to the RFP documents. For open competitions, all amendments will also be posted on the GCF website in the opportunities section, procurement.

4.2 In order to allow prospective proposers reasonable time in which to take the amendment into account in preparing their proposals, the GCF may, at its sole discretion, extend the deadline for the submission of proposal.

5. Language of Proposals

5.1 The proposals prepared by the proposer and all correspondence and documents relating to the proposal exchanged by the proposer and the GCF, shall be written in English. Supporting documents and printed literature furnished by the proposer may be in another language provided they are accompanied by an appropriate translation of all relevant passages in English. In any such case, for interpretation of the proposal, the translation shall prevail. The sole responsibility for translation and the accuracy thereof shall be the responsibility of the proposer.

6. Submission of Proposals

6.1 In view of the limited time available for submission, the GCF will accept technical and financial proposals via email to the email address below by close of business on **28 October 2016**:

Attention:

Procurement Specialist
Secretariat of the Green Climate Fund
11F, G-Tower, 175, Art center-daero
Yeonsu-gu, Incheon 22004
Republic of Korea

Email: procurement@gcfund.org

6.2 Technical and financial proposals must be submitted simultaneously but as separate documents with the RFP reference (RFP/2016/017) and the clear description of the proposal (technical or financial) by the date and time stipulated in above and in Annex 6.

6.3 Proposals must be sent ONLY to the address detailed above. Proposals sent to other addresses or to individuals will put offerors' proposals at risk of being rejected.

All prospective proposers are kindly requested to return the completed Acknowledgement Letter of RFP receipt (Annex 5) by 24th October 2016, duly signed by an authorized representative advising whether it intends to submit a proposal by the designated closing date/time. Please also notify the Procurement Specialist immediately if any part of this RFP is missing and/or illegible.

7. Opening of Technical Proposals

7.1 Proposals will be opened on 31 October 2016 in the room designated for this purpose at the premises of the Secretariat. The purpose of this public opening is to record the names of proposers having submitted proposals by the due date and time. Only technical proposals will be opened at the public opening. The financial proposals will not be opened.

8. Opening of Financial Proposals

After the technical evaluation is completed, the GCF shall notify those Proposers whose Proposals did not meet the minimum qualifying technical score that their Financial Proposals will not be opened. GCF shall simultaneously notify in writing those Proposers that have achieved the minimum qualifying technical score and inform them of the date, time and location for the opening of the Financial Proposals.

At the opening, the names of the Proposers, and their overall technical scores shall be read aloud. The Financial Proposals shall be then opened, and the total prices read aloud and recorded.

9. Corrupt, Fraudulent, Coercive, Collusive and other Prohibited Practices.

The GCF requires that all GCF staff, proposers/bidders, suppliers, service providers and any other person or entity involved in GCF-related activities observe the highest standard of ethics during the procurement and execution of all contracts. The GCF 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.

10. Conflict of Interest

In their proposal, proposers must (i) confirm that, based on their current best knowledge, there are no real or potential conflicts of interest involved in rendering services to the GCF, and (ii) set out their policy on dealing with conflicts of interest should these arise.

11. Confidentiality

Information relating to the evaluation of proposals and recommendations concerning selection of Firms will not be disclosed to Firms that submitted proposals.

Annex 1

Terms of Reference

Development of Risk Policies and Rating Methodologies

(Financial and Non-financial Risk)

A. Introduction

1. The Board of the GCF adopted the Fund's Initial Results Management Framework (Decision B.07/04), Initial Financial Risk Management Framework (Decision B.07/05) and Initial Investment Framework (Decision B.07/06)

([http://www.greenclimate.fund/documents/20182/24943/GCF_B.07_11 -
Decisions of the Board - Seventh Meeting of the Board 18-21 May 2014.pdf/73c63432-
2cb1-4210-9bdd-454b52b2846b?version=1.1](http://www.greenclimate.fund/documents/20182/24943/GCF_B.07_11_-_Decisions_of_the_Board_-_Seventh_Meeting_of_the_Board_18-21_May_2014.pdf/73c63432-2cb1-4210-9bdd-454b52b2846b?version=1.1))

2. The Board adopted the risk dashboard and risk appetite methodology (Decision B.10/08)

([http://www.greenclimate.fund/documents/20182/24952/GCF_B.10_17 -
Decisions of the Board - Tenth Meeting of the Board 6-9 July 2015.pdf/1238c5ad-8686-
4cf9-a401-aa4893818215?version=1.1](http://www.greenclimate.fund/documents/20182/24952/GCF_B.10_17_-_Decisions_of_the_Board_-_Tenth_Meeting_of_the_Board_6-9_July_2015.pdf/1238c5ad-8686-4cf9-a401-aa4893818215?version=1.1))

3. The Board also adopted the risk register and requested the Risk Management Committee, with support from the Secretariat to prepare and present to the Board for its consideration an updated set of risk policies and guidelines that include risk ratings methodologies, which should consider a differentiation of risks between adaptation and mitigation projects (Decision B.12/34)

([http://www.greenclimate.fund/documents/20182/184476/GCF_B.12_32 -
Decisions of the Board Twelfth Meeting of the Board 8 10 March 2016.pdf/020edfa1-
53b2-4abf-af78-fccf5628db2a?version=1.1](http://www.greenclimate.fund/documents/20182/184476/GCF_B.12_32_-_Decisions_of_the_Board_-_Twelfth_Meeting_of_the_Board_8_10_March_2016.pdf/020edfa1-53b2-4abf-af78-fccf5628db2a?version=1.1))

4. In addition, The Board adopted the revised risk register and initial risk and investment guidelines (Decision B.13/35)

([http://www.greenclimate.fund/documents/20182/226888/GCF_B.13_32 -
Decisions of the Board thirteenth meeting of the Board 28-30 June 2016.pdf/c93a0291-
28c1-4bfc-bc22-cf4c590c3c83?version=1.0](http://www.greenclimate.fund/documents/20182/226888/GCF_B.13_32_-_Decisions_of_the_Board_thirteenth_meeting_of_the_Board_28-30_June_2016.pdf/c93a0291-28c1-4bfc-bc22-cf4c590c3c83?version=1.0))

5. The Board, through Decision B.13/36, Requested the Secretariat to develop the necessary methodologies and internal procedures, hire a permanent Risk Manager and additional staff to enhance the Secretariat's risk management capacity as a matter of urgency, and report to the Board, as part of the report on the activities of the Secretariat at each meeting, on the status of this process.

B. Current Status of the GCF's Risk Management Document Development

6. Current status of the Fund's risk management document development is as follows;

Item	Adopted	Completed	Action needed
Risk management framework	Yes	Yes	Review and revise
Risk register	Yes	Yes	Use as reference for other deliverables
Risk dashboard	Yes (Template)	No	Fill in the "TBD" sections
Risk Appetite	Yes (Methodology)	No	Develop risk appetite statement, tolerance, targets/limits for each sub-category of risk
Risk Management Policies	No	No	To be developed
Rating Methodologies	No	No	To be developed
Grant equivalent calculator	No	No	To be developed (Internal research was done)

C. Objective of the assignment

7. The objective of this assignment is to assist the Secretariat in developing the GCF's comprehensive risk management policies, risk rating methodologies to help the Fund build risk management capacity. The Secretariat remains the body in charge of developing risk management policies integrating isolated prior Board decisions into one comprehensive risk management policies, with particular attention to Board decisions defining the Fund's risk appetite. In this assignment, the firm will assist the Secretariat in developing the processes, methodologies and tools to implement the risk management policies, and to fill in the gap where necessary components are missing.

D. Deliverables

8. The firm will commence the assignment as soon as the contract is awarded and is expected to take 4 months. It will produce the following deliverables:

(a) Risk Management Framework which contains the following;

- 1) Development of Risk management policies for the following:

- i. Credit risk management policies (including portfolio concentration risk management policies)
 - ii. Market risk management policies (including foreign currency hedging policies)
 - iii. Asset Liability Management risk management policies (including liquidity risk management policies)
 - iv. Non-financial risk management policies
 - 2) Revision and recommendations for the Risk Register
 - 3) Completion of Risk dashboard
 - 4) Development of Risk appetite, tolerance, target and limit
 - 5) Development of (permanent) (credit) risk and investment guidelines (Interim guidelines adopted by the Board)
 - 6) Advice on the role of the automated software: which function must be automated in the GCF's regular exposure monitoring
- (b) Credit risk rating methodologies for the following instruments, including risk parameters such as Probability of Default (PD) and Loss Given Default (LGD).
- 1) Equity
 - 2) Debt (please propose sub-categories for debt)
 - 3) Fund investment
 - 4) Guarantee
 - 5) FX hedging instruments
- (c) Grant equivalent calculator with technical note for concessional financial instruments other than grant as described in Paragraph 8. (b). 1) through 4) above
- (d) Training of the users of the deliverables described in (a), (b) and (c) above.

E. Range of Service

9. The GCF may assign the tasks to one firm or multiple firms as deemed necessary.

F. Monitoring and progress controls, including reporting requirements

10. The firm will work closely with GCF's Senior Management Team and relevant directors through the Office of Risk Management (ORM). The Secretariat shall keep the RMC regularly and closely informed of progress made by the firm.

The date of signature of the contract by parties, subject to adjustments as required.

G. Requirement of the Firm's Experience

11. The firm should have well-established track record in the following areas;

- (a) Consultancy in financial and risk policy development
- (b) Risk rating methodology development
- (c) Grant equivalents calculation methodology

12. The firm should have competent consultants to perform the tasks.

H. Confidentiality

13. All details of this assignment, discussions, materials, interviews etc. must be kept entirely confidential, unless otherwise specified.

I. Duration of the consultancy

14. This consultancy is expected to take up to a maximum of four months, starting from 3 January 2017.

Annex 2
Requirements for Firm's Financial Proposal

1. The Financial Proposal must provide the total contract amount and a detailed cost breakdown by Activity and Phases. Provide separate figures for each functional grouping or category, including fees and cost-reimbursable expenses, which must be capped.

Any estimates for cost-reimbursable items, such as travel and out-of-pocket expenses, should be listed separately and capped.

2. The Proposer is required to prepare the Financial Proposal in a separate document from the Technical Proposal and included inside the outer envelope containing the RFP. Pricing information should not appear in any other section of the proposal. GCF will not be responsible for any costs incurred by bidders in the preparation of their submissions.

3. The Financial Proposal shall be expressed in United States Dollar ("USD").

Annex 3

Evaluation Criteria

A. Acceptance of Submissions

- 1) All proposers are expected to adhere to the requirements for submitting a proposal. Any proposals that fail to comply will be disqualified from further consideration as part of this evaluation. In particular:
 - Full compliance with the formal requirements for submitting a proposal;
 - Submission of all requested documentation

B. 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, GCF has decided to use weightings across a list of selection criteria for determining the best choice. The Technical Proposal will account for 70% of the evaluation score, and the Financial Proposal will account for 30% of the evaluation score.
2. All respondents to this RFP 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.

C. Evaluation of the Technical Proposal

1. The technical proposal will constitute 70% of the evaluation score. It should be structured in the following format. Proposals will be judged largely on the information provided under the following sections.
 - (a) **Response to the Terms of Reference.** The bidder will provide a detailed description of the proposed work plan for the services covered by this RFP. It must include sufficient information to demonstrate understanding of the requirements and the bidder's capability to successfully complete the project.

This section should include an initial proposal summary, including key deliverables.

- (b) **Relevant Experience.** This section should describe the bidder's experience and ability to perform the required services. It should include the following information.
 - Size and geographic scope of the Firm, including office locations in Korea and developing countries
 - Relevant track record of carrying out similar tasks
 - Existing networks, relationships with financial intermediaries, investment firms and funds, and with the climate change investment community
 - The ability to obtain information for the development of the deliverables

(c) **Key Personnel and Subcontractors.** The bidder should describe the role and responsibility of each member of the proposed team and the skills they bring to the drafting of the guidelines and risk frameworks. A description of the team's experience of this type of work should also be included. GCF expects that all personnel proposed in the project will, in fact, conduct the work. The team should consist of a Team Leader and a maximum of 4 members of consultants, of whom at least one should be Senior Consultant. Requirements of the Personnel are as follows;

- Team Leader: Master's degree in Finance, Business or Public Administration, Management, Statistics, Economics or other related disciplines with at least 15 years of work experience providing financial advisory services;
- Senior Consultant: Master's degree in Finance, Business or Public Administration, Management, Statistics, Economics or other related disciplines with at least 10 years of work experience providing financial advisory services; OR, Bachelors' degree in degree in Finance, Business or Public Administration, Management, Statistics, Economics or other related disciplines with at least 12 years of work experience providing financial advisory services;
- Junior Consultant: Bachelors' degree in degree in Finance, Business or Public Administration, Management, Statistics, Economics or other related disciplines with at least 5 years of work experience providing financial advisory services.

If some or all of the proposed work is to be subcontracted to another company or individual for any reason, the bidder must identify the work items that will be subcontracted, to whom, and the relevant experience and qualifications of the organization or individual. GCF reserves the right to approve all subcontractors.

(d) **Awareness of Challenges (if any).** The bidder must describe what difficulties it anticipates in a project of this type (if any), and describe how it would avoid or overcome such potential difficulties.

(e) **List of References.** The bidder shall provide a minimum of two references for similar types of engagements. Include a brief description of the work done as well as client names, titles, emails and phone numbers to enable GCF to contact the references.

(f) **Schedule and Work Plan.** The work plan for the RFP will be structured in four areas:

Area I: Revised Risk Management Framework. To be delivered no later than 16 April 2017

Area II: Credit Risk Rating Methodology. To be delivered no later than 23 April 2017

Area III: Grant Equivalent Calculator. To be delivered no later than 30 April 2017

Area IV: Training: To be delivered no later than 10 May 2017

A more detailed schedule and work plan is to be provided by the bidder detailing all deliverables and how they meet the above deadlines.

A review committee established in the 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:

	Criteria	Sub-score	Score
1	Expertise of Firm / Organization submitting Proposal		25
1.1	Proven track record of relevant review/assessment experiences for multilateral development banks	10	
1.2	Proven experience in working with international public and private and multilateral organizations.	5	
1.3	Demonstrated knowledge about the skill-set required to manage an institution involved in environmentally sustainable development and international development assistance	10	
2	Proposed Work Plan and Approach		50
2.1	To what degree does the proposer understand the task?	10	
2.2	Have the important aspects of the task been addressed in sufficient detail?	10	
2.3	Is the scope of task well defined and does it correspond to the TOR?	10	
2.4	Is the presentation clear and is the sequence of activities and the planning logical, realistic and promise efficient implementation of the project?	20	
3	Personnel		25
3.1	Lead Consultant / Team Leader	13	
	Suitability for the Project		
	Professional qualifications as specified in this annex		
	At least 15 years' experience		
	Professional Experience in the area of specialization		
3.2	Senior Consultant	7	
	Suitability for the Project		
	Professional qualifications as specified in this annex		
	At least 10 years' experience		
	Professional Experience in the area of specialization		
3.3	Junior Consultant	5	
	Suitability for the Project		
	Professional qualifications as specified in this annex		
	At least 5 years' experience		
	Professional Experience in the area of specialization		
	Total		100

- a. Technical proposals that score at least 75 points out of 100 will be considered as qualified for the review of financial proposal. Any proposal less than that will be disqualified from proceeding to the next step and its financial proposal shall be returned unopened following the award of the contract.

D. Evaluation of Financial Proposal

1. The financial proposal of all offerors, which have attained the minimum score in the technical evaluation, will be evaluated subsequently.
2. The lowest evaluated Financial Proposal (Fm) is given the maximum financial score (Sf) of 100. The formula for determining the financial scores (Sf) of all other Proposals is calculated as following:

$Sf = 100 \times Fm / F$, in which "Sf" is the financial score, "Fm" is the lowest price, and "F" is the price of the proposal under consideration.

E. Consolidated evaluation

The weights given to the Technical (T) and Financial (P) Proposals are:

T = 0.70, and

P = 0.30

F. Consolidated Evaluation

- 1) The total score of 100 points will consist of 70 points from technical evaluation 30 points from financial evaluation. Proposals that received below 60 points in total will NOT be considered as short-listed proposers.

G. Award

- 1) The Award will be made to the responsive proposer which achieves the highest combined technical and financial score, following negotiation of an acceptable contract. GCF reserves the right to conduct negotiations with the Proposer regarding the contents of their offer. The award will be in effect only after acceptance by the selected proposer of the terms and conditions and the technical requirements.

Annex 4 Company Profile Form

Please respond to all questions.

Company details - vendor's name

Name:

General Information

Primary contact for this RFP	
Address	
	Postal Code: Country:
Telephone:	Fax:
E-mail:	Web site:
Parent company, if any	
Subsidiaries, Associates, and/or Overseas Rep(s), if any	
Year established	
Type of organization	Private company () Other (please specify): ()
Type of Business	Financial Intermediary () Consulting Company () Other (please specify): ()
Summary of main business activities	
No. of employees (by location)	
Staff turnover rate	
In-house working language (s)	
Bank Name: Bank Address: Account Holder: Account Number: IBAN: SWIFT:	

Name: _____

Title: _____

Signature: _____

Date: _____

Annex 5
Acknowledgment Letter

Dear Sir/Madam,

We, the undersigned, acknowledge receipt of your Request for Proposal (RFP) No. RFP/2016/XXX dated 13 September 2016, and hereby confirm that we:

INTEND DO NOT INTEND

to submit a proposal to the secretariat of the Green Climate Fund (GCF) by the deadline date of **4 October 2016**.

We acknowledge that this RFP is confidential and proprietary to the secretariat, and contains privileged information. Upon request, we will return this RFP or any part thereof, and all copies thereof, to the secretariat.

Name of Authorized Representative: _____

Signature: _____

Title: _____

Name and Address of Vendor: _____

Telephone: _____

Facsimile: _____

If you do not intend to submit a proposal to the secretariat, please indicate the reason:

We do not have the capacity to submit a proposal at this time.

We cannot meet the requirements for this RFP.

We do not think we can make a competitive offer at this time.

Other (please specify): _____

Kindly return this acknowledgement letter immediately via e-mail to procurement@gcfund.org

NOTE: Due to current security arrangements, your authorized representative must present a completed copy of this letter in order to observe the public opening procedure.

Annex 6 Timeline

1. The Green Climate Fund will follow the timeline below for this RFP. Any changes to this timeline will be posted on the GCF website. Please note that the target dates and may be adjusted.

	Event	Responsible Party	Date (and time, KST*)
1	Posting of RFP	GCF	20 October 2016; 15.00*
3	Last date for requests for clarification of the RFP	Tenderer	24 October 2016
4	Last date to reply to questions received/ Last date for amendment	GCF	25 October 2016
5	Return of Acknowledgement Letter	Tenderer	24 October 2016 2016
6	Last date for submission of proposal	Tenderer	28 October 2016; 18.00*
7	Notice of successful provider	GCF	11 November 2016
8	Contract signing	GCF/Tenderer	14 November 2016
9	Work start	Tenderer	As specified in the contract.

* KST: Korean Standard Time (Seoul Time)

Annex 7
GCF's Investment Criteria and Impact Areas

A) GCF's Investment Criteria

GCF's initial investment criteria are activity-based and composed of six criteria and 24 coverage areas, articulated in the table below. All activity should be consistent with the climate change mitigation and adaptation strategies and plans of targeted countries.

Criterion	Definition	Coverage Area
Impact potential	Potential of the programme/project to contribute to the achievement of GCF's objectives and result areas	<ul style="list-style-type: none"> - Mitigation impact – promote low carbon development consistent with a temperature increase of less than 2 degrees Celsius. - Adaptation impact – promote resilience to climate change.
Paradigm shift potential	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment	<ul style="list-style-type: none"> - Promote the potential for a project or programme to be scaled-up and/or replicated. - Engender knowledge and learning - Create an enabling environment - Contribute to the regulatory framework and policies - Contribute to climate-resilient development pathways
Sustainable development potential	Wider benefits and priorities	<ul style="list-style-type: none"> - Promote environmental co-benefits - Promote social co-benefits - Promote economic co-benefits - Encourage gender-sensitive development impact
Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population	<ul style="list-style-type: none"> - Reduce the vulnerability of the country - Support vulnerable groups and gender aspects - Support the economic and social development level of the

		<p>country and the affected population</p> <ul style="list-style-type: none"> - Promote alternative sources of financing - Strengthen institutions and implement capacity
Country ownership	Beneficiary country ownership of and capacity to implement a funded project or programme (policies, climate strategies and institutions)	<ul style="list-style-type: none"> - Encourage development of a national climate strategy - Maintain coherence with existing policies - Improve the capacity of implementing entities, intermediaries or executing entities to deliver - Promote engagement with civil society organizations and other relevant stakeholders
Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the programme/project	<ul style="list-style-type: none"> - Ensure cost-effectiveness and efficiency regarding financial and non-financial aspects - Increase the amount of co-financing - Assess programme/project financial viability and other financial indicators - Encourage industry best practices

B) GCF's Strategic Impact Areas

GCF provides concessional resources to adaptation and mitigation activities that achieve its mandate. GCF has identified eight strategic impact areas towards which it will channel its funding (Decision B.07/04):

Mitigation strategic impacts areas:

- Reduced emissions through increased low-emission energy access and power generation;
- Reduced emissions through increased access to low emission transport;
- Reduced emissions reductions from buildings, cities, industries and appliances;

- Reduced emissions from land use, deforestation, forest degradation, and through sustainable forest management and conservation and enhancement of forest carbon stocks;

Adaptation strategic impact areas:

- Increased resilience and enhanced livelihoods of the most vulnerable people, communities, and regions;
- Improved resilience of ecosystems and ecosystem services;
- Increased resilience in of health and well-being, and food and water security;
- Increased resilience of infrastructure and the built environment to climate change threats;

C) GCF's Private Sector Priorities

GCF aims to promote private sector investment in the above adaptation and mitigation activities throughout developing countries. It seeks to mobilize private capital and expertise at scale and in accordance with national plans and priorities.

GCF encourages the participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprise and local financial intermediaries. Particular attention is paid to Small Island Developing States (SIDS) and Least Developed Countries (LDCs)

GCF seeks to invest and promote private investment in:

- Universal access to energy (on or off grid)
- Renewable energy
- Public transport
- Waste management and waste-to-energy
- Water treatment
- Agriculture, forestry, and fisheries
- Efficient irrigation
- Energy efficient buildings, city grids, and industry

GCF encourages initiatives that are cross-cutting, scalable and that can attract capital market financing. It is seeking initiatives that take a programmatic approach, that are replicable, and/or that could be financed through clubbed investments.

Annex 8 Initial financial risk management framework

The Fund's initial financial risk management framework consists of the following components:

- Financial risk policies;
- Risk monitoring and reporting; and
- Risk governance.

I. Financial risk policies

The Fund's initial financial risk policies are:

- The Fund will in aggregate seek to maximize grant contributions, taking into account its theme-based allocation. It is foreseen that grant contributions must significantly exceed loan amounts;
- The Fund will initially provide grants and loans through implementing entities (IEs) and intermediaries as per the financial terms and conditions to be approved. Intermediaries will be permitted to blend grants and loans received from the Fund with their own sources of financing or with third-party financing;
- There will be no cross-subsidization between providers of grants and providers of loans. To this end, the Fund, with support from the Trustee, will monitor incoming and outgoing flows and incorporate a conservative hypothesis with respect to possible financial losses in order to ensure that actual reflows from outgoing loans will always exceed repayments due to contributors. The modalities of loan contributions will be defined, both at the collective and at the individual contributor level, in terms of concessionality and other modalities (including the possibility of associated grant or capital provision and appropriate arrangements with contributors regarding the possible write-down of loan contributions), to ensure that loan contributions do not entail any risk in this respect. Overall, these provisions will ensure that the average concessionality level of outgoing loans will be less than the average concessionality level of incoming contributions with a sufficient margin to cover credit risk;
- To further avoid cross-subsidization between providers of grants and providers of loans, future financial losses will be borne by all contributors, which will require that one of the following arrangements (preferably the same) be taken with each loan contributor:
 - Appropriate arrangements with contributors regarding the possible write-down of loan contributions; or
 - The associated provision of a grant or capital contribution by the contributor to the Fund;
- The grant or capital contribution to be made by loan contributors to cushion against credit risk should be calculated on the basis of a realistic assessment of the risks the Fund is expected to take. If, despite all reasonable efforts to maintain the risk profile of the portfolio of the Fund in line with this realistic assessment, the capital cushion proves inadequate, loan contributors will then be expected to contribute additional grant or capital contributions;
- While maximizing effectiveness, the Fund will seek diversity in its asset portfolio on the basis of the Board-determined allocation criteria, geography, results areas, and accredited entities, keeping in mind prudent risk limits from a portfolio diversification perspective where relevant for loans and instruments that entail possible losses;
- The Fund shall take a zero tolerance approach to fraud and shall seek to minimize the risk of moral hazard with respect to intermediaries, consistent with the draft initial

fiduciary principles and standards set out in Annex III of GCF/B.07/02 and decision thereof,

H. Financial risk monitoring and reporting management system

- Table 1 provides an overview of the Fund’s risk monitoring and reporting management system.

Table 1: Fund’s risk monitoring and reporting management system

RISK MONITORING AND REPORTING TOOL	FREQUENCY OF USE	PURPOSE
Financial risk management summary	Quarterly	Track key financial risk indicators in real time.
Financial risk register	Annually	Perform an annual in-depth review of key risk events, management response and residual risk.
Financial statements	Semi-annually	Gain an overview of the institution’s financial situation and its trend over time.
Portfolio review	In real time, with an annual portfolio report	Identify leading indicators of financial risk within the portfolio based on the submission of information from intermediaries and implementing entities; perform stochastic portfolio analyses and sensitivity analyses.
External audit report	Annually	Confirm the accuracy of financial statements as well as obtain a third-party view of the financial health of an institution
Self-evaluation by the Committee of Sponsoring Organizations of the Treadway Commission	Every two years	Scan possible risk gaps not covered by the above-mentioned monitoring instruments.

I. Financial risk governance: roles and responsibilities

- Table 2 provides an overview of the roles and responsibilities related to the Fund’s financial risk governance.

Table 2: Fund’s financial risk governance: roles and responsibilities

	Chief Financial Officer (and Risk Manager*)	Secretariat’s Risk Working Group**	Board’s Risk Management Committee
Role and responsibility	<ul style="list-style-type: none"> • Preparation of financial statements • Preparation of annual portfolio reviews • Management of internal and external audit processes • Review of the financial reporting from the Trustee (and implementing entities and intermediaries) • Preparation of periodic financial risk management summaries • Development of an asset-liability management process 	<ul style="list-style-type: none"> • Review of financial statements, portfolio review and risk summary • Integration of portfolio-level risk data into Secretariat’s due diligence as part of the approval process for project and programme funding • Management of the annual Committee of Sponsoring Organizations of the Treadway Commission (COSO) risk self-assessment for the Secretariat 	<ul style="list-style-type: none"> • Overall oversight of the Fund’s risk management • Review of financial statements, portfolio review and risk summary • Recommendation of risk ceilings (the Fund’s risk appetite or risk limit) for the Board’s approval • Assessment of compliance of the Fund’s financial risk levels with the ceilings • Provision of guidance to the Secretariat on portfolio risk • Reporting on financial risk to the Board • Management of the annual COSO risk self-assessment for the Board

* The Risk Manager and General Counsel report to the Executive Director and advise both Executive Director and the Board on risk and on legal matters respectively.

** With support from the Trustee as appropriate.

Annex 9 Risk register

II. Strategic risk

Risk code		1.1	1.2
Risk category		Strategic	Strategic
Subcategory		Climate impact and results	Concentration
Description		Failure to deliver the expected transformative mitigation and adaptation climate impact as defined by the objectives, investment criteria and the results management framework of the GCF	Concentration on a limited number or types of accredited entities (AEs) or geographies that fail to generate the required balance in mitigation/adaptation; pipeline of projects/programmes
Triggers		<p>1.1.1 Low scale of total mobilized funding by the GCF (including co-financing from other sources);</p> <p>1.1.2 Ineffective use of resources due to poor overall GCF strategy or poor choice of projects/programmes to fund, undermining sustainable development; and</p> <p>1.1.3 Insufficient demand for GCF resources</p>	<p>1.2.1 Poor outreach or an excessively complicated accreditation process limits interest from entities to be accredited leading to reliance on a limited number of them;</p> <p>1.2.2 Pipeline management and approval process fail to adequately balance projects/programmes by AE/geography/financial instrument/thematic areas, and adaptation allocation towards least developed countries/small island developing States and African States; and</p> <p>1.2.3 Inability of direct access entities to generate projects fitting the criteria of the GCF due to a lack of capacity, including insufficient readiness support</p>
Inherent risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)
	Impact	High (H)	High (H)
	Priority	High (H)	High (H)
Mitigation		Internal governance, investment criteria, results management framework, monitoring and evaluation, specifically ensuring that levels of impacts are quantified according to accepted methodologies	Portfolio reports, including concentration levels (on the profile of AEs, levels of approved funding, countries, instruments and project typology), to inform Board decisions on accreditation

		in mitigation and adaptation, while acknowledging that any graduation of risk is difficult due to the uncertainty around reducing warming levels and the effectiveness of adaptation measures resource mobilization, country programming outreach efforts, readiness programme, and the accreditation process	and funding approval and the Secretariat on pipeline development. Investment criteria, etc.
Residual risk	Probability	Somewhat unlikely(SU)	Somewhat unlikely (SU)
	Impact	Somewhat disruptive(SD)	High (H)
	Priority	Medium(M)	Medium(M)
Key risk indicator		Portfolio management overall annual assessment, including measurement of the core adaptation and mitigation indicators agreed in decision B.07/04	Herfindahl-Hirschman Index for AEs/ percentage distribution by number of projects and financial resources by geographic location and adaptation versus mitigation
Owner		Board, Executive Director and Directors	Board, Executive Director and Directors

Risk code	1.3	1.4	1.5
Risk category	Strategic	Strategic	Strategic
Subcategory	Portfolio management	Accountability	Country ownership
Description	Failure to build an optimal portfolio of projects/programmes as defined by the initial results management framework of the GCF	Failure of governance to enable and make timely decisions in corporate affairs or to respond to guidance from the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP)	Failure to develop a portfolio of projects and programmes that is fully aligned with country priorities and strategies; that fosters the involvement of local actors; and that is consistent with the country's debt sustainability framework
Triggers	1.3.1 Weak oversight by AEs, national designated authorities (NDAs) and the GCF on delivery of GCF investments and weak enforcement of remedial actions on	1.4.1 COP guidance that is difficult to operationalize/translate into specific policies; 1.4.2 Inability to take timely decisions due to overloading of meeting agendas and lack of	1.5.1 Failure of the GCF to incorporate NDAs/focal point guidance, including due to their having limited capacity because of lack of

		low-performing projects; 1.3.2 Poor application of the results management framework to measure the evolution of GCF-level results and adjust the pipeline and portfolio accordingly; and 1.3.3 Ineffective identification (by the GCF, AEs, NDAs or other partners) of investment opportunities with strong paradigm shift potential	efficient Board meeting proceedings; and 1.4.3 Failure to implement and/or develop procedures to address, inter alia, decision-making in the absence of consensus and between meetings	support from the GCF; 1.5.2 Failure of the GCF to operate consistently with each country's debt sustainability framework; and 1.5.3 Insufficient GCF support to projects generating high local impact and empowerment of local stakeholders, including local communities, indigenous people and civil societies
Inherent risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)	Somewhat likely (SL)
	Impact	High (H)	High (H)	High (H)
	Priority	High (H)	High (H)	High (H)
Mitigation		Second-level due diligence process based on data from the AEs; the independent Technical Advisory Panel; active oversight in portfolio management; monitoring and evaluation; and remedial actions when projects do not perform	Board procedures, intersession decision-making arrangements and procedures for decision-making in the absence of consensus (under development)	Country programming outreach process to NDAs/focal points; GCF readiness programme; no-objection process from NDAs/focal points; second-level due diligence
Residual risk	Probability	Somewhat unlikely (SU)	Somewhat unlikely (SU)	Somewhat unlikely (SU)
	Impact	High (H)	High (H)	High (H)
	Priority	Medium (M)	Medium (M)	Medium (M)
Key risk indicator		Analysis of portfolio distribution and linkages to observed GCF-level impacts on	Delay in days between the presentation of a proposed decision to the Board and actual	Qualitative assessment from NDAs

	mitigation and adaptation	decision-making; assessment of divergence between COP guidance and actual Board decisions	
Owner	Board, Executive Director and Directors	Board	Board, Executive Director and Directors

J. Reputational risk

Risk code	2.1	2.2	2.3
Risk category	Reputational	Reputational	Reputational
Subcategory	Business practices and results	Unexpected shocks	Accredited entities and other partners' activities
Description	Events or issues that have a materially adverse effect on the credibility of the GCF in developing countries or with contributors, accredited entities or civil society organizations. This includes the GCF being perceived as lacking added value, being over bureaucratic, not adhering to countries' priorities or managing its resources poorly	Adverse publicity that occurs as a result of fraud, implementation failure or other types of unforeseen shocks related to the operations of the GCF	Adverse publicity that occurs as a result of accredited entities (AEs) and other partners involved in projects/programmes, or from their lack of disclosure of relevant information
Triggers	2.1.1 Ineffective dissemination of results delivered by GCF-supported projects/programmes, including presenting added value with respect to other financial partners;	2.2.1 Poor oversight of AEs by the GCF; 2.2.2 Poor oversight by AEs of executing entities, including with respect to adherence to procurement, environmental and social safeguards, gender policies as well	2.3.1 Failure of due diligence during the accreditation process; 2.3.2 Lack of internal 'early warning systems' based on media monitoring and engagement with other stakeholders; and

		2.1.2 Overly complex procedures to access GCF funding or failure to communicate in simple language the steps to access such funding; and 2.1.3 Slow decision-making processes at the Board, Secretariat, accredited entity or country levels	as financial management; and 2.2.3 Failure to develop strong relationships with media, civil society organizations (CSOs) and other stakeholders	2.3.3 Lack of adequate institutional capacity in the Secretariat to monitor the number and complexity of AEs and other partners thus increasing the difficulty of monitoring emerging risks
Inherent risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)	Somewhat likely (SL)
	Impact	Somewhat disruptive (SD)	High (H)	Somewhat disruptive (SD)
	Priority	High (H)	High(H)	High (H)
Mitigation		Communications strategy (in progress), including the approach to disseminating results, internal processes manuals (in progress), readiness programme , accreditation process, Country Programming outreach, financial management processes of the GCF, media monitoring, participation of observers in Board meetings	Accreditation process, oversight actions taken by the GCF as specified in the master agreement signed with AEs, portfolio management, including review of the progress report for each project, activities of the Redress Mechanism and Integrity Units, and media monitoring	The accreditation process, media monitoring, country programming and portfolio management units' engagement with AEs, national designated authorities (NDAs), CSOs and other stakeholders
Residual risk	Probability	Somewhat unlikely (SU)	Somewhat likely (SL)	Somewhat unlikely (SU)
	Impact	Somewhat disruptive (SD)	Somewhat disruptive (SD)	Somewhat disruptive (SD)
	Priority	Medium(M)	High(H)	Medium(M)
Key risk indicator		Percentage and number of negative media reports related to this risk subcategory (as opposed to positive and neutral); periodic	Percentage and number of negative media reports related to this risk subcategory (as opposed to positive and neutral)	Percentage and number of negative media reports related to this risk subcategory (as opposed to positive and neutral)

	survey of NDAs, AEs and observers		
Owner	Board, Executive Director, Directors and Chief Financial Officer	Board, Executive Director, Directors and Heads of Accountability Units	Executive Director and Directors

K. Operational risk

Risk code	3.1	3.2
Risk category	Operational	Operational
Subcategory	Accredited entities (AEs) and other parties' risk	Fiduciary
Description	Failure of AEs to comply with the accredited entities master agreement, including in terms of information disclosure. Lack of implementation capacity of the AEs leading to lack of or slow disbursement. Failure of other parties, including executing entities, involved in GCF projects and programmes to comply with their respective agreements with the GCF or with AEs	Failure of the GCF to exercise effectively its fiduciary duty due to: (a) failure of internal controls in administrative and operational procedures; (b) failure to effectively monitor risks and follow appropriate mitigation procedures, including due to the use of improper analytical models; (c) failure to oversee AEs (and their oversight over executing entities); (d) failure to monitor and engage national designated authorities (NDAs); and (e) internal or external fraud
Triggers	3.1.1 Ineffective dissemination of results delivered by GCF-supported projects/programmes, including presenting added value with respect to other financial partners; 3.1.2 Overly complex procedures to access GCF funding or failure to communicate in simple language the steps to access such funding; and 3.1.3 Slow decision-making processes at the Board, Secretariat, accredited entity or country levels	3.2.1 Poor oversight of AEs by the GCF; 3.2.2 Poor oversight by AEs of executing entities, including with respect to adherence to procurement, environmental and social safeguards, gender policies as well as financial management; and 3.2.3 Failure to develop strong relationships with media, civil society organizations (CSOs) and other stakeholders
Probability	Somewhat likely (SL)	Somewhat likely (SL)

Inherent risk	Impact	Somewhat disruptive (SD)	Somewhat disruptive SD
	Priority	High (H)	High (H)
Mitigation		Accreditation process; oversight of AEs through periodic monitoring and default clauses in the accredited entities master agreement; portfolio management system	Technical imposed controls in computer systems; periodic internal controls review, including the Committee of Sponsoring Organizations of the Treadway Commission exercise. Risk management framework; portfolio management systems; periodic review, including spot checks, of AE activities; periodic engagement with NDAs; yearly audit of the GCF and of funded activities
Residual risk	Probability	Somewhat unlikely (SL)	Somewhat unlikely (SL)
	Impact	Somewhat disruptive (SD)	Somewhat disruptive (SD)
	Priority	Medium(M)	Medium(M)
Key risk indicator		Number of non-compliance with legal agreements/deviation in monetary terms from expected rate of disbursement	Number of operational incidents and associated loss
Owner		Executive Director and Directors	Board, Executive Director and Directors

Risk code	3.3	3.4
Risk category	Operational	Operational
Subcategory	Staffing	Business disruption
Description	Operational failures, losses and other disruptions arising from the staffing model of the GCF, including staff headcount level and external consultants as well as from problems with recruitment, retention, succession planning, integrity and morale among GCF staff	Disruption of business due to catastrophic events or systems failures (hardware, software, telecommunications and unrest)
Triggers	3.3.1 An inadequate professional profile and insufficient GCF staff; 3.3.2 Excessive workload per staff member and/or lack of expectation regarding career progression; and 3.3.3 Use of consultants who only provide limited knowledge transfer to staff and who may have divided loyalties	3.4.1 Disruption in the provision of public services to GCF Headquarters or strife that prevents temporary or permanent access to GCF Headquarters; 3.4.2 Inaccessibility of GCF information assets, including failure of remote backup server systems and failure to develop and

			implement a remote working location arrangement; and 3.4.3 Low-quality hardware and software developed or procured by the GCF
Inherent risk	Probability	High (H)	Somewhat unlikely (SU)
	Impact	Somewhat disruptive (SD)	Somewhat disruptive (SD)
	Priority	High (H)	Medium (M)
Mitigation		Human Resources guidelines, including a competitive benefits package, effective performance management system, and continuous learning opportunities; actions to sustain staff morale; Board empowerment of the Secretariat staff; Integrity Unit	Cloud centric way of holding and securing information assets, combined with mobile computing, to allow staff to work remotely. A business continuity management system consistent with ISO 22301:2012 is under development
Residual risk	Probability	Somewhat likely (SL)	Low (L)
	Impact	Somewhat non-disruptive (SND)	Somewhat non-disruptive (SND)
	Priority	Medium(M)	Low(L)
Key risk indicator		Number of long-term vacant positions, turnover rate, periodic benchmarking against similar organizations, number of incidents and associated losses involving rogue employees, consultants/staff ratio, staff survey, outcomes of performance management tools, ratios relating to: number of staff/level of GCF financial assets, number of staff/number of NDAs, AEs and projects	Number of events and associated impact as well as outcomes of periodic simulated events
Triggers		3.3.1 Inadequate professional profile and insufficient GCF staff; 3.3.2 Inadequate workload per staff and/or lack of expectations regarding career progression; and 3.3.3 Use of consultants who only provide limited knowledge transfer to staff and who may have divided loyalties	3.4.1 Disruption in the provision of public services to GCF Headquarters or strife that prevents temporary or permanent access to GCF Headquarters; 3.4.2 Inaccessibility of GCF information assets, including failure of remote backup server systems and failure to develop and implement a remote working location arrangement; and 3.4.3 Low-quality hardware and software developed or procured by the GCF

Owner	Executive Director and Directors	Board, Executive Director and Directors
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L. Legal risk

Risk code	4.1	4.2	4.3	
Risk category	Legal	Legal	Legal	
Subcategory	Legislative	Contractual	Non-contractual	
Description	Failure of the GCF, accredited entities (AEs) or executing entities to implement legislative or regulatory requirements related to the operations or engagements of the GCF in situations where governing laws or rules are ambiguous or untested	Use of defective contracts that expose the GCF to disputes and losses	The GCF, AEs or executing entities fail to keep to the spirit, as well as the letter, of non-contractual law: for example, with respect to infringement of third-party intellectual property rights	
Triggers	4.1.1 Lack of privileges and immunities for the GCF and its staff in all countries where the GCF operates; 4.1.2 Improper monitoring of legislative/regulatory changes applicable to the GCF, including due to poor communication with host country authorities; and 4.1.3 Inconsistency between regulations and laws applicable to the GCF and Board decisions, and other internal policies	4.2.1 Improper drafting of legal contracts by GCF legal staff, including due to improper monitoring of applicable laws; 4.2.2 Deviation from master/framework legal agreements; and 4.2.3 Improper drafting of a mediation mechanism clause	4.3.1 Non-compliance by the GCF, AE or executing entities with non-contractual law; 4.3.2 Failure of the GCF to follow generally accepted duty of care with staff, Board members or other stakeholders; and 4.3.3 Failure of an executing entity to follow procurement and environmental and social safeguards' practices consistent with those established in the AEs master agreement	
Inherent risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)	Low (L)
	Impact	High (H)	High (H)	Somewhat non-disruptive (SND)

	Priority	High (H)	High (H)	Medium (M)
Mitigation		General Counsel (GC) review of the operating environment of the GCF; accreditation process; portfolio and media monitoring; privileges and immunities (not yet in place)	GC and, when applicable, senior management review of all contracts. Use of external counsel if necessary. Privileges and immunities (not yet in place)	GC oversight of legal documents and internal practices. Adequate staffing of portfolio management teams. Oversight of commitments in the AEs master agreement and in the funded activity agreement
Residual risk		Somewhat unlikely (SU)	Somewhat unlikely (SU)	
		High (H)	High (H)	
		Medium(M)	Medium(M)	Low(L)
Key risk indicator		Number of events (sanctions, legal suits) and associated losses	Number of events (sanctions, legal suits) and associated losses	Number of events (sanctions, legal suits) and associated losses
Owner		Executive Director, Directors and GC	Executive Director, Directors and GC	Board, Executive Director and Directors

M. Compliance

Risk code	5.1	5.2
Risk category	Compliance	Compliance
Subcategory	External	Internal
Description	Failure to comply with the applicable established laws, regulations, policies and standards and codes of conduct set by countries in which the GCF operates and by international law	Failure of staff or Board members to comply with the standards and codes of conduct that are set by the GCF itself through its policies and procedures
Triggers	5.1.1 Lack of privileges and immunities for the GCF and its staff in all countries where the GCF operates; 5.1.2 Ineffective/inefficient staff to monitor compliance; and 5.1.3 Uncertainty regarding laws/regulations/policies from	5.2.1 Lack of compilation of policies, procedures, standards of codes; 5.2.2 Lack of enforcement by the Board or Secretariat management; and 5.2.3 Real or perceived ineffectiveness of the Integrity Unit

		countries where the GCF operates applicable to the GCF	
Inherent risk	Probability	Somewhat likely (SL)	Somewhat unlikely (SU)
	Impact	High (H)	Somewhat disruptive (SD)
	Priority	High (H)	Medium (M)
Mitigation		Fiduciary policies, including anti-money laundering/countering the financing of terrorism (under development). Environmental and social safeguards; gender policies; periodic exchanges with home country authorities; privileges and immunities (not yet in place)	Board meetings; internal processes manuals (under development); Integrity Unit
Residual risk	Probability	Somewhat unlikely (SU)	Low (L)
	Impact	High (H)	Somewhat disruptive (SD)
	Priority	Medium (M)	Low(L)
Key risk indicator		Number of events and associated loss (if any)	Number of events and associated loss (if any)
Owner		Executive Director, GC, Chief Financial Officer (CFO) and Directors	Board, Executive Director, GC, CFO, Directors and Integrity Unit

N. Performance risk

Risk code	6.1	6.2	6.3
Risk category	Performance	Performance	Performance
Subcategory	Temporal	Monetary	Investment criteria
Description	Failure of accredited entities (AEs) or executing entities (EEs) to respect tenors and/or schedules as pertain to financial obligations or the execution of projects/programmes	Failure of AEs and executing entities to honour financial obligations in a timely manner. This includes credit risk; counterparty risk; equity risk; and political risk, including nationalization, expropriation, convertibility and transferability	Failure of AEs or executing entities to adhere to the investment criteria results to which they committed themselves.
Triggers	6.1.1 Temporary inability of AE or EE to make timely payments either due to events related to the	6.2.1 Inability (insolvency) of AE or EE to make payments either due to events related to the	6.3.1 Investment criteria are not specific enough to guide AE/EE and the GCF fails to provide

		project/programme funded by the GCF or to external events; and 6.1.2 Lax project implementation by AE leads to significant delays in project execution	project/programme funded by the GCF or to external events; 6.2.2 GCF remedies in cases of default are ineffective (or such perception exists among AEs and EEs), including due to the arbitration clause in GCF legal agreements being successfully contested in court; and 6.2.3 Grant is lost in the bankruptcy process and the project is not implemented	further specificity in legal documents associated with each investment; 6.3.2 Reporting requirements from AE/EE are insufficient to assess compliance with investment criteria (including due to a reporting time lag); and 6.3.3 Poor oversight by the GCF of AE activities or failure to identify potential deviations from the investment criteria during the project/programme approval phase
Inherent risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)	Somewhat likely (SL)
	Impact	Somewhat disruptive (SD)	High (H)	Somewhat disruptive (SD)
	Priority	High (H)	High (H)	High (H)
Mitigation		Accreditation process; project approval process; AE monitoring process as specified in the accredited entities master agreement; portfolio management oversight and remedial actions for low performing projects; media and other public sources monitoring	Accreditation process; project approval process; AE monitoring process as specified in the accredited entities master agreement; portfolio management system; media and other public sources monitoring	Accreditation process; project approval process; AE monitoring process as specified in the accredited entities master agreement; media and other public sources monitoring; periodic interaction with the national designated authorities (NDAs)
Residual risk	Probability	Somewhat unlikely (SU)	Somewhat unlikely (SU)	Somewhat unlikely (SU)
	Impact	Somewhat disruptive (SD)	High (H)	Somewhat disruptive (SD)
	Priority	Medium(M)	Medium(M)	Medium(M)

Key risk indicator	Number and amount of rescheduled flows as percentage of portfolio	Non-performing loans and write-offs	Number of instances of deviation and amount of resources involved, costs (operational and financial) incurred in correcting such deviations
Owner	Executive Director, Directors, Chief Financial Officer (CFO) and Risk Manager	Executive Director, Directors, CFO and Risk Manager	Executive Director, Directors, CFO and Risk Manager
Risk code	6.4		
Risk category	Performance		
Subcategory	Concentration		
Description	Failure to sufficiently diversify the portfolio of AEs/EEs and/or investments such that a material adverse event related to a restricted number of AEs/EEs and/or projects would have a portfolio-level threatening impact on the GCF		
Triggers	6.4.1 Failure of the project approval process to identify the impact of a specific project on the overall concentration profile; and 6.4.2 Failure to periodically adjust the criteria for project approval in order to keep an adequate balance of the portfolio with respect to the AE/EE or instruments used		
Inherent risk	Probability	Somewhat likely (SL)	
	Impact	Somewhat disruptive (SD)	
	Priority	High(H)	
Mitigation	Accreditation process; project approval process; portfolio management system; AE monitoring process as specified in the accredited entities master agreement; media and other public sources monitoring; periodic interaction with NDAs		
Residual risk	Probability	Somewhat unlikely (SU)	
	Impact	Somewhat disruptive (SD)	
	Priority	Medium(M)	
Key risk indicator	Herfindahl-Hirschman Index for AE and instrument type; list of top 10 AEs by exposure; list of top 10 EEs by exposure		
Owner	Executive Director, Directors, CFO and Risk Manager		

0. Funding risk

Risk code	7.1	7.2
Risk category	Funding	Funding
Subcategory	Conversion	Encashment

Description		Failure to convert pledges into contributions in a timely manner	Expected payments in cash or the encashment of promissory notes, do not materialize within the expected time frame
Triggers		7.1.1 Fiscal issues arising in contributor countries; 7.1.2 Delays in legal processes within contributor countries or changes in policy priorities with respect to climate change; and 7.1.3 Loss in confidence of contributor countries in the effectiveness of the GCF	7.2.1 Fiscal issues arising in contributor countries; 7.2.2 Change in policy priorities with respect to climate change; and 7.2.3 Real or perceived inability of the GCF to enforce contribution arrangements
Inherent risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)
	Impact	High (H)	Somewhat disruptive (SD)
	Priority	High (H)	High (H)
Mitigation		Resource mobilization reports to the Board; periodic engagement with contributors; media and other public sources monitoring	Resource mobilization reports to the Board; periodic engagement with contributors; media and other public sources monitoring
Residual risk	Probability	Somewhat unlikely (SU)	Somewhat unlikely (SU)
	Impact	High (H)	Somewhat disruptive (SD)
	Priority	Medium(M)	Medium(M)
Key risk indicator		Percentage of pledges remaining unsigned (for each year of the replenishment period)	Amount of payments/encashment of notes not received and number of months of delay per contributor
Owner		Executive Director, Chief Financial Officer (CFO) and Risk Manager	Executive Director, CFO and Risk Manager
Risk code		7.3	7.4
Risk category		Funding	Funding
Subcategory		Reflow	Concentration
Description		Expected reflows to the GCF from the project portfolio do not materialize within the expected time frame	Failure to sufficiently diversify the portfolio of contributors such that a materially adverse event related to one or a few key contributors would give rise to a GCF-threatening liquidity or solvency situation
Triggers		7.3.1 Performance risk; and 7.3.2 Failure of GCF grant/loan management (operational risk) system to identify missing flows	7.4.1 Support for climate change financing is limited to a relatively reduced number of countries due to evolving policy priorities; 7.4.2 Failure of replenishment processes due to ineffective outreach to contributors; and

			7.4.3 Impasse occurs at the level of the Conference of the Parties to the United Nations Framework Convention on Climate Change
Inherent risk	Probability	Somewhat unlikely (SU)	Low (L)
	Impact	Somewhat disruptive (SD)	High (H)
	Priority	Medium (M)	Medium (M)
Mitigation		Portfolio monitoring	Resource mobilization reports to the Board; periodic engagement with contributors; commitment management system; media and other public sources monitoring
Residual risk	Probability	Low (L)	Low (L)
	Impact	Somewhat disruptive (SD)	High (H)
	Priority	Low(L)	Medium(M)
Key risk indicator		Amount of missing reflows and number of months of delay per accredited entity	Herfindahl-Hirschman Index for contributors and/or list of top five contributors as percentage of replenishment.
Owner		Executive Director, CFO and Risk Manager	Executive Director, CFO and Risk Manager

P. Market risk

Risk code	8.1	8.2	8.3
Risk category	Market	Market	Market
Subcategory	Foreign exchange (FX)	Interest rate	Liquidity
Description	Actual contribution amount may fall short of promised amount due to foreign exchange rate fluctuations, causing reputational risk to the GCF	Adverse changes in interest rates, including investment losses in the liquid cash portfolio of the GCF	Timing mismatch between the cash inflows and cash outflows leading to shortages in the ability of the GCF to face its payment obligations (including disbursements to accredited entities (AEs)).
Triggers	8.1.1 FX fluctuations affecting the value of un-encashed signed contributions; 8.1.2 FX fluctuations affecting the value of reflows to the GCF; and	8.2.1 Change in interest rates generate losses in the Trustee investment of the liquid portfolio of the GCF; and	8.3.1 Delay in encashment of signed contributions; 8.3.2 Disbursement requests from AE exceeding expected rate; and

		8.1.3 FX fluctuations affecting the value of commitments made to AEs for grants and loans made in currencies different to the holding currency of the GCF	8.2.2 Prepayment risk of fixed rate financial instruments provided by the GCF	8.3.3 Rescheduling of loans extended by the GCF
Inherent risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)	Somewhat likely (SL)
	Impact	Somewhat disruptive (SD)	Somewhat non-disruptive (SND)	Somewhat disruptive (SD)
	Priority	High(H)	Medium (M)	High (H)
Mitigation		Instruments management system (in progress); FX reserve; FX hedging	Periodic review of trustee investment policies; project approval process; asset-liability management system	Cash flow model; financial instruments management system
Residual risk	Probability	Somewhat likely (SL)	Somewhat likely (SL)	Somewhat unlikely (SU)
	Impact	Somewhat non-disruptive (SND)	Somewhat non-disruptive (SND)	Somewhat disruptive (SD)
	Priority	Medium(M)	Medium (M)	Medium(M)
Key risk indicator		Historical losses adjusted to take into account FX positions that cannot be hedged on an economic basis	Value at risk of liquid portfolio and amount of fixed-rate loans extended by the GCF subject to prepayment risk	Duration mismatch and/or percentage of available funds held as a liquidity cushion
Owner		Board, Executive Director, Chief Financial Officer (CFO) and Risk Manager	Executive Director, Director, CFO and Risk Manager	Executive Director, CFO and Risk Manager

Annex 10

Proposed interim risk and investment guidelines for the private sector

The private sector may involve more complex structures of projects/programmes than those of the public sector. Considering that the Secretariat's control and monitoring capabilities and infrastructure are not yet fully developed, the GCF will set the following interim guidelines as a stopgap measure.

- To bridge the Secretariat's temporary capacity gap in terms of risk management, the Secretariat shall seek an independent and reputable third party's opinion on a case-by-case basis.
- The Board can approve exceptions to the guidelines with review by the Risk Management Committee on a case-by-case basis and the Secretariat is encouraged to take such high-impact/transformational projects forward.

Consideration for the private sector		
Instrument	Parameters	Comment
Grant with repayment contingency, or without repayment contingency ^a	<p>Component of the Private Sector Facility (PSF) project/programme consisting of 100% grants should be limited to 5% of total project cost and should benefit the end beneficiaries such as through providing technical assistance and capacity building.</p> <p>Notwithstanding the above, in some instances the 5% limit may not be appropriate in such cases as small size projects or transformational private sector projects which have large non-revenue generating components, particularly in SID's/LDC's/Africa.</p> <p>Similarly, innovative high impact use of grants beyond technical assistance and capacity building on a case-by-case basis is encouraged, but must always be properly justified and focused on mobilizing additional private sector investment.</p>	<p>In line with the spirit of prior Board decisions that the GCF will work through minimal concessionality with the private sector. Grants need to minimize market distortion and should not to give the wrong signal to the market that the GCF is grant focused in its PSF funding grant, therefore grants need to be restricted (annex III to decision B.05/07 (annex III to document GCF/B.05/23) and the need to employ them must be justified on a case-by-case basis. In addition to technical assistance and capacity building, innovative financing structures might require grants to address certain barriers. Such use of grants however must address specific barriers hindering the mobilization of private investments, which can't be addressed otherwise.</p>

<p>Loan, equity, guarantee</p>	<p>At this early stage, where GCF is building up its Risk Management capacity, GCF's participation in a tranche will be subject to an independent third party advice on risk, except when GCF's participation in a tranche is aligned with all terms and conditions of the AE other than pricing.</p>	<p>It is understood and recognized that the GCF needs to take on the requisite risk to make a transformational impact, provide added value and will have the necessary in house risk assessment capacity to ensure appropriate due diligence.</p> <p>While developing in-house risk assessment capacity, the GCF will temporarily need to rely on the expertise and experience of AEs and independent and reputable third party experts, selected by the Secretariat in line with the GCF's procurement policy.</p> <p>Where the GCF participates in a tranche aligned with the AE on all terms and conditions other than pricing, the interests of the AE and the GCF are fully aligned and as the GCF is not exposed to more risk than the AE it can fully rely on the AE's risk analysis.</p>
	<p>At this early stage, where GCF is building up its Risk Management capacity, in case the GCF takes the position of the largest contributor (e.g. is the largest debt holder) or the largest financier in its tranche, the Secretariat shall seek an expert opinion from an independent and reputable third party on the risks of the investment decision. This advice will also include an assessment of the capacity that will be needed to manage such a position.</p> <p>In the exceptional case that an investment decision leads to a default situation and the GCF is the largest contributor/financier in its tranche,</p>	<p>The GCF does not currently have the workout team to handle a workout situation, being the single largest financier creates the risk of the GCF being the lead in the event of a workout. Before investing into a situation where this sort of capability might be needed, it must be clear how such an event will be handled.</p>



	the Secretariat shall seek service from an independent and reputable third party in order to handle the workout situation.	
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^a 'Grant with repayment contingency' expects repayment based on predefined milestones and targets which are to be negotiated for each case. Grant without repayment contingency does not expect repayment.

Annex 11

Proposed risk dashboard and related categories and subcategories of risk

Table 1 summarizes the definition of the nine risk categories and 25 subcategories to be monitored.

Table 1: Risk categories and subcategories to be tracked

Category	Subcategory	Source of risk
Strategic	Climate Impact & Results	Failure to deliver the expected transformative climate impact as defined by the Fund's objectives, investment criteria and the results management framework.
	AE concentration	Concentration on a limited number of AEs that fail to generate the required balance in mitigation/adaptation; pipeline of projects/programmes.
	Portfolio management	Failure to build an optimal portfolio of projects/programmes as defined by the Fund's initial results management framework.
	Country ownership	Failure to develop a portfolio of projects and programmes that are fully aligned with country priorities and strategies; that foster the involvement of local actors; and that respect the IMF/World Bank Joint Debt Sustainability Framework.
Reputational	Stakeholder perception on business practices	Events or issues that have a material adverse effect on the Fund's credibility in developing countries or with contributors, AEs or civil society.
	Stakeholder perception from unexpected shocks	Adverse publicity that occurs as a result of fraud, implementation failure or other types of shocks.
Operational	Fiduciary	Risks that funds are not used for their intended purpose such as the misuse of funds due to: <ul style="list-style-type: none"> • The lack of internal controls in administrative and operational procedures, • Poor management of AEs, executing entities or NDAs, and • Internal or external fraud.
	Staffing	Losses and disruptions due to problems with recruitment, retention and succession planning, and integrity and morale among the Fund's staff.
	Business disruption	Disruption of business due to catastrophic events or system failures (hardware, software, telecommunications, wars).

Legal	Legislative	Failure by the Fund, AEs or executing entities to implement legislative or regulatory requirements related to the Fund's operations or engagement in situations where governing laws or rules are ambiguous or untested.
	Contractual	Use of defective contracts that expose the organization to losses.
	Non-contractual	The Fund, AEs or executing entities fail(s) to keep to the spirit, as well as the letter, of non-contractual law: for example, infringement of third-party intellectual property rights; or failure to meet the requisite standard of care due to stakeholders.
	Dispute	Operational or strategic errors when the Fund manages disputes.
	Legal opinion	Reliance on formal legal opinions with unusual qualifications or assumptions, or which turn out to be incorrect.

Abbreviations: AE = Accredited Entity, FX = Foreign Exchange, H = high, M = medium, L = low,
TBD = To Be Determined.


Category	Subcategory	Source of risk
Compliance		Failure to comply with the applicable laws, regulations, standards and codes of conduct that are set by: (a) The host countries in which the Fund invests; and (b) The Fund itself through its policies and procedures.
Performance	Temporal	Failure of AEs or executing entities to respect tenors and/or schedules as pertain to financial obligations or the execution of projects/programmes.
	Monetary	Failure of AEs and executing entities to honor financial obligations (repayment of principal, interest, fees and/or expected return on equity) in a timely manner. This includes credit risk; counterparty risk; equity risk; and political risk including Nationalization, Expropriation, Convertibility and Transferability.
	Investment criteria	Failure of AEs or executing entities to adhere to the investment criteria results to which they committed themselves.
	Concentration	Failure to sufficiently diversify the portfolio of AEs and/or investments such that a material adverse event related to a restricted number of AEs and/or projects would have a portfolio threatening impact on the Fund.
Funding	Pledge	Pledges are not made or are insufficient for the Fund to achieve its objectives.
	Conversion	Failure to convert pledges into contributions in a timely manner.

	Encashment	Expected payments in cash and promissory payments, or the encashment of promissory notes, do not materialize within the expected time frame.
	Reflow	Expected reflows to the Fund from the project portfolio do not materialize within the expected time frame.
	Concentration	Failure to sufficiently diversify the portfolio of contributors such that a material adverse event related to one or a few key contributors would give rise to a Fund-threatening liquidity or solvency situation.
Market	FX	Foreign currency exchange-rate fluctuations such as loss in value due to FX fluctuations of contributor commitments.
	Interest rate	Changes in interest rates such as investment losses in the liquid portfolio managed by the Interim Trustee.
Liquidity		Timing mismatch between the cash inflows and cash outflows leading to shortage in the ability of the Fund to face its payment obligations.

Abbreviations: AE = Accredited Entity, FX = Foreign Exchange, H = high, M = medium, L = low, TBD = To Be Determined.

- The risk dashboard where the risk categories and subcategories will be monitored is presented in Table 2 below.

Table 2: Risk dashboard

Risk type	Category	Subcategory	Priority (H/M/L)	Key performance metric	Triggers	Flag	Corrective action plan
Non-financial risk	Strategic	Climate Impact & Results	TBD	TBD	<ul style="list-style-type: none"> •Target TBD •Limit TBD 		TBD in cases of flags
		AE concentration	TBD	TBD		TBD	TBD
		Portfolio management	TBD	TBD		TBD	TBD
		Country ownership	TBD	TBD		TBD	TBD
	Reputational	Stakeholder Perception of business practices	TBD	TBD		TBD	TBD
		Stakeholder perception of unexpected shocks	TBD	TBD		TBD	TBD
	Operational	Fiduciary	TBD	TBD		TBD	TBD
		Staffing	TBD	TBD		TBD	TBD
		Business disruption	TBD	TBD		TBD	TBD
	Legal	Legislative	TBD	TBD		TBD	TBD
		Contractual	TBD	TBD		TBD	TBD
		Non-contractual	TBD	TBD		TBD	TBD
		Dispute	TBD	TBD		TBD	TBD
		Legal opinion	TBD	TBD		TBD	TBD
	Compliance		TBD	TBD		TBD	TBD
	Financial risk	Performance	Temporal	TBD	TBD		TBD
Monetary			TBD	TBD		TBD	TBD
Investment criteria			TBD	TBD		TBD	TBD
Concentration			TBD	TBD		TBD	TBD
Funding		Pledge	TBD	TBD		TBD	TBD
		Conversion	TBD	TBD		TBD	TBD
		Encashment	TBD	TBD		TBD	TBD
		Reflow	TBD	TBD		TBD	TBD
		Concentration	TBD	TBD		TBD	TBD
Market		FX	TBD	TBD		TBD	TBD
	Interest rate	TBD	TBD		TBD	TBD	



	Liquidity		TBD	TBD		TBD	TBD
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Abbreviations: AE = Accredited Entity, FX = Foreign Exchange, H = high, M = medium, L = low,
TBD = To Be Determined.

The Secretariat is to further define each subcategory when working on developing the risk registry in consultation with the Risk Management Committee.



Annex 12

Risk appetite methodology

The proposed risk appetite methodology (RAM) for the Fund consists of the following five steps:

1: Agreement on risk categories and subcategories

- The RAM begins with agreement by the Board on the risk categories and subcategories that will be tracked and modelled. These are provided in Annex II to this document.

2: Agreement on a risk dashboard

- The risk dashboard consists of regular snapshots of the Board-agreed risk categories and subcategories that will be tracked by the Secretariat, the Risk Management Committee and the Board. The structure of the risk dashboard is provided in Annex II to this document, and consists of the level of priority of each risk subcategory, the key performance metric(s), the triggers (target and limit), the flag and corrective action plan—if any.

3: Development of scenarios

- A series of scenarios that pertain to these risk categories will be analysed in consultation with the Risk Management Committee in order to identify the risk targets, tolerances and limits. These scenarios should take into account all the key risks faced by the Fund. Based on the scenarios, the Secretariat, in consultation with the Risk Management Committee, is thereafter to propose to the Board the relevant key performance metric(s) by which to measure tolerance and limit as well as the related target.
- The Secretariat, in running the risk scenarios, will also assign a priority level (high/medium/low) to risk subcategories, which will be derived from their probability of occurrence and predicted impact on the Fund should they occur.
- A risk subcategory's probability of occurrence can be categorized as follows:
 - (a) High – Highly likely to occur within the next 12 months;
 - (b) Somewhat likely – Would not be surprising if it occurred within the next 36 months;
 - (c) Somewhat unlikely – Would be surprising if it occurred within the next 36 months; and
 - (d) Low – Highly unlikely to occur within the next 36 months.
- A risk subcategory's impact in the event that it occurs can be categorized as follows:
 - (a) High – A material adverse impact that could impede the franchise's ongoing viability and/or its ability to meet its strategic objectives;
 - (b) Somewhat disruptive – An adverse impact that would be disruptive to the Fund's viability and/or its ability to meet its strategic objectives;

- (c) Somewhat non-disruptive – A relatively contained adverse impact that could impact the Fund’s financials and/or its ability to meet its strategic objectives by up to 10 per cent; and
 - (d) Low – Minimal and contained impact.
- Table 1 below illustrates how different combinations of probability of occurrence and impact in the event of occurrence yield different priorities.
 - For example, a risk subcategory with a high priority of occurrence that would have a High impact in the event of occurrence would be deemed a high priority.

Table 1: Priority grid

Impact Occurrence probability	(1) Low	(2) Somewhat non-disruptive	(3) Somewhat disruptive	(4) High
Low (1)	Low priority	Low priority	Low priority	Medium priority
Somewhat unlikely (2)	Low priority	Low priority	Medium priority	Medium priority
Somewhat likely (3)	Low priority	Medium priority	High priority	High priority
High (4)	Medium priority	Medium priority	High priority	High priority

- Risk subcategories that are deemed to have medium or high priorities and for which the key performance metric has breached the target shall be tagged with a red flag on the dashboard so as to solicit a management action plan and attention by the Board.

4: Agreement on risk targets, tolerances, and limits and development of a risk appetite statement

- Based on the risk scenarios already developed, the Secretariat will present a proposed set of risk targets as well as their respective tolerances and limits to the Board for consideration and adoption. Subsequently, the Secretariat will work with the Risk Management Committee on preparing a Risk Appetite (RA) statement for consideration by the Board. Upon approval of the RA statement – as well the targets, tolerances and limits – credit and investment manuals and software can be developed in order to embed the risk framework into the day-to-day management of the Fund.

5: Risk reporting

- As a last step, the Secretariat will integrate targets, tolerances and limits into the risk dashboard and risk register based on the risk monitoring and reporting management system adopted by the Board under the initial financial risk management framework



(decision B.07/05). This reporting will be the basis for continuous review and updating of the Fund's RA and risk management practices. The Fund would need to conduct risk control and self-assessment, a process of identification, assessment, effective internal control and action plans related to high-risk events, in a timely manner, in order to ensure the robustness of the risk framework. Such periodic reporting from the Secretariat will enable the Board to review the evolution of the risk borne by the Fund and to make any necessary adjustments.



Annex 13

Markets and Products

GCF intends to serve a wide range of markets with a diverse set of tools. Here are the anticipated markets and products needed:

Credit and Investment Products

- Grants
- Project finance
- Senior secured debt
- Senior unsecured debt
- Subordinated debt
- Term debt
- Revolving debt
- Overdraft facility
- First loss loans
- On-lending
- Syndication
- Bonds
- Commercial paper
- Guarantees
- Letters of Credit
- Letters of Guarantee
- Factoring
- Securitization of debt
- Private equity
- Funds (portfolio management)

Industry Segments

- Municipal & national finance
- Transportation
- Waste and water treatment
- Infrastructure (including roads, sewerage systems, rail, and port development)
- Real Estate development
- Renewable Energy
 - Wind turbines
 - Hydro power (including run of river)
 - Solar
 - On-grid, micro, and off grid
- Agriculture, fisheries, forestry
- Energy efficiency