

# GCF Proposal Approval Process

## Role of NDAs

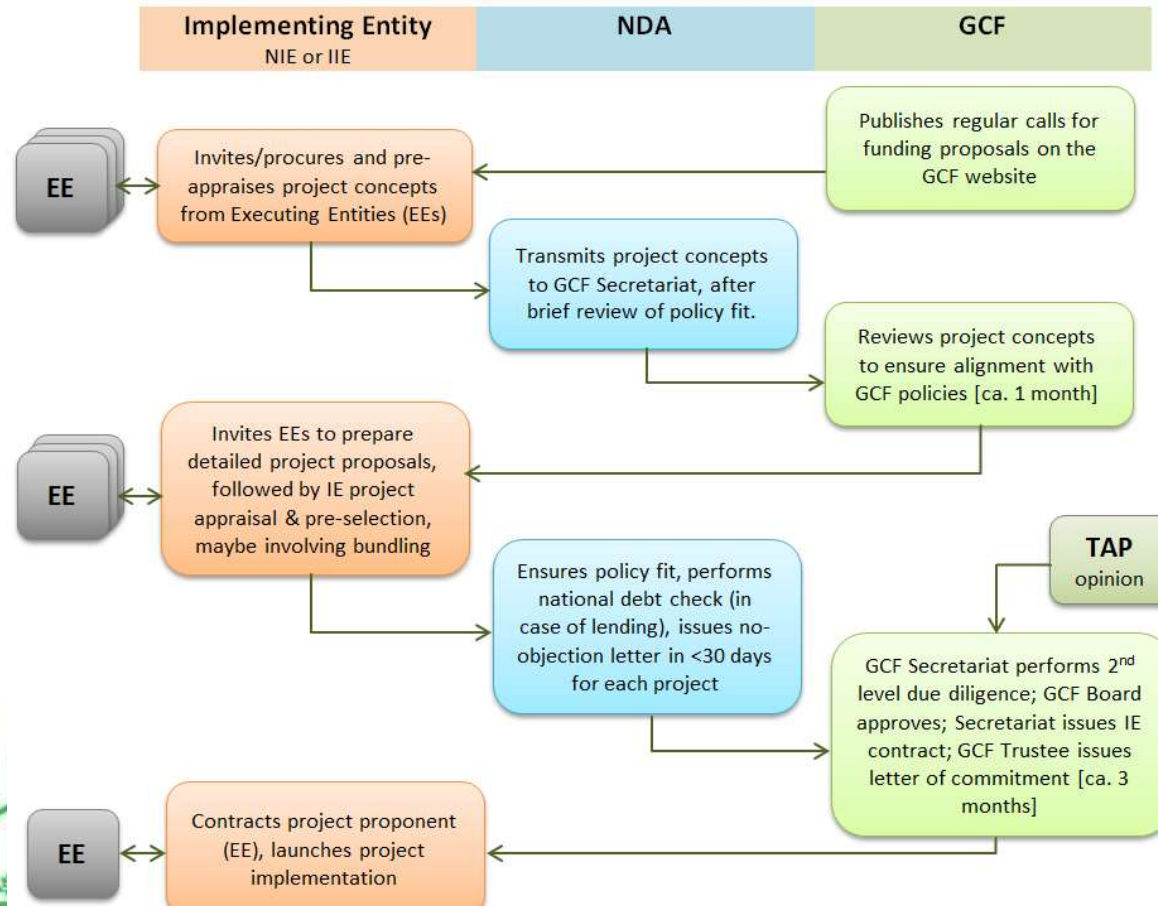
### GCF financial instruments

### Risk management

Session 04



# GCF project approval process

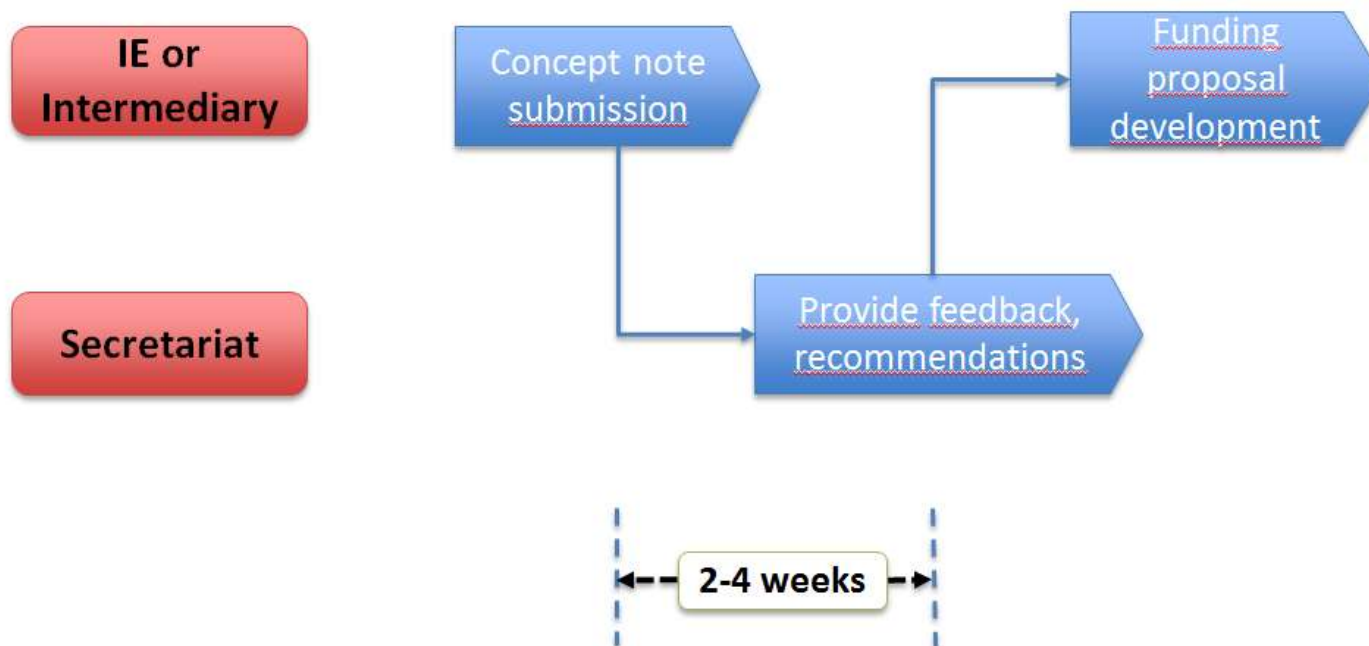


**Note:**  
NDA or IEs may also submit spontaneous / "uninvited" funding proposals to the GCF Secretariat

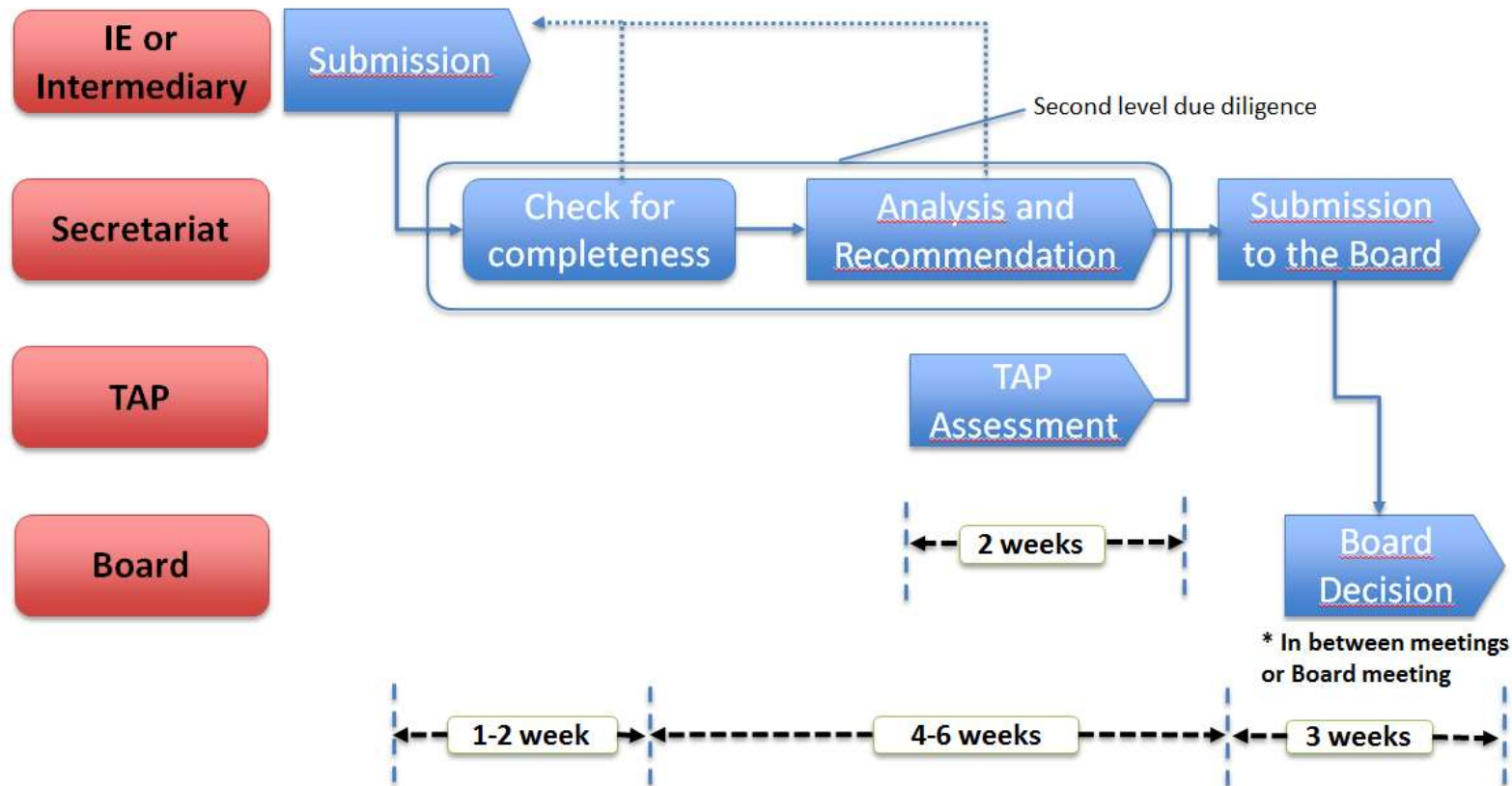
**Disclaimer:**  
Simplified; authors interpretation based on relevant GCF Board decision



## Process chart provided by the GCF: Time needed for GCF Secretariat's review of Concept Notes



# Process chart provided by the GCF: Time needed for Funding Proposal approval



# GCF Concept Note and Funding Proposal Templates

Initial versions of templates to be used have been published and are available at the GCF website:

- GCF Concept Note Template
- GCF Funding Proposal Template

A User Guide for completing Concept Notes is available at the GCF website.

We will work with the Concept Note template and User Guide in the training workshop.





## GCF Calls for Projects vs. “uninvited” project submission

Two RFPs published so far, namely the 2016 USD 100 million first pilot programme to support SMEs and the 2016 RFP for enhanced direct access.  
See: <http://www.greenclimate.fund/about-gcf/procurement>

More RFPs will follow in the near future.

Apart from responding to RFPs, Accredited Entities can submit “uninvited” Concept Notes and Funding Proposals to the GCF any time. These will be assessed on a case by case basis.



## NDA services and decisions during GCF project development

- NDA to provide **advice during project preparation** (voluntary) – may facilitate prioritization and project development.
- NDA to **coordinate strategic planning** leading to a regularly updated country project pipeline (GCF country program) – early inclusion in the Country pipeline will probably facilitate prioritization and project development.
- NDA to issue **formal no-objection letters** for each project that foresees implementation of activities on the territory of the country represented by the NDA – this is a compulsory requirement!



## Example of NDA No-Objection procedure

- No published examples yet (to the authors knowledge)
- Some countries in process of establishing formal procedures
- One key issue in some countries is how the GCF requirements for NDAs and no-objection can be incorporated into national law
- GCF may formulate respective best practices and guidelines
- At present, it appears that no-objection procedures are implemented in an ad hoc fashion



## Financial instruments offered by the GCF

In line with their accreditation conditions, accredited entities may request the following financial instruments from the GCF:

- grants,
- concessional loans,
- equity,
- loan guarantees



There are plans to introduce insurance products in/after 2018.



## Proposed terms of GCF grants/loans

	Currency	Service fee	Commitment fee	Interest rate	Maturity	Grace period
Grants	Major convertible currency	0.50 per cent of grant amount up front	Up to 0.75 per cent on undisbursed balances	Grants without repayment contingency: no reimbursement required <sup>1</sup> Grants with repayment contingency: terms adapted to the required concessionality of the project or programme		
Highly concessional loans	Major convertible currency	0.50 per cent annually on disbursed amounts	Up to 0.75 per cent annually on undisbursed amounts	Based on cost-of-borrowing terms of loan-type contributions received plus a margin that covers credit risk	Up to 40 years	Up to 10 years
Moderately concessional loans	Major convertible currency	0.50 per cent annually on disbursed amounts	Up to 0.75 per cent annually on undisbursed amounts	Based on cost-of-borrowing terms of loan-type contributions received plus a margin that covers credit risk	Up to 25 years	Up to 5 years

<sup>1</sup> Except in cases of corruption or other non-compliance with fiduciary standards.



## Key financial risk policies

- The GCF will seek to **maximize grant revenues**. Grant contributions should significantly exceed loan amounts.
- Intermediaries will be **permitted to blend grants and loans** received from the GCF with their own sources of financing or with third-party financing.
- The average concessionality level of outgoing loans will be less than the average concessionality level of incoming contributions with a sufficient margin to cover credit risk.
- The Fund takes a **zero tolerance approach to fraud** and will seek to minimize the risk of moral hazard with respect to intermediaries.



## Risk management responsibilities of AEs

At **project level**, the following types of risks will be managed and mitigated by **AEs**:

- **Risk assessment**: technical and financial appraisal to evaluate the overall risk profile of the project/programme;
- **Implementation risk**: borrower/implementer accreditation, third-party guarantees of performance;
- **Technical risk**: independent engineering review;
- **Market risk**: hedging, contractual terms;
- **Foreign exchange risk**: foreign exchange hedging, swaps;
- **Country risk**: political risk insurance.



