



**GREEN
CLIMATE
FUND**

Leveraging GCF financing towards sustainable energy pathways

SREP Pilot Countries Meeting

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I. Climate finance architecture and GCF

Where are we today: global climate finance architecture and GCF

POST PARIS AGREEMENT KEY CLIMATE FINANCE (CF) ISSUES:

- **Scaling up of climate finance**, flows and transformative transactions;
- Increasing financial flows to **adaptation**;
- Helping to overcome **barriers** such as affordability constraints, first-mover risks, behavioral and perceived risks, low technology penetration rates;
- **Private sector and mitigation**: over 80% of global CF flows to renewable energy investments indicate a narrow, perhaps less than well diversified trend;
- **Green financing** still only a niche investment strategy for mainstream institutional investors.

- **Policy Frameworks and Enabling Environments** as initial triggers;
- **Public money** as a 'seed' money (guarantees, insurance, incentives, knowledge and policy support, preparatory technical assistance, etc.) **to attract and mobilize private finance** with staying power through de-risking structures and transformative interventions;
- **GCF, MDBs and other DFIs** are front-runners, first movers: bold strategic and innovative brushes to mark investment and development opportunities; followed by coherent and yet innovative structures and long term commitment.

II. GCF Investment Criteria

GCF Investment Criteria

1. Impact potential;
2. Paradigm shift potential;
3. Sustainable development potential;
4. Needs of recipient;
5. Country ownership;
6. Efficiency and effectiveness.

GCF Investment Criteria (2)

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) ¹
Impact potential	Potential of the programme/project to contribute to the achievement of the Fund's objectives and result areas	Mitigation impact	Contribution to the shift to low-emission sustainable development pathways	<p>Expected tonnes of carbon dioxide equivalent (t CO₂ eq) to be reduced or avoided (PMF-M Core 1)²</p> <p>Degree to which activity avoids lock-in of long-lived, high-emission infrastructure</p> <p>Expected increase in the number of households with access to low-emission energy</p> <p>Degree to which the programme/project supports the scaling up of low-emission energy in the affected region by addressing key barriers</p> <p>Expected number of MW of low-emission energy capacity installed, generated and/or rehabilitated</p> <p>Expected increase in the number of small, medium and large low-emission power suppliers (PMF-M 6.0 and related indicator(s)), and installed effective capacity</p> <p>Expected decrease in energy intensity of buildings, cities, industries and appliances (PMF-M 7.0 and related indicator(s))</p> <p>Expected increase in the use of low-carbon transport (PMF-M 8.0 and related indicator(s))</p>

GCF Investment Criteria (3)

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) ¹
Paradigm shift potential	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment	Potential for scaling up and replication, and its overall contribution to global low-carbon development pathways being consistent with a temperature increase of less than 2 degrees Celsius (mitigation only)	<p>Innovation</p> <p>Level of contributions to global low-carbon development pathways, consistent with a temperature increase of less than 2 degrees Celsius</p> <p>Potential for expanding the scale and impact of the proposed programme or project (scalability)</p> <p>Potential for exporting key structural elements of the proposed programme or project elsewhere within the same sector as well as to other sectors, regions or countries (replicability)</p>	<p>Opportunities for targeting innovative solutions, new market segments, developing or adopting new technologies, business models, modal shifts and/or processes</p> <p>Expected contributions to global low-carbon development pathways consistent with a temperature increase of less than 2 degrees Celsius as demonstrated through:</p> <p>A theory of change for scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation</p> <p>A theory of change for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries</p>
		Potential for knowledge and learning	Contribution to the creation or strengthening of knowledge, collective learning processes, or institutions	Existence of a monitoring and evaluation plan and a plan for sharing lessons learned so that they can be incorporated within other projects
		Contribution to the creation of an enabling environment	<p>Sustainability of outcomes and results beyond completion of the intervention</p> <p>Market development and transformation</p>	<p>Arrangements that provide for long-term and financially sustainable continuation of relevant outcomes and key relevant activities derived from the project/programme beyond the completion of the intervention</p> <p>Extent to which the project/programme creates new markets and business activities at the local, national or international levels</p>

GCF Investment Criteria (4)

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) ¹
				<p>Degree to which the activity will change incentives for market participants by reducing costs and risks, eliminating barriers to the deployment of low-carbon and climate-resilient solutions</p> <p>Degree to which the proposed activities help to overcome systematic barriers to low-carbon development to catalyse impact beyond the scope of the project or programme</p>
		Contribution to the regulatory framework and policies	Potential for strengthened regulatory frameworks and policies to drive investment in low-emission technologies and activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development	<p>Degree to which the project or programme advances the national/local regulatory or legal frameworks to systemically promote investment in low-emission or climate-resilient development</p> <p>Degree to which the activity shifts incentives in favour of low-carbon and/or climate-resilient development or promotes mainstreaming of climate change considerations into policies and regulatory frameworks and decision-making processes at national, regional and local levels, including private-sector decision-making</p>
		Overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans (adaptation only)	<p>Potential for expanding the proposal's impact without equally increasing its cost base (scalability)</p> <p>Potential for exporting key structural elements of the proposal to other sectors, regions or countries (replicability)</p>	<p>Scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation</p> <p>A theory of change for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries</p> <p>Degree to which the programme or project reduces proposed risks of investment in technologies and strategies that promote climate resilience in developing countries</p>
Sustainable development potential	Wider benefits and priorities	Environmental co-benefits	Expected positive environmental impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Degree to which the project or programme promotes positive environmental externalities such as air quality, soil quality, conservation, biodiversity, etc.

GCF Investment Criteria (5)

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) ¹
		Social co-benefits	Expected positive social and health impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral levels, as appropriate	Potential for externalities in the form of expected improvements, for women and men as relevant, in areas such as health and safety, access to education, improved regulation and/or cultural preservation
		Economic co-benefits	Expected positive economic impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Potential for externalities in the form of expected improvements in areas such as expanded and enhanced job markets, job creation and poverty alleviation for women and men, increased and/or expanded involvement of local industries; increased collaboration between industry and academia; growth of private funds attracted; contribution to an increase in productivity and competitive capacity; improved sector income-generating capacity; contribution to an increase in energy security; change in water supply and agricultural productivity in targeted areas, etc.
		Gender-sensitive development impact	Potential for reduced gender inequalities in climate change impacts and/or equal participation by gender groups in contributing to expected outcomes	Explanation of how the project activities will address the needs of women and men in order to correct prevailing inequalities in climate change vulnerability and risks
Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population	Vulnerability of the country (adaptation only)	Scale and intensity of exposure of people, and/or social or economic assets or capital, to risks derived from climate change	Intensity of exposure to climate risks and the degree of vulnerability, including exposure to slow onset events Size of population and/or social or economic assets or capital of the country exposed to climate change risks and impacts
		Vulnerable groups and gender aspects (adaptation only)	Comparably high vulnerability of the beneficiary groups	Proposed project/programme supports groups that are identified as particularly vulnerable in national climate or development strategies, with relevant sex disaggregation
		Economic and social development level of the country and the affected population	Level of social and economic development of the country and target population	Level of social and economic development (including income level) of the country and target population (e.g. minorities, disabled, elderly, children, female heads of households, indigenous peoples, etc.)

GCF Investment Criteria (6)

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) ¹
		Absence of alternative sources of financing	Opportunities for the Fund to overcome specific barriers to financing	Explanation of the existing barriers that create absence of alternative sources of financing and how they will be addressed
		Need for strengthening institutions and implementation capacity	Opportunities to strengthen institutional and implementation capacity in relevant institutions in the context of the proposal	Potential of the proposed programme or project to strengthen institutional and implementation capacity
Country ownership	Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)	Existence of a national climate strategy	Objectives are in line with priorities in the country's national climate strategy	Programme or project contributes to country's priorities for low-emission and climate-resilient development as identified in national climate strategies or plans, such as nationally appropriate mitigation actions (NAMAs), national adaptation plans (NAPs) or equivalent, and demonstrates alignment with technology needs assessments (TNAs), as appropriate Degree to which the activity is supported by a country's enabling policy and institutional framework, or includes policy or institutional changes
		Coherence with existing policies	Proposed activity is designed in cognizance of other country policies	
		Capacity of accredited entities or executing entities to deliver	Experience and track record of the Accredited Entity or executing entities in key elements of the proposed activity	Proponent demonstrates a consistent track record and relevant experience and expertise in similar or relevant circumstances as described in the proposed project/programme (e.g. sector, type of intervention, technology, etc.)
		Engagement with civil society organizations and other relevant stakeholders	Stakeholder consultations and engagement	Proposal has been developed in consultation with civil society groups and other relevant stakeholders, with particular attention being paid to gender equality, and provides a specific mechanism for their future engagement in accordance with the Fund's environmental and social safeguards and stakeholder consultation guidelines. The proposal places decision-making responsibility with in-country institutions and uses domestic systems to ensure accountability
Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the programme/project	Cost-effectiveness and efficiency regarding financial and non-financial aspects	Financial adequacy and appropriateness of concessionality	Proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers Demonstration that the proposed financial structure provides the least concessionality needed to make the proposal viable

GCF intervention in Energy sector

(as of December 2016)

- Requests
- *Number of funding proposals in results areas related to Energy (Portfolio)*

• Approved

13 projects in 31 countries
(including 3 multi country projects)

Total GCF funding

USD 886.1 million

Total projects 'investments

USD 3,637 million

	Public	Private
Energy access and generation	12%	56%
Energy Efficiency	1%	8%

III. Towards energy paradigm shift through leveraging GCF finance

Leveraging in the GCF context

Example of transformational Investment:

LARGE SCALE Integrated energy efficient / land use / green transport combined intervention;

Requires non-BAU project development and implementation with 30% GHG reduction potential alongside the key **economic corridors**.

- Project Preparation and Scoping / project development potentially leveraging a whole range of institutional and development partners and agencies, such as MDBs, DFIs and SREP.

Implementation – leveraging public and private financial resources:

Public resources – ADB, EBRD and other MDBs / IFIs leveraged by using **their own project development entities and structures**.

Private resources – developers, suppliers (solar PV), and finance are relying on instruments provided by MDBs and donors; **credit and credit enhancement mechanisms** through financial intermediaries; halo effect of MDBs and IFIs is significant and has to be further explored;

Crucial issues are demand-side **conduit structures** (SPVs such as for example development corporations) and **channelling finance intermediary institutions** (supply-side).

Energy transformation

- How the developing countries structure, organize and implement energy services has significant consequences for health, environment, wealth, and social relations opportunities and challenges;
 - How to enhance energy access while simultaneously addressing climate change remains one of the central questions of the green energy transformation pathways;
 - Low carbon technology transfer dialogue perpetuates expectations about technology providing solutions to energy and development challenges.
- In the context of sustainable energy, highly relevant GCF result areas are energy access and power generation, increased resilience of most vulnerable people and communities, infrastructure and built environment;
 - GCF investments support reduced emissions pathways through a consequent focus on a variety of low emission energy access and low carbon energy generation projects.



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