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How can Bangladesh's private sector engage with the Green Climate Fund? : toolkit for Bangladesh

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How can Bangladesh's private sector engage with the Green Climate Fund?

Toolkit for Bangladesh

Neha Rai, Iftekhar Hossain, Marek Soanes, Virginie Fayolle, Naznin Nasir, Yousuf Mahid

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ACCLIMATISE building climate resilience
ICCCAD International Centre for Climate Change and Development at Independent University, Bangladesh in partnership with BCAS and IIED

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Working in collaboration with partner organisations and individuals in developing countries, the Climate Change Group has been leading the field on adaptation to climate change issues.

Partner organisation

Economic Relations Division (ERD) is one of the four divisions of the Ministry of Finance, government of the People's Republic of Bangladesh. ERD has been appointed as the national designated authority to access the Green Climate Fund in Bangladesh.

The Climate and Development Knowledge Network (CDKN) aims to help decision makers in developing countries design and deliver climate compatible development. It provides demand-led research and technical assistance, channelling the best available knowledge on climate change and development to support policy processes at the country level.

Acclimatise is a specialist consulting, communications and digital application company providing world-class expertise in climate change adaptation and risk management.

International Centre for Climate Change and Development (ICCCAD) is a research institute based in Dhaka, Bangladesh.

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Acronyms

BCCSAP	Bangladesh Climate Change Strategic Action Plan
CDKN	Climate and Development Knowledge Network
CSO	civil society organisations
DoE	Department of Environment
DPP	Development Project Proposal
ECNEC	Executive Committee of the National Economic Council
EE	executing entities
ERD	Economic Relations Division (Bangladesh Ministry of Finance)
ESMS	environmental and social management system
ESS	environmental and social safeguards
GCF	Green Climate Fund
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDCOL	Infrastructure Development Company Ltd
IMED	Implementation Monitoring and Evaluation Division
IFC	International Finance Corporation
ITAP	Independent Technical Advisory Panel
LDCs	Least Developed Countries
MIE	multilateral implementing entity
MOEF	Ministry of Environment and Forests
MSME	micro, small and medium-sized enterprises
NDA	national designated authority
NDC	nationally determined contributions
NIE	national implementing entity
OAS	online accreditation system
PC	Planning Commission
PDPP	Preliminary Development Project Proposal
PEC	Project Evaluation Committee
PKSF	Palli Karma-Sahayak Foundation
PPF	Project Preparation Facility
PS	performance standard
PSAG	Private Sector Advisory Group
PSF	Private Sector Facility
RFP	request for proposal
RIE	regional implementing entity
SIDS	Small Island Developing States

Summary

The Green Climate Fund (GCF) helps developing countries achieve their ambition for low-carbon resilient development. Although Bangladesh's private sector has shown interest in seizing the opportunities offered, it lacks the knowledge to access the fund.

Commissioned through DFID's Bangladesh learning hub grant and the Climate and Development Knowledge Network's 'Building readiness of the private sector in Bangladesh for GCF accreditation' project, this toolkit provides basic facts about the GCF and information on how to access it, engage with it through the Private Sector Facility (PSF) and the readiness support available.

It is designed for use by commercial banks, micro, small and medium-sized enterprises (MSMEs), suppliers and manufactures or investors that want to channel and manage GCF funds towards climate-relevant projects and programmes, or develop and implement projects themselves.

The PSF's design and programming is a work in progress and many documents are pending on board decisions. This toolkit compiles PSF modalities up to June 2016. While using the toolkit, users should bear in mind that the mechanisms are likely to evolve in the future.

What is the GCF?

The GCF is a financial mechanism that aims to help developing countries respond to climate change by investing in low-carbon resilient development. By May 2016, it had raised US$10.2 billion in pledges from 42 governments for projects and programmes.

Countries can access GCF funds through three funding windows: adaptation, mitigation and the PSF. The latter seeks to engage the private sector stakeholders in responding to climate change impacts and will work with a range of stakeholders to address market failures that prevent the private sector investors from engaging in risky climate-relevant projects in developing countries.

GCF funds are available for investment in three main areas: building country readiness to manage or deliver funds; climate-related programmes or projects; and leveraging private sector investments in responding to climate change.

How does it work?

Countries can access funding through two channels. International is indirectly through a multilateral/international implementing entity or an intermediary. The former are

legally accredited entities that act as a country's fund programme (grant)manager. Intermediaries administer grants and loans while blending funds with their own.

Each country has a national designated authority (NDA): a focal point that plays a key role in mobilising GCF financing. The role of an NDA includes: strategic oversight of a country's priorities; convening national stakeholders; nominating entities for accreditation; and approving readiness support.

To access the GCF directly, countries need accredited national implementing agencies (NIEs). These can be line ministries, development banks, financial intermediaries or climate funds. A country can select any number of NIEs to access, manage and distribute GCF funding. With its own NIEs, a country can avoid multilateral agencies, increasing ownership over projects and improving institutional capacity for climate fund management.

Executing entities (EEs) carry out the projects or programmes. They access GCF funds indirectly through an accredited implementing agency.

The GCF's fit-for-purpose accreditation approach is designed to engage a wide range of entities with different levels of capacity. Applicants can qualify for different levels of accreditation, depending on their track record of fiduciary, environment and social standards.

Who's who in Bangladesh

Bangladesh's NDA is the Ministry of Finance's Economic Relations Division (ERD). As the GCF focal agency and point of contact, it develops work programmes and oversees proposals.

Of the wide range of potential NIEs in Bangladesh, the Infrastructure Development Company Ltd (IDCOL), Palli Karma-Sahayak Foundation (PKSF) and Department of Environment (DoE) have lodged accreditation applications. Another two entities are at earlier stages of the application process. At the time of going to press, none had received GCF accreditation.

Support for the private sector

Through the PSF, the GCF will allocate a significant proportion of resources to the private sector, mobilising funding at scale from institutional investors and working with local private sectors in developing counties through the MSME support programme. It has set aside up to US$200 million for the MSME programme, with a cap of US$65 million each for Africa, Latin America and Asia. MSME support activities could include an ecosystem approach that would allow organisations to become established or expand and a staged finance model to build a pipeline of bankable projects (GCF 2016a).

How can Bangladesh's private sector access GCF funds?

In Bangladesh, commercial banks, other financial intermediaries, MSMEs, businesses and large conglomerates interested in investing in climate-relevant goods and services can apply for GCF funds, either as NIE or implementing projects as an executing entity.

Getting accreditation as an NIE

The ERD identifies and nominates national entities for accreditation. Any subnational, national, regional, public or private agency can apply to become an accredited entity, provided it has: legal status; an institutional system with robust policies; procedures and guidelines; a track record of fiduciary, environment and social standards; and a gender policy. Before applying for accreditation, applicants should undertake a self-assessment exercise (see Appendix 2) to understand the minimum requirements.

Once accreditated, NIEs can respond to requests for proposals (RFPs), specifying how they will both work with MSMEs and monitor results to ensure climate impacts. Accredited agencies will need to: develop and submit funding proposals for projects and programmes; oversee project and programme management and implementation; deploy a range of financial instruments; and mobilise private sector capital.

Access as executing entities

The Bangladeshi private sector can also become executing entities, submitting spontaneous proposals to – or responding to RFPs through – an accredited entity. There are eight strategic impact areas for potential adaptation and mitigation projects and programmes, including livelihoods, health, infrastructure, energy and land use. When choosing who to work with, executing entities should consider the accredited entities' portfolio of working with MSMEs in Least Developed Countries and whether they have previously worked in Bangladesh.

The GCF reviews and scores each proposal against programme evaluation and maximum impact criteria, gauging the strength of proposals against their ability to demonstrate positive impacts across a range of local and systemic activities. The scorecard in Appendix 3 will help toolkit users understand this process.

Readiness and capacity support

The GCF secretariat has designed a country readiness programme to give developing countries up to US$1 million a year to access and deploy resources from the fund. Although the programme does not offer dedicated funding support to build the private sector's capacity to engage with GCF, it will help businesses access information about the accreditation process, submit proposals to RFPs and carry out concept planning.

Public and private accredited entities seeking to access GCF funds can also get capacity support from the Project Preparation Facility (PPF) for pre-feasibility and feasibility studies, risk assessments and other project preparation activities.

Get in touch

To discuss which avenue suits your organisation, or for further information or guidance on accessing the GCF, please contact the NDA of Bangladesh (ERD) directly through:

Mohammad Mejbahuddin secretary@erd.gov.bd or mejbah_uddin@yahoo.com

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1. Introduction

The Green Climate Fund (GCF), the world's largest climate fund, is designed to help developing countries achieve their ambition for low-carbon resilient development. Countries can access GCF financing through three funding windows: adaptation, mitigation and the private sector facility.

The GCF's private sector facility (PSF) seeks to engage the private sector stakeholders – including investors, commercial banks, corporations and micro, small and medium-sized enterprises (MSMEs) – in responding to climate change related challenges. The PSF will work with a range of stakeholders to address market failures that inhibit private sector investors to engage in risky climate-relevant projects in developing countries.

As the PSF evolves and takes shape, this toolkit aims to guide and acquaint Bangladesh's private sector with the different mechanisms through which they can access and engage with the Green Climate Fund. It can be used by commercial banks, MSMEs, suppliers and manufactures or investors that aim to channel GCF funds towards, or execute, climate-relevant projects and programmes.

The toolkit provides a snapshot of GCF processes and procedures to help private sector entities understand the concepts and relevant standards of both PSF and GCF. It also answers some frequently asked questions related to the opportunities that they offer. It was commissioned through the DFID Bangladesh's learning hub grant and the Climate and Development Knowledge Network (CDKN)'s 'Building readiness of the private sector in Bangladesh for GCF accreditation' project.

One of the aims of the project is also to assess the institutional capacities of shortlisted organisations in Bangladesh that could either implement GCF projects as executing entities (EEs) or seek GCF accreditation as national implementing entities (NIEs). The toolkit's ultimate objective is helping selected private entities and the wider private sector engage with the GCF. To this end, it will help acquaint the entities that are screened and shortlisted during the process with the following:

1. **Basic facts about the GCF:**

- How many resources exist in the fund?
- How can Bangladesh access the GCF?
- What are the roles of different actors?
- How does GCF support the private sector to engage in climate-relevant actions?

2. **Ways to access the GCF and engage with it through the PSF:**

- How can private sector entities implement GCF projects as executing entities?
- How can they seek GCF accreditation as NIEs?

3. **Readiness support available for the private sector in Bangladesh**

- How can the private sector build its capacity to get accredited?
- How can it develop project pipelines for GCF funding?

Limitations of the document

The PSF's design and programming is work in progress and many documents related to its design remain pending on board decisions. This toolkit compiles the PSF modalities as proposed by the GCF secretariat until its thirteenth board meeting in June 2016. While using the toolkit, private sector stakeholders should bear in mind that the mechanisms are quite likely to evolve in the near future.

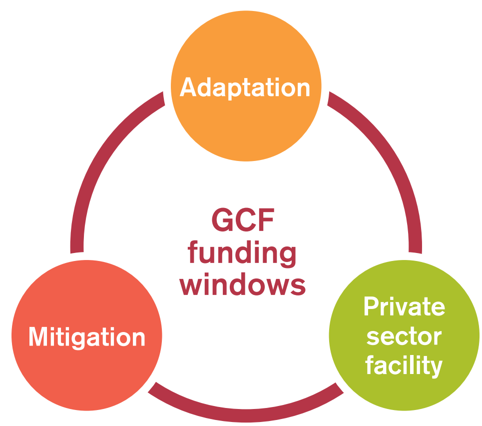
Also, although the PSF is mandated to support local MSMEs and mobilise institutional investors to invest in climate change actions, the latter has taken a relatively longer time to take shape. So this document has a heavier focus on guiding Bangladesh's private sector on how to access the GCF's MSME support programme, for which the thirteenth board meeting in Songdo approved a request for proposal (RFP) framework in June 2016.

2. Basic facts about the Green Climate Fund

The GCF, a financial mechanism established within the United Nations Framework Convention for Climate Change, is the operating entity for implementing the 2015 Paris Agreement. It was established through an agreement by 194 member countries at the 16th Conference of Parties in 2010 under the Cancun Agreement to help developing countries respond to climate change by investing in low-carbon resilient development.

The fund is expected to make a significant contribution to delivering the global objective of providing US$100 billion in climate finance per year from public and private sources by 2020. Figure 1 illustrates the three funding windows countries can access GCF funds through: adaptation, mitigation and the PSF.

Figure 1. GCF funding windows

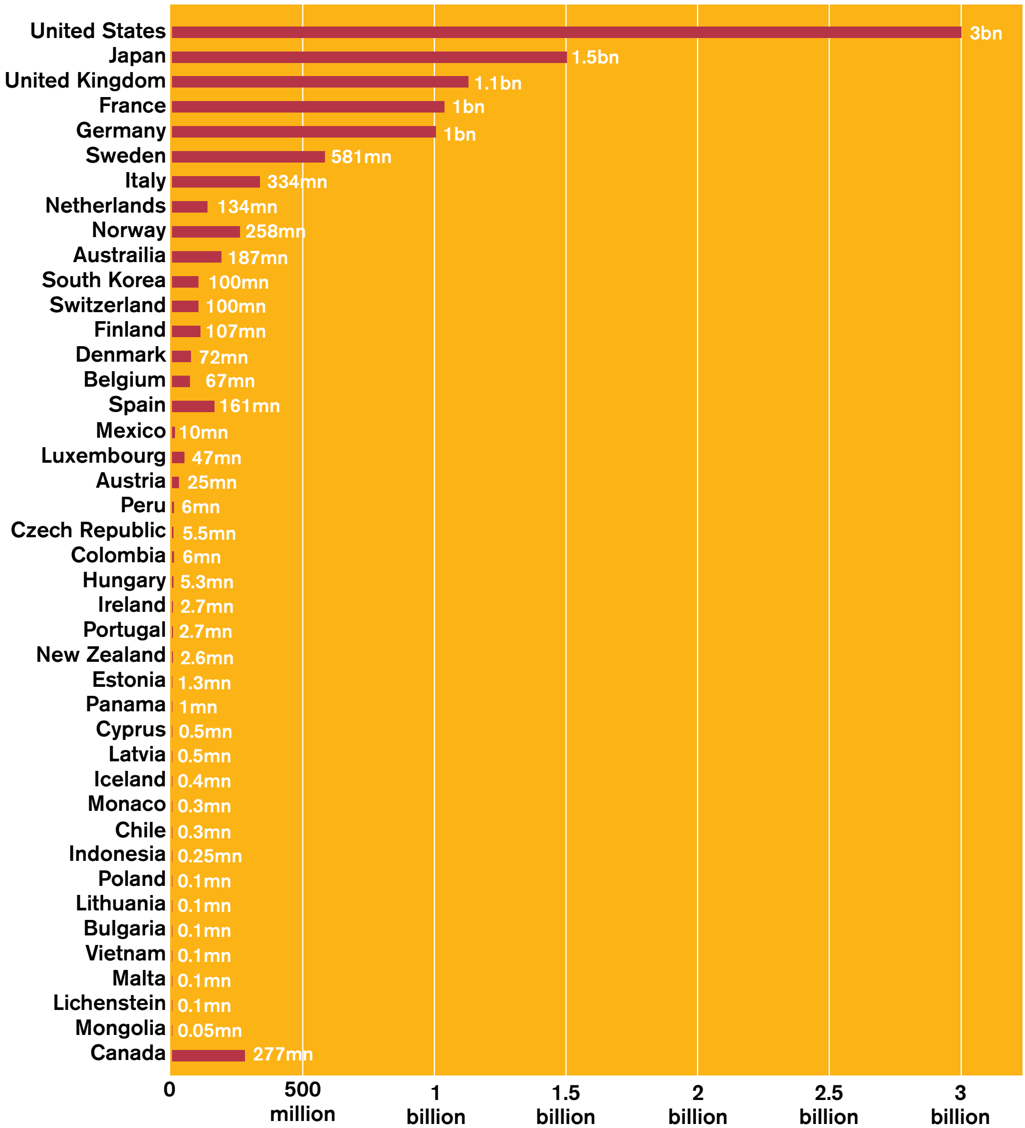


(Rai and Soanes 2015)

2.1 Total resources available

As of May 2016, the GCF has raised US$10.2 billion in pledges from 42 state governments for projects and programmes (see Figure 2). The Unites States, Japan, United Kingdom, France and Germany are the top five contributors. Eight developing country governments – including Mexico, Peru, Colombia, Mongolia and Indonesia – have also committed funds. The majority of funds committed so far are in the form of grants.

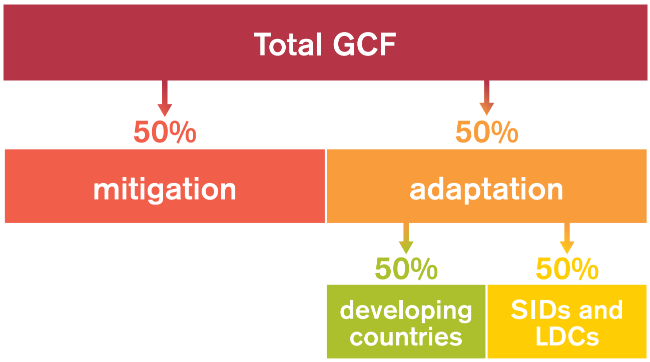
Figure 2. Pledged resources



Source: GCF (2016d)

At its sixth board meeting in Bali in 2014, the GCF agreed to balance its allocation between adaptation and mitigation. It expects to allocate nearly half of the adaptation pool to Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African states (see Figure 3).

Figure 3. GCF's 50:50 allocations



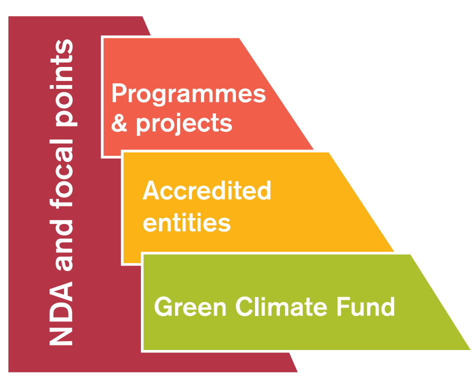
2.2 How can Bangladesh access available funding?

Bangladesh can access finance through multiple entities – international, regional, national, subnational, public, private or non-governmental institutions – which must first seek accreditation from the GCF, as well as a range of other entities that steer and channel the GCF process within a country. These are:

A **national designated authority (NDA):** The focal agency and GCF point of contact, the NDA develops work programmes and oversees proposals. In Bangladesh, this is the Ministry of Finance's Economic Relations Division (ERD).

- **Implementing accredited entities:** These legally accredited entities act as a country's fund programme managers (grants) and can be:
  - National (NIEs) such as national ministries or development banks
  - Multilateral (MIEs): development banks and UN agencies
  - Regional (RIEs): development banks and institutions, or
  - Private sector: supported by PSF, such as commercial banks.
- **Intermediaries:** These have a broader scope than implementing entities and are expected to administer grants and loans while blending funds with their own.
- **Executing entities:** These have implementation responsibilities.

Figure 4. Architecture of the GCF



Countries can access funding through two distinct channels – international and direct access. International access can be through an accredited MIE – including UN agencies such as the United Nations Development Programme, multilateral development banks or international non-governmental organisations – or through a private sector entity. By March 2016, the GCF had accredited 33 entities worldwide, through which countries can access GCF funding. Almost 60 per cent were international organisations. Of the nine accredited NIEs, three were from LDCs (Rai and Norton 2016).

To access the GCF directly, countries need to have some accredited NIEs. These can be line ministries, development banks, financial intermediaries and climate funds. The country can select any number of NIEs to access, manage and distribute GCF funding, and does not have to go through any multilateral agencies. This approach is expected to increase country ownership over funded projects and improve institutional capacity for climate fund management.

By October 2015, stakeholder consultations, self-assessments, workshops and consultation with expert opinions (including the GCF) had helped identify a wide range of potential NIEs in Bangladesh, including:

- Central Bank of Bangladesh
- Bangladesh Climate Change Trust
- Department of Environment (DoE)
- Local Government Engineering Department
- Infrastructure Development Company Ltd (IDCOL), and
- Palli Karma-Sahayak Foundation (PKSF) (Rai and Soanes 2015).

By mid-July 2016, IDCOL, PKSF and DoE had lodged accreditation applications to the GCF; the other two potential NIEs on the list above were at different stages of filling their applications. None had received GCF accreditation.

2.3 What is the role of a national designated authority?

An NDA is a country's focal point for engaging with the fund and plays a key role in supporting the mobilisation of GCF financing in the country. The role of an NDA includes:

- Strategic oversight of a country's priorities
- Convening national stakeholders
- Providing nomination letters for the accreditation of NIEs
- Providing no-objection letters for projects and programmes, and
- Approving readiness support.

2.4 How can a national entity get accredited to access funds directly?

The ERD will identify and nominate national entities for accreditation as implementing entities, so they can directly access GCF finance. To gain accreditation, entities have to demonstrate the ability to manage the fund's resources and follow the standards and criteria set out by the GCF. A team of experts from the GCF's accreditation panel independently reviews each application to assess whether the applicant meets the fund's fiduciary standards and environmental and social safeguards and complies with its gender policy. For more details on this process, see Section 3.1.

2.4.1 Fit-for-purpose accreditation

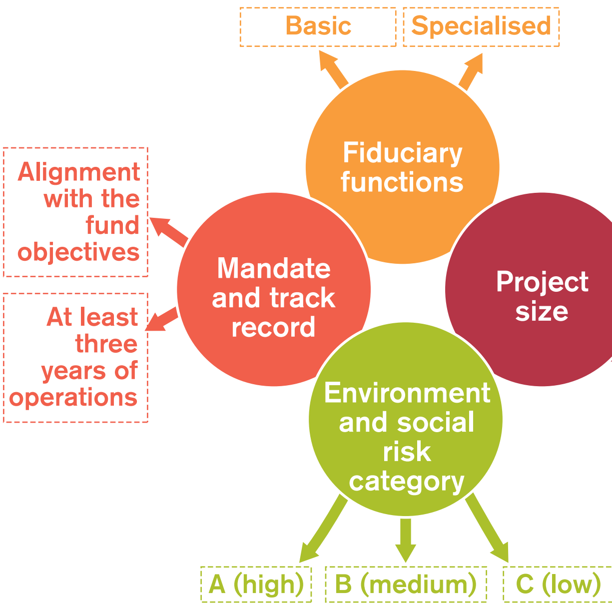
GCF's innovative fit-for-purpose accreditation approach is designed to engage a wide range of entities with different levels of capacity. Applicants can qualify for different levels of accreditation, depending on their ability to demonstrate a track record of fiduciary, environment and social standards. This tiered approach avoids an unnecessarily long and burdensome accreditation process and classifies applicant entities according to the intended scale, nature and risks of their proposed activities.

Table 1 and Figure 5 show the four main yardsticks the fit-for-purpose approach uses to accredit entities.

Table 1. Fit-for-purpose approach to accreditation

FIDUCIARY FUNCTIONS	SIZE OF PROJECT/ACTIVITY WITHIN A PROGRAMME	ENVIRONMENTAL AND SOCIAL RISK CATEGORY
Shapes how the entity will operate using the fund's resources – for example, grants, concessional loans, equity or guarantees	Micro: US$0–10 million Small: US$10–50 million Medium: US$50–250 million Large: US$>250 million	A: high risk/intermediation 1 B: medium risk/intermediation 2 C: low to no risk/intermediation 3

Figure 5. Fit-for-purpose accreditation



Source: Parthan (2016)

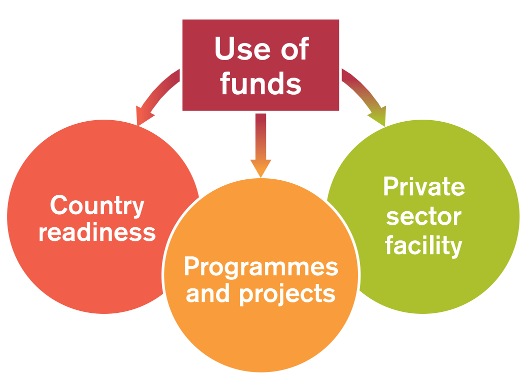
2.5 What support is available to the private sector?

Bangladesh can access GCF funds for investment in three main areas (see Figure 6):

Building government readiness support to manage or deliver funds: Readiness support can help an NDA build its own and implementing entities' capacity, develop strategic frameworks, support NIE accreditation and develop project pipelines. See Section 4 for more details about the GCF's readiness support function and its relevance to the private sector.

Climate-related programmes and projects: Entities can access funding for projects and programmes that focus on adaptation, mitigation as well as cross-cutting areas. GCF encourages resources for capacity development, technology development and technology transfer as well as innovative and replicable approaches.

Figure 6. Areas for funding



Leveraging private sector investments in responding to climate change: The PSF aims to enhance private sector-led adaptation and mitigation activities at the national, regional and international levels. It has a primary focus on local MSMEs and local financial intermediaries, particularly supporting private sector involvement in SIDS and LDCs.

For LDCs like Bangladesh, which are vulnerable to climate change, attracting private sector investment to climate actions is an enormous challenge. Developed countries have seen a boom in emission cutting and energy efficiency businesses (mitigation) in recent years. But developing countries predominantly need to invest in adaptation; and with its relatively low investment returns, it is largely considered to be better suited for public – rather than private – investments. Add to this other market failures, insufficient capacity and a lack of awareness and the potential opportunities for private investment on climate actions in developing countries remains unexplored.

To address these barriers and prevent developing countries from investment marginalisation, the GCF established the PSF, a dedicated financial window to mobilise and channel private capital and expertise at scale according to national plans and priorities. The PSF is a mainstream component of the fund and GCF will allocate a significant proportion of its resources through the PSF.

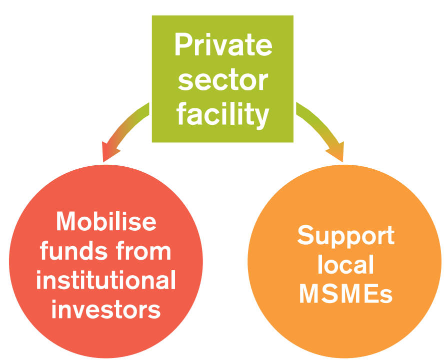
The fund will seek to make the best investments available with the least possible concessionality (Parthan 2016). For example, the fund will support high-risk climate-related investments that require high upfront capital and are unable to generate sufficient revenues by buying down upfront costs, easing cash flows and developing higher risk tolerance. Some priority areas where the GCF is likely to seek private sector investment are:

- On- and off-grid low emission energy
- Public transport
- Waste and water management
- Energy-smart building companies and cities
- Agriculture, and
- Forestry.

The PSF will work with all stakeholders to address market failures that hinder private sector investment.

Assisted by the Private Sector Advisory Group (PSAG), the PSF focuses primarily on two dimensions (see Figure 7): exploring potential approaches to mobilise funding at scale from institutional investors and working with local private sector entities, including MSMEs (Smith and Rai 2015). We discuss these approaches in more detail in the following sections.

Figure 7: Support offered by the PSF



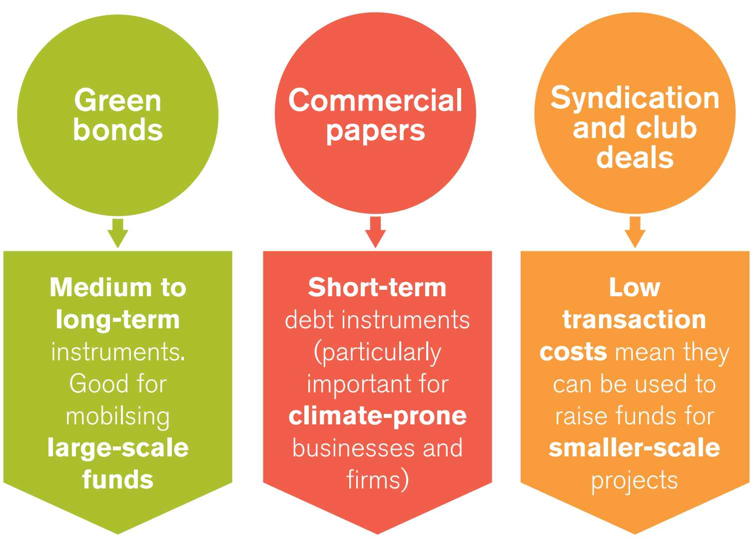
Source: Smith and Rai (2015)

2.5.1 Mobilising funds from institutional investors

Because countries will need large amounts of finance for climate mitigation and adaptation, the GCF has to raise a significant proportion of additional funds. So the secretariat is working with the accreditation committee to identify suitable entities – commercial banks, investment funds, insurance companies, pension funds and sovereign wealth funds – that can mobilise funds at scale. The GCF will develop a range of products to engage these institutional investors. Figure 8 and section below shows the range of products for climate-related actions the GCF is likely to develop for these investors to harness (Smith and Rai 2015):

- **Green Bonds:** These are fixed-income liquid financial instruments that require long-term capital commitment by private sector investors.
- **Commercial papers:** These are unsecured, short-term debt instrument that can be seen as discounted promissory note issued to finance short-term credit needs. They are particularly well suited to mobilising funds at scale from banks and from high-net worth individuals who are familiar with a local project and/ or programme.
- **Syndication and club deals:** Syndications are illiquid instruments that are subject to much lower regulatory or licensing hurdles than commercial papers and bonds. They incur minimal transaction costs and can be used to crowd in private sector funding to smaller-scale projects.

Figure 8. Types of financial product



Source: GCF (2015c)

The GCF receives spontaneous, ad hoc proposals for private sector activity to support mobilising funds at scale. But the large scale of climate-related investments needed means the PSAG feels it is important to take a more proactive approach to speed up the involvement of institutional investors (GCF 2015). The GCF's governance arrangements and inadequate investment track record means it is unlikely to issue green bonds, and investors are unlikely to invest in them (Amin 2015). The secretariat is considering a recent PSAG suggestion that the board issue a call for proposals for a mechanism to mobilise private sector finance for the country-level project pipeline.

2.5.2 Working with local MSMEs

The second approach is more targeted towards harnessing GCF money to work with local private sector entities such as MSMEs in developing counties (GCF 2015d). The GCF's MSME component has evolved faster than the institutional investment component: in June 2016, it established a programmatic framework for engaging with MSMEs (GCF 2016a).[1] The PSF will request proposals from all accredited MIEs and NIEs.

An MSME pilot programme can channel concessional resources to improve access to finance through accredited entities. Such resources could be useful when applied in the context of financing supply chains or terms of trade. The fund will issue an RFP to entities that are able to demonstrate:

- A track record of successfully working with and financing MSMEs
- The ability to monitor the results achieved through the MSME pilot programme, and
- The ability to use fund resources to create a significant climate impact.

The GCF has set aside up to US$200 million for the MSME RFP programme over the initial resource mobilisation period. To diversify and balance the MSME portfolio programme, the GCF secretariat has capped US$65 million per geographic region for Africa, Latin America and Asia. The initial phase of the RFP programme (up to US$100 million) aims to support proposals from a diversity of regions, sectors and implementing entities. To prevent the high transaction costs of financing individual companies, an approach that finances a pool of companies will be the most suitable. Examples of the type of MSME support activities implementing entities can propose for this initial phase include:

- An ecosystem approach that would allow organisations to become established or expand – for example, an incubator or accelerator that provides technical and strategic support
- A staged finance model to build a pipeline of bankable projects, and
- Innovation funds (GCF 2016a).

1 The MSME programmatic framework is further explained in Section 3.2

2.5.3 Instruments offered through the MSME programme

MSMEs need a range of instruments to overcome the different barriers to affordable finance they face at different stages of their growth cycle. For example, in the early stages, when the supply of cash is uncertain and it is difficult to access bank credit, they need equity. At other times, they may need guarantees, loans or technical assistance grants. Table 2 illustrates the range of financial instruments available to MSMEs.

In Section 3.2, we discuss further details on the eligibility requirements and modalities the private sector in Bangladesh needs to meet before it can respond to RFPs and submit proposals to access finance.

Table 2. Instruments offered by the MSME programme

INSTRUMENT	FUNCTION
Grant	Promotes investment in activities that often remained unfunded through mainstream financial channels, such as: • Energy efficient lighting, building and refrigerator technologies • Adaptation activities to alleviate disruptions to business from climate change in climate-vulnerable areas • Changing behaviour towards pollution, energy and water use • Gender equality, and • Opportunities for indigenous populations
Debt/ concessional loans	Provides liquidity or absorb high upfront cost of loans
Equity	Nurtures a project in its early stages until it is commercially viable
Guarantees	Mitigates risks and crowding in private sector investors

Source: GCF (2016a)

3. How can the private sector in Bangladesh access the GCF?

Bangladeshi businesses can access the GCF in two ways: by becoming accredited as an NIE or by implementing projects as an executing entity through an accredited NIE or MIE (see Figure 9).

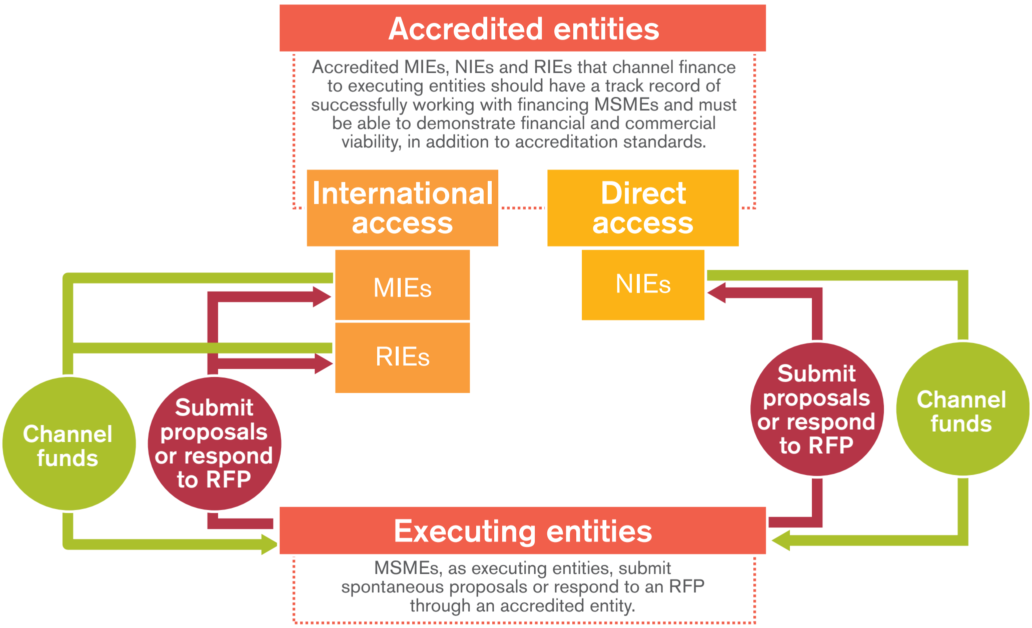
3.1 Direct access by seeking accreditation as an NIE

In this section we discuss how private sector entities can get accredited to access the GCF directly. Accreditation is the process through which the GCF selects the institutions that will funnel and implement its funds. These accredited entities will manage and oversee project implementation within the country.

Bangladesh's NDA – the ERD – identifies and nominates national entities for accreditation. To gain accreditation, which will give them direct access to GCF finance, entities have to meet certain GCF criteria and demonstrate the ability to manage the fund's resources and follow GCF standards. The GCF accreditation panel reviews all applications to assess whether the applicant meets the fund's fiduciary standards and environmental and social safeguards (ESS) and complies with its gender policy.

Once an implementing entity gets GCF accreditation, it can respond to RFPs by submitting MSME pilot programme

Figure 9. Private sector engagement with the GCF



proposals. They would have to specify how they will work with MSMEs as executing entities and how they will monitor results to ensure climate impacts. The primary role of any accredited implementing agencies will be to:

- Develop and submit funding proposals for projects and programmes
- Oversee project and programme management and implementation
- Deploy a range of financial instruments – including grants, concessional loans, equity and guarantees – and
- Mobilise private sector capital.

3.1.1 Criteria for accreditation

Any subnational, national, regional, public or private agency can apply to become an accredited implementing entity, provided it has legal status and an institutional system with robust policies, procedures and guidelines. It must also be able to demonstrate a track record of fiduciary, environment and social standards.

The fiduciary criteria stipulates that an NIE must be capable of identifying, preparing, submitting and implementing funding proposals for projects and programmes in line with national climate change mitigation and adaptation needs. The five basic elements each NIE must have are:

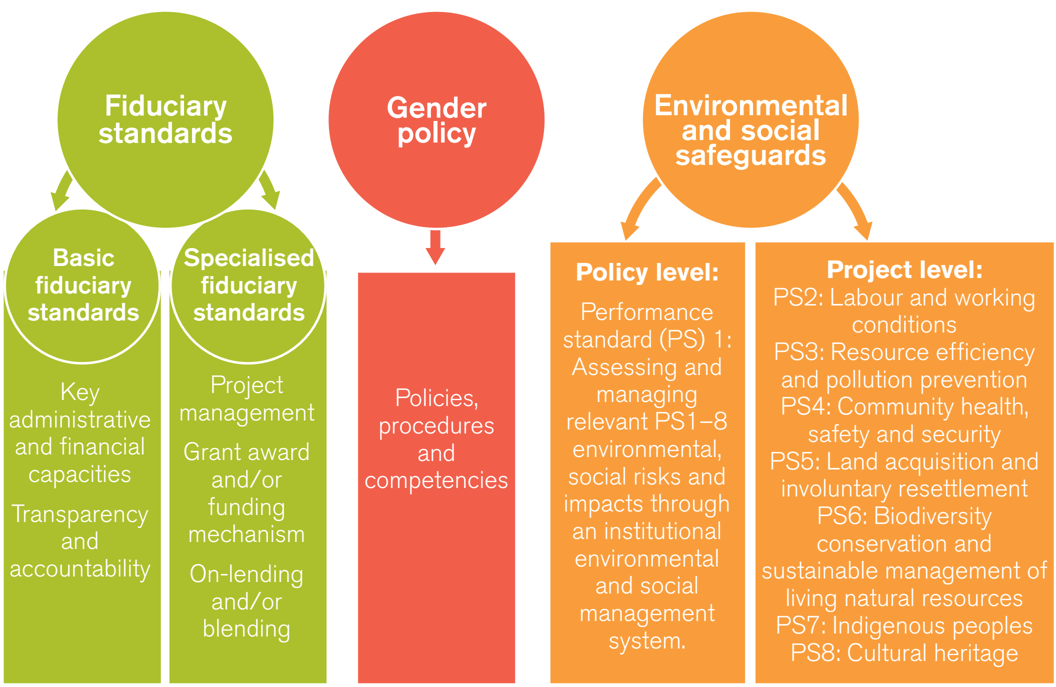
- Core financial and administrative functions
- Good governance
- Procurement processes and systems
- Transparency and integrity, and
- Project cycle management.

These fiduciary standards were based on Global Environment Facility, Adaptation Fund and European Union's Directorate-General for International Cooperation and Development standards and other best practice from the multilateral development banks. There are two types of fiduciary standard – basic and specialised – as illustrated in Figure 10.

Basic fiduciary criteria

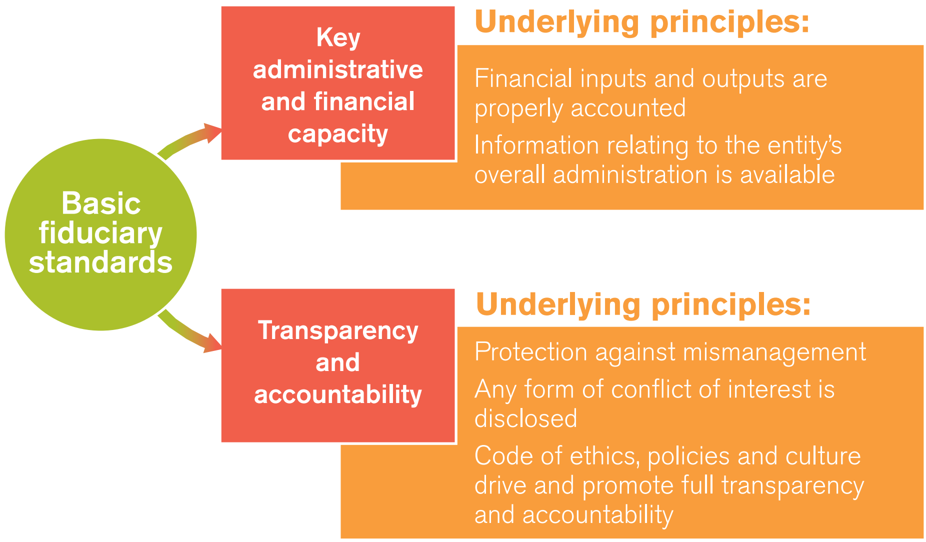
As a minimum, entities have to fulfil some basic fiduciary standards, providing evidence of key administrative and financial capabilities as well as transparency and accountability within their own organisation (see Figure 11). But those that are accredited for basic standards can only access funds for micro or small-scale projects with low environmental and social risks (according to the fit-for-purpose criteria).

Figure 10. GCF fiduciary standards, ESS and gender policy for accreditation



Source: GCF (2016b)

Figure 11. Basic fiduciary criteria



Source: GCF (2015a)

Key administrative and financial capacity: Prospective entities, whether private or public, have to demonstrate general management and administrative capacities. These refer to the overall governance and oversight structures that formally define roles, responsibilities and assigned authority for each functional area and individual in an organisation. To demonstrate key financial and administration capacities, the entity must provide evidence of:

- General management and administrative capacities
- Financial management and accounting
- Internal and external audit
- Control frameworks, and
- Procurement.

Transparency and accountability: Prospective entities must also be able to demonstrate transparency and accountability within their own organisations and in past and future projects and/or programmes through organisational policies, procedures, systems and approaches as protection against mismanagement, fraud, corruption and wasteful practices. The entity must provide evidence of consistency in the following general capacities:

- Code of ethics
- Organisational policies
- Disclosure of interests
- Financial mismanagement prevention
- Investigations, and
- Anti-money laundering and anti-terrorist financing policies.

Specialised fiduciary standards

Depending on the nature and scope of their mandate within the fund's operations, an entity must meet GCF's specialised criteria to qualify for advanced activities (GCF 2015a). This includes providing evidence of project management; grant award mechanisms and experience in on-lending and blending (see Figure 12).

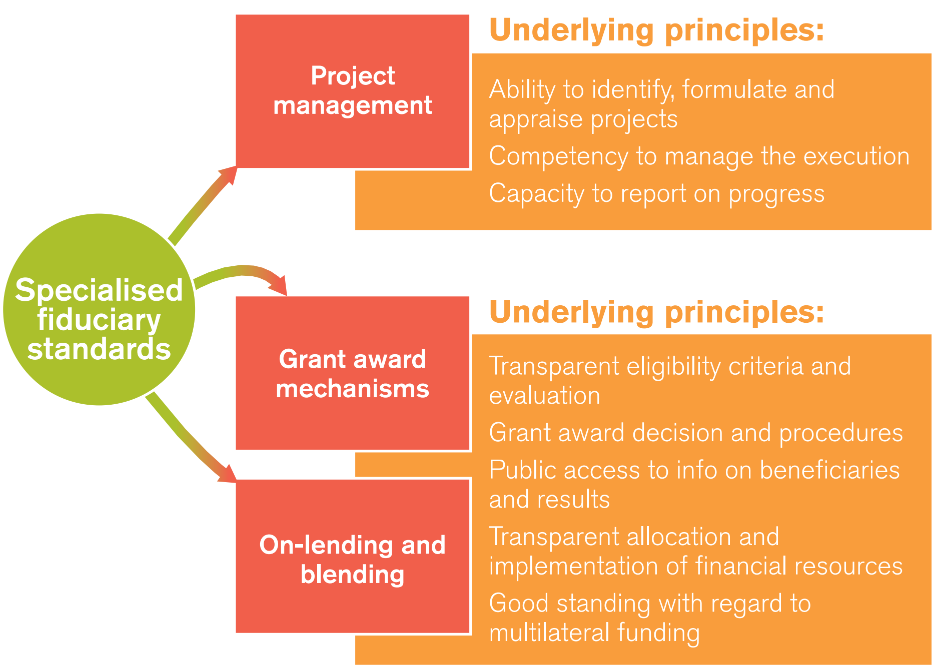
Project management: The entity must provide evidence from past projects to show it has the ability to identify, formulate and appraise projects and/or programmes, manage and oversee the execution of funding proposals approved by the GCF and subsequently manage executing entities and/or project sponsors. This will ensure it implements projects in line with fund requirements and national priorities, and reports on progress transparently and consistently. The entity must also provide evidence of consistency in the following general capacities:

- Project identification, preparation and appraisal
- Project oversight and control
- Monitoring and evaluation, and
- Project risk management capabilities.

Grant award mechanism: To demonstrate specialised fiduciary standards, entities should also give evidence of their capacities to award and manage grants transparently, by showing their capacity for:

- Well developed grant award procedures

Figure 12. Specialised fiduciary standards



Source: GCF (2015a)

- Transparent eligibility criteria and evaluation systems to assess the grantees
- Systems for transparent allocation and implementation of financial resources, and
- Public access to information on beneficiaries and results.

On-lending and blending:
Intermediaries and implementing entities wishing to lend on or blend funds will have to show additional specialised criteria for using these financial instruments. For on-lending, entities may need to show evidence of:

- Appropriate registration and/or license from a national or international financial oversight body or regulator
- Track record, institutional experience and existing arrangements and capacities for on-lending and blending with other international or multilateral resources
- Creditworthiness in on-lending or blending
- Due diligence policies, processes and procedures
- Financial resource management, including lending portfolio analysis
- Public access to information on beneficiaries and results
- Investment management, policies and systems, including in relation to portfolio management
- Capacity to channel funds transparently and effectively
- Capacity to transfer the GCF's funding advantages to final beneficiaries
- Financial risk management, including asset liability management, and
- Governance and organisational arrangements, including relationships between the entity's treasury function and the operational side.

Intermediaries or implementing entities that blend grant awards may have to show evidence of clear procedures around grant award rules that the implementing partner is required to apply or – for those that uses their own rules – that the minimum requirements are satisfactory.

Environmental and social standards

The GCF has adopted the International Finance Corporation's eight performance standards (see Figure 10) through a modular, scaled, risk-based approach to all GCF-funded activities. Applicant entities are expected to develop an environmental and social management system (ESMS) to consistently implement PS1–8 (see Figure 10). The system should include:

- A policy
- A process to identify risks and impacts consistent with PS1–8
- A management programme for mitigation measures and actions that stem from risks and impacts
- An identification process consistent with PS1–8
- Organisational capacity and competencies to properly implement PS1–8
- A monitoring and review programme to ensure completion of mitigation actions, which should facilitate learning and include reporting on the effectiveness of the ESMS, and

- An external communication channel that facilitates receipt of and response to external inquires.

Gender policy

The entity must be able to demonstrate competent policies and procedures enabling it to implement the GCF's gender policy, with evidence of non-discriminatory practice from past projects. It is not enough to rely on national regulation; the entity must create its own gender policy which falls in line with GCF policy.

3.1.2 Stages of accreditation

Figure 13 illustrates the three stages of accreditation. Each has several steps that prospective entities need to follow. But before entering the three-staged accreditation process, potential entities must consider some key questions. They will need to undertake a self-assessment exercise (see Appendix 2) to understand the minimum requirements for accreditation to receive GCF funding. GIZ, in collaboration with World Resource Institute, has developed an online self-assessment, and we encourage private sector entities to use it in the project's institutional assessment phase.

Stage 1: Pre-accreditation

The first stage has five steps:

1. NDA (ERD, in the case of Bangladesh) confirms nomination of the NIE and provides a nomination letter.
2. Prospective NIE requests an online accreditation system (OAS) account from the GCF secretariat via accreditation@gcfund.org
3. Prospective NIE submits the completed application through the OAS.
4. Prospective NIE pays accreditation fees.
5. GCF secretariat carries out institutional assessment and completeness check.

Figure 14 shows how private sector entities can receive a nomination letter for GCF accreditation from NDA Secretariat.

We will focus on Step 5 –interactive institutional assessments –as the others are self-explanatory. The GCF secretariat conducts an institutional assessment based on submitted materials to ensure applications contain all the necessary information and comply with criteria such as legal status and mandate, institutional track record and alignment with GCF

Figure 13: Stages in the accreditation process

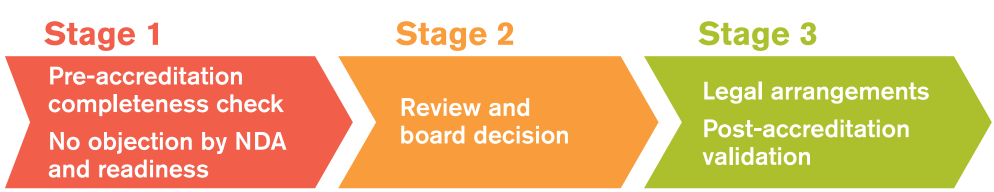
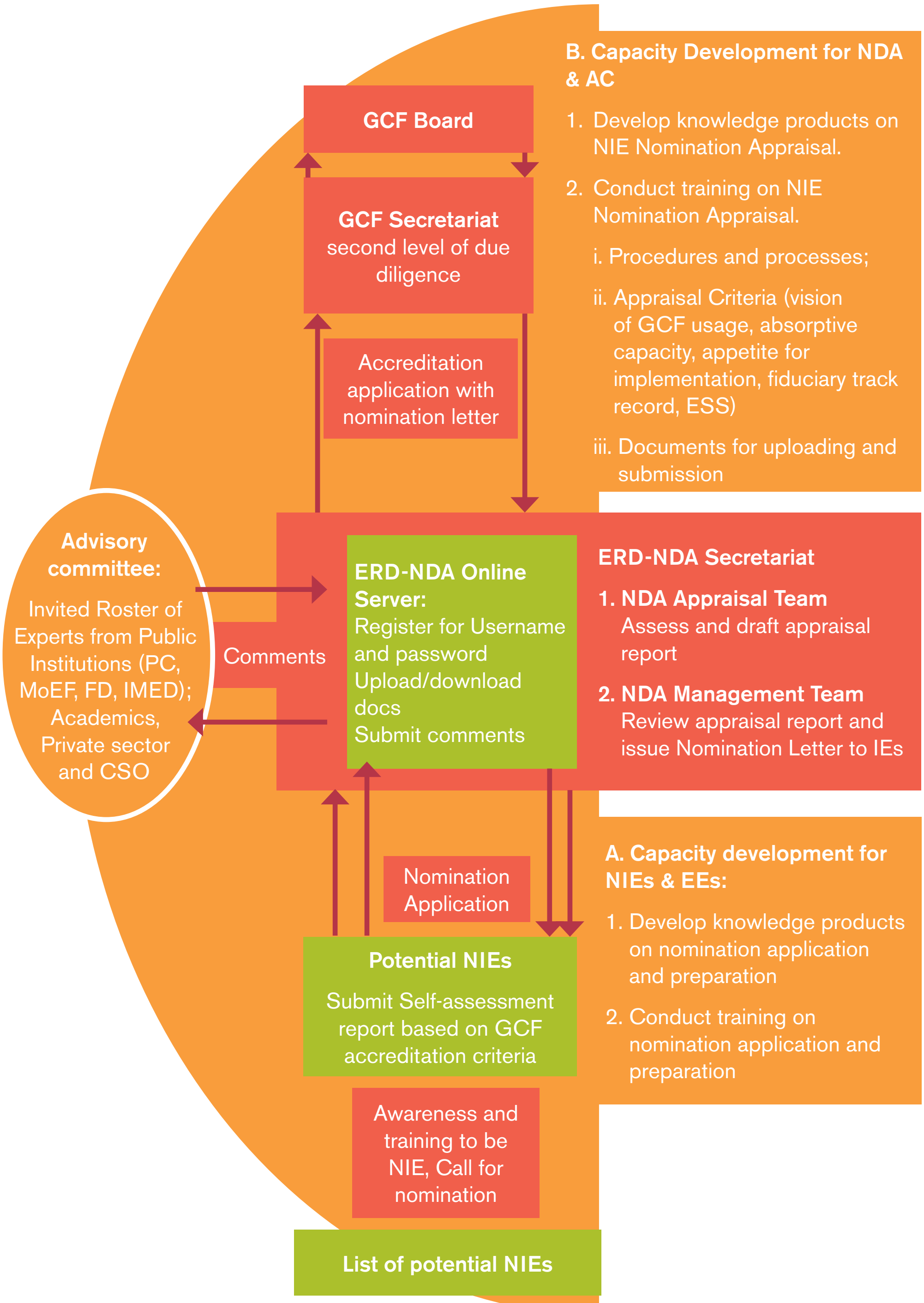


Figure 14: Prospective NIEs nomination procedure in Bangladesh



Source; ERD (2016) © ERD/GIZ

objectives and guiding principles. In particular, they look at:

- **Legal status:** Does the entity have the full legal capacity to undertake the intended activities and become an accredited entity?
- **Registration, permits and licenses:** Does it have all the necessary, relevant and applicable registrations, permits or licenses from national and/or international regulators or oversight bodies?
- **Track record:** Does it have a consistent and positive track record in the context of its own institutional mandate and in areas relevant to the fund's objectives and initial results?
- **Institutional presence and relevant networks:** Can it demonstrate the potential for meaningful impact in one or more of the fund's initial results areas? Does it have at its disposal networks of relevant institutions and experts at regional and national levels?
- **Readiness:** Can it describe how it meets the fund's initial basic fiduciary standards and applicable initial specialised fiduciary standards, to demonstrate that it has the capacity and commitment to implement the fund's ESS?

If the application is complete, Stage 1 closes and Stage 2 begins.

Stage 2: Accreditation review process and decision

In Stage 2, the panel reviews the application and the board takes a decision on it.

Step 1: Review of application. The panel conducts the accreditation review process, assessing whether the entity meets the GCF's basic – and specialised, if applicable – fiduciary standards. It also considers whether the entity has the capacity to manage relevant environmental and social risks in line with the GCF's interim ESS and scaled risk-based approach. The panel uses a fit-for-purpose accreditation approach that matches the nature, scale and risks of proposed activities to the application of the fund's initial fiduciary standards and interim ESS and makes a recommendation to the board on whether the applicant entity should be accredited.

Step 2: Decision on the application for accreditation. The board considers the panel's recommendations and makes a decision on whether to grant accreditation and move on to Stage 3 for final validation and legal arrangements. Based on the panel's recommendations, the board may assign the entity back to Stage 1 for additional focused readiness support. In such cases, it will reconsider the application at a later date after a further focused accreditation review.

Stage 3: Final validation and legal arrangements

Stage 3 concludes the process by validating and finalising formal arrangements between the applicant and GCF. It includes registering the accredited entity's payment instructions and the conclusion of any legal arrangements between the two parties.[2]

[2] For further details on accreditation, see Rai, N and Soanes, M (2015) A practical handbook for Green Climate Fund accreditation in Bangladesh. IIED, London. http://pubs.iied.org/10151IIED.html

3.2 Accessing the GCF through existing and potential accredited entities

The private sector does not need accreditation of its own; it can also access GCF funding through another accredited MIE, NIE or RIE. By March 2016, the GCF secretariat had accredited around 33 entities worldwide to access the funds. Almost 60 per cent of these are international organisations and include multilateral and other banks such as HSBC, Credit Agricole and Deustche Bank. The Bangladeshi private sector can become executing entities for any of these NIEs. When choosing which to work with, they should consider whether the MIE has previously worked in Bangladesh and whether it has a good portfolio in working with MSMEs in LDCs. Table 3 shows the MIEs that might be suitable for the private sector to use to access finance for activities in Bangladesh. Appendix 2 has a full list of accredited entities.

Table 3. Potential MIEs for the private sector in Bangladesh

ACCREDITED ENTITY	ENTITY TYPE
Asian Development Bank	International
Agence Française de Developpement	International
Deutsche Bank AktienGesellschaft	Private
European Investment Bank	International
HSBC Holdings plc and subsidiaries	Private
International Bank for Reconstruction and Development and International Development Association	International
International Union for Conservation of Nature	International
International Finance Corporation	International
Kreditanstalt für Wiederaufbau	International
United Nations Development Programme	International
United Nations Environment Programme	International
World Food Programme	International
World Meteorological Organization	International

3.2.1 Submitting spontaneous project proposals

Executing entities can access funds by submitting spontaneous proposals to – or responding to the GCF's RFPs through – an accredited entity. To access money for specific projects, accredited NIEs or MIEs need to develop proposals that fulfil the following investment criteria (GCF 2014):

- **Impact potential:** Does the programme or project contribute to the achievement of the fund's objectives and result areas?
- **Paradigm shift potential:** To what degree can the proposed activity catalyse impact beyond a one-off project or programme investment?
- **Sustainable development potential:** What are the project's wider benefits and priorities, including environmental, social and economic co-benefits? What is its gender-sensitive development impact?
- **Responsive to recipients' needs:** Does it fulfil the vulnerability and financing needs of the beneficiary country and population in the targeted group?
- **Promotes country ownership:** Does the beneficiary country own the project? Does it have the capacity – including the policies, climate strategies and institutions – to implement a funded project or programme?
- **Efficiency and effectiveness:** Is the programme or project economically – and, if appropriate, financially – sound? In the case of mitigation-specific programmes or projects, are they cost effective and is co-financing available?

Table 4 shows the eight strategic impact areas for adaptation and mitigation where private entities in Bangladesh can access funding for projects and programmes.

The executing entities or NIEs should also align with national priorities for submitting

Table 4. Eight strategic impact areas where funding is available in Bangladesh

ADAPTATION	MITIGATION
Individual, community and regional livelihoods	Low-emission energy and security
Health and wellbeing, food and water security	Low-emission modes of transport
Infrastructure and built environment	Energy intensity in buildings, cities, industries and appliances
Ecosystems and related services	Land use and forests

Source: GCF (2015b)

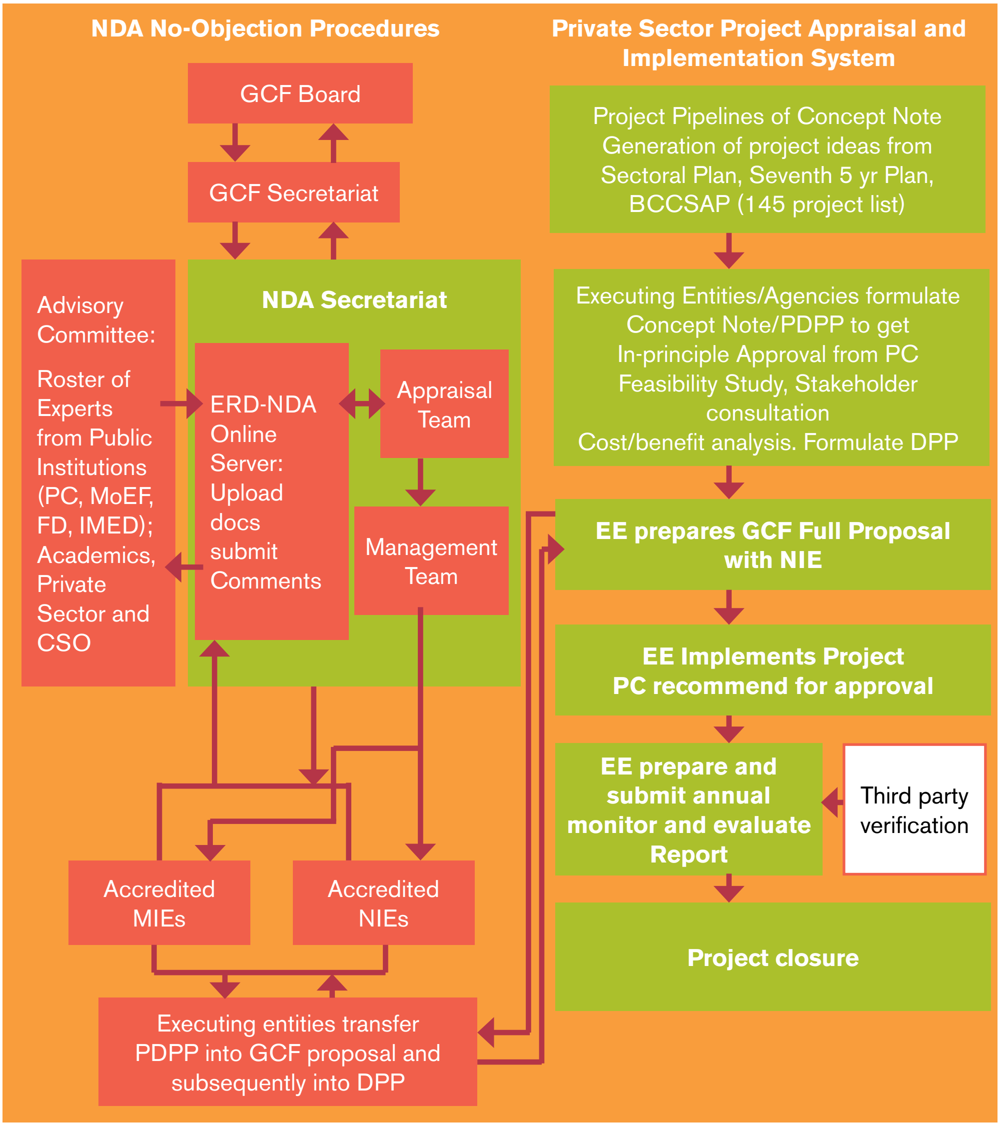
proposals. For example, Government of Bangladesh has prioritised specific strategic areas for climate change investment within their national plans and strategies. Ideally, proposal submission should specify how they meet country objectives by aligning with these national plans (NDA 2016). The main documents which specify Bangladesh's national priorities are:

- Bangladesh Climate Change Strategic Action Plan (BCCSAP) 2009-2018 specifies 44 programmes under 6 thematic areas
  - Food security, social protection and health
  - Comprehensive disaster management
  - Infrastructure
  - Research and knowledge management
  - Mitigation and low carbon development
  - Capacity building and institutional strengthening
- Nationally determined contributions document (NDC) of Bangladesh 2015 specifies mitigation and adaptation related priority sectors, and
- The 7th five year plan (2016-2020) specifies climate change as a priority within development planning of the country.

Once the entities have developed their project concepts in alignment with the GCF requirements and national priorities they will be required to go through a project approval process both at the NDA level and at the GCF level.[3] For more details on the project approval process within the country, see Figure 15 that shows the no-objection procedure established to align GCF proposal requirements with the GoBs project appraisal and implementation system.

[3] For further details on initial approval process of GCF, see GCF (2014) Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding, https://www.greenclimate.fund/documents/20182/24943/GCF_B.07_03_-_Initial_Proposal_Approval_Process.pdf/5297c4f8-b9e9-42f8-9d6e-b6343f4a4528?version=1.1

Figure 15: No-objection procedures for project proposal from the private sector



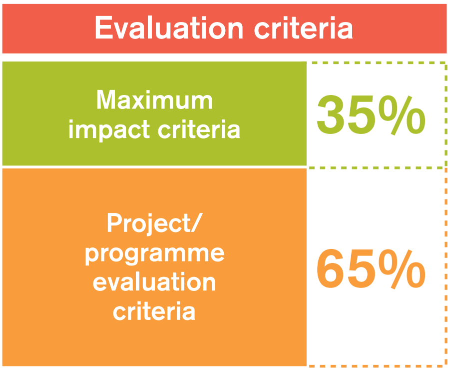
Source; ERD (2016) ©ERD/GIZ

3.2.2 Responding to requests for proposals

The RFP is a competitive selection process: applicants submit their responses first as a concept note then as a full funding proposal. Each funding proposal must align with the criteria defined in the GCF investment frameworks and the eight GCF strategic impact areas (see Table 4).

The GCF's Independent Technical Advisory Panel (ITAP) will review and score each proposal against two sets of criteria: programme evaluation and maximum impact (see Figure 16).

Figure 16: Evaluation criteria for PSF proposals



Project or programme evaluation criteria will make up 65 per cent of the overall proposed project score and looks at whether:

- The project fits within the appropriate MSME activity
- The programme design justifies it selection
- The entity that has proposed the project can show evidence of adequate readiness to access finance and implement the project, and
- The implementing entity can show the minimum concessionality required to ensure the project's feasibility.

For more details of the programme or project evaluation criteria, see Table 5 and Appendix 3.

Maximum impact criteria: As well as assessing projects against specific standards and criteria, ITAP scores proposals according to the extent to which their private sector support to

Table 5. Project or programme evaluation criteria

CATEGORY	CRITERIA
Proposed MSME activity	• Fits Bangladesh's national climate objectives • Fits within the eight GCF strategic impact areas • Fits within the local definition of MSMEs
Programme design	• Implementing entity has a detailed strategy that outlines the rationale for the target sector and lifecycle stage of the targeted pool of MSMEs: start-up; early and growth stages • Meets financing needs based on the strategy: equity, guarantees, loans and grants • Proposal demonstrates evidence of robust integrity standards
Implementing entity readiness	• Executing entity is accredited with the GCF or works through a GCF-accredited entity • Entity can demonstrate existing relationship with local institutions or markets • Entity can demonstrate evidence of successful investment or debt management
Minimum concessionality	• Entity can demonstrate that its request for GCF support entails minimum concession required to ensure project feasibility • Entity indicates GCF co-financing ratio against other private investors

Source: GCF (2016a)

MSMEs will maximise the impact of GCF. ITAP will assess maximum impact at both systemic and local levels. Scoring with this criterion will account for 35 per cent of a proposal's overall score. Table 6 shows the criteria that will be used to assess proposals' maximum impact.

ITAP will gauge the strength of proposals against their ability to demonstrate positive impacts across a range of local and systemic activities. They will award scores out of five against each criterion (1 being the lowest and 5 the highest score). See Appendix 3 to understand the scorecard sheet.

Table 6. Scoring considerations for maximum impact

SYSTEMIC IMPACTS	LOCAL IMPACTS
Market reform for development: Will the project or programme prompt a positive change in the market or regulatory environment that will enable future investment in MSME activity?	**Benefits to MSME clients:** How many clients will benefit from the services of the MSMEs supported by the project or programme?
Institutional capacity building: Will the project or programme develop institutional capacity in local markets for further investment in MSME activity?	**Benefits to the bottom of the pyramid:** Is the project or programme located in vulnerable countries, including LDCs and SIDS? Does the project or programme target micro enterprises?
Innovation and new technology: Will the project or programme encourage innovative climate solutions and the deployment of new technologies to developing countries?	
Replicability and regional reach: Can this or a similar project or programme be replicated in the future without GCF participation? Does the project or programme have regional impact?	
Crowding in new investors: Does the project or programme attract first-time investors to climate, MSMEs or the country?	

Source: GCF (2016a)

4. Readiness support for the private sector in Bangladesh

The GCF secretariat has designed a country readiness programme to help developing countries access and deploy resources from the fund. Of the current resource allocation, around US$16 million is available from the readiness programme, which aims to provide up to US$1 million a year in readiness support to each applicant country. This can be delivered directly through NDAs or focal points working with a wide range of delivery partners who have relevant expertise and experience. At least 50 per cent of this readiness funding is targeted to LDCs and SIDS.

As we saw in Section 2.5, an NDA can access readiness support to:

- Build its own capacities
- Develop strategic frameworks
- Build capacities among implementing entities
- Support NIE accreditation, and
- Develop project pipelines.

The readiness programme does not offer dedicated funding support to build the private sector's capacity to engage with GCF. But through their engagement with the NDA, businesses can access information about the accreditation process, submit proposals to RFPs and carry out concept planning by attending NDA-organised workshops for private and public sector entities.

The GCF board and secretariat, in consultation the PSAG, are discussing ways to build capacity within the private sector, but decisions remain pending. At its eighth meeting, the GCF board agreed on the design of its readiness and preparatory support programme (Decision B.08/11) and within that decision requested the PSAG to make recommendations on deploying readiness funding to encourage private sector engagement (GCF 2015e). Following that, the PSAG recommended the GCF provide the following capacity support to the MSME programme (Document B.09/12):

- Technical assistance in the proposal development stage to support a sustainable market for MSME goods and services
- Capacity building to help local financial institutions and other, potentially new, market facilitators and aggregators to engage MSMEs
- Creating potential for those that receive GCF support to continue to grow and scale up activities after the GCF project or programme has been implemented (the PSAG believes that capacity building in the MSME programme should complement, but not duplicate, GCF's readiness programme), and
- Specific consideration of how to strengthen access to finance for women-owned MSMEs.

The PSAG also recommends engaging private sector entities through the current readiness programme. They could do this by building NDA capacity to engage with the private sector actors; including private entities in stakeholder consultations for national plans and strategies that will guide their country's engagement with GCF; and engaging private entities when generating concepts for proposals to the GCF.

All these activities will require regular engagement between the NDA, relevant public sector organisations and interested private sector entities. The GCF could allocate additional readiness funding to help generate awareness and disseminate RFPs under the MSME programme.

Entities seeking to access GCF funds by submitting project proposals can also get capacity support from the Project Preparation Facility (PPF). This includes funding for developing a pipeline of projects and programmes. Although PPF support is available for all accredited entities, both public and private, direct access entities are asked to submit projects under the micro-to-small size categories according to a decision of the tenth board meeting (GCF 2016c). The PPF can support the following activities:

- Pre-feasibility and feasibility studies and project design
- Environmental, social and gender studies
- Risk assessments
- Identifying programme and project level indicators
- Pre-contract services including revision of tender documents, and
- Other project preparation activities.

Requests for PPF support are usually in the form of grants, but private sector projects may include other instruments, such as grants with repayment contingency and equity instruments.

5. Conclusion

The private sector in Bangladesh has shown interest in seizing the opportunities that GCF may offer, but lacks the necessary knowledge and awareness of the practical modalities of accessing the GCF.

This toolkit aims to address this situation, providing an overview of the mechanisms through which they can engage with the GCF and helping the sector understand the relevant concepts and processes.

The PSF programming is still evolving and many documents related to the design of the PSF are pending on board decisions, so users of this toolkit should bear in mind that we expect the mechanisms to evolve in the near future.

This toolkit targets private sector entities in Bangladesh that are interested in either channelling and managing GCF funds towards climate-relevant projects and programmes as NIEs, or in developing and implementing projects as executing entities. Commercial banks, other financial intermediaries, MSMEs and large conglomerates interested in investing in climate relevant goods and services are all eligible to apply for funds.

To become an NIE in Bangladesh, private sector entities must meet stringent accreditation standards and requirements while also demonstrating a sound track record of successfully working with and financing MSMEs, and financial and commercial viability.

To become an executing entity in Bangladesh, private sector entities can submit a proposal through an existing accredited entity by responding to the RFP under the PSF's MSME pilot programme, specifying how they will work with MSMEs as executing entities and monitor results to ensure climate impacts.

Alternatively, private sector entities who are interested in becoming executing entities for GCF projects are also encouraged to submit spontaneous project proposals through existing accredited implementing entities. They will have to demonstrate how their project is aligned with the GCF's strategic focus areas and contribute to the fund's investment criteria.

Get in touch

If you are interested in better understanding which avenue is better for your organisation, or you would like further information or guidance on accessing the GCF, you may directly contact Bangladesh's NDA, the ERD within the Ministry of Finance through:

Mohammad Mejbahuddin
secretary@erd.gov.bd or mejbah_uddin@yahoo.com

Mohammad Iftekhar Hossain
iftekhar2025@gmail.com

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Appendix 1: List of accredited entities

At March 2016

	LEGAL ACCREDITED ENTITY	ENTITY TYPE
1	Acumen Fund Inc	Regional
2	Africa Finance Corporation	International
3	African Development Bank	International
4	Agence Française de Développement	International
5	Agency for Agricultural Development of Morocco	National
6	Asian Development Bank	International
7	Caribbean Community Climate Change Center	Regional
8	Centre de Suivi Ecologique	National- LDC/SIDS
9	Conservation International Foundation	International
10	Corporación Andina de Fomento	Regional
11	Crédit Agricole Corporate and Investment Bank	International
12	DBSA	Regional
13	Deutsche Bank AktienGesellschaft	International
14	Environmental Investment Fund	National
15	European Bank for Reconstruction and Development	International
16	European Investment Bank	International
17	HSBC Holdings plc and its subsidiaries	International
18	Inter-American Development Bank	International
19	International Bank for Reconstruction and Development and International Development Association	International
20	International Finance Corporation	International
21	International Union for Conservation of Nature	International

22	Kreditanstalt für Wiederaufbau	International
23	Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia	National LDC/SIDS
24	Ministry of Natural Resources	National LDC/SIDS
25	National Bank for Agriculture and Rural Development	National
26	National Environment Management Authority of Kenya	National
27	Peruvian Trust Fund for National Parks and Protected Areas	National
28	Secretariat of the Pacific Regional Environment Programme	Regional
29	Unidad Para el Cambio Rural (Unit for Rural Change) of Argentina	National
30	United Nations Development Programme	International
31	United Nations Environment Programme	International
32	World Food Programme	International
33	World Meteorological Organization	International

Appendix 2: Sample questions from the self-assessment questionnaire

To access the self-assessment questionnaire go to: http://labs.questionpro.com/a/q/gcf-accreditation-self-assessment-4180640

Here are some sample questions from the questionnaire.

1. Does the institution have experience implementing projects related to climate change mitigation and/or adaptation?
2. Does the institution have experience implementing projects in developing countries?
3. Is the institution a legal entity with the necessary registrations, permits and licenses to undertake planned activities?
4. Can the entity provide following supporting evidence to illustrate their legal status.
   a. Certificate of incorporation or registration.
   b. Memorandum and Articles of Association, if applicable (highlight relevant sections).Vision and/or mission statement.
   c. Business permit and license to operate.
5. If the institution is a regional, national or subnational entity applying for direct access, has it been nominated by the NDA (or will it receive such a nomination before submitting the online application form)?
6. Does the institution have in place the requisite key financial and administrative capacities?
7. Does the institution have in place effective transparency and accountability policies, procedures, systems and approaches?
8. Does the institution have a track record of managing financial resources from national and/or international sources?
9. Does the institution have experience with project management?

10. How will the entity operate using the fund's resources?
    a. Only project management
    b. Grant award and/or funding allocation mechanism
    c. On-lending
    d. Blending
11. Does the institution have experience with grant award and/or funding allocation mechanisms?
12. Does the institution have experience with on-lending and/or blending of finance?
13. Does the institution assess and mitigate the environmental and social risks and impacts associated with its projects and/or programmes?
14. If the institution plans to implement activities with high or medium levels of environmental and social risk, can it show that it has the appropriate organisational structure and has successfully implemented similar projects in the past?
15. Does the institution have policies, procedures and competencies that are aligned to Green Climate Fund's gender policy?
16. Can the institution demonstrate experience with gender and climate change, including a track record of working with both men and women?

Appendix 3: Draft MSME request for proposal scorecard

PROJECT OR PROGRAMME EVALUATION CRITERIA (65%)	EVALUATION	SCORE
Appropriate activity		
(i) The activity proposed in the project or programme must first fit the needs and stated priorities of the country, in line with their national strategies and plans, including nationally determined contributions. NDAs or focal points will be consulted on the proposed activity in their respective countries.	**Pass/fail**	**Pass/fail**
(ii) The activity must fall within the eight GCF strategic impact areas.		
(iii) The activity must fall within the relevant* definition of MSMEs within a specific country or region		
Programme design (30%)		
(i) A detailed strategy, backed by industry and market research, that outlines the rationale for the target sector lifecycle stage of the targeted pool of MSMEs.	**Score (1=min; 30=max)**	**/30**
(ii) Defined financial support that will be provided for the project or programme – for example, venture capital for start-ups or growth capital for the growth stage.		
(iii) Robust eligibility criteria tailored to the project/ programme strategy – for example, proven technology for growth capital versus proof of concept for venture capital – and in compliance with GCF investment criteria.		
(iv) Evidence of the portfolio company's robust integrity standards – for example, an anti money laundering check for entrepreneurs, senior management, board members and existing investors.		

Implementing entity readiness (20%)	**Score (1=min; 20=max)**	**/20**
(i) The implementing entity must be accredited with the GCF or work in partnership with accredited entities. Their accreditation must include the fiduciary functions, size of project or activity and environmental risk category suitable for the undertaking of the proposed activity. If said activity exceeds the level of accreditation, the entity can include an application to increase its accreditation accordingly.		
(ii) The implementing entity must demonstrate an existing relationship with the local institutions or markets where it will be working, as well as an existing avenue for supporting targeted MSMEs, and must provide track records for its activities in targeted MSMEs.		
(iii) The implementing entity must show evidence of successful investment or debt management.		
Minimum concessionality (15%)		
(i) The implementing entity must demonstrate that its request for GCF support entails the minimum concession required to render the project feasible.	**Score (1=min; 15=max)**	**/15**
(ii) The implementing entity must indicate the GCF cofinancing ratio, vis-a-vis other private sector investors. The GCF should not be the only investor.		
Total programme standards score		**/65**
MSME REQUEST FOR PROPOSAL SPECIAL CONSIDERATIONS (35%)	**EVALUATION**	**SCORE**
Market reform or development and institutional capacity building (5%)		
(i) Will the project or programme prompt a positive change in the market or regulatory environment that will enable future investment in climate-related MSME activity?	**Score (1=min; 5=max)**	**/5**
(ii) Will the project or programme develop institutional capacity in local markets for further investment in climate-related MSME activity?		
Innovation and new technology (5%)		
(i) Will the project or programme encourage innovative climate solutions and the deployment of new technologies to developing countries?	**Score (1=min; 5=max)**	**/5**

Replicability and regional reach (5%)		
(i) Can this or a similar project or programme be replicated in the future without GCF participation?	**Score (1=min; 5=max)**	**/5**
(ii) Does the project or programme have regional impact?		
Crowding in new investors (5%)		
(i) Does the project or programme attract first-time investors to climate, MSMEs or the country?	**Score (1=min; 5=max)**	**/5**
Benefits to MSME clients (7%)		
(i) How many clients will benefit from the services of the MSMEs supported by the project/programme?	**Score (1=min; 7=max)**	**/7**
(ii) Is the project/programme gender sensitive and balanced?		
Benefits to the bottom of the pyramid (8%)		
(i) Does the project or programme benefit developing countries and communities that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African states?	**Score (1=min; 8=max)**	**/8**
(ii) Does the project or programme target micro-sized enterprises and the informal sector?		
Total impact criteria score		**/35**
TOTAL SCORE	**EVALUATION**	**SCORE**
Appropriate activity		**Pass/fail**
Project or programme evaluation criteria score		**/65**
Special considerations score		**/35**
Total score		**/100**

*The International Finance Corporation's definition of MSMEs is as follows:

INDICATOR	MICRO ENTERPRISES	SMALL ENTERPRISES	MEDIUM ENTERPRISES
Employees	<10	10 <50	50 <300
Total assets	<US$100,000	US$100,000 <US$3 million	US$3 million <US$15 million
Total annual sales	<US$100,000	US$100,000 <US$3 million	US$3 million <US$15 million

Related reading

Rai, N and Soanes, M (2015) A practical handbook for Green Climate Fund accreditation in Bangladesh. IIED, London. See http://pubs.iied.org

Steeves, J *et al.* (2016) Business case for the Bangladeshi private sector to invest in climate change and access international climate finance. See http://cdkn.org

Knowledge Products

Toolkit

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Climate change; policy and planning

Keywords:
Bangladesh, climate finance, Green Climate Fund (GCF), private investment

The Green Climate Fund (GCF) aims to help developing countries achieve their ambition for low-carbon resilient development. And while the private sector in Bangladesh has shown interest in seizing the opportunities offered by the fund, it has not had the knowledge it needs to access it. This toolkit aims to address this situation, providing a snapshot of GCF mechanisms, processes and procedures, giving potential applicants the necessary information to effectively engage with the fund and its Private Sector Facility (PSF).

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