



GREEN
CLIMATE
FUND

Summary of the Operation Manual

on the Green
Climate Fund
for Sri Lanka

Ministry of Environment,
Sri Lanka



About this summary document

This document is a synthesis of the Sri-Lankan Operation Manual on Green Climate Fund (GCF) related activities. The purpose of the manual is to provide technical and practical guidance to all stakeholders seeking to learn about the GCF, its modalities and procedures in the Sri Lankan context. The manual is expected to strengthen the efficiency, effectiveness and transparency of GCF operations.



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World Agroforestry (ICRAF)

Acronyms

AE	Accredited Entity
CF	Climate Finance
CN	Concept Note
CSO	Civil Society Organisation
DAE	Direct Access Entity
DP	Delivery Partner
EE	Executing Entity
ERC	Expert Review Committee
ESS	Environmental and Social Safeguard
FAA	Funded Activity Agreement
FP	Funding Proposal
GCF	Green Climate Fund
IAE	International Access Entity
INDC	Intended Nationally Determined Contributions
LDC	Least Developed Countries
M&E	Monitoring and Evaluation
MFS	Mobilisation of Funding at Scale
MSME	Micro, Small and Medium Enterprises
MTR	Mid-Term Review
NAP	National Adaptation Plan
NCCP	National Climate Change Policy
NDA	National Designated Authority
NDC	Nationally Determined Contributions
PEC	Project Evaluation Committee
PPF	Project Preparation Facility
PSC	Project Steering Committee
PSF	Private Sector Facility
RFP	Requests For Proposals
SES	Stakeholder Engagement Strategy
SIDS	Small Island Developing States
TRCA	Technical Review Committee for Accreditation
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar



Contents

2 Background

6 How to apply for GCF funding

10 GCF Project Development

20 Environmental and Social Safeguards

21 GCF approval process and timeline

22 Project implementation

24 Project closure

Background

The growing recognition of the urgency to act on climate change and the importance of financing for development, heightens the need to ensure that finance is effectively allocated, disbursed and delivered. A key benchmark for climate finance (CF) is the commitment taken by developed countries under the United Nations Framework Convention on Climate Change (UNFCCC) to mobilise USD 100 billion in support for developing countries to act on climate change.

The Green Climate Fund

The Green Climate Fund (GCF) is the **world's largest dedicated fund for helping developing countries to reduce their greenhouse gas emissions and enhance their ability to respond to climate change.**

The GCF has a crucial role in serving the Paris Agreement, supporting the goal of keeping the average global temperature rise well below 2°C by the year 2100. It does this by channelling CFs to developing countries that have committed to climate action.

The GCF is the climate financing mechanism of the UNFCCC. It was created in 2010 to help developing countries respond to the climate challenge and to promote a global shift to a low-emission and climate-resilient development pathway.



Sri Lankan context

In the global scenario, Sri Lanka has been considered as one of the most vulnerable countries to climate change. For the period 2000-2019, the Climate Risk Index ranked Sri Lanka as the 23rd most affected country globally due to its increasing climate-related natural hazards including floods, landslides, droughts and extreme weather and the associated loss of lives and property.

National climate change priorities

The Sri Lanka Country Program to tackle climate impacts will be based on the **National Adaptation Plan (NAP) 2016-2025** and **Nationally Determined Contributions (NDC)** of 2021, as adopted based on the **National Climate Change Policy (NCCP)** of 2012.

National Climate Change Policy

The NCCP provides a set of guiding principles followed by broad policy statements under Vulnerability, Adaptation, Mitigation, Sustainable Consumption and Production, and Knowledge Management, and a section on General Statements. The elements identified in the NCCP of Sri Lanka are directly linked to the main GCF goals.

National Adaptation Plan

The NAP of Sri Lanka has focused on nine sectors viz: food security, water, coastal, health, human settlements, biodiversity, tourism and recreation, export development and industry, energy and transportation. The cross-cutting areas that are prioritised under the NAP are policy, legal, economic and governance issues, institutional development and coordination, international cooperation, resource mobilisation, research and development, skills and training needs and technology transfer and standards.

Nationally Determined Contributions

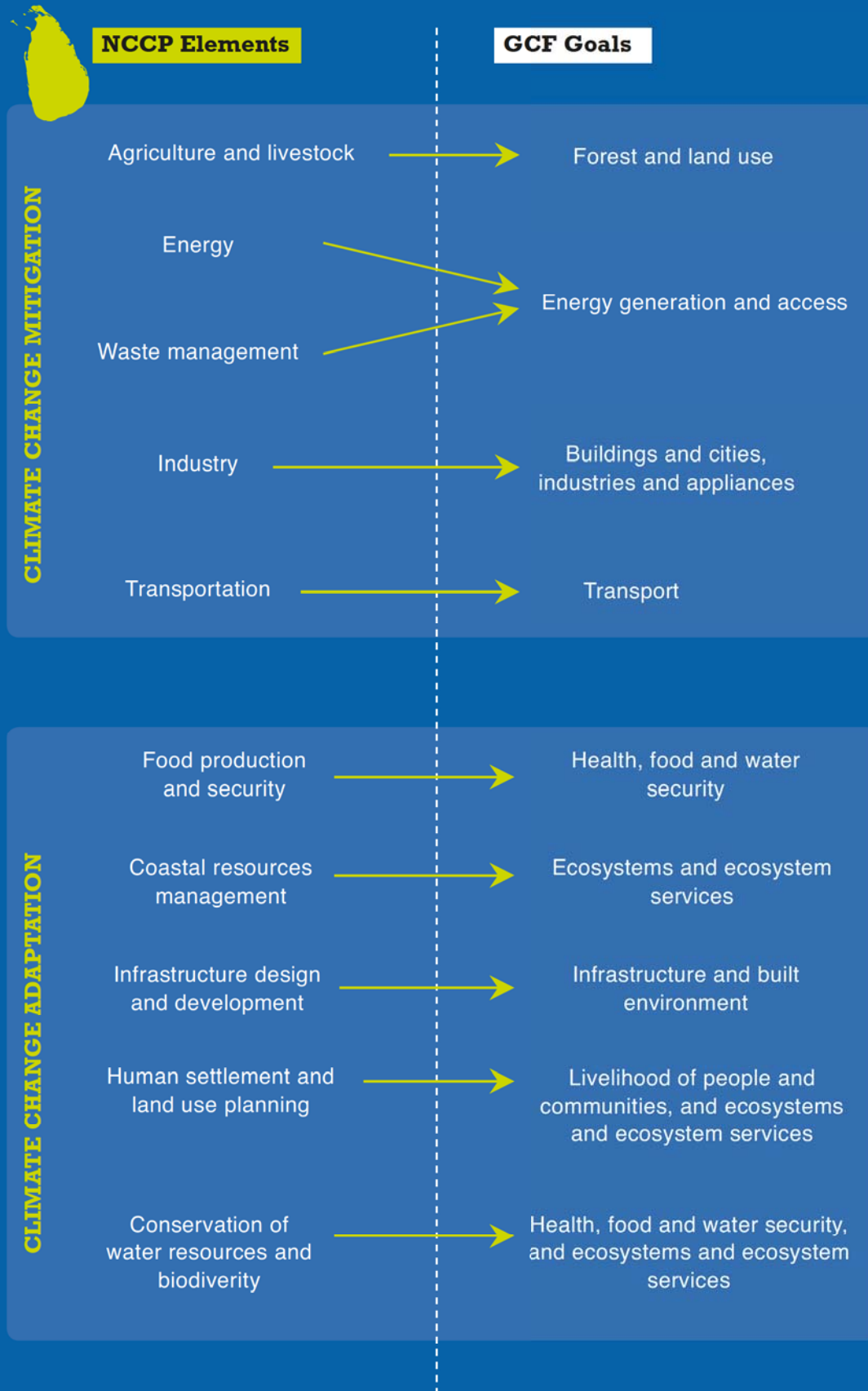
Sri Lanka submitted its updated Nationally Determined Contributions (NDCs) ahead of the 26th Conference of Parties (COP) of UNFCCC. The NDCs of Sri Lanka covers five main areas aligning with the NCCP viz: mitigation, adaptation, loss & damage, integrating sustainable development goals and gender to the NDCs, and means of implementation.



What is a Country Program?

A GCF Country Program is a living document that presents a country's climate change priorities with the GCF, including a pipeline of projects that the country would like to develop with the Fund. It provides an action plan that details how projects and programs are to be developed, the type of entity to partner with, and the readiness and project preparation support needs required.

Mitigation and adaptation elements in Sri Lanka's NCCP and linkages with GCF goals



National Designated Authority

The GCF requires that a National Designated Authority (NDA) or Focal Point be established in each developing country that is party to the UNFCCC. The NDA serves as the interface between each country and the GCF. In this regard, the Government of Sri Lanka has identified the Ministry of Environment as the NDA. The NDA/focal point plays a key role throughout the GCF-related activities, ensuring country ownership and a country-driven approach, which are core principles of the GCF business model.

An **NDA Core Group**, comprising the heads of divisions of the NDA, will play a supporting role for the NDA to perform its key role and responsibilities. The NDA Core Group will ensure collective and collaborative program planning and implementation by the NDA with shared responsibility in implementation of GCF-related activities in Sri Lanka.

? Which agency is the National Designated Authority (NDA) for GCF in Sri Lanka?

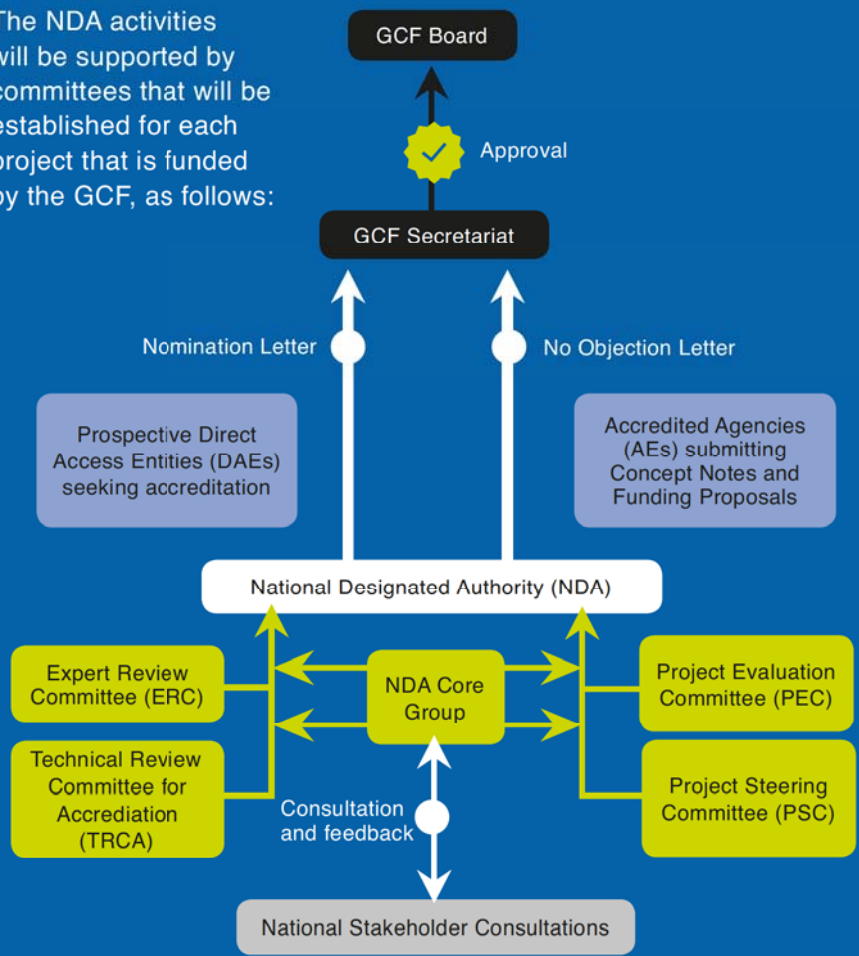
The Ministry of Environment is the NDA for GCF-related activities in Sri Lanka. It ensures that all project proposals are aligned with the country's national sustainable development objectives, it issues the no-objection letter for funding proposals submitted to GCF; and nominates direct access entities for accreditation.

Role and responsibility of the National Designated Authority

The NDA will provide the required leadership in coordination, consultation, and conducting multi-stakeholder forums to engage in raising awareness on GCF processes and capacity development needs, documenting lessons learnt, and facilitating opportunities for shared learning with other countries.

The NDA will facilitate the accreditation process for national institutions, the development of Concept Notes (CNs) and Funding Proposals (FPs), and the implementation of GCF-funded projects/programs in Sri Lanka by engaging with the accredited entities to align the FPs with national strategic priorities.

The NDA activities will be supported by committees that will be established for each project that is funded by the GCF, as follows:



Above. The overall structural integration and coordination mechanism of the NDA including the GCF actors

How to apply for GCF funding



Proposed projects or programs submitted must fall into one of the four GCF project size categories as specified in the GCF Programming Manual (2020) namely, micro, small, medium or large (see section on accreditation and nomination procedures).



The GCF channels CF providing a unique opportunity to tap both public and private finance flows, seeking to engage across sectors to unlock high impact and paradigm shifting climate investments.



The GCF is able to offer and combine a **full range of financing instruments**, including grants, concessionary loans, equity, and guarantees to design bespoke solutions that tackle specific investment barriers.

Access modality and eligibility

Access Modality

The GCF resources can be accessed by Direct Access Entities (DAEs) and International Access Entities (IAEs). The direct access modality includes national and regional entities. The international access modality includes accessing resources from accredited international entities including UN agencies, multilateral development banks, international financial institutions and regional institutions.

Country Eligibility

All developing countries party to the UNFCCC are eligible to receive resources from the GCF.

Institutional Eligibility

The GCF works with a wide range of DAEs and IAEs to channel resources to projects and programs. Such entities may be national, sub-national and international. Each entity should have policies, procedures, guidelines, etc., on par with GCFs fiduciary standards, environmental and social risks, and gender policy.

Sector Eligibility

The GCF specifically has provisioned the Private Sector Facility (PSF) for private sector activities. The NDA needs to ensure that the accredited private sector interests are aligned with national climate policies and priorities. PSF has special focus on Micro, Small and Medium Enterprises (MSMEs) in developing countries.

Financing public and private sector projects

Public sector projects

The GCF finances for public sector projects are extended to public sector entities such as state-owned enterprises and may include grants and loans.

Private sector projects

The **Private Sector Facility (PSF)** – the private sector arm of the GCF – provides equity, grants, concessional loans and guarantees through a variety of financial instruments and structures to de-risk investment; bundle small projects into larger portfolios; support capacity-building; develop public-private climate-resilient infrastructure; and encourage innovation.

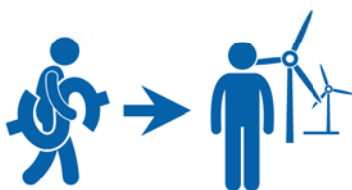
? **What is considered a PUBLIC sector project?**

>50 % of all financial resources (other than GCF proceeds) provided for project implementation by public sector entities are owned and/or controlled by the public sector.

What is considered a PRIVATE sector project?

>50 % of all financial resources (other than GCF proceeds) provided for project implementation by financing entities are owned and/or controlled by the private shareholders.

The PSF comprises two alternative mechanisms:



Mobilisation of Funding at Scale (MFS) aims at using private finance to work with local micro-, small-, and medium-sized enterprises (MSMEs). The objective is to unlock innovative solutions for tackling climate change, in particular on adaptation by issuing requests for proposals (RFPs) to which all Accredited Entities (AEs) able to demonstrate a track record of successfully working with and financing MSMEs can respond.



MSME pilot programs has the same objective as the MFS. It aims to mobilise funds at scale from institutional investors such as commercial banks, investment funds, insurance companies, pension funds and sovereign wealth funds. To benefit institutional investors, the Fund intends to develop a range of investable financial products, some of which include green bonds, commercial paper, syndications and club deals.

Accreditation and nomination procedures

1

Accredited Entities (AEs) are national, regional or international organisations that become accredited with the GCF to elaborate and submit funding proposals (FPs) or programs and may implement approved projects in developing countries. There are two types of GCF Accredited Entities:



International Access Entities (IAEs) include United Nations Agencies, multilateral development banks, international financial institutions, international non-governmental organisations and regional institutions that are directly accepted by the GCF. The IAEs can implement projects and programmes in one or more developing countries with GCF funding. A significant number of IAEs are active in Sri Lanka where they collaborate with NDA and national governments.



Direct Access Entities (DAEs) are sub-national, national or regional organisations that need to be nominated by the NDA. National DAEs can only propose projects to be implemented in their respective countries.



Who can access the Fund?

Through DAEs, national government agencies, private entities, local government units, and civil society organisations (CSOs), among others, can access the Fund. DAEs will submit funding proposals for climate change adaptation and/or mitigation projects to the GCF. Non-accredited entities may still engage with the Fund if they partner with AEs for projects.

2

The **Executing Entities** are national governmental, non-governmental or private sector institutions selected by the AE to support the implementation of activities financed by the GCF. Both AEs and EEs can be implementing agencies. Non-accredited entities can submit FPs to GCF in partnership with AEs.

GCF accreditation scope

The GCF accredits entities by specifying the types of projects that the AEs (DAE or IAE) can submit for funding. The accreditation scope defines three main areas including:

- **Size** of project/program activity
- **Financing modalities** that can be applied for
- **The Environmental and Social Safeguard (ESS) categorisation** of projects that can be implemented

Each AE should have a set of **fiduciary principles and standards** that are equivalent

to those of the GCF. Therefore, the AEs can only submit FPs up to the size for which they have been accredited as follows:

Micro

Up to USD 10 million

Small

Up to USD 50 million

Medium

Up to USD 250 million

Large

USD 250 million and above

How to become a Direct Access Entity

A prospective DAE must receive formal approval from the NDA through nomination.

It is recommended that the NDA continuously reviews and appraises the initial DAE nomination procedure. Prospective entities that could be accredited to be GCF in Sri Lanka include public sector, private sector including banks, and the CSO sector. The DAE nomination procedure follows eight steps, as illustrated.

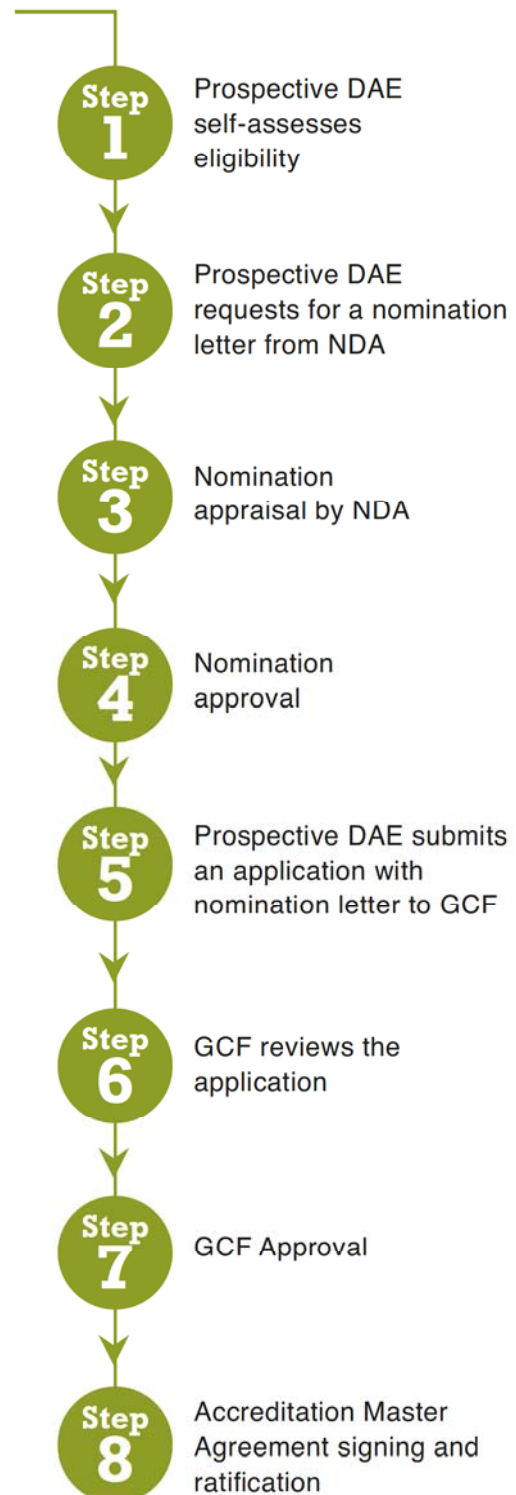
Once the legal arrangements are concluded, and the entity is accredited, the AEs can submit a funding proposal to the GCF. The time taken to become accredited varies depending on the degree of preparedness of the applicant entity and the modality for which it is applying.



What types of funding and support does the GCF provide?

The GCF has various funding windows, including:

- ✓ Regular submissions/funding
- ✓ Readiness funding
- ✓ Project Funding Proposal Preparation
- ✓ Private sector facility
- ✓ Simplified approval process
- ✓ Requests for proposals

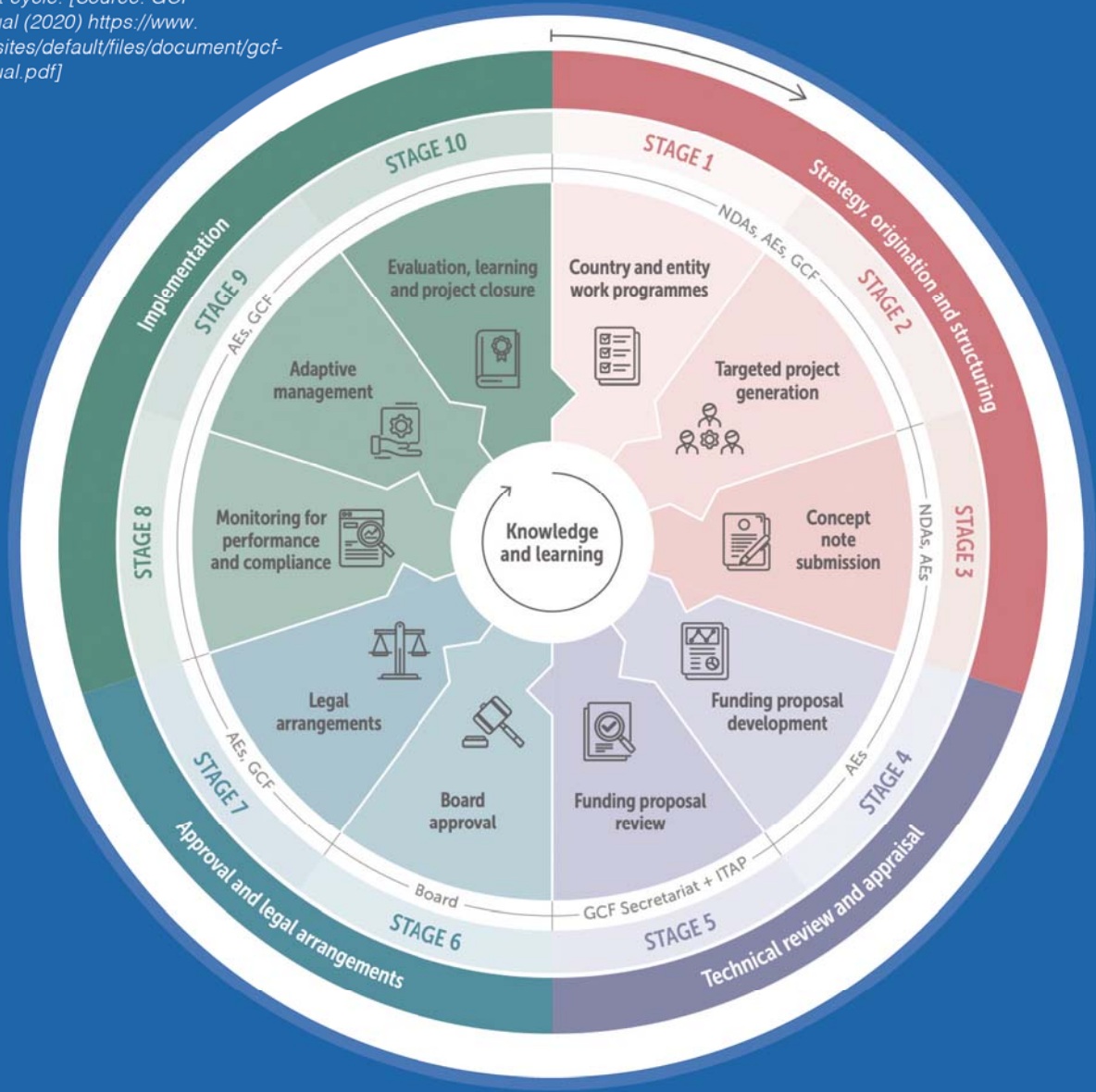


GCF Project Development

The GCF project cycle commences with the preparation of the Country Programme and Entity Work Programmes to originate transformative initiatives by NDA and AEs aligned with the mandate of GCF.

This will continue through to project development and submission by AEs, the technical review and assessment of the proposed project by the GCF Secretariat, its final review and approval by the GCF Board, before moving on to project implementation, evaluation and closure by AEs.

Below. GCF project cycle. [Source: GCF Programming Manual (2020) <https://www.greenclimate.fund/sites/default/files/document/gcf-programming-manual.pdf>]



GCF investment criteria

In formulating the GCF-FP, the project proponent is expected to demonstrate the project's alignment with six investment criteria, which are defined in the GCF's Investment Framework.



Impact potential:

Potential of the project to contribute to the achievement of the Fund's objectives and result areas



Paradigm shift potential:

Degree to which the proposed activity can catalyse impact beyond a one-off project investment



Sustainable development potential:

Wider benefits and priorities, including environmental, social, and economic co-benefits as well as gender-sensitive development impact



Responsive to recipients needs:

Vulnerability and financing needs of the beneficiary country and population in the targeted group



Promote country ownership:

Beneficiary country ownership of and capacity to implement a funded project (i.e. policies, climate strategies, institutions in place)



Efficiency and effectiveness:

Economic and, if appropriate, financial soundness of the project, and for mitigation-specific projects, cost-effectiveness and co-financing



What kind of projects will the Fund support?

The GCF will support projects that will contribute to its strategic impact areas and those that will sufficiently meet the investment criteria above.

Areas of GCF action

The existing results management and performance measurement frameworks define the areas of action in which GCF seeks to invest and its approach to tracking and monitoring results. **The GCF invests across eight Results Areas covering four mitigation and four adaptation strategic impact areas.** The performance measurement framework has been designed to measure the results of the many cross-cutting opportunities with the potential to have an impact on both mitigation and adaptation.

In their FPs, AEs will be expected to demonstrate how they will deliver on a limited set of representative indicators, mirroring the investment framework, that are relevant to their proposed project activities and results areas, which will be tracked and monitored throughout the project implementation process.

Below. GCF areas of action for investment. [Source: GCF Programming Manual (2020) <https://www.greenclimate.fund/sites/default/files/document/gcf-programming-manual.pdf>]

MITIGATION



Energy generation and access



Transport



Forests and land use



Buildings, cities, industries and appliances

ADAPTATION



Health, food and water security



Livelihoods of people and communities



Ecosystems and ecosystem services



Infrastructure and built environment

GCF readiness support

The Readiness Programme provides grants and technical assistance to the NDA. The Readiness funding NDA can in turn be deployed to strengthen DAEs.

The objective is to enhance the capacity of national institutions to engage efficiently with GCF. Dedicated readiness funding may also assist countries in undertaking adaptation planning and developing strategic frameworks to build their programming with GCF.

Based on the submission of high-quality proposals, the Readiness Programme may provide:

- **Up to USD 1 million per country per year** for support related to institutional capacity building, coordination, policy and planning, and programming for investment.
- **Up to USD 3 million per country as a one-time grant for a period of three years** for formulation and implementation of NAPs and/or other adaptation planning processes.

Submission of concept notes

A concept note (CN) helps the prospective proponent to confirm from the GCF Secretariat whether the intended project is aligned with the funding criteria of GCF. The

CNs will be evaluated by the NDA Core Group and the PEC. A No Objection Letter from the NDA is required for CNs to be submitted to GCF by the AE. The submission of a CN is optional (but strongly encouraged to reduce the review time and lower transaction costs for all stakeholders) and can be done either by the AEs or NDA.

The AEs should engage with the NDA and other stakeholders (see the SES) as part of the CN/FP preparation process.

Activity

Contact NDA

Conduct stakeholder consultations (see the SES)

Notify GCF Secretariat

Purpose

For initial discussions on the activities proposed and to identify key stakeholders

To confirm whether the proposed activity is in accordance with the country's strategic framework and priorities, including its country programme, NDCs, NAPs or other relevant climate change strategies and plans

To inform that engagement with NDA and stakeholders has commenced



When and where can we submit a Concept Note and/or Funding Proposal?

Submission of CNs and/or FPs to the NDA can be done at any time.



Which reference can we use in developing project ideas for a Concept Note and/or Funding Proposal?

The Country Programme serves as the primary reference for the development of priority projects/programmes for GCF funding.

Simplified approval process

The GCF has adopted a simplified approval process to allow for the quick review, approval and disbursement of funding for projects that are ready for scaling-up, are of low environmental and social risk and are micro (<USD 10 million).



Does the GCF provide help in preparing project proposals?

Yes, the GCF has a Project Preparation Facility (PPF) which supports project and program preparation costs for all AEs. It is especially targeted at DAEs and micro (<USD 10 million) size category projects.

The PPF is available to all AEs with GCF-approved CNs. The grant is capped

at 10% of total funding requested, or a maximum of USD 1.5 million. To access this, a PPF request should be submitted by an AE to ppf@gcfund.org with the following documents: a PPF application form, Project Concept Note, and a No Objection Letter from the NDA.

GCF-funding proposal development

Accredited Entities are expected to develop their FPs in close consultation with the NDA and with due consideration of the GCF's investment framework, ESS, Gender Policy and results management framework. There are ten iterative steps involved in the development of a FP.

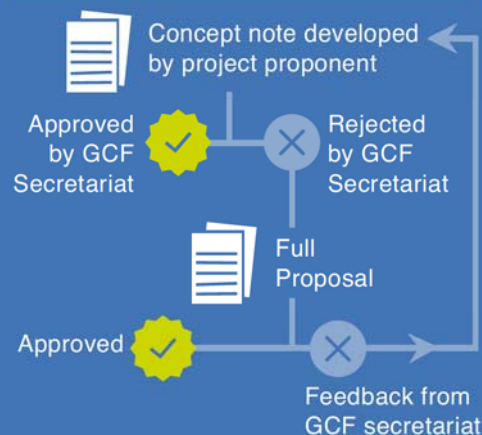


FP submission can be a **one-step process** whereby it is developed by the AE and submitted to the GCF through the NDA. Or the submission can be a **two-step process**, whereby a CN is developed and submitted by the AE and feedback from the GCF secretariat is used to improve the full proposal to ensure alignment with GCF criteria and therefore increase the chance of receiving approval.

One step proposal



Two step proposal



Co-financing of GCF-funded activities

The proponents of GCF-funded activities, whenever possible, should seek to incorporate appropriate levels of co-financing to maximise the impact of GCF Proceeds, as determined on a case-by-case basis. There is no minimum amount of co-financing required for a funded activity, and no specific sources of co-financing that must be complied with.



Should all funding proposals submitted to GCF be supported with co-financing?

Yes. With Sri Lanka being considered a middle-income country in the development work arena, funding proposals from the country are expected to be supported by co-financing.

Process of issuing No Objection Letters for GCF approved Concept Notes to access PPF

The CNs and GCF-FPs will be evaluated by the NDA Core group and PEC to make recommendations to the NDA on the issuance of Recommendation Letters. The NDA will issue No Objection Letters for CNs, PPFs and GCF-FPs.

The **PPF application can only be submitted by an AE** and is especially designed to support DAEs for projects in the micro and small-sized category. However, all AEs are eligible to apply.

FP is submitted by an AE to the NDA to obtain a No Objection Letter. All GCF proposals should be aligned with national policies, strategies and action plans related to climate change.



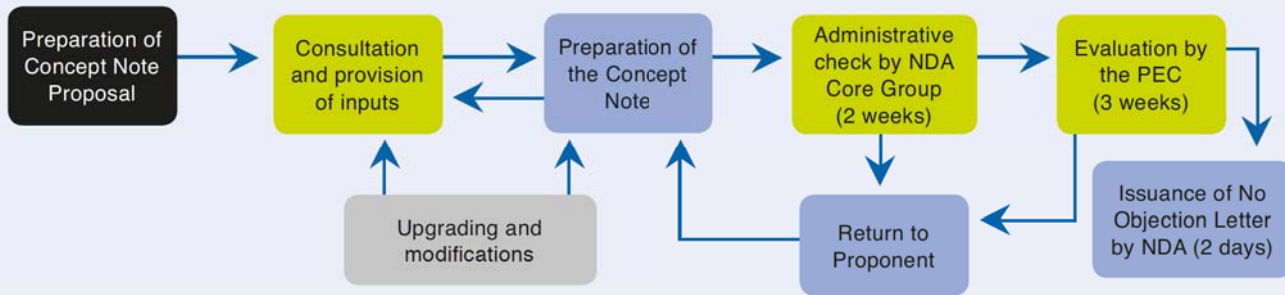
What is a No Objection Letter?

A letter issued by the NDA or focal point confirming that it has no objection to a CN, FP and PPF Proposal submitted on behalf of its country by an AE.



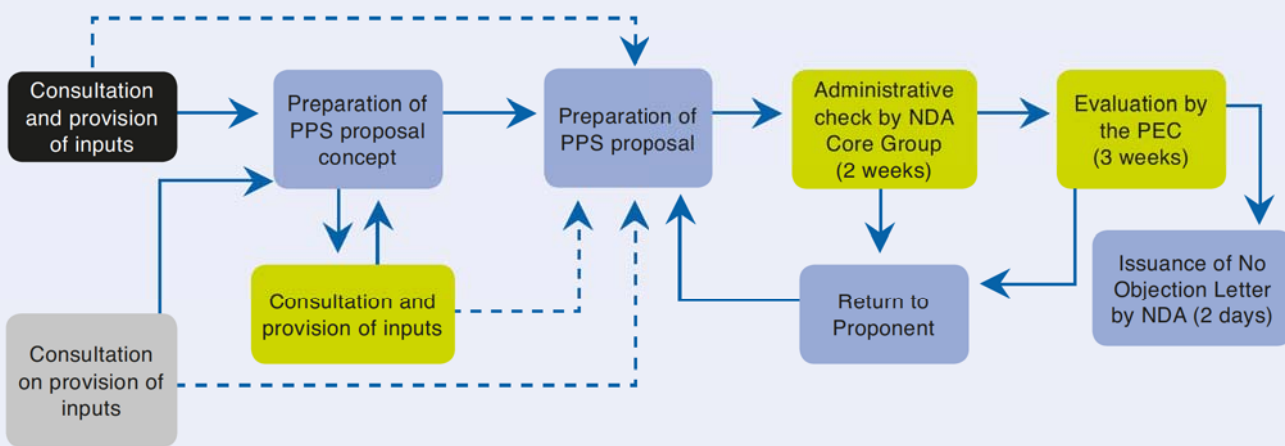
Procedure to Issue the No Objection Letter for FPs/CN

A CN is prepared and submitted for review by the GCF Secretariat to determine if it is aligned with the GCF’s objectives, policies and investment criteria. The feedback received enables strengthening of the project concept for translation into a robust FP. Submission of a CN is optional, but strongly recommended.



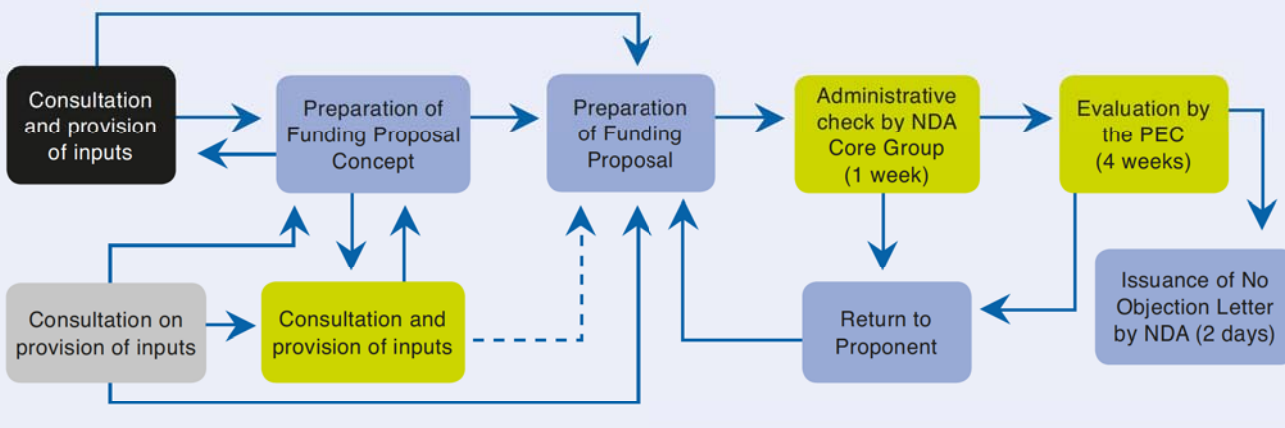
Procedure for Issuing No Objection Letter for GCF-approved Concept Notes to Access Project Preparation Facility

The GCF provides financial and technical assistance for the preparation of project FPs through the PPF. Application for this facility is voluntary. The PPF application can only be submitted by an AE, and is especially designed to support DAEs for projects in the micro and small-sized category.

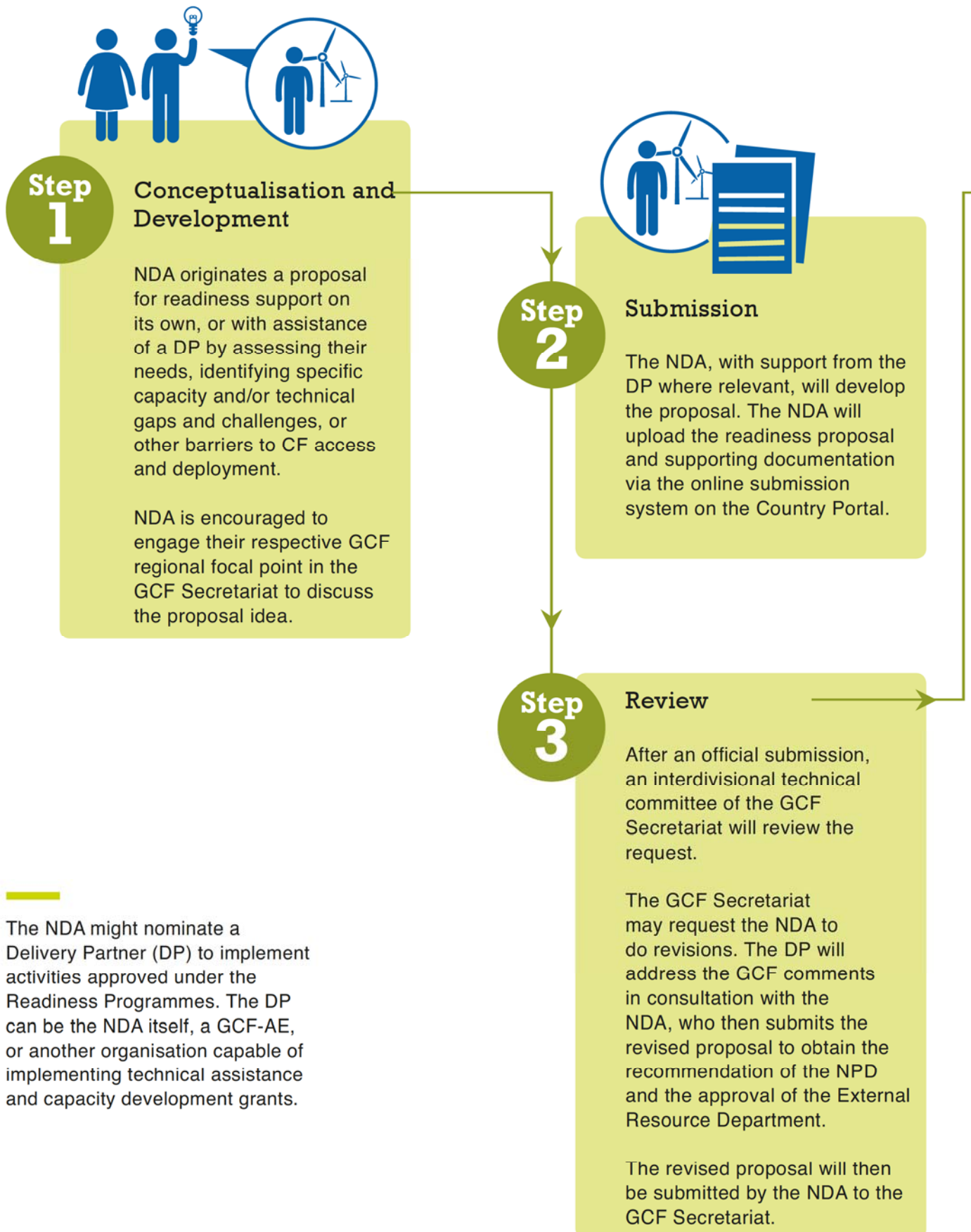


Procedure for issuing No Objection Letter for GCF-Funding Proposal and GCF Approval

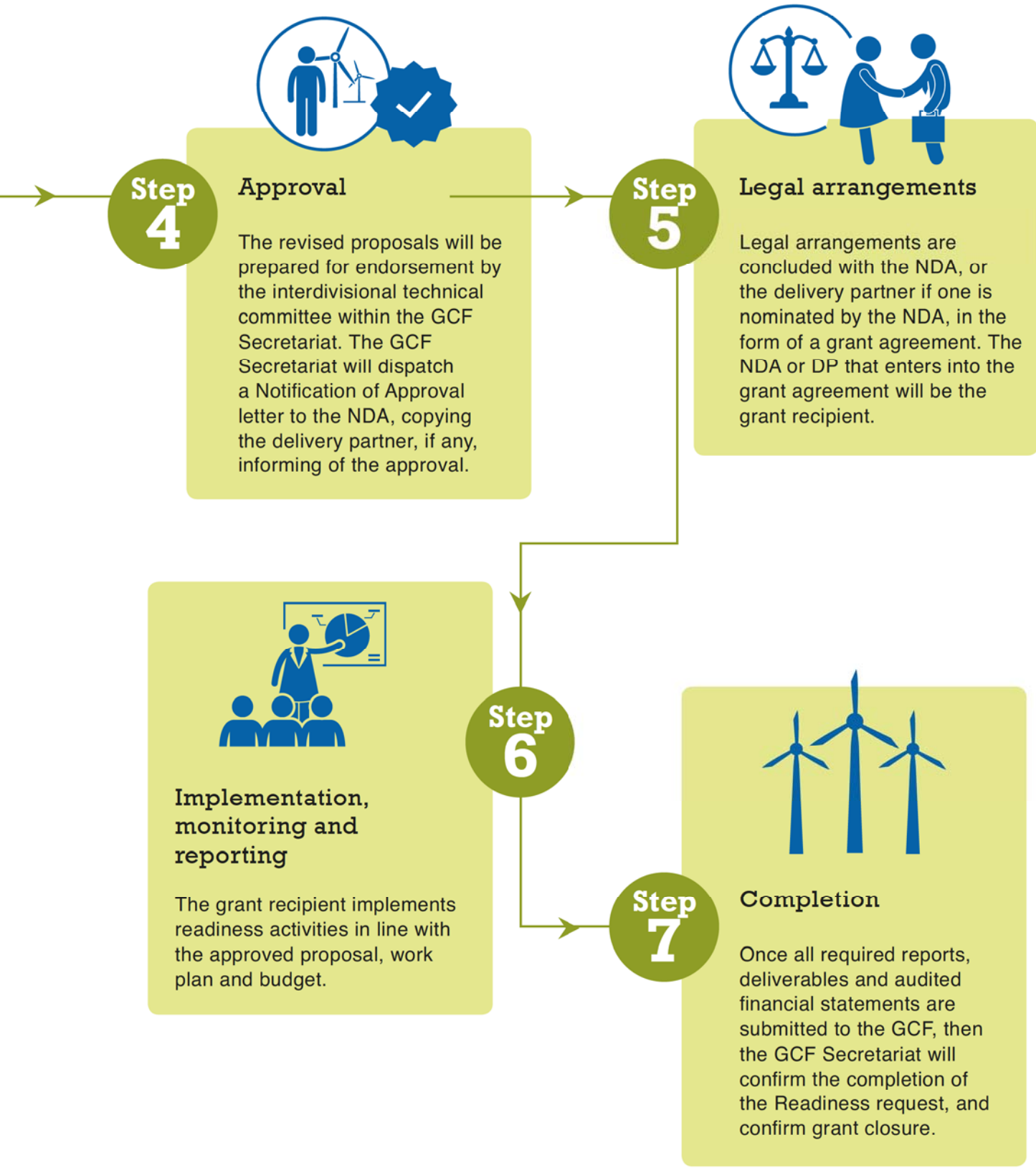
FP/CN is submitted by an AE to the NDA to obtain an NOL.



Procedure for approval of the NDA Readiness Programmes



The NDA might nominate a Delivery Partner (DP) to implement activities approved under the Readiness Programmes. The DP can be the NDA itself, a GCF-AE, or another organisation capable of implementing technical assistance and capacity development grants.



Environmental and Social Safeguards

The NDA is responsible for the implementation of social safeguards in the GCF related activities in Sri Lanka.

As such, all GCF related project activities that involve physical interventions will be **subjected to environmental and social screening**. The project proponent should also provide an Environmental and Social Action Plan. The main objectives of environmental and social screening will be to:



Determine the **anticipated environmental and social impacts**, risks and opportunities of the project/sub-project



Determine anticipated impacts on the local/**indigenous communities**



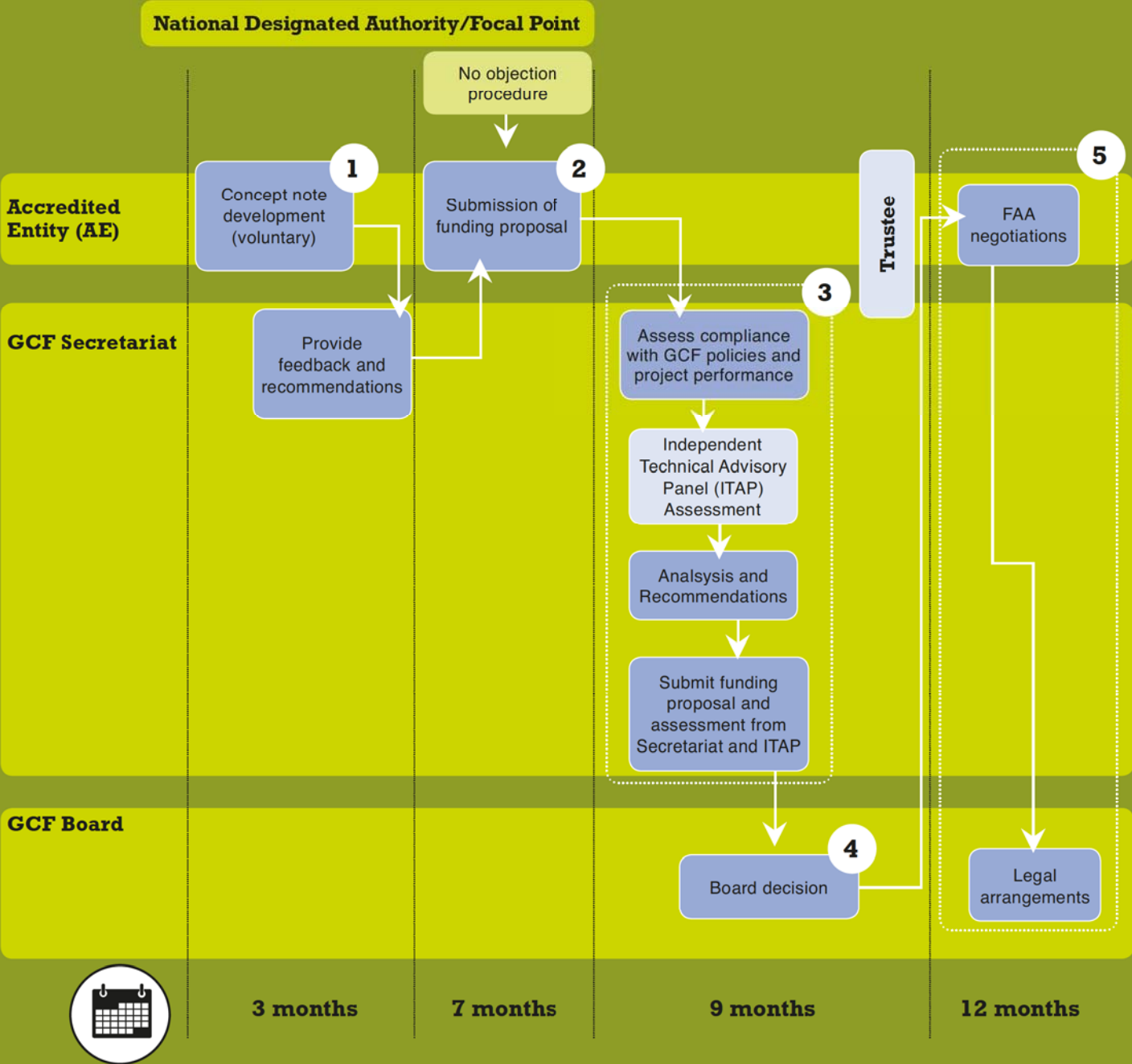
Determine if the anticipated impacts and public concern warrant **further environmental and social analysis**



Recommend the **appropriate type and extent** of Environmental and Social Assessment needed

GCF approval process and timeline

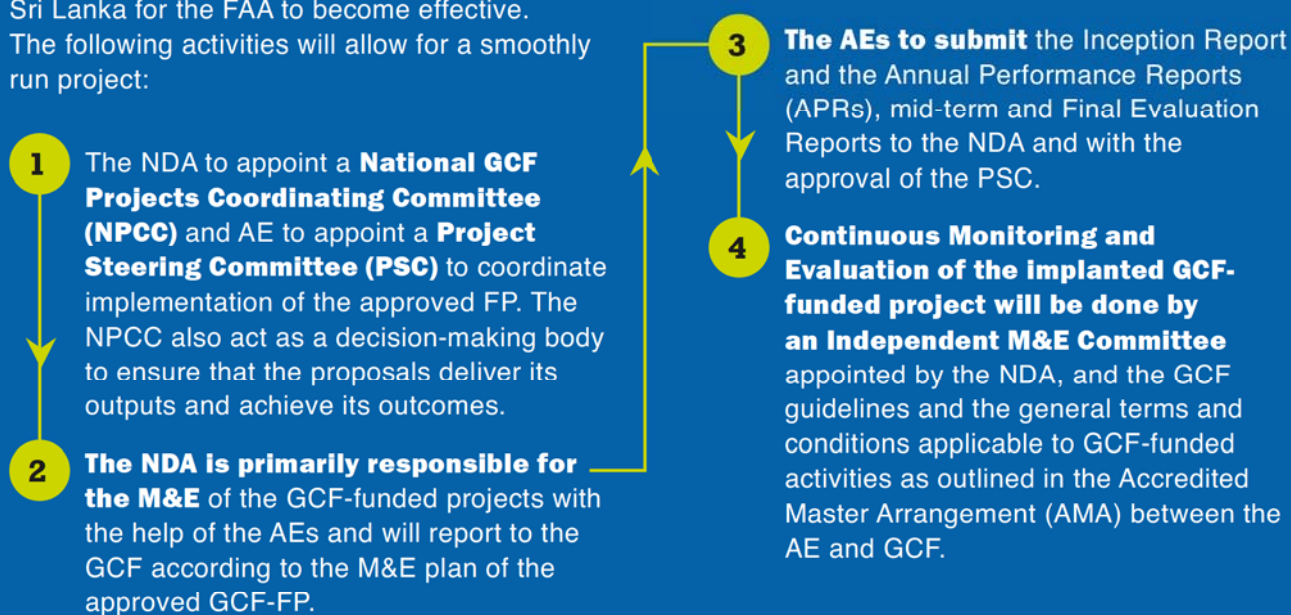
The accreditation, CNs, PPF, GCF-FP and Readiness Proposals will be approved by the GCF Secretariat and GCF board following an established transparent process that constitutes five phases.



Project Implementation

With the approval granted by the GCF Board for an FP, a Funded Activity Agreement (FAA) will be signed between the GCF and the AE (DAE or IAE) responsible for the implementation of the project with the engagement of the stakeholders, providing the legal framework for the operation.

Further, completion of the legal documentation between the NDA and the AE will be required in Sri Lanka for the FAA to become effective. The following activities will allow for a smoothly run project:



What is the role of various stakeholders in project implementation?

Portfolio implementation, monitoring and management involve a series of actors with specific role and responsibilities. These actors are critical in ensuring that GCF projects are implemented in accordance with the highest international standards and that they deliver the best possible benefits to target beneficiaries in an efficient manner. The Stakeholder Engagement Strategy for GCF projects in Sri Lanka, that has been developed separately, provides details of such roles and responsibilities.



Monitoring and Evaluation of GCF projects

The GCF requires that financed projects be regularly monitored in line with rules and procedures established by the Board. The GCF encourages the use of participatory monitoring involving targeted stakeholders.

The NDA will appoint an independent five-member M&E committee. The committee will comprise of two members among the members of the NDA Core group, two members from the NECCCA and NECCCM (one from each committee), and one member from the Ministry of Finance. The committee will be responsible to conduct progress reviews every 6 months in addition to the mid-term and final reviews conducted by AE, and report to NDA. The AE will be responsible for providing all relevant details of the respective projects and financial support to the NDA.



Who will monitor approved projects?

Apart from the NDA carrying out its M&E activities through an independent committee, the AEs such as DAE are generally responsible for monitoring GCF-supported projects and reporting their progress in meeting the GCF's investment criteria.

Project review process

Mid-term review



Final review

The AE is mandated to conduct an MTR. The findings and recommendations of both MTRs will be presented to stakeholders by the AE/EE. Furthermore, a management response to the MTR recommendations together with a plan for implementing the required changes should be developed by the AE/EE and measures should be taken to track the implementation status. The AE is required to submit a copy of this document to the NDA.

The Independent M & E Committee appointed by the NDA will also facilitate the Mid-term review (MTR) conducted by the AE at the middle of each project, guided by the GCF evaluation criteria on relevance, validity of design, performance (effectiveness, efficiency and timelines), sustainability and impact orientation. The AE/EE are expected to provide all information related to the project progress to the NDA-appointed independent committee.

The NDA will provide the report with its recommendation to the AE for necessary action. The AE, after incorporation of the suggestions proposed by the NDA will submit the mid-term progress report to the GCF with a copy to the NDA.

The AE is also mandated to carry out the final review as per the M&E plan identified in the FP three (3) months prior to the date of project closure.

The Independent M&E Committee appointed by the NDA will facilitate the process by providing required advise.

The AE will capture the lessons learned and develop into knowledge and communication products and services for co-learning and possible dissemination among countries. Responses to issues raised in the end of project evaluation will be prepared by the Project Manager of the EE based on the reviews conducted by the AE. The AE will submit the final evaluation report to the NDA through the independent M&E committee.

Once approved at the PSC, the final evaluation report after incorporating any suggestions made by the AE, will eventually be submitted to GCF by the AE, with a copy to the NDA.



Project closure

Project closure activities include ensuring proper recording and archiving of project documentation, recording and handing over/disposing of project assets, making final payments, releasing project staff and reimbursing any unutilised resources to GCF. A final project audit is required to confirm that all GCF funds were properly utilised in line with the requirements of the FAA.

During this phase, the AE should:

- ✓ **Confirm that the project activities were executed and completed** in line with project objectives and FAA requirements; and
- ✓ **Submit a project completion report** or final annual performance report.

References

Green Climate Fund. 2020. *GCF Programming Manual: An introduction to the Green Climate Fund project cycle and project development tools for full-size projects*. Songdo Business District. Republic of Korea.



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