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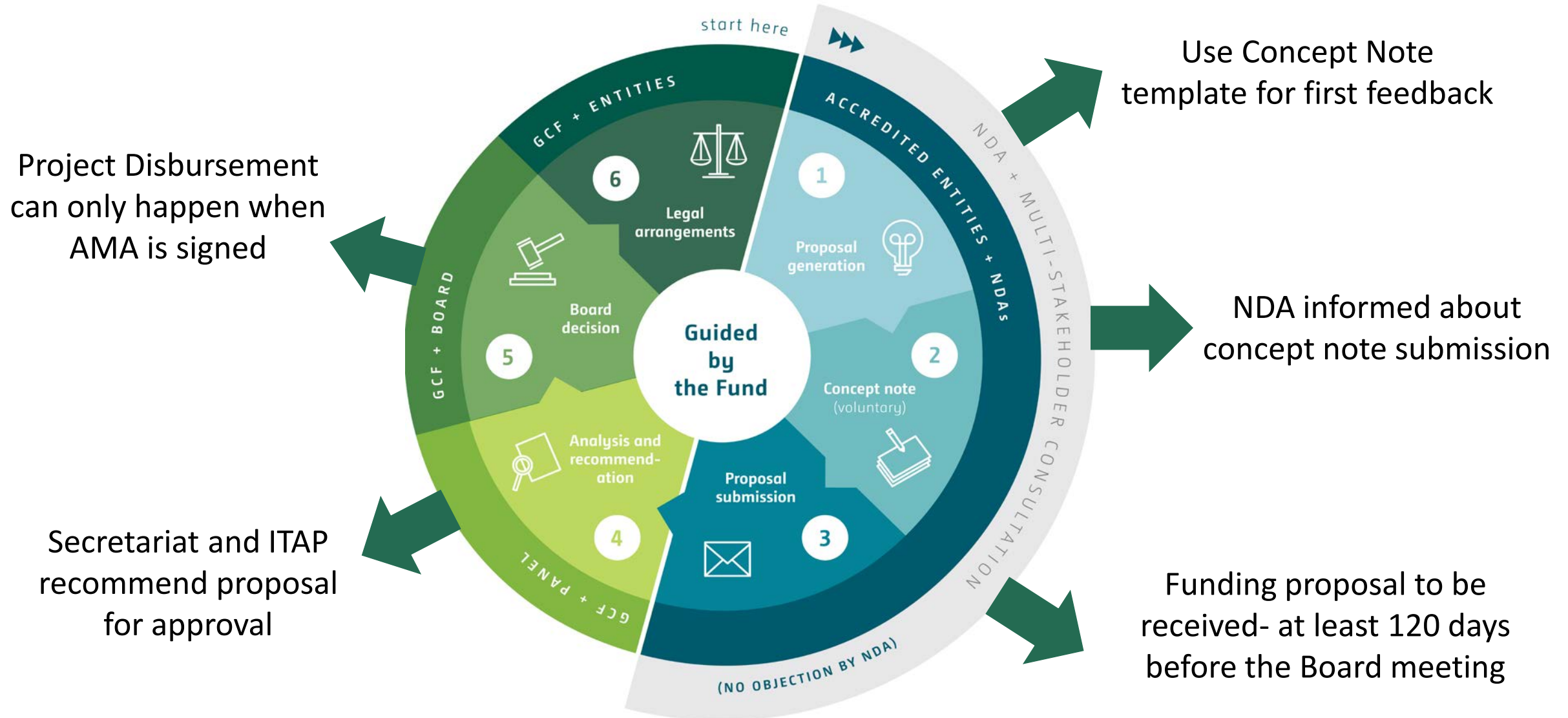
# Technical Session 4: GCF Project Life Cycle

Structured Dialogue with LDCs

Addis Ababa, Ethiopia

19 - 22 November 2018

# GCF PROJECT CYCLE





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# PROJECT APPROVAL PROCESS (PAP)

NDA

## Stage 1 Completeness check

*Complete information and documentation  
Adequate level of advancement*

## Stage 2 Second level due diligence

*Performance against investment criteria  
Consistency with GCF safeguards & policies*

## Stage 3 Independent TAP assessment

*Performance against investment criteria*

## Stage 4 Submission of package to Board

Accredited Entity

# SECOND LEVEL DUE DILIGENCE

## Secretariat Review

### Performance against investment criteria

Impact potential

Paradigm shift potential

Sustainable development potential

Needs of the recipient

Country ownership

Efficiency and effectiveness

### Consistency with GCF policies

Environmental and social safeguards

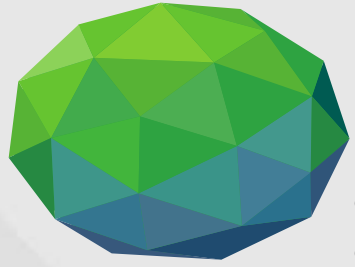
Gender policy

Risk

Fiduciary standards

Results management and reporting

Legal

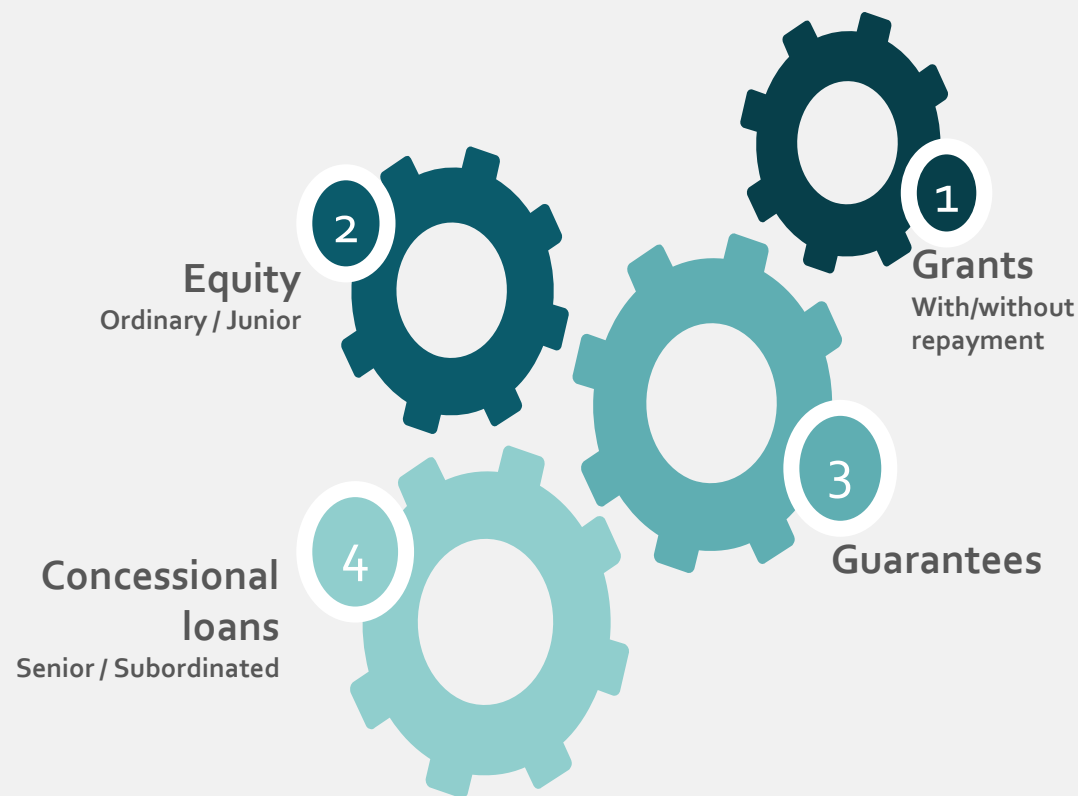


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**Q&A**

# GCF financial instruments

- GCF can invest through a range of financial instruments, including equity, debt, guarantees and grants
- These can be combined into a variety of financing structures, e.g.:
  - Project-based (SPVs)
  - Direct equity/debt funds
  - Fund-of-funds
  - Structured finance vehicles
  - On-lending





# Instruments for Unlocking Climate Investments

## 1. Policy Incentives:

- Feed-in tariffs
- Tax incentives
- Clean energy subsidies

## 2. Risk Management:

- Guarantees
- Insurance policies
- Contract-based instruments

## 3. Grants:

- Cash transfers
- In-kind support

## 4. Low-cost project debt:

- Concessional loans

## 5. Capital Instruments at commercial terms:

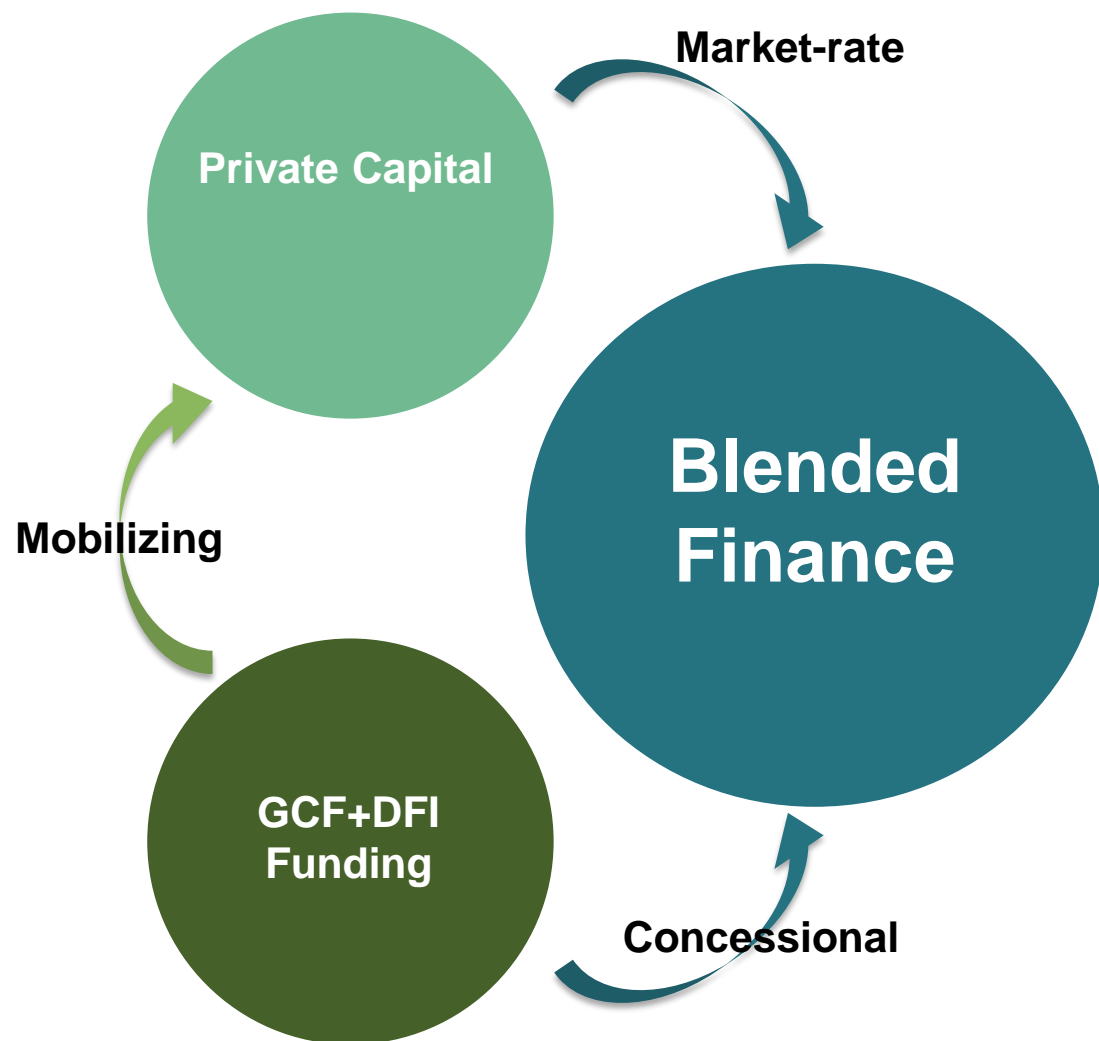
- Project-level market rate debt
- Project-level equity
- Balance sheet financing

Address investor-specific needs

Align public and private interests

Enable scaled-up investments

# De-risking & Concessionality



## De-risking Investments

- › Reducing risks in a transactions
- › Anchoring role for co-investors
- › Fostering behavioral changes
- › Making climate solutions affordable.

## Instruments of Concessionality

- › Pricing concessionality
- › Subordinated position
- › Flexible term & tenor
- › Flexible guarantees
- › Equity
- › Fit for purpose grants



# What do we look for?

## Additionality of GCF Funding

- Why GCF?
- Projects must crowd-in additional financing on top of GCF

## Strong Climate Rationale

- Climate Impact of investment is key
- Scientific evidence to be provided

## Country Driven Approach

- Alignment with NDCs
- Early country (NDA) engagement
- No-objection letter

## Six Investment Criteria

1. Impact Potential
2. Paradigm Shift Potential
3. Sustainable development potential
4. Recipient needs
5. Country ownership
6. Efficiency & effectiveness

## 8 Results Areas



Energy



Transport



Buildings, Cities,  
Industries



Ecosystems



Livelihoods of  
people & comm.



Health, food  
and water  
security



Forests and  
land use



Infrastructure

## Compliance with GCF Policies

- Fiduciary standards
- Risk Management
- ESS
- M&E Criteria
- Gender Policy
- Legal Standards

## Completeness of documentation

- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies
- No-objection letter



# Role of Governments In Unlocking Climate Investments

## 1. Achieve NDC Goals

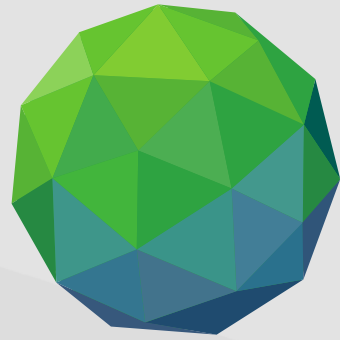
- › Increase the transparency of spending against climate objectives.
- › Put in place clear and consistent policies
- › Ensure that climate considerations are integrated into other sector policies (e.g. energy and agriculture)

## 2. Strengthen the PS Investment Climate

- › Creating a robust enabling environment for private investment
- › E.g. Readiness programmes that are dedicated to engaging private sector

## 3. Strategically use limited budget

- › When possible, public sector should engage the private sector in projects to unlock additional capital
- › e.g., by reducing risk, project preparation support.



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