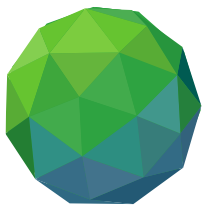


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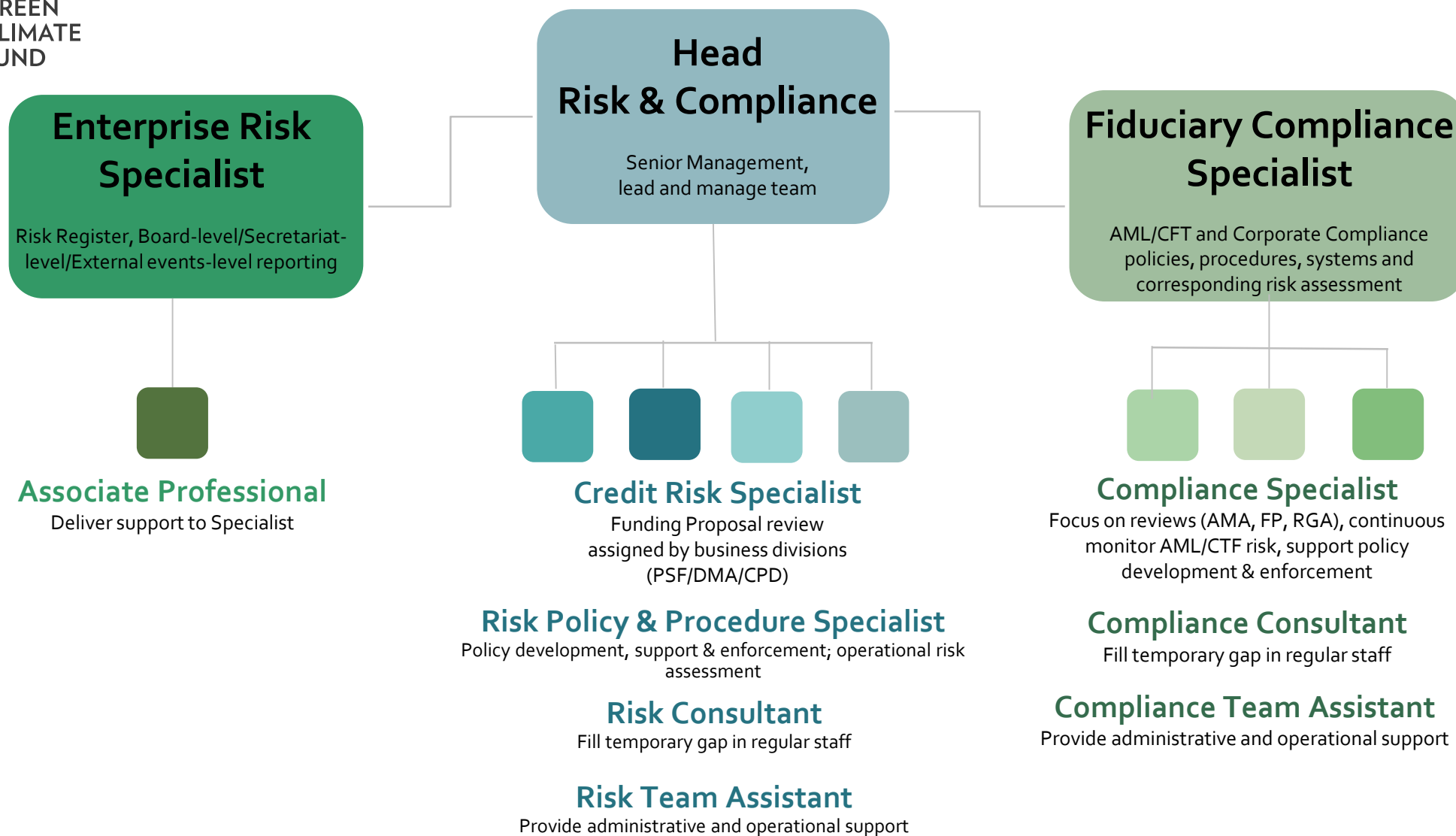
May 2017

risk@gcfund.org



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Organisation





Responsibilities

- Driving Principles: Collaboration, Communication, Consistency, Capability
- Building a robust team to effectively partner with business teams and other stakeholders
- Risk/Compliance Assessment of Funding Proposals
- Develop & communicate Risk Management Framework
- Promoting risk and compliance awareness culture within Fund
- Support SMT and Board by providing relevant and timely risk information

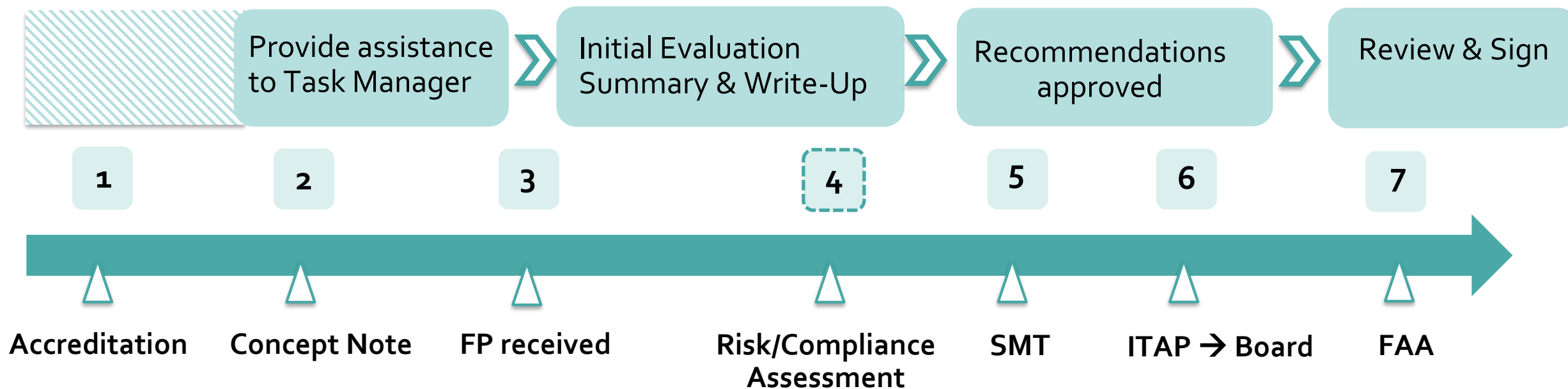
Workflow

Investment Risk



See slides 6-7

Workplan 2017



Operational Risk

Integrated systems

ALM/FX

Governance

Operational
effectiveness



Risk role in Funding Proposals DMA and PSF

- Active role played in funding proposal life cycle through early involvement
- Partnering with the business team at each stage of the proposal as a solution provider
- Independent assessment of the Concept notes, Funding proposals and Financial model followed by constructive feedback
- Improving the funding proposal structure and terms to score high on the GCF's Six high-level Investment criteria ¹
- Focus on facilitating GCF incrementality to end customers
- Support to structure transactions that justify GCF concessionality (e.g. choice of financial instruments)
- Providing inputs to improve alignment of the Funding proposals with GCF's Results Management Framework
- Risk involvement continues at AMA and FAA stages and post approval amendments

¹ Six high-level Investment criteria : Impact potential, Paradigm shift potential, Sustainable development potential, Responsive to recipients needs, Promote country ownership, Efficiency and effectiveness



Risk Assessment of Funding Proposals

Overall assessment

- Clear description of each project to be undertaken, or clear parameters for making delegated funding decisions
- Adequate support from the relevant country (beyond No Objection Letter)

AE/EE Capability

- AE / EE strategic objectives
- Relevant track record
- Relevant management experience

Project specific execution risks

- Construction risk (including country specific risk)
- Environmental risks mitigation and adequate community engagement

Financial Viability

- Cash flow analysis
- Stress analysis (e.g., demand / supply shocks, price shocks, macro shocks)

Funding Terms

- Co-investor participation terms (especially if GCF is taking a junior position)
- Execution liabilities

Additional analysis specific to loan / equity investments

- Workout process (loans)
- Currency risk and hedging strategy (equity)

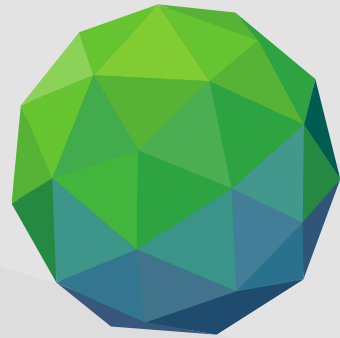


Compliance assessment of Funding Proposals

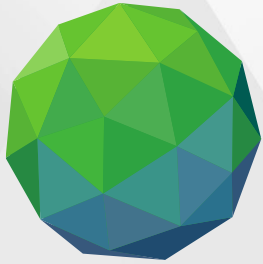
Mandate from Donors:

Take appropriate measures to prevent corrupt, fraudulent, and other illegal practices including the prevention of the use of the Fund's resources to finance terrorist activity.

Fiduciary Principles and Standards	Responsibility	Framework
Anti-corruption Fraud Other prohibited practices	Integrity Unit	AMA
Countering the financing of terrorism Anti-money laundering (Due Diligence) Financial sanctions, embargos, UN Security Council resolution	Compliance	Readiness Accreditation AMA Funding Proposal Disbursement



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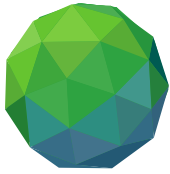


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Empowering Direct Access Workshop

Office of the General Counsel (OGC)

23-25 May 2017 | Songdo, Republic of Korea



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Funding Proposal / FAA process

iTAP review:

iTAP proposes technical conditions to the Board, following consultation with the AE

2nd level legal due diligence

- Compliance with the AMA
- Compliance with the GCF policies

Board approves:

- Funding Proposal;
- Term Sheet;
- iTAP recommended conditions, if agreed;
- Additional conditions, if any

Conditions for FAA effectiveness

Specified in the FAA. E.g.

- legal opinion
- delivery by the AE of an indicative disbursement schedule...)

FP received

Publication

Board meeting

FAA
execution

FAA
effectiveness

1st
Disbursement

Secretariat and iTAP review of FP

21 days

Up to 180 days

Up to 90 days

Term Sheet negotiation:

- Identify and agree on main TC for the project/programme e.g. amount, co-financing, fee, implementation arrangement, tax, insurance, budget, conditions, covenants ...
- Identify and agree on main deviation from the AMA, if any.
- **Template Term Sheet** is annexed to the AMA

FAA negotiation:

- Incorporates the TS and the Board approved conditions into the FAA.
- Agree on the final details of the Funded Activity (e.g. **conditions**, covenants, reporting, implementation plan, budget...)
- **GCF FAA templates** are used: FAA for Grant, FAA for Loan

Conditions for 1st disbursement:

- Fulfillment of conditions for 1st disbursement specified in the FAA (e.g. specimen signature for authorized persons, Request for disbursement)



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