

Green Climate Fund

Financial Risk Management Framework

Addendum

GCF/B.07/05/Add.1

17 May 2014

Meeting of the Board

18 - 21 May 2014

Songdo, Republic of Korea

Agenda Item 9

Annex IV: Addendum to the draft decision**I. Financial arrangements for grants and concessional loans**

- (a) The terms and conditions of outgoing concessional loans from the Fund will be established once the terms of incoming concessional loan contributions to the Fund are known, in order to avoid liquidity risk;
- (b) The IE or intermediary will propose a financing structure that in its assessment will make the project or programme viable given its risk profile and its contribution to the Fund's objectives;
- (c) The subsidy element provided through grants and concessional lending will be the amount necessary to achieve the Fund's paradigm shift objective;
- (d) The Secretariat, as part of its second stage due diligence, will assess the validity of the proposed financing terms and conditions.

II. The role of implementing entities (IEs) and intermediaries

- (a) The Fund will enter into an administrative agreement with the IE or intermediary on expectationary repayment of the non-grant portion of the funds; and
 - (b) The funds are pooled together by the IE or intermediary to fund a project or programme on terms that would make it financially viable at the correct level of concessionality as well as to cover the risk of NPL loss.
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