Funding Proposal

FP152: Global Sub national Climate Fund (SnCF Global) – Equity

Multiple Countries | Pegasus Capital Advisors (PCA) | Decision B.27/01

9 December 2020
Funding Proposal

Project/Programme title: Global Sub national Climate Fund (SnCF Global) - Equity –

Country(ies):

Africa: Burkina Faso; Cameroon; Côte d’Ivoire; Democratic Republic of the Congo; Gabon; Guinea; Kenya; Mali; Mozambique; Nigeria; Rwanda; Senegal; South Africa; Togo; Uganda.

Asia- Pacific: Cambodia; Fiji; Indonesia; Myanmar.

Latin America and the Caribbean: Bahamas; Brazil; Chile; Costa Rica; Dominica; Dominican Republic; Ecuador; El Salvador; Guatemala; Haiti; Honduras; Jamaica; Mexico; Panama; Uruguay.

Mediterranean: Albania; Jordan; Lebanon; Mauritania; Montenegro; Morocco; North Macedonia; Tunisia.

Accredited Entity: Pegasus Capital Advisors LP (Pegasus)

Date of first submission: [2019/12/30]

Date of current submission: [2020/10/09]

Version number: [3.6]
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Note to Accredited Entities on the use of the funding proposal template

- Accredited Entities should provide summary information in the proposal with cross-reference to annexes such as feasibility studies, gender action plan, term sheet, etc.
- Accredited Entities should ensure that annexes provided are consistent with the details provided in the funding proposal. Updates to the funding proposal and/or annexes must be reflected in all relevant documents.
- The total number of pages for the funding proposal (excluding annexes) should not exceed 60. Proposals exceeding the prescribed length will not be assessed within the usual service standard time.
- The recommended font is Arial, size 11.
- Under the GCF Information Disclosure Policy, project and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Accredited Entities are asked to fill out information on disclosure in section G.4.

Please submit the completed proposal to:

fundingproposal@gcfund.org

Please use the following name convention for the file name:

“FP-[Accredited Entity Short Name]-[Country/Region]-[YYYY/MM/DD]"
## A. PROJECT/PROGRAMME SUMMARY

<table>
<thead>
<tr>
<th>A.1. Project or programme</th>
<th>Programme</th>
<th>A.2. Public or private sector</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.3. Request for Proposals (RFP)</td>
<td>If the funding proposal is being submitted in response to a specific GCF Request for Proposals, indicate which RFP it is targeted for. Please note that there is a separate template for the Simplified Approval Process and REDD+. Mobilizing Funds at Scale (MFS)</td>
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<tr>
<td>A.4. Result area(s)</td>
<td>Check the applicable GCF result area(s) that the overall proposed project/programme targets. For each checked result area(s), indicate the estimated percentage of GCF budget devoted to it. The total of the percentages when summed should be 100%.</td>
<td></td>
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<tr>
<td>Mitigation: Reduced emissions from:</td>
<td>☒ Energy access and power generation:</td>
<td>GCF contribution:</td>
<td></td>
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<tr>
<td>☐ Low-emission transport:</td>
<td>☐ Buildings, cities, industries and appliances:</td>
<td>☒ 35%</td>
<td></td>
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<tr>
<td>☒ Forestry and land use:</td>
<td></td>
<td>Enter number%</td>
<td></td>
</tr>
<tr>
<td>Adaptation: Increased resilience of:</td>
<td>☐ Most vulnerable people, communities and regions:</td>
<td>40%</td>
<td></td>
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<tr>
<td>☐ Health and well-being, and food and water security:</td>
<td>☐ Infrastructure and built environment:</td>
<td>25%</td>
<td></td>
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<tr>
<td>☐ Ecosystem and ecosystem services:</td>
<td>☐</td>
<td></td>
<td></td>
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<tr>
<td>A.5. Expected mitigation impact</td>
<td>77'634'432 tCO2 eq</td>
<td>A.6. Expected adaptation impact</td>
<td></td>
</tr>
<tr>
<td>A.7. Total financing (GCF + co-finance)</td>
<td>750 M USD</td>
<td>A.9. Project size</td>
<td>Medium (Upto USD 250 million)</td>
</tr>
<tr>
<td>A.8. Total GCF funding requested</td>
<td>150 M USD For multi-country proposals, please fill out annex 17.</td>
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<tr>
<td>A.10. Financial instrument(s) requested for the GCF funding</td>
<td>Mark all that apply and provide total amounts. The sum of all total amounts should be consistent with A.8.</td>
<td>☒ Equity 150 MUSD</td>
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<tr>
<td>☐ Grant</td>
<td>☐ Results-based payment</td>
<td></td>
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<tr>
<td>☐ Loan Enter number</td>
<td>☐</td>
<td></td>
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<tr>
<td>☐ Guarantee Enter number</td>
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<td>A.11. Implementation period</td>
<td>15 years (12 years + 3 years extension)</td>
<td>A.12. Total lifespan</td>
<td>Minimum 20 years</td>
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<tr>
<td>A.13. Expected date of AE internal approval</td>
<td>This is the date that the Accredited Entity obtained/will obtain its own approval to implement the project/programme, if available. Click or tap to enter a date.</td>
<td>A.14. ESS category</td>
<td>Project under this program will be limited to E&amp;S category B or C</td>
</tr>
<tr>
<td>A.15. Has this FP been submitted as a CN before?</td>
<td>Yes ☒ No ☐</td>
<td>A.16. Has Readiness or PPF support been used to prepare this FP?</td>
<td>Yes ☐ No ☒</td>
</tr>
<tr>
<td>A.17. Is this FP included in the entity work programme?</td>
<td>Yes ☐ No ☒</td>
<td>A.18. Is this FP included in the country programme?</td>
<td>Yes ☐ No ☒</td>
</tr>
<tr>
<td>A.19. Complementarity and coherence</td>
<td>Does the project/programme complement other climate finance funding (e.g. GEF, AF, CIF, etc.)? If yes, please elaborate in section B.1.</td>
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<td></td>
<td>Yes ☐ No ☒</td>
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<thead>
<tr>
<th>A.20. Executing Entity information</th>
<th>If not the Accredited Entity, please indicate the full legal name of the Executing Entity(ies) and provide its country of registration and ownership type. Note that there can be more than one Executing Entity. Also indicate if an Executing Entity is the National Designated Authority. Refer to the definition of Executing Entity in the Accreditation Master Agreement.</th>
</tr>
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<tbody>
<tr>
<td>Executing Entities:</td>
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<tr>
<td>- Pegasus Capital Advisors, L.P. (Pegasus), a Delaware limited partnership and Accredited Entity by the GCF.</td>
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<tr>
<td>- SnCF Global, not yet formed but expected to be a SICAR RAIF registered in Luxembourg with a designated AIFM.</td>
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<td>- R20 Regions of Climate Action (R20) a Swiss association based in Geneva, Switzerland under the Swiss association laws.</td>
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<tr>
<td>- Gold Standard Foundation (GS) a non-profit association based in Geneva, Switzerland under the Swiss association laws.</td>
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<td>Implementing Entities:</td>
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<tr>
<td>- International Union for Conservation of Nature (IUCN), an international organization registered in Switzerland, and Accredited Entity by the GCF.</td>
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Introduction

The Paris Agreement, in which signatory countries pledge to keep global warming “well below” 2°C relative to pre-industrial levels and ideally to no more than 1.5°C, marked international political recognition of the urgent threat posed by global climate change. In the world’s developing countries, political progress and climate action are tied closely to a sustainable economic transition, representing an investment opportunity of tens of trillions of dollars. Public development finance alone will not be sufficient to achieve the Paris Agreement’s objectives and the SDGs. Impact investing from the private sector is needed.

The Global Subnational Climate Fund (“SnCF Global” or the “Fund”) seeks to achieve a paradigm shift in the model for demand-led climate finance. The SnCF’s paradigm shift potential derives from two innovations (i) the focus on mid-sized projects at the subnational level and (ii) most importantly, its combination of a “blind pool” investment structure typical of a private equity fund where capital is invested in multiple portfolio companies or projects over a period of years, combined with elements of public-backed finance such as Technical Assistance and concessionary capital. This novel investment model has generated significant excitement among NDAs, as evidenced by the 42 NOLs received to date and robust interest in the Equity portion of the SnCF among private investors, including foundations, endowments, institutional investors and high net worth individuals.

SnCF Global believes the anchor investment by the GCF together with technical assistance implemented by IUCN (through a separate funding proposal) will unlock capital commitments to the Fund from private investors that will allow the Fund to invest through privately owned special purpose vehicles in a multitude of climate-resilient projects while providing a market rate of return to the private investors. The Fund will make equity investments into special purpose vehicles that hold interest in projects at the sub-national level, where the Fund believes there is a significant investment gap, and therefore an opportunity to realize both impact and economic returns. GCF and other third-party investors will make equity commitments to the Fund, with a total target size of $750-900 M USD, with GCF’s commitment representing 20% of the total. A proposed structure chart for the Fund is attached as Annex 29. The Fund believes this target size is optimal to allow the Fund to invest in projects that address a broad array of the 8 impact areas identified by the GCF pursuant to Decision B.07/04.

SnCF Global’s “blind pool” fund model represents the opportunity to deploy capital efficiently and at scale. Potential projects will be filtered through multiple levels of review, both at the TA and Equity stage. As part of this review, members of the SnCF consortium will examine the relevant markets in depth and assess relevant barriers and opportunities. The intended result of this evaluation process is that only those projects that, in the consortium’s judgement, represent the most efficient use of resources for the greatest impact and financial return will ultimately be funded by the SnCF.

The SnCF is a multi-country Fund that is set to invest in up to 20 countries. Substantial effort has been dedicated to meet more than 40 NDAs, who have sent their NOLs already and some who will try to send the NOLs before the Board discussion; however, due to COVID-19 many NDAs have forwarded letter explaining that their processes are running slower than usual. Based on several positive feedback from these NDAs, it is reasonable to expect that more NOLs will be received before or shortly after the Board considers the FP. Therefore, the AE respectfully request the GCF Board that during the first 2 years of the Fund’s life, the Fund be allowed to obtain additional NOLs that having been requested already did not make it on time for the Board. These additional NOLs with their status are listed in Annex 28 will be presented to the Secretariat in due time and The GCF Board for their consideration as required. Seeking these additional NOLs will not prevent the Fund from starting investing as early as the first close.

The Consortium; Funding Proposals

The SnCF program will benefit from the diverse expertise of a consortium of entities, each with a long track record of operating success:
- **Pegasus** – Pegasus, a GCF Accredited Entity, will oversee and coordinate the entire SnCF effort (both Equity and Technical Assistance), including management of the Fund and investment of the Fund’s commitments in individual projects. Pegasus is a U.S. based investment advisor registered with the U.S. Securities Exchange Commission, and has been managing private funds since 1996, and has been investing in sustainability-focused investments for over 18 years.

- **R20** – R20 will be an advisor to the Fund, and brings extensive experience partnering with sub national authorities in the field of low carbon and climate resilient infrastructure projects.

- **Gold Standard** – Gold Standard will advise the Fund on impact, ESMS, Climate and SDG monitoring and reporting. In addition, Gold Standard will be used to certify the Fund’s impact throughout the investment value chain in terms of climate mitigation, adaptation, ecosystem integrity, local rights, gender and the SDGs.

- **IUCN** – IUCN, a GCF Accredited Entity, will oversee and implement a Technical Assistance (TA) facility seeded by a separate GCF grant (through a separate funding proposal). The TA facility is intended to facilitate a robust pipeline of bankable projects for the Fund.

- **BNP Paribas** – BNP Paribas, a GCF Accredited Entity, will serve as Fund Custodian and Depositary, provide Fund administration services and assist the Fund in its marketing and distribution efforts.

The Fund believes this consortium brings a unique range of experience that will be a key driver of the Fund’s success.

The SnCF program is being implemented through two separate funding proposals, one for the equity, one for the TA. This structure was proposed by the Secretariat because neither Pegasus nor IUCN is accredited for both equity and grants. Nevertheless, the Equity and the TA will operate as a single program with Pegasus overseeing and coordinating among IUCN and the various Executing Entities.

**Importance of GCF’s Anchor Commitment and Multiplier Effect of Capital**

The GCF’s anchor commitment to the Fund is essential to its success. GCF’s equity commitment will be in the form of a first-loss security (*pari passu* on the upside), which is intended to catalyze equity contributions of an additional $600 - $750 MUSD from private investors ($750-$900 MUSD total Fund size), who have historically viewed mid-sized subnational projects as too risky. The Fund, will then make investments in up to 45 subnational mid-size ($5-$75 MUSD) low carbon and climate resilient infrastructure projects in Africa, Asia - Pacific, Latin America, the Caribbean and the Mediterranean basin. The Fund expects to invest primarily in equity of the underlying projects, but may invest in debt or convertible debt on a case-by-case basis. The Fund will use commercially reasonable efforts to invest in at least one project in each country for which the Fund receives an NOL.

Each of the individual projects in which the Fund invests will have its own capital structure, with the Fund typically providing the equity portion (potentially with co-investors at the project level as well) and third-parties providing the debt. As a result of this multiplier effect at both the Fund and project levels, each dollar of GCF’s commitment to the Fund has the potential to generate as much as $25 in private funding, as illustrated in the chart below.
The Fund has a robust pipeline of potential projects totaling over $1 billion in total capex spending. Furthermore, Pegasus has fully deployed five private equity funds previously, and therefore is confident that it will be able to fully deploy a $750-$900 MUSD Fund within the five year investment period.

**Fund Strategy and Opportunity**

Sub-national authorities have local responsibilities and local power. Indeed, decisions about nature based and/or climate smart urban/rural design and solutions related to water and sanitation; restorative agriculture/aquaculture; urban development solutions; waste optimization; renewable energy generation and energy efficiency retrofits are mostly taken at the sub national level. Such projects have both mitigation and adaptation effects. It is also locally that the social and environmental impacts of policies and programs are first felt and where the greatest opportunity lies to create employment, stimulate the economy, and from the investor point of view, to manage risk. However, there is an investment gap into this type of subnational middle size infrastructure. International financing institutions, such as MDBs, DFIs and the UN, are not well equipped to work at subnational levels, and typically seek investment opportunities in excess of $100M USD. The SnCF is designed to fill that gap.

The SnCF’s investment process and screening criteria are designed to enable the SnCF to reach its financial and impact targets.

SnCF Global will act as an umbrella Fund and each project will be invested through a separate SPVs. Pegasus, R20, IUCN and Gold Standard hope that the Fund will ultimately be replicated focused on specific geographies and/or technologies, after the first Fund acts as a proof of concept. The regional emphasis of the Fund is designed to effectively transfer and to build capacities in developing countries empowering regional actors. Existing GCF’s accredited entities could naturally play that role, when applicable, (at least one per continent, for example FONERWA in Rwanda) so that in subsequent phases investment value chains and finance vehicles can be replicated and scaled up.

SnCF Global seeks to build on successful lessons learned in the field of low carbon and climate resilient infrastructure projects undertaken by R20, between 2014 to 2018 including in the Wilaya of Oran, Algeria (Waste optimization, recycling and soil rehabilitation), in Province of Kita, Mali (50 MW Solar PV, not only...
providing access to renewable energy but also improving of local agriculture) and Mato Grosso State, Brazil
(LED street lighting, saving energy while providing more security).

With IUCN’s TA facility the SnCF Global will benefit from a strong partner which is dedicated to “do no harm”,
and will actively work to ensure of Nature-based Solutions (NbS) are an integral part to climate-smart
infrastructure investments, and can thus even contribute to biodiversity net gain, beyond additional climate
adaptation and mitigation gains (e.g. carbon sequestration through restoration efforts). NbS efforts (actions
to protect, manage and restore natural or modified ecosystems, which address societal challenges, effectively
and adaptively, providing human well-being and biodiversity benefits) can help make infrastructure
investments better, more resilient and financially more attractive.

Conclusion

This funding proposal embodies a compelling consortium, novel fund structure and differentiated
investment focus, which, the Fund believes, will enable it to achieve significant climate change impacts
while delivering a market rate of return. In fact, SnCF was recently recognized by the Global Innovation
Lab for Climate Finance as the best city track project of 2020.¹ GCF’s anchor commitment to the Fund
plays a critical role in unlocking the Fund’s potential.

¹ https://www.climatefinancelab.org/news/lab-selection-2020/
## B. PROJECT/PROGRAMME INFORMATION

### B.1. Climate context (max. 1000 words, approximately 2 pages)

*Climate change problem:* Describe the climate change problem the proposal is expected to address. Describe the mitigation needs (GHG emissions profile) and/or adaptation needs (climate hazards and associated risks based on impacts, exposure, and vulnerabilities) that the proposed interventions are expected to address. Also describe the most likely scenario (prevailing conditions or other alternative) that would remain or continue in the absence of the proposed interventions. Include baseline information. The methodologies used to derive such information, including the mitigation and adaptation needs, should be included in the feasibility study.

**Context:** In describing the mitigation and/or adaptation needs, briefly describe the target region/area of the proposed interventions including information on the demographics, economy, topography, etc.

**Related projects/interventions:** Also describe any recent or ongoing projects/interventions that are related to the proposal from other domestic or international sources of funding, such as the Global Environment Facility, Adaptation Fund, Climate Investment Funds, etc., and how they will be complemented by this project/programme (e.g. scaling up, replication, etc.). Please identify current gaps and barriers regarding recent or ongoing projects and elaborate further how this project/programme complements or addresses these.

In order to limit global temperature increase to 1.5°C, the level that scientists have identified as the threshold to prevent catastrophic climate change, will require an almost full decarbonization of the global economy by no later than 2050. The Intergovernmental Panel on Climate Change (IPCC) 2018 special report on warming of 1.5 °C (SR1.5) emphasizes the need for all actors — state, sub-national, and non-state — to engage and collaborate in climate action to meet the 1.5°C goal. Cities, regions, and states are on the front line of this transition, with estimated sub-national mitigation potential in the range of 2-4 gigatons of CO2e [Source: Global States and Regions Annual Disclosure, 2019. CDP and The Climate Group]. NbS can additionally provide over one-third of the cost-effective climate mitigation needed between now and 2030 to stabilize warming to below 2 °C^2:. They also provide a powerful defense against the impacts and long-term hazards of climate change, thus reducing the risk vis-à-vis climate driven damages to infrastructure. NbS for both climate adaptation and mitigation are well represented as priorities in Nationally Determined Contributions (NDCs)^3.

According to UNDP, 50% to 80% of adaptation and mitigation actions necessary to tackle climate change will be implemented at the subnational or local level of governance^4. Approximately 6,000 cities and regions have already made commitments to reduce GHG emission. Local governments making these commitments represent populations that represent a collective population of 579 million, while participating regions are home to approximately 514 million additional people^5.

Despite the enormous impact potential and groundswell of ambition, conventional climate finance has historically failed to catalyze the full potential of sub-national climate action, especially in developing countries. The SnCF seeks to address this, by (a) targeting climate finance at the subnational level focused on mid-sized projects that have historically been underfunded, (b) responding to project areas defined by the sub-national regions themselves, (c) linking climate mitigation with adaptation / resilience, (d) based on NbS, and (e) measuring impact of sustainability co-benefits (ex: SDG 6, SDG 7, SDG 9, SDG 11, SDG 12, SDG 14, SDG 15 etc.) The Fund will be structured along regional lines to reflect different regional sub-national priorities and areas of highest potential impact.

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^2 Griscom et al. 2017 Natural climate solutions. PNAS

^3 IUCN and Oxford University (2019) Strengthening nature-based solutions in national climate commitments

^4 Subnational governments at the forefront of climate action, The Climate Group, 2018

^5 Global Climate Action From Cities, Regions And Businesses, 2019
Projects for SnCF Global are expected to include resilient infrastructure in the field of water and sanitation; restorative agriculture/aquaculture; urban development solutions; waste optimization; renewable energy generation and energy efficiency retrofits while promoting NbS. Each of these categories addresses different aspects of combined mitigation and adaptation to climate change. The Executing Entities of this program (Fund and TA) are leaders in those fields and can demonstrate experience in those fields. Each faces unique barriers to implementation and access to finance, which our prior projects demonstrate can be overcome, and serve as models for wider scale-up and adoption:

- **Water and sanitation (Water):** Water projects provide people with greater access to safe drinking water and efficient methods of wastewater treatment. These project types also directly benefit the climate in several important ways. Water projects displace the use of firewood for boiling water, significantly reducing emissions and alleviating pressure on local woodlands (important carbon sinks). If people do not have access to modern water filtration they will continue to boil water using fossil fuels. From an SDG perspective, clean water projects reduce indoor air pollution, improving health and living conditions for local families, and provide economic benefits such as new job opportunities and less time and money spent acquiring fuel for cooking. Gold Standard has already certified water projects for achieving such SDG impacts, including reductions in domestic violence and threats, use of recovered time on education, and near gender parity in project design and consultation. For wastewater treatment greenhouse gases (GHGs) including carbon dioxide (CO2) from aerobic (oxidation processes), methane (CH4) from anaerobic processes (3–19% of global anthropogenic methane emissions), and nitrous oxide (N2O) (3% of N2O emissions from all sources) associated with nitrification/denitrification (NDN) processes, as an intermediate product, can be emitted to the atmosphere. Modern treatment reduces these emissions, as opposed to conventional anaerobic lagoons that will emit methane for decades. From an SDG perspective, modern water treatment reduces the risk of watershed contamination, improves health and living conditions for local families, and provides economic benefits such as new job opportunities.

- **Restorative agriculture/aquaculture.** The sustainable management of ecosystems and soils can greatly contribute to climate mitigation and adaptation. The importance of forest ecosystems (in terms of afforestation, reforestation and avoided deforestation) and marine and coastal ecosystems mangroves, peatlands, tidal salt marshes, coral reefs and seagrass beds), by reducing the sources or enhancing the sinks of greenhouse gases has long been proven. Quantification are summarized in the graph below. Beyond carbon mitigation, such management practices also offer benefits such as water filtration, flood buffering, soil health, biodiversity habitat, and enhanced climate resilience.
Waste optimization (Waste): Roughly half of all waste in the world is organic, which decomposes into methane and other potent GHGs. Keeping these materials out of dumps and landfills and using them productively also relieves pressure on forests and other natural ecosystems, from which we extract resources, and can therefore support both climate mitigation and adaptation strategies. Biochar and compost are then re used to enrich the soils which permit better agriculture. A recent example of this work by R20 can be found in Goa, India and Oran, Algeria. The Goa and Ocean projects demonstrate the need for interventions beyond “business as usual” because local authorities did not have exposure to waste optimization technologies that were common in developed countries, so our group sponsored tours in the US and EU for local leaders; and tours by relevant contractors and technology companies to Goa to develop a plan of action for waste management, which is now an example for all of India. SnCF will also use work developed by IUCN regarding circular economy.

Renewable energy generation (RE): RE reduces GHGs and black carbon in the atmosphere, compared to fossil-fueled generation, which contributes to more extreme and damaging temperatures, droughts, wildfires, storms/floods. Clean, renewable energy also supports public health goals, especially reducing exposure/disease from fossil-fuel-related air pollution. Through Agro-Energy, in areas with high land degradation, land is also being improved by proper protection. A recent example of this work by R20 can be found in Kita, Mali. The Kita project demonstrates the need for interventions beyond “business as usual” because the local government had no experience designing and implementing a Power Purchase Agreement (PPA) and other development aspects of such projects, which were essential to securing the necessary investment and best appropriation by local population. R20 worked in-country and with all partners to help the government develop these tools, which now serve as models for the entire region. SnCF is looking to ensure RE projects minimize and mitigation their impacts on biodiversity and ecosystems, and promote positive impacts such as seaweed farms around offshore RE.

Energy efficiency retrofit (EE): EE reduces overall energy production and secures more immediate GHG reductions than interventions requiring longer development time. This “buys” more time for creating new technologies and/or the wider adoption of existing solutions and prevents even greater concentrations of GHGs in the atmosphere and the resulting impacts of climate change. A recent example of this work by R20 can be found at Rio de Janeiro (state) Brazil. The Rio project demonstrates the need for interventions beyond “business as usual” because cities were unable to afford imported LED streetlights, so the R20 team introduced manufacturers to the potential market and secured locally produced products that were affordable; secured testing and warranties from Eletrobras (major utility) to ensure confidence in the product by municipal procurement agencies; and
Pegasus Capital Advisors structured a financing vehicle with global investors to finance the retrofits (repaid from measured savings). This has now become a model for all 5600 cities in Brazil. SnCF will investigate the need for a circular economy approach, to ensure the recycling of LEDs is properly incorporated into project design,

Without these interventions, these are among the most serious of consequences that might be expected:

- More rapid increase of fossil-fuel use for power generation with the attendant increase in GHGs, human health consequences, and global conflicts for access to resources;
- Economic and resource poverty, which contributes to deforestation and other over-exploitation of natural ecosystems (which, in turn, exacerbates ecosystem abilities to mitigate climate impacts and help communities adapt to changes);
- Food insecurity, due in large part to food waste, which results in unsustainable agricultural practices that exacerbate and accelerate climate change impacts; and
- Significant negative impacts on biodiversity and ecosystems

These are proof of concept, innovative clean projects: They tackle at same time mitigation and adaptation measures, and where feasible, are based on and incorporate NbS. They are designed with local population, developed with private companies and structured with finance institutions which the SnCF will replicate and scale up.

The baseline information & methodologies used to derive such information are well-described in Fifth Assessment of the IPCC and its supporting documentation; the World Health Organization Climate & Health reports; the World Resources Institute’s Creating A Sustainable Future report; and the data provided by the International Renewable Energy Agency

More information on NbS context can be found in the TA FP

Table 1. Illustration of Gold Standard certified projects

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<tr>
<th>Project Name</th>
<th>Project Type</th>
<th>Location</th>
<th>Certified Climate and SDG Impacts</th>
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</table>
| Wastewater Treatment         | BANGNA STARCH WASTEWATER TREATMENT AND BIOGAS UTILIZATION PROJECT             | Thailand   | • 13 – Climate Action, 41,000 T\textsubscript{e}CO\textsubscript{2}/yr  
                                   |                                               |            | • 12 – Responsible Production and Consumption          |
| Waste to Energy              |                                                                               |            | • 13 – Climate Action, 14,830 T\textsubscript{e}CO\textsubscript{2}/yr  
                                   |                                               |            | • 7 – Affordable and Clean Energy                      |
| Clean Energy Production      | JODHPUR RAJASTHAN WIND ENERGY PROJECT                                        | India      | • 13 – Climate Action, 325,487 T\textsubscript{e}CO\textsubscript{2} project lifetime  
                                   |                                               |            | • 12 – Responsible Production and Consumption          |
| Reforestation                | VICHADA CLIMATE REFORESTATION PROJECT                                        | Colombia   | • 15 – Life on Land                                   |
This project aims to work within each of these categories of infrastructure to bring in combined climate resilience and mitigation measures. These sectors are targeted on the basis that they offer the most opportunities for climate proofing and low carbon infrastructure to meet the needs of local authorities.

While each sector of focus carries unique barriers to implementation and access to finance, which prior projects demonstrate can be overcome, and serve as models for wider scale-up and adoption, in general these barriers can be classified as follows:

- **Knowledge gaps:** Understanding climate vulnerability and risks and opportunities is essential to integrating climate change risks (or opportunities) into investment or financing decision-making. Understanding requires:
  - Awareness of risks and opportunities of climate change adaptation and mitigation solutions; and
  - Availability of investment-relevant and usable data, information, and tools to integrate considerations of long-term climate trends (both from a resilience and mitigation perspective) into site-specific business decision-making.

- **Capacity and expertise to identify climate-resilient or low carbon investment or financing opportunities:** nature-based solutions can provide over one-third of the cost-effective climate mitigation needed between now and 2030 to stabilize warming to below 2 °C [Griscom et al. 2017 Natural climate solutions. PNAS]. However, such solutions are often perceived as bringing benefits that are too diverse, diffuse, long-term, and non-monetary, making their integration into infrastructure investments unattractive to private investors. Despite the growing interest in investing in resilient infrastructure with low carbon emissions, the pipeline of investable infrastructure projects remains stubbornly stuck in traditional, direct revenue models. Most climate resilient, low emitting infrastructure investments that use nature-based solutions, for instance, coastal wetlands and levee systems, are viewed as public goods that generate diffuse benefits long into the future. The risks and benefits are often broader than anticipated, only appreciated in hindsight, and are rarely captured directly to support the original investment.

- **Access to, and familiarity with, technologies that can help to strengthen climate resilience and/or take advantage of low carbon technologies.** Lack of familiarity can alter investment risk perception.

- **Behavioral biases such as the tendency to apply short-term investment horizons (i.e. short payback periods)** can also affect business appetite to invest in climate resilience and low carbon investments, as well as their ability to develop products or services that could help mitigate climate-related impacts. High discount rates dominate investment decision-making.

- **Revenue, funding and risk coverage gaps:** Uncertainties about the returns of investments, inadequate access to finance Investments in, for example, irrigation equipment, water-efficient technologies, stress-resilient plants or infrastructural improvements that could help to strengthen climate resilience, may be disproportionate to businesses’ financial capacity, or have unattractive risk/return profiles. Benefits associated with such climate-resilient investments may only manifest over longer time frames, and the extent dependent on uncertain climate impacts. They may also be complex to evaluate when part of broader investments. Financial institutions may also be reluctant to lend to such investments, often due to incomplete information or higher perceived risks because...
of the lack of track record, borrowers’ inadequate collateral, or lack of capacity in appraising and financing non-traditional technologies.

Addressing these barriers calls for a number of measures to be supported from technical assistance funding, additional information can be found in the TA FP

Our interventions will be primarily focused in:

- Sub-Saharan Africa
- Mediterranean Basin
- Latin America
- Asia
- Marine oceans areas such as the Caribbean and Island Nations

These geographies share several common demographic and economic characteristics, while having quite different topographies. For example, economic development has been hindered in these regions due to lack of access to reliable, affordable energy of any kind, which has in turn contributed to deforestation and other unsustainable adaptations. In terms of topographies, our focus on certain island nations reflects their more urgent need to address climate change, as sea levels rise and coastal communities are flooded or otherwise impacted physically and economically.

### B.2. Theory of change (max. 1000 words, approximately 2 pages plus diagram)

Describe the theory of change and provide information on how it serves to shift the development pathway towards a low-emission and/or climate resilient direction. Provide the diagram of the theory of change (approximately 1 page).

The theory of change should include any barriers (social, gender, fiscal, regulatory, technological, financial, ecological, institutional, etc., as relevant) that need to be addressed. Use a results chain of inputs, activities, outputs, outcomes, and impact statements, and identify the how and why of causal relations to deliver the project’s expected results.

The goal of the **Global Sub-national Climate Fund** (SnCF Global or the “Fund”) is to catalyze climate mitigation and adaptation solutions at the subnational level through a transformative finance model. The model is designed to attract public and private investment and to deliver certified Climate and Sustainable Development impacts and Nature-based Solutions at global scale (climate, SDGs, NbS). The subnational level is key: 70% of known climate solutions are located within the remit of subnational authorities. Significant additional investment is needed in this sector to achieve the climate goals of the Paris Agreement. The SnCF Global presents a positive disruption on how subnational climate projects should be structured, de-risked, and funded by both public and private investors, while monitored and benchmarked at the highest level of rigor and quality.

The Fund is designed to overcome private investment and project-level barriers that lead to chronic underfunding of bankable mitigation and adaptation projects at the sub-national level, at the deal size of $5-$75 million project funding. Thousands of high merit sub-national projects are bypassed by commercial financing because investors prefer perceived safer investments. The Fund believes anchor funding from

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2019, December. European Committee of the Regions. *Political messages of the European Committee of the Regions for the UNFCCC, COP25*
the GCF will unlock both public investors (MDBs, DFIs, Sovereign Funds …) and even more important, private investors (pension funds, insurance funds, family offices, private banks, philanthropies, high net worth individuals, and other institutional investors) which are willing to invest in green finance products but do not have access to attractive investment vehicles to invest at sub-national level. This is the first time an impact equity fund mobilizes together public (20 %) and private sector (80%) funding at scale to de-risk sub-national middle scale infrastructure projects.

The Fund is designed to unlock significant new climate solutions and create scalable models for public and private capital, linking climate resilient technology with NbS. Especially the latter has become an area of increasing interest for capital investors for some time, but has yet to achieve its full potential. The readiness shown by the financiers of the SnCF Global (GCF, BNP Paribas, and other non-disclosed investors) to engage on NbS, and partner with IUCN as the global lead institution on NbS, shows the willingness and eagerness to ensure innovative finance solutions for NbS don’t just remain limited to pilot projects. The Fund will be managed by Pegasus Capital Advisors, a GCF-accredited alternative investment manager. The consortium of the SnCF Global is completed by R20, engaged at cities and regions level to strengthen their role in the fight against climate change as well as the Gold Standard, a leading global standard against which to certify project impacts achieve the highest levels of environmental integrity and sustainable development.

The SnCF Global creates additionality both at fund level and at project level. At Fund level, the use of a blended finance models, fund impact certification, exclusive sub-national and mid-size project focus are all designed to direct private capital to projects that otherwise would not receive investment. At project level, the standard inclusion of rigorous safeguarding and Climate, SDG and NbS impact in project design and selection will ensure that otherwise technically sound projects become bankable.

The ultimate beneficiaries of the SnCF are the citizens living in the subnational jurisdictions where investments will occur. They will gain access to improved services while benefiting from measurable positive impacts due to climate resilient infrastructure and improved ecosystems, in terms of waste management, air and water quality, as well as access to clean energy and energy efficiency.

Immediate beneficiaries are the sub-national authorities controlling procurement and project development. These stakeholders will also benefit from improved conditions and enabling environment that can attract long-term and stable green investments. The positive Climate and SDG impacts will link to and directly support host country Nationally Determined Contributions (NDCs) and Sustainable Development Goals (SDGs), amplifying impact beyond the sub-national level.

Secondary beneficiaries will be the project developers (primarily private sector entities, thus encouraging and empowering local developers) in terms of finance and technical support to advance sustainable, green infrastructure projects. Compliance with the SnCF ESMS criteria, rigorous safeguarding, gender framework, and climate, NbS and SDG impact design will build their capacity to engage other Funds. Other stakeholders engaged in the process are regional actors, such as regional banks, national banks and sovereign funds which have the means and opportunities to leverage more funding into projects such as targeted by the SnCF Global.

Inputs:

Public-private consortium: The Fund will be managed by GCF-accredited Pegasus Capital Advisors. The Technical Assistance (TA) will be managed by GCF-accredited IUCN. The TA will provide financial and technical support to i.) the international community with the project methodologies, indicators and tools to Measure, Report and Verify green sub national projects’ impacts, thus helping NDC; ii.) national and sub-national governments to better understand the conditions to identify, design, develop and implement proper portfolio of projects and iii.) project developers to ensure their projects become commercially viable, adhere to strong environment and social safeguards, and integrate NbS where possible. R20 Regions of
Climate Action will lead overall coordination. Gold Standard will lead Climate, SDG and NbS impact certification. BNP Paribas will be the depositary / Custodian Bank as well the distributor of the Fund. The Fund will have its first closing with the GCF as the anchor investor as soon as possible, and the remainder of the Fund will be capitalized by BNP Paribas and other private investors over the course approximately one year after the initial closing with GCF.

Together, the consortium members bring diverse and relevant expertise to achieve the Fund’s objectives. Working together, the consortium can accelerate the development of projects: streamlining the length of the project development and financing value-chain, bringing together finance, engineering and conservation expertise, financial resources and cutting-edge knowledge, coordinating efforts of major players, and building capacity, understanding and trust.

**Blended finance model to de-risk for private capital:** Investment risk is greatly reduced with GCF becoming a public investor providing first-loss position on the Fund. There is a lack of development vehicles to de-risk projects, notably those that “blend” capital in such a way to match the risk and return that can be expected at each stage in the project development and investment value chain with the expectations of different categories of funding and investment capital. This is especially true for private finance into NbS. The lower risk profile is needed to attract private capital. Doing so is essential to achieve the Paris Agreement climate target of 2°C, and represents a 23 trillion USD investment opportunity up to 2030. Additional worldwide annual investments of 4 trillion USD will be needed to achieve the SDGs by 2030. The annual investment gap in developing countries is expected to remain high at around 2.5 trillion USD and public development finance alone will not be sufficient to achieve either the Paris Agreement Objectives or the SDGs.

**Exclusive sub-national focus:** There is an urgent need to scale climate and development finance at the sub-national level where there is pervasive underfunding of bankable mitigation and adaptation projects in cities, counties, regions and states. 50%-80% of needed climate mitigation opportunities are however at sub-national level. Decisions about water and sanitation, waste management, energy generation, energy efficient street lighting and local nature-based projects are mostly taken at local level. It is also at this level that positive social and environmental impacts are first felt. SnCF Global believes the greatest opportunities lie at the sub-national level to create employment, to stimulate the economy and, from the investor point of view, to manage project risk. The Fund will only invest in public – private sub-national climate projects for which there is a clear pathway to financial, social and environmental viability, alignment and reportable impacts in support of country-driven priorities and can be integrated into national reporting on Nationally Determined Contributions (NDCs) and SDG. From a TA perspective, awareness, training and capacity building of public authorities will ensure that enabling conditions for green infrastructure investments are being advanced. They will also provide the sub-national authorities insight knowledge and tools to fast-track procurement and project development. This should create a longer, and more stable investment environment and conditions for other financiers to follow suit to the SnCF Global.

**Mid-size project investment criteria:** The Fund targets projects with a total cost of $5-$75 million dollars, the investment window for many sub-national projects. Too often, local green infrastructure projects fall below the $100 million threshold of most public (MDB and DFIs) and most private climate finance, or are too large for the $5 million grant threshold of most public funding. The transaction cost is considered too high compared to return on investment. The Fund fills this critical gap. The Fund is demand-driven; climate resilient infrastructure projects are highly requested by sub-national governments and investors, especially for “mid-size” projects, as well as making a tangible link to NbS.

**ESMS and global standards will backstop Fund design, project selection and impact:** The Fund is designed from the outset to deliver, measure, and uniquely – to certify – climate mitigation, adaptation, and sustainability co-benefits. The Fund’s rigorous ESMS and certified design incorporate best-practice international standards for climate, SDGs, and safeguards including non-discrimination, decent work conditions, gender equality, anti-corruption, etc. These same criteria will be applied to project selection and
investment decisions in addition to local registration, key financial data at company level, key competencies and liabilities at company level, policies, etc. Compliance and reporting will be accomplished ex-ante through certified project design documents, and ex-post. The Fund will limit itself to projects with ES B categorization.

**Technical support to ensure high-integrity, bankable projects:** Sub-national authorities and even project developers often lack the skills to design and implement green infrastructure projects with sufficient safeguarding, design for climate mitigation, resilience, and sustainable development and NbS impact, and other alignment with the real demands of the local population and investor requirements. The SnCF, grounded in the ESMS, via the work of the TA, will develop the tools, resources, and training to help stakeholders develop bankable projects from an investment standpoint, high-impact climate mitigation (SDG 13), and high-integrity projects with respect to mandatory safeguards and certified impact towards other SDGs (minimum 3 per project). TA materials will be public goods to ensure uptake by other investment funds. Capacity transfer will be sustained through the initial support in setting-up Technical Assistance Hubs.

**Activities:**

**Investment:** The main investment activities include fund raising for private capital investors into the Fund, deal sourcing through the project pipeline (supported via the TA), and investment decisions and management once deals are selected. Specific tasks may include:

- Develop dedicated blended finance allowing both public finance institutions such as sovereign funds, DFIs and MDBs and private investors such as philanthropies, family offices, pensions funds and private banks to invest according to their interest and risk-taking profile.
- Identify the proper portfolio of infrastructure projects, through bottom up approach directly with sub national, which maximize positive climate and SDG impact.
- Conduct feasibility studies to make sure proposed infrastructure projects meet the investors’ requirements so that they become bankable;
- Measure, Report and Verify the environmental, social and economic impacts thanks to Gold Standard, the Fund’s third-party climate and SDG certification partner.

**Capacity Development:** The SnCF will leverage the extensive expertise and resources of the consortium members to develop tools, awareness, training and other means of capacity transfer. TA resources will target all but one of the eight GCF focus areas: AFOLU, buildings and cities, ecosystems and ecosystem services, energy mitigation, health productivity and water security, infrastructure adaptation, livelihoods and vulnerable communities adaptation. In-country awareness and training will be supported through the regional networks of IUCN and regional offices and UNITAR’s CIFAL network centers. All materials and final reports will be public goods.

**Impact - Certification:** The Gold Standard, an international market standard used by 1,700 projects in 80 countries, will be used to support Fund and project design. The use of the standard, which is aligned with the Fund’s ESMS, will ensure project safeguards, mitigation, and adaptation impacts (SDG) are incorporated into project design and selection. An independent, third-party will certify that safeguards were implemented, and that projected mitigation and adaptation/resilience impacts (SDGs 3, 5, 6, 7, 8, 11, 13, 14, 15) were achieved.

**Scale – Sustained capacity transfer:** The SnCF Program within the Technical Assistance will incubate 3-5 regional capacity centers in line with the geographic scope of the Fund. Already, the SnCF Global is positioned to engage regionally, through an active network of Latin America capital cities and regions committed to climate change, in the Caribbean, Africa, Mediterranean, the ASEAN and the 53-member Commonwealth, and in particular with southern national and regional certified GCF entities within which regional hubs for TA facilities are likely to be created. R20, Afrochampions and Fonerwa are already working, within the framework of the African Union with AfDB, Afreximbank, African Trade Development
The hubs will function as part of existing regional centers, rather than as stand-alone entities. The objective is to develop capacity for each region to independently develop bankable, high-integrity projects and to attract global climate finance.

**SnCF Initiative Target High-Level Outputs:**

1. **Investment:** $750 million in blended public/private capital is invested in approx. 35 subnational projects in 20-25 countries.
2. **Capacity:** $28 million is invested in Technical Assistance to support 35-50 high-integrity, bankable projects, integrating NbS, where feasible. *Note that this aspect of the SnCF will be undertaken as part of the separate TA funding proposal.*
3. **Impact:** Certified mitigation impacts of 76 MT CO$_2$e and adaptation/resilience through SDGs 3, 5, 6, 7, 8, 11, 13, 14, 15.
4. **Scale:** Measurable contribution towards host country NDCs and SDGs and 3-5 regional capacity hubs are established to sustain capacity transfer tailored to local regions.

**SnCF Initiative Target High-Level Outcomes:**

- **Financial:** The SnCF blended finance model catalyzes private investment in new, subnational climate projects, integrating NbS. This creates an urgently needed pathway for private capital to support additional, high-impact projects linked to ecosystem conservation.
- **Technological:** The SnCF shared approach and open-source resources and training build bankable, high-integrity sub-national projects, including IUCN’s expertise and emphasis in NbS.
- **Climatic and Ecological:** CO$_2$e, and water, soil, ecosystem and related NbS are achieved at scale. Impacts are certified to provide assurance for donors and proof of concept for future investors.
- **Gender and Social:** Every SnCF project must implement, at minimum, a gender sensitivity framework (SDG 5) and rigorous safeguards into project design leading to climate impacts (SDG13), and at least two additional resilience/adaptation measures (SDGs 1,2,3,6,7,8,11,12), including those related to ecosystems and natural solutions (SDGs 14,15). Impacts will be verified by an independent 3rd party.
- **Institutional and Regulatory:** Subnational projects support country priorities and regional capacity is sustained through dedicated hubs. The TA and hubs provide an opportunity for SnCF capacity transfer on technical elements, standards, policies and other best practice, and to learn about the same from regional and subnational partners.
Goal

Catalyse climate mitigation and adaptation solutions at the subnational level through a transformative finance model designed to attract public and private investment and to deliver certified climate and SDG impacts and NbS at global scale.

Goal Statement

By demonstrating how to de-risk investment (blended finance, rigorous safeguards, bankable projects, and certified impact) the SnCF achieves a transformative level where private capital will reach additional, high-integrity subnational projects thereby reducing the barriers to investment, rewarding investors, certifying impacts, and building capacity to support future investment.

Outcomes

Investment: a blended finance model to catalyse private investment in new, subnational climate projects

Capacity: a shared approach and open-source resources are used to build bankable, high-integrity sub-national projects

Impact: fund design as well as project safeguards, mitigation, and adaptation impacts are all certified to global standard

Scale: subnational projects support country priorities and regional capacity is sustained through dedicated hubs

Outputs

Investment: $750 million in blended public/private capital is invested in approx. 35 subnational projects in 10-15 countries:

- $750M capital raised
- Sourcing, feasibility, risk analysis and due diligence
- Deals structured and investments managed
- Full compliance with best practice safeguards and international standards

Capacity: $24 million invested in Technical Assistance to support 35-50 high-integrity, bankable projects

Impact: certified mitigation impacts of 76 MT CO2e and adaptation/resilience through SDGs

Scale: measurable contribution towards host country NDCs and SDGs and initiation of 3-5 regional capacity hubs

Drivers

Growing market demand: Investors are ready to invest in climate-resilient infrastructure linked to SDG and NbS impacts

Corporate banks are engaging directly

Key drivers

- Growing market demand: Investors are ready to invest in climate-resilient infrastructure linked to SDG and NbS impacts
- Corporate banks are engaging directly

Barriers and Risks

- Transaction cost too high to manage such assets with a case by case approach at this level of CAPEX
- De-risking project per project at subnational level

- Project developers are sufficiently incentivised to adopt strong ESMs as well as NbS approaches
- Standard setting companies are able to cost-effectively certify SDG and NbS positive impacts
- Sub-national authorities are willing and able to change conditions and incentives mechanisms to attract investments, based on strong ESMs criteria and impact measurements

- Projects development without proper coordination with future investors ultimately doesn’t deliver impact
- Indicators developed needs to be pragmatic and usable by project proponents
- Maintenance of standard to evolving global best practice

- Unwillingness to undertake necessary conditions changes to address long-term environmental friendly technologies and investments
B.3. Project/programme description (max. 2000 words, approximately 4 pages)

Define the project/programme. Describe the proposed set of components, outputs and activities that lead to the expected Fund-level impact and outcome results. Components should reflect the project/programme level outcomes. This should be consistent with the financing by component in section C.2, the results and performance indicators provided in section E.5, and the implementation timetable in annex 5.

Referring to the feasibility study, describe why this set of interventions was selected instead of alternative solutions and how the project/programme can help unlock the needed support in a sustainable manner. Also identify trade-offs of the selected interventions, if applicable.

For Enhanced Direct Access (EDA) proposals and projects/programmes with financial intermediation (loans or on-granting), describe the selection criteria of the sub-project and types.

The program's main and direct outcome is to raise a fund, the SnCF, to enable the implementation and financing of 30 to 45 low carbon and resilient infrastructure projects. SnCF will invest in each project through one or more separate SPVs, which will be formed on a project by project basis based on appropriate legal and tax considerations. The SPVs will primarily invest in common or preferred equity of each project, although the SPVs may invest in debt or convertible debt. The capitalization for each investment will be determined on a case-by-case basis following the leverage strategy set in section A.21, with a target of around 50 – 70% of local debt and co-investors in the Equity.

Additionally, the programme is seeking to create a global business model for private funds to reach subnationals. To that end, Technical Assistance is expected to facilitate capacity building – to enable further replication and activities around improving Climate, SDG and NbS indicators and metrics to reliably quantify positive impacts.

*(TA detailed activities are described in an attached TA Funding Proposal)*

**Scope of the Target Infrastructure Projects for the Fund.**

The Fund will target mid-size infrastructure projects at the subnational level. Potential projects will be subject to two stages of review:

**Stage 1: Screening Stage.** The purpose of the Screening Stage is to identify potential investments that fit the Fund’s investment objectives. The Screening Stage will be undertaken by Pegasus and R20, although final decision making authority on whether an investment passes the Screening Stage will be retained by Pegasus. IUCN may be involved in an observer capacity to augment its internal capacity to use TA funds to develop bankable projects. A potential investment will pass the Screening Stage if:

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7Preferred stock is a flexible instrument that can be structured to provide the holder the potential for upside while not being in a first-loss position. Convertible securities offer the ability to negotiated at present an option to convert should the project perform well and the equity appreciate in the future. Common stock will allow the Fund to have voting and other rights that the Fund may consider strategically important
The Fund has received a mandate letter or similar from the relevant Subnational Authority to develop and seek financing solutions for the project.

The expected total capital contribution by the SnCF for the project is between 5 to 75 MUSD.

The project targets one or more of the following sectors: water and sanitation; restorative agriculture/aquaculture; urban development solutions; waste optimization; renewable energy generation and energy efficiency, including energy efficiency retrofits.

The project does not fall under the Exclusion List in the ESMS.

ES categorization B or C

The project is expected to contribute positively to climate action (SDG 13) and positively contribute to at least two other SDGs, such as (but not limited to) SDG Improved health (SDG 3), Gender mainstreaming (SDG 5), Clean Water and sanitation (SDG 6), Access to clean energy (SDG 7), Job creation (SDG 8), Sustainable communities (SDG 11), Biodiversity (SDG 14 and 15).

The project aligns with the host country’s Nationally Determined Contributions under the Paris Agreement.

Preliminary financial analysis yields an expected target gross IRR for the project of at least 13%.  

Stage 2: Due Diligence. Once a potential investment passes the Screening Stage, the Fund will seek to conduct comprehensive due diligence, including:

<table>
<thead>
<tr>
<th>Context</th>
<th>Project justification/ need of the recipient: The project submitted for consideration is justified in relation to the current and future situation, it brings a solution in direct response to the sub-national authority’s needs, it is in the scope of country’s NDC and it brings additionality in its context. Value-add of the project is evaluated in the context of the competitive landscape in the target markets.</th>
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<tr>
<td>Legal and regulatory framework: The project idea needs to show that it is in line with relevant legislation. The conformity refers to the technical aspect of the technology choice and the financing way. The legislative framework also confirms the main choices of the operation setting up (project management, exploitation, financing).</td>
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<tr>
<td>Institutional aspect: The technical capacity of the institution/entity that will be primarily responsible for the project implementation is demonstrated. Capacity building needs are identified.</td>
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<tr>
<td>Local Appropriation and Country ownership: Buy-in and local involvement is demonstrated; it is necessary to ensure that the highest and intermediate levels of government and administration are well informed and involved.</td>
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<tr>
<td>Approach already conducted: Experience assessment and strategic thinking on the current situation and its extension in the absence of project. Lessons learned from past similar projects have been taken into account</td>
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| Risk | Risk assessment: Risks have been assessed and mitigation measure have been analyzed. |

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8 See the “Notice to Recipients” on the final page of this funding proposal for important information about the calculation of Gross IRR. Target return is provided for illustrative purposes. There can be no guaranty that the target return will be achieved.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Diversification</strong></td>
<td>Project contribution to the overall Fund diversification has been evaluated</td>
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<tr>
<td><strong>Technical</strong></td>
<td><strong>Technical viability:</strong> The technical viability of the project is analyzed. Minimum Performance Standards are evaluated and adapted to the needs. <strong>Land control:</strong> Propriety is identified, location assessment and relevance, connectivity with the networks necessary for the project realization have been analyzed.</td>
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<tr>
<td><strong>Legal</strong></td>
<td><strong>Structuration is adapted:</strong> Overall structuration and key contracts are analyzed. Off-takers, EPC, OM and concessions contracts are compliant with best practices and Fund policies. <strong>Procurement:</strong> Procurement policies have been respected <strong>Liabilities:</strong> Liabilities are clearly defined and relevant <strong>Co-Financing:</strong> The need for, and likely sources of, potential co-financing.</td>
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<tr>
<td><strong>Economical</strong></td>
<td><strong>Further Refine Financial Model:</strong> Further due diligence, including technical assessments, are conducted to refine project capex and opex. Customers/off takers have been pre-identified and vetted. Revenue model and unit economics are evaluated. Upon further refinements, the financial model yields a minimum target IRR of 13%. <strong>Economic viability:</strong> The economic viability of the project is analyzed <strong>Currency:</strong> Currency risk of the off take and concession contracts are analyzed</td>
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<tr>
<td><strong>Impact</strong></td>
<td><strong>ESMS compliance, Safeguarding principles:</strong> A set of do not harm criteria linked to the ESMS are evaluated, energy needs of the projects are assessed and sustainable sourcing have been promoted. Life Cycle Costs (LCC) assessments have been carried out. Decommissioning of the Assets have been considered. Impact of logistic have been assessed. <strong>Climate impact:</strong> The project contribution to climate mitigation and adaptation is analyzed and the efficiency and effectiveness of its impact is evaluated. <strong>SDG impact:</strong> The main environmental and social impacts are identified; the projects is positively contributing to SDG 13 and two other SDGs. SDG Co-benefits are evaluated <strong>Paradigm Shift:</strong> The potential for scaling up and replication is evaluated. <strong>Environmental Assessment:</strong> Visible Environmental Impact Assessment as well as clear positive impacts on conservation, promoting NbS. <strong>NbS:</strong> The project’s NbS elements have been identified and additionality of NbS element have been taken into account in the project design.</td>
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Additionality

**Project Additionality:** The project, in its context, is bringing additionality and has a strong potential for replication and scaling up of the proposed solution. Annex 30 describe Additionality

Counterparties

**KYC:** "Know your Customer" analysis have been carried on project stakeholders

**Implementer capability:** The developer, EPC and OM can deliver the project, following project management and procurement policies, Capacity building needs are identified.

The final step in the evaluation is Confirmatory Due Diligence. This typically entails engaging third-party experts, most often legal and tax, to assist the Fund in structuring the investment in an efficient manner, and conducting additional due diligence on potential legal, tax or other liabilities.

**Programme Outcomes / Activities**

The activities carried by the program are a combination of regular activities of a Fund Manager (Pegasus) and the Technical Assistance managed by IUCN under a separate funding proposal, and implemented by a NGO (R20) facilitating projects lifecycles taking into account the interest of public stakeholders, project developers and the civil society with the needs of the Fund, providing a full Value Chain from identification to successful implementation. Gold Standard will work a design and implementation stages to provide climate and sustainability impact measurement and certification pathways. (TA activities in italic are detailed in the attached TA Funding Proposal)

**Expected Outcomes of the Equity part**

Outcome E1: Structure SnCF Global as a SICAR RAIF in Luxembourg, set up the General Partner and the contracts with licensed AIFM

Outcome E2: Fundraise 600 MUSD of private investment into the Senior tranche of SnCF Global

Outcome E3: Manage the pipeline identify a portfolio of bankable projects, led by R20

Outcome E4: Manage the investment activities, perform Due Diligence, prepare documentation for the Investment Committee and AIFM.

Outcome E5: Manage the portfolio, assist portfolio compagnies in archiving climate mitigation and adaptation, business, as well as SDG and NbS objectives

Outcome E6: Report to the limited partners

Outcome E7: Exit assets, return capital plus profit to limited partners, close out the Fund.

**Outcomes of the Grant part (detailed in the Grant FP)**

**Activities**

Outcome E1: Structure SnCF Global as a SICAR RAIF in Luxembourg, set up the General Partner and the contracts with licensed AIFM

Activity E1.1 Procure legal services to prepare underlying documentation
Activity E1.2 Structure Fund and Related Entities  
Activity E1.3 Draft Fund Prospectus, Marketing Materials and Limited Partnership Agreement  
Activity E1.4 Consummate Initial Closing of the Fund with GCF as Anchor Investor

Outcome E2: Fundraise 600 MUSD of private investment into the Senior tranche of SnCF Global

Activity E2.1 Prepare Fund teasing material, evaluate Fund suitability 
Activity E2.2 Organize roadshow and distribution agreements 
Activity E2.3 Negotiate with potential investors and Close on LP Commitments

Outcome E3: Manage the pipeline identify a portfolio of bankable projects, led by R20

Activity E3.1 Early stage sourcing (see below) 
Activity E3.2 Develop the pipeline (see below) will benefit from Activity G.1 
Activity E3.3 Structure the pipeline (see below) will benefit from Activity G.1

Outcome E4: Manage the investment activities, perform Due Diligence, prepare documentation for the Investment Committee and AIFM.

Activity E4.1 Perform Due Diligence on proposed deals 
Activity E4.2 Prepare documentation for Investment Committee 
Activity E4.3 Prepare documentation for AIFM and execute deals.

Outcome E5: Manage the portfolio, assist portfolio companies in archiving climate mitigation and adaptation, business, as well as SDG and NbS objectives

Activity E5.1: Provide ad-hoc support to investees 
Activity E5.2: Perform regular evaluation of investees

Outcome E6: Report to the limited partners

Activity E6.1: Collect information of investees, implement verification mechanisms, implement data collection tools 
Activity E6.2: Prepare reporting documentation 
Activity E6.3: Organize the Audit of the Fund 
Activity E6.4: Report on Climate, SDG and NbS Impacts

Outcome E7: Exit assets, return capital plus profit to limited partners, close out the Fund. 

Activity E7.1: Evaluate exit opportunities 
Activity E7.2: Negotiate sales transactions 
Activity E7.3: Execute exit transaction and distribute proceeds 
Activity E7.5: Liquidate the Fund after all portfolio companies have been fully disposed

The Value Chain

Early stage sourcing (Activity E3.1)

The SnCF will source potential sub national clean projects primarily from (i) the pipeline of bankable projects provided by IUCN under the technical assistance funding proposal and (ii) Pegasus’ and R20’s network of contacts at the subnational level. Potential transactions will be screened in accordance with the criteria set forth under the heading “Screening Stage” above. Gold Standard will review project design to ensure alignment with methodologies will result in impact re climate mitigation, adaptation and sustainability co-
benefits. Projects will also be assessed for alignment of reporting with NDCs and SDGs, and compliance / integration with national climate and development strategies and associated reporting.

**Development**

**Develop the pipeline (Activity E3.2):**

The SnCF project team will work hands in hands with the Technical Assistance to ensure project developed will be aligned with the selection criteria of the Fund. Pegasus will sit on the Project Accelerator Facilities Committee as an observer and R20 has a plain voting member. Please refer to the TA Funding Proposal to get more details on the project preparation and development stage.

**Structure the pipeline (Activity E3.3)**

The project teams support the local developer to structure the projects and ensure alignment with ES and Fund team’s criteria, to ensure smooth transition into Due Diligence. Strong focus is given to support the project sponsor, for them to respect the procurement procedures criteria for obtaining all the necessary permits (according to the Fund procurement policy). Project teams, with inputs from the Fund team will support the financial structuration and provide solutions that will facilitate the SnCF Global investment.

Additional support can be performed for the off-takers contracts, EPC and OM agreements.

**Investing**

**Fund Due Diligence (Activity E4.1)**

The Fund teams seek to conduct comprehensive due diligence of prospective investments, in accordance with the criteria set forth above.

The Fund team’s due diligence evaluation typically consists of multiple in-person meetings, teleconferences and written questionnaires with members of the potential investment's management. A financial model is typically built using management's projections and key assumptions are subjected to sensitivity analysis. Assuming the Fund team wishes to proceed, the team will typically enter into a non-binding term sheet with the target company/project that outlines the key terms on which the Fund team would be willing to make an investment. Throughout the initial evaluation process, the Fund team is in frequent communication with members of the Fund’s Investment Committee to gauge overall interest in the opportunity and discuss the opportunities and risks associated with the potential investment.

After a term sheet is executed and the Fund team is granted exclusivity, the team will conduct a full due diligence review of the opportunity, including by engaging third-party advisors as appropriate, including legal, tax, accounting and regulatory, as needed. The Fund team also conducts due diligence on ESG risks and opportunities in accordance with the ESMS, its ESG Management System, and will engage an ESG Specialist, as appropriate. The depth of the due diligence procedures is based upon the categorization of the investment opportunity and guided, as stated in the ESMS, by the IFC Performance Standards, Equator Principles and CDC ESG Toolkit. Depending on the circumstances, technical consultants may be engaged for additional expertise.
Once the due diligence process is concluded, the team prepares an investment memo for formal presentation and review by the Investment Committee, which summarizes the investment opportunity and key deal terms. Often times at this point there are several additional iterations of diligence or structure before the Investment Committee is prepared to make a final decision on the proposed transaction. The Investment Committee will then make a formal determination whether or not to proceed with the transaction. Once the Investment Committee has determined to proceed with the transaction, any material changes relating to the transaction will need to be further approved by the Investment Committee.

**Transaction (Activity E4.3)**

The Fund team will engage legal, tax and other advisors to assist in executing the transaction. Transaction documents should reflect material ESG and other risks identified during the due diligence process.

**Exit (Activity E7)**

“Exit” refers to the Fund monetizing its interest in an investee company. It is expected that the significant majority of exit transactions will consist of a sale for cash proceeds which are distributed by the Fund to its limited partners (including GCF), subject to reserves for expenses and contingent liabilities. The Fund may also seek to structure an exit that allows the Fund to generate interim cash flows – e.g., annual payments from the project as a percent of revenue or net income.

The Fund team is continually focused on maximizing value for its investors. The Fund team has long-standing relationships with key advisors, including leading investment banks, that periodically provide feedback to the Investment Committee on both a formal and informal basis concerning the portfolio. Members of the Fund team have extensive experience exiting assets through IPOs, sales to both strategic and financial acquirers and recapitalizations. Due diligence information provided to prospective buyers typically includes information outlining the business case for ESG and any impact investing approaches. This information may include how value was created from ESG and impact approaches, as well as how those approaches could continue to build value post-exit.

**Reporting (Activity E6)**

The Fund team seeks to be integrally involved with the growth and development of the project. The Fund team seeks to monitor its portfolio companies through structural mechanisms such as board representation, observation rights and regular (often monthly, sometimes quarterly or other) financial reporting obligations. These reporting packages frequently track key performance indicators as identified by company management and the board of directors, including climate and sustainability indicators.

R20, Pegasus and IUCN have partnered with Gold Standard to develop and apply a Monitoring, Reporting, Verification (“MRV”) tool with adequate indicators and metrics to the infrastructure projects the Fund will invest in. As they will be made publicly available, they are funded via the TA (see separate FP). As stated in the SnCF Global Environmental and Social Management System (ESMS), the Fund will appoint an Environmental and Social Manager, whose role will be to ensure proper implementation of the ESMS to the entire ‘value chain’ from the project concept through investment and asset management. This will meet the requirements of public and private investors who invest in the SnCF Global for maximizing impact (environmental/social) in addition to seeking financial returns and provide investors with ESG ratings of the investment process. These activities will provide a set of measured impact on the Climate and SDGs of the project portfolio aggregated at Fund level. Those impacts will be publicly reported on a yearly basis. Further information can be found on the TA FP.
Post-investment, the Fund team will generally meet with the portfolio company management team regularly in both formal and informal settings to discuss progress on financial, operational and growth objectives. In addition to any regularly scheduled board meetings, the team will often schedule either an in-person or telephonic meeting (typically on a weekly, bi-weekly, or monthly basis depending on the portfolio company) to discuss key recent developments and performance.

Value chain

Communication and replication

The programme seeks to ensure overall visibility of its activities (web, conferences and others) thanks to its network of VIP and actively showcase successful projects; lessons learned and encourage replications in other locations via development of investment blueprints. Blueprints will be published and lessons learned publicly shared, via the Technical Assistance. Ultimately the programme can be replicated leading to the creation of other similar blended Funds for Subnational investment with specific geographies or technologies.

Capacity building and technology transfer (Fund via the TA, additional details in the dedicated Funding Proposal)

Part of the Technical Assistance is dedicated to Capacity Building in Beneficiary Countries. During the programme implementation years country workshops mostly focused on setting the proper legal and policy framework in beneficiary countries. Moreover, when projects are successfully implemented R20 will organize continental workshops alongside local subnational network organizations to showcase the project and provide trainings on the technical, legal, financial and Climate, SDG impact lessons learned to ensure replication of the project. Three levels of training and capacity building are planned: i.) at project level with
the communities and local authorities involved, where all partners will learn by doing during the identification, structuring, financing, implementing and monitoring process along side of the value chain; ii.) at sub national networks level using the network of cities and regions and the UNITAR’s CIFAL training centers, as knowledge sharing process to prepare cities and regions to replicate and scale up and: iii.) at Regional level establishing regional hubs for Regional Technical Assistance Facilities aiming at transferring the know-how of the value chain and the blended finance vehicles for large scale replication looking for business as usual market. Gold Standard will provide content and training on methodology, particularly on the linking between climate mitigation, adaptation and SDGs.

Example of Smart urban project under development:

Initiated by FONERWA in Rwanda, the Green City Kigali projects

- Initiate a **PARADIGM SHIFT** towards green and sustainable urbanization in Africa
- **Develop a MODEL COMMUNITY** linking affordable housing with climate change adaptation and mitigation
- **SET STANDARDS** for green housing solutions and sustainable urban development in Rwanda and Africa
- **Design an URBAN SPACE** that promotes social cohesion, equality and inclusion and provides much-needed affordable housing for lower income groups

Thanks to the R20’s Afrochampions—Signify – ADS – JCDecaux and Société Générale Global Alliance for Smart Cities in Africa (GASCA), launched at the One Planet Summit in Kenya, March 2019, for a pilot phase in rural areas of Rwanda, R20 is well positioned to contribute to the implementation of the Green City Kigali projects in general, to the Transit Oriented Development (TOD); Affordable homes for all; Zero-carbon buildings; Water autonomy; Sustainable mobility; Ecosystem services; Urban Heat Island (UHI); Reduce, reuse, recycle, recover and livable communities in particular.

Next to FONERWA, and with AFROCHAMPIONS, SnCF Global will take an important role in this project in view of replicating the approach and model in other African Countries and cities, including in the Mbodiene Bay in Senegal, where an ecotourism Eco city is presently under design.

Example of Improving Sustainability Leading to Value: Molycorp

Molycorp, a portfolio company in Pegasus’ Fund IV, was based in a desert, where water reserves are limited. In acquiring the asset, Pegasus identified an opportunity to recycle the water used in operations, and within the first three months of the investment lowered Molycorp’s costs of water, resulting in longer duration of the water resources available. Furthermore, as part of the recycling process, reagents were extracted and reused, thereby further lowering costs and increasing profitability.

**B.4. Implementation arrangements (max. 1500 words, approximately 3 pages plus diagrams)**

Provide a description of the project/programme implementation structure, outlining legal, contractual, institutional and financial arrangements from and between the GCF, the Accredited Entity (AE) and/or the Executing Entity(ies) (EE) or any third parties (if applicable) and beneficiaries.
- Provide information on governance arrangements (supervisory boards, consultative groups among others) set to oversee and guide project implementation. Provide a composition of the decision-making body and oversight function, particularly for Enhanced Direct Access (EDA) proposals.

- Provide information on the financial flows and implementation arrangements (legal and contractual) between the AE and the EE, between the EE or any third party and beneficiaries. For EEs that will administer GCF funds, indicate if a Capacity Assessment has been carried out. Where applicable, summarize the results of the assessment.

- Describe the experience and track record of the AE and EEs with respect to the activities (sector and country/region) that they are expected to undertake in the proposed project/programme.

Provide a diagram(s) or organogram(s) that maps such arrangements including the governance structure, legal arrangements, and the flow and reflow of funds between entities.

Executing Entities:

- **Pegasus Capital Advisors, L.P. (Pegasus)** is a private, alternative asset management firm founded by Craig Cogut that provides strategic growth capital to middle-market companies focused on the sustainability and wellness sectors. Pegasus has approximately $1.5 billion in assets under management as of 12/31/18, across four private equity funds, and has completed over 90 private equity transactions.

- **R20 Regions of Climate Action (R20)** is a not-for-profit international organization started by Arnold Schwarzenegger who as Governor of California, was encouraged at COP 15 by UNSG Ban Ki Moon, by President Obama and many Heads of regions from around the world, to replicate world-wide what he was able to implement in California: pro climate policies, regulations, programmes and investment. Inspired by the environmental history of California, R20 was founded in 2011 as an Alliance of a number of leading Regions, the United Nations, Development Banks, Clean-Tech companies, Academia and a number of NGOs to support sub-national authorities around the world to develop green infrastructure projects.

R20’s mission is to support city and regional governments in emerging and least developed countries to identify, structure and develop feasibility studies for ‘bankable’ low carbon and climate resilient “green” infrastructure projects (renewable energy, energy efficiency and waste optimization) and thus to accelerate the achievement of the Paris Climate Objectives and the UN’s Sustainable Development Goals. In doing so, R20 acts as a broker and liaison manager which connects the dots between policy-makers, technology providers and public-private investors to facilitate the identification, structuring, the bankability and the financing of low carbon and resilient infrastructure projects for their implementation through Public private partnership.

R20 has a track-record with renewable energy projects (solar PV in Mali with Akuo Energy, Bio digesters in Nigeria, solar bakeries in Burundi and Tanzania), energy efficiency projects (LED street lighting in Algeria and Brazil) and in waste optimization (in Algeria, India and China).

R20 and Pegasus with Gold Standard have extensively prepared for the implementation of this Programme:

- Developed strong networks at the subnational level and built local offices staffed with experts. R20 has furthermore permitted South-South PPP cooperation, knowledge and technology transfer from emerging and developing countries to least developed countries (e.g. waste optimization in Thailand, compost and bio-digester system in India, LED city lighting in Brazil and South Africa, and solar PV in Morocco to African LDC);

- Identified and screened more than 650 projects ([https://regions20.org/100-campaign/](https://regions20.org/100-campaign/)) in cooperation with city/regional networks (ORU-FOGAR, AER, C40, ICLEI, FMDV, SALGA…);

- Selected more than 450 projects with official mandate letters and technical factsheets that are ready for pre-investment support & investment.
- **Gold Standard (GS)**, Since 2003 GS has been the assessment benchmark for over 1,700 high-impact climate and development programmes in 80 countries. Their flagship standard, Gold Standard for the Global Goals, sets a clear path from initial project design through final reporting. Best-in-class MRV quantifies high-integrity climate and sustainable development impacts which can be verified or certified, per client requirements. Gold Standard methodology can be used to assess fund/project climate mitigation potential and contribution to climate finance, NDCs, and the UN Sustainable Development Goals (SDGs), including alignment with reference frameworks required by investors, such as IFC safeguards or Article 9 of the Paris Agreement.

**Implementing Entities:**

- **International Union for the Conservation of Nature (IUCN)** is an international organization registered in Switzerland, and Accredited Entity by the GCF. IUCN is a membership Union composed of both government and civil society organisations. It harnesses the experience, resources and reach of its more than 1,400 Member organisations and the input of more than 17,000 experts.

**Accredited Entities implementation arrangement:**

The program is composed of an Equity component were Pegasus is the Accredited Entity to the GCF and a Grant component were IUCN is the Accredited Entity to the GCF. The program will be implemented trough two different Funded Activity Agreements (FAA) one between the GCF and Pegasus and one between the GCF and IUCN. The grant component is further described in a separate funding proposal submitted concurrently with this funding proposal.

Pegasus and IUCN will enter into an Implementation Agreement to govern the oversight and implementation of the overall SnCF programme. While Pegasus and IUCN will share their experience and know-how to act as Accredited Entities, Pegasus will have overall responsibility for implementing, overseeing and coordinating the efforts of IUCN and the other EEIs to ensure success of the SnCF programme (Equity and TA). The Implementation Agreement will also include obligations designed to ensure contractually that projects funded by the TA will be available for investment by SnCF Global (Equity) – i.e., so that the developer cannot accept TA funds and subsequently seek an equity investment from a third-party.

**Pegasus, thanks to its fiduciary agreement with GCF for Equity will be responsible of:**
- Overall implementation, oversight and coordination of the SnCF programme
- Proper use of SnCF Global resources
- Ensure compliance of SnCF Global activities with the FAA
- Ensure investments performed by the Fund respect GCF policies
- Reporting and Accounting of SnCF Global
- Ensure proper alignment of TA activities with the Fund interests.

**IUCN, thanks to its fiduciary agreement with GCF for the Technical Assistance to the SnCFGlobal, will be further responsible of:** (please refer to the TA FP for further details)
- Proper use of TA resources
- Ensure compliance of TA activities with the FAA
- Ensure procedures and procurement have been respected for TA activities
- Reporting and Accounting of TA activities
Implementation arrangement

Oversight Unit

Pegasus, as Accredited Entity for the GCF, will take on the oversight role for the Equity funds received. Pegasus will further administer the GCF Equity funds and provide for the appropriate implementing arrangements with R20 and Gold Standard as EEs. Pegasus will review progress as reported by the EE to determine how best to maximize project performance. Pegasus will review project progress against work plans, procurement and disbursement plans as submitted. Pegasus will implement a team with requisite skills that further analyzes technical and financial issues. Pegasus will also serve as a support and resource function to the EE to discuss ways to strengthen implementation and ensure its direction enhances likelihood of achieving outcomes and impact, and efficiency.

Technical implementation of the Fund (technical implementation of the TA in the TA FP)

Detailed information can be found in Annex 26 (Organization) and Annex 29 (Structure)

Organisation (Annex 26):
-Pegasus will provide fund investment processes, fund management expertise and services, portfolio management and risk management services. These will be remunerated by management fees to Pegasus as fund manager from the Fund calculated as a percentage of committed funds during the Fund’s commitment period, and thereafter based on a percentage of actively invested capital. Details of the implementation will be laid out in the FAA.
Pegasus and R20 will share the fund management fees on a JV basis to ensure full alignment in the achievement of the fund objectives.
-R20 will provide the project ‘deal-flow’ in the form of ready-to-invest projects. It will achieve this via project sourcing and capacity activities financed through a dedicated Technical Assistance Facility (TA), which will be managed by and implemented with IUCN
-IUCN will provide its expertise in NbS solutions and biodiversity conservation
-Gold Standard will be used to certify the Fund’s impacts and will lead on project and fund assessment, measurement and verification of climate and sustainability impact and reporting

Structure (Annex 29):
The Fund is expected to be structured in Luxembourg as a Reserved Alternative Investment Fund (RAIF). The Fund will engage a registered Alternative Investment Fund Managers (AIFM) that will delegate investment decision-making authority to Pegasus. Pegasus will also own and manage the Fund’s general partner, which will be a Luxembourg entity. BNP Paribas will be engaged by the Fund to provide fund administration, custodian and depositary services. The GCF investment in the Fund will be held through a newly formed holding company managed by Pegasus on behalf of GCF.

Detailed implementation arrangement for the TA, managed by IUCN, are described in the TA Funding Proposal, The Technical Assistance Facility (TA) will finance the following activities related to the SnCF Global and activities in Beneficiary Countries:

- Project identification: R20 will regularly organise a project identification campaign (the “100 Climate Solutions Projects Campaign”) in partnership with city and regional networks in Africa. The first edition identified more than 650 projects in 2016.
- Project capacity and feasibility studies: In 2017, R20 launched the ‘Waste Project Facilitator’ a Project Accelerator Platform focused on waste optimization projects (including recycling, compost, waste to energy etc.) in partnership with multinational engineering firm EGIS (75% owned by the French sovereign investor Caisse Des Dépôts et Consignation). R20 is further partnering with Swiss firms Alpiq (international energy utility) and BG Group (international energy engineering firm), to create the Energy Project Facility (EPF) a renewable energy and energy efficiency Project
Accelerator Facility. Project accelerator facilities will prioritise projects and deliver feasibility studies, presenting bankable projects to the R20 Fund. It is important to note that EGIS, Alpiq, and BG have jointly with R20 financed the existing Facilities in the total amount of 2 MUSD.

- Impact measurement reporting and verification: R20 with Gold Standard, will manage an impact measurement reporting and verification service. This will involve the development and application of a first-in-class ‘MRV’ tool (impact measurement, reporting and verification tool) that will be used to define and report upon the climate and sustainable development impact of projects. This tool will be used by the SnCF Global to provide investors with ESG ratings of the investment process and of the R20 Fund investees. This first-in-class MRV tool will be different in its explicit design (i) for emerging market sub-national infrastructure projects, (ii) to meet MRV needs at each stage of the value chain from project conception, through development and investment, and (iii) to be as effective as possible in its application. The tool is intended to set a market standard of best-practice for smaller-scale infrastructure projects and to encourage replication of impact ‘best practice’. This TA may involve the development and testing of new methodologies and tools, such as approved methods for measuring investment contributions to emission reduction accounting.

- Capacity building as described above
- Developing new SDG metrics as described above

At Project level

The selection of projects in the Beneficiary Countries will be the result of an extensive consultation project with the NDAs of each respective country. Inputs from NDAs will be crucial to ensure alignment of objectives and enhance the results of the Programme and the cost-effectiveness of the GCF funding and TA provided.

Projects sourced, supported and implemented as described in this concept note will follow best-practice project-development and project-financing processes and standards, including climate, development and safeguarding guidelines. This also includes government licenses and concessions, tax and foreign exchange issues, project and sovereign insurance, transparency in industrial contracts, auditing and other. Processes and procedures followed in the support of projects by R20’s Project Accelerator Facilities are clearly defined and decision-making and the related governance is enshrined in distinct legal and fully audited entities.

Pegasus and R20 will be responsible for oversight of project implementation via their local financial and technical investment teams. Regional networks of cities and municipalities will also be consulted in the screening and selection of contracting partners. SnCF Global’s procurement policies and procedures will be followed during project implementation.
Global Structure

Fund Manager

Pegasus

Development

Investing

Reporting

Gold Standard Fund certification
SDG impact certification

Certification

Certified impacts

Investment 1

Investment 2

Investment 3

Investment 4

Investment 5

Investment 6

SnCF

Investors

SnCF Global

Emission Projects

Certified Projects

Project feasibility

Project Accelerator Facilities

R2O

Mandate to perform other TA tasks

Gold Standard

SOG & NbS MRV

Capacity building

Technical Assistance

HLCN

Funding

Funding (incl. mgmt. fees)

Mgmt fees, cust. cover for PTEs, etc.

Smaller Projects

Contracted entities

TA Donors

TA vs Fund

Early-stage sourcing

Development

Investing

Reporting

SnCF Global

Proprietary sourcing & development

Deal Execution and Management

Output: TA1: Project feasibility work has been conducted and project development supported
Output TA1.1 Projects are screened and early lessons learned incorporated into deal sourcing design
Output TA1.2 Conduct pre-feasibility assessments, studies and contractual arrangement

Output TA1.3 Perform technical, legal or economic feasibility assessment and studies
Output TA1.4 Perform additional ESIA and other related ESG assessments to comply with SnCF ESIA
Output TA1.5 Support deal finalization during SnCF due diligence

Output TA2: SDG and NbS impact metrics, tools and indicators are developed and applied
Output TA2.1 Standardized metrics, tools, indicators and methodologies are deployed to raise ambition in project design and contribute to maximum project impact (kin to 1.1 and 1.2)
Output TA2.2 Process is in place to ensure transparent and robust project indicators and methodologies support subnational and national policies (kin to 1.1, 1.2, 2.1 and 2.2)
Output TA2.3 Project SDG and NbS impacts can be certified

Output E1: Structure SnCF Global as a NIRF RBF in Luxembourg, set up the General Partner and the contracts with licensed AIM

Output E2: Fundraise 600 MVUSD of private investment into the Senior tranche of SnCF Global

Output E3: Manage the pipeline, identify a portfolio of bankable projects

Output E4: Manage the investment activities, perform Due Diligence, prepare documentation for the Investment Committee and AIM

Output E5: Manage the portfolio, assist portfolio companies in achieving business objectives

Output E6: Report to the limited partners

Output E7: Exit assets, return capital plus profit to limited partners, close out the Fund.
At Global level

In order to set up and structure the SnCF Global, R20 and Pegasus have developed both a value chain to identify, design, structure and invest in the portfolio of project but as well develop a consortium of various important stake holders at political and technical level. This is result is a double level Governance system. As a Primer, the SnCF Global, is foreseeing next steps in term of large-scale replication.

At political level, R20 is teaming up with regional organizations such as i.) the African Union and Afrocampions for Africa; ii.) ASEAN for Asia; iii.) COP 25 Presidency and CC35 for LATAM / LAC; iv.) The Union for Mediterranean for MED and; v.) the Commonwealth for Blue Economy. These organizations will be represented with some others VVIP at the Advisory Board of the SnCF Global They will not intervene at technical level throughout the whole value chain. They will provide political support and promote the fund.

In addition to intergovernmental organizations, R20 will liaise with most important networks of cities and regions (C40, ICLEI, 100 Resilient cities, CC35, UCLG, ORU FOGAR, AER, FMDV …) , not only to get from their members their proposed portfolio of projects but as well to share best practices and knowledge to promote such innovative finances vehicles and for them to later on replicate and scale up.

At technical level, through the Technical Assistance, a first level of engineering support has been established with on the one hand in house project accelerator facilities such as the Waste Project Facilitator with EGIS / Caisse des Dépots et consignation France and the Energy Project Facilitator with Alpiq and BG two Swiss best-in-class engineering companies. In addition, to build and reinforce capacity building in targeting countries, both Ecole Polytechnique Fédérale de Lausanne (EPFL) and the United Nations for Training and Research (UNITAR) will participate to any knowledge sharing, capacity building, and training activities. Last but not least, Gold Standard will assure project alignment and aspects related to SDG and Paris climate Agreement certification and provide capacity to use methodology, impact
reporting for both climate outcomes and sustainability co-benefits. and advanced discussions are ongoing to adopt Rockefeller Foundation resilient infrastructure toolkit.

At Investment level, such approach interests many key investors players such as Rockefeller Foundation, BNP Paribas, EIB, Idb, Afreximbank, African Trade Development Bank, REDES, to name a few of them, they will join, as representative of the finance sector, the High level Advisory Board. Their main role within the High-Level Advisory Board will be to provide guidance, advices, including helping prepare and run road show, it will as well get the lessons learnt in view of large-scale replication of the vision. The Advisory Board is advisory only and will not have any investment authority.

B.5. Justification for GCF funding request (max. 1000 words, approximately 2 pages)

Explain why the project/programme requires GCF funding, i.e. Why is the project/programme not currently being financed by public and/or private sector? Which market failure is being addressed with GCF funding? Are there any other domestic or international sources of financing?

Explain why the proposed financial instruments were selected in light of the proposed activities and the overall financing package. i.e. What is the coherence between activities financed by grants and those financed by reimbursable funds? How were co-financing amounts and prices determined? How does the concessionality of the GCF financing compare to that of the co-financing? If applicable, provide a short market read on the prevailing of the pricing and/or financial markets for similar projects/programmes.

Justify why the level of concessionality of the GCF financial instrument(s) is the minimum required to make the investment viable. Additionally, how does the financial structure and the proposed pricing fit with the concept of minimum concessionality? Who benefits from concessionality?
This program needs GCF support for three primary reasons:

- The geographies and the Subnational scope where these projects will be built represent emerging economies where many institutional capital providers will not operate (or will not operate without partners like GCF, which provide policy and programmatic validation along with financial risk mitigation).
- From a climate risk perspective, the world cannot wait for low-carbon development projects to scale up/out. GCF support allows these types of projects to be completed many years sooner. For example, retrofitting of streetlights to energy-saving LEDs will happen worldwide in the decades to come, but by accelerating the timeline in developing countries, thanks to innovative finance vehicles that are supported by GCF, that transition (and the resulting pollution and GHG reductions) will take place at least a decade sooner.
- The GCF funding will help to support sustainable project design, including safeguarding, climate and sustainability impact MRV leading to new benchmark for such infrastructure.

Moreover, these projects are not currently being financed by the public and/or private sector because of several key dynamics and market failures:

- Uncertainties about the returns of investments, inadequate access to finance Investments in, for example, irrigation equipment, water-efficient technologies, stress-resilient plants or infrastructural improvements that could help to strengthen climate resilience, may be disproportionate to businesses’ financial capacity, or have unattractive risk/return profiles. Benefits associated with such climate-resilient investments may only manifest over longer time frames, and the extent dependent on uncertain climate impacts. They may also be complex to evaluate when part of broader investments. Financial institutions may also be reluctant to lend to such investments, often due to incomplete information or higher perceived risks because of the lack of track record, borrowers’ inadequate collateral, or lack of capacity in appraising and financing non-traditional technologies (and NbS).
- In the case of waste optimization, government policies have been slow to recognize the value in “waste” feedstocks and therefore allocated no funding for collection, sorting, recycling, and conversion; and/or the system found in developed countries has been adopted, i.e. awarding contracts to haulers and landfill operators, thereby incentivizing "out of sight, out of mind" burying or dumping.
- In the case of renewable energy generation, market and technological barriers have delayed project development, including cost (which only in recent years has become lower than fossil-fuel energy production) and base-load needs (i.e. solar and wind are intermittent compared to conventional fossil-fueled generation methods) and related unfamiliarity with harmonizing grid access of clean energy.
- In the case of energy efficiency retrofit, each building being upgraded requires an investment grade energy audit and bespoke retrofit technology solutions and contracting, for which contractors are not as numerous and experienced in developing countries. In addition, even when such retrofits pay for themselves with savings over time, access to finance has been challenging. For example, cities may want to retrofit streetlights with more efficient LED technology, but don’t have capital to do so all at once, nor a willing partner to finance and fund a “repay from savings” capital model.
- In all of these cases, the lack of a significant price on carbon slows stakeholder prioritization of these projects and/or makes them less financially rewarding.
- Knowledge gaps: Understanding climate vulnerability and risks and opportunities is essential to integrating climate change risks (or opportunities) into investment or financing decision-making.
- Behavioral biases such as the tendency to apply short-term investment horizons (i.e. short payback periods) can also affect business appetite to invest in climate resilience and low carbon investments, as well as their ability to develop products or services that could help mitigate climate-related impacts. High discount rates dominate investment decision-making.
Development finance institutions and conventional investors may be willing to finance projects in these categories, but there has been a lack of project developers to create the special purpose finance vehicles (SPVs) or other methods to effectuate such opportunities. For example, R20 and Pegasus Capital Advisors worked together on creating such an SPV in Brazil for cities to retrofit streetlights with LEDs and repay the loans from savings on energy and maintenance costs, guaranteed by each municipality’s utility tax (a portion of which, by law, was allocated to operation of public streetlights). No public or private entity had initiated a similar financing mechanism; meaning investors had no opportunity to deploy capital in a sufficiently attractive risk-adjusted manner.

These dynamics also highlight the need for a mixture of grant funding via the TA and investment capital. In the Brazil streetlight retrofit example, grant funding was needed by R20 to work with stakeholders in government, technology, and finance to evaluate the cost-benefit opportunity; to train municipal asset managers in selection of technology providers; and to design the SPV before it could be offered to investors. In the case of utility-scale solar projects in Mali, grant funding was needed to support the work to train government stakeholders in the power purchase agreement (PPA) and procurement processes. Moreover, in each case, even well-understood policies and technologies require a feasibility study to evaluate whether the proposed project makes policy, technology, and financial sense.

One thing that becomes clear in these types of projects is the importance of concessionary finance in the capital structure. Energy efficiency retrofits, for example, typically generate financial returns below 10%, which make it a challenge to attract market capital without a first-loss investment partner and/or a credit enhancement partner. This dynamic also restricts the level of ambition of such projects. For example, retrofit of some energy uses in buildings might yield returns in 3 to 5 years and be very attractive to investors, but other uses might need up to 10 years or longer to repay the costs and be unattractive. The addition of concessionary capital ensures that more energy efficiency retrofits will be adopted and thus the co-benefit of more rapid GHG reduction.

Finally, when estimating the level of concessional finance needed in these types of projects it becomes clear that at least 20% of total committed capital is the most effective minimum contribution, because that level:

- Provides first-loss risk (junior to conventional investors) that is the minimum requirement to attract conventional investors;
- Provides a practical blended cost of capital to make these types of projects viable;
- The primary beneficiary of the concessionary capital is the municipality and its citizens, because these projects could not be undertaken without it or, at minimum, would not be undertaken for many years;
- Investors also benefit, because every capital source today is looking for “green”, “sustainable”, “impact”, and “climate” finance opportunities, but are constrained by stakeholder limits on risk and other investment criteria, which are reasonable considering the capital often comes from pensions and other socially beneficial sources.

Moreover, the Global Sub-national Climate Fund is committed to additional climate and financial impacts within its own operations and in the projects in which it invests. SnCF projects will only be forwarded to the investment committee for their consideration after first being assessed for additionality of their climate mitigation, adaptation, and sustainable development impacts. Please refer to Annex 30 for a comprehensive summary of the climate and financial additionality elements of the Fund.

In summary, the Fund is designed to deliver USD $750 million to new climate mitigation and adaptation projects that to date have not been funded. Financial additionality is driven by the blended finance model in which GCF position at junior tranche level to reduce risk and leverage finance from private investors; the Fund’s focus at the subnational level that is often bypassed by conventional climate finance; and the Fund’s target project size ($5-$75 million) for which it is often difficult to attract climate finance. For each
project, Gold Standard provides financial additionality tools developed by CDM and widely used across the carbon markets to assess if each project would be financially viable without investment revenue.

The Fund is likewise designed to create additional climate mitigation and adaptation impacts that go beyond business as usual in a credible, measurable way. Climate additionality is driven by use of ambitious reference benchmark standards for equipment, waste, energy, etc.; ex-ante quantification of project impacts for climate (SDG 13) and a minimum two other SDGs in which additionality must be quantified; ex-post certification of these impacts by an independent third party; the focus to Nature based Solution (NbS) with their vast potential to deliver additional climate mitigation and support adaptation / resilience; and by capacity-building and methodologies offered through Technical Assistance to projects that would not otherwise be available. Please refer to the separate but linked TA proposal, as these activities can only be funded by a grant as they do not generate commercial revenues.

B.6. Exit strategy and sustainability (max. 500 words, approximately 1 page)

Explain how the project/programme sustainability (financial, institutional, social, gender equality, environmental) will be ensured in the long run after project closure, including how the project’s results and benefits will be sustained. Include information pertaining to the longer-term ownership, project/programme exit strategy, operations and maintenance of investments (e.g. key infrastructure, assets, contractual arrangements). In case of private sector, please describe the GCF’s financial exit strategy through IPOs, trade sales, etc.

Provide information on additional actions to be undertaken by public and private sector or civil society as a consequence of the project/programme implementation for scaling up and continuing best practices.

The goal of the Fund is to ensure that sustainable projects developed by it are financially self-sustaining and generate enough revenues regardless of potential additional environmental and social revenue (e.g. carbon credits) even after the Fund exit. Moreover, the strong stakeholder’s engagement embedded in the process is intended to ensure local appropriation safeguarding the Environmental and Social positive impact of the projects. The ESMS of the Fund also assumes that project SPV have their own compatible ESMS and ES manager allowing capacity building in that field.

Moreover, these projects will be undertaken with the build-own-operate-transfer (BOOT) model, conveying ownership and operation of the asset to local municipalities or other stakeholders:

- For renewable energy generation projects, the power purchase agreement (PPA) will include post-completion requirements concerning long-term ownership and operational requirements to ensure the facility continues to operate as designed (from technical, financial and social perspectives).
- For waste optimization projects, land and feedstock agreements with municipalities will include contractual obligations to maintain operations consistent with technical, financial, and social design goals.
- For energy efficiency retrofits, asset owners will be trained and provide assurances that projects are maintained to design specifications that include technical, financial and social goals.
- For all projects, the engineering, procurement, and construction (EPC) contracts will be awarded to credit-worthy contractors providing industry-leading performance guarantees and insurance wraps (around technology providers’ individual warranties).
- Finally, our partnership with Gold Standard will ensure that project standards and goals are met through transparent measurement, reporting and verification (MRV) processes.
C. FINANCING INFORMATION

C.1. Total financing

Please see the last page of this Proposal for important information about the Fund’s risks and objectives. There can be no guaranty that the target rate of return will be achieved. This is not an offering to sell any security. Any offering will only be made pursuant to a private placement memorandum, which should be read carefully and in its entirety before investing.

<table>
<thead>
<tr>
<th>GCF financial instrument</th>
<th>Total amount</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Senior loans</td>
<td>150 million USD ($)</td>
<td></td>
</tr>
<tr>
<td>(ii) Subordinated loans</td>
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</tr>
<tr>
<td>(iii) Equity</td>
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<tr>
<td>(iv) Guarantees</td>
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<td></td>
</tr>
<tr>
<td>(v) Reimbursable grants</td>
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<td></td>
</tr>
<tr>
<td>(vi) Grants</td>
<td>Enter amount</td>
<td></td>
</tr>
<tr>
<td>(vii) Results-based payments</td>
<td>Enter amount</td>
<td></td>
</tr>
</tbody>
</table>

(b) Co-financing information

<table>
<thead>
<tr>
<th>Name of institution</th>
<th>Financial instrument</th>
<th>Amount</th>
<th>Currency</th>
<th>Tenor &amp; grace</th>
<th>Pricing</th>
<th>Seniority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Investors</td>
<td>Equity</td>
<td>600 - 750 million USD ($)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td>Enter % senior</td>
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<tr>
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<tr>
<td>Click here to enter text.</td>
<td>Enter amount Options</td>
<td>Enter years</td>
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</tbody>
</table>

(c) Total financing

<table>
<thead>
<tr>
<th>Amount</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>750 - 900 million USD ($)</td>
<td></td>
</tr>
</tbody>
</table>

(d) Other financing arrangements and contributions (max. 250 words, approximately 0.5 page)

Please explain if any of the financing parties including the AE would benefit from any type of guarantee (e.g. sovereign guarantee, MIGA guarantee).

Please also explain other contributions such as in-kind contributions including tax exemptions and contributions of assets.

Please also include parallel financing associated with this project or programme.

The Fund in itself is not looking for such mechanism at institutional level. However, project on case by case will most probably benefit from tax exemptions or adequate guarantee mechanisms (eg, MIGA, GuarantCo…). Such project level mechanism will be considered at due Diligence phase and if the risk assessment identifies a given risk to be exceeding acceptable level SnCF will seek, with the project developer/owner to obtain such project level mechanisms.
GCF’s equity interest in the Fund entitles it to a 3% preferred return after the senior tranche receives its 8% preferred return. Thereafter, GCF and the senior tranche will share distributions pro rata, subject to the General Partner’s carried interest, which is intended to align the General Partner’s incentives with the Fund’s investors.

Co-financing information can be found in Annex 13

<table>
<thead>
<tr>
<th>Component</th>
<th>Output</th>
<th>Indicative cost Options</th>
<th>GCF financing</th>
<th>Co-financing</th>
<th>Name of Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amount Options</td>
<td>Financial Instrument</td>
<td>Amount Options</td>
</tr>
<tr>
<td>Investment into the Global SnCF</td>
<td>Direct investment in sustainable infrastructure</td>
<td>750 -900 MUSD</td>
<td>150 MUSD</td>
<td>Equity</td>
<td>600 -750 MUSD</td>
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<tr>
<td></td>
<td>Enter amount</td>
<td>Enter amount</td>
<td>Choose an item.</td>
<td>Enter amount</td>
<td>Choose an item.</td>
</tr>
<tr>
<td>Indicative total cost (USD)</td>
<td></td>
<td>750 -900 MUSD</td>
<td>150 MUSD</td>
<td>600 – 750 MUSD</td>
<td></td>
</tr>
</tbody>
</table>
This table should match the one presented in the term sheet and be consistent with information presented in other annexes including the detailed budget plan and implementation timetable.

In case of a multi-country/region programme, specify indicative requested GCF funding amount for each country in annex 17, if available.

<table>
<thead>
<tr>
<th>C.3 Capacity building and technology development/transfer (max. 250 words, approximately 0.5 page)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>C.3.1 Does GCF funding finance capacity building activities?</strong></td>
</tr>
<tr>
<td><strong>C.3.2. Does GCF funding finance technology development/transfer?</strong></td>
</tr>
</tbody>
</table>

If the project/programme is expected to support capacity building and technology development/transfer, please provide a brief description of these activities and quantify the total requested GCF funding amount for these activities, to the extent possible.

*The capacity building element as well as technology transfer is linked and implemented via the TA. Please consult the TA FP for additional details.*
D. EXPECTED PERFORMANCE AGAINST INVESTMENT CRITERIA

This section refers to the performance of the project/programme against the investment criteria as set out in the GCF’s Initial Investment Framework.

D.1. Impact potential (max. 500 words, approximately 1 page)

Specify the mitigation and/or adaptation impact, taking into account the relevant and applicable sub-criteria and assessment factors in the Fund’s investment framework.

For the purposes of this estimation, we assumed that 35 projects will be invested in by the SnCF Global, and delivering the expected Climate and SDG impacts, with the following theoretical breakdown. The projects are all limited to ES B and C categorisation:

- 7 water and sanitation projects (each with a SnCF ticket of USD 20 million)
- 7 restorative agriculture projects (each with a SnCF ticket of USD 20 million)
- 7 solid waste optimisation projects (each with a SnCF ticket of USD 20 million)
- 7 renewable energy generation projects (each with a SnCF ticket of USD 20 million)
- 7 energy efficiency retrofit projects (each with a SnCF ticket of USD 20 million)

Additional assumption can be found on Annex 22.

SnCF expects to deliver multiple impacts, thereby contributing to several SDGs through its fully invested portfolio. This includes SDG 3 (improved health), SDG 5 (Gender mainstreaming), SDG 6 (Clean water and sanitation), SDG 7 (access to clean energy), SDG 8 (job creation), SDG 11 (sustainable communities) and SDG 13 (climate action). Moreover, SnCF Global is looking to apply best in class screening system to ensure resilience of the infrastructure deployed. On that end, R20 is working actively with Rockefeller Foundation to incorporate the resilience infrastructure tool developed by the Foundation in its screening methodology and is seeking to promote NbS when applicable. Uniquely, the SnCF will measure, report and certify impact for both climate mitigation, adaptation and sustainability co-benefits (SDGs) using Gold Standard methodology. Reportable outcomes will be aligned with and support national level NDCs and SDGs.

Refer to figure below for a summary of total impacts.

The preliminary findings, estimated that the Fund will reduce 3.8 million tons of CO2e per annum over the minimum 20-year life of the built infrastructure leading to a conservative reduction estimate of 77 million tones for the life of the infrastructure (understanding that for such long period baseline needs to be reassessed every 5 years). Furthermore, the SnCF will create up to 20’000 jobs (with a set minimum of 4’000 female employees for a target of 10’000) and provide 2.5 million people with access to clean energy. The SnCF will also enable up to 1.8 billion kWh of renewable power production per year (from waste-to-energy plus solar PV projects), as well as 406 million kWh saved per year (from LED street lighting projects and smarter urban services). Through these 35 projects we also expect over 17 million people in urban areas to have improved access to basic services (waste collection, access to energy, better urban services and street lighting).

D.2. Paradigm shift potential (max. 500 words, approximately 1 page)

Describe the degree to which the proposed activity can catalyze impact beyond a one-off project or programme investment. Describe the following, if applicable:

- Potential for scaling up and replication
- Potential for knowledge sharing and learning
• Contribution to the creation of an enabling environment

• Contribution to the regulatory framework and policies

• Overall contribution to climate-resilient development pathways consistent with relevant national climate change adaptation strategies and plans

• Potential for scaling-up and replication (e.g. multiples of initial impact size)

Successful implementation in Beneficiary Countries will make it easier to replicate in the Beneficiary country and ultimately in other countries. Pegasus and R20 have already reached out to a number of regional DFIs and there is high interest for the concept to be replicated with regional specific Sub-Funds. As well, existing southern accredited entities have been approached and are working with R20 to work on appropriation and mastering and the value chain and the blended finance impact vehicles as to be able to replicate and scale up.

Once we have proven a first operational model of the SnCF, we will begin to replicate the concept in other geographies. This means that lessons learned and key success factors will be shared with relevant governments and financial institutions in order to share best practices and to help the SnCF concept to widely proliferate. In terms of the SnCF’s impacts, a first-in-class Measuring, Reporting and Verification (MRV) system will allow for impact reporting at both fund and project level, and will be linked to a new global online platform being set up by the UNFCCC and Gold Standard to publicly track SDG impacts.

• Potential for knowledge and learning

There is a huge potential for knowledge and learning with this programme. First of all, R20, Pegasus and IUCN plan to set up a first-of-its-kind impact measurement, reporting and verification (MRV) system that will be applied to the projects under the umbrella of the SnCF in partnership with Gold Standard. This MRV system will be linked to a new global platform being set up by the UNFCCC and Gold Standard for reporting project impacts towards the SDGs. Therefore, projects that get implemented under this programme may be publicly reporting their SDG impacts on a global, public platform that will foster knowledge exchange, high-level recognition and comparability, and inspire others to do the same.

Second, the infrastructure project undertaken by the Fund will be showcased and serve as blueprint for local replication, moreover as the project capacity will intensively include local consultants the technical, legal and financial know-how will remain in Beneficiary countries allowing further replication.

• Contribution to the creation of an enabling environment

The R20 value chain in itself is an enabling environment which seeks to eliminate barriers to low-carbon and climate-resilient project solutions. By working directly with local authorities R20 assists with project identification and formulation. Afterwards, R20 works with the most promising of those identified projects through ‘project capacity’ training workshops to help projects become more bankable. R20 also works with technology partners to fund the feasibility studies needed to make the projects investment ready. Even if projects are not immediately financed by the fund, the opportunity to attend a Source training, for example, is a golden opportunity for a public-sector user to dramatically improve his or her chances of accessing project finance by preparing their project in a way that is fully endorsed by the MDBs. This is knowledge that can have impact well beyond the preliminary targets of our programme.

• Contribution to the regulatory framework and policies

Objective is to create an enabling environment, demonstrate it is doable and encourage scaling-up through example (+ education / training). This is important to reduce implementation and operating risk, rendering the projects more attractive to the SnCF. The R20 value chain includes “training and capacity building” across all the different value-chain stages.

• Overall contribution to climate-resilient development pathways consistent with relevant national climate change adaptation strategies and plans

Private investments in NbS have so far been limited. With the SnCF programme, and IUCN as a partner, the programme aims to ensure that nature can contribute to the broader goals of climate adaptation, as
well as mitigation. NbS is already part of many countries first round of NDCs and there is a growing interest to ensure NbS are part of the climate solutions (e.g. UN Climate Summit special track on NbS).

### D.3. Sustainable development (max. 500 words, approximately 1 page)

Describe the wider benefits and priorities of the project/programme in relation to the Sustainable Development Goals and provide an estimation of the impact potential in terms of:
- Environmental co-benefits
- Social co-benefits including health impacts
- Economic co-benefits
- Gender-sensitive development impact

As described in section D.1 we expect the SnCF (based on 35 projects) to contribute to several SDGs, notably SDG 3 (improved health), SDG 5 (Gender mainstreaming), SDG 6 (clean water and sanitation), SDG 7 (access to clean energy), SDG 8 (job creation), SDG 11 (sustainable communities), SDG 13 (climate action) and SDG 14/15 (biodiversity).

Beyond the SDG related impacts mentioned above, the SnCF will also generate wider co-benefits for which it is difficult to quantify at this stage. In terms of the broader economy, we know that energy, lighting and improved waste management practices enabled by projects provide the contexts necessary for the creation of local employment through small businesses, local associations and other informal means of generating economic activity and employment. For education, we know that access to energy and in particular LED city lighting can increase average school-leaving ages, attendance in schools and improve educational results by lengthening study-time for children after dark, in addition to making adult professional education an option for many parents. Regarding public health, we know that appropriate waste collection and treatment solutions can create multiple areas of positive impact, including reducing exposure of the wider public to air pollutants and water pollutants and reducing the exposure of those living close to waste or indeed coming into direct contact with it, to disease, toxins and other often fatal and/or debilitating effects (including for example malformation of children whose mothers are exposed to electronic waste during pregnancy).

Access to clean, reliable, safe water has a multitude of development co-benefits in addition to GHG reduction, including agricultural co-benefits (germination, erosion), health and well-being improvements, and particular gender-related co-benefits since the majority of water retrieval in the developing world is done by women and girls. Gold Standard has certified water project impacts against SDG 1, no poverty; SDG 3, good health; SDG 5, gender equity; and SDG 6, clean water. This year in the first ever Gold Standard certified “gender responsive” water project, women and children saved more than 2 hours a day on water collection, with 40% reporting that time saved was used for income-generation, leisure, religious and empowerment focused activities within the community. The project also measured – and approached – gender parity, with its Water Resource Committees comprised of 46% female to 54% male. Since the project started, no women have reported incidents of domestic violence related to water collection, compared to 35% prior to the project. And borehole users have reported an 85% reduction in incidents of bullying, intimidation and assault during water collection since the borehole was rehabilitated.
As for gender sensitive development, there is research showing that women and girls would benefit the most from access to improved energy services in developing countries.\(^9\) Due to their traditional responsibilities for collecting fuel and water, which is time-consuming and physically exhausting, women and girls are seriously limited in their ability to engage in educational and income-generating activities. It is well known that in many developing countries, much of women’s time is taken up with difficult and time-consuming chores related to producing and processing food without mechanical or electrical equipment, and in cooking with dirty fuels. A 2015 World Bank study, which focuses primarily on rural electrification, states that access to electricity can also reduce gender-based violence. For example, increased lighting increases women’s sense of security and grants women increased mobility at night, which could help female-led small businesses to operate in the evenings. Television could also help reduce violence, particularly at the household level, by changing women’s and men’s perceptions of gender roles and relations and giving women a greater understanding of their legal rights.\(^10\) In short, reduced drudgery for women and increased access to non-polluting power for lighting, cooking, household and productive purposes can have dramatic effects on women’s levels of empowerment, education, literacy, nutrition, health, economic opportunities, and involvement in community activities.

Example:

Gold Standard’s Lango Safe Water Project, developed by CO2balance in Uganda, has become the first certified gender responsive project. The project reports against baseline the following certified outcomes:

- **Target - time poverty - 2 hours:** 40% reporting that time saved is used for income-generation, leisure, religious and empowerment focused activities within the community.
- **Target - gender parity within its Water Resource Committees:** with 46% female to 54% male. And group dynamics training is provided to ensure the viewpoints of all members are heard equally.
- **Target - gender based violence:** no women have reported incidents of domestic violence related to water collection, compared to 35% prior to the project. And borehole users have reported an 85% reduction in incidents of bullying, intimidation and assault during water collection.

D.4. Needs of recipient (max. 500 words, approximately 1 page)

Describe the scale and intensity of vulnerability of the country and beneficiary groups and elaborate how the project/programme addresses the issue (e.g. the level of exposure to climate risks for beneficiary country and groups, overall income level, etc.). Describe how the project/programme addresses the following needs:

- **Vulnerability of the country and/or specific vulnerable groups, including gender aspects (for adaptation only)**
- **Economic and social development level of the country and the affected population**
- **Absence of alternative sources of financing (e.g. fiscal or balance of payments gap that prevents government from addressing the needs of the country; and lack of depth and history in the local capital market)**
- **Need for strengthening institutions and implementation capacity**


In general, least Developed Countries, Developing Countries and Countries in transition face a significant demand in terms of access to basic services, such as health, education, energy, water and sanitation. The strongest demand amongst cities and regions is for energy, waste optimization and energy efficient city lighting services.

However, the low carbon, climate resilient infrastructure projects that must be implemented to meet this demand is far below the level that one might expect., primarily for two reasons.

Project Bankability

Projects are not being conceived, from the outset, to be “bankable” – i.e., projects that are:

- Properly structured in technical and financial terms: (amongst other) using appropriate reliable technologies, benefitting from the required permits and concessions, operated and serviced by reliable counterparties, appropriately insured and generating profits for investors; and

- Conceived in full alignment with their operating context: (amongst other) the local community and its interests, local political and regulatory environments, national laws regulations and incentive schemes, and the international financial and political context.

The challenge lies with the “project development value chain” and the limited degree of collaboration, understanding and interconnection of the different social, economic, political and regulatory, technology and financial players involved in project development and implementation. Almost invariably, key players do not fully understand what makes a project bankable, they do not understand each other’s’ interests, how their decisions can impact negatively on each other, and therefore on the bankability of projects.

Access to finance

There is also a lack of appropriate financing instruments to fund the development and implementation of appropriate projects, at scale.

If needs are to be met, this will overwhelmingly be by green infrastructure projects of an intermediate size, of between 5 and 75 MUSD, located near user-communities, and that can most easily be replicated by leveraging local experience and expertise. These projects represent the largest part of the potential market for green infrastructure in terms of number, aggregate investment opportunity and of potential for climate and SDG impact.

For projects of this size however, there is a significant “funding gap”, a lack of appropriate financial instruments to finance project identification development and implementation, that deliver upon the expectations of investors while ensuring that projects remain affordable and financially viable. The situation is distinct from that of smaller projects that have less difficulty in finding donor capital and local sources of funding, and from larger projects that tend to attract development finance investors and smaller institutional capital.

The 100 campaign:

This need has been strongly highlighted during the 100 Climate Solutions Projects Campaign initially undertaken in 2016, with its latest update in 2019. Working through R20’s networks of cities and regions - approximately 5000 cities and regions globally - and through partner networks and associations of local/regional governments and private companies, the campaign consisted of an open call to submit potential projects for support. The accepted submissions included letters of mandate and support from municipal, regional or national government authorities, as well as high-level descriptions of the projects outlining basic market data. The inaugural edition of the campaign identified more than 650 potential projects, 450 of which submitted formal letters of mandate and political support.

Alignment with NDCs

The SnCF prioritizes the integration of sub-national climate and sustainability priorities with those at a national level, including but not limited to Nationally Determined Contributions (NDCs) and Sustainable Development Goal targets (SDGs). The fund will make use of a number of in-country tools to ensure that
this alignment occurs. First is engagement with the relevant federal line Ministries, and participation where possible with their established agencies or working groups already established to ensure alignment between sub and national levels of climate action. In support of these public sector bodies, in-country delivery agencies regularly facilitate multi-level committees to identify, align, and flag any potential areas of potential misalignment. SnCF will participate directly or via partners as part of such bodies to ensure there is alignment and a clear reporting path between sub-national investment opportunities and national priorities. Finally, R20, IUCN and Gold Standard have extensive networks of project developers and in-country delivery agencies. SnCF will leverage this network in each host country to ensure contact is made and coordination occurs between subnational and national levels.

Gold Standard will play a particular supporting role as an implementing partner in the NDC-P. Through NDC-P, Gold Standard has access to government agencies and to the specific contacts responsible for each host country NDC development and implementation. In addition, every Gold Standard certified project must make a measurable contribution to climate (SDG 13 – Climate Action) and a minimum of two other SDGs (ex: SDG3 - Health and Well Being, SDG5 – Gender Equality, SDG6 – Clean Water and Sanitation, etc.). Project-level impacts are reported and can be rolled up into regional targets or national level SDG and NDC reporting.

The Annex 24 provide an analysis of the beneficiary countries’ NDC with the scope of SNCF Global.

Barrier Analysis

The key barriers to financing mid-scale Subnational Climate Infrastructure have been analyzed in the beneficiary countries in the sector targeted by the SnCF. The analysis includes Pegasus, IUCN, Gold Standard, BNP and R20 field experience; inputs from countries NDAs and CSOs; and Multilateral Institutions. Further analysis will be conducted at both the TA stage and the due diligence stage of any potential equity investment.

Key barriers are summarized in the table below

<table>
<thead>
<tr>
<th>Key barriers</th>
<th>Baseline</th>
<th>Alternative with the SnCF and GCF</th>
</tr>
</thead>
</table>
| Mid – Size (5-7 MUSD) Subnational Climate Infrastructure is underfunded. | • Philanthropy and city to city cooperation usually does not fund projects with cost greater that 5 MUSD  
• Traditional MDBs and DFIs ticket size does not cover projects with cost lower than 75 MUSD  
• Many project developers struggle to find Equity partners and potential Debt providers request high Equity ratio due to the perceived risks.  
• Transaction cost for such projects are critical and high transaction cost dramatically reduce bankability | • SnCF ticket size is dedicated to this type of high impact investments  
• The SnCF will invest in Equity thus leveraging additional Debt at project level and filling the most needed capital for developers.  
• The systemic approach of the SnCF initiative lowers transaction costs  
• The GCF first loss provides a de-risking mechanism at fund level allowing a more suited risk management at project level thus reducing transaction costs. |
| Climate Infrastructure is underfunded by private capital | • Risk for this type of asset is often perceived to high and therefore the risk/return ratio | • The GCF First loss improves the risk/return ratio and provides conditions to crowd-in private investment. |
| Projects are poorly designed and implemented | Projects are designed by an equipment provider and not always adapted to the exact needs of the territory  
Participatory processes are often performed after the project design is completed and leaves low flexibility to citizens and local authority’s inputs  
ESIA are performed after project design and leaves low flexibility to design improvements.  
Projects fails to be effectively implemented  
Construction, Operation and Maintenance is challenging | The TA allows better project design and seeks solutions adapted to a given problematic.  
The SnCF funnel process includes Environmental and Social safeguarding’s at all steps and stakeholder engagement at early stage before the project is fully designed.  
The SnCF is partnering with experienced private local projects developers. SnCF is also providing additional support thanks to the TA.  
EPC and OM are performed with local partners selected for their robust experience, additional trainings and support will be provided by SnCF |
|---|---|---|
| Specific barriers to Energy Efficiency projects | ESCOs models are not always compliant with public sector regulation  
ESCos models are not known and perceived as complex financial mechanisms  
Energy prices are often subsidised  
By nature, EE projects are often smaller that the 75MUSD threshold.| TA can support creation of adapted ESCO models and adapted ESCO contracts  
The deal size is more adapted to these types of projects |
| Specific barriers to Renewable Energy projects | Often lack of appropriate regulation  
Often lack of clarity for IPP schemes  
Often lack of bankable off-takers | The TA can support the authorities in designing a scheme for IPP and negotiate appropriate PPAs. |
| Specific barriers to Waste Optimization projects | Lack of financial resources of municipalities  
• Weak regulation in the sector  
• Existing informal sector  
• Scattered cities and low waste volumes for traditional waste infrastructure in more "rural" areas  
• Transport costs to heavy to be supported by traditional business models  
• Difficulties to identify suitable land plots with heavy reluctance from neighbors | Smaller decentralized infrastructure can lower transport costs and is more adapted to generate value out of the recovered/transformed material rather than paying to get rid of it.  
• Stakeholder engagement includes the informal sector in the project design.  
• Smaller decentralized projects need less land and recycling and valorization is more accepted than final disposal. |
| Specific barriers to Water and Sanitation projects | Business models of wastewater mostly exclusively depending on municipalities and perceived expensive. | Nature-based Solutions and smaller decentralized infrastructure for wastewater are less capital intensive and reduce cost of treatment. |
| Specific barriers to Sustainable Agriculture projects | Sector traditionally dominated by small enterprises with low creditworthiness.  
• Underdeveloped values chains and consumer demand for healthier food  
• Low local capacities and understanding of modern and environmentally friendly approach to agriculture | The TA can provide capacity building  
• The smaller deal size allows SnCF to invest in this sector dominated by SMEs  
• The solution driven approach will identify the most suitable crops for the local conditions and will be driven by the local demand. |

D.5. Country ownership (max. 500 words, approximately 1 page)
Please describe how the beneficiary country takes ownership of and implements the funded project/programme. Describe the following:
• Existing national climate strategy
Every SnCF project will be undertaken with an official mandate from the relevant subnational authorities, and must also demonstrate alignment with country-driven priorities. Ensuring such alignment is a key element of project selection and due diligence, with specific focus on Nationally Determined Contributions (NDCs), national targets for Sustainable Development Goals (SDGs), NAMAs, prevailing gender policies, sustainability standards, and related national policies. As an NDC-P Associate, Gold Standard has contacts with all relevant Ministries related to national NDCs. Similarly, with 55 country offices, IUCN has direct access to relevant Conservation and Finance Ministries. For each host country from which SnCF receives an NOL, GCF will be consulted to ensure engagement and alignment with other GCF country programmes.

Country priorities will be reflected in the work of the regional Project Accelerator Facilities. The facility training programs will target sub-national stakeholders but will also provide training for regional and national financial institutions and Accredited Entities to ensure capacity transfer. For example, Fonerwa is already working with the R20 on this specific model.

Training and project selection include safeguards, gender equity, stakeholder engagement, and environmental protection. This is mandatory for all projects. Please refer to the Gender Framework Annex and the detailed safeguarding elements in the Climate Rationale and Additionality section. These elements are compulsory, as stated in the ESMS, and reviewed by the Fund ES manager.

For example, our pipeline includes 18 municipal solid waste optimization projects in the state of Gujarat, India, with a total project value of $270m (USD). As more fully described in the business plan for these 300 ton/day (each) waste conversion projects (which will result in Bio-CNG, compost, liquid fertilizer, recycled materials, and other valuables), aligns with both national and local sustainability and climate policies and goals, including:

- National “Clean India” policy [https://swachhbharatmission.gov.in](https://swachhbharatmission.gov.in)
- National UNFCCC NDCs [https://climateactiontracker.org/countries/india/](https://climateactiontracker.org/countries/india/)
- Implemented at each of the 18 Urban Local Bodies (ULBs) municipalities that control the waste feedstock.

Without project development and a source of financing at the sub-national level, the goals and policies of these 3 levels of government could not be achieved.
D.6. Efficiency and effectiveness (max. 500 words, approximately 1 page)

Describe how the financial structure is adequate and reasonable in order to achieve the proposal’s objectives, including addressing existing bottlenecks and/or barriers, and providing the minimum concessionality to ensure the project is viable without crowding out private and other public investments. Refer to section B.5 on the justification of GCF funding requested as necessary.

Please describe the efficiency and effectiveness of the proposed project/programme, taking into account the total financing and mitigation/adaptation impact the project/programme aims to achieve, and explain how this compares to an appropriate benchmark.

Please specify the expected economic rate of return based on a comparison of the scenarios with and without the project/programme.

Please specify the expected financial rate of return with and without the Fund’s support to illustrate the need for GCF funding to illustrate overall cost effectiveness.

Please explain how best available technologies and practices have been considered and applied. If applicable, specify the innovations/modifications/adjustments that are made based on industry best practices.

As stated in section B.5, we believe this Fund could simply not exist without the GCF support. The GCF participation goes well beyond only increasing the ROI of the Fund. As such comparison exercise are very complicated.
### E. LOGICAL FRAMEWORK

This section refers to the project/programme’s logical framework in accordance with the GCF’s Performance Measurement Frameworks under the Results Management Framework to which the project/programme contributes as a whole, including in respect of any co-financing.

#### E.1. Paradigm shift objectives

Please select the appropriated expected result. For cross-cutting proposals, tick both.

- X Shift to low-emission sustainable development pathways
- ☐ Increased climate resilient sustainable development

#### E.2. Core indicator targets

Provide specific numerical values for the GCF core indicators to be achieved by the project/programme. Methodologies for the calculations should be provided. This should be consistent with the information provided in section A.

This section is made for the SnCF global Fund and doesn’t include the Technical Assistance which has a marginal effect on the ratios.

<table>
<thead>
<tr>
<th>E.2.1. Expected tonnes of carbon dioxide equivalent (t CO₂ eq) to be reduced or avoided (mitigation and cross-cutting only)</th>
<th>Annual</th>
<th>3’881’722 t CO₂ eq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifetime</td>
<td>77’634’432 t CO₂ eq</td>
<td></td>
</tr>
</tbody>
</table>

| E.2.2. Estimated cost per t CO₂ eq, defined as total investment cost / expected lifetime emission reductions (mitigation and cross-cutting only) |
| (a) Total project financing | 750’000’000 USD |
| (b) Requested GCF amount | 150’000’000 USD |
| (c) Expected lifetime emission reductions | 77’634’432 t CO₂ eq |
| (d) Estimated cost per t CO₂eq (d = a / c) | 9,661 USD / t CO₂eq |
| (e) Estimated GCF cost per t CO₂eq removed (e = b / c) | 1,932 USD / t CO₂eq |

| E.2.3. Expected volume of finance to be leveraged by the proposed project/programme as a result of the Fund’s financing, disaggregated by public and private sources (mitigation and cross-cutting only) |
| (f) Total finance leveraged | 600’000’000 USD |
| (g) Public source co-financed | Choose an item. |
| (h) Private source finance leveraged | 600’000’000 USD |
| (i) Total Leverage ratio (i = f / b) | 4 |
| (j) Public source co-financing ratio (j = g / b) | Choose an item. |
| (k) Private source leverage ratio (k = h / b) | 4 |

In addition, each individual projected funded by the Fund is expected to have 2-4x leverage (whether by debt or third-party equity), which would result in a total leverage ratio of 8-16x GCF’s investment.

| E.2.4. Expected total number of direct and indirect beneficiaries, (disaggregated by sex) |
| Direct | 20’000 jobs created |
| Indirect | 17’000’000 citizens with improved living conditions |

For a multi-country proposal, indicate the aggregate amount here and provide the data per country in annex 17.

| E.2.5. Number of beneficiaries relative to total population (disaggregated by sex) |
| Direct | Not relevant (Expressed as %) of country(ies) |
| Indirect | Not relevant (Expressed as %) of country(ies) |

For a multi-country proposal, leave blank and provide the data per country in annex 17.
### E.3. Fund-level impacts

Select the appropriate impact(s) to be reported for the project/programme. Select key result areas and corresponding indicators from GCF RMF and PMFs as appropriate. Note that more than one indicator may be selected per expected impact result. The result areas indicated in this section should match those selected in section A.4 above. Add rows as needed.

<table>
<thead>
<tr>
<th>Expected Results</th>
<th>Indicator</th>
<th>Means of Verification (MoV)</th>
<th>Baseline</th>
<th>Target</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M1.0 Reduced emissions through increased low-emission energy access and power generation</strong></td>
<td><strong>M1.1 Tonnes of carbon dioxide equivalent (tCO2eq) reduced or avoided - gender-sensitive energy access power generation</strong></td>
<td>Certified reduction at projects levels (tCO2eq)</td>
<td>0</td>
<td>2'997'32</td>
<td>8'991'965</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M3.0 Reduced emissions from buildings, cities, industries and appliances</strong></td>
<td><strong>M3.1 Tonnes of carbon dioxide equivalent (tCO2 eq) reduced or avoided - buildings, cities, industries, and appliances</strong></td>
<td>Certified reduction at projects levels(tCO2 eq)</td>
<td>0</td>
<td>12'529'565</td>
<td>37'588'694</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Social and economic co-benefits in terms of citizens benefiting from better public services (energy access, street lighting and better sanitation) (Linked to outcomes M5, M6 and M7)</strong></td>
<td>Number of citizens benefiting from better public services (energy access, street lighting and better sanitation)</td>
<td>0</td>
<td>5'700'000</td>
<td>17'000'000</td>
</tr>
<tr>
<td></td>
<td><strong>Social and economic co-benefits in terms of citizens benefiting from better waste management systems, access to water and local sustainable agriculture (Linked to</strong></td>
<td>Number of citizens benefiting from better waste management systems, access to</td>
<td>0</td>
<td>3'360'000</td>
<td>10'080'000</td>
</tr>
</tbody>
</table>
### E.4. Fund-level outcomes

Select the appropriate outcome(s) to be reported for the project/programme. Select key expected outcomes and corresponding indicators from GCF RMF and PMFs as appropriate. Note that more than one indicator may be selected per expected outcome. Add rows as needed.

<table>
<thead>
<tr>
<th>Expected Outcomes</th>
<th>Indicator</th>
<th>Means of Verification (MoV)</th>
<th>Baseline</th>
<th>Target</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>M5.0</strong> Strengthened institutional and regulatory systems</td>
<td>M5.2 Number and level of effective coordination mechanisms</td>
<td>Survey after trainings to National AE</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M6.0</strong> Increased number of small, medium and large low-emission power suppliers</td>
<td>M6.3 MWs of low-emission energy capacity installed, generated and/or rehabilitated as a result of GCF support</td>
<td>Direct monitoring of renewable power capacity commissioned</td>
<td>0</td>
<td>140 MW</td>
<td>140 MW</td>
</tr>
<tr>
<td><strong>M7.0</strong> Lower energy intensity of buildings, cities, industries and appliances</td>
<td>M7.1 Energy intensity/improved efficiency of buildings, cities, industries and appliances as a result of Fund support</td>
<td>Monitoring and certification of Kwh saved from projects</td>
<td>0</td>
<td>1’927’632’000</td>
<td>4’882’896’000</td>
</tr>
</tbody>
</table>
### E.5. Project/programme performance indicators

The performance indicators for progress reporting during implementation should seek to measure pre-existing conditions, progress and results at the most relevant level for ease of GCF monitoring and AE reporting. Add rows as needed.

A detailed LogFrame can be found in Annex 27

<table>
<thead>
<tr>
<th>Expected Results</th>
<th>Indicator</th>
<th>Means of Verification (MoV)</th>
<th>Baseline</th>
<th>Target</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Structure SnCF Global as a SICAR RAIF in Luxembourg, set up the General Partner and the contracts with licensed AIFM</td>
<td>Number of Fund existing General Partner and contract with AIFM signed</td>
<td></td>
<td>0</td>
<td>1;1</td>
<td>1;1</td>
</tr>
<tr>
<td>2. Fundraise 600 MUSD of private investment into the Senior tranche of SnCF Global</td>
<td>Amount raised in USD</td>
<td></td>
<td>0</td>
<td>600 M</td>
<td>600 M</td>
</tr>
<tr>
<td>3. Manage the pipeline to identify a portfolio of bankable projects</td>
<td>Number of projects supported</td>
<td></td>
<td>0</td>
<td>50;45</td>
<td>50;45</td>
</tr>
<tr>
<td></td>
<td>Number of bankable projects produced</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Manage the investment activities, perform Due Diligence, prepare documentation for the Investment Committee and AIFM.</td>
<td>Number of investees Climate and SDG objectives meet NbS objectives meet</td>
<td></td>
<td>0</td>
<td>50;35</td>
<td>50;35</td>
</tr>
<tr>
<td></td>
<td>Official documents are stored</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Manage the portfolio, assist portfolio companies in archiving Climate, business, SDG and NbS objectives</td>
<td>Number of quarterly reports</td>
<td></td>
<td>0</td>
<td>35;105;35</td>
<td>35;105;35</td>
</tr>
<tr>
<td></td>
<td>Number of yearly audited reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Report to the limited partners</td>
<td>Number of quarterly reports</td>
<td></td>
<td>0</td>
<td>24;6</td>
<td>48;12</td>
</tr>
<tr>
<td></td>
<td>Number of yearly audited reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Exit assets, return capital plus profit to limited partners, close out the Fund.</td>
<td>Number of exit executed</td>
<td></td>
<td>0</td>
<td>0</td>
<td>35</td>
</tr>
</tbody>
</table>
### E.6. Activities

All project activities should be listed here with a description and sub-activities. Significant deliverables should be reflected in the implementation timetable. Add rows as needed.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Sub-activities</th>
<th>Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity E1.1: Procure legal services to prepare underlying documentation</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Procurement / retention of legal services based on value for money</td>
<td>A set of contracts for the Fund structuration</td>
</tr>
<tr>
<td>Activity E1.2 Structure Fund and Related Entities</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Draft and revise documents; external review</td>
<td>The Legal structure of the Fund, General Partner and Manager established</td>
</tr>
<tr>
<td>Activity E1.3 Draft Fund Prospectus, Marketing Materials and Limited Partnership Agreement</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Draft and revise documents; external review</td>
<td>The Fund Prospectus, Marketing Material and LPA</td>
</tr>
<tr>
<td>Activity E1.4 Consummate Initial Closing of the Fund with GCF as Anchor Investor</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>negotiate side letter with GCF; external review; external review</td>
<td>Initial Closing of the Fund</td>
</tr>
<tr>
<td>Activity E2.1: Prepare Fund teasing material, evaluate Fund suitability</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Draft and revise materials; review by communication experts</td>
<td>The Fund ranking and material communication</td>
</tr>
<tr>
<td>Activity E2.2 Organize roadmap and distribution agreements</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Draft and revise materials; review by communication experts</td>
<td>A set of interested LPs</td>
</tr>
<tr>
<td>Activity E2.3 Negotiate with potential investors and Close on LP Commitments</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Negotiate side letters with investors</td>
<td>LP commitments into the Senior tranche of SnCF</td>
</tr>
<tr>
<td>Activity E3.1 Early stage sourcing</td>
<td>Sourcing will involve cities and regions networks; initial screening will be performed by a dedicated committee to select projects based on predefined criteria.</td>
<td>See project selection and process criteria, Section B</td>
<td>A preliminary portfolio of identified subnational projects foreseen to deliver the Climate, SDG and NbS impacts.</td>
</tr>
<tr>
<td>Activity E3.2 Develop the pipeline</td>
<td>Support the TA and the project proponent with guidance of expected returns and key risks for the future Due diligence</td>
<td>See project selection and process criteria, Section B</td>
<td>A portfolio of feasible subnational projects with defined performance expectation (Climate, financial, SDG, NbS)</td>
</tr>
<tr>
<td>Activity E3.3 Structure the pipeline</td>
<td>Support the TA and the project proponent with guidance of expected returns and key risks for the future Due diligence</td>
<td>See project selection and process criteria, Section B</td>
<td>A portfolio of bankable projects</td>
</tr>
<tr>
<td>Activity E4.1 Perform Due Diligence on proposed deals</td>
<td>Perform technical, legal, economic and impact review</td>
<td>See project selection and process criteria, Section B</td>
<td>Validation of projects design and assumptions.</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>------------------------------------------------------</td>
<td>------------------------------------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Activity E4.2 Prepare documentation for Investment Committee</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>See project selection and process criteria, Section B</td>
<td>Investment Memos for the Investment committee</td>
</tr>
<tr>
<td>Activity E4.3 Prepare documentation for AIFM and execute deals.</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>See project selection and process criteria, Section B</td>
<td>An invested project for SnCF</td>
</tr>
<tr>
<td>Activity E5.1: Provide ad-hoc support to investees</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>See project selection and process criteria, Section B</td>
<td>Guidelines and trained key personnel for project operations</td>
</tr>
<tr>
<td>Activity E5.2: Perform regular evaluation of investees</td>
<td>Regular phone calls with management team; site visits when necessary</td>
<td>See project selection and process criteria, Section B</td>
<td>Performance report of investees</td>
</tr>
<tr>
<td>Activity E6.1: Collect information of investees, implement verification mechanisms, implement data collection tools</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>See project selection and process criteria, Section B</td>
<td>Data on investees performance</td>
</tr>
<tr>
<td>Activity E6.2: Prepare reporting documentation</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>See project selection and process criteria, Section B</td>
<td>Quarterly reports and an annual report</td>
</tr>
<tr>
<td>Activity E6.3: Organize the Audit of the Fund</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Selection of financial service / audit firm based on value for money</td>
<td>Audited yearly account</td>
</tr>
<tr>
<td>Activity E6.4: Report on SDG and NbS Impacts</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Comply with international reporting requirements and standards</td>
<td>Annual report on positive impacts of the Fund</td>
</tr>
<tr>
<td>Activity E7.1: Evaluate exit opportunities</td>
<td>Activity to be completed with investment banking and legal services and overseen by Fund Managers</td>
<td>External review by financial services firm, legal</td>
<td>Quarterly evaluation of the Fund value; preliminary exit expectations</td>
</tr>
<tr>
<td>Activity E7.2: Negotiate sales transactions</td>
<td>Activity to be completed with investment banking and legal services and overseen by Fund Managers</td>
<td>Conduct sales process; legal review of relevant documents</td>
<td>Negotiated exit transaction</td>
</tr>
<tr>
<td>Activity E7.3: Execute Exit and Distribute Proceeds</td>
<td>Activity to be completed with legal services and overseen by Fund Managers</td>
<td>Consummation of sales transaction; execution and delivery of documents; flow of funds</td>
<td>Financial return to limited partners</td>
</tr>
<tr>
<td>Activity E7.4: Liquidate SnCF Global after all</td>
<td>Activity to be completed with legal services and</td>
<td>Preparation of legal documents dissolving</td>
<td>Dissolution of fund.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Portfolio Companies have been fully disposed by Fund Managers SnCF Global; make liquidating distribution of assets.

E.7. Monitoring, reporting and evaluation arrangements (max. 500 words, approximately 1 page)

Besides the arrangements (e.g. annual performance reports) laid out in AMA, please give a summary of the project/programme specific arrangements for monitoring and evaluation. Describe Accredited Entity (AE) project reporting relationships, including to the NDA/Focal Point and between AE and Executing Entity (EE) as relevant, identifying reporting obligations from the EE to the AE. This should relate to the frequency of reporting on project indicators, implementation challenges and financial status.

Regarding the financial reporting, typically Pegasus provides financial information to its fund limited partners on a quarterly basis along with a quarterly report that summarizes material developments at each portfolio company owned by the fund. Pegasus has established valuation processes and procedures in accordance with US GAAP and fair values for the underlying portfolio investments are done in accordance with Accounting Standards Codification (ACS) 820-10 on a semi-annual basis at June 30th and December 31st.

On the SDG impacts side, SDG Measuring, reporting and verification (MRV) provides assurance of quantified climate and sustainable development outcomes. Several actors contribute to the MRV process, following strict protocols for the avoidance of conflict of interest. A project developer must first submit a robust monitoring plan to SustainCERT, Gold Standard’s official certification provider, who approves that the plan meets Gold Standard requirements. The project developer then measures climate and development outcomes according to Gold Standard-approved methodologies. These methodologies vary by project type and reflect standardized best practices for quantification including principles of conservativeness to avoid over-claiming. The quantifications of climate and development outcomes are submitted to an independent third-party validation and verification body (VVB) in a monitoring report. The VVB reviews the monitoring report for completeness and accuracy and conducts a site visit to verify that conditions on the ground reflect what is captured in the monitoring report. Following any clarifications or closure of corrective actions if needed, the VVB provides a verification report to SustainCERT. SustainCERT provides a final check on this work, requesting clarifications or additional corrective actions if needed, and finally makes the certification decision, providing assurance on the project’s climate and development outcomes.

Specific TA monitoring can be found on the TA FP.
F. RISK ASSESSMENT AND MANAGEMENT

F.1. Risk factors and mitigations measures (max. 3 pages)

Please describe financial, technical, operational, macroeconomic/political, money laundering/terrorist financing (ML/TF), sanctions, prohibited practices, and other risks that might prevent the project/programme objectives from being achieved. Also describe the proposed risk mitigation measures. Insert additional rows if necessary.

For probability: High has significant probability, Medium has moderate probability, Low has negligible probability
For impact: High has significant impact, Medium has moderate impact, Low has negligible impact
Prohibited practices include abuse, conflict of interest, corruption, retaliation against whistleblowers or witnesses, as well as fraudulent, coercive, collusive, and obstructive practices

Each project in the Fund portfolio will have its own Risk Assessment and Management performed at feasibility stage. At Due Diligence stage, the Fund teams will toughly review and assess the risk and take appropriate mitigation measures before submitting any project to the Investment Committee.

Main Risks and Risks at Fund level may be summarized as following

<table>
<thead>
<tr>
<th>Selected Risk Factor: Cost / Delay of construction</th>
<th>Category</th>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical and operational</td>
<td>Medium</td>
<td>Medium</td>
<td></td>
</tr>
</tbody>
</table>

Please describe the risk to the best of your knowledge at this point in time.

They are inherent risks to constructions among which the most common are unforeseen additional costs and delay in the process. Such risks can ultimately reduce the Return On Investment of a project and ultimately affect the financial performance of the Fund.

Mitigation Measure(s)

Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?

In its Due Diligence, the Fund will put a strong emphasis on the selection process of the EPC partner and even assist with its Technical Assistance project sponsors in the procurement process and the ToR review of the EPC selection. Moreover, the Fund will ensure that EPC contracts have proper clauses for financial compensations for such risks.

<table>
<thead>
<tr>
<th>Selected Risk Factor: Low technical performance of the infrastructure</th>
<th>Category</th>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical and operational</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please describe the risk to the best of your knowledge at this point in time.

The projects may not be performing as planned in the feasibility studies. Poor performance may lead to decrease of production and treatment capacities, ultimately leading to lower income as planned.
The technological risk mitigation is key in the Fund Technical Assistance design. The purpose of the Technical Assistance is to ensure technology neutral feasibility studies providing best in class expertise. Furthermore, asset allocation is setting caps by type of technology mitigating global technological risk.

### Selected Risk Factor: Operations not performing as planned

<table>
<thead>
<tr>
<th>Category</th>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical and operational</td>
<td>Medium</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Description**

Operations are critical for the smooth running of the projects. Poor operation management, employees’ qualifications, knowledge transfer can lead to low performance reducing incomes and misconducts against the ESMS policies.

**Mitigation Measure(s)**

In its Due Diligence, the Fund will assess the operation teams and, when applicable, promote contracting an OM partner. The Technical Assistance will assist the project sponsor in the procurement process and the ToR review of the OM selection. Moreover, again, the Fund will ensure that OM contracts have proper clauses for financial compensations covering operational risks.

### Selected Risk Factor: Currency risk

<table>
<thead>
<tr>
<th>Category</th>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forex</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Description**

Given the geographical scope of the Fund, incomes of the projects will be generated in various local currencies. Incomes will subsequently be affected by different exchange rates.

**Mitigation Measure(s)**

The Fund is promoting sources of incomes in hard currencies, for its assets under management. The Fund strategy is favorizing off-taker agreements signed in USD. Moreover, currencies risks are evaluated for each project in the portfolio and if estimated to high, specific mitigation insurances will be subscribed by the Fund.
### Selected Risk Factor: SDG impacts lower than expected

<table>
<thead>
<tr>
<th>Category</th>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

**Description**

*Please describe the risk to the best of your knowledge at this point in time.*

If the SDG impacts foreseen are not reached, it would result in a lower “impact per invested dollar” result. Lower impact result could affect investor confidence and slow the replication process.

**Mitigation Measure(s)**

*Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?*

As stated in the ESMS specific Environmental and Social Monitoring, Reporting and Verification are set up with dedicated staff. Gold Standard methodologies and the robust monitoring will support the Fund decision to ensure proper impact are meet.

### Selected Risk Factor: Population acceptance of the projects

<table>
<thead>
<tr>
<th>Category</th>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

**Description**

*Please describe the risk to the best of your knowledge at this point in time.*

The primary environmental and social risks faced by the Fund is associated with the degree of acceptance and support for projects by local populations and stakeholders. By way of example, should a solar PV power project that may connect to the national electricity grid, not also meet the needs of a local population, the risk to the project could result in either no investment (and therefore no implementation of the projects) or even financial failure of the project (undermining the sustainability of the overall Programme).

**Mitigation Measure(s)**

*Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?*

The SnCF Global will focus on “inclusive” sustainable projects building upon a bottom-up approach where communities at sub-national level are the initiators of the projects. The Programme further mitigates such risks by integrating sustainable impact criteria into the entire value chain from project conception, through implementation and operation, applying a best-in-class impact measurement, reporting and verification tool developed in partnership with the Gold Standard foundations.
G. GCF POLICIES AND STANDARDS

G.1. Environmental and social risk assessment (max. 750 words, approximately 1.5 pages)

Provide the environmental and social risk category assigned to the proposal as a result of screening and the rationale for assigning such category. Present also the environmental and social assessment and management instruments developed for the proposal (for example, ESIA, ESMP, ESMF, ESMS, environmental and social audits, etc.). Provide a summary of the main outcomes of these instruments. Present the key environmental and social risks and impacts and the measures on how the project/programme will avoid, minimize and mitigate negative impacts at each stage (e.g. preparation, implementation and operation), in accordance with GCF’s ESS standards. If the proposed project or programme involves investments through financial intermediations, describe the due diligence and management plans by the Executing Entities (EEs) and the oversight and supervision arrangements. Describe the capacity of the EEs to implement the ESMP and ESMF and arrangements for compliance monitoring, supervision and reporting. Include a description of the project/programme-level grievance redress mechanism, a summary of the extent of multi-stakeholder consultations undertaken for the project/programme, the plan of the Accredited Entity (AE) and EEs to continue to engage the stakeholders throughout project implementation, and the manner and timing of disclosure of the applicable safeguards reports following the requirements of the GCF Information Disclosure Policy and Environmental and Social Policy.

Describe any potential impacts on indigenous peoples and the measures to address these impacts including the development of an Indigenous Peoples Plan and the process for meaningful consultation leading to free, prior and informed consent, pursuant to the GCF Indigenous Peoples Policy.

Attach the appropriate assessment and management instruments or other applicable studies, depending on the environmental and social risk category as annex 6.

As part of its commitment to sound E&S risk management, responsible operations and sustainable development, the SnCF will operate an Environmental and Social Management System (ESMS) in conformity with the requirements and standards of Development Finance Institutions (DFIs) and in particular those of the Green Climate Fund and IFC Performance Standards. The SnCF Global will aim to be certified compatible with the SDGs, developing projects in-line with the Gold Standard for Global Goals (GS4GG), and reporting performance against project-specific impact criteria. The Fund will thus contribute to several Sustainable Development Goals (“SDGs”), in particular SDG 13, (Climate Action), SDG 6 (clean water and sanitation), SDG 7 (access to clean energy), SDG 8 (job creation), SDG 11 (sustainable communities) and SDG 3 (good health and well-being).

SnCF is committed to maintaining, implementing and continuously improving its ESMS to ensure implementation of this policy throughout the value chain (project identification, development, investment, monitoring and reporting). The ESMS includes an E&S categorization system that is consistent with the equivalent practices of the GCG, the International Finance Corporation (IFC), the European Investment Bank (EIB) and other Development Finance Institutions (DFIs).

The framework of the ESMS includes the following elements:

- E&S Policy
- Procedures, which are fully integrated with the fund’s overall investment cycle
  - Transaction screening (incl. exclusion list)
  - Risk categorization
  - E&S due diligence
- Tools
- Guidance materials and reporting protocols

The full set of procedures that will be followed includes a process for screening of potential investments against the Exclusion List prior to a Go/No Go decision, to ensure that no investment is made in projects or
companies that are operating with excluded activities. The screening process permits the provisional
categorization of proposed projects into higher, medium and lower risk (Category A, B or C respectively)
projects and that then determines the level of E&S due diligence required and the actions to be taken to
minimize potential impacts. All projects financed by SnCF shall comply with host country regulatory
requirements, the relevant IFC Performance Standards and good industry practice, respectively the EHS

G.2. Gender assessment and action plan (max. 500 words, approximately 1 page)

Provide a summary of the gender assessment and project/programme-level gender action plan that is aligned with
the objectives of GCF’s Gender Policy. Confirm a gender assessment and action plan exists describing the process
used to develop both documents. Provide information on the key findings (who is vulnerable and why) and key
recommendations (how to address the vulnerability identified) of the gender assessment. Indicate if stakeholder
consultations have taken place and describe the key inputs integrated into the action plan, including: how addressing
the vulnerability will ensure equal participation and benefits from funds investment; key gender-related results to be
expected from the project/programme with targets; implementation arrangements that the AE has put in place to
ensure activities are implemented and expected outcomes will be achieved, monitored and evaluated.

Provide the full gender assessment and project-level gender action plan as annex 8.

The main objective of the SnCF Gender Policy is to strengthen the project’s responsiveness to the multiple,
culturally-derived principles of gender equality and women’s empowerment and to address and account for
the links between gender equality, natural resources management and environmental sustainability. Global
literature makes clear that women’s participation in design, distribution, management and production of
environmental solutions and in access to and management of financial resources is (a) underrepresented
and (b) recognised as indispensable to realising the sustainable development goals (SDGs).

The SnCF Gender Policy applies to the fund itself and to all projects participating in the SnCF. The policy
outlines the principles for achieving gender responsiveness, and through supporting technical guidance on
gender, solidifies the operational requirements for stakeholder involvement and partnership in the design,
implementation, and evaluation of projects. Gender mainstreaming will be considered in all stages of the
project cycle (design, formulation, implementation, monitoring, and evaluation) by integrating ‘gender
mainstreaming’ procedures, checklists and forms throughout the Environmental & Social Management
System (ESMS). This includes the following:

- Gender questions in the E&S screening checklists in initial project screening stage, and in monitoring
  forms
- Inclusion of a ‘gender assessment’ as part of ESIA (Environmental & Social Impact Assessment) for
each project
- Use of gender-specific stakeholder consultation requirements and safeguards, based on Gold
  Standard Gender Equality Guidelines & Requirements. Specifically designed for project
  implementation, the requirements form the body of this policy document.

The SnCF will put in place processes to ensure that projects align with prevailing national gender strategy
(if host country has one) or other public policy for gender equality and women’s empowerment, and will seek
to align the project with other national development strategies that promote equal opportunities, whether in
the intervention region or the sector. The policy incorporates elements of several gender frameworks (see
Definitions and Resources section, immediately following). The framework incorporates many elements from
The Committee on the Elimination of Discrimination against Women (CEDAW).

<table>
<thead>
<tr>
<th>Gender-related outputs</th>
<th>SnCF Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender and social inclusion policy at fund level</td>
<td>Endorsement of gender and social inclusion policy by fund management committee</td>
</tr>
</tbody>
</table>
Gender procedures and checklists incorporated in fund’s Environmental and Social Management System (ESMS)  | Comprehensive ESMS with updated gender procedures  
---|---  
Engagement and consultation of women in all stages of project cycle  | At least 40% representation of women in all stakeholder consultations, with separate meetings for women if necessary  
Recruitment of women in projects  | At least 20% of employees will be female  
Creation of community-based women’s empowerment initiatives  | At least 1 empowerment initiative per project (e.g. women attending skills-based training programme related to project technology)  
Recruitment of women in monitoring teams  | At least 20% of project monitoring teams will be female  

**DEFINITIONS***

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency</strong></td>
<td>The capacity to make decisions about one’s own life and act on them to achieve a desired outcome, free of violence, retribution, or fear.</td>
</tr>
<tr>
<td><strong>Empowerment</strong></td>
<td>The ability and agency of every woman to shape her own destiny, exercise her rights and make her own choices. Women's empowerment has five components: women's sense of self-worth; their right to have and to determine choices; their right to have access to opportunities and resources; their right to have the power to control their own lives, both within and outside the home; and their ability to influence the direction of social change to create a more just social and economic order, nationally and internationally.</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Gender refers to the social, behavioral, and cultural attributes, expectations, and norms associated with being male or female.</td>
</tr>
<tr>
<td><strong>Gender equality</strong></td>
<td>As enshrined in international and national constitutions and other human rights agreements, refers to equal rights, power, responsibilities and opportunities for women and men, as well as equal consideration of the interests, needs and priorities of women and men. Gender equality refers to the process of being fair to women and men. To ensure equity, measures often need to be taken to compensate (or reduce) disparity for historical and social disadvantages that prevent women and men from otherwise operating on an equitable basis. Equity leads to equality. (UNDP 2017)</td>
</tr>
<tr>
<td><strong>Gender equity</strong></td>
<td>Refers to the process of being fair to women and men. To ensure equity, measures often need to be taken to compensate (or reduce) disparity for historical and social disadvantages that prevent women and men from otherwise operating on an equitable basis. Equity leads to equality. (UNDP 2017)</td>
</tr>
<tr>
<td><strong>Gender responsive</strong></td>
<td>Refers to the consideration of gender norms, roles and relations and to addressing inequality generated by unequal norms, roles and relations through remedial action beyond creating gender awareness.</td>
</tr>
<tr>
<td><strong>Gender sensitive</strong></td>
<td>Refers to raising awareness and consideration of gender norms, roles and relations but does not necessarily address inequality generated by unequal norms, roles or relations through remedial action beyond creating gender awareness.</td>
</tr>
<tr>
<td><strong>Social Inclusion</strong></td>
<td>Refers to the process of improving the terms for individuals and groups to take part in society, and the process of improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity to take part in society. (World Bank)</td>
</tr>
</tbody>
</table>

* If not otherwise indicated, relevant definitions are drawn and adapted from the GCF gender policy or the Annex to the GEF Gender Equality Action Plan (GEAP)
G.3. Financial management and procurement (max. 500 words, approximately 1 page)

Describe the project/programme’s financial management including the financial monitoring systems, financial accounting, auditing, and disbursement structure and methods. Refer to section B.4 on implementation arrangements as necessary.

Articulate any procurement issues that may require attention, e.g. procurement implementation arrangements and the role of the AE under the respective proposal, articulation of procurement risk assessment undertaken and how that will be managed by the AE or the implementing agency. Provide a detailed procurement plan as annex 10.

Pegasus maintains an Accounting Policy designed to ensure financial transactions are properly authorized, documented and executed. Pegasus’ funds are audited by an independent auditor on an annual basis and Pegasus also undergoes a compliance audit conducted by a third-party compliance consultant on an annual basis. All disbursements are subject to a three-party process. One individual from below (other than the Chief Compliance Officer ("CCO")) can create a wire; then any other authorized person who did not create the wire can/approve that wire; finally only the CCO or Controller (under the direction of the CCO) are authorized to release the wire as long as such individual had not previously approved that same wire. Each step of the process is logged automatically in the firm’s online banking portal.

- **CCO** – has the ability to review all activity of the bank accounts and generate reports. He/she also has the ability to approve and release wire transfers that have been entered into the website with restrictions. He/she cannot release a wire that they have approved nor can he/she release a wire that they have modified.
- **Controller** – has the ability to review all activity of the bank accounts and generate reports. He/she also has the ability to create, approve and release wire transfers that have been entered into the website with restrictions. He/she cannot approve or release a wire that they have created nor can he/she release a wire that they have modified.
- **Senior Accountant** - has the ability to review all activity of the bank accounts and generate reports. He/she also has the ability to create wire and/or modify transfers on the bank’s website. Such an individual shall also have the ability to approve a wire which he/she did not create. Does not have the ability to release any wires.

Specific TA management can be found in the TA FP

G.4. Disclosure of funding proposal

Note: The Information Disclosure Policy (IDP) provides that the GCF will apply a presumption in favour of disclosure for all information and documents relating to the GCF and its funding activities. Under the IDP, project and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Information provided in confidence is one of the exceptions, but this exception should not be applied broadly to an entire document if the document contains specific, segregable portions that can be disclosed without prejudice or harm.

Indicate below whether or not the funding proposal includes confidential information.

☐ No confidential information: The accredited entity confirms that the funding proposal, including its annexes, may be disclosed in full by the GCF, as no information is being provided in confidence.

☒ With confidential information: The accredited entity declares that the funding proposal, including its annexes, may not be disclosed in full by the GCF, as certain information is being provided in confidence. Accordingly, the accredited entity is providing to the Secretariat the following two copies of the funding proposal, including all annexes:
☐ full copy for internal use of the GCF in which the confidential portions are marked accordingly, together with an explanatory note regarding the said portions and the corresponding reason for confidentiality under the accredited entity's disclosure policy, and
☐ redacted copy for disclosure on the GCF website.

The funding proposal can only be processed upon receipt of the two copies above, if containing confidential information.
### H. ANNEXES

#### H.1. Mandatory annexes

|  ☒  | Annex 1 | NDA no-objection letter(s) *(template provided)* |
|  ☒  | Annex 2 | Feasibility study - and a market study, if applicable |
|  ☒  | Annex 3 | Economic and/or financial analyses in spreadsheet format |
|  ☒  | Annex 4 | Detailed budget plan *(template provided)* |
|  ☒  | Annex 5 | Implementation timetable including key project/programme milestones *(template provided)* |
|  ☒  | Annex 6 | E&S document corresponding to the E&S category (A, B or C; or I1, I2 or I3): I3) *(ESS disclosure form provided)*  
- Environmental and Social Impact Assessment (ESIA) or  
- Environmental and Social Management Plan (ESMP) or  
- Environmental and Social Management System (ESMS)  
- Others (please specify – e.g. Resettlement Action Plan, Resettlement Policy Framework, Indigenous People’s Plan, Land Acquisition Plan, etc.) |
|  ☒  | Annex 7 | Summary of consultations and stakeholder engagement plan |
|  ☒  | Annex 8 | Gender assessment and project/programme-level action plan *(template provided)* |
|  ☒  | Annex 9 | Legal due diligence (regulation, taxation and insurance) |
|  ☒  | Annex 10 | Procurement plan *(template provided)* |
|  ☒  | Annex 11 | Monitoring and evaluation plan *(template provided)* |
|  ☒  | Annex 12 | AE fee request *(template provided)* |
|  ☒  | Annex 13 | Co-financing commitment letter, if applicable *(template provided)* |
|  ☒  | Annex 14 | Term sheet including a detailed disbursement schedule and, if applicable, repayment schedule |

#### H.2. Other annexes as applicable

|  ☐  | Annex 15 | Evidence of internal approval *(template provided)* |
|  ☐  | Annex 16 | Map(s) indicating the location of proposed interventions |
|  ☐  | Annex 17 | Multi-country project/programme information *(template provided)* |
|  ☐  | Annex 18 | Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project |
|  ☐  | Annex 19 | Procedures for controlling procurement by third parties or executing entities undertaking projects financed by the entity |
|  ☐  | Annex 20 | First level AML/CFT (KYC) assessment |
|  ☐  | Annex 21 | Operations manual (Operations and maintenance) |
|  ☐  | Annex x | Other references |

*Please note that a funding proposal will be considered complete only upon receipt of all the applicable supporting documents.*
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Pegasus and its directors, officers, employees, partners, affiliates, advisors and agents do not accept any responsibility whatsoever or liability for any direct, indirect or consequential loss or damage suffered or incurred by the recipient or any other person or entity, however incurred (including, but not limited to, negligence) in any way in connection with (i) the materials or any other written or oral information made available to the recipient or such other person or entity, including, without limitation, the information contained in this Proposal; (ii) any errors or omissions or the materials or any other written or oral information however caused; (iii) the recipient or any other person or entity having placed any reliance on the materials or such other information; or (iv) the reasonableness, authenticity, validity, adequacy, accuracy, completeness or reliability of the materials or such other information. This Proposal does not constitute and should not be considered as any form of financial opinion or recommendation.

Past or targeted performance should not be viewed as a guide to future performance. Actual results could differ materially from those discussed or implied herein, as a result of various factors, including future economic, competitive, political, regulatory or market conditions of future business decisions. The value of an investment in products such as described herein may fall as well as rise and any investment carries the risk of a total loss of capital. The value of an investment in products such as those described herein may fall as well as rise and any investment carries the risk of a total loss of capital. An investment in such products is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks and lack of liquidity inherent in such an investment.

Gross IRR is computed on an annual, compounding basis, and is calculated before any carried interest, management fees and other partnership expenses, and is calculated using cash flows as they actually occur. Net IRR cannot be calculated for an individual investment without making arbitrary assumptions about fees, expenses and carried interest.