State of Libya
Climate Readiness and support programme

GUIDE
ON THE MAIN STEPS TO ACCESS THE GCF
- SUMMARY -

Sahara and Sahel Observatory

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December 2019

This Synthesis of the “Guide of the Main steps for access to the Green Climate Fund” was developed through the GCF-funded Readiness-Libya project, implemented by The Sahara and Sahel Observatory - OSS and coordinated by the National Focal Point of the Environment General Authority - Libya.

This summary is a simple and brief document on the most important steps and procedures to be followed by all parties concerned and the owners of projects, whether from the public or private sector to access the funds provided by the GCF.

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Introduction

The Green Climate Fund (GCF) is considered the main multilateral instrument for financing climate actions. It aim is to help particularly climate-vulnerable developing countries, including Libya, to adapt to the effects of climate change.

Libya›s commitment to the GCF will enable it to access the financial resources needed to build its political, strategic and institutional framework for adaptation to CC. It will also be an opportunity to upgrade, in terms of climate finance, both the public institutions that are involved in the CC issue and the financial institutions that are likely to be involved.

Considering these aspects, Libya requested the GCF support to conduct a project for preparation to climate finance "Climate Readiness". The request was accepted and will contribute to bridging gaps in terms of capacities and to strengthening the effective commitment of the concerned stakeholders.

The activities of the "Readiness-Libya" project will allow setting up a National Designated Authority (NDA), and to strengthen its institutional capacities to fulfill his/her roles and responsibilities towards the GCF.

Within this framework, it is relevant to develop a descriptive guide on the main steps for access to the GCF which aims to help projects and programmes promoters in Libya to mobilize Climate financial resources, especially those of the GCF. This summary will focus on the main necessary steps for access to climate finance, the GCF in particular, taking into account the country's context and specificities.

The content of this document mainly refers to the GCF publications, as well as its structure which is also inspired by these GCF publications.

1- Presentation of the Green Climate Fund (GCF)

GREEN
CLIMATE
FUND

1 - Presentation of the Green Climate Fund (GCF)

The GCF is an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and Paris Agreement, dedicated to supporting global efforts to respond to the challenge of climate change. It was set up by the 194 countries who are parties to the UNFCCC in 2010, as part of the UNFCCC's financial mechanism. Its governing instrument was adopted at the 2011 United Nations Climate Change Conference (COP 17) in Durban, South Africa.

Following the approval of the Paris Agreement in 2015, the GCF was given an important role in serving the agreement and supporting the goal of keeping the temperature rise below 2° Celsius.

The GCF is an international fund created to support low-emission and climate-resilient investments in developing countries. Its purpose is to make a significant and ambitious contribution to combat climate change.

It will finance low-emission (mitigation) and climate resilient (adaptation) Projects/ Programmes developed by the public and private sectors to contribute to the sustainable development goals of countries. In doing so, it will aim to equally balance its allocation between adaptation and mitigation over time, and allocate significant resources to the private sector.

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The GCF is a unique climate fund dedicated to:

- Transformative climate impact;
- Empowering countries;
- Catalyzing finance at scale

The GCF strives to ensure it adds value relative to other funds and financial institutions in six key ways:

- **Maximize country ownership:** The Fund's country-driven approach is "empowering countries to effectively involve relevant institutions and stakeholders to identify transformational projects, programmes and partners". This is done through the involvement of National Designed Authorities (NDAs) and/or focal points (FPs).
- **Balance between adaptation and mitigation:** The GCF aims to achieve an equal allocation of its resources towards mitigation and adaptation, while ensuring that at least half of the funding for adaptation is for the vulnerable countries, including the least developed countries (LDCs), small islands developing States (SIDS) and African States.
- **Balanced governance with equal voice for contributors and recipients:** The Fund's flexible business model provides developing countries, the private sector and non-governmental actors with direct access to concessional funds, aiming to achieve the greatest impact in terms of climate change mitigation and adaptation in the context of sustainable development.
- **Diversity of partners:** Some 111 entities globally have already applied for accreditation, including sub-national, national, regional and international public, private and non-governmental entities, and 88 of them have been accredited to date (As of 30 September 2019). The diversity of entities and accreditation pathways available under the GCF underscores is unique "fit for purpose" accreditation approach, which maximizes the range of transformational partners countries can work with.
- **Diversity of financial instruments:** accredited entities (AEs) can undertake mitigation and adaptation activities and deploy the Fund's resources using a variety of financial instruments including grants, loans with high and low concessionality, guarantees and equity.
- **Largest dedicated climate Fund globally**: The GCF has secured more than USD 10 billion equivalent in pledges from 48 countries so far. It continues to mobilize resources on an ongoing basis.

Through these unique approaches, the GCF will set itself apart and catalyze a paradigm shift in the development pathways of its recipient countries. It will put them on a trajectory more compatible with a changing climate, and make them more resilient and responsive to it.

2 - Engaging with the Green Climate Fund (GCF)

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The basic requirements for a recipient country, such as Libya, to access GCF funding are given as follows:

1. **Development and updating ambitious and coherent national climate strategy/ policy;**
2. **Establishment of National Designated Authority (NDA), then looking for and identify accredited entities (national, regional or international AEs);**
3. **Development of a pipeline of projects in accordance with national priorities and GCF requirements, which can be done through the development of country programme.**

Selecting a National Designated Authority (NDA) or Focal Point (FP)

Selecting a National Designated Authority or Focal Point is the first major step in engaging with the GCF. A NDA or Focal Point is the core interface between a country and the GCF. It seeks to ensure that activities supported by the GCF are aligned with strategic national objectives and priorities, and helped advance ambitious action on adaptation and mitigation in line with national needs. One of the main mandates and responsibilities of the NDA/FP is to communicate a No-Objection letter with any funding proposal and for entities seeking accreditation to the GCF under the 'direct access' track.

Mandate and responsibilities of NDA/FP are:

- Provide broad strategic oversight of the Fund's activities in their country;
- Convene relevant public, private and civil society stakeholders to identify priority sectors to be financed by the Fund;
- Communicate nominations/No-Objection of entities (sub-national, national or regional, public and private) seeking accreditation to the GCF ;
- Implement the No-Objection procedure on funding proposals submitted to the Fund, to ensure consistency of funding proposals with national climate change plans and priorities;
- Provide leadership on the deployment of readiness and preparatory support funding in the country.

Accredited entities (AEs)

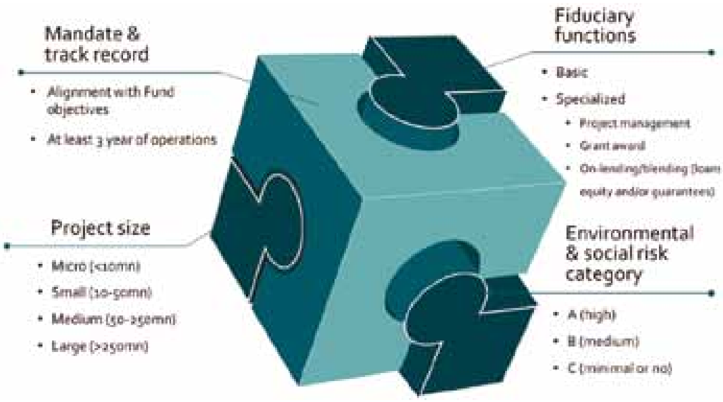
GCF mobilizes climate finance by working through a wide range of organizations that have specialized capacities in driving climate action called Accredited Entities (AEs).

They can be private, public, non-governmental, sub-national, national, regional or international bodies. They should have clear, detailed and actionable climate change Projects/Programmes to present to GCF in terms of mitigation and adaptation to climate change. They must also meet GCF standards based on financial standards, environmental and social safeguards, and gender.

There are two types of GCF AEs, based on access modalities:

- **Direct access entities,** which correspond to subnational, national or regional entities;
- **International access entities,** which may be bilateral, multilateral or regional entities.

The accreditation process is relatively long and constraining. It is designed to ensure that AEs have the ability to manage the Fund's resources in line with best-practice fiduciary standards for the scale and type of funding sought, as well as the ability to manage environmental and social risks that may arise at the project level.



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An Accredited Entity may carry out a range of activities, including

- Developing and submitting funding proposals for projects and programmes;
- Overseeing management and implementation of projects and programmes;
- Deploying a range of financial instruments within their respective capacities (grants, concessional loans, equity and guarantees);
- Mobilizing private sector capital.

3 - Country ownership
"the no-objection Procedure"

3- Country ownership "the no-objection procedure"

A no-objection is a condition for approval of all funding proposals submitted to the GCF. The purpose of a no-objection procedure, as defined in GCF/B.08/45, is to facilitate genuine country ownership of projects and programmes that are financed through the GCF by ensuring consistency with national climate strategies and plans and country-driven approaches, and to provide for effective direct and indirect public and private sector financing by the GCF.

Once a No-Objection procedure has been set up, it will allow the NDA/FP to evaluate, on a set of pre-validated criteria, each Project/Programmes and provide a no-objection notification. On the basis of this notification, the NDA/PF will be able to provide a formal letter of no-objection.

An ongoing validation of the Libyan no-objection Procedure proposal

The Libyan no-objection procedure will allow the coordination of project activities to frame the decision-making and the granting of a letter of no objection in the framework of the activities eligible for financing with the GCF in Libya. This proposed Libyan NOP has been structured into four modules.

- **Module 1:** Issuance of no-objection to the concept note
- **Module 2:** Issuance of no-objection to the funding proposal

  This aims to evaluate the funding proposal on the basis of:

  - The viability of its financing scheme and its alignment with GCF's financial policy;
  - Compliance with GCF's socio-environmental risk management and performance standards.
- **Module 3:** Issuance of no-objection to the Preparatory Support Project (Readiness)
- **Module 4:** Issuance of no-objection to the Project Preparatory Facility.

4 - GCF Results Management Framework (RMF)

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The GCF is essentially guided by its Governing Instrument and its Rules of Procedure that includes:

- GCF Priority intervention areas;
- Financial instruments;
- Basic principles for the allocation of resources;
- Investment criteria.

Results Management Framework (RMF)

The GCF is meant to finance Projects/Programmes in line with its Results Management Framework. It has identified 8 strategic impacts/results areas which will deliver major mitigation and adaptation benefits:

Shifting to low-emission sustainable development pathways through: 1. Low-emission energy access and power generation 2. Low-emission transport 3. Energy efficient buildings, cities and industries 4. Sustainable land use and forest management.	Increasing climate-resilient sustainable development for: 1. Enhanced livelihoods of the most vulnerable people, communities, and regions 2. Increased health and well-being, and food and water security 3. Resilient infrastructure and built environment to climate change threats 4. Resilient ecosystems

The GCF will also actively promote synergies across adaptation/mitigation and promote environmental, social, economic and development co-benefits, and take a gender-sensitive approach. To do so, the GCF has developed five cross-cutting investment priorities:

- Climate-compatible cities
- Low-emission and climate-resilient agriculture
- Scaling up finance for forests and climate change
- Enhancing resilience in SIDS
- Transforming energy generation and access

Financial instruments

Regarding financial instruments, the GCF uses four options:

- grants;
- concessional loans;
- equity;
- guarantees.

Two or more instruments may be blended, with more than one instrument being used by the GCF itself on a particular project, or a fund instrument or instruments being combined with instruments from other sources of financier.

Six investment criteria

There GCF's Board has developed a set of investment criteria to evaluate where the GCF can make the most effective investments. These are:

I **Impact potential :** Potential of the programme/project to contribute to the Fund's objectives to shift towards low-emission and climate-resilient sustainable development.

P **Paradigm shift potential :** Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment. How scalable and replicable is the project? How innovative and transformative is it?

S **Sustainable development potential :** Will the Project/Programme deliver meaningful environmental, social, and economic co-benefits and have a gender-sensitive development impact?

C **Country ownership :** Beneficiary country ownership of and capacity to implement a funded project. How well does the project fit within the beneficiary country's existing policies, climate strategies and instituti

E **Efficiency and effectiveness :** Economic and, if appropriate, financial soundness of the project. For mitigation-specific projects, how cost-effective is it and how much co-financing will it bring? (Minimum concessionality test)

N **Needs of the recipient :** what extent does the project address vulnerable groups, barriers to financing and level of exposure to climate risks within the country?

The Fund's six Investment Criteria: "IPSCEN" Compliance

5 - Risks

and socio-environmental aspects

5 - Risks and socio-environmental aspects

The GCF manages the risks and socio-environmental aspects of Projects/Programmes through:

- Fiduciary standards;
- Socio-environmental standards to limit damage to people and ecosystems;
- A gender policy to ensure equity and gender equality;
- Risk apprehension to improve management;
- Monitoring and evaluation of Project/Programme activities.

Fiduciary standards

The fiduciary standards aim to ensure that: i) financial resources are used wisely in the prescribed conditions, ii) financial operations are secure (fight against money laundering, financing of terrorism,.) and iii) funded projects take into account the current challenges of environment and climate change, sustainable development. These standards cover essentially:

- **Basic Fiduciary Standards**
  - Key administrative and financial capacities
  - Transparency and accountability
- **Specialized Fiduciary Standards**
  - Project management
  - Grant award and/or funding allocation mechanisms
  - On-lending and/or blending

Environmental and social safeguards

Environmental and social safeguards (ESS) are necessary to identify, prevent and mitigate damage to people and ecosystems throughout the implementation of Project/ Programme. There are eight Performance Standards (PS):

PS1: Assessment and management of environmental and social risks and impacts

PS2: Labour and working conditions

PS3: Resource efficiency and pollution prevention

PS4: Community health, safety and security

PS5: Land acquisition and involuntary resettlement

PS6: Biodiversity conservation and sustainable management of living natural resources

PS7: Indigenous peoples

PS8: Cultural heritage

Any Accredited Entity (AE) likely to implement or oversee activities presenting medium or high levels of environmental or social risk needs to have an environmental and social policy (or equivalent). However, EA seeking accreditation for low risk activities, need only to show that they have some form of policy commitment to support gender equity.

GCF's gender policy

In addition to ESS, the GCF appropriately considers gender aspects. It therefore asks that AE have policies related to gender equality, and experience implementing activities targeting women. The GCF's gender policy contains six principles to ensure the GCF's contribution to gender sensitivity, equality and equity, as follows:

- **Commitment:** the GCF commits to contributing to gender equality, as enshrined in international agreements and national constitutions;
- **Comprehensiveness:** the GCF applies its gender policy to its climate change mitigation and adaptation activities, without regard to the nature of the operational entity (public / private, international / national);
- **Accountability:** gender monitoring, impact and outcomes indicators are included in the results management and performance frameworks of the GCF;
- **Country ownership:** NDAs must align with the GCF's gender policy;
- **Competencies:** The GCF aims at achieving gender balance within its own key advisory and decision-making bodies;
- **Resource allocation:** Climate change adaptation and mitigation projects and programmes must contribute to gender equality and women's empowerment.

Understand risks to improve management

The GCF has also put in place a mechanism and rules to apprehend, assess and evaluate socio-environmental and financial risks related to Project/Programme. These risks categories are divided between environmental and social risk from funding proposals:

- **High risk:** Where activities may have significant adverse environmental and / or social impacts and / or impacts that are diverse, irreversible or unprecedented;

- **Medium risk:** Where activities may have mild adverse environmental and / or social risks and / or impacts that are few in number;
- **Low risk:** Where activities have minimal or no adverse environmental and / or social risks and / or impacts.

Monitoring and evaluation

Monitoring and evaluating activities and their impacts can allow national stakeholders, AE, project proponent and GCF to:

- Know whether implementation of activities is going as planned;
- Be alert to changes or early signs of problems;
- Focus resources where needed;
- Enable adjustment of activities and plans to respond to unexpected events;
- Build trust with stakeholders.

Accreditation for low risk activities requires a process for watching for unexpected impacts or new risks in contrast, accreditation for higher risk requires ability to monitor implementation of mitigation plans, and any unexpected changes.

6 - GCF Project/Programme cycle

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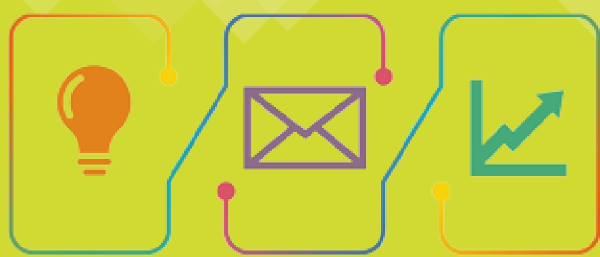
There are 6 steps a Project/Programme should follow when submitting a proposal to the GCF:

1. Proposal generation;
2. Concept note;
3. Funding Proposal submission;
4. Analysis and recommendation;
5. Board decision;
6. Legal arrangements.

The blue part is relative to the national level whereas the green part concerns the GCF.

7 - Projects and Programmes Development Process



7 - Projects and Programmes development process

Concept note development

Project proponents may decide to prepare a one-step (full proposal) or two-step application (concept note followed by funding proposal). While it is a voluntary step, developing a concept note is highly recommended as experience has shown that it leads to better funding proposal. It provides the opportunity to start a dialogue with the GCF Secretariat and receive valuable feedbacks and guidance's.

The project proponent, in consultation with the NDA, may submit through an AE a concept note for feedback and recommendations from the GCF. Recommendations will clarify whether the concept is i) endorsed; ii) not endorsed with a possibility of resubmission; or iii) rejected.

- In writing up a concept note, project proponents should use the GCF's Concept Note template;
- GCF Secretariat feedback about submitted concept notes does not represent a commitment to provide financial resources to support the project;
- The AE must inform the NDA or focal point about its submission of a concept note to GCF.

Steps to submit an eligible financing proposal

Project proponents are expected to develop their funding proposals in close consultation with the country's NDA and with due consideration of the GCF's investment framework, ESS, Gender Policy and RMF.

- Funding proposals submitted to GCF are subject to a rigorous review process, culminating in a decision by the GCF Board as to whether to support the project ;
- Funding proposals must include an impact assessment to ensure the project meets the GCF's ESS, including gender policy. This requires extensive consultation with those who would be affected by the project;
- The no-objection letter should be submitted within 30 days of the proposal itself, but can be separate from the proposal. It must be signed by the relevant country NDA.

GCF Secretariat carries out a receipt and completeness check.

- The GCF Secretariat first assesses the submitted funding proposal and the technical specifications alongside the documents that need to accompany it.
- At this stage, the GCF Secretariat may contact the AE to discuss the proposal and seek to strengthen the application in advance of further, more detailed review.

Simplified Approval Process

However, the GCF has adopted the Simplified Approval Process (SAP) Pilot Scheme, which is a new application process for smaller-scale Project/Programme, to reduce the time and effort needed in the preparation, review, approval and disbursement procedures. Projects/Programmes are eligible for the SAP if they meet three main eligibility criteria:

1. Ready for scaling up and having the potential for transformation, promoting a paradigm shift to low-emission and climate-resilient development;
2. A request for financing to GCF of up to USD 10 million of the total project budget; and
3. The environmental and social risks and impacts are classified as minimal to none.

Role of each stakeholder

There are three main actors with a role to play in interacting with the GCF. The role of the AND/PF remains however certainly the most important notably in terms of coordination.

8 - Facilities at the Green climate Fund (GCF)

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Type of entity	Role
National Designated Authority (NDA)	• Providing 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 • Approving readiness support
Accredited Entity (AE)	• Developing and submitting funding proposals • Overseeing project and programme management and implementation • Deploying and administering a range of financial instruments (grants, concessional loans, equity and guarantees) • Mobilizing private sector capital for blending with GCF
Executing Entity (EE)	• Developing and submitting funding proposals for projects and programmes through AEs • Executing funding proposals • Working under supervision and overall management of the AE (no need for accreditation)

In order to support access to resources by the countries eligible for funding, the GCF has set up two preparatory facilities:

- The **Readiness and Preparatory Support Programme** which aims to strengthen human and institutional capacities of the developing country;
- The **Project Preparation Facility** which aims to support EAs and intermediaries in the preparation of Project/Programme proposals.

In addition to these two preparatory facilities, there is a Private Sector Facility (PSF).

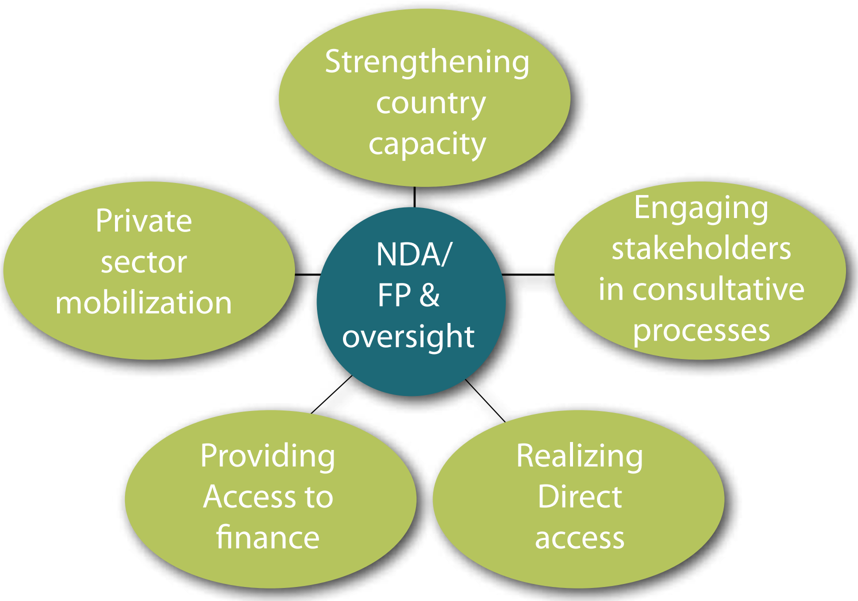
The Readiness and Preparatory Support Programme

The Readiness Programme is a funding programme to enhance country ownership and access to the GCF. It provide resources for strengthening the institutional capacities including those of NDA/FP and Direct Access Entities to efficiently engage with the GCF. Resources may be provided in the form of grants or technical assistance.

Up to USD 1 million per country per year may be provided under the Readiness Programme.

Of this amount, NDAs or focal points may request up to USD 300,000 per year to help establish or strengthen a NDA or focal point to deliver on the Fund's requirements

The Readiness Programme aims to support five outcomes:



The GCF's Project Preparation Facility (PPF)

It provides support to turn a concept note into a full funding proposal. The Board will approve requests for support from project proponents, by reviewing and assessing them against GCF's investment criteria as well as its justification of needs for project preparation funding with information on the underlying project. The PPF is available to all AEs, with preference given to direct access entities submitting projects under the micro to small-size categories (up to US$10 million). 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
- Advisory services and/or other services to financially structure a proposed activity
- Other project preparation activities.

Requests for PPF support are0 usually in the form of grants, but private sector projects may include other instruments, such as grants with repayment contingency and equity instruments. The grant is capped at 10% of total funding requested, or a maximum of US$1.5 million.

The Private Sector Facility (PSF)

GCF can finance private sector projects relating to mitigation and adaptation activities at all levels. Its core activities include clean energy, energy efficiency, climate-related innovation, resilient infrastructure, products and services for vulnerable communities, agriculture, forestry, food, water security, and ecosystems preservation.

GCF uses flexible financial instruments (including debt, equity, and guarantees). It can combine these instruments with concessional funding to promote private sector investing in its core activities by:

- De-risking investments, including foreign exchange and investors' default;
- Bundling small projects into portfolios, providing scale and making them attractive to institutional investors;
- Supporting capacity building amongst different groups and local institutions
- Helping develop public-private partnerships for infrastructure resilience projects;
- Encouraging innovation, for example by overcoming scale problems and fragmentation within the supply chain;
- Being active in the clean energy, climate resilience and sustainability communities.

Guide presentation

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