CLIMATE FINANCE & PROJECT PREPARATION FOR BANKABILITY GUIDEBOOK

Ministry of Environment

His Majesty King Abdullah II Ibn Al Hussein

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List of Acronyms

AE	Accredited Entity
AMA	Accreditation Master Agreement
DAE	Direct Access Entity
GCF	Green Climate Fund
GDP	Gross Domestic Product
GGGI	Global Green Growth Institute
GHG	Greenhouse Gas
GOJ	Government of Jordan
EE	Executing Entity
ESS	Environmental and Social Screening
JEF	Jordan Environment Fund
JIC	Jordan Investment Commission
LDC	Least Developed Country
MoA	Ministry of Agriculture
MoENV	Ministry of Environment
MoEMR	Minister of Energy & Mineral Resources
MoLA	Ministry of Local Administration
MoTA	Ministry of Tourism and Antiquities
MWI	Ministry of Water and Irrigation
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NGGP	National Green Growth Plan
NOL	No-objection letter
O&M	Operation and Maintenance
PCM	Project Cycle Management
PPF	Project Preparation facility
PSF	Private Sector Facility
RFP	Requests for Proposals
SAP	Simplified Approval Process
SIDS	Small Islands Developing States
TOR	Terms of Reference
TOC	Theory of Change
UNFCCC	United Nations Framework Convention on Climate Change

Ministerial Foreword

NABIL MASARWEH

MINISTER
Ministry of Environment

The Hashemite Kingdom of Jordan is a stable and peaceful country with a rich and ancient history that flows throughout the Middle East attracting millions of visitors from around the world each year with its wide diversity of nature and climate. It has been a leader in its support of peace and stability for all people and is now emerging as a leader in the global fight against climate change. His Majesty King Abdullah II has reaffirmed Jordan's role as the regional hub and "launch pad" able and ready to facilitate international efforts addressing the climate crisis as well as poverty, hunger, unemployment and social economic inequalities, to achieve the sustainable development goals.

The impact of global economic crises, multiple regional conflicts, and now the global COVID-19 pandemic, in recent years has put more pressure on Jordan in dealing with internal development challenges and made us more susceptible to the impacts of climate change. Having the second highest number of refugees per capita in the world and limited natural resources has led us to increase coordination, collaboration, creativity, and innovation to overcome these challenges in addition to the negative impacts of climate change. The future of our country and youth, demands increased job creation, regional stability, food security, energy independence, and thriving diversified ecosystems which can only be obtained by increasing our mitigation and adaptation efforts within the international frameworks on climate change which Jordan has agreed to.

Jordan has demonstrated commitment to addressing the climate crisis and setting an example for our neighbors by becoming one of the first countries in the region to sign on to the Paris Agreement and institutionalize climate change policy at the national level. The National Climate Change Policy of 2013 was further supported by the Ministry of Environment in 2020 with the launching a National Adaptation Plan, National Green Growth Action Plans for critical sectors, and prioritization of the NDC Action Plan through national stakeholder validation. Climate change curriculum has also been embedded in secondary and university level schools. We have focused on developing and implementing national scale, bankable climate actions to stimulate job growth and a circular economy with engagement of the private sector, development partners, and global climate funds.

We are fortunate to have brilliant leaders and motivated minds, which require expertise in the areas of project preparation and climate finance in order to enable these leaders to translate their ideas into bankable climate actions. And so we are pleased to introduce a new promising window of financial support geared specifically for climate change mitigation and adaptation projects that can aid developing countries such as Jordan in

implementation of its climate priorities and transition our sectors to a green economy, with low carbon emissions in parallel to increased resilience to climate affects.

I am pleased to introduce Jordan's first Climate Finance and Project Preparation for Bankability Guidebook, as a reference tool to support increased capacity of our citizens and civil servants in understanding the terms, financial concepts, and requirements of accessing climate finance from global funds such as the Green Climate Fund. It is our hope this Guidebook enhances Jordan's capacity to better engage according to global best practices with its private sector, neighbors, and development partners in order to achieve is National Determined Contributions and global climate commitments.

We are confident that tools such as this Guidebook will support Jordan in addressing the effects of climate change and continue being a beacon of hope in the Middle East, by enabling its greatest resource, its people. Special thanks to the Green Climate Fund, the Global Green Growth Institute, and Clima Capital Partners for their partnership with the Ministry of Environment in development of this Guidebook.

Nabil Masarweh
Minister of Environment

BELAL SHQARIN

Director, Climate Change Directorate
Ministry of Environment

Climate Change is a global issue impacting each country in the world. The Hashemite Kingdom of Jordan is a developing nation that is likely to be heavily impacted by climate change. The country has limited natural resources and is considered one of the four most water-scarce countries in the world. Rising global temperatures and the associated impact on climatic conditions are anticipated to increase pressure on Jordan's limited land and water resources. The impacts of climate change on our livelihoods, food and water security, ecosystems, and infrastructure here in Jordan require that we increase our awareness and action with regards to mitigation and particularly adaptation measures - specifically designed to meet our national needs.

Significant climate action requires vast financial resources. Jordan submitted its Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC) in November 2016. In its NDC, Jordan determines to reduce its greenhouse gas emissions (GHG) by 14% until 2030. Of the 14%, a maximum of 1.5% will be unconditional and fulfilled by its own means compared to a business-as-usual scenario (BAU). Conditional and subject to availability of international financial aid and support to means of implementation, Jordan commits to reduce its GHGs emission by an additional, at least, 12.5% by 2030.

One of the key drivers identified in the National Green Growth Plan (NGGP), NDC Action Plan, and the National Climate Change Policy, to achieve our global climate commitments is for Jordan to access international funding resources from global climate funds such as the Green Climate Fund. The estimated cost to reach the 14% target is USD 5.7 billion of which the GoJ has already secured USD 542.75 millions of its own means to meet the unconditional target. We will need an additional USD 5.157 billion to fulfill our conditional target. Access to global climate funds is critical to Jordan achieving a greener economy and closing the "climate finance gap".

Aligning with our belief that climate change mitigation and adaptation is central to our sustainability and resiliency, we have an aspiration to update our NDCs in order to reflect a more ambitious target. To enable us to raise our commitments to emissions reduction we must increase our access to global climate financing by strengthening private sector participation in a bankable project pipeline. This begins with enhancing the technical capacity of national stakeholders in climate finance and project preparation in order to successfully engage with global climate funds set up to support developing nations in climate action implementation and financing.

This bilingual guidebook, developed in partnership with the Ministry of Environment, Global Green Growth Institute, and Clima Capital Partners and by consultation with other government agencies and the private sector is a reference tool for all stakeholders in Jordan to design climate actions aligned with the mandate of the GCF and other climate funds. It provides internationally accepted definitions to general climate finance concepts and highlights processes and best practices applied for funding mechanisms of the GCF.

We thank the Green Climate Fund Readiness and Preparatory Support Programme for their support and look forward to progressing Jordan's climate agenda to ensure a brighter, greener, and cleaner future for all citizens.

Belal Shqarin
Director, Climate Change Directorate
Ministry of Environment
Hashemite Kingdom of Jordan

Ministry of Environment

Glossary of Terms

ACCREDITATION
Accreditation is a pre-requisite for all entities to access GCF funds. It is a process that requires each entity to demonstrate its ability to manage GCF's resources in accordance with the standards and criteria set by the Fund. An entity's eligibility for accreditation is based on three primary criteria i.e. fiduciary standards, environmental and social safeguards and gender policy.

ACCREDITED ENTITY (AE)
An entity that is accredited by the GCF Board in accordance with the Governing Instrument (which sets out its mandate and working methods), and relevant Board decisions. Please refer to the accredited entity directory to see the full list of AEs.

ADAPTATION
Anticipating the adverse effects of climate change and taking appropriate action to prevent or minimize the damage they can cause, or taking advantage of opportunities that may arise. It has been shown that well planned, early adaptation action saves money and lives later.

BLENDING
Blending refers to combining funds financed from multiple sources i.e. the GCF with money received from other own, international or national financial sources to execute projects in scale. For instance, an accredited entity can request a portion of funding from the GCF and blend it with resources provided by other institutions such as the World Bank and the Asian Development Bank.

CLIMATE CHANGE
A change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and that is in addition to natural climate variability observed over comparable time periods.

CLIMATE FINANCE
Climate finance is the flow of funds from developed countries to developing countries to address the issues related to climate change. It refers to local, national or transnational financing, primarily provided by developed countries, which may be drawn from public, private and alternative sources and mobilized to help developing countries mitigate and adapt to the impacts of climate change.

CLIMATE FUNDS
Climate funds are financial resources earmarked at multilateral, bilateral and/or national levels for measures that address climate change.

CLIMATE RESILIENT
The ability of a system and its component parts to anticipate, absorb, accommodate, or recover from the effects of a hazardous event in a timely and efficient manner, including through ensuring the preservation, restoration, or improvement of its essential basic structures and functions.

CO-FINANCING MECHANISM
Co-financing mechanism is a practice in which multiple agencies finance the same project. Climate Co-Finance is the amount of financial resources contributed by the external entities along with climate finance invested by Multilateral Development Banks (MDBs). The financial resource providers include, among others, government or government-affiliated institution as well as the private sector, which are in the form of trust funds and international climate funds managed by MDBs.

CONCEPT NOTE
A document which provides essential information about a project or program to seek feedback on whether the concept is broadly aligned with the objectives, investment criteria and policies of the funding source.

CONDITIONALITY
Conditionality refers to conditions that recipient entities need to fulfill to receive financial support from funding sources i.e. the GCF. These conditions may include earmarking funds to certain sectors, co-financing, procurement design, and fulfilling certain criteria under social and environmental context, etc.

CONCESSIONAL LOAN
Concessional loan is a financial instrument having special features with zero percent or low interest rate and an extended repayment schedule than those of standard market; or multilateral loan

provided by a funding source to poor and climate vulnerable countries to execute climate actions and achieve sustainable development. There are two sets of concessional loans;

- Concessional Loans 1 (deeply concessional): The interest rate is zero per cent with 15 to 40 years maturity including 5 to 10 years grace period.
- Concessional Loans 2 (moderately concessional): The interest rate is based on benchmark rate of lending (Euros: European Central Bank rate, US dollars: United States Treasury bond rate) with 8 to 15 years including 2 to 4 years grace period.

A service fee is set at 0.75 per cent for both concessional 1 and 2.

DIRECT ACCESS ENTITY (DAE)

Direct Access Entity (DAE) is a national or regional entity that is accredited to the GCF to access finance through the direct access modality to implement projects and programs. These entities can be private or public, non-governmental, sub-national, national or regional. Accredited Entities carry out a range of activities that usually include the development of funding proposals, the management and monitoring of projects and programs and or execution of project activities.

ENVIRONMENTAL AND SOCIAL SAFEGUARD (ESS)

A reference point for establishing criteria for accrediting institutional capacities and entities seeking accreditation to the Fund, and for identifying, measuring and managing environmental and social risks. Its main purpose is to determine the key environmental and social risks the Accredited Entity intends to address in the conceptualization, preparation and implementation of funding proposals, and to provide guidance on how these risks are to be managed. An ESS is based on the eight Performance Standards of the International Finance Corporation.

EXECUTING ENTITY (EE)

An entity which executes, carries out or implements a funded activity or any part of a project. GCF proceeds are channeled (from an AE) to an EE for the purposes of implementing a funded activity or part thereof. An accredited entity may carry out the functions of an executing entity, though it is preferable if local and national actors execute projects/programs.

FEASIBILITY STUDY

A preliminary study undertaken at the early stage of a project that helps to establish whether the project is viable and what are the feasible options.

FIDUCIARY STANDARDS

Fiduciary standards are important criteria an entity needs to meet to get accredited by GCF. An entity seeking accreditation needs to demonstrate its capacity to meet five elements of GCF fiduciary standards. They are:

1. Core financial and administrative functions
2. Good governance
3. Procurement processes and systems
4. Transparency and integrity
5. Project Cycle Management

There are two sets of standards under the GCF: basic and specialized. The basic standards include administrative and financial capacities, and transparency and accountability. The specialized standards include project management, grant award mechanism and on-lending and blending.

FINANCIAL INSTRUMENTS

Financial instruments are monetary assets that can be traded between parties i.e. accredited entities and the GCF to deploy the Fund's resources to undertake mitigation and adaptation activities. GCF uses various financial instruments such as grants, concessional loans, guarantees and equity investments.

FIT-FOR-PURPOSE

Fit-for-Purpose is a criterion set by GCF to evaluate accreditation applications submitted by prospective entities. It includes mandate and track record; fiduciary functions; environmental and social risk categories and project size.

FOCAL POINT

An individual or authority designated in a country with a pivotal role to facilitate interface between a country and the funding source i.e. the term Focal Point and National Designated Authority (NDA) are interchangeably used in the framework of the GCF.

FUNDING PROPOSAL

Document containing information on a proposed climate change project or program, which is submitted for funding i.e. by an Accredited Entity to the GCF Secretariat to access GCF resources.

GENDER
Refers to how societies and specific cultures assign roles and ascribe characteristics to men and women on the basis of their sex. i.e. many cultures share expectations that women are caregivers of children, and men are laborers or soldiers.

GRANT
Grant is a type of financial instrument provided to address climate adaptation and/or mitigation project/program in the developing countries with no expectation of a return payment i.e. both international and national entities accredited by GCF are eligible for grants as per the agreed terms and conditions.

GREEN CLIMATE FUND (GCF)
The world's largest dedicated fund helping developing countries reduce their greenhouse gas emissions and enhance their ability to respond to climate change. It was set up by the United Nations Framework Convention on Climate Change (UNFCCC) in 2010 at the 16th session of the Conference of Parties (COP) in Cancun, Mexico. It is an operating entity of the financial mechanism of the Convention under Article 11. The GCF will support projects, programs, policies and other activities in developing countries and is governed by the GCF Board.

GREENHOUSE GASES (GHG)
Gases which prevent solar radiation from escaping, thus trapping the heat near the earth's surface where it warms the earth's atmosphere. Primary GHGs, carbon dioxide (CO2), nitrous oxide (N2O), methane (CH4), and ozone (O3) in the atmosphere contribute to the greenhouse effects. Rapid industrialization and vehicular emissions have given rise to GHGs thereby leading to an increase in earth's temperature.

IMPACT POTENTIAL
Impact potential refers to potential of the program/project submitted to GCF Board for approval to contribute to the achievement of the GCF's objectives and eight result areas. The two core indicators for impact potential are:

1. Mitigation core indicators: Total tons of CO2 equivalent to be avoided or reduced per annum.
2. Adaptation core indicators: Expected total number of direct and indirect beneficiaries and number of beneficiaries relative to total population (e.g. total lives to be saved from disruption due to climate related disasters).

INVESTMENT CRITERIA
Refers to the set of parameters used by financial actors to access funds i.e. six investment criteria adopted by the GCF Board, namely impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership, and efficiency and effectiveness. Please refer to the Board Decision on Further Development of the Initial Investment Framework which provides more detailed explanations of the Fund's investment criteria.

LEVEL OF CONCESSIONALITY
Refers to a measure of the 'softness' of a credit reflecting the benefit to the borrower compared to a loan at market rate.

LOAN PRICING
Refers to determining the interest rate for granting loans to creditors.

LONG TERM FINANCE
Refers to any financial instrument with maturity exceeding one year (such as bank loans, bonds, leasing and other forms of debt finance), and public and private equity instruments. With respect to climate action, long term finance refers to the financial commitment by developed countries to developing countries for funding climate change actions from 2020 and beyond. Developed countries have a joint commitment to mobilizing USD 100 billion per year by 2020 from a wide variety of sources (public and private, bilateral and multilateral, and other alternative sources) in the context of meaningful mitigation actions and transparency of implementation.

LOW CARBON
The term Low Carbon or Low Carbon Development refers to the reduction of carbon emissions to a minimal level to mitigate greenhouse gases responsible for global warming and climate change. The concept of low carbon development was first discussed in UNFCCC, Rio in 1992. Low carbon development is generally expressed with the term Low Emission Development Strategies (LEDS) or Low Carbon Development Strategies (LCDS).

MITIGATION

In the context of climate change, a human intervention to reduce the sources or enhance the sinks of greenhouse gases. Examples include using fossil fuels more efficiently for industrial processes or electricity generation, switching to solar energy or wind power, improving the insulation of buildings, and expanding forests and other 'sinks' to remove greater amounts of carbon dioxide from the atmosphere.

MONITORING AND ACCOUNTABILITY FRAMEWORK

GCF has developed a Monitoring and Accountability Framework to periodically check the performance of accredited entities. The framework has two components: i) Monitoring of accredited entity's compliance with accreditation standards and ii) Monitoring and evaluation of GCF funded projects and programs. In compliance monitoring accredited entities need to conduct an annual self-assessment, mid-term review and also ad-hoc compliance review as necessary. As part of projects and programs monitoring, accredited entities need to perform annual performance monitoring, and interim and final evaluation of the project and programs funded by GCF. Accredited agency needs to submit all monitoring and evaluation reports to the GCF secretariat.

MULTILATERAL IMPLEMENTING ENTITY

Multilateral Implementing Entity is an entity agreed upon or participated in by three or more parties, especially the governments of different countries such as the UN Agencies, and other international organizations accredited to the GCF or Adaptation Fund i.e. International Finance Corporation. These institutions will bear the full responsibility of managing the funded projects and programs, monitoring and financial reporting.

NATIONAL DESIGNATED AUTHORITY (NDA)

A core interface and the main point of communication between a country and the GCF. The NDA seeks to ensure that activities supported by the Fund align with strategic national objectives and priorities and help advance ambitious action on adaptation and mitigation in line with national needs. A key role of NDAs is to provide DAE nomination and no-objection letters for project proposals.

NOMINATION LETTER

This is a letter issued by the NDA to aspirant entities seeking GCF accreditation. Entities applying for accreditation need to submit such nomination letter as a part of their application for accreditation.

NO OBJECTION LETTER

A letter issued by an NDA, signed by its official representative, confirming that it has no objection to a concept note / funding proposal submitted on behalf of its country by an accredited entity.

ON-LENDING

Refers to loan out money that has been borrowed i.e. an entity accredited under specialized fiduciary standards can receive money from GCF with the intention of lending it to other executing entities for the implementation of selected programs and/or projects. This can also include providing equity or guarantees to other entities.

ONLINE ACCREDITATION SYSTEM (OAS)

A secure internet accessible application, which allows an entity to apply for accreditation to the GCF. All entities, including international, regional, national and sub national entities can apply for accreditation to the Fund using the OAS.

PARADIGM SHIFT POTENTIAL

A degree to which the proposed project / program can catalyze impact beyond a one-off project or investment program under the GCF funding. It is one of the major investment criteria to be followed while submitting proposals to GCF. It is further defined by the following sub criteria:

1. Innovation
2. Potential for scaling-up and replication for both mitigation and adaptation
3. Potential for knowledge and learning
4. Contribution to the creation of an enabling environment
5. Contribution to the regulatory framework and policies

PERFORMANCE MEASUREMENT FRAMEWORK (PMF)

A set of indicators established by the GCF to measure progress towards intended results based on the paradigm-shift objective, Fund-level impacts and project/program outcomes as outlined in the GCF's mitigation and adaptation logic models.

PRIVATE SECTOR FACILITY (PSF)

A mechanism in which the GCF directly provides grants, concessional loans, risk guarantees or other forms of financial products (e.g. green bonds, refinancing, credit lines, equity financing) to private companies through engagement with AE / DAEs to encourage private sector participation and investment in climate actions.

PROJECT PREPARATION FACILITY (PPF)

A financing mechanism which supports AE / DAEs in project and program preparation (i.e. conducting feasibility studies). Funding available is up to US$1.5 million for each PPF request and can be provided through grants and repayable grants while equity may be considered for private sector projects. Funding proposals developed with the PPF should be submitted to the GCF Board within two years of the approval of a PPF request.

PUBLIC AND PRIVATE PARTNERSHIP

A contractual relationship between the public sector and private companies to finance, design, build and operate public facilities such as roads, hospitals and schools. This form of financing is increasingly being explored to fund climate-related infrastructure.

RESULTS MANAGEMENT FRAMEWORK (RMF)

A life-cycle approach to results management through measurements to improve decision-making, transparency and accountability. The approach is in line with improving the way the Fund functions by achieving outcomes through implementing performance measurement, learning and adapting, in addition to reporting performance.

THEORY OF CHANGE

A methodology for planning, participation and evaluation that is used to promote long-term change. The theory of change defines long-term goals and then maps backward to identify necessary preconditions. The innovation of theory of change lies in making the distinction between desired and actual outcomes, as well as in requiring stakeholders to model their desired outcomes before they decide on forms of intervention to achieve those outcomes. The theory of change is an inclusive process involving stakeholders with diverse perspectives in achieving solutions. The ultimate success of any theory of change lies in its ability to demonstrate progress on the achievement of outcomes. Evidence of success confirms the theory and indicates that the initiative is effective. Therefore, the outcomes in a theory of change must be coupled with indicators that guide and facilitate measurement. The added value of a theory of change lies in outlining a conceptual model that demonstrates the causal connections between conditions that need to change in order to meet the ultimate goals.





Notes on this Guide

1. Why has this Guide been written?

The guidebook has been developed under the leadership of the Global Green Growth Institute (GGGI) to enable a healthy financing environment for green projects and initiatives in Jordan, and to guide the development, decision-making, design and operationalization of bankable projects pipeline through a consistent methodology.

This Guide seeks to improve Jordan's Readiness to access finance for climate change and offers guidance in answering practical questions on how to access GCF funding.

2. Who is this Guide for?

This guidebook is addressed to the National Designated Authority (NDA), the Ministry of Environment, its Climate Change Directorate, other line ministries in Jordan, Direct Access Entities (DAEs) and candidates, and private sector entities engaged in planning and development of bankable climate change project proposals.

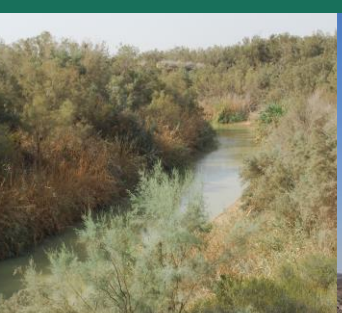
3. How is this Guide structured?

Based on the outcomes of the consultation process undertaken in Jordan with several public and private institutions, the guidebook has been divided into three key themes to cover the capacity needs identified and leverage international best practices and knowledge in climate finance:

Section 1. Overview of the GCF, climate change and climate finance

Section 2. Development of GCF concept notes

Section 3. Project appraisal and due diligence





SECTION 1. OVERVIEW OF THE GREEN CLIMATE FUND, CLIMATE CHANGE AND CLIMATE FINANCE

Essentials to know before developing a GCF concept note:
Who? What? Why? Where? How?

1. GCF business model, governance, sectors of activities, financial instruments

What is the GCF and what the Fund does?

The Green Climate Fund (GCF) is the world's largest dedicated fund for climate action. It is a global platform which aims to respond to climate change by investing in low-emission and climate-resilient projects and programs developed by the public and private sectors to contribute to developing countries' climate change priorities. The Fund was established by 194 governments at the 16th Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in 2010 under the Cancun Agreement to limit or reduce greenhouse gas (GHG) emissions in developing countries (mitigation), to help vulnerable societies adapt to the impacts of climate change (adaptation) and to contribute to cross-cutting scenarios that deliver both mitigation and adaptation.

GREEN CLIMATE FUND

As of today, the GCF has built a portfolio of 123 projects having mobilized USD $5.4 billion to projects approved by the GCF Board and having received pledges of financing in excess of USD $19.3 billion[1].

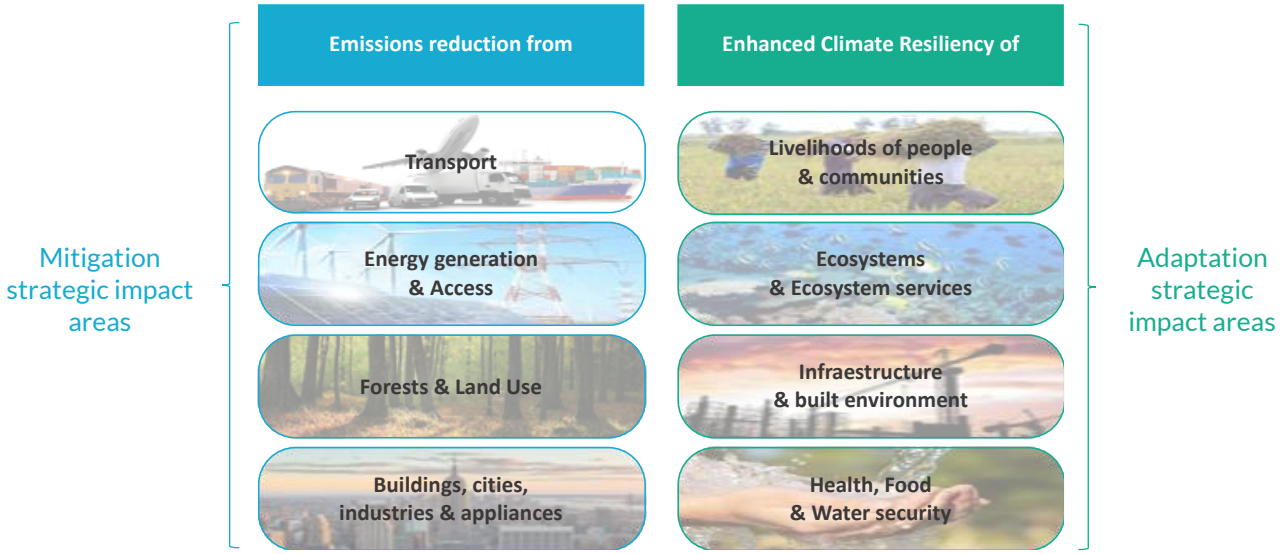
- **Funding of climate action in developing countries**

The Fund finances climate change mitigation and adaptation projects and programs in developing countries and aims for a 50:50 balance between mitigation and adaptation in its portfolio. There is a special focus on vulnerable countries: Small Islands Developing States (SIDS), Least Developed Countries (LDCs) and African States. The GCF has defined eight impact areas to deliver major mitigation and adaptation benefits in target countries.

- ✓ Find an overview on the GCF project portfolio here: https://www.greenclimate.fund/projects/dashboard
- ✓ Learn more about GCF-funded project and programs here: https://www.greenclimate.fund/projects
- ✓ Eligible countries for GCF finance are developing country Parties to the UNFCCC https://www.greenclimate.fund/countries

[1] Last registered on the GCF website as of 31 January 2020.

Figure 1. GCF Strategic impact areas



- **Empowering countries to directly access GCF**

GCF provides countries with direct access to the Fund and supports readiness and preparatory activities to enhance country ownership and access. The Readiness Program provides resources for strengthening institutional capacities of countries – both of National Designated Authorities (NDAs) and Direct Access Entities (DAEs) (see "Actors involved in the GCF project lifecycle" below).

- ✓ Learn more about the Readiness Program here: https://www.greenclimate.fund/readiness/process
- ✓ Learn more about Jordan's Readiness Proposal here: https://www.greenclimate.fund/sites/default/files/document/readiness-proposals-jordan-gggi-strategic-framework.pdf

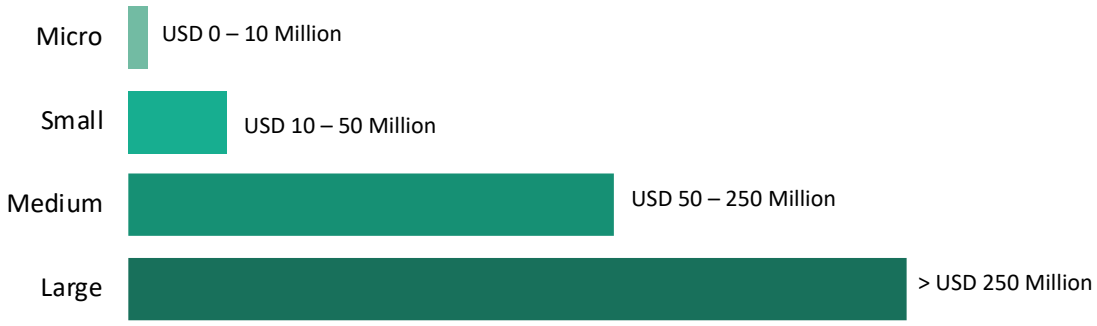
- **Maximizing private sector engagement**

Through its dedicated Private Sector Facility (PSF), GCF leverages its own funding to mobilize institutional investors such as pension funds, insurance companies or commercial banks, to co-invest with the Fund.

- ✓ Learn more about the PSF here: https://www.greenclimate.fund/document/green-climate-fund-private-sector-facility
- ✓ Find an overview of approved private sector projects: https://www.greenclimate.fund/projects?f[]=field_subtype:327

What size of projects are financed by the GCF?

The proposed project or program submitted will fall into one of the four GCF project size categories.



Who are the actors involved in the GCF project lifecycle and what are their roles?

The GCF business model framework is comprised of three main actors, each with a role to play in interacting with the GCF during the project preparation and implementation cycles:

I. **National Designated Authority (NDA):** A government entity and focal point to the Fund, that is tasked with coordinating and conveying the climate change related activities, priorities and interests of all stakeholders in the country to the GCF Secretariat (i.e. the Ministry of Environment of Jordan, MoENV).

II. **Accredited Entities (AEs):** An entity accredited by the GCF Board, which will oversee the implementation and management of the proposed project or program. When developing a GCF project, the project proponent should identify an AE. There are two types of AEs:

   i. **Direct Access Entity (DAE).** These correspond to subnational, national or regional entities (private and public) such as national ministries, government agencies, national development banks, national climate funds, commercial banks, financial institutions, etc. (i.e. Cities and Villages Development Bank) that have achieved direct access to the Fund through accreditation by the GCF Board. DAEs must be nominated by their NDA for accreditation.

   ii. **International Access Entity (IAE).** These can be bilateral (i.e. GIZ), multilateral (i.e. World Bank, EBRD, UN agencies) and regional (i.e. Asian Development Bank). They can be both public and private and do not need to be nominated by the NDA for accreditation.

III. **Executing Entities (EEs).** While most AEs act as a country's fund program managers and not as the direct implementer of a project, EEs which are responsible for project implementation, might do his on behalf of AEs. EEs can be anything from international multilateral institutions to small NGOs (i.e. Royal Society for Conservation of Nature).

Table 1. Actors and roles

TYPE OF ENTITY	ROLE
National Designated Authority / Focal Point (NDA/FP)	Strategic oversight of a country's priorities; Convening national stakeholders; Providing nomination letters for the accreditation of DAEs; Providing no objection letter for all GCF projects and programs; Approving readiness support; Approving selection of projects to be financed by the GCF.
Accredited Entity (IAE or DAE)	Development and submission of concept note for project and programs; Development and submission of funding proposal for projects and programs; Oversight of project and program management and implementation; Deployment and administration of a range of financial instruments (grants, concessional loans, equity and guarantee); Mobilization of private sector capital for blending with GCF and/or own resources.
Executing Entity (EE)	Development and submission of funding proposal for projects and programs through AEs; Executing funding proposals; No need for accreditation but works under the supervision and overall management of the AE.

- ✓ Find the countries' NDA Directory here: https://www.greenclimate.fund/countries
- ✓ Find the list of AEs here: https://www.greenclimate.fund/about/partners/ae

What financial instruments does the GCF use?

The fund finances projects through grants, concessional loans, guarantees and equity.

Table 2. GCF financial instruments

INSTRUMENT	FUNCTION
Grants	Promotes investment in activities that often remain unfunded through mainstream financial channels, such as adaptation activities to alleviate disruptions to business from climate change in climate vulnerable areas.

Concessional loans	Provides liquidity or absorbs high market rate costs of debt with the agreement that the money will be repaid on conditions more favorable than market terms.
Guarantees	Mitigates and de-risks financing and can help to crowd-in private sector investment.
Equity	Nurtures a project in its early stages until it is commercially viable. Higher risk type of financing.

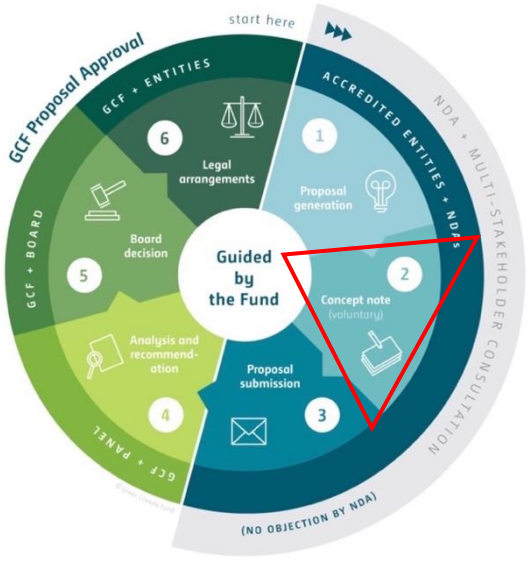
2. GCF funding mechanisms, their purpose and process of application

The GCF offers five funding streams, with distinct funding application processes[2].

2.1. Conventional GCF Funding Proposal and Approval Process

The first funding stream is a conventional funding application, which presents the prototype of approval processes**. The most common method** for AEs to access financing through the GCF is to undergo a six-step process before a proposal is approved.

Proposals are generated (Step 1) jointly developed and submitted by the AE, EE(s), and the NDA (Step 3). Before preparing a funding proposal, it is recommended that AEs develop a Concept Note (Step 2). **This is a voluntary but useful step that allows AEs to seek feedback from the GCF Secretariat about whether their proposal matches the Fund's objectives and mandate**. The proposal then undergoes analysis and recommendations by the GCF Secretariat and an independent Technical Advisory Panel (Step 4), receives a decision by the GCF Board (Step 5), and lastly execution of legal arrangements between the GCF and the AE for approved proposals (Step 6).



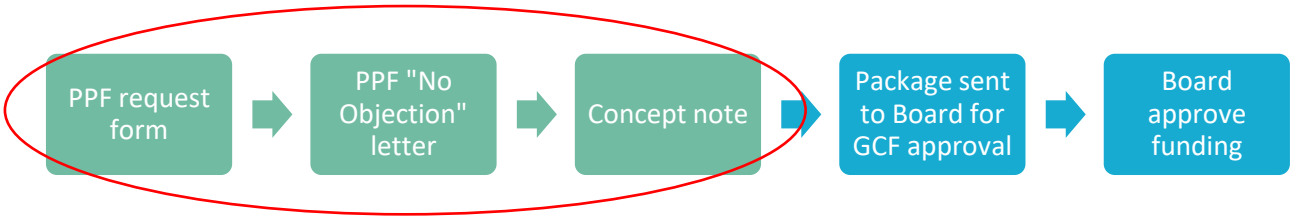
All proposals need approval in the form of a "No-objection letter" from the NDA.

[2] Guide on how to Access the Fund explained step-by-step: https://www.greenclimate.fund/projects/process.

2.2. The Project Preparation Facility (PPF)

The second funding stream is the Project Preparation Facility (PPF), which is tailored to support project preparations such as feasibility studies, risk assessments, and development of the funding proposal. PPFs can be up to **USD $1.5 million for each project proposal.**

The PPF application is, designed to help increase technical and financial support to developing countries in the project preparation cycle to access climate financing. Funding is intended for all AEs, but especially DAEs for preparation of micro-small size projects. Support is typically provided through grants and reimbursable grants; and equity also considered for private sector projects. The funding proposal must be submitted to GCF within 2 years of PPF approval. To complete a PPF submission, the AE must submit three documents:



✓ Learn more about the PPF and how to apply for project preparation support: https://www.greenclimate.fund/projects/ppf

2.3. The Simplified Approval Process (SAP)

The third funding stream is a fast-track approval process SAP, which is tailored to **small investment projects requiring funding equal or below USD $10.0 million.**

The Simplified Approval Process is a pilot financing approach that aims to reduce the volume and complexity of the process and paperwork that is required to submit a funding proposal to the GCF. Over-time, the scheme aims to allocate at least 50% of its portfolio to DAEs. A key driver behind the SAP mechanism is that its focused on projects that have no known environmental and social risk factors, or that the risk factors are minimal, well understood, and are clearly addressable.

The SAP pilot has three project eligibility requirements, which are:

1. The project/program is ready for scaling up and has the potential for promoting a paradigm shift to low-emission and climate-resilient development;

2. The project requires a GCF financing of up to USD 10 million of the total project cost;
3. The environmental and social risks and impacts are classified as minimal to none.

✓ Learn more about the SAP:
https://www.greenclimate.fund/projects/sap

2.4. GCF Requests for Proposals (RFPs)

The fourth funding stream is a GCF Request for Proposals (RFP), which **responds to specific requests by the GCF in which accredited entities and external entities can apply to implement.**

In addition to making requests directly to the GCF via an NDA, it is also possible for AEs to respond to RFPs released by the GCF. To date, the GCF had three separate RFP funding streams:

1. Micro- Small-, and Medium-Sized Enterprises Pilot Program;
2. Enhancing Direct Access;
3. Mobilizing Funding at Scale Pilot Program.

The RFPs are constantly evolving, and can provide alternative opportunities for institutions and AEs to access GCF financing. Keeping abreast of these RFPs is also an important role for NDAs.

2.5. The Private Sector Facility (PSF)

Finally, there is the Private Sector Facility (PSF), which is **tailored to private sector entities**.

The Private Sector Facility is an initiative by the GCF that aims to encourage institutional investors such as banks, pension companies and insurance companies, to co-invest alongside the GCF. Furthermore, GCF works with local micro, small and medium enterprises in developing countries to unlock innovative solutions for tackling climate change. The PSF uses a flexible range of financial instruments including debt, equity, and guarantees.

To qualify for this financing stream, the entity must have three years of operational history and can either apply to become an AE or partner with an existing AE in the country. The PSF applicant must also demonstrate that they meet the six project investment criteria outlined by the GCF (see section II. “Development of Concept Notes”).

3. Key climate change concepts: Mitigation versus Adaptation

Countries can access the GCF funds through two types of projects: Mitigation and Adaptation, but **what is the difference between these two climate change concepts?**

The table below shows Adaptation versus Mitigation concepts, definitions and indicators.

Table 3. Adaptation versus Mitigation

Characteristics	Adaptation	Mitigation
Definition	Action taken to **manage risks** and **address climate change impacts.**	Action taken to **reduce greenhouse emissions** that cause climate change.
Relation with climate	Adjusts society and ecosystems **to endure** climate change.	Adjusts society and ecosystems **to prevent** climate change.
Attitude towards climate change	Takes advantage of beneficial consequences while reducing negative consequences of climate change.	Focuses on preventing climate change because of negative consequences.
Relation to non-human environment	May adjust non-human as well as human elements of the environment.	Focuses on human caused elements of the environment.
Spatial scale	Primarily a **local issue** as adaptation mostly provides local / national benefits.	Primarily an **international issue** as mitigation provides global benefits.
Time scale	Adaptation can have a **short-term effect** on the reduction of climate vulnerability.	Mitigation has a **long-term effect** because of the inertia of the climatic system.
Sectors	Adaptation is a priority in sectors such as water, health coastal areas, agriculture.	Mitigation is a priority in sectors such as energy, transport, industry and waste.

Characteristics	Adaptation	Mitigation
Indicators (qualitative/quantitative)	- **Level of exposure**: an indicator of the exposure of people, livelihoods, species, ecosystems, environmental functions, services, resources, infrastructure, or economic, social, or cultural assets in places and settings that could be adversely affected by climate change. - **Adaptive capacity**: an indicator of the ability of systems, institutions, humans and other organisms to adjust to potential damage, to take advantage of opportunities or to respond to consequences of climate change. - **Sensitivity:** an indication of the degree to which a system or species is affected, either adversely or beneficially, by climate change. - **Vulnerability:** an indicator that provides a metric characterizing the vulnerability of a system by combining, several indicators assumed to represent vulnerability. - **Hazard:** an indicator of the potential occurrence of a natural or human-induced physical event or trend or physical impact that may cause loss of life, injury, or other health. impacts, as well as damage and loss to property, infrastructure, livelihoods, service provision, ecosystems, and environmental resources.	- **Greenhouse gases emissions** reduction in CO_2 equivalent. **CO2 equivalent is a measure used to compare the emissions from various greenhouse gases on the basis of their global warming potential (GWP) by converting the amounts of other gases, mainly: carbon dioxide (CO_2), methane (CH_4) , or nitrous oxide (N_2O) to the equivalent amount of carbon dioxide with the same global warming potential.*

Some examples of adaptation and mitigation project ideas that can be developed in a concept note or funding proposal have been enclosed as Annex 1.

4. Key climate finance concepts

What is Climate Finance exactly?

In recent years, financing adaptation and mitigation has been a key area of focus in the international battle against climate change. In an effort to support countries to mitigate and adapt, mechanisms have been established internationally and regionally to enable financial assistance to flow between countries. Despite the systemic and comprehensive approach enabling climate change finance, it remains a broad and very dynamic concept with infinite definitions. The UNFCCC defines climate finance as "local, national or transnational financing, drawn from public, private and alternate sources of financing that seeks to support mitigation and adaptation actions that will address climate change".

Climate finance can be categorized in a variety of ways:

- **The source** of the finance: public or private.
- **The type of finance:** mitigation finance, adaptation finance, REDD+.
- **The type of instruments:** grants, concessional loans (senior and subordinated), equity, guarantees.
- **The flow mechanism of the finance:** nationally at a state level, bilaterally from developed countries to developing countries or multilaterally through multilateral development banks and international financial institutions (IFI).

Moreover, there are several climate funds through which climate finance takes place, the most important of them being:

1. **The Green Climate Fund.** The largest climate fund as of today. (See section 1. "GCF business model, governance, sectors of activities, financial instruments").

2. **The Global Environment Facility (GEF).** The GEF was established in 1991 to address global environmental issues, including climate finance, as a partnership of most now party to the UNFCCC. Headquartered in Washington DC, the GEF has provided USD $14.5 billion in funding over the years, plus USD $75.4 billion in complementary private financing to around 4,000 projects globally. The GEF also managed other funds like

the Special Climate Change Fund & the Least Developed Countries Fund.

3. The Adaptation Fund. The Adaptation Fund was established in 2001 under the Kyoto Protocol and launched in 2007 to help countries adapt to climate change. Relative to the GCF and the GEF, the Adaptation Fund is focused primarily on has distributed far less financing.

Who invests?

A variety of financial institutions play a role in climate financing, both public and private funding is needed to address the scale of environmental challenges. Impact investors across the return's spectrum are investing in climate action including:

- Banks and other private financial institutions (i.e. local commercial banks),
- Institutional asset managers, including private equity funds, pensions funds, insurance companies and sovereign wealth funds,
- Private wealth advisors,
- Foundations,
- Development Finance Institutions,
- Public agencies and international development organizations.

Key notes: **10 things** to know about accessing GCF funding

1. Who does what in my country?

The NDA acts as the interface between governments and GCF. It is the first point of contact for any enquiries about GCF.

2. Only Accredited Entities can receive GCF project funding

The GCF does not implement projects directly. Funding Proposals/Concept Notes can only be presented to the GCF by AEs. Once projects/programs are approved, AEs and or EEs implement the project. The role of the AE is to oversee, supervise, manage and monitor their GCF-approved projects and programs.

3. Accreditation is a rigorous process

To ensure that AEs are fit to provide rigorous supervision, management and monitoring of projects, applicants for accreditation go through a rigorous process. Institutions need to prove their capabilities to financially manage the projects and to safeguard funded projects and programs against environmental or social harm. Institutions can apply for different accreditation levels: they can apply to get funding for micro, small, medium or large projects and for projects with low, medium or high environmental and social risks.

It is important to note that subnational, national and regional entities applying for accreditation will need to submit a nomination letter from the NDA.

- Learn more about the requirements and the process on the accreditation page: https://www.greenclimate.fund/accreditation
- Entities mat apply for readiness support to enhance their ability to seek accreditation with the Fund: https://www.greenclimate.fund/readiness/process#step-introduction

4. How to engage with GCF without being an AE

If an organization is not an AE but want to engage with the GCF, it may – instead of seeking accreditation – partner with an AE on implementing a GCF project. It can also partner with an NDA to become a delivery partner to deliver GCF Readiness Support.

5. How to develop and submit a proposal

The GCF offers five funding streams, with distinct funding application processes.

6. Concept Notes can be submitted anytime

AEs can present concept notes to GCF anytime. Additionally, there are regularly Requests for Proposal which are focused on specific themes.

7. GCF funding requires co-financing from other institutions

AEs have to secure funding from sources other than GCF for their projects.

8. GCF has no country-specific allocations

To date, GCF has not defined any country-specific allocations of resources, however the Fund seeks geographical balance.

9. GCF provides resources for strengthening institutional capacities of countries and NDAs

Up to USD $1 million per country per year may be provided under the Readiness Support Program. Of this amount, countries may request up to USD $300,000 per year to establish or strengthen an NDA. Up to USD $3 million per country can be requested for the formulation of National Adaptation Plans (NAPs) and or other adaptation planning processes.

10. Partner with an AE that has an Accreditation Master Agreement

An AE is able to receive and use GCF funding only if the entity has signed an Accreditation Master Agreement (AMA), an institutional agreement with GCF. Make sure to partner with an AE having a signed AMA in place.

SECTION 2. DEVELOPMENT OF GCF CONCEPT NOTES

This section offers guidance on how to develop a GCF concept note (CN). Specific examples are provided in the context of what comprises a "typical" project/ program (i.e. a grant or a loan/equity/guarantee funding request supporting mitigation and adaptation actions).

References are made to GCF policies, such as the GCF proposal approval process, results management framework and investment framework, among others. All policy documents can be found on the GCF website.

Before we start: What makes a good GCF project?

A good GCF (mitigation, adaptation or cross-cutting) project or program should demonstrate how it will contribute to lead a country towards a low emission or a climate-resilient development pathway. In GCF wording, this is called "achieve a paradigm shift". To demonstrate this, the project proponents should:

1. **Ensure the concept note describes a long-term vision** through its theory of change and how this can be achieved through short, medium- and long-term changes through for example: systemic changes that can include strategic investments in regulatory or policy actions, behaviors changes in markets and economies, etc.

2. **Promote country ownership** through alignment with national strategies and priorities including proactive engagement and continued consultation and coordination between relevant stakeholders, the NDA, line ministries and other target groups or sector experts.

3. **Embed long-term sustainability** in the project or program's design to ensure its impacts will be sustained after financial support from the GCF and other funding sources runs out.

4. **Demonstrate value for money** and where possible secure up-front co-financing to encourage long term investments beyond the GCF resources.

Figure 2 below displays the documents that compose the concept note package for a GCF project or program. Concept notes are not mandatory but are recommended by the GCF.

Figure 2. Concept Note package

Concept Note	**Letter of no-objection (NOL)**	Annex 1: Map	Annex 2: Diagram of the theory of change
Annex 3: Economic or financial analysis	Annex 4: Pre-feasibility study	Annex 5: Evaluation report of previous project	Annex 6: Results of Environmental and social risk screening

Note: the inclusion of the annexes displayed above is "optional" (Section D - refer to Figure 3 below).

Figure 3. Sections comprising a GCF concept note

Section A Project/Program summary	**Section B** Project/Program Information	**Section C** Indicative Financing/Cost Information	**Section D** Supporting documents submitted Annex 1 to 6 (OPTIONAL)
	B.1. Context and baseline	C.1. Financing by components	
	B.2. Project/Program description	C.2. Justification of GCF funding request	
	B.3. Expected project results aligned with the GCF investment criteria	C.3. Sustainability and replicability of the project (exit strategy)	
	B.4. Engagement among the NDA, AE, and/or other relevant stakeholders in the country		

✓ Access the Concept Note sections and template: https://www.greenclimate.fund/document/concept-note-template

Herein under a detailed overview of each section comprising the GCF CN is provided as depicted above.

General tips

1. It is recommended that the paragraphs in the funding proposal/concept note body are numbered. This allows the GCF Secretariat to provide clear rapid feedback on specific sections during review.
2. The official language of GCF is English, currently, no other languages are being accepted for the official submission of CN and funding proposals.
3. Governmental letters or other official documents can be presented in the original language, but a certified translation should be provided. Moreover, the quality and accuracy of the translation should be assured by the Accredited Entity (AE).
4. The writing style should be factual and neutral, limiting the use of adjectives and excluding subjective statements.
5. The CN/funding proposal package should be consistent in the information and figures that it provides across sections and annexes. Consistency and quality checks should be carried out before the formal submission of the CN/funding proposal package to GCF.
6. The CN template is designed to summarize the main elements that emerged in project/program preparation and allows for analysis of the data and facts that guide the proposed logic of the project/program, why it should be considered as a GCF project, its climate rationale and how it matches the GCF investment criteria.
7. The Secretariat recommends that the CN/funding proposal be no more than 12 pages in length.

5. Section A – Project/Program Summary

Section A is a summary of the main CN elements and should be completed at the end of the process of filling the CN template. The main elements of this section are as follows:

A.1 - This is to indicate if the proposal is for a project or a program with multiple projects;

A.2 – This is to categorize if the proposal is from the public or private sector. If the proposal is considered to be a public-private partnership, it should be indicated next to

the AE (on the cover page of the CN) if it involves predominantly the public or private sector, and the appropriate box should be checked accordingly;

A.3 - This is a descriptive feature to determine if the proposal was a result of a request for proposals (RFP) or not. If checked yes, it needs to refer to the specific RFP;

A.4 - As per the Information Disclosure Policy, the CN and additional documents provided to the Secretariat can be disclosed unless marked by the AE as confidential;

A.5 - The entity should indicate the impact areas of the project or program according to the thematic funding windows (adaptation and mitigation), and based on the GCF's results management framework (annex IX to GCF/B.07/11)[3];

A.6 and A.7 - The entity should indicate the mitigation or adaptation impact. For mitigation impact, this should include an estimate of CO2eq over the lifespan of the project. For adaptation, this should include an estimate of number of direct beneficiaries and as a percentage of population. This should be consistent with section B.3 of the CN;

A.8 and A.9 - The AE should indicate the total project cost (GCF portion + co-finance from other sources) and total GCF requested amount. The amounts should be consistent with the figures reported in section C;

A.10 - A proposal can use one instrument or blend various financial instruments (grants, loans, guarantees, equity). This section must be consistent with the information in section C;

A.11 - The entity must specify the expected implementation period, defined as the number of years/months from the effective date of disbursement as per the agreement between the AE and GCF and the completion date (i.e. the repayment period);

A.12 - For proposals that invest in activities with an overall lifetime and a defined operation and maintenance (O&M) period, the project/program lifespan is defined as the number of years until the end of the O&M plan. For loans, the lifespan should start with the date of signing the legal agreement to the date of repayment of last loan installment (include the overall reflow period);

A.13 - The AE must indicate whether it seeks project preparation funding from the Project Preparation Facility (PPF) and disclose other funding sources;

A.14 - This question is used to indicate the environmental and social safeguards (ESS) category (A, B, C); A being the highest risk category, as well as the possible need for action plan for risks associated with the project activities identified during ESS screening process. Category C involves business activities with minimal or no adverse E&S risks and/or impacts;

A.15 - The AE must specify whether the CN falls within its accreditation standards in terms of project size (micro, small, medium, large), E&S risk category and fiduciary standards;

[3] Available at https://www.greenclimate.fund/document/gcf-b07-11

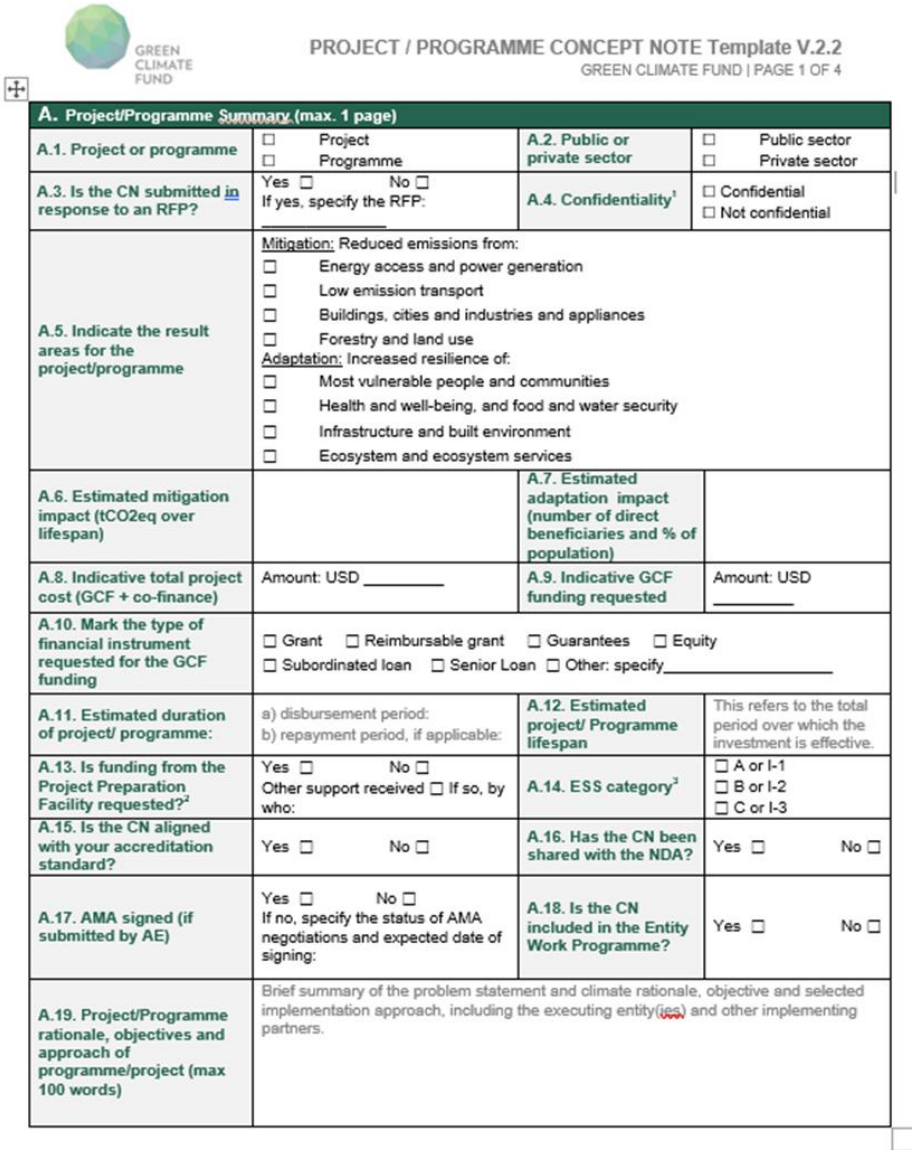
A.16 - The AE needs to confirm whether the CN has been shared with the NDA. It is a requirement that CNs receive a no-objection letter before being submitted to the GCF;

A.17 - The Accreditation Master Agreement (AMA), is the legal agreement that governs the relationship between the AE and the GCF;

A.18 - The AE has a Work Program with the GCF, which it provides periodically in the form of a projects pipeline, and the CN for the proposed project should be included;

A.19 - This is an executive summary of the main elements of the proposal, climate rationale, objectives and implementation approach, including the AE and other implementing partners. As indicated in the template, this overall section should be no longer than 100 words.

Figure 4. Section A template



GREEN CLIMATE FUND

PROJECT / PROGRAMME CONCEPT NOTE Template V.2.2

GREEN CLIMATE FUND | PAGE 1 OF 4

A. Project/Programme Summary (max. 1 page)			
A.1. Project or programme	☐ Project ☐ Programme	A.2. Public or private sector	☐ Public sector ☐ Private sector
A.3. Is the CN submitted in response to an RFP?	Yes ☐ No ☐ If yes, specify the RFP:	A.4. Confidentiality[1]	☐ Confidential ☐ Not confidential
A.5. Indicate the result areas for the project/programme	Mitigation: Reduced emissions from: ☐ Energy access and power generation ☐ Low emission transport ☐ Buildings, cities and industries and appliances ☐ Forestry and land use Adaptation: Increased resilience of: ☐ Most vulnerable people and communities ☐ Health and well-being, and food and water security ☐ Infrastructure and built environment ☐ Ecosystem and ecosystem services		
A.6. Estimated mitigation impact (tCO2eq over lifespan)		A.7. Estimated adaptation impact (number of direct beneficiaries and % of population)	
A.8. Indicative total project cost (GCF + co-finance)	Amount: USD _____	A.9. Indicative GCF funding requested	Amount: USD _____
A.10. Mark the type of financial instrument requested for the GCF funding	☐ Grant ☐ Reimbursable grant ☐ Guarantees ☐ Equity ☐ Subordinated loan ☐ Senior Loan ☐ Other: specify_____		
A.11. Estimated duration of project/ programme:	a) disbursement period: b) repayment period, if applicable:	A.12. Estimated project/ Programme lifespan	This refers to the total period over which the investment is effective.
A.13. Is funding from the Project Preparation Facility requested?[2]	Yes ☐ No ☐ Other support received ☐ If so, by who:	A.14. ESS category[3]	☐ A or I-1 ☐ B or I-2 ☐ C or I-3
A.15. Is the CN aligned with your accreditation standard?	Yes ☐ No ☐	A.16. Has the CN been shared with the NDA?	Yes ☐ No ☐
A.17. AMA signed (if submitted by AE)	Yes ☐ No ☐ If no, specify the status of AMA negotiations and expected date of signing:	A.18. Is the CN included in the Entity Work Programme?	Yes ☐ No ☐
A.19. Project/Programme rationale, objectives and approach of programme/project (max 100 words)	Brief summary of the problem statement and climate rationale, objective and selected implementation approach, including the executing entity(ies) and other implementing partners.		

6. Section B – Project/Program Information

This is the key section used to explain the project/program design. It is important that this section is clear and concise, respecting the page (8) limits indicated in the template. The section should clearly outline how the structure of the project/program works, the cause effect relationships between the different levels of the logic model, the climate justification and the rationale of GCF involvement (GCF provides climate finance, not development finance).

B.1. Context and Baseline

This section constitutes the foundations of elaborating the *Climate Rationale and Motivation*. It needs to be constructed covering three major themes, and an additional one for private sector projects:

B.1.1. Description of the climate vulnerabilities and impacts, GHG emissions profile, and mitigation and adaptation needs that the prospective intervention is envisaged to address.

This section sets the context within which the project/program operates and consequently why the project/program is needed. It summarizes the climate vulnerabilities and GHG emission profile of the country where the project/program intends to operate, and in particular the subnational areas where the activities are expected to be implemented. It should present information on the baseline in terms of GHG emissions, for mitigation with reference to the methodology used for the estimation. For adaptation projects, the section should outline the main challenges to building resilience to climate change impacts.

If available, reference should be made to relevant climate studies and models (e.g. Intergovernmental Panel on Climate Change reports) that describe the present and future climate threats to the targeted populations and environments, if the issue is not addressed.

B.1.2. Description of how the project fits with the country's national priorities and its full ownership of the concept. Is the project/program directly contributing to the country's INDC/NDC or national climate strategies or other plans such as NAMAs, NAPs or equivalent? If so, which priorities identified in these documents the proposed project is aiming to address and/or improve.

Alignment with the national priorities is key to GCF concept note approval and is a sign of country ownership, therefore, the CN should include a description of this alignment and which priority sectors are being served under the project/program proposal. Such priorities include the National Determined Contribution (NDC) to the Paris Agreement of the UNFCCC, and underlying plans and programmes such as the National Adaptation Plan (NAP) or National Appropriate Mitigation Actions (NAMAs).

B.1.3. Description of the main root causes and barriers (social, gender, fiscal, regulatory, technological, financial, ecological, institutional, etc.) that need to be addressed.

This section needs to provide a project rationale within its own context, describing root causes and barriers that the project/program will address. A root cause is the origin or source underlying a problem or its symptoms. Often, multiple root causes combine to result in a problem and its undesirable outcome. Root causes represent what needs to change to have an impact within a system. These root causes and problems include those related to financial and economic conditions, social, gender, regulatory or fiscal, etc.

Note: elaborating the climate rationale for a project/program should be done in a scientific fashion.

The box below provides general guidance on how to present a scientifically-based climate rationale.

General tips

- Why responding to climate change is important for the country, people and economy?
- Which type of discernable changes have been influenced/forced by climate-related parameters in the target region(s), and which impacts can be linked and by how much (emphasizing on attribution) for the sector and different demographic groups in the target region(s)?
- What projected impacts are likely to occur in the working locations under climate change within a time frame of the project cycle (say, between now and 2030s or 2040s)?
- What general responses (i.e. interventions) are proposed and considered to address the changes and related impacts (for adaptation projects, please emphasize on changing sensitivity to impacts and/or change in adaptive capacity)?
- Can there be viable alternative responses/interventions for the same climate change-related problems, and which one is chosen and what is the rationale for such choices being made?
- An analysis of the barriers, as perceived within the prevailing context of the country/region, to the implementation of the chosen/proposed intervention(s).

B.1.4. Where relevant, and particularly for private sector project/program, please describe the key characteristics and dynamics of the sector or market in which the project/program will operate.

In addition to the above, for private sector projects, the CN should include description of market barriers and key characteristics that justify the project and how it will address those barriers.

General tips

The section should build on the underlying Theory of Change (TOC) (see below) and could be described using the following elements:

a) Description of the baseline scenario – the present situation – and the current and projected climate threats and consequences;

b) Description of a "without project scenario" and/or "with a project that does not have climate resilient features in it";

c) Description of the scenarios (present and future) with the project successfully implemented and climate results achieved;

d) Reasoning on the with/without project scenarios comparison, including a description of incremental costs;

e) Assumptions should be formulated as externalities that should be in place for the result/output to be achieved (e.g. "communities confirm their willingness to participate in training and take appropriate actions once reached by the early warnings").

B.2. Project/ Program Description

B.2.1. Description of the expected set of components/outputs and subcomponents/activities to address the above barriers identified that will lead to the expected outcomes.

Theory of Change (TOC) is a methodological approach that allows AEs and delivery partners to conceptualize and design a funding proposal by establishing the long-term goals and then working backwards to identify the necessary preconditions to meeting those goals, which are the outcomes and outputs the proposed activities will deliver.

It should specify the cause-effect relationships among activities, outcomes (components) and outputs (subcomponents) that are logically connected as well as how the overall components integrate with each other to achieve the stated objective.

The TOC also identifies the assumptions under which it is developed and the identified barriers to the desired goals. In this way, the TOC clearly articulates how the results chain will cascade from the TOC statement to the project activities.

B.2.2. In terms of rationale, description of the theory of change and providing information on how it serves to shift the development pathway toward a more low-emissions and/or climate resilient direction, in line with the Fund's goals and objectives.

Following the selection of the relevant main paradigm shift contribution, there should be a brief recap of how the project contributes to either resilient development or low- emission paths (or both). This subsection should present a concise narrative of the effect that the removal of the barriers identified in the TOC, will impact climate and the long- term sustainability of the project results.

For clarity, number the components (outcomes) and related subcomponents (outputs) and activities (e.g. in a log frame). For example, component 1, subcomponents 1.1, 1.2, and activities 1.1.1, 1.1.2, 1.2.1 etc.

General tips

A suggested outline of how to approach this section is to:

1. Briefly restate the specific objective(s) and clearly explain the climate objective that the project will achieve through its components. The objective of the project should be aligned with the climate "paradigm shift" promoted by GCF, as outlined in the Governing Instrument for the GCF[4];

2. For each component, describe the results that will be achieved and, in bulleted points, detail the underlying activities and outputs for each component;

3. Connect how each of the components contributes to the impact and outcome results of the GCF results management framework; and

4. Conclude by showing how these components are integrating with each other, how they work together towards the stated objective, and how they connect with the TOC and remove the barriers identified and described in section B.1. The gender objectives can also be briefly described in this section as they fit into the activities, outputs and outcomes.

The table below shows a sample for guidance on developing a Theory of Change – Grant funding proposal.

Table 4. Guiding questions for section B.2.2

Goal	**The goal is an impact-level change that the project activities will contribute to achieving. In the context of the country, it is important to always consider how the goal is aligned with the GCF Investment Criteria**
Goal Statement	The goal statement is structured in the "IF … THEN … BECAUSE…" format and explains the causal linkages between the outcomes, outputs and the goal that the grant will help achieve. (e.g., "**IF** [the Country] builds enabling institutional, planning and programming environments for adaptation at the national and subnational level, **THEN** [the Country] will be able to identify, design and implement adaptation investments in line with national priorities **BECAUSE** knowledge on key vulnerabilities will be generated and shared feeding into effective coordination mechanisms and investment plans for resilience.")
Outcomes	An outcome statement describes longer-term and specific changes in conditions, policies, or organizational structure and are measured a year or several years after project completion.
Outputs	An output statement highlights what the project funding proposal intends to achieve in the short-term due to activities. Develop outputs that, taken together, can lead to the desired outcomes.
Inputs	Inputs refer to the national climate priorities (e.g., NDC, Country Program), deliverables of previous grants, and other information (e.g. needs assessments) that will contribute to the effective implementation of grant activities.
Barriers	Proposals should indicate the perceived and potential barriers that have stymied progress or advancement against the stated outcomes of the intended activities.
Assumption & Risks	Assumptions are the necessary conditions (e.g. inter-ministerial buy-in) to be in place or complementary actions (e.g. successful recruitment of consultants) to ensure that the proposed activities are successfully implemented in order to achieve the stated outcomes. Risks are the potential or perceived events that will prohibit the efficient and effective implementation of proposed activities (e.g., natural disaster risks disrupting implementation).

✓ Learn more about the Governing Instrument for the GCF here: https://www.greenclimate.fund/documents/20182/574763/Governing_Instrument.pdf/caa6ce45-cd54-4ab0-9e37-fb637a9c6235

B.2.3. Description of how activities in the proposal are consistent with national regulatory and legal framework, if applicable.

A brief reference to alignment between the project/program's activities and the regulatory framework of the country (sector driven policies and targets).

B.2.4. Description of in what way the Accredited Entity(ies) is well placed to undertake the planned activities and what will be the implementation arrangements with the executing entity(ies) and implementing partners.

This section should explain the **implementation arrangements** with the executing entity(ies) (EEs) and implementing partners andhow the implementation arrangements will have a direct impact on the term sheet and the funded activity agreement. One of the crucial elements of this section is to describe the actors/intermediaries involved, their roles and responsibilities, and how the AE guarantees oversight and control of the process. It is important to have a visualization of these implementation/ institutional arrangements showing all the actors involved. When the AE acts as an intermediary, the name and affiliation of the EE that is responsible for channeling GCF proceeds and directly implementing the project on the ground should be provided.

Examples of implementation arrangements

In public sector projects, a typical structure for the implementation and governance arrangements would be the following:

a) A Steering Committee (SC) – usually composed of representatives of the institutions involved, including the GCF, the NDA, representatives of the beneficiaries, (including women's associations and indigenous people groups), civil society organizations, the private sector and academia. Some of these stakeholders can have observer roles. The SC should meet at least once a year. Its role is mainly to provide oversight and guidance to the project implementation. The AE should be part of the SC and should represent the interests of GCF.

b) A Project Implementation Unit (PIU) – the team that implements the project and takes management decisions daily. Its composition can vary from project to project in terms of specialists and expertise that should form the team. Typical roles that are expected in the PIU are as follows:

   i Project Director/Coordinator – the team lead, expected to have senior management experience in previous similar roles and experience in the country/countries in which the intervention operates;
   ii Chief Technical Adviser and, as necessary other more junior technical advisers, including engineers, meteorologists, agronomists, or other technical

experts that are responsible for the quality and technical soundness of the technologies and solutions applied;
iii Monitoring and Evaluation Specialist;
iv Financial and Procurement Specialist; and
v Other specialists (please specify);

c) It is the role of the AE, in coordination with the NDA, to propose the professional profiles that are needed in the specific project. In the pre-feasibility study, it is good practice to provide an explanation of the role of the PIU and to include the envisaged terms of reference for the team as an annex;

d) A description of the role of the identified project partners, their mandate and specific tasks they complete during the implementation;

e) A description of the role of the beneficiaries (especially for community-based interventions, ensuring the effective, equal and meaningful participation of women and men); and

f) Some projects also establish a redress mechanism that would independently monitor any issues or complaints raised by beneficiaries of the project. This is recommended if the project operates in areas where indigenous people and minorities are present.

B.2.5. Please provide a brief overview of the key financial and operational risks and any mitigation measures identified at this stage.

Finally, this section should provide a brief overview of the key **financial and operational risks and any mitigation measures** identified at this stage. It is recommended to provide a table with the type of risk, the likelihood of occurrence (mow, medium, high), the potential impact on the project implementation (low, medium or high) and the corresponding mitigation measure to reduce the impact and/or likelihood of occurrence of each risk.

B.3. Expected project results aligned with the GCF investment criteria

Funding decisions are guided by six investment criteria, reflecting key GCF features such as the Fund's envisaged paradigm-shifting effect on mitigation and adaptation efforts in vulnerable countries.

✓ Find the six investment criteria here: https://www.greenclimate.fund/document/initial-investment-framework-activity-specific-sub-criteria-and-indicative-assessment

This section is the reference point for the assessment findings of the GCF Secretariat. However, deliberations on the quality of a GCF funding proposal also depend on how the other sections have been described.

General tips

Important elements to consider while developing this section are the following:

1. This section is not a repetition of what has already been presented in other sections. It is an analysis of what emerged from the proposed design and the underlying TOC through the lens of the GCF investment framework (annex III to GCF/B.09/23);

2. The content of this section should be succinct. The intention is to showcase how the proposal answers the sub-criteria of each investment criterion and how it complies with the indicative assessment factors of the investment framework; and

3. A table is reported for each criterion with performance questions that could be used to guide the topics to be covered.

B.3.1. Impact Potential

This subsection should start with an introduction of what the project intends to achieve.

It is recommended in this section to describe the impact potential elements of the proposed project, and to report on the core indicators for mitigation and adaptation, or for both if it is a cross-cutting funding proposals.

For mitigation projects: The mitigation core indicator - estimated reduction or avoidance of GHG emissions on an annual basis and "lifetime" of the investment should be presented, with reference to the methodology applied. No specific guidance is provided from GCF on GHG methodologies that should be preferentially used over others. It is expected that the AEs employ known and credible methods. Normally Clean Development Mechanism (CDM) or other international standards such as those used by international financial institutions are the most accepted methodologies. The specific calculation method and details on the assumptions can be reported in an annex or in the feasibility study.

It is a good practice, during project preparation, to collect information on other similar projects/programs implemented in the country and benchmark the core indicators and expected impact with other interventions. The intention is to show that the proposed project/program performs comparably or better than those benchmarks. A credible benchmarking helps the assessment of the Secretariat and the independent Technical Advisory Panel (TAP) and can increase the Board's confidence on issues such as the "value for money".

For adaptation projects: The adaptation core indicator- expected total number of direct and indirect beneficiaries should be presented, disaggregated by gender (reduced vulnerability or increased resilience); number of beneficiaries relative to total population, disaggregated by gender:

a) The number of direct and indirect beneficiaries. An explanation of the method applied for distinguishing between direct and indirect beneficiaries should be provided.

b) The percentage of direct and indirect beneficiaries, usually against the country's population. For countries with large populations, it is strategic to refer to the percentage of beneficiaries against the total population of subnational administrative areas, such as provinces or regions; and

c) The gender disaggregation, especially in the case of projects with large numbers of beneficiaries, would likely be an estimation (for example 50 percent women). Yet, there might be some specific activities that target women rather than men. So, in terms of direct beneficiaries, differences could be observed and should be reported.

Table 5. Guiding questions for section B.3.1

CLIMATE CHANGE ELEMENT	TIMEFRAME OF RESULTS	POTENTIAL MITIGATION/ ADAPTATION IMPACTS
• Are climate change mitigation and adaptation needs adequately/sufficiently justified in this project, taking into account developmental needs and national circumstances? • Are the key expected targets and indicators aligned with the GCF performance measurement framework (PMF), including the Board- adopted indicators? • Taking into account the information provided in the funding proposal, are the estimated targets against the PMF core indicators accurately estimated and calculation methodology provided? • Is the project design considering climate change vulnerability assessment at the local level or country level? (Adaptation only)	• Are most of the more critical results expected to be achieved during project implementation? Which ones? • Which are the results expected to be achieved in the medium and long term following the completion of the implementation?	• Considering the information provided in the funding proposal and feasibility study, are the proposed project interventions assessed to be the most suitable and feasible mitigation/adaptation options? • How does the reduction cost of the greenhouse gas emissions/percentage of beneficiaries compare to other benchmarks in the same sector/country/community of operation? • If the project invests in durable goods, how are the proposed measures avoiding lock-in infrastructures or systems and ensuring climate-proof results?

B.3.2. Paradigm Shift Potential

This section should refer to the theory of change (TOC) to showcase what the baseline situation is, at what the proposed project intervention is doing to change and shift the current paradigm. Through the TOC, the GCF reviewers understand how the project intends to remove the barriers that prevent transformative change and how the action promotes a paradigm shift. It is good practice to add a chart that shows the TOC model and summarizes how the project removes barriers to climate resilience and low carbon green growth in the long run and how gender issues are addressed. This section should present the current situation, what is envisaged at the end of the project and the changes in the medium and long term from the project closure that can be attributed to the project-specific results.

This section should also discuss the potential for scalability/replicability, including the capacity of the project to generate knowledge and lessons that can be applied to future climate intervention in the country where the project is implemented as well as in others, and how the intervention is expected to ignite private sector investments or how it could have wider economic impacts.

Table 6 below provides further guidance on the development of the paradigm shift potential narrative.

Table 6. Guidance to develop the narrative on paradigm shift potential

COMPREHENSIVENESS & INNOVATION	ENABLING THE ENVIRONMENTAL SUSTAINABILITY OF THE OUTCOMES	REPLICABLE AND SCALABLE/ KNOWLEDGE MANAGEMENT AND LEARNING (KML)
• Are the project elements well aligned and presented to respond to the proposed theory of change and its result chain? • Does the proposal provide innovative solutions? • Does the proposal build on previous experience proved by evidence-based evaluations? • If innovation is lacking in the proposal, is it justified with the proposed type of investment in the proposal?	• Is an enabling environmental strategy for the sustainability of the outcomes, in place and clearly defined in the proposal, including the financial strategy? • Are the behavioral changes of institutions / communities. / individuals considered and explained?	• Are other areas of potential replication and/or scale-up identified within or outside the country? • Does the proposal provide a framework to share knowledge and contribute to replication and/or scale-up? • Is the project mainstreaming climate change adaptation/ mitigation measures into policies/laws, sectoral and national strategies and decision-making processes at the national /regional/local level?

B.3.3. Sustainable Development Potential

The GCF mandate is to finance climate-related costs. This includes climate-proofing a development project or bearing the additional costs that could stem from switching a traditional investment into a green "low-carbon" one. Yet, in doing so, there is the potential to achieve several development co-benefits, of an environmental, social and economic nature. This subsection should spell out what these co-benefits are. If possible, it should quantify them against the current baseline. Explicit reference to the commitment and status of the country to the relevant United Nations Sustainable Development Goals can be mentioned at the start of this subsection. Specify funding proposal subparagraphs against each development co-benefit expected.

The indicative content can be as follows for a typical CN:

a) **Environmental:** For example, if the project proposal promotes climate services, early warning systems and disaster risk reduction there are usually co-benefits on protecting ecosystems, land degradation and environmental assets from climate-related hazards which should be noted;
b) **Economic:** if possible, studies quantifying the potential economic return or impact on the creation of short and long-term job opportunities should be quoted; and
c) **Social:** Social benefits that stem from the avoidance of losses from several adaptation projects or improved livelihoods conditions of the beneficiaries should be noted. Examples can be of the impact on the health, education of the beneficiaries as well as food security conditions.

A paragraph on gender is required as part of this subsection. This should be very succinct and should refer to any gender assessment or information that can reflect the gender impacts of the project. Table 7 provides guiding questions for the content of this section.

Table 7. Guiding questions for the sustainable development section

ENVIRONMENTAL	ECONOMIC AND SOCIAL	GENDER/INCLUSIVENESS
• Is the project expected to promote positive environmental externalities (e.g. air quality, soil conservation, biodiversity, etc.)? • Is there a system to quantify positive environmental externalities that can be monitored?	• Is the project expected to increase linkages among economic and social actors, such as the private sector and academia? Public sector? • Is the project expected to increase low-emission and climate-resilient productivity in the development process?	• Does the project adequately address the different needs of women and men in order to address inequality in climate change vulnerability and risks? • Does the project adequately address the needs of women and men in order to address other types of inequalities (non-climate change related)?

	• Is the project expected to reduce losses and/or induce financial benefits? • Is the project expected to contribute to improving health, safety, education, regulation or cultural preservation?	

B.3.4. Needs of the Recipient

For projects in adaptation, it is important to discuss how communities, especially those most vulnerable, will benefit from the intervention. This is related to information already provided in the previous sections, and especially the Paradigm Shift section. It should refer to the TOC where financial, social and institutional barriers have been described. It should not repeat what has already been said but rather positively summarize the action–reaction link between the outputs of the project and the removal of barriers to transformational change.

It should also make a point of the durability and sustainability of the solutions proposed by the intervention for the country, institutions (public or private) and beneficiaries (households, small and medium-sized enterprises, etc.) that the project intends to support.

Table 8 further provides guiding questions for the development of this section.

Table 8. Guiding questions for the needs of the recipient section

ECONOMIC AND SOCIAL NEEDS	FINANCIAL NEEDS	INSTITUTIONAL NEEDS
• Are target beneficiaries and their productive assets exposed to risks derived from climate change? Which of these risks are targeted by the proposed project/program?	• Are national and local resources limited? • Is GCF funding expected to overcome specific barriers (financial, etc.)?	• What is the result of the capacity assessment of the institutions that will benefit from the project intervention? • What are the areas that need to be strengthened?

B.3.5. Country Ownership

This section should demonstrate how the proposal is aligned and contributes to national climate change strategies such as the National Determined Contribution (NDC), the National Adaptation Plan (NAP) or National Appropriate Mitigation Actions (NAMAs), Technology Needs Assessment (TNA), and other relevant policies at the national and

sectoral level (economic strategies, development plans, disaster risk reduction policies, etc.).

This section should describe the experience of the proposing AE in the specific sector(s) in which the proposal invests in the country and the AE's "comparative advantage" in this type of intervention to be shown through examples. Reference should be made to the quality and skills of the staff that are envisaged to support the project.

The same should be described of why the proposed EE is best suited, in the context of the country, for implementation. This part can refer to what was reported in the implementation arrangements (section B.2.4) and the due diligence of the EE financial management capacity to implement this type and size of projects and administer GCF funds.

Finally, briefly mention the engagement with the NDA and stakeholders, and reference section B.4 for further details.

Table 9 presents some guiding questions for the development of this criterion.

Table 9. Guiding questions on the country ownership section

POLICY ALIGNMENT AND SUPPORT	IMPLEMENTATION CAPACITY
• **Climate change policies:** is the project well aligned with national policies, strategies and plans related to climate change (e.g. NDC, NAMA, NAP, TNA, etc.)? • **Other policies:** is the project well aligned with the national strategic development plan (e.g. socioeconomic development plan, poverty reduction plan, sectoral strategies, etc.)? • **Complementarity and coherence:** has the project been adequately coordinated with ongoing and planned similar projects, including GCF projects? • **Gender action plans policies** if they exist	• Does the AE have a strong record in key sector-specific elements of the project to implement it? • Does the AE have a field office and/or adequate staff in the countries to supervise the project? • Does the AE have relevant experience in the country, in terms of similar project funding amounts in the sector, and working with the selected EE(s)? • Is the organizational mandate of the EE aligned with the project? • Does the EE have the capacity to manage the project, including procurement, coordination, E&S and gender, etc.? Was a financial management capacity assessment done and are results provided? • In case the capacity of the EE is not proven, has an action plan/strategy/measures to build its capacity been provided or included in the funding proposal?

B.3.6. Efficiency and Effectiveness

This investment criterion has two elements of critical importance for due diligence by the GCF Secretariat, the independent TAP and ultimately the Board. This criterion requires two core indicators for mitigation and adaptation proposals:

a) The estimated costs per ton of carbon dioxide equivalent indicator is guided in the CN template. It is important to refer to how the project performs in terms of its cost of GHG emissions against a benchmark that can apply in the same sector and country; and
b) The expected volume of finance indicator is also guided in its estimation in the template. No specific benchmark of *co-finance / leverage* is indicated by GCF (in general, the higher the amount that GCF finance can leverage from the other sources, the better the assessment will be).

Another element of discussion expected in this section is *concessionality*.[4] The level of concessionality is expected to be appropriate according to:

a) The nature of the activities proposed: Are they producing public goods for which there is a market failure?
b) Income-generating capacity of the project deliverables: Is the income-generating capacity of the services released as result of the intervention enough to recover the capital investment?
c) The national context: Is the intervention implemented in a least developed country or a highly indebted economy? (Reference should be made to the country's capacity to borrow from capital markets or its ceiling towards international lenders such as the International Monetary Fund),
d) The specific local context: Is the project targeting vulnerable and low-income districts/ communities? Who in particular is most vulnerable?

If economic and/or financial analyses are included as annexes to the CN, the expected economic rate of return (ERR)/ Internal Rate of Return (FRR), and the sensitivity analysis performed should briefly be mentioned. Details and calculations are optional to be provided in Annex 2 in Section D. Economic and or financial analysis and its results are one of the specific sub-criteria of the efficiency and effectiveness criterion.

For private sector proposals, the GCF Secretariat usually requests financial analysis. For public sector proposals, the AE does not have to submit the analysis if cost-effectiveness can be demonstrated through some of the other means described in section B.3, or if the project's benefits are difficult to quantify due to the nature of the activity (e.g. capacity-building).

[4] GCF has guidelines on the level of concessionality: annex II to document GCF/B.09/23 available at https://www.greenclimate.fund/document/gcf-b09-23

Additionally, availability of a credible O&M plan and letter of commitment should be mentioned in this section as it is an indicative factor of the potential long-term sustainability of the investment. Other aspects to consider such as a tested and proven technology in the country or in another comparable country/region.

Table 10 presents some guiding questions to be considered during the development of this subsection.

Table 10. Guiding questions on the efficiency and effectiveness section

COST-EFFECTIVENESS AND FINANCIAL STRUCTURE	LEVERAGING AND CO-FINANCING	FINANCIAL VIABILITY AND BEST PRACTICES
• Is the funding amount requested from GCF justified? Is the overall project cost in a justifiable range compared with other benchmarks investigated during the project preparation? • Does the project entail the risk of crowding out private sector and other public sector investments? Or is it instead producing a conducive environment in which to catalyze private sector investments? • Is the level of concessionality justified? Is it the minimum level of concessionality to make the proposal viable?	• Is the project leveraging an adequate level of co-financing, determined on a project-by-project basis, from other partners and/or from domestic resources? • Could the project have a catalytic effect to mobilize other resources from other financiers, particularly the private sector as a result of its implementation?	• Is the E/FIRR based on credible assumptions and provide evidence of economic and financially viability? • Is the financial viability of the project beyond GCF support justified by a solid exit strategy and an operations and maintenance plan? • Does the project incorporate best practices/lessons learned and available technologies in its design? Have multiple options been assessed?

B.4. Engagement among the NDA, AE, and other relevant stakeholders in the country

There should be references on how the NDA was involved in the design of the intervention, and a brief description of who the other *stakeholders* are (international, national and local) and the role they will play in the intervention.

It is important to indicate that *stakeholder consultations*, involving the beneficiaries and the other relevant players (local government units, civil society organizations, the private sector, academia, etc.), took place during the preparation phase and that there is an annex (stakeholder engagement report) that details *how their inputs have been captured* and featured to the extent possible in the design of the project/program.

In the consultation and related reports detail how *men and women representatives*, *youth and indigenous people* groups meaningfully participated in these discussions. Table 11 provides some guiding questions for this section.

Table 11. Guiding questions on the engagement of the NDA and other stakeholders in the country section

OWNERSHIP/STAKEHOLDER CONSULTATIONS
• Does the project place decision-making responsibility in a country's relevant institutions and use the domestic system to ensure accountability? • Is the level of non-national actors minimized, and, if present, is it well justified? • Is there evidence that the funding proposal has been prepared in consultation with civil society organizations, and other relevant stakeholders (provincial, local, private sectors, etc.)? • Have the views of women and vulnerable groups (including those of indigenous peoples) been considered during the development of the funding proposal? • Is a stakeholder engagement plan provided, and does it identify key partners? Is the provided plan assessed to be comprehensive and sufficient?

7. Section C – Indicative Financing/Cost Information

C.1. Financing by components

Table 12 should provide a breakdown of the expenses by components/outputs. "Components" refer to what is often known as "outcomes" in the log frame hierarchy and in the general description of the specific objectives of the proposal.
The table below provides information on the amount of finance requested from GCF, in what financial instrument and currency. All standard funding proposal financing can be deployed as grants, loans, equity, guarantees and other instruments. A proposal can use more than one financial instrument, such as loans blended with grants for technical assistance activities. If debt instruments, such as loans, are required, their tenure and interest rate/pricing should be indicated and applied according to GCF financial terms and conditions (annex II to GCF/B.09/23)[5].

Similar Information (amounts and type of financial instrument) should be provided from the entities that provide co-finance to the project.

[5] Available at https://www.greenclimate.fund/document/gcf-b09-23

Table 12. Indicative Financing and Cost Information

Component/ Output	Indicative cost (USD)	GCF financing		Co-financing		
		Amount (USD)	Financial Instrument	Amount (USD)	Financial Instrument	Name of Institutions
Indicative total cost (USD)						

Note on currency: GCF can provide financing in United States Dollars (USD) or Euro (EUR), Great British Pounds (GBP) and Japanese Yen (JPY). If requesting in another currency and then providing a converted figure in dollars or euros, a footnote referring to the date when the conversion rate was recorded and the source (for example United Nations' exchange rates). If commitments from the government(s) are in local currency, ensure that the same rate of exchange is applied in the annexes and other sources.

Note on co-financing: GCF had no co-financing policy, however, a certain level of co-finance is an advantage. For example, in mitigation projects, leverage ratio (meaning how much co-finance is provided by the project against each dollar provided by GCF) is a core indicator and a sub-criterion in the efficiency and effectiveness investment criterion. For adaptation, co-finance is expected to cover non-climate investments needed for the project.

Note on AE fees: The budget requested from GCF is net of the AE fees. AEs must comply with the GCF's policy on fees (annex VIII to GCF/B.19/43)[1]. For example, for projects of up to USD 10 million, the specified maximum amount that can be requested for grants in the public sector is up to 8.5 per cent of the requested GCF amount. If the request is a loan for the public or private sector, the fees will be negotiated on a case-by-case basis.

C.2. Justification for GCF funding request

This section should be succinct and specific, and should include the following elements:

C.2.1. Explanation of why the project/program requires GCF funding, i.e. explaining why this is not financed by the public and/r private sector of the country.

C2.2. Description of alternative funding options for the same activities being proposed in the Concept Note, including an analysis of the barriers for the potential beneficiaries to access to finance and the constraints of public and private sources of funding.

C2.3. Justification of the rationale and level of concessionality of the GCF financial instrument(s) as well as how this will be passed on to the end-users and beneficiaries. In the case of private sector proposal, concessional terms should be minimized and justifies as per the Guiding principles applicable to the private sector operations (Decision B.05/07).

General tips

a) Discuss how the project relates to the mandate of GCF and provide a rationale of why the GCF contribution covers climate related expenses and not development or other type of expenses (i.e. climate rationale);

b) Elaborate through examples and explanations on how the incremental costs have been estimated based on the information provided on incremental reasoning in B.1 and B.2 (this is the part of the costs for which GCF proceeds should be employed);

c) Briefly refer to the contribution to the nationally determined contribution (NDCs) and other policies (national adaptation plans, nationally appropriate mitigation actions etc. in the case of climate service projects);

d) Justification for the concessionality requested. This is a key element of GCF appraisal, at all stages: The Secretariat, the independent TAP and the Board. The request for grants must be justified considering the following discussion elements:
   i. Economic status of the country: this should be quoted in case the project operates in a country classified (by the World Bank, for example) as part of the low-income group;
   ii. The typology of the countries versus the GCF geographical priority areas: The Board has referenced Africa, small island developing States and the least developed countries as priority groups for GCF. If the target country/countries is/are part of those groups, it should be clearly outlined;
   iii. Level of country's external debt: International Monetary Fund data can be used to analyze and report on the capacity of the beneficiary country/countries to absorb more debt from international lenders. (If the capacity to further borrow is limited, this reference could also apply to middle-income economies);
   iv. The nature of public good of the services provided: for example, climate observation systems and many climate services fall into situations of market failure and would not be covered through private investments;
   v. Income-generating capacity: in developing countries, it is typical to have scarce capacity to generate revenues, especially in climate services, at a level that can assure repayment of the capital invested;
   vi. Contribution towards achieving the gender, environmental and social and indigenous people policies of GCF.

C2.4. Justification of why this is the minimum required to make the investment viable and most efficient considering the incremental cost or risk premium of the Project/Program (refer to Decisions B.12/17; B.10/03 and B.09/04 for more details). The Justification for grants and reimbursable grants is mandatory.

C.3. Sustainability and replicability of the project (exit strategy)

Below some elements are listed that could be presented in this section to demonstrate the long-term project sustainability and to make the case for a GCF exit strategy:

a) Explain how the project supports the capacity of the institutions involved, including a concrete strategy for staff retention and sustainability indicators;
b) Highlight how ownership of the beneficiaries is established, both for community members and institutions;
c) Showcase how the project invests in technologies that are sustainable and suitable in the local context; and
d) Discuss how the project supports policies and/or regulatory frameworks that impact the sustainability of the results in the long term.

The section should describe how the project will be monitored, after it is implemented with support from the GCF and other sources. This section should contain the following elements:

a) A description of a plan for the submission of the annual performance reports in line with the GCF monitoring and accountability framework;
b) A plan for the internal monitoring and reporting system that the project will set during the implementation phase. Providing information on the process that will be in place to ensure that the EE(s) will report and collect data on the relevant indicators;
c) A description of the role of the PIU in the daily monitoring activities, highlighting if the unit contains a devoted Monitoring and Evaluation Specialist; and
d) Information on the timing and role of the mid-term evaluation and final evaluation. These are expected to be independent evaluations for which external evaluator's or a firm will be engaged. Also, specify how the findings of the midterm and final evaluation will benefit the project, or its scalability in a second phase. These processes are also expected to place attention on reporting on cross-cutting issues such as gender.

If applicable, describe how the project/program's design has taken steps to implement a perspective impact evaluation and the methodology that is envisaged to carry out this type of evaluation (experimental and quasi-experimental methods). This is currently an emerging request from the GCF Independent Evaluation Unit.

It is good practice to specify that in the post-implementation phase, the entities that will take over the outcomes of the project will carry out regular monitoring of how the results are maintained over the lifespan of the equipment.

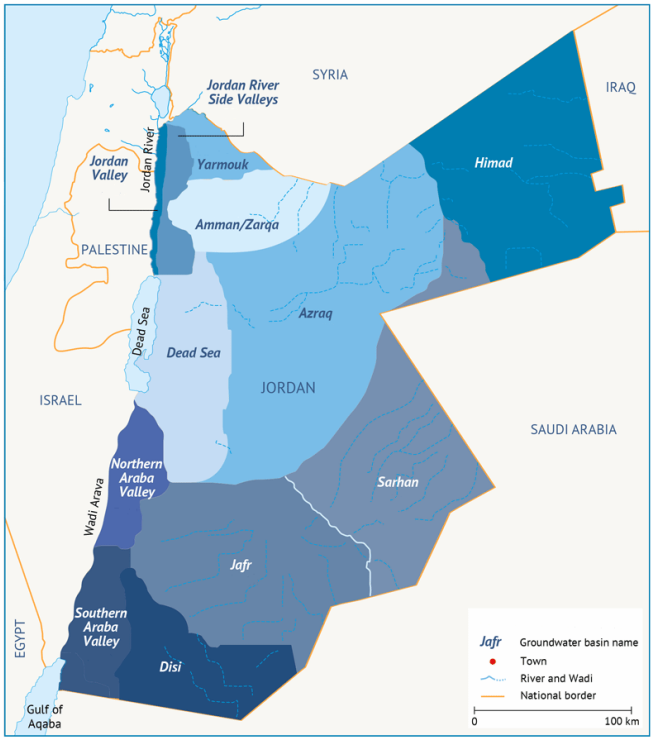
Finally, for non-grant instruments such as loans, guarantees and equity, explain how the capital invested will be repaid and over what duration of time. Include information on their tenure and interest rate/pricing should be indicated and applied according to GCF financial terms and conditions (annex II to GCF/B.09/23).[6]

8. Section D – Supporting Documents

Annex 1. Map indicating the location of the project/program

Provide a map of the project location within the country. You can include any other additional information in the map, that is related to the project. For example, the map below shows a map of Jordan's groundwater basins, if the project were to have activities around a specific groundwater basin.

Figure 5. Sample map of Jordan

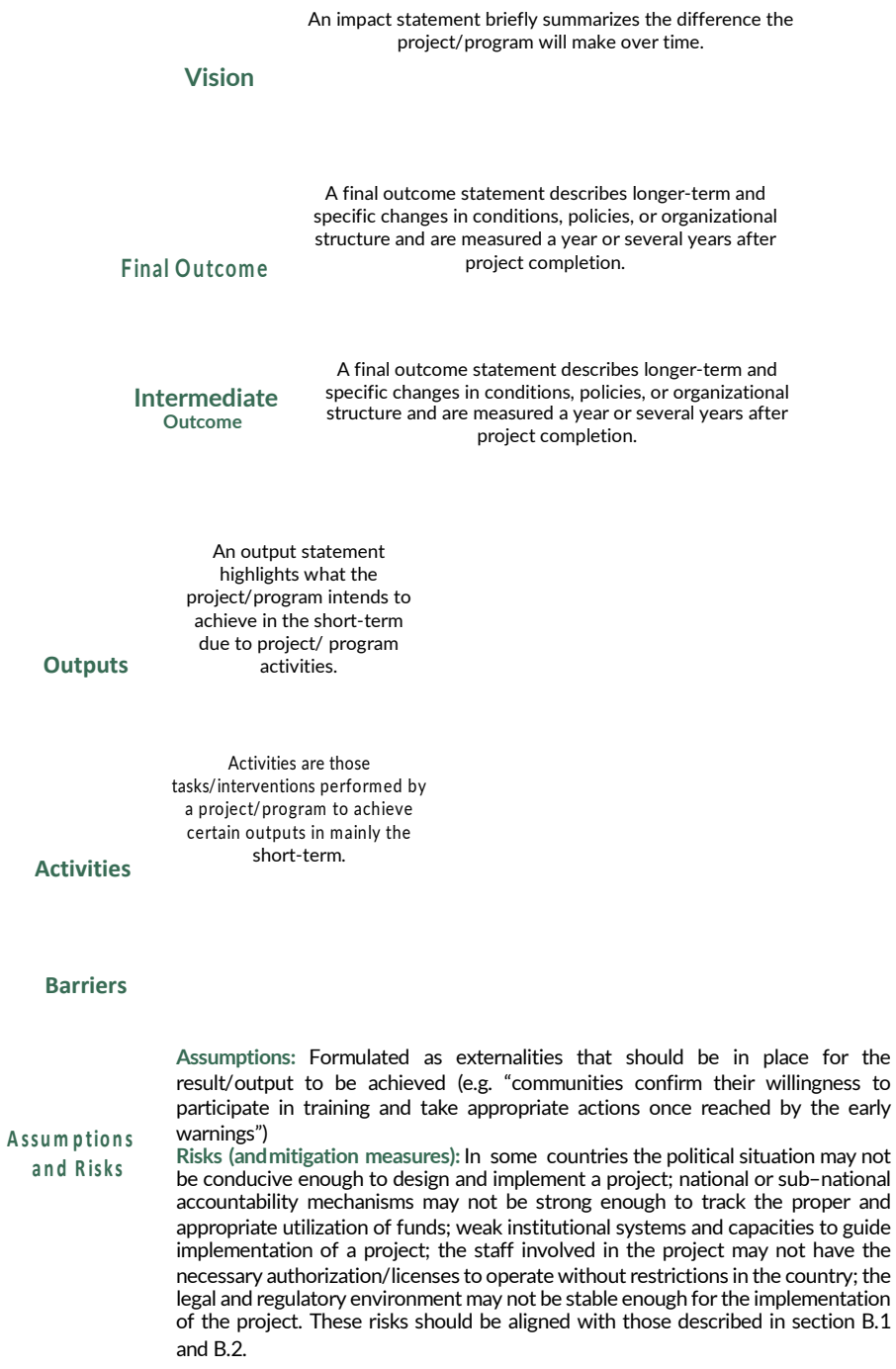


[6] Available at https://www.greenclimate.fund/documents/20182/24949/GCF_B.09_23_-_Decisions_of_the_Board__Ninth_Meeting_of_the_Board_24_-_26_March_2015.pdf/2f71ce99-7aef-4b04-8799-15975a1f66ef.

Annex 2. Diagram of the Theory of Change

This annex provides information on the Theory of Change (TOC) that describes how the proposed intervention will shift the development pathway towards low-emission and/or climate-resilient development. NDAs and AEs are requested to provide a diagram of the TOC as part of Section B.1 of the concept note template, along with a narrative description of the TOC.

Figure 6. Template for a Theory of Change diagram



Annex 3. Economic and financial model with key assumptions and potential stressed scenarios

See Section III "Project appraisal and due diligence" for detailed description.

Annex 4. Pre-feasibility study

The pre-feasibility study is designed to demonstrate that the proposed project/program is sound on technical, economic, social and environmental grounds. When preparing a pre-feasibility study AEs may consider the following:

1. The study can make use of **existing information and data from secondary sources** and complement these with primary data as needed.

2. Technical studies, data and information can be collected from previously implemented projects, or projects that are approaching the end of their implementation.

3. If **evaluation reports and previous feasibility studies from those previously implemented/ongoing projects** are available, they can be used in the preparation of the pre- feasibility, assuring that the technologies and solutions proposed are tailored and assessed to be feasible and viable in the context of the proposed project.

4. Information presented in the funding proposal and pre-feasibility study should be presented in a succinct and structured manner, **in a way that information does not duplicate and is complementary to each other.** Please ensure the concept note refers to the pre-feasibility document page and paragraph where additional details and in-depth information are provided.

5. The length of the pre-feasibility study is not restricted.

The role of the pre-feasibility study should be to present an assessment of the proposed project/program's interventions in terms of the soundness of their technical design, costs and benefits, social and environmental impacts, legal and regulatory environments in which the proposed interventions/activities are expected to be implemented, institutional and financial aspects, and any other analysis to assess feasibility of the investment.

The pre-feasibility study should provide a clear conclusion, with recommendations that explain the underlying logic of the project structure and activities. While both feasibility and pre-feasibility studies serve the same purpose, there are some differences in terms of their contents, as presented in the table below:

Table 13. Similarities and key differences between feasibility and pre-feasibility studies

Characteristic	Pre-feasibility study	Feasibility study
Same feature (concept / purpose)	Presenting technical, environmental, social, policy assessment of feasible options/solutions for the proposed project/program, and proposing outcomes and recommendations with the most feasible and sound options for the project/program	
Key differences	• Can rely on secondary data sources complemented by primary sources (as needed) • Makes use of existing evaluation reports for previously implemented/ongoing projects • Uses proven technologies and solutions with track record to demonstrate the feasibility of proposed technological solutions • Assesses feasible options using existing/available data, studies, resources	• Uses primary and secondary data sources • Incorporates in-depth technical design studies for the proposed technological solutions • May involve detailed engineering study/analysis with testing work and on-site appraisals • Includes deeper analysis and testing of each feasible option

Table 14. Example of the structure of a pre-feasibility study

Structure Pre-feasibility Study	
1.	Executive Summary
2.	Context setting: ✓ Baseline assessment and situation analysis/SWOT ✓ Analysis of climate change risks, impacts, and vulnerability analysis at national/regional level and location of the project. ✓ Policy landscape (NDC, NAPs, etc.) ✓ Legal and regulatory landscape ✓ Current and recently closed projects related to climate change that the proposed project scale up or/and build upon/complement or if project preparation was supported by Readiness or other preparation support activities;
3.	Pre-feasibility assessment: ✓ Technical assessment (technical options proposed and specifications for equipment, infrastructures, etc.). ✓ Environmental, economic and social assessments ✓ Financing options, reasoning for the concessionality requested, CAPEX and OPEX (O&M) description. ✓ Economic and/or financial viability ✓ Exit strategy and sustainability ✓ Etc.

4.	Specific information on the project (should not be duplication with the funding proposal): ✓ Climate rationale (see box above) ✓ Incremental cost reasoning (if needed) ✓ Theory of change ✓ Project objective, logic of action and components. ✓ (For the specific log frame and indicators, please follow the templated in 2a) ✓ Timeline of the implementation (follow the specific template in 2b) ✓ Etc.
5.	Implementation arrangements: ✓ Stakeholders analysis and evidence of consultations and stakeholder engagement plan ✓ Capacity assessment and due diligence on the executing entities ✓ Implementation arrangements and governance of the project (e.g. national implementing modalities, steering committees, project implementation unit composition, etc.). ✓ Institutional and program/project level grievance redress mechanism(s)
6.	References: List of the studies, reports, media sources, books, articles, published and unpublished that have been used as second source of information. APA or MLA bibliography formats are encouraged.
7.	Other possible annexes: The following are other type of sections/information that could be attached if/as needed or appropriate: ✓ Technical specifications of equipment ✓ Proceedings of stakeholder consultations

Annex 5. Evaluation report of previous project

If the project is based on a previous project, attach as an Annex the final evaluation report of the previous project(s) upon which the proposed project is building on.

Annex 6. Results of environmental and social risk screening

The GCF has adopted a comprehensive environmental and social management system[7]. Each AE has to, under its due diligence for project development, conduct an environmental and social risk screening (ESS). The ESS follows a set of criteria that aims to address key environmental and social risks in the implementation of activities to be funded by the GCF.

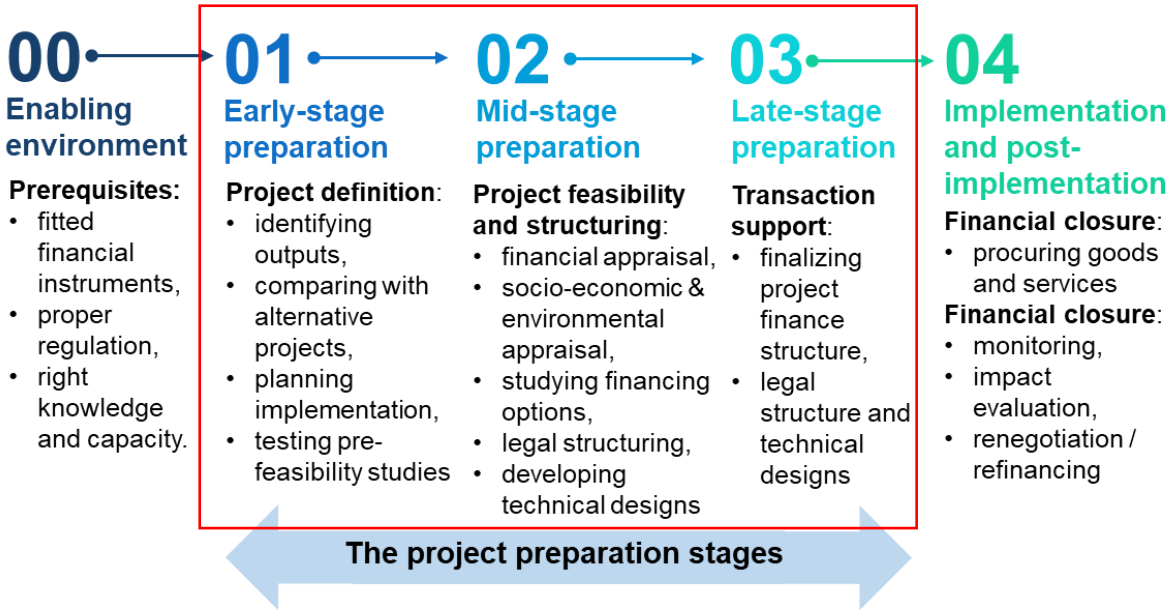
[7] Available at https://www.greenclimate.fund/document/gcf-b19-43

SECTION 3. PROJECT APPRAISAL AND DUE DILIGENCE

The project preparation stage is the development of the project's proposal in order to make it bankable

The information presented in this section serves as high-level guidance to green project developers, in particular SMEs, concerning the steps in the process of improving the bankability of their projects.

Figure 7. Project Preparation cycle



The project preparation stage is the development of the project's proposal in order to make it bankable. Preparation stage is highly important for future success of the project as:

- if adapted and efficient support (on both technical and financial elements) is provided at this level, it will help avoid many future risks and difficulties.
- a successful preparation stage helps SMEs provide documentation and data (financial, strategic, accounting…) at future stages.

Its costs vary depending on the entire project's cost, but many studies consider it is usually between 2% to 10% of total project cost.

9. Project definition

Project definition concerns **the early-stage preparation** of the project. It covers the key topics that are required for preparing a successful project. This mainly includes, defining (i) project rationale and (ii) the pre-feasibility study.

9.1. Project summary

The project summary document should clearly and concisely layout the overall funding proposal. It can be prepared in-house by the project developer and should ideally not be more than 5 pages. An example of project rationale template highlighting the various assessments to be included is provided in the figure below:

Project Summary Template

Project presentation:	
SME name:	**Legal status:**
Employees:	**Turnover:**
Economic sector:	**Activity:**
Budget of the project:	**Implementation date:**

1. **Project rationale:** Answer the questions of WHO, WHAT, WHY and HOW? - Explanation of the current situation and the need/opportunity for the project - Objectives of the project - Explanation of the required technology - Benefits of the project
2. Financial overview: - Investment costs presentation - Costs estimation - Revenues estimation
3. Brief on current regulation: - Present regulation and legislation impacting SMEs and environmental projects
4. Risk analysis and assessment: - Identify major risks linked to the project (risk assessment, demand, cash collection, operating cost, planning approvals, competition) - Present risk mitigation solutions

5. Non-financial assessment: - Estimated environmental impact - Estimated social impact

Economic summary	
Total project cost estimate (USD)	
Operation and maintenance costs (USD)	

9.2. Pre-feasibility study

The objective of the pre-feasibility study at the early project preparation stage is to choose the best possible path for building a business case. It can either be carried out in-house by the project developer but preferably by external consultants for transparency, technical expertise, and credibility. A typical pre-feasibility study for SME projects requires around 1 to 2 months to complete once all the required data has been collected.

An example of a typical pre-feasibility study structure and content is provided below:

1- Executive summary
- Present the problem to solve and how it was identified - Short summary of the conducted analysis - The important issues raised - Recommendations
2- Overview
- Aim of the document (evaluation of different projects that the SME could implement to improve its capacities and grow) - Project introduction - who asked for the analysis, who executed the analysis, how it was executed, and the estimated cost of project implementation - Terms and abbreviations - References to market information and date, feasibility studies, technology reports, etc.
3- Background
- Explain the primary focus of the project describing the key issue it will address - Brief presentation of how to conduct the project - List the prerequisites, key reasons for launch and desired outcome of the project
4- Objectives and outcomes
- Present, explain and detail the solution's planned benefits with beneficiaries

5- Scope

- Detail what is included in the scope of the analysis
- Detail what is excluded from the scope
- Present any problems faced
- Present assumptions that were made

6- Options (state all the existing options)

Option #1: present this option in terms of technical feasibility (is it hard to put in place, do the internal resources have the knowledge and technology etc.), advantages and benefits, disadvantages

Option #2: present this option in terms of technical feasibility (is it hard to put in place, do the internal resources have the knowledge and technology etc.), advantages and benefits, disadvantages

Option #3: present this option in terms of technical feasibility (is it hard to put in place, does the internal resources have the knowledge and technology etc.), advantages and benefits, disadvantages

OPTIONS COMPARISON:

Project objectives	Do Nothing	Option 1	Option 2
OBJECTIVE 1	does not meet criteria	partially meets criteria	fully meets criteria
OBJECTIVE 2	partially meets criteria	does not meet criteria	fully meets criteria
Present recommended option based on earlier comparison			

7- Project costs

- Present all costs (such as licensing, land, building, construction, equipment, technology, labor working capital, interest during construction and other operating costs) and if known who is funding them

8- Project organization

- List key stakeholders and the role their responsibilities in implementation (the project developer, technical partners and/or technology provider, raw materials and/or feedstock suppliers, etc.)
- Timeframe of implementation of the project, including the construction period

9- Risks and Mitigation Measures

- Detail all risks and mitigation measures, related to the selected project, including market risk, technology risk, macro/political risk if applicable, construction risk, feedstock supply volume risk if applicable, management risk, etc.

10. Financing sources

The financial sources checklist applies to **the mid-stage of project preparation** and briefly covers the steps typically occurring between initial identification of sources of finance to finalizing a financial package. There are four main types of financial instruments:

- **Grants:** Includes non-payable direct financial support, tax incentives, technical assistance given by one entity to another and are mainly provided by government agencies, international and national financial institutions.
- **Debt:** Includes commercial debt instruments such as concessional loans, sub-ordinated loans etc. Debt is a sum of money that is owed and typically offered by both public and private banks.
- **Equity:** Includes commercial equity instruments such as direct equity, preferred stock, redeemable shares, mezzanine financing, etc. It is ownership of assets that may have debts or other liabilities attached to them and is typically held by investors such as private equity firms, venture capitalists, impact investment funds, etc.
- **Guarantees:** Includes a promise based on contract by guarantor to take responsibility for another entity's debt (investor) if that entity cannot meet its obligation to pay the creditor. Many financial risk management instruments exist, such as partial guarantees for SMEs loan collateral requirements, currency risk coverage, political risk insurances, etc. This is primarily provided by banks and insurance companies.

Figure 8 below provides a mapping of various financial instruments across the different stages of the project preparation cycle while also highlighting the corresponding key financial actors.

Figure 8. Mapping of financial instruments

National Government · International financial institutions · Impact investment · Owner, family & friends · Banks and Private Equity & Venture Capital funds

Instruments \ Stages	1- Early stage preparation	2- Mid-stage preparation	3- Late stage preparation & implementation
Grants (for technical and financial assistance)	● ●		
Owner's equity / family and friends' funds	●		
Tax instruments	●		
Guarantees and insurance		● ●	● ●
Local currency bank loans		●	●
Concessional credit lines supported by public sector	● ● ●	● ● ●	● ● ●
Private equity investment through PE funds			● ● ● ●

The key take- aways from the above assessment are:

- The importance of grants at the early stages of the project preparation (catalytic impact for leveraging other forms of financing in later stages);
- Difficulties are observed to access to loans at early stages. Concessional debt financing from International Financing Institutions (IFIs) and Development Banks might be easier to access, especially at mid-stages;
- Equity is a higher risk instrument, hence more difficult to secure for early stages, and more common in late stages;
- Guarantees de-risk/improve the risk return profile of the investment that becomes more attractive for other investors. Can be provided by IFIs and development banks.

Besides the traditional approach to these financing instruments, some innovative business models based on these instruments have been widely used for SMEs, these include:

- **Leasing:** a form of debt where the equipment purchased with the loan serves as collateral. This is quite helpful for SMEs that lack collateral, regular revenue streams or credit history. However, leasing is limited to moveable assets and requires insurance so adds to the costs.
- **Diversification of funding sources:** contracting different loans with multiple counterparts. It gives credibility to the project, enhances negotiating power of SMEs and helps them get better loan terms.
- **Impact investing:** investment intended to create positive impact beyond financial return. It is a growing industry with investors keen on environmental and social returns, and investing more in developing countries. On the other hand, such investments mainly in growth and mature stages of projects, generates higher costs on the short-term due to rigorous extra-financial reporting requirements.
- **Revolving credit:** a flexible line of credit that can be used depending on SMEs' cash flow needs. It allows SMEs to access only one loan which ensures credit line availability whenever needed; this credit is adapted to companies with irregular revenues. However, access to revolving credit requires quality accounting documentation from the SME and it is more costly (interest expenses and commitment fee).
- **Factoring:** involves a financial intermediary who repurchases the receivables of a company in return for a commission. It provides SMEs cash up front without any delay. However, it can be costly, paperwork intensive and limited to solving cash-flow problems so inefficient for equipment purchasing.

11. Project Structuring

It covers key items regarding cashflow forecasting, financial modelling and rates of return. It also covers other key items such as the risk management strategy.

11.1. Budget and timetable

- Present a detailed project budget with entire cost and revenues breakdown with their different components (see Annex 2 for an example of a project budget template).
- The timetable is a schedule that lists milestones, activities and deliveries of the project. It presents the work to be done and the resources allocated to each task. It specifies WHAT needs to be done? WHEN? WHO will do it and through WHICH resources? (see Annex 2 for an example of the timetable template).

11.2. Cash flow projections and financial ratios

There are some very relevant financial ratios for bankable projects, calculated on the basis of financial reports and statements. They give an indication of the health and profitability of the company. The financial model with cash flows (CFs) calculations present two possible scenarios: (i) With new project, (ii) Without new project. The comparison between the two scenarios will highlight the financial advantages of the new project.

Once the CFs are determined they have to be discounted (brought to the present period) to calculate financial ratios such as Net Present Value (NPV), Internal Rate of Return (IRR) and discounted payback ratio to prove the project's profitability.

There are multiple steps to CFs calculation, details of it and the analysis of the financial ratios can be found in the Annex 2. The entire calculation is based on assumptions that need to be detailed. The assumptions have to be rational, realistic and affordable.

11.3. Overall financial plan

The financial plan consists of the identification of the key project costs and various means by which the project developer intends to finance them. It is typically constituted of debt and equity but can also include grants. It validates the economic sustainability of the project by providing details about:

- The conditions for investments (financial, technical, etc.);

- The chosen financing structure and thus the financing instruments needed;
- Details of the assumptions made to decide on the financing structure;
- The projected financial statements (balance sheet & income statement);
- A presentation of the schematic financial plan (see Annex 2 for an example of its template);

11.4. Risk management strategy

The project developer should use the risk assessment done at a prior preparation stage to present all the detected project risks. All risks related to the implementation of the new project will have to be identified and their causes clearly explained. The typical risks could be construction risk, technology risk, market risk, macro/political risk, management risk, financial risk, off take risks, etc. A risk management strategy is then drafted presenting solutions for risk mitigation (as an example, using the template provided below).

Figure 9. Risk management strategy template

Risk factor #1
Description:
Risk category: *Construction risk, technology risk, market risk, macro/political risk, management risk, financial risk, off take risks or other* **Level of impact:** *High, medium or low (defined as a % of project value)* **Probability of risk occurring:** *Scale to be defined during risk assessment*
Mitigation measure(s):

12. Market and regulatory analysis

The objective of market analysis is to demonstrate understanding of:

- **Market size and expectations:** number of potential customers and overall value of the market
- **Strategic positioning:** analysis of type of customers to target within the market
- **Market expectations:** demonstrate the intimate knowledge of the market by elaborating the various drivers for demand

- **Competitors:** provide a fair view of who you are competing against
- **Market performance:** costs, pricing, market share and projecting growth

A typical regulatory analysis exercise should include:

- **An explanation of the main regulations applicable;**
- **Steps required to remain compliant.**

13. Environmental and social impact appraisal

The purpose of environmental and social impact appraisal is to identify, assess and manage the environmental and social risks and impacts. This could include[8]:

- Environmental and Social Impact Assessment (ESIA)
- Environmental and Social Audits and Risk Assessment (for brownfield projects or programs)
- Environmental and Social Management Framework (ESMF)
- Environmental and Social Management Plan (ESMP)

The table below can be referred to as the minimum documentation for each risk category of project required by GCF.

Table 15. Documentation required by risk category of project

	CATEGORY C (low risk)	CATEGORY B (medium risk)	CATEGORY A (high risk)
Minimum E&S documents required by GCF for each category of projects	• E&S risk screening • Stakeholder Engagement Plan and Project-Level Grievance Redress Mechanism	• ESIA (fit-for-purpose) • ESMP (with limited focus as may be appropriate) • Stakeholder Engagement Plan and Project-level Grievance Redress Mechanism	• ESIA • ESMP (full and comprehensive) • Stakeholder Engagement Plan and Project-Level Grievance Redress Mechanism

[8] March 2019, GCF, Project Preparation Facility Guidelines

ANNEX 1. MITIGATION VS ADAPTATION

The table below provides project examples of adaptation and mitigation projects by sector of activity that can be developed in a concept note and proposed to the GCF for funding.

Adaptation	Mitigation
Agriculture, Farming, Fishing and Forestry 	
- Change watershed, wetland and irrigation management systems and practices to reduce vulnerability to climate change and climate vulnerability; - Construct dams and water storage systems to manage changes in the water cycle due to climate change and climate vulnerability; - Maintain resilience of forest systems; - Incorporate risks from climate change and climate vulnerability in irrigation/water management planning. - Capacity building of farmers/small holders' techniques, inputs etc.	- Intensify or expand farm production using techniques that reduce GHG emission or increase carbon sequestration; - Increase vegetative cover and carbon sequestration by avoiding deforestation and fomenting afforestation; - Prepare for carbon markets or implement carbon finance market transactions; - Develop, test and introduce practices or techniques that reduce GHG emissions in crop production systems, animal husbandry systems, forest management systems and aquaculture management systems.
Energy and Mining 	
- Incorporate impact of climate change on power system reliability assessments; - Capacity building or strengthening capacity for energy sector institutions to improve climate risk management in the energy sector; - Improve climate resilience of thermal generation plants; - Improve design of solar panels to withstand higher intensity storms resulting from climate change.	- Strengthen regulatory and institutional framework to support expansion of renewable power generation; - Rehabilitate existing power plants to decrease GHG emission intensity; - Improve energy efficiency through norms, building codes, fuel efficiency standards, regulatory support, awareness, and enforcement

Adaptation	Mitigation
Transportation 	
- Assess economic, environmental or social impact of climate change and climate vulnerability on transportation; - Incorporate risks from climate change in transportation system planning; - Construct bike/bus lanes, new roads and highways to climate resilient design standards. - Increase public transport options for population	- Sector reform and capacity building to improve energy efficiency in the transport sector; - Traffic management to reduce GHG emission per unit transported; - Shift to lower carbon modes of road and highway transport including research and development; - Shift from high carbon to lower carbon modes of transport (i.e. electric vehicles).
Water and Sanitation (including water and wastewater treatment) 	
- Demand side management to respond to climate change by reducing water consumption or increasing water use efficiency; - Supply side management to respond to climate change by expanding supplies, reducing water losses or improving cooperation on shared water resources.	- Change production techniques to reduce water consumption per unit of output produced in industry or commerce; - Reduce per capita water consumption using demand-side interventions (household, water, shower, toilet, dishwasher).
Public Administration (incl. recycling and waste management) 	
- Incorporate changes in design of solid waste management systems in response to extreme weather and floods events arising from climate change and climate vulnerability.	- Introduce or expand compost landfill techniques; - Upgrade existing landfills to capture methane for energy generation or gas flaring for CO_2 generation; - Introduce the three R's of waste management: reduce, reuse, recycle.

Adaptation	Mitigation
Tourism 	
- Mainstream adaptation into tourism decision-making and planification; - Develop management plans for coastal and wetland attractions; - Conduct environmental audits and retrofit program for hotels and marinas to add climate change component; - Upgrade procedures for environmental impact assessment to incorporate hazard risk and climate vulnerability assessment; - Training for national agencies in monitoring climate change effects on coastal resources, natural systems beneficial to tourism and natural attraction.	- Promote the use of low-emission cars; - Achieve carbon neutral operation; - Incorporate carbon mitigation in accommodation sector by reducing energy and water consumption; - Reduce, reuse, recycle; - Establish environmental management systems; - Support low carbon holiday options and carbon labelling.

ANNEX 2. PROJECT STRUCTURING TEMPLATES

1. Project budget template

Company name:	
Project name:	
Implementation date:	

	Project task	Lahor hours	Labor costs (€)	Material cost (€)	Travel cost (€)
Resources	Sales				
	Subsidies				
	SUBTOTAL				
Project design	Develop functional specification				
	Adapt technicalities to actual system				
	Develop acceptance test plan				
	Risk assessment study				
	Market study				
	Planning				
	SUBTOTAL				
Project development	Develop components				
	Feasibility study				
	Procure software				
	Procure hardware				
	Perfom unit/ Integration test				
	Marketing and sales				
	Communication				
	Legal licenses				
	SUBTOTAL				
Project delivery	System installation				
	Employees training				
	Production				
	Warehouse				
	Marketing and sales				
	Communication				
	Deliveries				
	SUBTOTAL				
Project management	Customer meetings and reports				
	Internal meetings and reports				
	Quality assurance				
	Client training and retention				
	Marketing and sales				
	Communication				
	SUBTOTAL				
Other	Rent				
	Furniture				
	Office supplies				
	Internet and utilities				
	Accounting services				
	Law services				
	SUBTOTAL				
	TOTAL				

2. Project timetable template

Person in charge:
Name & surname:
Position :

Project stage	Task	Start date	End date	Progress	Week 1 16/10/2017					Week 2 23/10/2017				
					16-oct	17-oct	18-oct	19-oct	20-oct	23-oct	24-oct	25-oct	26-oct	27-oct
Enabling environment	Undertake market study	16/10/2017	18/10/2017	50%										
	Verify legal requirements	16/10/2017	20/10/2017	20%										
Project definition	Define legal structure	16/10/2017	19/10/2017											
	Launch demand for official permits	23/10/2017	24/10/2017											
	Identify technical and development partners	19/10/2017	27/10/2017											
	Define key milestones	23/10/2017	27/10/2017											
	Risk assessment analysis	25/10/2017	08/11/2017											
	Identify potential financial partners													
	Contact government representatives for potential subsidies													
	Prepare project pitch													
	Prepare project fiche													
	Present project fiche to NCPC													
	Adapt project fiche to NCPC comments													
	Study past SME RECP projects													
	Undertake pre-feasibility study													
Project feasibility	Create job descriptions													
	Advertise for recruitement sessions													
	Prepare interviews													
	Undertake interviews													
	Identify best candidates													
	Prepare risk management strategy													
	Prepare risk management report													
	Apply discounted cash flows methodology													
	Do technical assessment													
	Do environmental and social assessments													
	Prepare complete business plan													
	Get in touch with financial partners													
Project structuring	Undertake negotiations for pre-contract agreements													
	Launch market testing of product													
Transaction closure														
Implementation														

3. Cash flow calculations and financial ratios

Financial ratios	Formula	Financial analysis
Current ratio (financial health)	Current assets/Current liabilities	Represents company's ability to repay its actual debt with its actual assets. The higher it is, the better the company is doing. It is then an indication of a company's liquidity
Debt to equity rate (financial leverage)	Total liabilities/Shareholder equity	Shows how much debt the company has used to finance its growth. Very important ratio for lender as proof of candidate's financial stability. It is then an indication of a company's leverage.
Gross profit margin (financial health)	Revenue-COGS/Revenue	Amount left over after having paid production costs. Shows how good a company is at offering its product compared to competitors. It is then an indication of higher productivity and competitive operating cost structure
Return on assets (profitability)	Net income/ Total assets	Shows ability of company of converting assets into revenues
Return on equity (profitability)	Net income/Shareholders' equity	Shows how much profit the company makes with its shareholders' equity. It is then an indication of the return on investment

Step	Description
1	**CALCULATION OF FREE CASH FLOWS (FCF)** FCF = Sales and Revenues - Operating costs - Taxes - Net investments - change in Working Capital
2	**CALCULATION OF SALES & REVENUES** ▪ Estimation of demand volume and prices ▪ Use the real prices
3	**CALCULATION OF OPERATING COSTS** Operating costs = Cost of goods sold (COGS) + Selling, general & administrative expenses + R&D costs ▪ COGS = Costs directly linked to the production activity: production material costs, labor cost

	▪ Selling, general & administrative expenses = Costs unrelated to manufacturing, linked to everyday business: office rent, insurance, shipping & delivery of products, commissions, management and legal staff salary ▪ R&D costs: costs of developing better adapted goods and services
4	**CALCULATION OF TAXES** ▪ Official corporate taxes paid by the company ▪ If the company doesn't pay them, calculate taxes in the following way: (average annual income tax paid) / (pre-tax profit)
5	**CALCULATION OF NET INVESTMENTS** Net investments = CAPEX (Capital expenditures) – Non-cash depreciation
6	**CALCULATION OF CHANGE IN WORKING CAPITAL** Change in working capital = Change in current assets + change in current liabilities = Change inventory + change in cash + change in accounts receivable + change in prepaid expenses + change in accounts payable + change in accrued income tax and liabilities
7	**CALCULATION OF NPV (net present value)** NPV = Σ(FCF / (1+r)^t) – Co Co = Initial Investment cash flow FCF = Free Cash Flow ▪ If NPV > 0 : the investment will generate value and should be undertaken ▪ If NPV = 0 : the investment does not add any monetary value: the investment decision should be based on other criteria ▪ If NPV < 0 : the investment destroys value and should not be undertaken
8	**CALCULATION OF INTERNAL RATE OF RETURN (IRR)** ▪ IRR is the discount rate for which the NPV = 0 ▪ It represents the rate of growth a project is expected to generate ▪ It is usually compared to the WACC (cost of capital) ▪ If IRR > WACC : the investment will generate value and should be undertaken ▪ If IRR = WACC : the investment does not add any monetary value: the investment decision should be based on other criteria ▪ If IRR < WACC : the investment will weaken value and should not be undertaken

4. Overall financial plan

FINANCIAL PLAN		
Financing source	**Amount in local currency**	**Amount in USD**
EQUITY		
1) Developers own resources		
2) Other investors		
DEBT		
1) Local commercial banks		
2) International commercial banks		
3) DFIs		
4) Other lenders		
TOTAL FINANCING		
Exchange rate (1USD = xx)		
Local currency =		

ACKNOWLEDGMENT

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Ministry of Environment

GREEN CLIMATE FUND

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CLIMA CAPITAL PARTNERS