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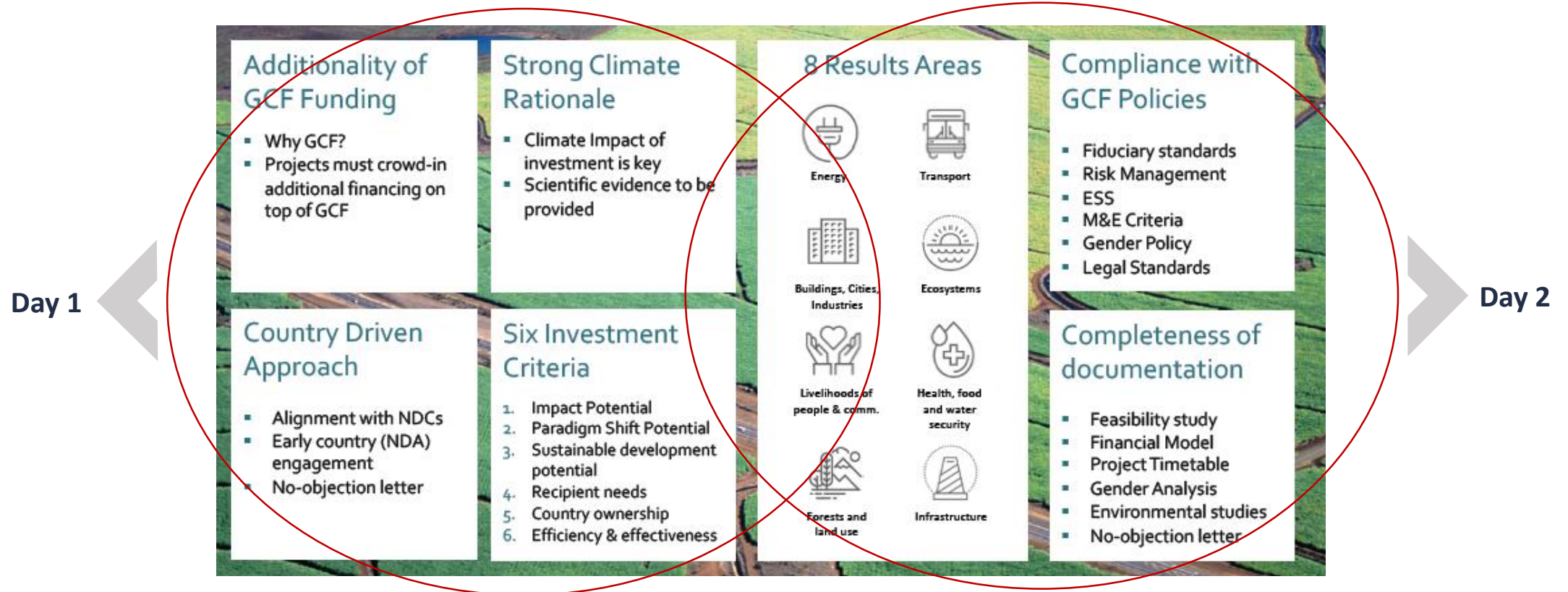
Workshop on GCF procedures, concepts and opportunities

Day 2

Frankfurt School of Finance & Management – UNEP Centre

24 June 2022

RECAP FROM DAY 1 – OUTLOOK FOR DAY 2



PURPOSE OF OUR WORKSHOP AND AGENDA

Purpose

To introduce the Green Climate Fund (GCF) to all relevant institutional stakeholders in Suriname to enable a better engagement.

Agenda – Day 2

Session 3 (90 minutes): GCF investment criteria and results management framework; introduction Concept Note (CN) and Funding Proposal (FP) Design, Brief introduction to request for proposals (RfP), Simplified Approval Process (SAP), Project Preparation Facility (PPF), Readiness Support Programme.

Break (15 min)

Session 4 (60 minutes): FP evaluation. Example (from the region) and typical shortcomings/challenges of FPs (e.g. reflecting specific comments (and observations) from the independent Technical Advisory Panel (iTAP), private sector

Session 5 (60 minutes): Impressions from the audience and exchange on current GCF project opportunities. (Discussion and Open Q&A)

SESSION 3 – GCF FUNDING



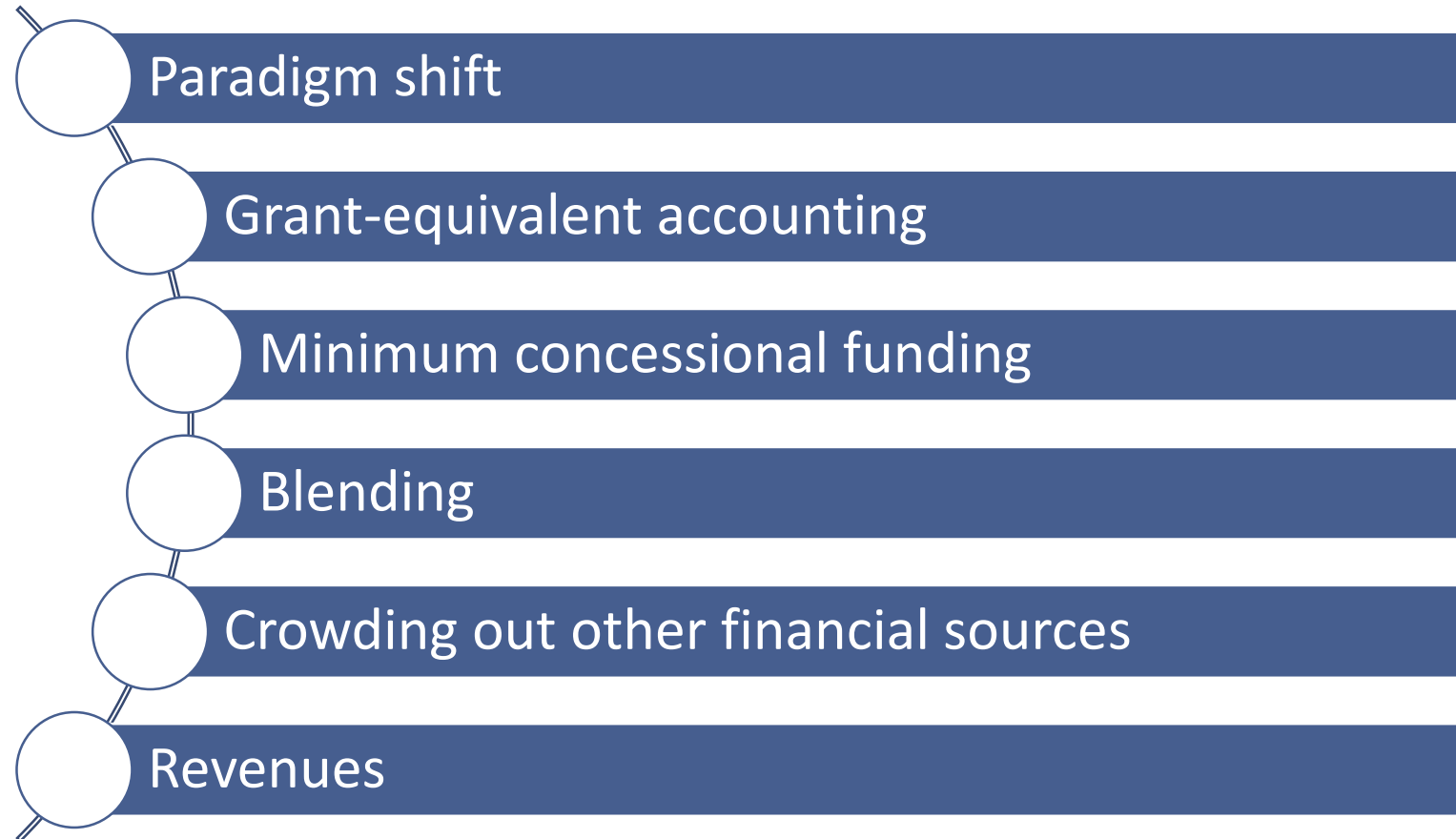
SESSION 3 GCF INVESTMENT CRITERIA

GCF's investment framework seeks to translate the GCF objectives into clear guidelines for investment decisions. The framework is composed of **policies, strategies, targets, and criteria** to inform the design, assessment, and approval of funding decisions within GCF.

Portfolio targets (2020-2023)

- Maintaining the 50:50 balance of adaptation and mitigation funding
- Maintaining a minimum allocation floor of 50% of adaptation funding for developing countries that are particularly vulnerable to the adverse effects of climate change
- Aiming for appropriate geographical balance;
- Significantly increasing funding channelled through direct access entities;
- Maximizing engagement with the private sector, including small- micro- and medium size enterprises, ensuring the allocation to the Private Sector Facility exceeds 20%; and
- Significantly increasing mobilized private finance at the portfolio level.

POLICIES - INVESTMENT GUIDING PRINCIPLES FROM A FINANCIAL POINT OF VIEW



CRITERIA AND INDICATORS

Impact potential

- **Mitigation impact indicator:** project lifetime emission reductions (in tonnes of carbon dioxide equivalent).
- **Adaptation impact indicator:** expected change in loss of lives, value of physical assets, livelihoods, and/or environmental or social losses due to the impact of extreme climate-related disasters and climate change in the geographical area of the GCF intervention.

Paradigm shift potential

- **Necessary conditions indicator:** How the proposed project can catalyse impact beyond a one-off investment. This vision for longer-term change should be accompanied by a robust and convincing theory of change for replication and/or scaling up, long-term sustainability, or by a description constraint(s) and how they will be addressed.

Sustainable development potential

- **Co-benefits indicator:** In addition to the impacts of the project, the proposals must identify at least one positive co-benefit in at least two of the four coverage areas: Economic, social, environmental and gender empowerment.

Needs of the recipient

- **Mitigation and adaptation indicator - barriers to climate-related finance:** The country's financial, economic, social and institutional needs and the barriers to accessing domestic (public), private and other sources of climate finance. How the proposed intervention will address the identified needs and barriers.

Country ownership

- **Alignment with nationally determined contributions (NDCs), relevant national plans indicator, and/or enabling policy and institutional frameworks**
- **Explanation of engagement with relevant stakeholders, including national designated authority's indicator**

Efficiency and effectiveness

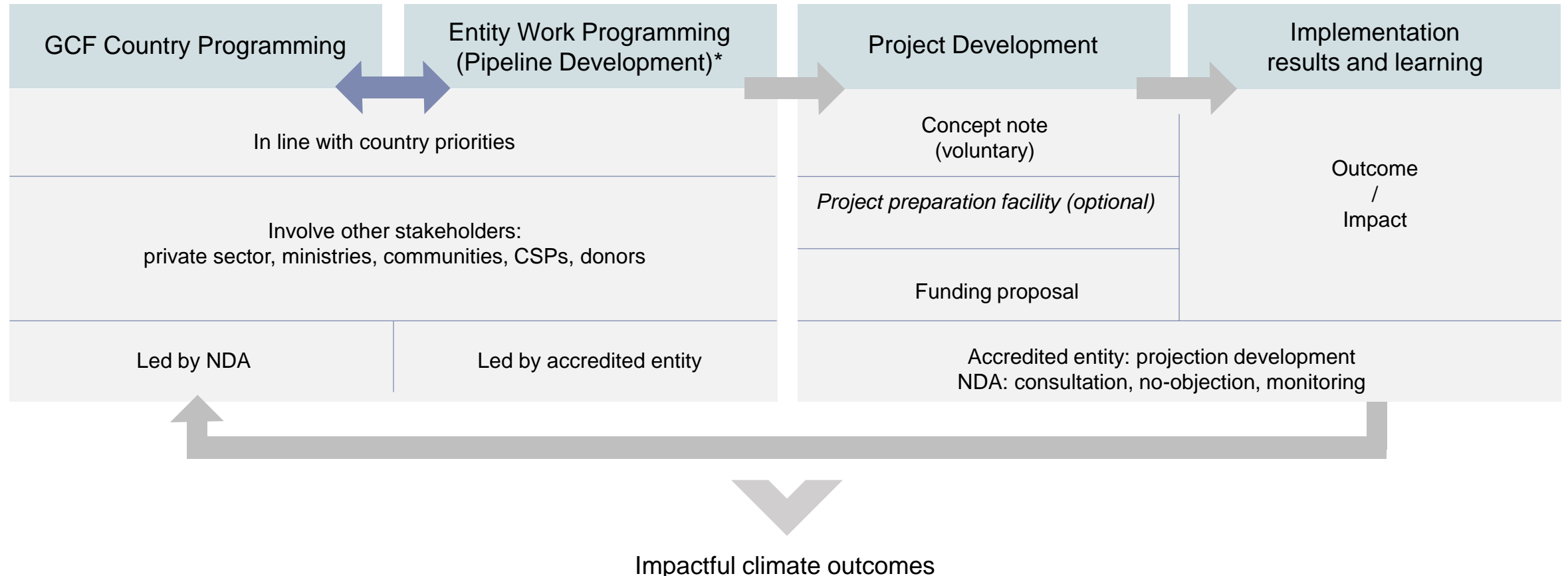
- **Mitigation efficiency and effectiveness indicator:** cost per tonne of CO₂e
- **Mitigation efficiency and effectiveness indicator:** ratio of co-financing.
- **Mitigation and adaptation indicator:** expected rate of return..
- **Mitigation and adaptation indicator:** application of best practices..

HOW TO GET TO PROJECTS?

- GCF project/programme cycle
- Concept note (CN)
- Funding Proposal (FP)
- Request for proposals (RfP)
- Simplified Approval Process (SAP)
- Project Preparation Facility (PPF)
- Readiness Support Programme

GCF project/programme cycle: Programming continuum for strategic interventions

The programming process aims to yield high quality pipelines that the GCF can support



*It does not apply to DAE

GCF project/programme activity cycle



Abbreviations:
 AE = Accredited Entity
 NDA = National Designated Authority
 ITAP = Independent Technical Advisory Panel

★ Key involvement of the NDA

Source: GCF, 2020 Programming Manual



**DO YOU HAVE EXPERIENCE WITH THE GCF
PROJECT CYCLE OR SIMILAR PROJECT CYCLES?**

Programme cycle: initiating ideas for funding proposals



Initiating ideas for country driven Funding Proposals

- Through consultations with various stakeholders
 - Based on Country Programme
 - Aligned with international accredited entity work programme
 - Consider unfunded priorities from recent national development plans and existing unfunded pipelines from other funds and their planning documentation (Complementarity & coherence)
- The NDA should follow up and foster the development the GCF portfolio based on project pipeline and stakeholder engagement.

Preparations by Accredited Entities

- Feasibility check: e.g. market (needs) assessment (e.g. political, economic, social, technological, legal, climate, environmental and social impacts), costs estimates and funding gaps to justify GCF funding
- Participative planning (consultations): pre-discussions with potential (co-)financiers and Executing Entities

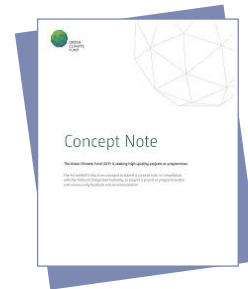
Project cycle: concept note



Documentation (optional)

- Pre-feasibility study
- Results of E&S risk screening
- Maps (indicating locations)
- Diagram of the theory of change
- Economic and financial model with key assumptions and potential stressed scenarios
- Evaluation report of previous project

Helpful links and guidance at the GCF homepage



- [Concept Note user guide](#)
- [Concept Note template](#)
- [Concept Note Library](#)

Project cycle: concept note



<p>Country driven approach</p> <ul style="list-style-type: none"> • Strategic relevance: Alignment with NDCs & country priorities/CP • Early country (NDA) engagement • Multi-stakeholder involvement • Country project pipeline & portfolio • Synergies or possibilities of scaling-up with existing projects? 	<p>Strong science-based climate change data</p> <ul style="list-style-type: none"> • Climate Impact of investment is key • Scientific evidence 	<p>Funding instruments & structure</p> <ul style="list-style-type: none"> • Additionality: Why GCF? • Co-financing: Projects encourages crowd-in additional financing on top of GCF • <u>No crowding-out</u> 	<p>Concept note submission</p> <ul style="list-style-type: none"> • Suggest potential EE • Project scope- Could it be submitted as a SAP?
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8 Results Areas



Energy



Transport



Buildings, Cities,
Industries



Ecosystem



Livelihoods of people
& comm.



Health, food and
water security



Forest and land
use



Infrastructure

Source: GCF/B.17/21, Decisions of the Board, Annex IV Updated project and programme cycle

Project cycle: concept note

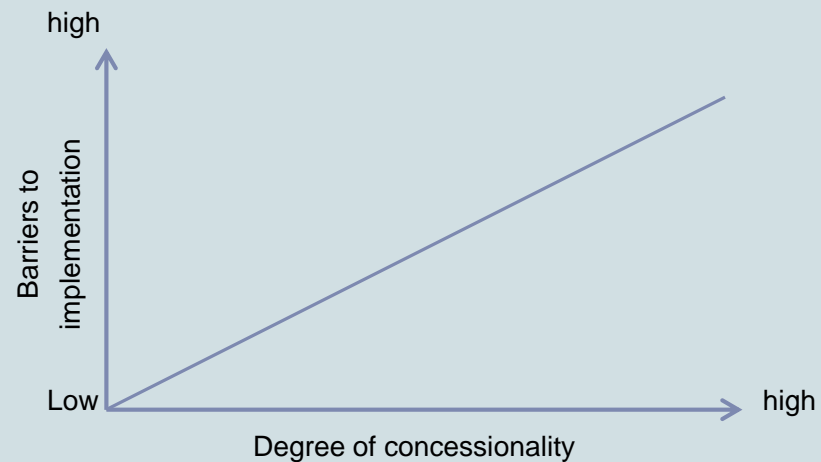


Funding instruments

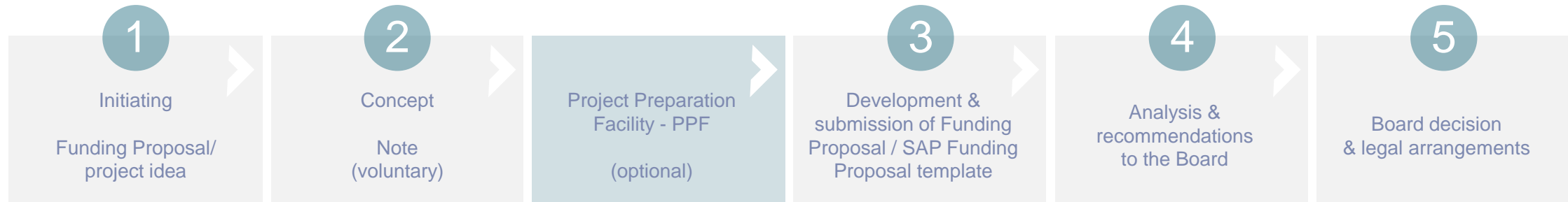
- Grants
- Concessionals loans
- Results-based payments
- Guarantees
- Equity investments
- Public-private partnerships
- Blending of public and private capital

Determine degree of concessionality (if any)

Should increase proportionally to the magnitude of the barriers to implementation



Project cycle: Project Preparation Facility (PPF)



NDA or GCF can encourage Accredited Entities to use the PPF

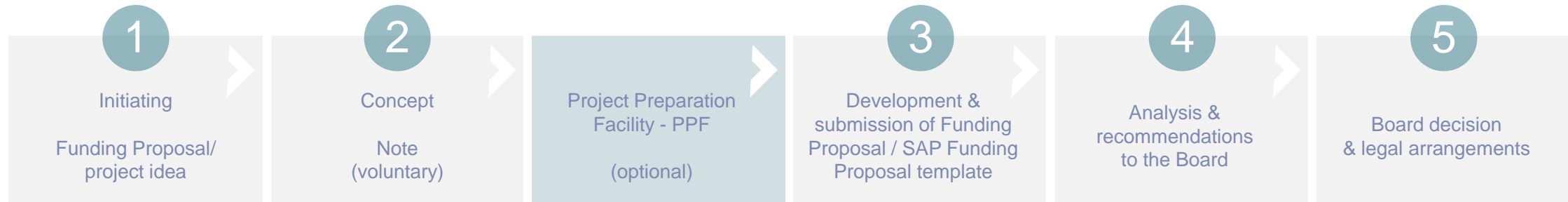
NDA provides No-Objection-Letter

The **Project Preparation Facility** is designed for:

- **Accredited Entities** in Funding Proposal preparation, in particular Direct Access Entities
- Micro-to-small size category projects
- Support up to USD 1.5m as grants, repayable grants or equity for private sector projects
- Submission of a Concept Note is mandatory

Requirement to submit a Funding Proposal within two years

Project cycle: Project Preparation Facility (PPF)



Indicative list of supported activities by the Project Preparation Facility

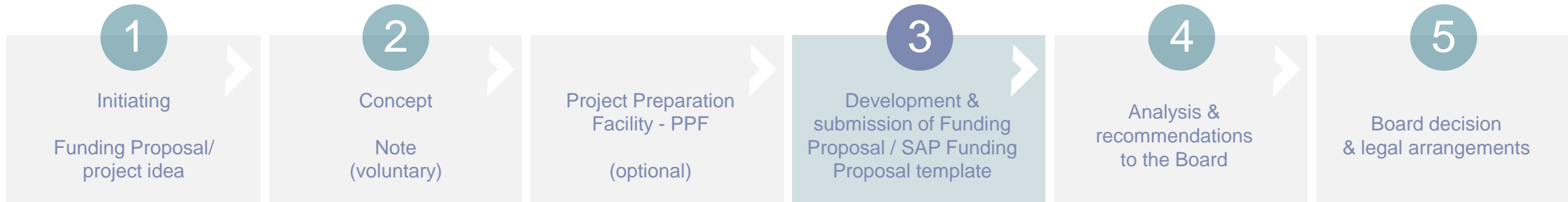
- Pre- & feasibility studies, project design
- Environmental, social & gender impact studies
- Risk assessments
- Identification of programme/project-level indicators
- Pre-contract services, incl. revision of tender documents
- Advisory services / other services to financially structure a proposed activity
- Other required project preparation activities (to be justified)

The different windows

PPF Service
for project development

PPF Funding
- Standard PPF
Funding for AEs up to
USD 1.5 million
- Simplified PPF
Funding up to USD
300,000

Project cycle: Funding Proposal



Required activities for the development of Funding Proposals

- (Pre-) feasibility studies and assessments
- Check accreditation scope and ESS category
- Define project scope/activities
- Conduct multi-stakeholder consultations and engagements
- Select executing entity
- Identify programme/project-level indicators
- Assess risk/impact
- Prepare integrated financial model (financial management)
- Legal due diligence
- Obtain the NDA no-objection letter

Required output of the Funding Proposals development process

Funding proposal template



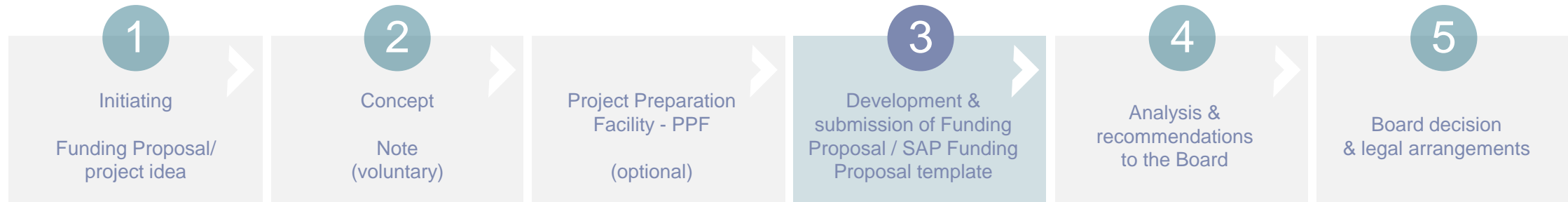
Simplified Approval Process Funding Proposal template



Supporting documents - **non exhaustive** (Annexes)

- NDA NoL
- Feasibility/market study
- Economic and/or financial Model
- Detailed budget plan
- Co-financing commitment letter
- Environmental and social safeguards report and Environmental and Social Management Plan
- Gender assessment and action plan
- Legal due diligence
- Implementation time table
- Consultations and stakeholder engagement plan
- Procurement plan
- Monitoring and evaluation plan
- Maps

Project cycle: Funding Proposal



The No-objection Letter is the result of the No-Objection Procedure and formally approves that

- The Funding Proposal is aligned with country priorities
- The Funding Proposal is in line with national laws
- Consultation processes have taken place

No-Objection Procedure

- Country decides on its own nationally appropriate process
- Includes a thorough assessment of the Funding Proposal is recommended
- Considers country's capacities, existing processes and institutions
- Balances completeness of the No-Objection Procedure (all necessary criteria & stakeholders included) and feasibility (time & resources available).

REQUESTS FOR PROPOSALS (RFP) AND PILOTS

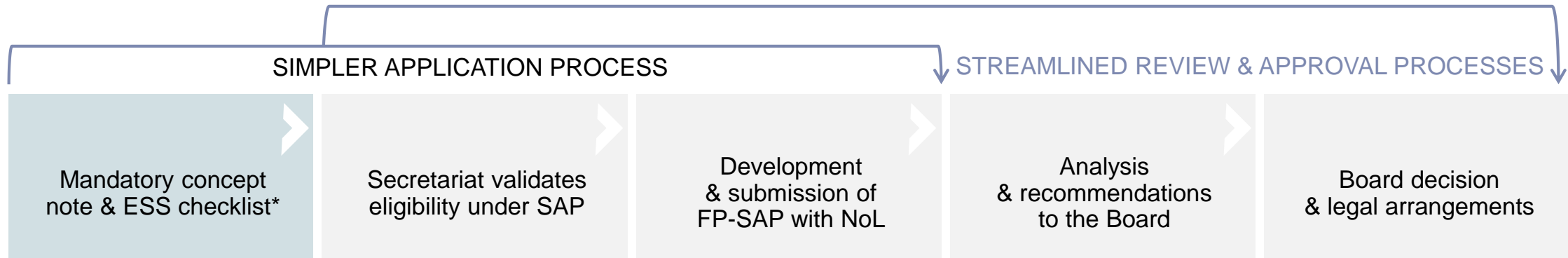
There are many gaps in the current climate finance landscape, and some areas that have large potential are not adequately financed through current channels. GCF seeks to target these areas to help fill the gaps in climate financing through Requests for Proposals (RfP) and pilot programmes which are focused on specific themes.

Active pilots:

- REDD+ Results-Based Payments Pilot Programme (REDD+) → until 2022 but the resources were exhausted in 2020.
- Enhancing Direct Access (EDA)

Simplified Approval Process (SAP)

SAP for smaller-scale project or programmes



Accredited Entities and NDAs can submit concept notes. Funding Proposals can only be submitted by Accredited Entities

Technical support could be provided upon request of Direct Access Entities/NDAs to develop concept notes/funding proposals

Eligibility criteria:

- Environmental and social risks and impacts are classified as minimal to none.
- Request for a GCF contribution of up to USD 25 million

Role of NDAs:

- Ensure earlier country engagement due to the mandatory CN
- Implementation of the NoP
- Monitoring of compliance with GCF procedures and safeguards

Portfolio requirement: In the long run, at least 50% of SAP approved FPs should come from Direct Access Entities

Readiness Support for Project Pipeline Development

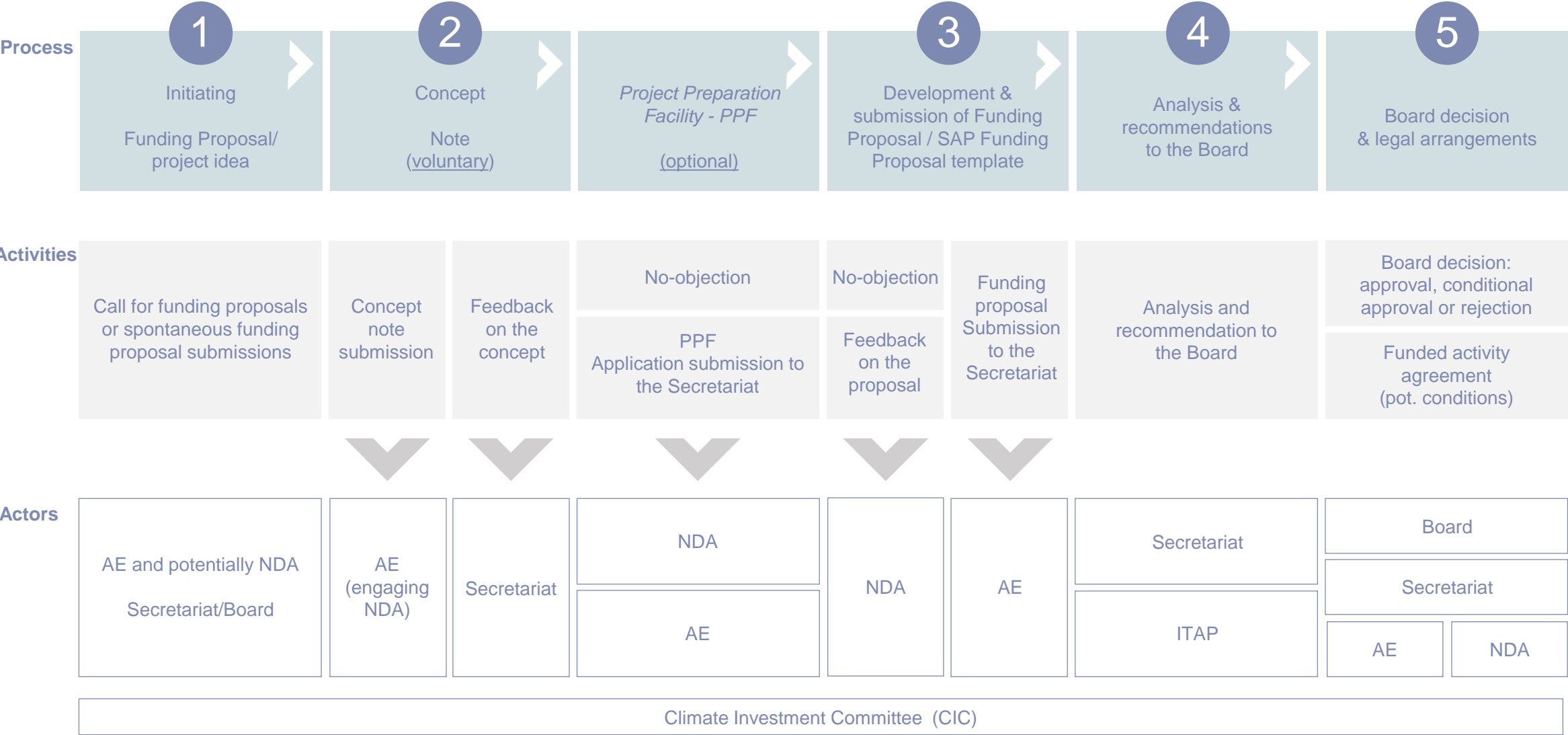
Paradigm-shifting pipeline development



Indicative list of activities that can be supported

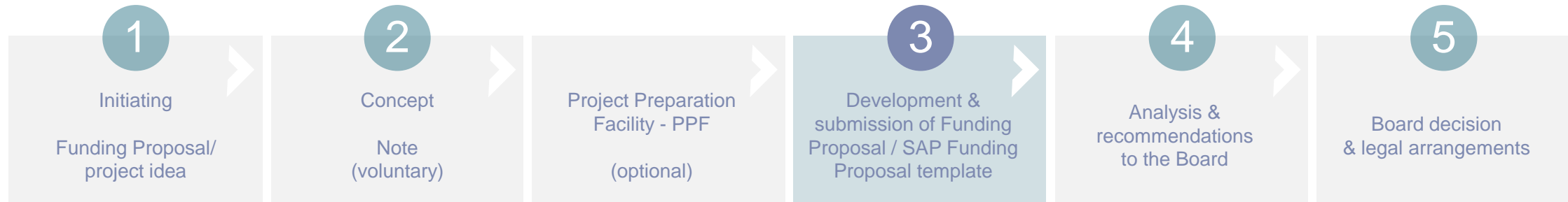
- Identifying programmes/projects that advance national priorities and strategies and align with the results management framework of the GCF
- Developing and applying pipeline performance metrics and associated indicators
- De-risking financial and non-financial risks that prevent the scaled-up climate finance investments
- Developing tools, methods and templates to scale up successful models
- Applying GCF investment criteria against projects and programmes developed for investment under other climate funds
- Developing concept notes for priority sectors for submission to the GCF, including under the SAP, EDA RfP and/or those targeted for PPF assistance

GCF project/programme cycle



Source: GCF/B.17/21, Decisions of the Board, Annex IV Updated project and programme cycle

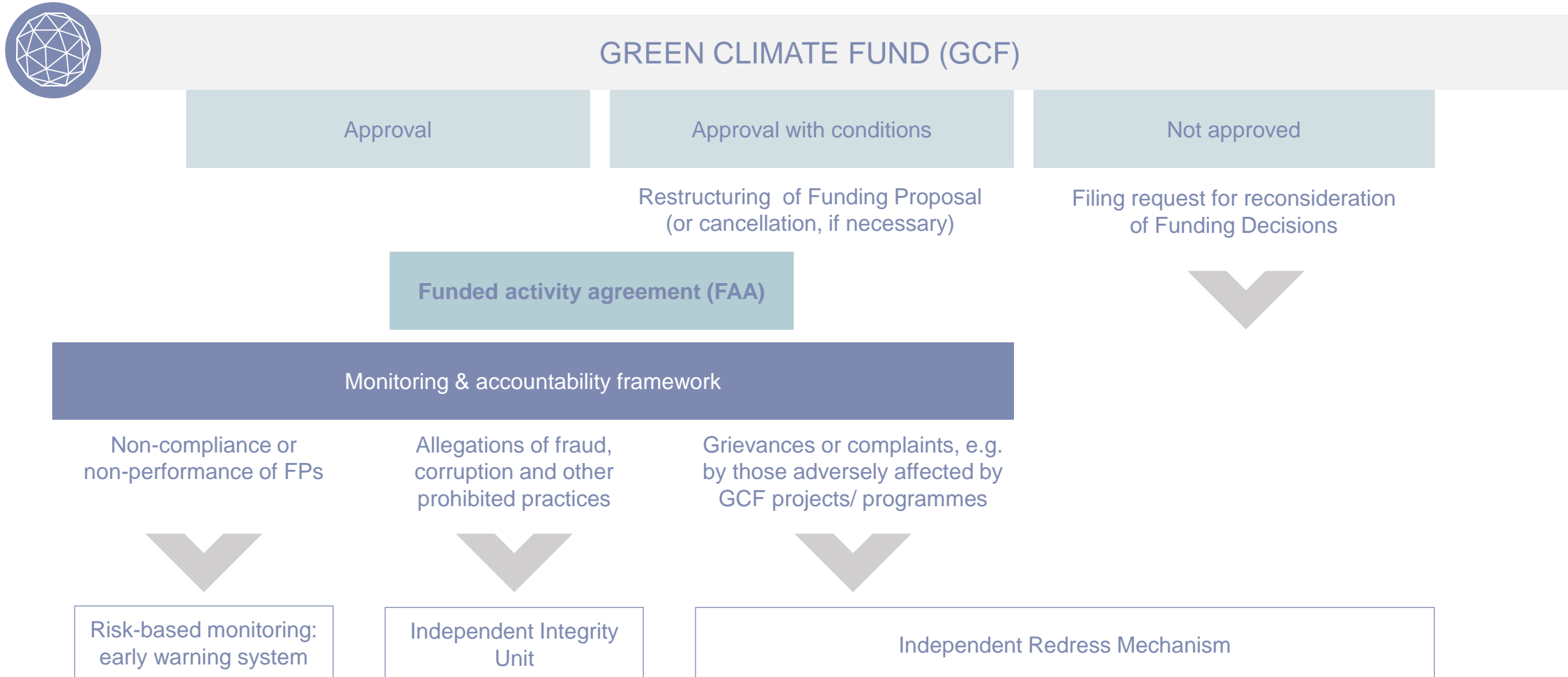
Project cycle: Funding Proposal evaluation



Evaluation

- Relevance, effectiveness and efficiency of projects and programmes
- GCF financing is additional
- Country ownership of projects and programmes
- Gender equality
- Innovativeness in results areas
- Replication and scalability
- Unexpected results

What happens after the GCF Board decision?



Risk-based monitoring approach

Non-compliance or non-performance of Funding Proposals

RISK FLAG



RISK-BASED MONITORING:
EARLY WARNING SYSTEM

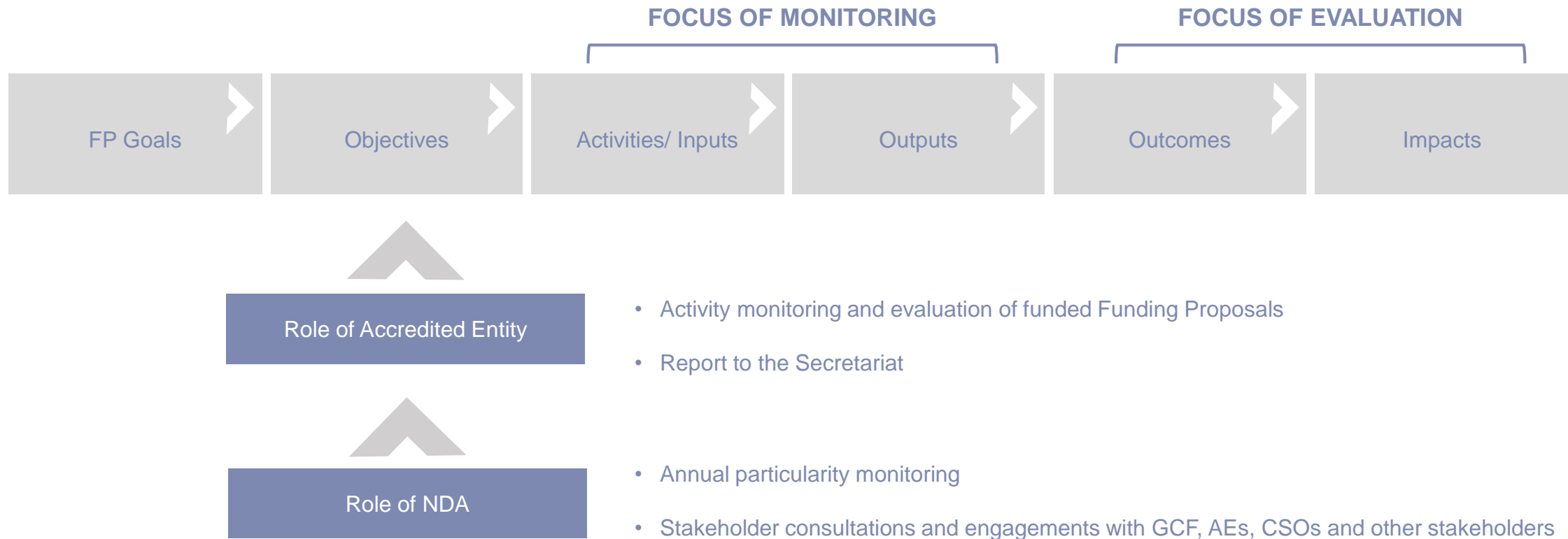
- a. Risks related to the project
- b. Risks related to AE performance
- c. Risks related to country

INCENTIVES AND REMEDIAL MEASURES

- Secretariat and Accredited Entity discuss action programmes (e.g. capacity-building)
- If issues remain unresolved; e.g. suspension of disbursements

Monitoring & accountability framework

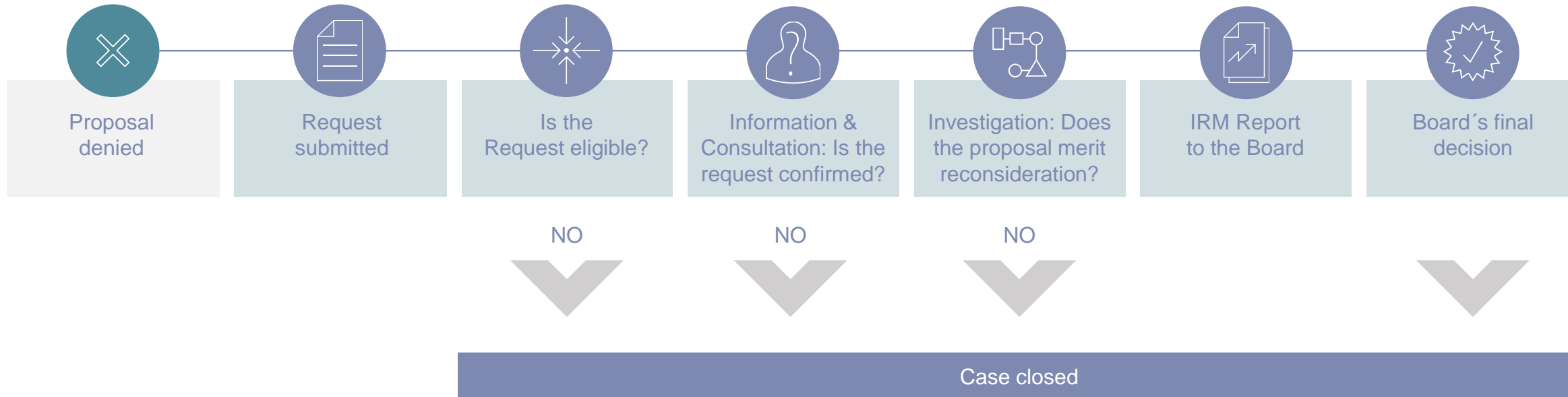
Monitoring and accountability framework ensures compliance of Accredited Entities with accreditation standards and effective implementation of funded Funding Proposals



Restructuring and cancellation policy

- Failure to fulfil the conditions to be met prior to FAA execution within the time frame established by the Accreditation Master Agreement or the Approval Decision
- Request for a waiver of a condition imposed at approval
- Change to or restructuring of the approved FP

Independent Redress Mechanism (IRM)



BREAK



SESSION 4 - PROJECT EXAMPLE AND PRIVATE SECTOR



PROJECT EXAMPLE – FP157 COASTAL RESILIENCE TO CLIMATE CHANGE IN CUBA THROUGH ECOSYSTEM BASED ADAPTATION - "MI COSTA"

The project aims to rehabilitate coastal land and seascapes. The envisaged holistic strategy entails rehabilitating ecosystem functions and connections within mangroves and swamp forests resulting in reduced anthropic pressures on marine coastal ecosystems such as grey infrastructure, i.a. through natural and assisted regeneration and restored wetlands. Additionally, the project aims to strengthen the adaptive capabilities of coastal government entities and communities through capacity building on ecosystem-based adaptation (EbA) and by improving the related information infrastructure. The project benefits from a solid local ownership under the guidance of the AE.



PROJECT EXAMPLE – FP157 COASTAL RESILIENCE TO CLIMATE CHANGE IN CUBA THROUGH ECOSYSTEM BASED ADAPTATION - "MI COSTA"

Brief Project Information					
Country	Republic of Cuba				
Accredited entity	UNDP				
Executing entity / beneficiary	<p>Executing Entity: Environmental Agency (AMA) of the Ministry of Science, Technology and Environment (CITMA) of Cuba</p> <p>Beneficiaries: 444,793 direct and 879,321 indirect</p> <p>Emission reduction -</p>				
Funding amounts in USD million	<table border="1"> <tr> <td>Entire project/prog.:</td> <td>GCF share: 54%</td> </tr> <tr> <td>US\$ 44,299,229</td> <td>US\$ 23,927,294</td> </tr> </table>	Entire project/prog.:	GCF share: 54%	US\$ 44,299,229	US\$ 23,927,294
Entire project/prog.:	GCF share: 54%				
US\$ 44,299,229	US\$ 23,927,294				
Type of GCF funding instrument requested	Grant				
Type of funding instrument used in project on ground	Grant disbursement (disbursement plan)				
Mitigation / adaptation focus	<input type="checkbox"/> Mitigation <input checked="" type="checkbox"/> Adaptation <input type="checkbox"/> Cross-cutting				
Project lifespan	30 years				

PROJECT EXAMPLE – FP157 COASTAL RESILIENCE TO CLIMATE CHANGE IN CUBA THROUGH ECOSYSTEM BASED ADAPTATION - "MI COSTA"

	Secretariat	ITAP	Own assessment
Impact potential	High	High	High
Paradigm shift potential	Medium-High	Medium-High	High
Sustainable development potential	High	High	High
Needs of the recipient	Medium-High	High	High, agreeing with ITAP due to isolated political and economic situation of the Republic of Cuba, the proven EbA approach, and expected climate impacts on the island state.
Country ownership	High	High	High, also demonstrated by co-financing from the Cuban government.
Efficiency and effectiveness	Medium-High	Medium-High	Medium-High

GCF FUNDING PROPOSALS: LESSONS LEARNED (1/3)

Completeness check

- Some funding proposals do not reach a sufficient level of advancement in the project or programme preparation to be considered complete for funding proposal review purposes.

*For example, several proposals have been submitted **without a feasibility study** or with **a feasibility study underway but not yet finished**. It is expected that project preparation work and due diligence has been completed at the time of proposal submission.*

- For other proposals, **information were missing or incomplete** in the funding proposal itself.

An example could be that a breakdown of cost estimates by component and sub-component is not provided in the relevant section of the funding proposal template

GCF FUNDING PROPOSALS: LESSONS LEARNED (2/3)

Review of the funding proposals by the Board

- Some of the conditions for disbursement decided by the GCF Board include:
 - **Clarify stakeholders engagement** and notably if the civil society / communities have consented to the project; possibly give them the opportunity to take part in the project design
 - Present the **climate change strategy outline**, including all the components of the project with concrete outcomes, indicators and timing
 - Present the **project team structure**, including institutional agreements with stakeholders
 - Present the **knowledge and communication strategy outline**
 - Present **detailed procurement plan** in form and substance satisfactory to GCF
 - Present **detailed cost estimates**

GCF FUNDING PROPOSALS: LESSONS LEARNED (3/3)

General observations of the GCF Board

- Following issues could generally be better tackled in funding proposals:
 - The linkage between climate actions and how they **enable sustainable economic development**;
 - How the project/programme incorporates potential **innovation**;
 - How benefits will be sustained once **GCF financing ends**;
 - **Monitoring and evaluation**, including how lessons can be disseminated to inform and possibly promote replication in other regions/countries;
 - How benefits **for women and girls** will be delivered;
 - How **fiduciary weaknesses** in project countries will be addressed;
 - **Country ownership** and **effective stakeholder engagement**; and
 - **Additionality** of the funding.
- Within the approval process:
 - There is a need to actively seek **participation of NDAs, focal points and relevant stakeholders in the early stages** of the project cycle and beyond the provision of the no-objection letter.

PRIVATE SECTOR

- Importance of the private sector
- Private sector facility

Importance to engage with the private sector on climate change?



Key player in the economy:

- Main engine for economic growth, job creation and poverty reduction
- Finance sector is a backbone of the real economy
- Self-interest to invest in climate change and to reduce Co2 emission and increase resilience



Partner for transformation:

- To mobilize financial resources and leverage public funding
- To establish public-private partnership
- To develop innovative technologies and enhance technical capacity

**HAVE YOU WORKED WITH THE PRIVATE SECTOR
ON CLIMATE/ENVIRONMENTAL PROJECTS?
(WHICH ONES? WHAT KIND OF COOPERATION?)**

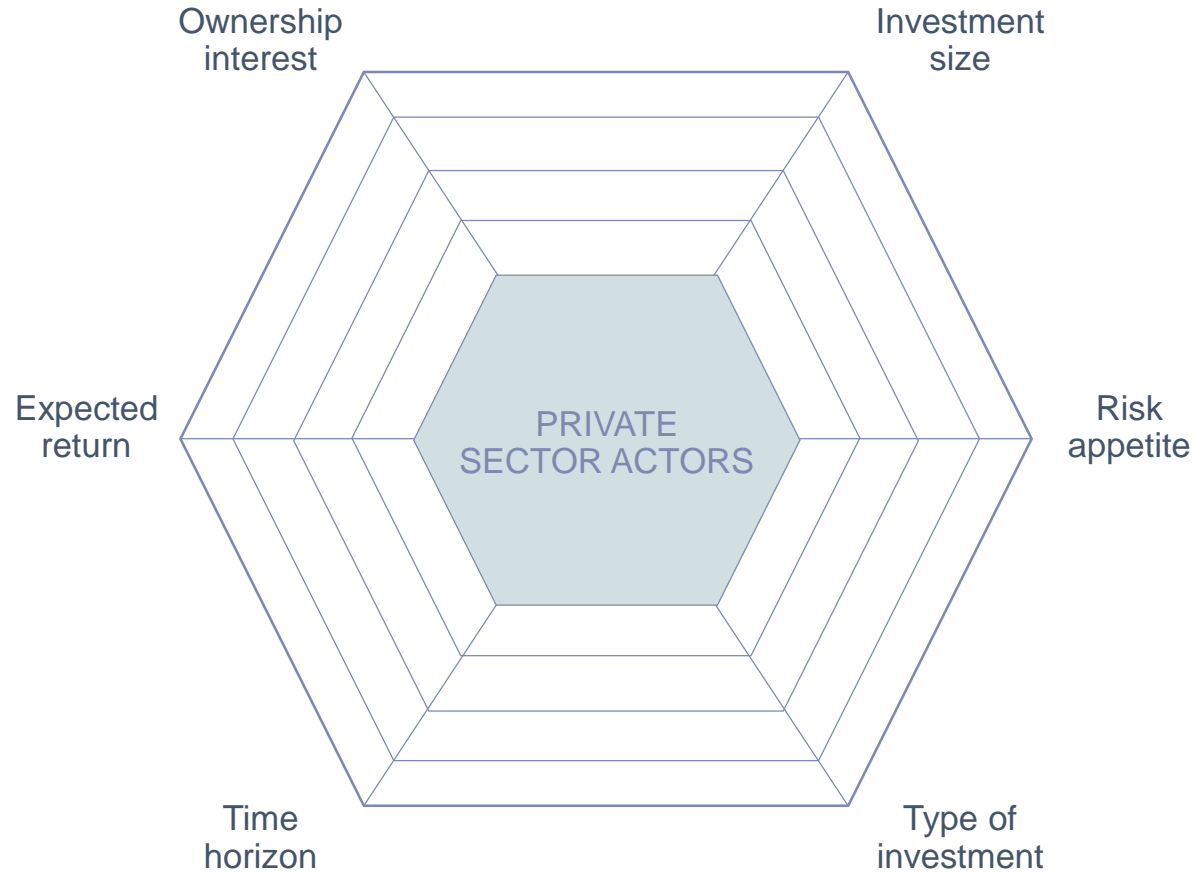
**WHAT ARE POTENTIAL AREAS FOR JOINT
INTERVENTIONS?**

Key private sector partners for NDAs



- Micro, small and medium-sized enterprises (MSMEs) and large companies corporates
- Technical product and services providers, project developers, farmers, energy suppliers, etc.
- Commercial banks, microfinance institutions (MFIs)
- Institutional investors (e.g. pension fund, venture capital/private equity funds)
- Insurance firms

Interests of different private sector actors



Climate-related risks for the private sector

Uncertainly regarding..

Physical risks



Physical damages and threats to the existing business, e.g.:

- Assets e.g., building, cars, machines
- Value chain and plant processes
- Staff



Transitional and liability risks



Indirect implications from the transitions towards a low-carbon and resilient economy

- Laws, regulations & standards (e.g., law for 'coal exit', energy efficiency, reporting requirements standards)
- Policy instruments (e.g., emission trading system)
- Reputation & client dissatisfaction

Climate-related risks affects companies, but also investors in companies!

Climate change: opportunities for the private sector

Climate change spurs business opportunities e.g.

- Increasing temperature enable changes to type of crops
- Increasing demand for resilient infrastructure
- Insurance products that protect against climate change impacts

Climate change interventions can reduce costs; e.g.

- Energy and water efficiency measures
- RE production cost now often lower than fossil fuel
- Reduced interruption of the value chain

Where can the private sector be engaged?

Country Programme	Accreditation process	Funding proposal	Readiness & awareness raising
<ul style="list-style-type: none">Stakeholder consultations for Country Programme development to jointly aim for a low-carbon, resilient growth	<ul style="list-style-type: none">Nomination as Direct Accredited Entity or regional Accredited EntityStakeholder consultations	<ul style="list-style-type: none">Accredited entityCo-financier to strategically mobilise financeExecuting entityBeneficiaryStakeholder in consultation or as part of the NOP	<ul style="list-style-type: none">Enabling private sector to access climate change knowledge & information (e.g. impacts, risks and opportunities; data & tools)Readiness delivery partnerBeneficiary of capacity building measures or improvements to enabling environment

Convening stakeholders & consultations

Engaging and consulting private sector at different stages of the Programming Cycle, Country Programme development, accreditation process etc.

Private Sector Facility

The Private Sector Facility (PSF) was established

- to enhance the engagement of the local and global private sector in its activities and processes
- leverage additional funding by de-risking the delivery of private capital and scaling up private sector investment flows for low-carbon and climate-resilient development.

Private Sector Proposals

- Submission for Call for proposals or independent proposal
- Similar Project cycle and process incl. template (Module 5)
- Proposals have to be within the eight strategic result areas and in line with country priorities
- Same financing instruments available, but differences in terms and conditions for loans

Please also check GCF's private sector strategy provides the imperative of mobilizing private finance to meet urgent mitigation and adaptation needs in developing countries and removing barriers for climate-friendly investment.

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ⓘ Start presenting to display the joining instructions on this slide.

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Which institutions could contribute to the development of project proposals? and how? (public and private) - Add ideas (anonymous) – maybe yours! (which project idea?)

ⓘ Start presenting to display the poll results on this slide.

SESSION 5 – IMPRESSIONS - OPEN DISCUSSION



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What are the priority areas for climate interventions in Suriname?

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HOMEWORK

Please think about potential areas for climate interventions, projects that should be fostered and other key partners to engage with.

We encourage you to share experiences and opportunities from your own work.

- From your point of view/work, which kind of projects should be fostered? Please feel free to mention result areas, regions, beneficiaries, potential accredited and executing entities, other details..

8 Results Areas



Energy



Transport



Buildings, Cities,
Industries



Ecosystem



Livelihoods of
people & comm.



Health, food and
water security



Forest and land
use



Infrastructure

- Are there project ideas that could be funded by the GCF? Which ones?
- Are there projects that should be replicated, extended or escalated? Which ones?
- What are the major challenges faced to formulate new projects? Feel free to share your own experiences

Met dank!

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Feedback:

- Content, duration, format, material
- What have you learned? What will you do with this new knowledge?

(Anonymous - multiple answers possible)

ⓘ Start presenting to display the poll results on this slide.



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