



**GREEN  
CLIMATE  
FUND**

# **Understanding the Micro-, Small-, and Medium-sized Enterprises Programme**

**Hyejin Lee, Associate Professional (PSF)  
– Empowering Direct Access Workshop  
23-25 May 2017 – Songdo, Republic of Korea**



GREEN  
CLIMATE  
FUND

# Why Support MSMEs?

- Majority of business in developing countries
- Operate across a wide range of activities related to climate change
- Local proximity
- Newer, innovative and fast growing nature
- Lack of access to finance for a higher risk-return profile





GREEN  
CLIMATE  
FUND

# Board Decisions and PSAG Recommendations

## Board Decision

- Acknowledged the need to support the participation of MSMEs
- Established a pilot programme to support MSMEs
- Allocated up to USD 200M in the initial resource mobilization period
- Limited GCF's participation in the first pilot to USD 100M

## PSAG Recommendation

- Emphasized need for diversity rather than homogeneity
- Encouraged diverse and innovative institutional model
- Recommended cap for each region (Africa, LAC, Asia) at USD 65M each

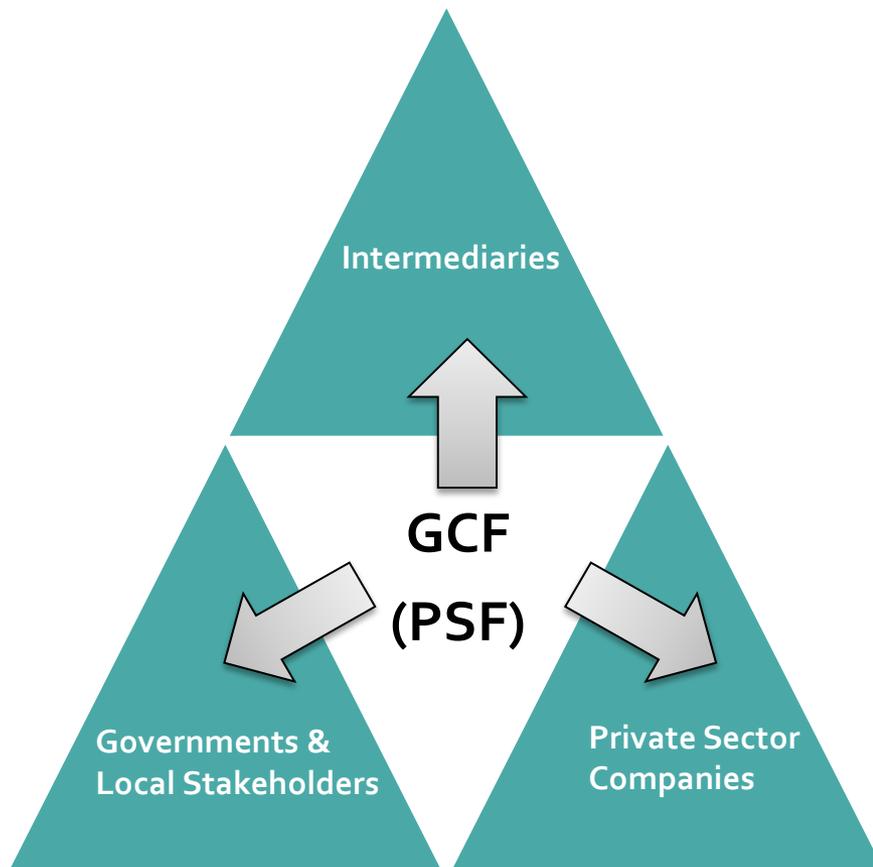


GREEN  
CLIMATE  
FUND

# Role of Private Sector Facility

**Working within the existing modality**

**Promoting participation of MSMEs**



- De-risking investments
- Promoting innovative solutions
- Capacity building support
- Proposals by existing accredited entities or potential partners in cooperation with existing accredited entities

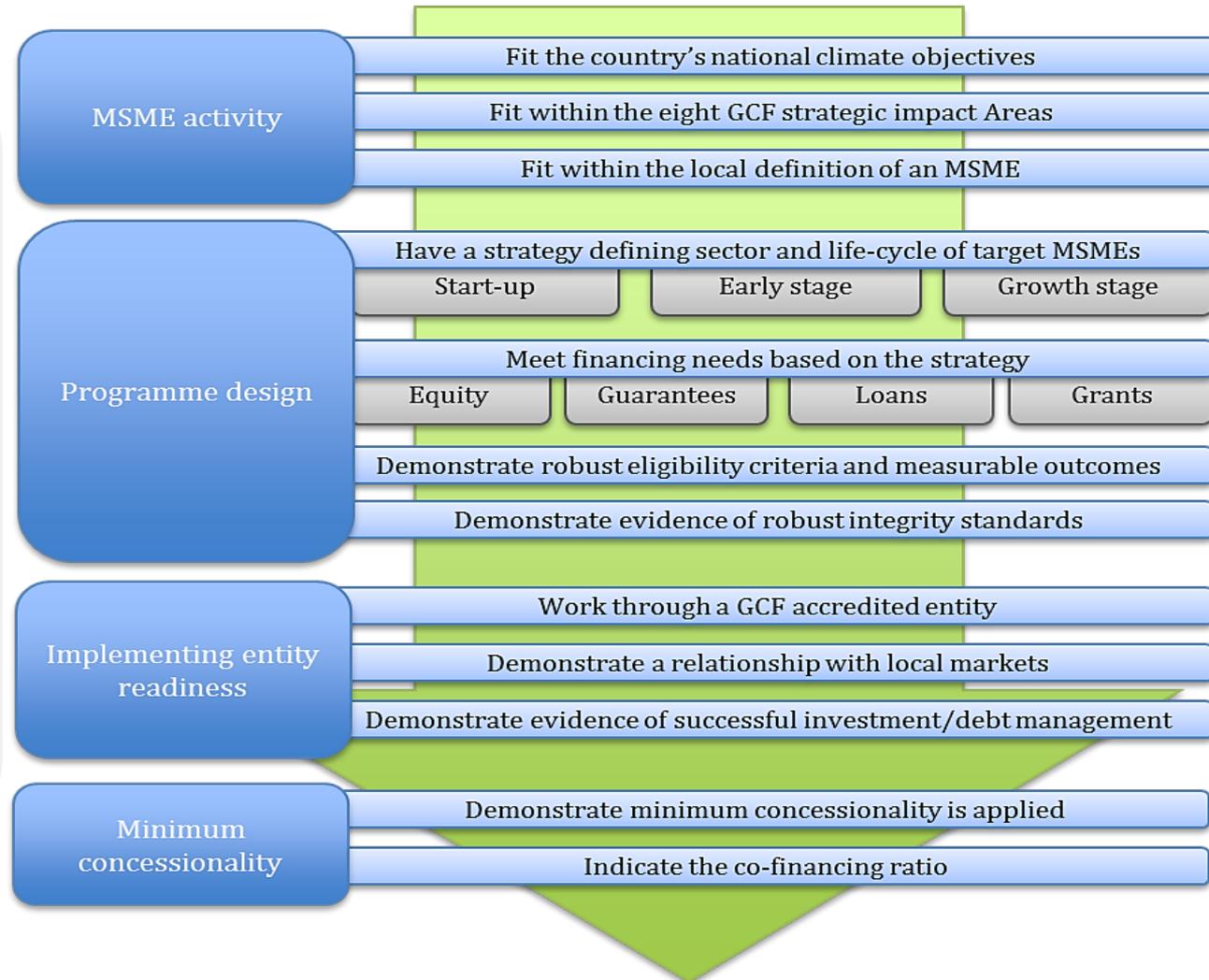


GREEN CLIMATE FUND

# Competitive Selection

## Project/programme criteria

- Accounts for 65% of the total evaluation score
- MSME Activity (pass/fail)
- Programme design (30)
- IE readiness (20)
- Minimum concessionality (15)



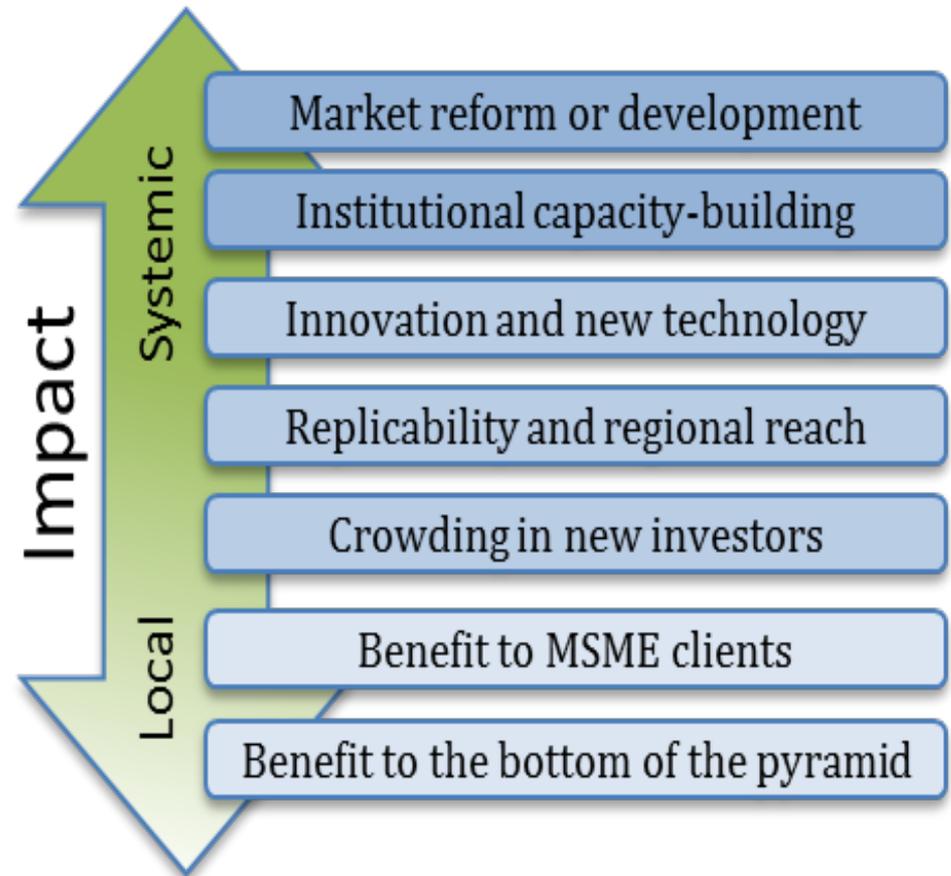


GREEN  
CLIMATE  
FUND

# Competitive Selection

Special considerations for maximum impact

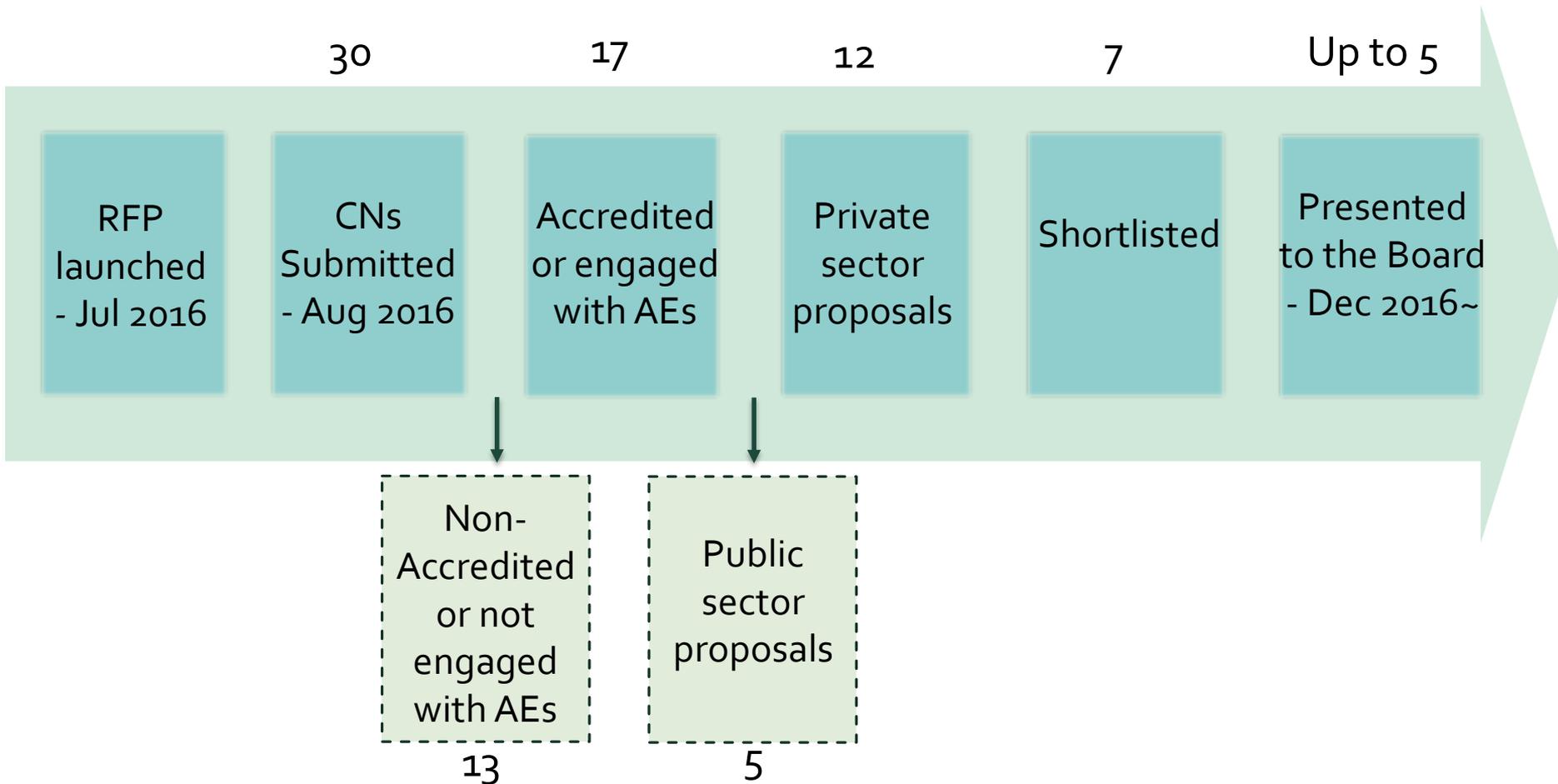
- Accounts for 35% of the total evaluation score
- Each criterion given 5% of the score
- Seeks to maximize the impact through private sector support to MSMEs





GREEN  
CLIMATE  
FUND

# Evaluation Process

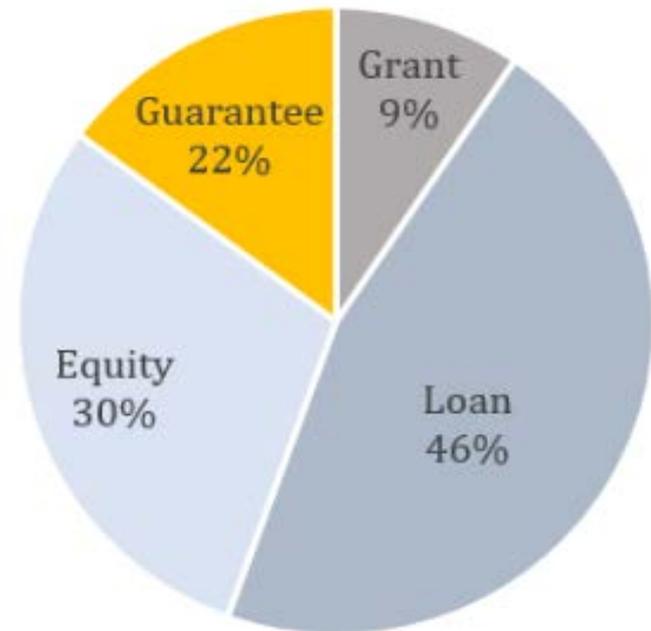
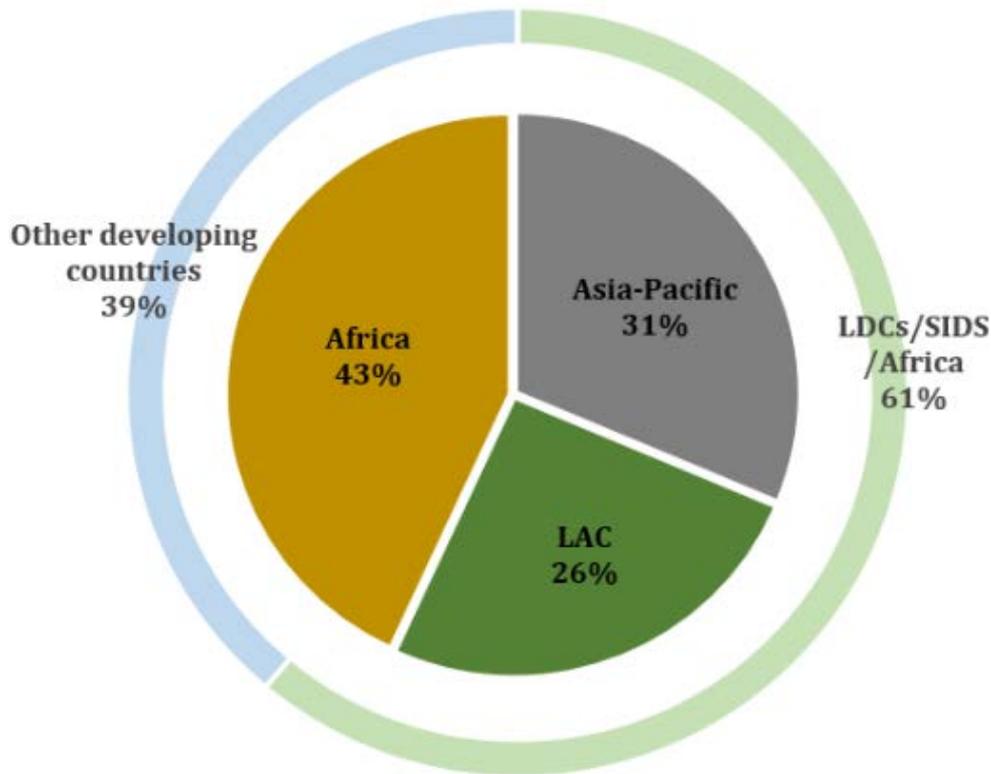




GREEN  
CLIMATE  
FUND

# Shortlisted CNs in the First Pilot

(As of May 2017)



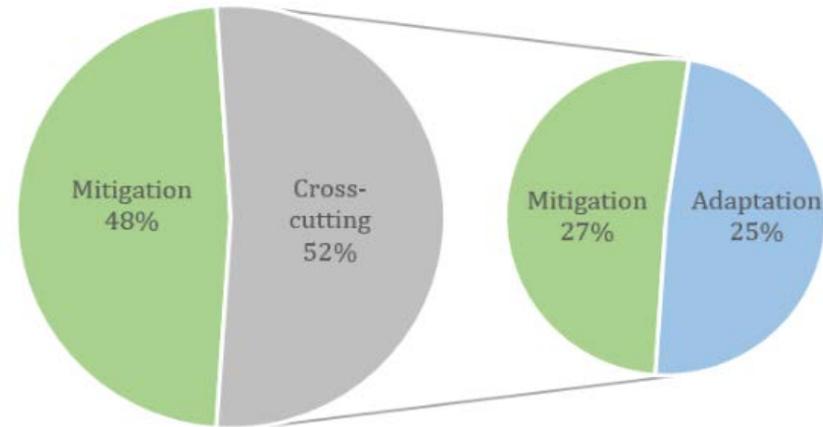
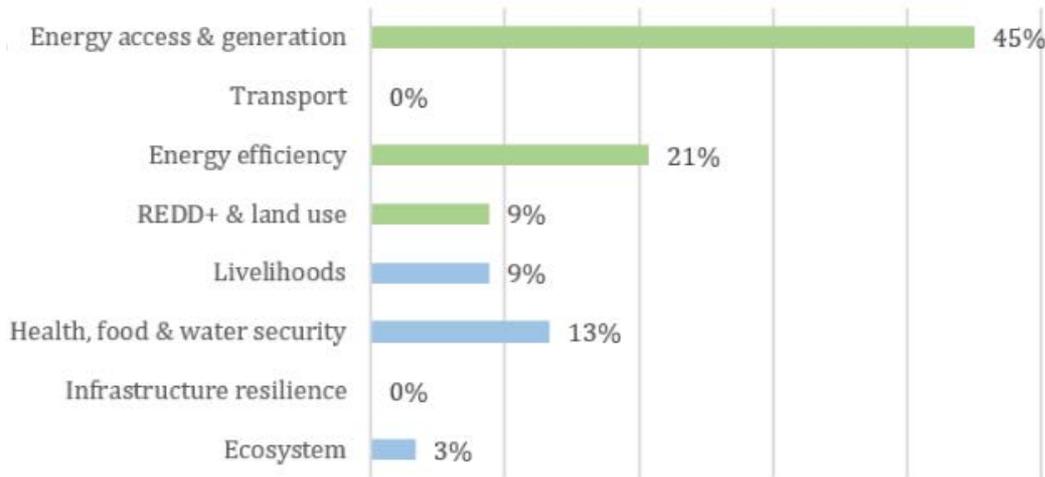
\* The final portfolio at closing of the first pilot is subject to change depending on the project development and the Board's approval



GREEN  
CLIMATE  
FUND

# Shortlisted CNs in the First Pilot

(As of May 2017)



\* The final portfolio at closing of the first plot is subject to change depending on the project development and the Board's approval



# Business Loan Programme for GHG Emissions Reduction

Country	GCF financing	Accredited entity	Financial instrument
Mongolia	USD 20 million	XacBank	Loan and Grant

- First MSME RFP pilot programme
- USD 19.5 M in Loan  
USD 0.5 M in grant (disbursed)
- Loans to Mongolian enterprises investing in energy efficiency and renewable energy projects.
- At least half of the financial support will go towards women-led MSMEs
- Emissions reduction of 1.2 M tCO<sub>2</sub>e





GREEN  
CLIMATE  
FUND

# SCF Capital Solutions

Country	GCF financing	Accredited entity	Financial instrument
South Africa	USD 12.222 million	DBSA	Equity

- First MSME RFP pilot programme
- USD 12.222M in Equity
- Supply chain financing to provide capital to green economy-focused MSMEs
- Support new and innovative climate start-ups with access to funding where banks are currently unable to act
- Emissions reduction of 33 M tCO<sub>2</sub>e





GREEN  
CLIMATE  
FUND

# Lessons Learned

## Key benefits

- Avenue to receive proposals that benefit local MSMEs
- Outreach to local investors and MSMEs
- Diversified proposals
- Early engagement of the Secretariat

## Key challenges

- Most concept notes at early stage of development
- Lag time in finding sponsorship of an accredited entity
- Risk averse capital in the market



GREEN  
CLIMATE  
FUND

# Next Phase

- The first pilot programme expected to close at B18
- The second pilot programme to be launched for up to USD 100M after the closing of the first pilot Outreach plan through GCF website and advertisement in wider select media platforms
- Broader engagement between NDAs, relevant public entities and private sector



GREEN  
CLIMATE  
FUND

FP 2016/PSF/001  
Page 1

## GREEN CLIMATE FUND PRIVATE SECTOR FACILITY

Micro-, small- and medium-sized enterprise pilot programme  
Request for funding proposals from qualified financial institutions

### I. Introduction

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

### II. Scope and focus of the assignment

4. **Scope and focus.** The GCF invites existing and potential accredited entities, or qualified<sup>1</sup> financial institutions that have the capacity to work with an entity accredited by the GCF, to propose approaches that deploy financial solutions for MSMEs in support of mitigation and adaptation activities in developing countries. Proposals should be consistent with the GCF investment criteria (as contained in Annex I), and be in accordance with the GCF mandate to mobilize funding at scale towards developing countries and to contribute to the paradigm shift towards low-emission and climate-resilient development.
5. **Submission.** Proposals should be submitted through the existing channels of the GCF. Submissions should be in the form of a concept note<sup>2</sup> (to be submitted by the closing date, see below) to be sent as an email to [procurement@gcfund.org](mailto:procurement@gcfund.org) with the subject heading:  
Ref No (FP 2016/PSF/001) – MSME Programme.
6. Proposals should be attached to the email with the document title:  
Ref No (FP 2016/PSF/001) – MSME Programme (name of proposer).
7. The submitters of concept notes that score well will be invited to develop a fully-fledged funding proposal.

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

<sup>2</sup>A Concept Note User's Guide is available on the GCF website.

# Thank You



**GREEN  
CLIMATE  
FUND**