



**GREEN  
CLIMATE  
FUND**

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# Review of the initial modalities of the Private Sector Facility – Addendum III

## Review of the mobilizing funds at scale pilot

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### **Summary**

This document reviews the mobilizing funds at scale request for proposal, summarizing its implementation status, reflecting on lessons learned and proposing a way forward.

## I. Introduction

1. At its fourth meeting, as part of its deliberations on the business model framework of GCF, the Board acknowledged the need to mobilize funds at scale from, inter alia, institutional investors such as pension funds and sovereign wealth funds, and to design modalities to that end (decision B.04/08, paragraph (f)).
2. The Board by decision B.07/09 initiated the process to mobilize resources commensurate with the GCF ambition to promote the paradigm shift towards low-emission and climate-resilient development pathways. At its seventh meeting, the Board decided that it will consider modalities for mobilizing private sector resources at scale by the Private Sector Facility (PSF) at its eighth meeting (decision B.07/08).
3. Furthermore, the Board took note of the report of the Private Sector Advisory Group (PSAG) presented by its Co-Chair (document GCF/B.07/10). In this document, the PSAG provided high-level recommendations to the Board, including on mobilizing private sector financing.
4. At its sixteenth meeting, the Board took note of document GCF/B.16/10/Rev.01 titled “Establishing a programmatic framework for mobilizing funds at scale”.
5. The Board, in decision B.16/03, paragraph (a), requested the Secretariat to issue the request for proposal (RFP) to solicit proposals for pilot programmes for mobilizing funds at scale (MFS) and decided to allocate up to USD 500 million over the course of the initial resource mobilization period for this programme. The Board also decided to consider proposals submitted under this RFP as part of the wider portfolio of GCF, and through the same modalities as standard proposals. The MFS RFP objectives were threefold:
  - (a) To catalyse private capital for mitigation and adaptation projects and climate-related services in developing countries, requiring early-stage equity, concessional lending, grants and guarantees, creating positive demonstration effects;
  - (b) To support climate project sponsors at the local level, regardless of their size, in removing market barriers to allow a flow of private financing; and
  - (c) To spur new private-led services and innovation focusing on the eight GCF strategic results areas.
6. Through its decision B.22/02, the Board adopted its updated workplan for 2019, which includes a provision to initiate the review of the initial modalities of the PSF. This includes a review of the MFS pilot programme to address adaptation and mitigation, which is consistent with decision B.10/11, paragraph (i): The Board decides to review the implementation and scale of the initial phase of the mobilization pilot programme two years from the date on which the RFP is made. This paper intends to give a first review of the MFS RFP, its challenges and learnings.
7. Under decision B.21/14, the Board decided to allocate up to USD 600 million of the remaining commitment authority for the initial resource mobilization period and 2019 to RFPs and pilot programmes, including: REDD-plus results-based payments; MFS; micro, small and medium-sized enterprises; and enhanced direct access and the simplified approval process.

## II. Scope

8. The purpose of this review is to analyse the processes that supported the MFS pilot programme’s operationalisation and challenges experienced by the Secretariat in implementing it. Lessons learned will be gathered to recommend practical actions to address the bottlenecks,

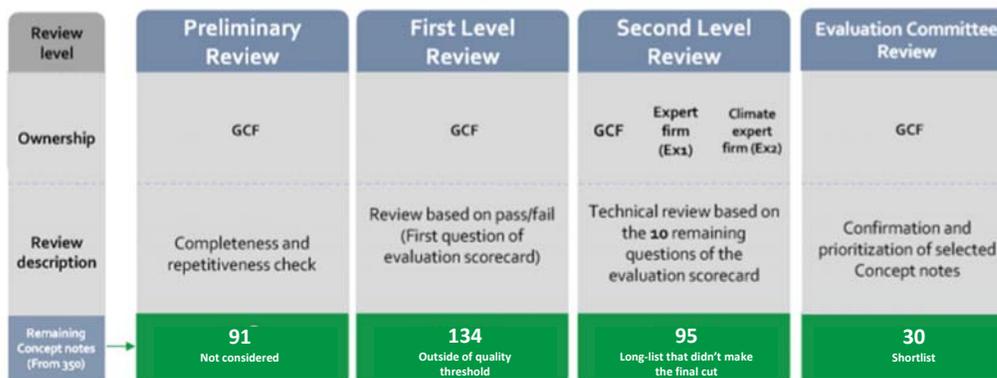
enabling the Secretariat to further pursue its implementation in line with the stated original goals of this RFP.

9. A more comprehensive review will be needed as progress is made in advancing the implementation of this RFP. The Board could also consider the review of all GCF RFPs with a view to make recommendations on their use as they are likely to continue to remain an important programming tool during the first replenishment period of GCF.

### III. Shortlisting process and results

10. In response to the mandate of the Board, an MFS RFP (“Pitch for the Planet”) was launched in May 2017 with a closing date of 30 August 2017. It attracted 350 submissions from more than 70 countries with estimated GCF-requested financing of over USD 18 billion. The Secretariat subsequently undertook a detailed, three-level evaluation process under the terms of reference specified within the RFP (see figure 1).

**Figure 1: Mobilizing funds at scale review process overview**



11. The first-level review was a preliminary review on the completeness and repetitiveness of the concept notes, followed by an in-depth second- and third-level review based on Board-approved scorecards. The in-depth review was performed by a multi-disciplinary evaluation team comprised of professionals from PSF, the Division of Country Planning, the Division of Mitigation and Adaptation, and the Office of Risk Management and Compliance, together with two external partners (the Global Green Growth Institute and Climate Analytics). To achieve transparency and be consistent with best practices, the Office of Internal Audit and Compliance Team were also involved throughout the process. At every milestone, the RFP team presented the interim results to GCF senior management and sought guidance.

12. In accordance with the criteria set out in the RFP, the multi-disciplinary evaluation team undertook a step-by-step approach to ensure a rigorous assessment. As outlined in figure 1, the review process yielded the following results:

- (a) The top 30 concept notes were shortlisted. Seven submissions were received from accredited entities (AEs) and 23 from non-accredited entities (of which 5 came from entities undergoing accreditation during the time in which the review was carried out). The Secretariat has engaged with all proponents of the shortlisted concept notes and worked with them on the next steps towards developing full funding proposals for consideration by the Board;
- (b) The next 95 concept notes completed the three-level evaluation process. These concept notes were evaluated under the established evaluation process but were not shortlisted. Among these, 20 concept notes were submitted by existing AEs. The Secretariat also

- invited the proponents of the remaining 75 concept notes not submitted by an AE to work with an AE and reapply through the regular window;
- (c) The next 134 concept notes were outside the MFS scoring criteria. The Secretariat is seeking to engage on these concept notes where possible; and
  - (d) Ninety-one concept notes did not pass preliminary screening due to incompleteness or double submission.

#### **IV. Status of shortlisted concept notes**

13. The Secretariat has been continuously engaging with all proponents of the shortlisted concept notes to work with them on the next steps. Work has been undertaken with AEs towards developing full funding proposals for consideration by the Board, and a close exchange has taken place with the proponents of the concept notes from non-AEs to help them partner with suitable AEs or to seek accreditation themselves.
14. Since the closing of the RFP MFS in August 2017, the following developments occurred:
  - (a) The Secretariat has been working actively to secure submission of one or more shortlisted projects at the twenty-third meeting of the Board, subject to clearance from senior management and the independent Technical Advisory Panel;
  - (b) The number of AE-supported projects has increased since project submission due to active engagement of the Secretariat. Since the project submission in August 2017, seven more projects have secured AE support.<sup>1</sup> This has resulted in 14 projects that are currently backed by AEs and 16 projects that are still without an AE (see figure 2);
  - (c) The average project size decreased slightly. Since closure of the RFP, the number of large, medium-sized and small projects changed, as indicated in figure 3. Out of the 30 projects, as of April 2019, 17 were classified as large, 11 as medium-sized and 2 as small projects (figure 3); and
  - (d) The aggregate funding request has decreased. The downsizing of projects resulted in a 33 per cent reduction of the aggregate investment amount from USD 15.3 billion to USD 10.3 billion (figure 4).

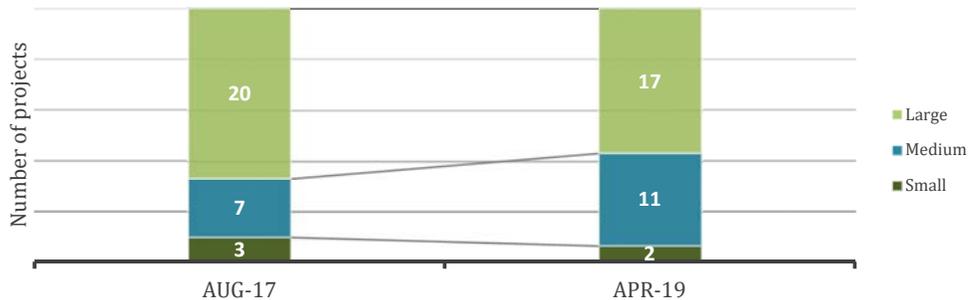
**Figure 2: Accredited entity status per shortlisted concept note from August 2017 and April 2019**



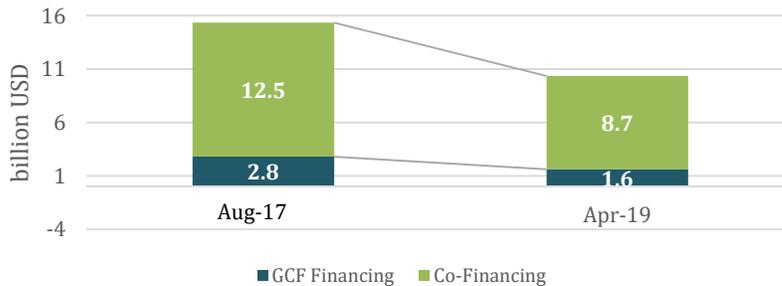
*Abbreviations:* CN = concept note, AE = accredited entity.

<sup>1</sup>This implies that the proposed entity has passed stage 2.2 of the accreditation process.

**Figure 3: Status of large, medium and small projects shortlisted in the mobilizing funds at scale pilot programme in August 2017 and April 2019**



**Figure 4: Requested GCF financing and co-financing per shortlisted project in August 2017 and April 2019**



## V. Challenges

15. The Secretariat has been facing numerous constraints in meeting the objective of the MFS RFP and presenting MFS funding proposals to the Board for consideration:
- Although the Secretariat has been engaging with project proponents to find suitable AEs, the shortage of AEs supporting initial submission or willing to work with project proponents has made it challenging to identify viable projects for Board approval among the shortlisted projects;
  - Of the shortlisted projects with AE support, there have been difficulties in negotiating and executing accreditation master agreements and securing non-objection letters (NOLs); and
  - Another challenge is securing country support from national designated authorities for multi-country funds and programmes. Some national designated authorities have been reluctant to provide NOLs for projects that use instruments other than grants, which may be inconsistent with the proposed structure of the project.

## VI. Lessons learned and way forward

16. The experience from the pilot MFS RFP highlights that reforms of access modalities, and diversification of the use of instruments, are important if GCF is going to more fully realize its catalytic potential where RFPs are issued for non-AEs. This is particularly the case in areas

where GCF hopes to promote innovation, such as through the use of strategic RFPs, and catalyse funding at scale, thereby attracting wider investment from the private sector.

17. To achieve the full potential of proposed programming directions and improve accessibility, GCF may consider:
    - (a) Alternative access modalities, including a project-specific assessment approach or a pilot of direct investment;
    - (b) Alternative approaches corresponding to NOLs to ensure country ownership provisions in private sector interventions, in particular those supporting developing countries to achieve their climate goals at a global scale; and
    - (c) More catalytic instruments and products to shift funding at a wider scale, including a more efficient guarantee product, local currency financing or a co-investment platform.
  18. The review and shortlisting process of future MFS RFPs should take into account the accreditation status of the project proponents.
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