

**Addendum No. 03**

**Provision of Expert Services for Review of Financial Terms and Conditions of the GCF Financial Instruments**

This Addendum no. 3 is issued to complement and will constitute an integral part of the Request for Proposal RFP 2022/032 – **Provision of Expert Services for Review of Financial Terms and Conditions of the GCF Financial Instruments**. The original Request for Proposal Document will remain in full force and effect. Respondents shall take this Addendum into consideration when preparing and submitting their proposal.

**I. Amendment to Annex 1: ToR**

Annex 1 ToR is being amended with an additional scope of work as provided in updated Annex 1 attached herewith

**II. Amendment to Annex 3: Evaluation Criteria**

**Annex 3: Evaluation Criteria is being amended and replaced with additional requirements as provided in updated annex 3 attached herewith**

**III. Responses to Requests for Clarification**

<b>No.</b>	<b>Clarification requested</b>	<b>GCF Response</b>
<b>1</b>	Could you kindly provide more information regarding the expected total resource input allocation (Estimated input of Experts' time-input) for the above-mentioned assignment?	Please refer to the relevant TORs for timeline and propose allocation as per Form TECH-7 and Form TECH-8 within TECH Forms for each assignment. For Professional Staff the input should be indicated individually; for Support Staff it should be indicated by category (e.g.: draftsmen, clerical staff, etc.).
<b>2</b>	Our company currently had some clients that are in the process of developing funding proposals to approach the GCF. Please advise on potential Conflict of Interest issue in relation to this assignment.	<p>As per RFP provision 12.1. – <i>“In their proposal, proposers must (i) confirm that, based on their current best knowledge, there are no real or potential conflicts of interest involved in rendering Services for the GCF, and (ii) set out their policy on dealing with conflicts of interest should these arise.”</i></p> <p>Detailed assessment on Conflict of Interest requirements will be conducted at the evaluation stage. Proposers may be required to furnish certain documentation for the assessment and due diligence.</p> <p>Proposers found to have a conflict of interest will be disqualified, unless the conflict of interest has been mitigated and the mitigation is approved by the GCF. The GCF requires that proposers including all parties</p>

		constituting the proposer, and any subcontractors for any part of the Contract, hold the GCF's interests paramount at all times, strictly avoid conflicts of interest, including conflicts with other assignments or their own corporate interests, and act without any consideration for future work.
<b>3</b>	We would like to request a one-week extension.	Please refer to Addendum No. 2 to RFP 2022 032.
<b>4</b>	Do you have an indicative budget? And estimated number of expert months?	Regarding the indicative budget – please note that the budget of the assignment is not disclosed under this RFP. Bidders are expected to propose their own Financial Proposal based on the ToR requirements.  Estimated number of expert months – please refer to the question no. 1 and answer.
<b>5</b>	<u>On the Enhanced Efficiency of the GCF Financial Instruments Structuring and Deployment component:</u>  a. Could you provide additional details on what is expected to be included in the deliverable referenced to as “build performance fact base” (page 9 of the RFP document).	This relates to putting together a factual database of key inputs
<b>6</b>	b. What is the envisioned scope of the interviews to be conducted (how many stakeholders, would AEs be included, etc.)?	Assessments of similar workstreams included various stakeholders such as AEs, multilateral funds, Secretariat. Other stakeholders can be included as required by the methodological approach defined by the consultant in the proposal. We would welcome suggestions from the proposers on a reasonable number of interviews based on the size and structure of the organization and portfolio, timing of deliverables, and scope of work
<b>7</b>	<u>On the Local Currency Financing component:</u>  a. Considering that demand and needs can vary greatly across markets, what is the expected level of detail of the feasibility study?	We are expecting a pilot project proposal with all details in terms of structuring, proposal for which currencies/countries including underlying selection criteria and needed GCF operational set up. Please include risks and associated mitigants including cost considerations.
<b>8</b>	b. Is the GCF considering the development of a list of pilot countries to develop local currency financing programmes?	The pilot list would be identified during the first phase of this TOR selection process. Please see question 7.
<b>9</b>	<u>On the Review of the Financial Terms and Conditions component:</u>  a. To gain a better idea of the scope of the review, could you clarify about how many projects would be included as per the explanation of “The review will focus on projects and programmes including those under the Simplified Approval Process (SAP) modality approved by the Board since the last review, which was for projects approved up to and during the twenty-third meeting of the Board (B.23), and it will provide a view	The GCF approved 17 SAP projects between B.24 Board and B.33 Board.

	on whether there is any substantial difference in the use of financial instruments from the projects approved up to B.23.”	
<b>10</b>	Is the expectation that the three different workstreams (enhanced efficiency of GCF Financial Instruments Structuring and Deployment, Local Currency Financing, Review of the Financial Terms and Conditions) of the assignment be executed in parallel? Can different team members be assigned to execute these three workstreams?	GCF Financial Instruments Structuring and Deployment, Local Currency Financing will be conducted in parallel and is expected to commence in Q42022. Financial Terms and Conditions workstream is expected to commence in January 2023.
<b>11</b>	<b>Interviewing Accredited Entities (AEs):</b> a. Of the 79 AEs that have completed the accreditation process, how many AEs is the consultant expected to interview?	Based on the scope and deliverables, we anticipate for the proposer to suggest the selection method of the pool of AEs and other stakeholders to be interviewed and the number of interviewees.
<b>12</b>	b. As new AEs may be added over the course of the consultation process, is there an expectation to interview the newly accredited AEs as well?	No, this review would only cover existing AEs
<b>13</b>	<b>Existing data:</b> Have there been previous interviews conducted or survey data collected with AEs that have utilized the GCF? If so, will we have access to those interview responses and survey data?	We will make previous report on the analysis of GCF financial terms and conditions available. We do not have previous survey data available.
<b>14</b>	<b>Operationalization:</b> The RFP mentions the operationalization of a local currency pilot programme.  a. In mentioning operationalization, does the GCF mean: i) that the consultant is simply to provide recommendations as it relates to policy development, organizational structure, and reporting lines, or ii) that the consultant is responsible for writing standard operating procedures? If neither, can more detail please be provided with regard to what operationalization would entail?	The RfP says “Prepare an analysis of the requirements for operationalization and impact assessment of a programme”. This means that the consultant will provide detailed recommendation at the policy, organisational, and financial structuring perspectives. This will also include analysis of risks and recommendations on mitigants including costs. Please also see response to question 7.
<b>15</b>	<b>Timeline:</b> We note the expectation of the Investment Committee to make a recommendation to the Board no later than B.36 for Sections I (Enhanced Efficiency of GCF Financial Instruments Structuring and Deployment) and II (Local Currency Financing), and no later than B.37 for Section III (Review of the Financial Terms and Conditions). We understand that this would take significant work in advance of these meetings, along with ongoing coordination with the Secretariat,	The assignment will be started as soon as possible. The ability of the bidder to deliver the outputs within the timeline described in the RfP is one of the criteria for the selection of the bidder. Please make sure to provide a timeline with your estimation of the project execution steps.  To the second question, given the timeline, it seems reasonable to expect that two first components of the

	<p>AEs, and other entities. The prescribed timeline may be ambitious given the necessity for many interviews with AEs, among other stakeholders, which may be a challenge to coordinate in a short timeframe. As there is a significant period of time between now and the dates for B.36 and B.37, we are wondering if the GCF has built in any buffer for extending the prescribed timeline for each Section to allow for unforeseen delays as it relates to coordinating and executing interviews. Also, is there an anticipated start date for Section I that could be shared? Additionally, are the Sections of the assignment intended to be executed concurrently, or sequentially?</p>	<p>assignment should be executed concurrently. The third component is targeting the following Board.</p>
<b>16</b>	<p>Could you please confirm or clarify the timing of the different workstreams? From reading the RfP, our understanding is that the “Enhanced Efficiency of GCF Financial Instruments Structuring and Deployment” is meant to start right after the signing date, and it would be the same thing for the “Enhanced Efficiency of GCF Financial Instruments Structuring and Deployment”. However, the third work stream would start in April or May 2023. Does this mean that the first two assignments are conducted parallelly while the third one takes place later on?</p>	<p>The first two assignment would be done in parallel and the third will take place with a slight delay given that the outcome is targeting the following Board meeting.</p>
<b>17</b>	<p>Could you please clarify if there is a limit to the number of staff to present? More specifically, besides one team leader, is there a specific team structure to follow / a limit in the number of staff in the composition of the project team? We note that some of the required tasks to be completed will require the mobilization of several expertise fields within our organization to be properly executed</p>	<p>There is no limit to the number of staff members nor to the way the project team is organized.</p>
<b>18</b>	<p>Is there any payment schedules or scheme already defined regarding the different assignments under this RfP?</p>	<p>Payment will be made based on the deliverable schedule under each assignment. Considering the required inputs, it is expected that a significant percentage of payments under each assignment will be dedicated to Interim and Final deliverables.</p>
<b>19</b>	<p>Is there an anticipated budget that the GCF would like us to consider when preparing the financial proposal? In addition, is there a preference for how this budget is distributed across the three project components?</p>	<p>Please refer to question number 04.</p>
<b>20</b>	<p>We noted the “written inputs” specified as deliverables for each of the three sections outlined in the Terms of Reference. We would kindly request clarification on any guidelines for the format and length of these written deliverables.</p>	<p>We expect a report format combined with a power point presentation of the findings of each step for internal updates to the GCF.</p>

<b>21</b>	We understand that each deliverable will be presented to the Secretariat to gather their input and feedback, who will then in turn report to the Investment Committee. Could you clarify who will be responsible for this work within the Secretariat and who will need to be consulted as part of the process?	This assignment will be piloted by the GCF's Division of Support Services in collaboration with the Office of Executive Director. It will be executed under the leadership of the CFO/COO and Deputy CFO with the support of the relevant members of the Secretariat.
<b>22</b>	We understand that each deliverable will be presented to the Secretariat to gather their input and feedback, who will then in turn report to the Investment Committee. Could you clarify who will be responsible for this work within the Secretariat and who will need to be consulted as part of the process?	Please see the answer above.
<b>23</b>	<p>Section I: Enhanced Efficiency of GCF Financial Instruments Structuring and Deployment</p> <p>The ToR requests the consultant to “develop a specific analysis mapping the GCF financial instruments with the capacity of the GCF Accredited Entities”. Could you please confirm that under ‘capacity’ we should consider the Accredited Entities’ scope of accreditation (e.g., a maximum financing size category; environmental and social safeguards risk category; geographic scope (national/regional), financing modality, etc.) and/or their track record with particular financial instruments? Are there any specific dimensions you would like to emphasize in the capacity mapping?</p>	Thank you very much for this question. Absolutely, we do mean the AE’s scope of accreditation and track record. Further, some AE’s track record goes beyond their accreditation scope. It would be interesting in the context of this component of the ToR to think of suggestions in terms of scope increase or adjustment to the fiduciary duty requirement to AEs that could stem from financial structuring constraints.
<b>24</b>	As the main objective of this section is to review the efficiency of financial instruments deployed by the GCF, can you please advise on how we should understand efficiency?	In the context of this assignment, the efficiency of a GCF financial instrument is understood as the optimal structure and pricing that allows to address market failures and project risks, while avoiding market distortions and crowding-in other investors.
<b>25</b>	We understand that the Secretariat has carried out ex-post assessment on the suitability of financial instruments used for current / past projects. If so, can these be used as input by the consultant during the project?	Some analysis was done in the context of the review of GCF financial terms and conditions. It is available publicly and can be used as an input as the consultant sees fit.
<b>26</b>	<p>Section II: Local Currency Financing</p> <p>We noted in the ToRs that for the local currency review the total time given was 12 weeks. However, the deliverable table on page 13 of the ToR implies it is only 11 weeks (2 + 5 + 4). Could you please confirm whether we should consider</p>	We would prefer to have one week as a buffer in case of unexpected delays. However, 12 weeks is the total duration of the assignment. Section II could benefit from the additional week.

	12 or 11 weeks as your preferred timeline? We assume the missing week should be allocated to the second phase of the Section II component, which would then be 6 weeks instead of 5?	
<b>27</b>	The RFP states that it is expected to “Carry out feasibility study and identify the demand for local currency financing along with the needs of the recipients, and the accredited entities, including type of currencies, instruments, sectors and volume.” Could you clarify the level of detail expected on the feasibility study – i.e. from the demand side (e.g. specific countries or currencies that would be suitable), the supply side (e.g. specific policies that could hamper GCF’s ability to raise and deploy funds in particular currencies), and the implications (e.g. development of an execution roadmap)?	Your understanding is clear and is in the spirit of the RfP. It is important here to focus on solutions, not only the barriers to the GCF’s ability to deploy certain currencies. We also welcome actional suggestions that could be implemented by the GCF in response to these barriers, considering the institutions’ ability, mandate, and scope of operations.
<b>28</b>	Section III: Review of the Financial Terms and Conditions  We understand that the review covers all projects since the last review, including those under the SAP. We suggest carrying out the analysis by selecting a representative sample of projects/programmes. Can you please advise whether this approach is suitable, or whether you would like the consultant to prioritize parts of the GCF portfolio for this review?	Please suggest within your proposal the rationale for your choice of sample and sub-portions of the portfolio. The approach to the assignment should be suggested by the consultant.  Data on GCF portfolio can be found here: <a href="https://unfccc.int/gcf-data">ClimateFinance   GCF Data (unfccc.int)</a>
<b>29</b>	For the task in the first section of the TOR (enhanced efficiency of GCF financial instruments), as another assignment is reviewing the equity instrument, is the sole focus of this assignment on guarantees?	No. The assignment on equity is more specific and covers aspects that are not under this RfP. This RfP covers both equity and guarantees. We will ensure consistency of the findings with the winning bidder.
<b>30</b>	Will the same individual be responsible for all sections under the TOR, or will there be multiple units/points of contact for this assignment?	From the GCF side, there will be one focal point with colleagues involved as required.
<b>31</b>	Is any travel expected as part of this assignment?	No travel is expected as part of the assignment
<b>32</b>	The introduction to section 2 on local currency financing states that the feasibility study should assess the demand for local currency financing. Does GCF envision a survey or interviews with clients to assess demand, and if so, will GCF facilitate communications with clients?	The consultant must suggest the most appropriate method to conduct the assignment. If the consultant sees the need for interviews, they should suggest it in the assignment methodology. The GCF’s ability to facilitate will depend on the target entity.
<b>33</b>	Section 2, deliverables, states that the deliverable is a local currency financing pilot programme. please confirm that the main output from this section of the TOR will be a feasibility study report, providing recommendations on the design of a pilot programme, and the consultant is not responsible for carrying out a pilot programme	For this assignment, the consultant is not responsible for carrying out the pilot.

34	Section 3 of the TOR includes an assessment of compliance with financial terms and conditions. Does GCF envision a sampling of all projects, a review of all GCF projects approved during a certain date range, or a complete review of all projects approved since GCF's inception?	Please suggest within your proposal the rationale for your choice of sample and sub-portions of the portfolio. The approach to the assignment should be suggested by the consultant. Data on GCF portfolio can be found here: <a href="#">ClimateFinance   GCF Data (unfccc.int)</a>
35	Section 3 - could GCF provide additional guidance on what is expected as part of the examination of the service fee and commitment fee?	The consultant needs to review the GCF's service fee and commitment fee policies with the objective of assessing if these are aligned with best practices and provide the right incentives.
36	<b>Timeline of the work:</b> we see that there are three workstreams in the RFP (1. Enhanced Efficiency of GCF Financial Instruments Structuring and Deployment; 2. Local Currency Financing; 3. Review of the Financial Terms and Conditions). Are the three workstreams expected to occur at the same time, or sequentially one after the other? This will have important impacts on the size and level of teaming for this project – i.e., smaller team for a longer duration or a larger team for a shorter duration.	The first two assignments would be done in parallel and the third will take place with a slight delay given that the outcome is targeting the following Board meeting.
37	<b>Conflicts of interest:</b> we currently have some clients that are in the process of developing funding proposals to approach the GCF, and thus we wanted to understand if this would constitute a potential conflict of interest if we also took part in conducting this review of GCF's financial terms and conditions.	Please refer to question no. 2



## Annex 1: ToR

# Annex 1 Terms of Reference

The Green Climate Fund (the “GCF”) was established in December 2010 with the purpose of making a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.

The Board by decision B.09/04 (annexes IV and V) adopted the financial terms and conditions of the GCF financial instruments and resolved that these financial terms and conditions be reviewed on an annual basis.

In 2017, the Secretariat conducted the first review of the terms and conditions of GCF’s financial instruments under the oversight of the IC. Following the review, the Board via B.BM2019/08, approved the revised TOR for future reviews and requested the Secretariat to conduct a biennial review of the financial terms and conditions of the GCF financial instruments.

Since its establishment, the GCF has approved 200 projects in 127 countries and has committed USD 10.8b billion in climate finance.

The GCF deploys climate finance through an array of flexible and concessional financial instruments ranging from grants, equity, concessional loans, result-based payments and guarantees. Grants and concessional loans represent 42 percent of the GCF funding respectively, while equity, guarantees, and result-based payments each respectively represent less than 10 percent of the total funding.

This ToR is broken down into the following three sections:

- I. Enhanced Efficiency of GCF Financial Instruments Structuring and Deployment
- II. Local Currency Financing
- III. Review of the Financial Terms and Conditions

Selected firm will undertake all the above work according to the timeline indicated in the detailed information below.

## I. Enhanced Efficiency of GCF Financial Instruments Structuring and Deployment

### I.I Introduction

The last review of GCF’s financial instruments (as per decision B.BM-2019/08) noted the under-utilisation of the GCF equity and guarantees instruments<sup>1</sup>, as well as a lack of local currency financing solutions, and provided a set of recommendations to the Secretariat with regards to a better structuring and more efficient use of the GCF instruments.

Following decision B.33/14, the Board has requested the Secretariat to present an approach in which GCF can more efficiently deploy its current financial instruments, with a view for the Investment Committee to review and make a recommendation to the Board for consideration no later than B.36.

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<sup>1</sup> [gcf-b33-11.pdf \(greenclimate.fund\)](#)



The review will make recommendations on how the current financial instruments can be used more efficiently in GCF financing with a focus on enabling the Fund to achieve its Updated Strategic Plan (USP) targets of increasing climate finance to adaptation, the private sector, and underserved regions and countries.

As the equity instrument and local currency solutions are covered by other dedicated assignments, the review will focus on enhancing the efficiency of structuring and deployment of the remaining GCF instruments.

This document presents the proposed approach to undertaking such

review. The objective of the review is to:

- a) Review the GCF's financial instruments current use with a focus on differences between mitigation and adaptation projects, private and public portfolio, as well as sectoral and regional trends.
- b) Identify best practices in terms of the use of each one of the GCF instruments based on the GCF portfolio as well as climate finance transactions by peer organisations.
- c) Perform a comparison of the use of the GCF instruments between mitigation and adaptation projects and sectors; and recommend good practices that maximise the efficiency of the use of each instrument.
- d) Perform a detailed analysis of the current use and structuring of the GCF guarantees, and recommend structuring principles based on sector best practices.
- e) There may be opportunities to expand the contract at a later stage to provide analysis to a wider range of instruments as needed to support the GCF mandate.

## I.II Scope of the review

The Secretariat under the oversight of the IC and with the support of an external consultant, will conduct a study reviewing the GCF's financial instruments to develop an approach aiming at ensuring the efficient deployment of mitigation and adaptation finance in consistency with the GCF mandate. The review will focus on the optimal structuring of the instruments, as well as principles for the prioritisation of instruments and structures across the GCF outcome area and investment windows.

The review will examine the GCF portfolio with the objective of identifying best practice and optimal structures leveraging the Fund's experience financing USD 10.8bn in projects across sectors and regions. It will also review portfolios of peer organisations and best practice.

The review will examine the suitability of instruments, efficient structuring and prioritisation practices across each investment window of the GCF; public sector and private sector facility, but also looking specifically at the Simplified Approval Process (SAP) and Enhanced Direct Access (EDA) modalities.

The review should take into account considerations such as: (i) cashflow generation ability of mitigation and adaptation and the specificities of business models in each sector, (ii) structures that maximise private sector mobilisation and leveraging, (iii) debt sustainability and fiscal space



in public sector transactions, (iv) optimal risk allocation in public-private partnership transactions, (v) the degree of development of local financial markets, (vi) and the capacity of GCF Accredited Entities (AE) focusing on Direct Access Entities (DAEs).

Based on the outcomes of the assessment, the review will aim at developing specific models for the deployment and structuring of instruments, as well as a prioritisation of these structures and models across sectors and geographies with a focus on enhancing adaptation finance and unlocking finance for countries.

### I.III Approach and Methodology

Specifically, in consistency with the GCF mandate, the review will:

- (1) Examine the current practices and trends in the GCF structuring of financial instruments in public sector transactions, private sector transaction, SAP, and EDA.
- (2) Examine the current practices and trends in the GCF structuring of financial instruments in for each one of the sectors outlines in the GCF sector guides.
- (3) Identify efficiency improvement in the structuring and deployment of instruments based on a comparison of the trends in GCF portfolio with best practices in other peer-institutions and in relation to the specifics of the GCF mandate. The efficiency improvements should be outlines by investment window (public, private sector facility, SAP, EDA) and by impact area with a focus on adaptation.
- (4) Develop a specific analysis on the use of variable interest rates in GCF operations. Study the operational and financial implications of the transition from Libor to new benchmarks on GCF pricing for loans.
- (5) Develop a specific analysis on the best instruments and structures to finance adaptation projects. The analysis should outline models by sector and geography considering the development of local financial markets and fiscal situation in countries.
- (6) Develop a specific analysis on the best practice in guarantees structuring. This analysis should outline models based on sector and the capacity of the GCF Accredited Entities.
- (7) Develop a specific analysis mapping the GCF financial instruments with the capacity of the GCF Accredited Entities. The analysis should take into account existing AEs, and formulate recommendations on the best AEs to deliver each type of instrument. The analysis should focus on the role of Direct Access Entities (DAE), the capacity gap of DAEs in using each instrument, and recommendations specific to DAEs.
- (8) Assess the impact of identified structures, including insurance, on GCF USP targets through the metric of Grant Equivalent. The structure of the financial instruments deployed by the GCF (fees, cashflow structure, etc.) dictates the Grant Equivalent for each transaction in the GCF portfolio and therefore the ability of the Fund to achieve the targets outlines in the USP.
- (9) Possible expansion of the contract at a later stage to include analysis to a wider range of financial instruments as needed to support GCF mandate.

### I.IV The Deliverables



The main deliverable is to develop a review of the GCF financial instruments with recommendations that enhance the deployment of mitigation and adaptation finance that meets the needs of recipients, optimally leverage the capacity of the GCF AEs, and catalyse private sector finance. The review and recommendation should be consistent with the GCF mandate. The review will incorporate the following:

- (1) A review of the current trends and practices in GCF financial instruments structuring based on the GCF portfolio. The review should distinguish each GCF investment window public sector transactions, private sector transaction, SAP, and EDA
- (2) A review of the current trends and practices in GCF financial instruments structuring by sector. The review should link the trends to sector-level business models, country risk, and other relevant investment risks such as currency.
- (3) A review of the best practices in other institutions in terms of structuring of similar financial instruments and deployment and formulation of recommendations linking these best practices with trends observed in the GCF portfolio.
- (4) A Review of best practice and a set of recommendations on the use of variable interest rates in lending operations with a focus on the operational implications of the transition away from Libor towards new benchmarks.
- (5) Suitable to GCF set of recommendations on the optimal alternative reference rate to Libor taking into account global best practice and GCF context and its operational set up.
- (6) A review of best practice and a set of recommendations on financial instruments for adaptation finance, linking adaptation business models with financial risks and efficient use of GCF concessionality.
- (7) A review of best practice and a set of recommendations on guarantees structuring considering the type of recipient, the capacity of the GCF AEs, and sector-level risks and business models.
- (8) Expand the contract at a later stage to include analysis of a wider range of financial instruments as needed and make set of recommendations to support GCF mandate.
- (9) A review of best practice and a set of recommendations linking financial instruments to AEs capacity with a focus on DAEs.
- (10) A review of the Grant Equivalent implication of each proposed model and structure and an analysis of impact on the GCF portfolio-level targets under the USP.
- (11) Identify/recommend any further action required by the Board.
- (12) Prepare a report and presentation to the IC and a report to the Board that incorporates input/feedback from the Investment Committee.

## I.V Reporting arrangements

The external consultants supporting the review will report to the Secretariat, who will in turn report to the Investment Committee.

## I.VI Timeline

The time for the review is 12 weeks. Please see the project timeline below.

#	Deliverables	Estimated Submission Date <sup>2</sup>	Type
1	<ul style="list-style-type: none"> <li>• Project start/kick-off meeting</li> <li>• Preliminary discussions with GCF (discovery and guidelines stage)</li> <li>• Build performance fact base</li> <li>• Interview stakeholders</li> <li>• Develop and validate results</li> <li>• Submission of draft results</li> <li>• Preliminary answers to GCF questions</li> </ul>	8 weeks	Written inputs and call with GCF Secretariat
2	<ul style="list-style-type: none"> <li>• Include IC/GCF staff feedback and make necessary adjustments / additional information in the final report</li> <li>• Deliver preliminary draft</li> </ul>	2 weeks	Written inputs and call with GCF Secretariat
3	<ul style="list-style-type: none"> <li>• Deliver final report and run a workshop to present to IC and GCF staff</li> </ul>	2 weeks	Written inputs and call with GCF Secretariat

<sup>2</sup> After contract signing date

## ii. Local Currency Financing

### ii.i Introduction

The last review of GCF's financial instruments (as per decision B.BM-2019/08) recommended additional analysis on the opportunity to incorporate local currency financing in the GCF financial toolkit since the GCF does not directly provide local currency financing until now. The review particularly noted that local currency lending can support local capital market development and boost resilience by alleviating vulnerability to foreign currency risks. A more in-depth study is particularly required to understand the implications, regulatory framework, and risks associated with the local currency financing. A deeper analysis of the overall workings of the local currency financing in the context of GCF's operations and mandate is essential to fully understand additional potential requirements to fully operationalise the local currency financing and implications that may arise in order to minimize risks to the GCF.

Following decision B.33/14, the Board has requested the Secretariat to develop a local currency financing pilot programme that addresses current barriers and risks associated with currency fluctuations at the programme/project level, including an analysis of the requirements for operationalization and impact assessment of a programme, with a view for the IC to review and make a recommendation to the Board no later than B.36.

This document presents the proposed approach to undertaking such a

review. The objective of this review is to:

- (a) Carry out feasibility study and identify the demand for local currency financing.
- (b) Develop a local currency financing pilot programme.
- (c) Prepare an analysis of the requirements for operationalization and impact assessment of a programme.
- (d) Assess impact of local currency financing on the GCF business model.

### ii.ii Scope of the review

The Secretariat under the oversight of the IC and with the support of an external consultant, will conduct feasibility study to assess the demand for local currency financing along with the needs of the recipients, and the accredited entities to formulate appropriate strategies to address these gaps.



A deeper analysis and appreciation of the overall workings of local currency financing in the context of GCF's operations and mandate is essential to fully understand additional potential requirements that may be imposed or required by the Board and subsequent implications that may arise in order to minimize risks to the Fund.

Comparative studies must be conducted as well on how to execute local currency financing and implement at the project level in a cost-efficient manner to ensure beneficiaries receive the maximum possible benefits.

The review will also examine the current practices with regards to local currency financial instruments used by other institutions with mandates comparable to those of GCF.

The review should also include an analysis of various structures in which local currency financing can be deployed by GCF, considering GCF's policy frameworks, its operational maturity as well as the needs of countries and AEs. In addition, the review will include a possible hedging mechanism for local currency financing to minimize the effects of currency fluctuations on GCF, including a detailed cost-benefit analysis.

Finally, based on the outcomes of the assessment to develop a local currency financing pilot programme that addresses current barriers and risks associated with currency fluctuations at the programme/project level, including an analysis of the requirements for operationalization and impact assessment of a programme.

### II.III Approach and Methodology

Specifically, the review will:

- a) Carry out feasibility study and identify the demand for local currency financing along with the needs of the recipients, and the accredited entities, including type of currencies, instruments, sectors and volume.
- b) Assess and outline impact of identified options of local currency financing, specifically but limited to, currency, instrument, tenor and sector, in the context of GCF's operations and its mandate.
- c) Examine the current practices used by other institutions with mandates comparable to those of GCF.
- d) Carry out comparative studies how to execute local currency financing and implement at the project level in a cost-efficient manner to ensure beneficiaries receive the maximum possible benefits.
- e) Explore the complementarity of current GCF financial instruments with the proposed local currency financing.
- f) Carry out analysis of the requirements for operationalization, including resources requirements, and impact assessment of local currency financing.
- g) Outline risks associated and mitigating measures for local currency financing.



- h) Determine funding options to raise local currency funds and respective pros and cons.
- i) Identify risks associated with the local currency financing and subsequent implications that may arise to minimize risks to GCF.
- j) Identify financial risk management and policy issues associated with local currency financing such as Asset and Liability Management, loan products pricing and etc.
- k) Identify reporting requirements and assess the impact of local currency financing on GCF financial position.
- l) Develop the approach to monitor local currency financing products results as part of the GCF activities and impact.

## II.IV Deliverables

The main deliverable is to develop a local currency financing pilot programme that addresses current barriers and risks associated with currency fluctuations at the programme/project level. Furthermore, the review will incorporate the following:

- (1) Determine and outline terms and conditions, instruments, currencies and the main design principles for local currency financing in the context of GCF's operations and its mandate.
- (2) Outline clear set of recommendations to execute local currency financing and implement at the project level in a cost-efficient manner given GCF's operations and its mandate.
- (3) Provide analysis and concrete recommendations for operationalization, including resources requirements, and impact assessment of a programme.
- (4) Outline clear set of recommendations to distinguishing between the immediate and longer-term recommendations for local currency financing.
- (5) Determine impact of local currency financing on GCF business model.
- (6) Determine and outline the requirements for impact assessment of a programme.
- (7) Prepare recommendations on possible hedging mechanisms for local currency financing, including options for implementation strategies.
- (8) Identify/recommend any further action required by the Board.
- (9) Prepare report and presentation to the IC and a report to the Board that incorporates input/feedback from the Investment Committee.

## II.V Reporting arrangements

The external consultants supporting the review will report to the Secretariat, who will in turn report to the Investment Committee.

## II.VI Timeframe.

The time for the review is 12 weeks. Please see the project timeline below.

#	Deliverables	Estimated Date <sup>3</sup>	Submission	Type
1	<ul style="list-style-type: none"> <li>• Project start/kick-off meeting</li> <li>• Preliminary discussions with GCF (discovery and guidelines stage)</li> <li>• Deliver a written guidelines report including approach, detailed timelines.</li> <li>• Initial references to peer organizations for local currency financing</li> <li>• Preliminary answers to GCF questions</li> </ul>	2 weeks		Written inputs and call with GCF Secretariat
2	<ul style="list-style-type: none"> <li>• Interim report including key findings</li> <li>• Early draft recommendations on pilot program features</li> <li>• Workshop to present interim report to GCF staff and IC</li> </ul>	5 weeks		Written inputs and call with GCF Secretariat
3	<ul style="list-style-type: none"> <li>• Final draft with recommendations on pilot program features</li> <li>• Include IC/GCF staff feedback and make necessary adjustments / additional information in the final report</li> <li>• Deliver final report and run a workshop to present to IC and GCF staff</li> </ul>	4 weeks		Written inputs and call with GCF Secretariat

### iii. Review of the Financial Terms and Conditions

#### III.I. Introduction

Following decision B.33/11, the Board has requested the Secretariat to review the financial terms and conditions of the Green Climate Fund financial instruments in accordance with the terms of reference set out in annex I to decision B.BM-2019/08, as may be amended pursuant to decision B.BM-2019/08, with a view for the Investment Committee to review and make a recommendation to the Board for consideration no later than the B.37; and in the third year of every four-year policy cycle thereafter prior to commencement of the new replenishment programming period.

The Secretariat has commissioned an independent third party to carry out the

review. The objective of this review is to:

- a) Assess the degree to which there has been compliance with existing policies on financial terms and conditions in GCF operations;

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<sup>3</sup> After contract signing date



- b) Assess whether existing GCF policies related to financial terms and conditions are fit for purpose; and
- c) Propose additions or adjustments on how policies related to financial terms and conditions could be improved.

### III.II Scope of the review

The scope of the review will include an internal component, which considers the current financial terms and conditions as they relate to the projects and programmes approved by the Board, and an external component, which reviews the current practices with respect to the terms and conditions of financial instruments used by other institutions with policy mandates related to those of GCF, covering different national circumstances in developing countries.

The review will focus on projects and programmes including those under the Simplified Approval Process (SAP) modality approved by the Board since the last review, which was for projects approved up to and during the twenty-third meeting of the Board (B.23), and it will provide a view on whether there is any substantial difference in the use of financial instruments from the projects approved up to B.23. Such a review will take into account all the financial terms and conditions (i.e. interest rate, commitment fee, service fee, other fees if applicable, and tenor and grace period of the financial instrument) and, where relevant, recommend appropriate changes for the consideration of the Board. The review will also take into account whether the project/programme is public or private, the theme (mitigation, adaptation or cross-cutting), the total project/programme size category (micro, small, medium or large), and the different national circumstances of the recipients.

### III.III. Methodology

Specifically, the review will:

- a) For all financial instruments, assess whether the existing Board policies related to financial terms and conditions have been correctly applied;
- b) For financial instruments extended to the public sector, review the financial terms and conditions (i.e. grant elements, interest rate, commitment fee, service fee, other fees if applicable, and tenor and grace period of the financial instrument);
- c) For financial instruments extended to the private sector, review the financial terms and conditions (i.e. interest rate, commitment fee, service fee, other fees if applicable, and tenor and grace period of the financial instrument) and identify emerging patterns and other issues that could lead to additional guidance on the parameters to be used for assessing private sector projects/programmes, including sector, geography, capacity of the recipient and other characteristics of the project; and
- d) For all projects/programmes with non-grant co-financing aspects, compare the financial terms and conditions approved by the Board against the financial terms approved by other co-financiers with policy mandates related to those of GCF (where this information is available).

The review will assess the degree to which Board policies provide clear guidance on the financial terms and conditions that should apply to each project as well as analyse how existing Board policies were applied to each funding proposal approved since the last review and make recommendations for improvement.



The review will also take stock of practices with respect to the terms and conditions of financial instruments used by other institutions with policy mandates related to those of GCF. Emphasis will be placed on any changes that may have taken place since the conclusion of the previous review, which was in the second half of the 2019 fiscal year.

Institutions will include the International Development Association, the Clean Technology Fund, the International Finance Corporation, the Global Environment Facility, and large foundations providing both grant and non-grant financial instruments.

Additionally, particularly with respect to financial instruments provided to the private sector, the review will incorporate the practices of other institutions active in the area of climate financing, including at least one international financial institution, one national development bank, one fully private sector organization focused on climate-related investments in emerging markets, and one foundation or non-governmental organization.

### III.IV Working arrangements

#### *a.* Reporting arrangements

The external consultants supporting the review will report to the Secretariat, who will in turn report to the Investment Committee.

#### *b.* Deliverables

The outputs of the review will include a presentation to the Investment Committee and a report to the Board that incorporates input/feedback from the Investment Committee. The review may propose additions or adjustments to the adopted financial terms and conditions of the GCF for the Board's consideration, consistent with GCF policies.

This review is also expected to generate lessons learned, not only related to the financial terms and conditions of the GCF but also for conducting the review itself going forward. As the review is to be conducted in the third year of every four-year policy cycle thereafter prior to commencement of the new replenishment programming period, the review report may also propose adjustments to the scope of future reviews for the Investment Committee's consideration. The Investment Committee may then wish to modify these terms of reference for Board consideration.

The output of the review will also include an examination of the service fee and commitment fee, and its relationship with the Governing Instrument and relevant GCF policies.

#### *c.* Timeline

The time for the review is 8 weeks. Please see the project timeline below.



#	Deliverables	Estimated Submission Date <sup>4</sup>	Type
1	<ul style="list-style-type: none"><li>• Project start/kick-off meeting</li><li>• Preliminary discussions with GCF (discovery and guidelines stage)</li><li>• Build performance fact base</li><li>• Interview stakeholders</li><li>• Develop and validate results</li></ul>	2 weeks	Written inputs and call with GCF Secretariat
2	<ul style="list-style-type: none"><li>• Submission of draft results</li><li>• Preliminary answers to GCF questions</li><li>• Include IC/GCF staff feedback and make necessary adjustments / additional information in the final report</li><li>• Deliver preliminary draft</li></ul>	4 weeks	Written inputs and call with GCF Secretariat
3	<ul style="list-style-type: none"><li>• Deliver final report and run a workshop to present to IC and GCF staff</li></ul>	2 weeks	Written inputs and call with GCF Secretariat

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<sup>4</sup> Start date is envisaged in April or May 2023



## Attachment to Annex 1 Additional notes to the Terms of Reference

The external consultant(s) shall consider the following:

### I. Applicable Documents

The following documents are relevant to the review:

#	Decision /Document	Title of Document	Link
(a)	GCF/B.09/23	Decisions of the Board – Ninth Meeting of the Board, 24 – 26 March 2015  Agenda Item 11: Financial terms and conditions of the Fund’s instruments (page 4)  Annex II: Financial Terms and Conditions of grants and concessional loans (page 23)	<a href="https://www.greenclimate.fund/documents/20182/24949/GCF_B.09_23_-_Decisions_of_the_Board_Ninth_Meeting_of_the_Board_24_-_26_March_2015.pdf/2f71ce99-7aef-4b04-8799-15975a1f66ef">https://www.greenclimate.fund/documents/20182/24949/GCF_B.09_23 - Decisions of the Board Ninth Meeting of the Board 24 - 26 March 2015.pdf/2f71ce99-7aef-4b04-8799-15975a1f66ef</a>
(b)	B15/05	Terms of reference for the annual review of the financial terms and conditions of the Green Climate Fund financial instruments	<a href="https://www.greenclimate.fund/documents/20182/490910/GCF_B.15_09_-_terms_and_conditions_of_the_Green_Climate_Fund_financial_instruments.pdf/a0d87a54-7973-46d9-a1c4-d1cd41fef61e">https://www.greenclimate.fund/documents/20182/490910/GCF_B.15_09 - terms and conditions of the Green Climate Fund financial instruments.pdf/a0d87a54-7973-46d9-a1c4-d1cd41fef61e</a>
(c)	B.BM2019/08	Decision of the Board on the revised terms of reference for the review of the financial terms and conditions of the GCF financial instruments	<a href="https://www.greenclimate.fund/documents/20182/1519078/B.BM-2019_08_-_Decision_of_the_Board_on_the_revised_terms_of_reference_for_the_review_of_the_financial_terms_and_conditions_of_the_GCF_financial_instruments.pdf/afc9ee04-3946-2c95-5289-5dacbe0a2db1">https://www.greenclimate.fund/documents/20182/1519078/B.BM-2019_08 - Decision of the Board on the revised terms of reference for the review of the financ ial terms and conditions of the GCF financial instruments.pdf/afc9ee04-3946-2c95-5289-5dacbe0a2db1</a>

(d)	-	Projects and Programmes approved by the Board	<a href="https://www.greenclimate.fund/what-we-do/projects-programmes">https://www.greenclimate.fund/what-we-do/projects-programmes</a>
(e)	GCF/B.05/07	“Business Model Framework: terms and Criteria for Grants and Concessional Loans” containing “General Principles applied to the financial terms and conditions of the GCF financial instruments	<a href="https://www.greenclimate.fund/documents/20182/24949/GCF_B.09_23_-_Decisions_of_the_Board_Ninth_Meeting_of_the_Board_24_-_26_March_2015.pdf/2f71ce99-7aef-4b04-8799-15975a1f66ef">https://www.greenclimate.fund/documents/20182/24949/GCF_B.09_23_-_Decisions_of_the_Board_Ninth_Meeting_of_the_Board_24_-_26_March_2015.pdf/2f71ce99-7aef-4b04-8799-15975a1f66ef</a>
(f)	GCF/B.07/06	Investment Framework	<a href="https://www.greenclimate.fund/documents/20182/24943/GCF_B.07_06_-_Investment_Framework.pdf">https://www.greenclimate.fund/documents/20182/24943/GCF_B.07_06_-_Investment_Framework.pdf</a>
(g)	GCF/B.10/06	Level of Concessional Terms for the Public Sector	<a href="https://www.greenclimate.fund/documents/20182/24952/GCF_B.10_06_-_Level_of_Concessional_Terms_for_the_Public_Sector.pdf/9578bd4f-1e71-4e9a-877c-96226f5b9b2d">https://www.greenclimate.fund/documents/20182/24952/GCF_B.10_06_-_Level_of_Concessional_Terms_for_the_Public_Sector.pdf/9578bd4f-1e71-4e9a-877c-96226f5b9b2d</a>
(h)	GCF/B.19/12/Rev.01	Concessionality: potential approaches for further guidance	<a href="https://www.greenclimate.fund/documents/20182/953917/GCF_B.19_12_Rev.01_-_Concessionality_potential_approaches_for_further_guidance.pdf/af7dd65b-1e31-4a6b-b4f5-d53b12f450cd">https://www.greenclimate.fund/documents/20182/953917/GCF_B.19_12_Rev.01_-_Concessionality_potential_approaches_for_further_guidance.pdf/af7dd65b-1e31-4a6b-b4f5-d53b12f450cd</a>
(i)	GCF/B.17/12 GCF/B.18/05 GCF/B.19/19 GCF/B.20/09	Risk Management Framework	<a href="https://www.greenclimate.fund/documents/20182/751020/GCF_B.17_12_-_GCF_risk_management_framework.pdf/17c38a79-8315-4b88-b042-3c0492ff16a6">https://www.greenclimate.fund/documents/20182/751020/GCF_B.17_12_-_GCF_risk_management_framework.pdf/17c38a79-8315-4b88-b042-3c0492ff16a6</a> <a href="https://www.greenclimate.fund/documents/20182/820027/GCF_B.18_05_-_GCF_risk_management_framework_proposal_by_the_Risk_Management_Committee.pdf/6c1ba635-dc77-474a-9f44-c66ad2f9a7ff">https://www.greenclimate.fund/documents/20182/820027/GCF_B.18_05_-_GCF_risk_management_framework_proposal_by_the_Risk_Management_Committee.pdf/6c1ba635-dc77-474a-9f44-c66ad2f9a7ff</a> <a href="https://www.greenclimate.fund/documents/20182/953917/GCF_B.19_19_-_Risk_management_framework_Proposal_by_the_Risk_Management_Committee.pdf/a883a60c-ec23-4863-abf6-05c370513de2">https://www.greenclimate.fund/documents/20182/953917/GCF_B.19_19_-_Risk_management_framework_Proposal_by_the_Risk_Management_Committee.pdf/a883a60c-ec23-4863-abf6-05c370513de2</a> <a href="https://www.greenclimate.fund/documents/20182/1087995/GCF_B.20_09_-_Risk_management_framework_compliance_risk_policy_Proposal_by_the_Risk_Management_Committee.pdf/e488159c-672a-abfc-9c4f-22b6cc2c268c">https://www.greenclimate.fund/documents/20182/1087995/GCF_B.20_09_-_Risk_management_framework_compliance_risk_policy_Proposal_by_the_Risk_Management_Committee.pdf/e488159c-672a-abfc-9c4f-22b6cc2c268c</a>

## Annex 3

### Evaluation Criteria

#### A. Evaluation and Comparison of Proposals

1. The proposals will be evaluated in a three-stage procedure, starting with administrative compliance to ensure the proposals includes all necessary required documents and is duly signed by the authorized representative. Evaluation of the technical proposal will follow and will be completed prior to any financial proposal being opened and evaluated. The financial proposal will be considered only if the submissions fulfil the minimum technical requirements.

#### B. Acceptance of Submissions

1. All proposers are expected to adhere to the requirements for submitting a proposal. Any proposals that fail to comply will be disqualified from further consideration as part of this evaluation. In particular:
  - Full compliance with the formal requirements for submitting a proposal
  - Submission of all requested documentation
  - Acceptance of the GCF Model contract – Where the proposer notes issues, these must be raised as part of the technical proposal for consideration during evaluation
2. The Technical Proposal shall include:
  - A brief description, including ownership details, date and place of incorporation of the firm, objectives of the firm, partnerships, qualifications, certificates, etc.;
  - Details to demonstrate vast experience in working with relevant multilateral development funds and familiarity with their operations; and
  - Demonstration of the firm's deep understanding of the GCF, mandate/business model and Investment Framework.

**C. Evaluation of Technical Proposal**

3. A reviewing committee shall be established to evaluate each technical proposal. The technical proposal is evaluated individually on the basis of its responsiveness to the technical requirements and will be assessed and scored according to the evaluation criteria below and as per scores in the table.

	<b>The firm's expertise</b>	<b>Sub-score</b>	<b>Score</b>
<b>1</b>	<b>Expertise of Firm / Organization submitting Proposal</b>		<b>30</b>
1.1	Proven track record of relevant review/assessment experiences for multilateral financial institutions	10	
1.2	Proven experience of at least 5 years in working with international public and private and multilateral organizations.	10	
1.3	Wide range of expertise in developing innovative climate finance instruments using the full spectrum of financial products.	5	
1.4	Organization's commitment to sustainability - demonstrates its commitment to embed sustainability into its own operations (defined by social, environmental, and economic considerations).	5	
<b>2</b>	<b>Technical approach and methodology</b>		<b>30</b>
2.1	Have the important aspects of the task been addressed in sufficient detail?	10	
2.2	Is the scope of task well defined and does it correspond to the TOR?	10	



2.3	Is the presentation clear and is the sequence of activities and the planning logical, realistic and promise efficient implementation of the project? <sup>[1]</sup>	5	
2.4	Demonstrate how you plan to integrate sustainability measures in the execution of the contract to provide goods or services.	5	
<b>3</b>	<b>Personnel</b>		<b>40</b>
3.1	<b>Lead Expert/ Team Leader</b>		
3.1.1	At least 10 years of strategic level experience finance sector and/or financial management and experience in managing the team	10	
3.1.2	Masters degree in finance or other related fields	5	
3.1.3	Familiarity with different financial instruments at multilateral development banks and other similar international financial organizations	5	
3.2	<b>Project team</b>		
3.2.1	At least 5 years of professional expertise in the area of specialization	10	
3.2.2	Masters degree in finance or other related field	5	
3.2.3	Familiarity with similar international organizations	5	
	<b>Total</b>		<b>100</b>

Technical proposals that score at least 75 points out of 100 will be considered as qualified for the review of financial proposal. Any proposal less than that will be disqualified from proceeding to the next step and its financial proposal shall be returned unopened following the award of the contract.



#### **D. Evaluation of Financial Proposal**

The financial proposal of all proposers which have attained the minimum score in the technical evaluation will be evaluated subsequently. The lowest evaluated Financial Proposal ( $F_m$ ) is given the maximum financial score ( $S_f$ ) of 100. The formula for determining the financial scores ( $S_f$ ) of all other Proposals is calculated as following:

$S_f = 100 \times F_m / F$ , in which “ $S_f$ ” is the financial score, “ $F_m$ ” is the lowest price, and “ $F$ ” is the price of the proposal under consideration.

#### **E. Consolidated evaluation**

The weights given to the Technical (T) and Financial (P) Proposals are:

$T = 0.70$ , and  $P = 0.30$

Proposals will be ranked according to their combined technical ( $S_t$ ) and financial ( $S_f$ ) scores using the weights ( $T$  = the weight given to the Technical Proposal;  $P$  = the weight given to the Financial Proposal;  $T + P = 1$ ) as following:  $S = S_t \times T\% + S_f \times P\%$ .

The firm achieving the highest combined technical and financial score will be invited for contract negotiations.

#### **F. Award**

The Award will be made to the responsive proposer who achieves the highest combined technical and financial score, following negotiation of an acceptable contract. GCF reserves the right to conduct negotiations with the Proposer regarding the contents of their offer. The award will be in effect only after acceptance by the selected proposer of the terms and conditions and the technical requirements.