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## Annex II: Draft request for proposals

# GREEN CLIMATE FUND

## PRIVATE SECTOR FACILITY

Micro-, small- and medium-sized enterprise pilot programme

Request for proposals from qualified financial institutions

### I. Introduction

1. At its tenth meeting, the Board established a pilot programme to support micro-, small- and medium-sized enterprises (hereinafter referred to as the Programme) in order to address adaptation and mitigation.
2. The Board allocated up to USD 200 million for the Programme over the course of the Initial Resource Mobilization period, in several tranches. The Secretariat will seek to allocate at least USD 100 million for developing countries that are particularly vulnerable to the adverse effects of climate change, including the least developed countries, small island developing States and African States, over the course of the Programme. This first request for proposal (RFP) issuance will be limited to USD 100 million as a first allocation under the Programme.
3. This RFP seeks to identify organizations that will undertake the design, implementation and management of strong, high-impact projects and programmes in support of micro-, small- and medium-sized enterprises (MSMEs) in the climate space.

### II. Scope and focus of the assignment

4. The GCF invites existing and potential accredited entities, or qualified<sup>1</sup> financial institutions that have the capacity to work with an entity accredited by the GCF, to propose approaches that deploy financial solutions for MSMEs in support of mitigation and adaptation activities in developing countries. Proposals should be consistent with the GCF investment criteria and in accordance with the GCF mandate to mobilize funding at scale towards developing countries and to contribute to the paradigm shift towards low-emission and climate-resilient development.
5. Proposals should be submitted through the existing channels of the GCF. Submissions should be in the form of a concept note (to be submitted by the closing date, see below). The submitters of concept notes that score well will be invited to develop a fully-fledged funding proposal.
6. Proposals should meet the evaluation criteria and the special considerations listed below (section 2.1) in addition to meeting the six GCF investment criteria with special emphasis on gender and country ownership.
7. **Time frame and closing date.** The deadline for the receipt of concept notes for the first MSME RFP is 30 August 2016.

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<sup>1</sup> These are non-accredited financial institutions that have a track record of proposed MSME activities and a network with local MSMEs.

## 2.1 Project/programme

8. The GCF aims to provide financing for MSMEs at all stages of growth. The RFP is open to projects/programmes supporting MSMEs that fit within national climate priorities for the given geographic region, and that fit within the eight GCF strategic impact areas (see app). This includes MSMEs that work in any area of the supply chain for climate goods and services (from production and service, to distribution or retail), in both mitigation- and adaptation-related activities. This can include MSMEs at any stage in their business life cycle.
9. The GCF is therefore seeking MSME proposals that establish the following:
- (a) Private equity projects/programmes;
  - (b) Guarantee projects/programmes;
  - (c) Debt projects/programmes; or
  - (d) Grant projects/programmes.
10. This list is by no means comprehensive, and the GCF encourages the submission of other innovative solutions to assist MSME development such as an ecosystem-based approach for MSMEs, for example an incubator or accelerator that provides technical and strategic support, a staged finance model to build a pipeline of bankable projects/programmes or innovation funds and prizes.
11. The proposed MSME programme may allocate a grant component in order to amplify the climate impact and to promote development impact such as adopting a gender-sensitive approach.
12. Proposals must demonstrate in their concept notes that they will meet the following project/programme criteria:
- (a) Appropriate activity:
    - (i) The activity proposed in the project/programme must foremost fit the needs and stated priorities of the country, in line with their national strategies and plans, including nationally determined contributions. National designated authorities or focal points shall be consulted on the proposed activity in their respective countries;
    - (ii) The activity must fall within at least one of the eight GCF strategic impact areas (see appendix I); and
    - (iii) The activity must fall within the relevant definition of MSMEs within a specific country or region (i.e. the International Financial Corporation's definition of MSMEs)<sup>2</sup>
  - (b) Programme design:
    - (i) A detailed strategy, backed by industry and market research that outlines the rationale for the target sector and life-cycle stage of the targeted pool of MSMEs;

<sup>2</sup> The International Finance Corporation's definition of MSMEs is as follows:

Indicator	Micro enterprises	Small enterprises	Medium enterprises
Employees	<10	10 <50	50 <300
Total assets	<USD 100,000	USD 100,000 <USD 3 million	USD 3 million <USD 15 million
Total annual sales	<USD 100,000	USD 100,000 <USD 3 million	USD 3 million <USD 15 million

- (ii) Defined financial support that will be provided for in the project/programme (e.g. venture capital for start-ups or growth capital for the growth stage);
    - (iii) Robust eligibility criteria tailored to the project/programme strategy (e.g. proven technology for growth capital versus proof of concept for venture capital) and in compliance with GCF investment criteria; and
    - (iv) Evidence of robust integrity standards (e.g. an anti-money laundering check for entrepreneurs, senior management, board members and existing investors) of the portfolio company must be included;
  - (c) Implementing entity readiness:
    - (i) Implementing entities must be accredited with the GCF or work in partnership with entities accredited with the GCF. Their accreditation must include the fiduciary functions, size of project/activity and environmental risk category suitable for the undertaking of the proposed activity. If the activity proposed exceeds the level of accreditation, the entity can include an application to increase its accreditation accordingly;
    - (ii) The implementing entity must demonstrate an existing relationship with local institutions or markets with which it will be working, as well as an existing avenue for supporting targeted MSMEs, and must provide track records for its activities in targeted MSMEs; and
    - (iii) The implementing entity must show evidence of successful investment or debt management; and
  - (d) Minimum concessionality:
    - (i) The implementing entity must demonstrate that its request for GCF support entails the minimum concession required to render the project feasible; and
    - (ii) The implementing entity must indicate the GCF co-financing ratio, vis-à-vis other private sector investors. The GCF should not be the only investor.
13. Proposals will be further evaluated for their ability to positively impact MSMEs. Proposals should articulate how they meet the following MSME RFP special considerations:
- (a) Market reform or development and institutional capacity-building:
    - (i) Will the project/programme prompt a positive change in the market or regulatory environment that will enable future investment in climate-related MSME activity? and
    - (ii) Will the project/programme develop institutional capacity in local markets for further investment in climate-related MSME activity?
  - (b) Innovation and new technology:
    - (i) Will the project/programme encourage innovative climate solutions and the deployment of new technologies to developing countries?
  - (c) Replicability and regional reach:
    - (i) Can this or a similar project/programme be replicated in the future without GCF participation? and
    - (ii) Does the project/programme have regional impact?

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- (d) Crowding in new investors:
- (i) Does the project/programme attract first-time investors to climate, MSMEs or the country?
- (e) Benefits to MSME clients:
- (i) How many clients will benefit from the services of the MSMEs supported by the project/programme? and
  - (ii) Is the project/programme gender-sensitive and balanced? and
- (f) Benefits to the bottom of the pyramid:
- (i) Does the project/programme benefit developing countries and communities that are particularly vulnerable to the adverse effects of climate change, including the least developed countries, small island developing States and African States? and
  - (ii) Does the project/programme target micro-sized enterprises and the informal sector?
14. For a complete scorecard, see appendix II. Any concept note scoring less than 75 points out of 100 in total will not be invited to submit a full funding proposal.

## 2.2 Eligible entities

15. The GCF is seeking proposals from existing and potential accredited entities or qualified financial institutions that have the capacity to work with an entity accredited by the GCF, that are able to demonstrate the following:
- (a) A track record of working successfully with and financing MSMEs;
  - (b) The ability to monitor the results; and
  - (c) The ability to use GCF resources to create a significant climate impact.
16. As the GCF requires that its resources be channelled through accredited entities, respondents to this RFP must either become accredited in due course by the GCF or work through an accredited entity.
17. Proposals from direct access entities with an established track record will be considered favourably as local market expertise and knowledge on climate change is key to success for MSME projects/programmes.

## III. Monitoring and progress controls, including reporting requirements

18. Entities are required to monitor the implementation of the Programme in line with the GCF results management framework. These monitoring processes should feed back into the programming and future RFPs of the Private Sector Facility.

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## Appendix I: GCF strategic impact areas and investment criteria

### I. GCF strategic impact areas

1. The GCF aims to have an impact within eight strategic impact areas, half of which are related to mitigation and half to adaptation impacts.
2. The strategic mitigation impacts of the GCF are to reduce emissions from:
  - (a) Energy generation and access;
  - (b) Transport;
  - (c) Buildings, cities, industries and appliances; and
  - (d) Forests and land use.
3. The strategic adaptation impacts of the GCF are to increase the resilience of:
  - (a) Health, food and water security;
  - (b) The livelihoods of people and communities;
  - (c) Ecosystems and ecosystem services; and
  - (d) Infrastructure and the built environment.
4. More information can be found on the GCF initial results management framework on the GCF website.

### II. GCF Investment guidelines

5. The GCF evaluates a proposed activity against six investment criteria, which are as follows:
  - (a) Impact potential;
  - (b) Paradigm shift potential;
  - (c) Needs of the beneficiary country/alternative funding sources;
  - (d) Country ownership and institutional capacity;
  - (e) Economic efficiency; and
  - (f) Financial viability (for revenue-generating activities).
6. More information can be found on the GCF investment framework on the GCF website.

## Appendix II: Draft micro-, small- and medium-sized enterprise request for proposal scorecard

Project/programme evaluation criteria (65 %)	Evaluation	Score
<b>Appropriate activity (pass/fail)</b>		
(i) The activity proposed in the project/programme must foremost fit the needs and stated priorities of the country in which it will be issued;	Pass/fail	Pass/Fail
(ii) The activity must fall within the eight GCF strategic impact areas (see annex III); and		
(iii) The activity must fall within the relevant definition of MSMEs within a specific country or region		
<b>Programme design (30%)</b>		
(i) A detailed strategy, backed by industry and market research that outlines the rationale for the target sector life-cycle stage of the targeted pool of MSMEs and life;	Score (1=min; 30=max)	/30
(ii) Defined financial support that will be provided for in the project/programme (e.g. venture capital for start-ups or growth capital for the growth stage);		
(iii) Robust eligibility criteria tailored to the project/programme strategy (e.g. proven technology for growth capital) and in compliance with GCF investment criteria; and		
(iv) Evidence of robust integrity standards (e.g. an anti-money laundering check for entrepreneurs, senior management, board members and existing investors) of the portfolio company		
<b>Implementing entity readiness (20%)</b>		
(i) Implementing entities must be accredited with the GCF, or work in partnership with entities accredited with the GCF;	Score (1=min; 20=max)	/20
(ii) The implementing entity must demonstrate an existing relationship with local institutions or markets with which it will be working, as well as an existing avenue for supporting targeted MSMEs; and must provide track records for its activities in targeted MSMEs; and		
(iii) The implementing entity must show evidence of successful investment or debt management		
<b>Minimum concessionality (15%)</b>		
(i) The implementing entity must demonstrate that its request for GCF support entails the minimum concession required to render the project viable;	Score (1=min; 15=max)	/15
(ii) The implementing entity must indicate the GCF co-financing ratio, vis-à-vis other private sector investors. The GCF should not be the only investor		
<b>Total programme standards score</b>		/65

<b>Micro-, small- and medium-sized enterprise request for proposal special considerations (35%)</b>	<b>Evaluation</b>	<b>Score</b>
<b>Market reform or development (5%)</b>		
(i) Will the project/programme prompt a positive change in the market or regulatory environment that will enable future investment in MSME activity?	<b>Score (1=min; 5=max)</b>	/5
<b>Institutional capacity-building (5%)</b>		
(i) Will the project/programme develop institutional capacity in local markets for further investment in MSME activity?	<b>Score (1=min; 5=max)</b>	/5
<b>Innovation and new technology (5%)</b>		
(i) Will the project/programme encourage innovative climate solutions and the deployment of new technologies to developing countries?	<b>Score (1=min; 5=max)</b>	/5
<b>Replicability and regional reach (5%)</b>		
(i) Can this or a similar project/programme be replicated in the future without GCF participation?	<b>Score (1=min; 5=max)</b>	/5
(ii) Does the project/programme have regional impact?		
<b>Crowding in new investors (5%)</b>		
(i) Does the project/programme attract first-time investors to climate, MSMEs or the country?	<b>Score (1=min; 5=max)</b>	/5
<b>Benefits to MSME clients (5%)</b>		
(i) How many clients will benefit from the services of the MSMEs supported by the project/programme?	<b>Score (1=min; 5=max)</b>	/5
<b>Benefits to the bottom of the pyramid (5%)</b>		
(i) Is the project/programme located in vulnerable countries, including the LDCs and SIDS?	<b>Score (1=min; 5=max)</b>	/5
(ii) Does the project/programme target micro-sized enterprises?		
<b>Total impact criteria score</b>		/35

<b>Appropriate activity</b>	<b>Total score</b>	<b>Evaluation</b>	<b>Score</b>
<b>Project/Programme evaluation criteria score</b>			Pass/Fail
<b>Special considerations score</b>			/65
<b>Total score</b>			/100

Abbreviations: LDCs = least developed countries, MSME = micro-, small- and medium-sized enterprise, SIDS = small island developing States.