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Technical session 9

How to submit a good quality funding proposal to the GCF:

101 guide to the investment criteria

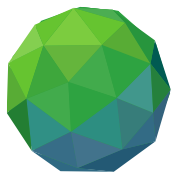
Group 2:

Andreas Lunding, Division of Private sector Facility

Grace Lee, Division of Mitigation & Adaptation

Pacific Structured Dialogue

Pohnpei, Federated State of Micronesia | August 2018



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Our portfolio

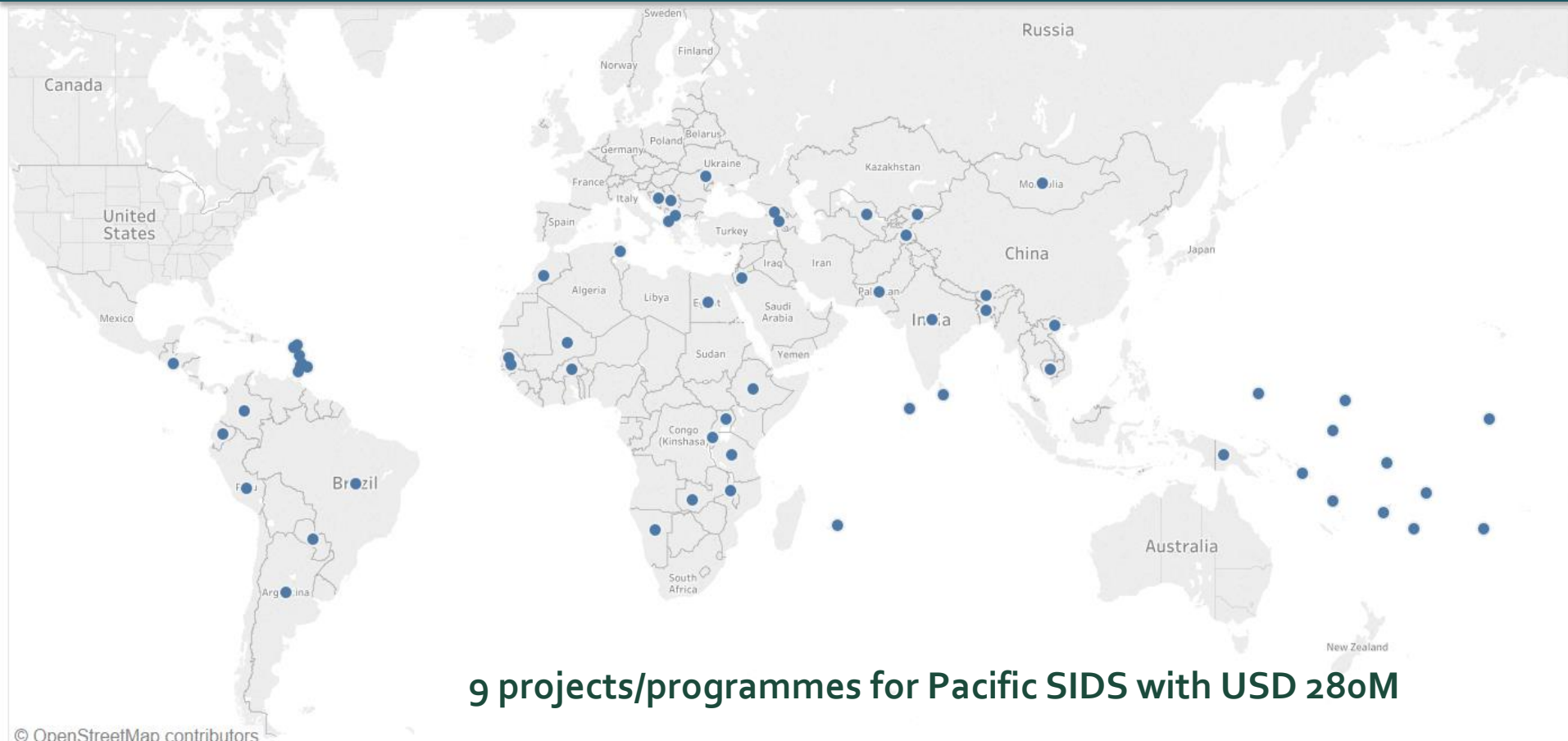
76
projects

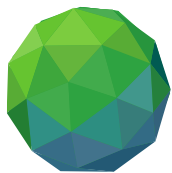
\$3.7B
GCF Funding

\$9.3B
Co-financing

~1.3Bt
tCO₂eq

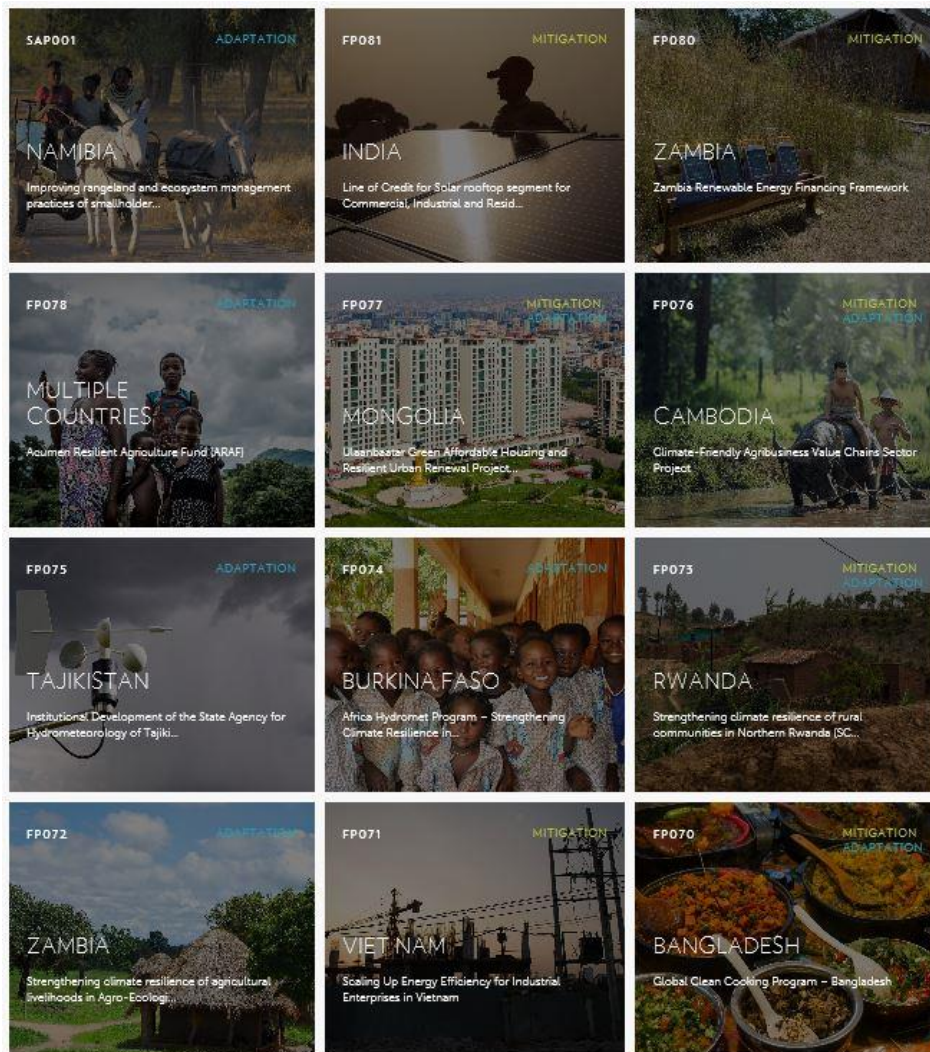
~217M
beneficiaries





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Funding windows



Standard project/programme window

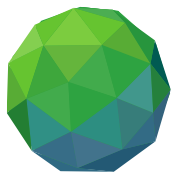
Enhanced Direct Access

Simplified Approval Process

REDD+ Results-based Payments

Mobilizing Funds at Scale

First pilot programme for MSMEs



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Proposal approval process

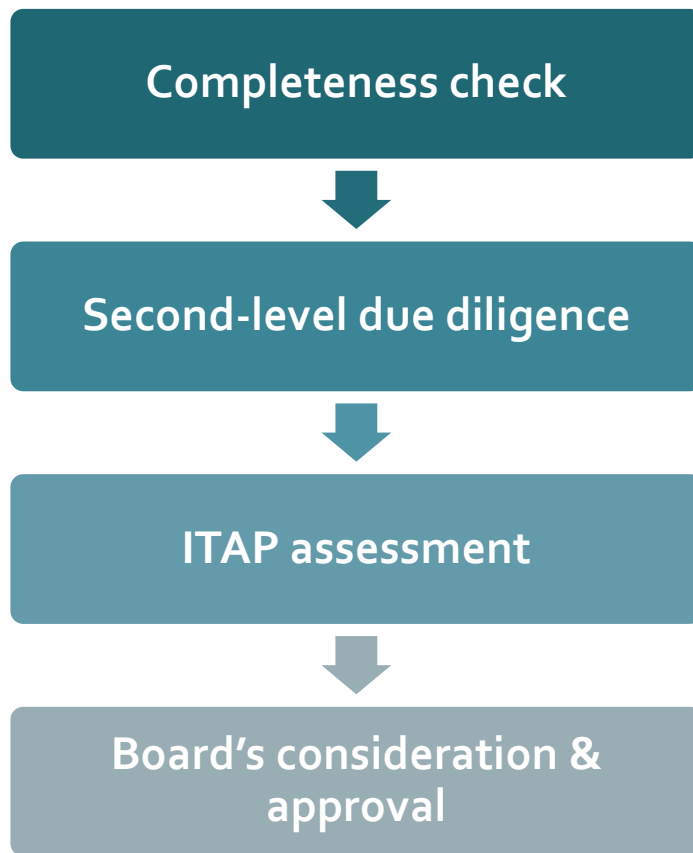
1. CN
Submission



2. FP
development



Review process



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 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



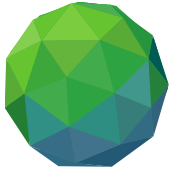
Infrastructure

Compliance with GCF Policies

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

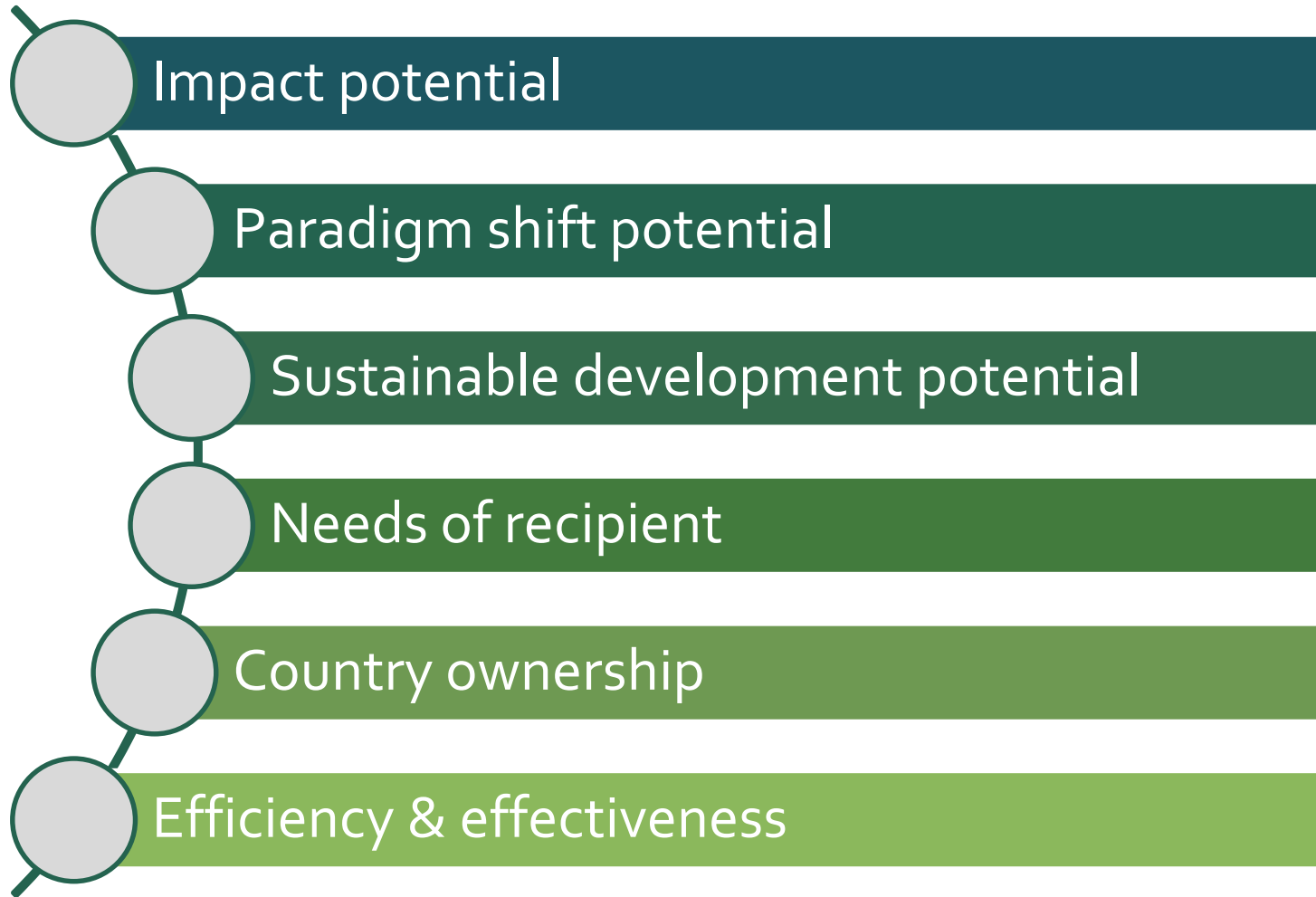
Completeness of documentation

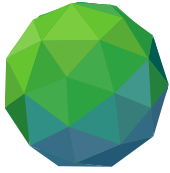
- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies
- No-objection letter



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Investment Criteria: 101 Guide





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1. Impact potential

2 Key factors:



Strong climate rationale with supporting evidence (data)

Mitigation: emissions trajectory

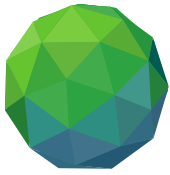
Adaptation: observed/projected climate impacts



Mitigation impacts: tCO₂eq reduced/avoided

Adaptation impacts: number of beneficiaries

Incl. methodologies for estimation of the figures



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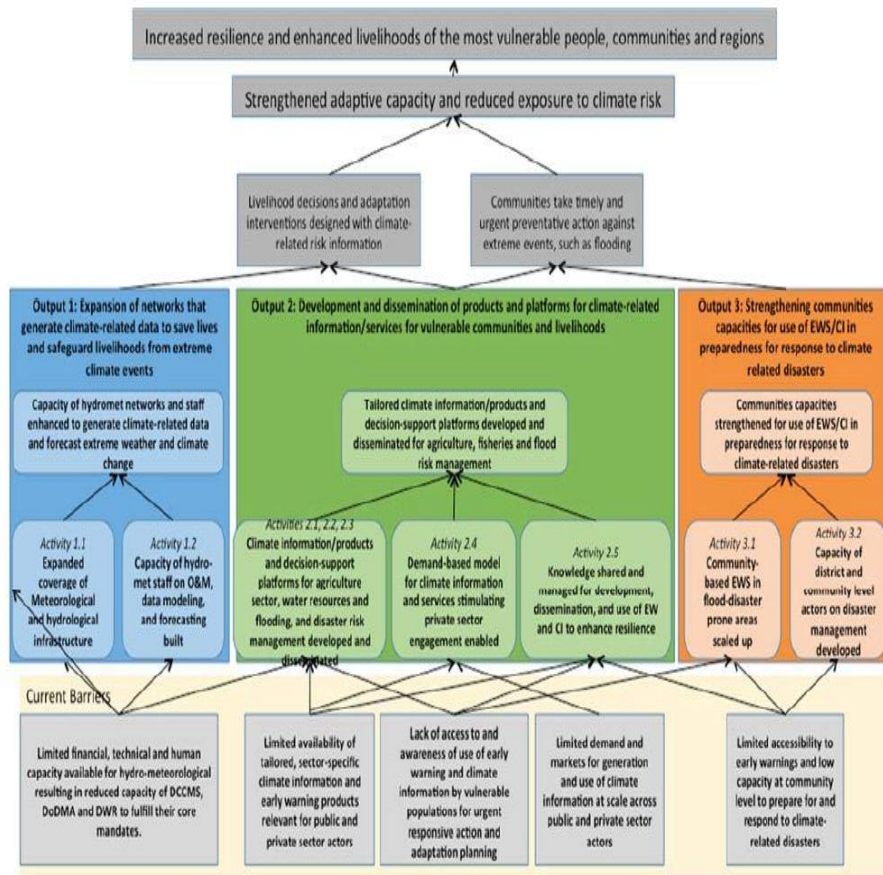
2. Paradigm shift potential

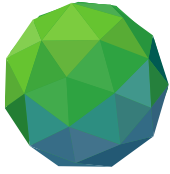
2 Key factors:

Degree of **innovation and transformation** through **theory of change**
(Ensure alignment with logframe)

Sustainability of outcomes

- O&M + financial plan
- Operational (ownership)





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3, 4, 5

Sustainable development potential

- Expected positive environmental, social and economic impacts
- Reduced gender inequalities
- Measured and quantified targets

Needs of the recipients

- Vulnerability of population to climate change
- Socio-economic vulnerability

Country ownership

- **Strategic planning:** Alignment with the national climate change & development strategies
- Track record of Executing Entity & Accredited Entity
- Stakeholder consultations & engagement plan

6. Efficiency & effectiveness

Financial adequacy & appropriateness of concessionality

Cost-effectiveness (EIRR)

Co-financing, leveraged finance

Long-term financial viability (FIRR)

+ Incrementality reasoning
(incremental and full costs)

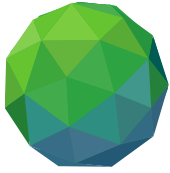




Financial Structuring Considerations

(esp. private sector)

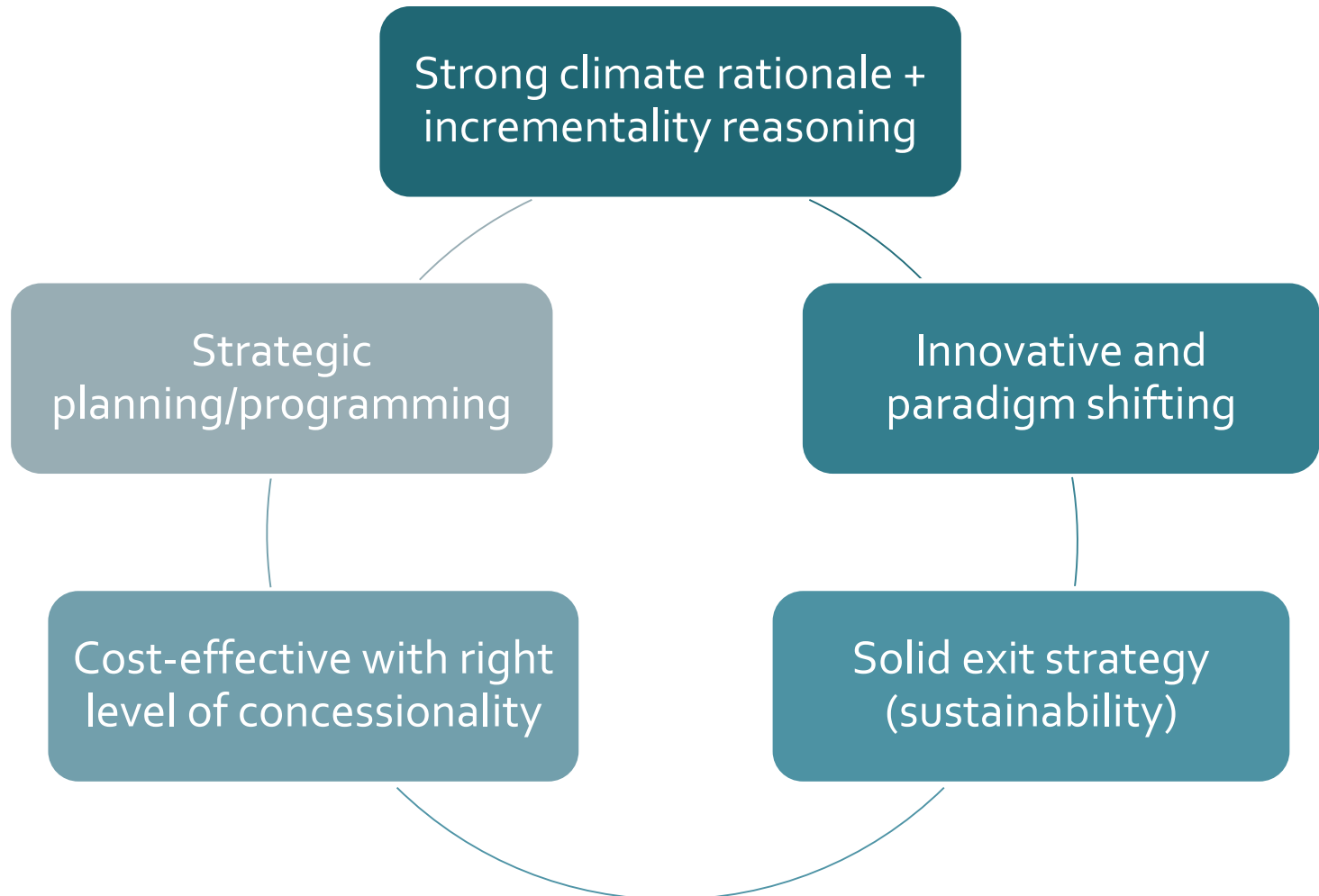
- **Appropriate level of concessionality** - minimize market distortions and potential disincentives for private sector investment
- Investment terms on a case-by-case basis to **address specific barriers**
- **Avoid crowding out** other sources of financing (including private sector)
- **Grant element tailored** to incremental cost/risk premium required to make an investment viable / cover specific activities (e.g. technical assistance)
- Where possible, **GCF should be a co-investor**, not sole investor – co-investment from AE encouraged
- Maximize leverage of other co-financing (especially private sector)
- Promote **long-term financial sustainability** – ensure debt absorption capacity of recipient

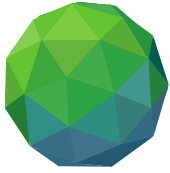


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Summary:

What kind of projects are we looking for?





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Key important documents



Budget details
(up to activity level)



Logic framework
(outcome-output-activity-input)



Feasibility study
(details, alternative options)



Economic & financial analysis
(spreadsheets & assumptions)



ESS and gender assessment



Case study: Renewable energy in Mauritius

Accelerating the Transformational Shift to a Low-Carbon Economy in the Republic of Mauritius

Country	GCF financing	Accredited entity	Financial instrument
Mauritius	USD 28.2 million	UNDP	Grant



Imported **fossil fuels supplying 84 %** of Mauritius' primary energy requirements



Aimed at enabling the Government of Mauritius to meet its target of using renewables **to supply 35 percent of the country's energy needs by 2025**

- Phase 1: Supporting grid-connected, intermittent renewable energy
- Phase 2: Establishing a photovoltaic mini-power grid for Mauritius' principle outer island, Agalega



PSF Case Study: Acumen

Acumen Resilient Agriculture Fund (ARAF)

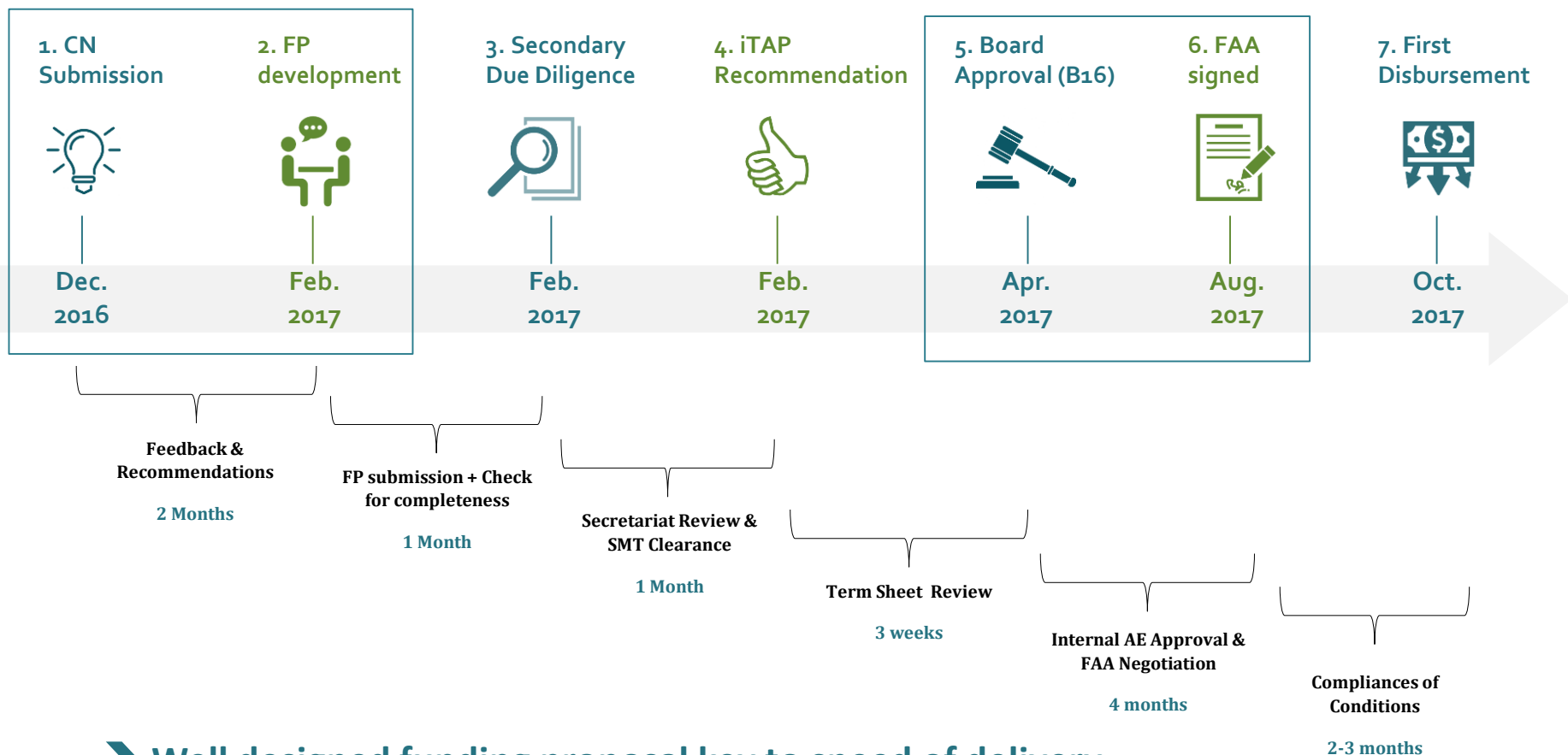
Country	GCF financing	Accredited entity	Financial instrument
Uganda, Ghana, Nigeria	USD 26 million	Acumen Fund, Inc.	Equity and Grant

- First of its kind adaptation focused agriculture fund involving private sector
- An adaptation impact fund to support and scale up inclusive early stage agribusinesses that provide essential climate adaptation solutions to smallholder farmers
- Shift pattern of investment in climate change adaptation activities in Africa from grants to a long-term capital approach
- Enhance climate resilience of 10M people



PSF Case Study: EBRD

Egypt Renewable Energy Financing Framework



➤ Well designed funding proposal key to speed of delivery



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