

# Training of Trainers (ToT) on Green Climate Fund (GCF) Proposal Development

## Trainer's Handbook



Implemented by:  
**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH



In cooperation with





**Published by:**

Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH

**Registered offices**

Bonn and Eschborn, Germany

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**Project**

Improved Coordination of International Climate Finance (ICICF)

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INTENT

**Photo Credit**

Forethought PR/Mr. Bashir Ahmed Sujan, Squadmind/Mr. Ahsanul Islam Mizan

On behalf of German Federal Ministry for Economic Cooperation and Development (BMZ),  
GIZ is responsible for the content of this publication.

October 2023, Dhaka, Bangladesh

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## LIST OF ACRONYMS

ADB	Asian Development Bank	IPMS	Information Program Management System
AE	Accredited Entity	IPT	Interdivisional Project Team
AMA	Accreditation Master Agreement	IRMF	Integrated Results Management Framework
AP	Accreditation Panel	IRR	Internal Rate of Investment
BUR	Biennial Update Reports	ML	Money Laundering
CDM	Clean Development Mechanism	MRE	Monitoring, Reporting and Evaluation
CFT	Countering the Financing of Terrorism	NAMA	Nationally Appropriate Mitigation Actions
CIC	Climate Investment Committee	NAP	National Adaptation Plan
CIDA	Canadian International Development Agency	NB	Nota Bene
CIF	Climate Investment Funds	NDA	National Designated Authorities
CN	Concept Note	NDC	Nationally Determined Contribution
COP	Conference of the Parties	NOL	No-Objection Letter
CPA	Component Project Activity	NPV	Net Present Value
DAC	Development Assistance Committee	NSP	NAMA Support Projects
DAE	Direct Access Entity	OECD	Organisation for Economic Co-operation and Development
EA	Economic Analysis	OST	Origination and Structuring Team
ECCCP	Extended Community Climate Change	PFD	Program Framework Document
EE	Executing Entity	PIF	Project Identification Form
EIRR	Economic Internal Rate of Return	PIU	Project Implementation Units
EM-DAT	International Disasters Database	PMF	Integrated Results Management Framework
ENPV	Economic Net Present Value	PMU	Project Management Unit
EPC	Energy Performance Contract	PPF	Project Preparation Facility
ERD	Economic Relations Division	QQT	Quantity, Quality, Time
ESMS	Environmental and Social Management Systems	PPP	Public Private Partnership
ESS	Environmental and Social Safeguards	PRC	Policy on Restructuring and Cancellation
FA	Financial Analysis	PSF	Private Sector Facility
FAA	Funded Activity Agreement	RCM	Regional Climate Model
FIRR	Financial Internal Rate of Return	RCP	Representative Concentration Pathways
FP	Funding Proposal	REDD	Reducing Emissions from Deforestation and forest Degradation
FPS	Fiduciary Principles and Standards	RFP	Request for Proposal
FT	Financing of Terrorism	RMF	Result Management Framework
GAP	Gender Action Plan	SAP	Simplified Approval Process
GCF	Green Climate Fund	SDR	Social Discount Rate
GDP	Gross Domestic Product	SLR	Sea Level Rise
GEF	Global Environmental Facility	TAP	Technical Advisory Panel
GERICS	Climate Service Centre Germany	TNA	Technology Needs Assessment
GHG	Greenhouse Gas	UN	United Nations
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	UNDP	United Nations Development Program
IAE	International Access Entities	UNFCCC	United Nations Framework Convention on Climate Change
ICS	Investment Criteria Scorecard	USD	United States Dollar
IDCOL	Infrastructure Development Company Limited (IDCOL)	WACC	Weighted Average Cost of Capital
IDP	Information Disclosure Policy	WB	World Bank
IF	Initial Investment Framework	WMO	World Meteorological Organisation
IKI	Internationale Klimaschutzinitiative		
IPCC	Intergovernmental Panel on Climate Change		





## Preface

The Government of Bangladesh, in collaboration with German Development Cooperation, is dedicated to the identification of global climate finance sources. This collaborative effort extends to strengthening the capabilities, procedures, and organizational structures of the Bangladeshi Government for effective engagement with bilateral and multilateral partners in the pursuit of climate finance and sustainable development. The 'Improved Coordination of International Climate Finance (ICICF)' project collaborates with the Economic Relations Division (ERD), Bangladesh Bank, the Prime Minister's Office, and selected urban local authorities to secure both public and private sector funding for climate-related initiatives.

This Handbook serves as a valuable resource, offering a comprehensive overview of the Training of Trainers (ToT) on Green Climate Fund (GCF) proposal development conducted in May 2022. It is tailored to meet the specific needs of those engaged in GCF funding proposals within the context of Bangladesh. The Handbook equips individuals with the knowledge and tools essential for successful GCF proposal development.

Developed through a collaborative effort between E Co. Limited, the Centre for Climate Change and Environmental Research (C3ER), and GIZ, this Handbook is the result of a meticulous and iterative process. In addition to providing in-depth insights into GCF project formulation, it references GCF templates, guidelines, policies, and ToT presentations. Its primary audience comprises institutional stakeholders at local and sub-national levels involved in GCF project proposals. To enhance practicality, the Handbook includes a GCF Glossary and Proposal Funding Template. Training materials will be made accessible online for future reference. With its structured sessions covering various GCF-related topics, this Handbook empowers stakeholders to navigate the intricacies of GCF proposal development effectively.

I would like to take this opportunity to express my gratitude to Mr. S M Mahbub Alam for his invaluable contribution to the development of the content of this handbook. I am indebted to Grant Ballard-Tremeer and his team members as our international consulting firm. I am also grateful to the national consultant of C3ER for their excellent technical inputs in preparing the module of the handbook. I extend my heartfelt appreciation to the ICICF team for their leadership in the development process of the training session and their unwavering commitment to enhancing the capacities of climate change project developers in Bangladesh.

**Mr. AKM Sohel**

Joint Secretary  
Wing Chief (UN Wing)  
Economic Relations Division  
Ministry of Finance



## Preface

Climate change is one of the most pressing challenges of our time, and Bangladesh is among the most vulnerable countries to its impacts. To address this challenge, Bangladesh needs to access and mobilize climate finance from various sources, including the Green Climate Fund (GCF), the largest global fund dedicated to supporting developing countries' efforts to respond to climate change.

This training handbook aims to equip trainers with the knowledge and skills to facilitate effective training sessions on GCF proposal development for various stakeholders in Bangladesh. It covers a wide range of topics, from the basics of climate change science and policy to the details of GCF project design and implementation. It also provides practical tools and exercises to enhance the learning outcomes and foster interactive and participatory learning.

The handbook is designed to be flexible and adaptable to different training needs and contexts. Trainers can select and customize the modules according to their target audience, learning objectives, and available time. The handbook also provides guidance on how to plan, prepare, deliver, and evaluate the training sessions.

The handbook is based on the latest information and best practices available at the time. However, as the climate change landscape and the GCF operations evolving rapidly, trainers are advised to consult the relevant sources for updates and clarifications.

The handbook is a result of a collaborative effort between various experts and stakeholders involved in climate finance and GCF proposal development in Bangladesh. We hope that this handbook will serve as a valuable resource for trainers and contribute to enhancing the capacity of Bangladesh to access and utilize GCF funding for climate action. We also hope that this handbook will inspire more people to join us in this journey of creating a more sustainable and resilient future for country as well as our planet.

**Dr. Ainun Nishat**

Professor Emeritus and Adviser  
C3ER, BRAC University



## Preface

The Green Climate Fund (GCF) is a global fund established to support developing countries in their efforts to mitigate climate change and adapt to its impacts. The GCF is a vital source of funding for climate action, and it is essential that countries and organisations have the knowledge and skills they need to develop successful proposals. The GCF is, however, a relatively new fund, and the process of developing proposals can be complex and daunting.

E Co. and the C3ER from BRAC University have developed this trainer's handbook with the support of the GIZ ICICF project. It aims to provide trainers with the knowledge and skills they need to train others on how to develop proposals for the GCF.

The handbook includes background information on the GCF and the climate context in Bangladesh. It includes information on all the practicalities such as budgeting, economic and financial analysis, and environmental, social and gender safeguards and includes step by step guidance and examples. It is also based on the latest GCF guidelines and procedures. While these are essential to helping trainees to navigate the GCF process, in my view, the key skill and knowledge you can impart is curiosity! Curiosity about how things currently work and curiosity about how things could change to bring about positive and lasting results. Curiosity is essential for understanding the root causes of climate change problems and for developing innovative solutions. Curiosity is important for building relationships with stakeholders and for ensuring that GCF projects are sustainable and inclusive.

Curiosity about how things currently work could be called baseline analysis, and this is the focus of session 3 of the training. Using tools like stakeholder analysis, policy analysis, technical analysis, and value chain analysis we can build up a deep understanding of the current state of things - what people currently do and why, and the existing barriers. This theme continues in session 4 which is all about the tool called "problem tree analysis" where we try to understand the root causes of the problem and the consequences of the problem.

Using our knowledge of the current situation we can then develop and design a project which addresses the current reality and the root causes. To do this we use tools from problem tree analysis to identify possible solutions and turn this into a theory of change. The climate rationale, which is covered in session 7 is part of describing how the climate problem will be addressed.

As a trainer, you have the privilege and responsibility to make a lasting impact. By helping trainees to develop their curiosity and their skills in GCF proposal development, you can help them to develop projects that will make a real difference in the world since the work they do will be more successful.

I hope that this handbook will be a valuable resource for trainers and participants alike. I wish you every success in your endeavours.

**Dr Grant Ballard-Tremeer**  
E Co.  
London, UK

# Executive Summary

This handbook is designed to provide guidance and practical guidelines on how to develop a climate change funding proposal for the Green Climate Fund (GCF), which is a global fund created to support the efforts of climate vulnerable countries to respond to the challenges of climate change. The trainer's handbook covers the following topics:

**Session 1** provides an overview of the basics of climate change, the global and local impacts of climate change, the concept and needs of climate change adaptation and mitigation, the role and functions of the National Designated Authority (NDA) in Bangladesh, and the current GCF projects and readiness activities in Bangladesh, etc.

**Session 2** introduces the fund (GCF), i.e., website, access modalities, and funding modalities of GCF such as, Simplified Approval Process (SAP), and Project Preparation Facility (PPF).

**Session 3** explains how to define Climate Context and conduct a Barrier Assessment for a GCF project.

**Session 4** demonstrates how to develop a Problem Tree to identify the root causes and effects of a climate change related problem.

**Session 5** introduces the Logical Framework Approach (LFA), the GCF Results Management Framework (RMF), and the Theory of Change (ToC) as tools to design a project logic and outcomes.

**Session 6** discusses how to justify the Climate Rationale for a GCF project, both for mitigation and adaptation projects.

**Session 7** explains the GCF Investment Criteria, which are used to assess the quality and feasibility of a GCF project. The criteria are impact potential, paradigm shift, sustainable development, responsive to recipient needs, promote country ownership, efficiency, and effectiveness.

**Session 8** covers the aspects of Project Budgeting, such as co-financing, mobilized finance, financial structure, and innovative financing instruments.

**Session 9** provides an overview of the Economic and Financial Analysis required for a GCF project, as well as the role of private and financial sector engagement. It also gives an overview of the annexes to the GCF funding proposals.

**Session 10** discusses the Environmental, Social and Gender Safeguards that need to be considered for a GCF project, such as the Environmental and Social Action Plan (ESAP), the Gender Assessment and Gender Action Plan (GAP), and the country regulations and policies.

The objective of this trainer's handbook is to equip potential trainers and practitioners, i.e., project proponents with the knowledge and skills to develop a high-quality climate change funding proposal for the GCF meeting the required standards and requirements. The handbook is structured in a logical sequence that follows the steps of proposal development. The handbook is aimed at government agencies, non-governmental organizations, academicians, researchers, practitioners, and private sector entities of Bangladesh who wish to access the Green Climate Fund. This is expected to be used as reference material for developing GCF proposal.

# Introduction

## Objective of the Handbook

This Handbook has been designed to give attendees a detailed overview of the topics covered during the Training of Trainers (ToT) on the Green Climate Fund (GCF) proposal development, conducted in May 2022, including key information required to develop a GCF funding proposal for the Bangladesh context. The template of the GCF funding proposal is given in Annex B. The Handbook is also suitable for those stakeholders who were not able to attend the training and can be further used to cascade knowledge acquired to other institutional stakeholders.

## Approach and methodology

The Handbook and the training materials were developed by the consulting company E Co. with inputs from the National Consultancy C3ER and GIZ, following an iterative process. In addition to providing detailed information on project formulation for the GCF, the Handbook also includes useful references to GCF templates, guidelines and policies, and the presentations used for the ToT.

## Target users and how to use Handbook

The Handbook targets institutional stakeholders at local and sub-national level who are involved in the formulation of project proposals for the GCF. The Handbook is divided in two parts:

Part I elaborates further the information provided in the PowerPoint presentations and in the ToT delivery, providing additional resources to trainees. The content is based both on the GCF Programming Manual<sup>1</sup> and on the extensive experience from E Co. in GCF project formulation. Each session includes an introduction paragraph on learning objectives and outcomes.

Part II, on the other hand, provides additional training content, which is not included in the live content, but is nonetheless essential for a comprehensive understanding of GCF project and programme development processes.

The Handbook is also complemented by the annexed GCF Glossary and Proposal Funding Template, while training materials will be shared and made accessible for future reference through an online folder.

<sup>1</sup> [https://www.greenclimate.fund/sites/default/files/document/gcf-programming-manual\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/gcf-programming-manual_0.pdf)

## Scope and navigation of the Handbook

Part I of the Handbook follows the structure of the ToT and is organised around the following sessions:

- **Session 1:** Climate Change Context in Bangladesh
- **Session 2:** Introduction to the GCF; GCF website and Concept note/Full Funding proposal (full format) walkthrough; How can you access the GCF?; Introduction to the SAP; Accessing the Project Preparation Facility
- **Session 3:** Context and baseline - section B.1 of the GCF concept note; Introduction to barrier assessment - and discussion, overview of tools and techniques
- **Session 4:** Problem tree analysis
- **Session 6:** Project logic and Introduction to theory of change
- **Session 7:** Climate rationale introduction, focus on mitigation; Climate rationale focus on adaptation
- **Session 8:** GCF investment criteria
- **Session 9:** GCF project budgeting; Co-financing and mobilized finance; Describing the financial structure of projects – financial instruments as a way to address market barriers; Innovative financing instruments
- **Session 10:** Economic and financial analysis; Private & financial sector engagement: overarching principles, GCF guidance; Overview of the annexes of the GCF funding proposals
- **Session 12:** Environmental and Social Action Plan; Gender Assessment and Action Plan









PART I

# Training Content







# Climate change context in Bangladesh

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## Learning Outcomes

- To understand climate change science and basics
- To understand the position of Bangladesh in terms of climate change impact
- To know the adaptation and mitigation needs of Bangladesh
- To understand the role of the National Designated Authority (NDA) of Bangladesh
- To learn about the GCF approved project of Bangladesh

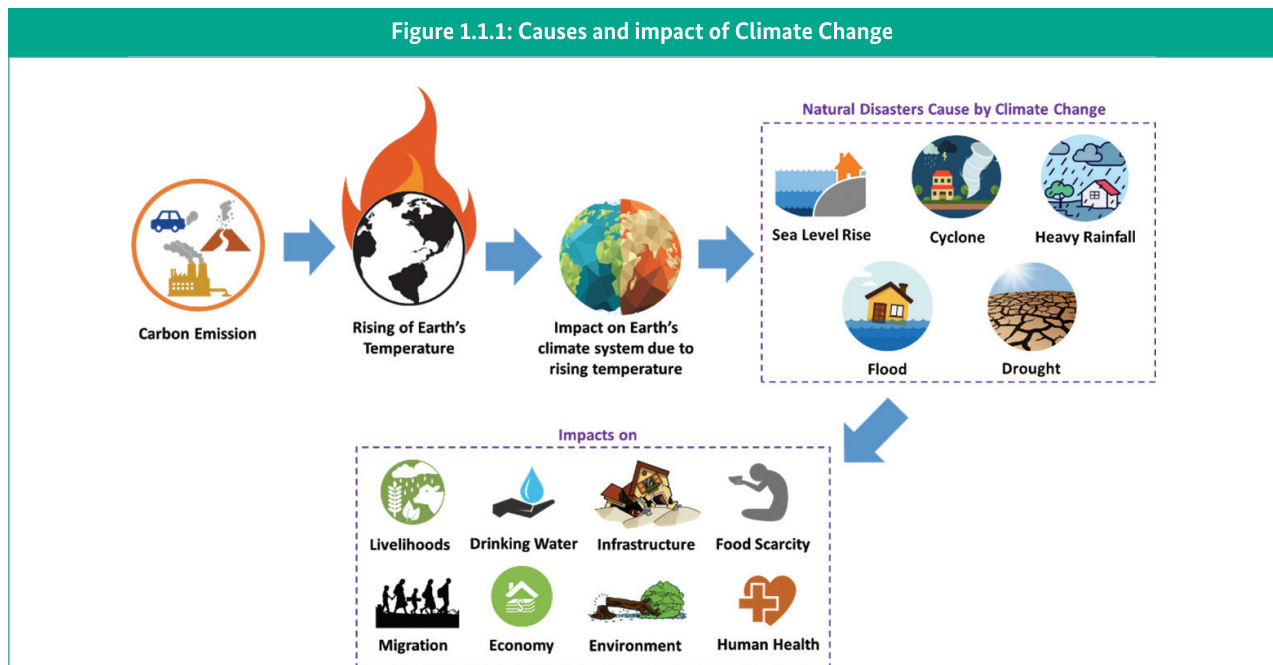
## 1.1. Climate Change Context in Bangladesh

### Basics of Climate Change Process

Climate Change is a significant change in global or regional climate pattern over time due to anthropogenic activity. Climate change refers to a change in the state of the climate that can be identified (e.g., by using statistical tests) by changes in the mean and/or the variability of its properties, and that persists for an extended period, typically decades or longer.

Climate change may be due to natural internal processes or external forcing such as modulations of the solar cycles, volcanic eruptions, and persistent anthropogenic changes in the composition of the atmosphere or in land use.

UNFCCC defines climate change as: “A change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.”



Bangladesh is one of the most climate vulnerable countries in the world. It is exposed to a high range of climate variability- e.g. erratic rainfall pattern, tropical cyclones and storm surges, sea level rises, salinity intrusion, floods and seasonal droughts. Climate change and variability is affecting the climate sensitive development sectors like agriculture, water, energy, forest, fisheries & livestock, health, social services and overall development.

### Global Warming

Global warming refers to the spike in global average temperature near the Earth's surface and is principally caused by enhanced concentrations of GHGs in the atmosphere. It causes massive alterations in climatic patterns, which are evident from the current changes in weather and climate.

### Global Climate Change Impact

Global climate change effects of heat waves and other extreme events (for example, cyclones, floods, storms and wildfires). It affects food yields, changes in patterns of infectious diseases, displacement of vulnerable populations (for example, low-lying island and coastal populations) and a huge loss of livelihoods. It also has impact on supply of fresh water and its associated consequences. Ecosystems are not operating properly, for example, wetlands as water filters.

### Evidence of Climate Change Impacts

Humans and wild animals both confront new survival hurdles as a result of climate change. Extreme heat, heavy rainfall, droughts, storms, heat waves, rising sea levels, melting glaciers, and warmer oceans may damage animals directly, ruin their habitats, and wreak havoc on people's livelihoods and societies. The evidence of climate change is seen in these pictures.

Figure 1.1.2: Evidence of Climate Change Impacts

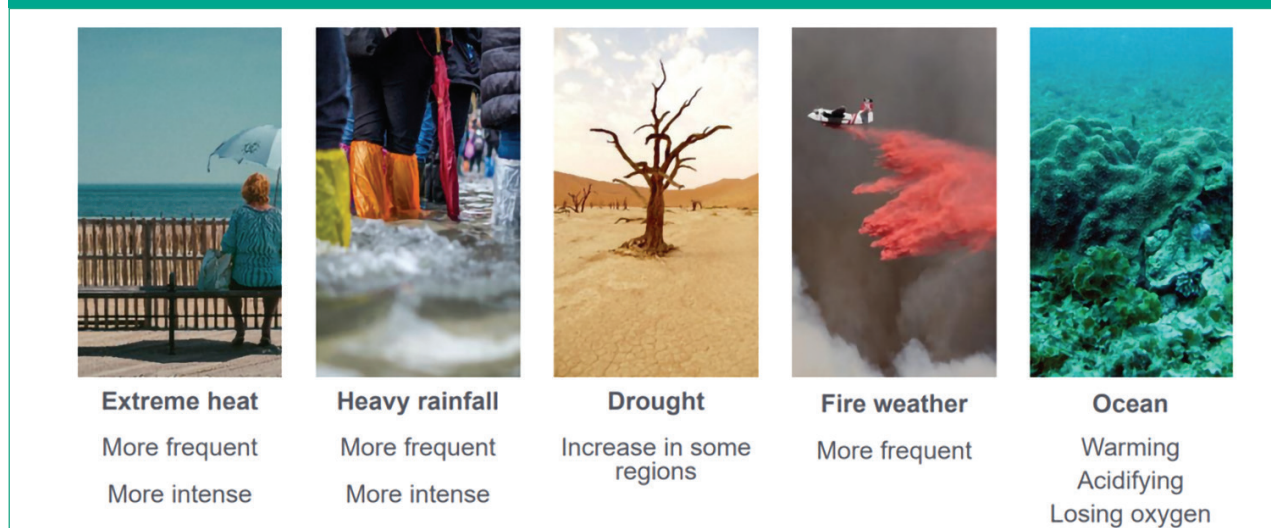
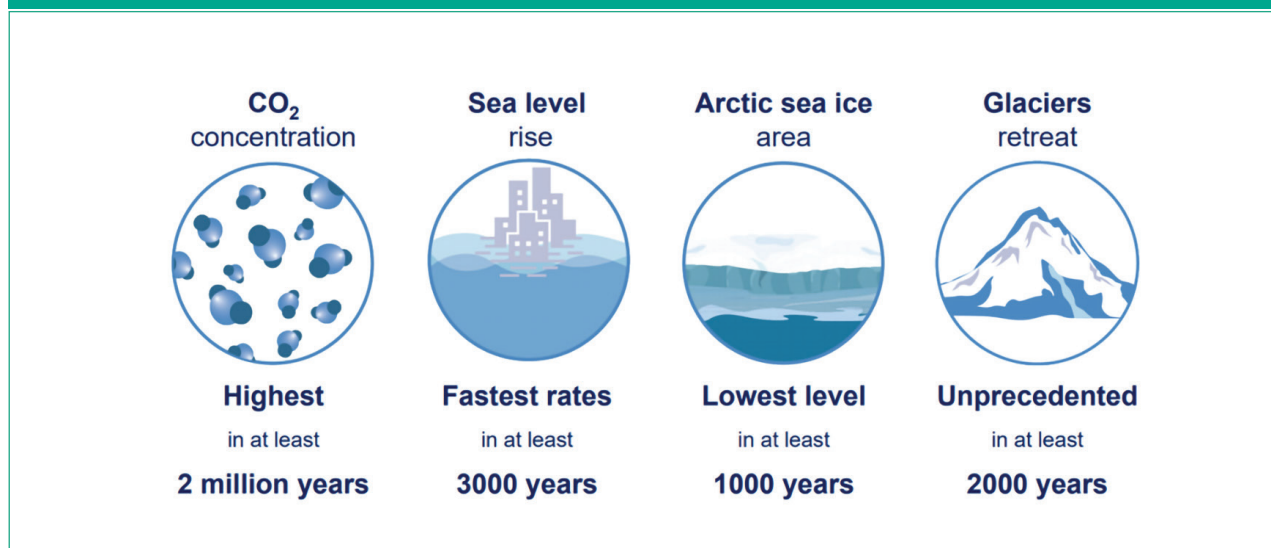


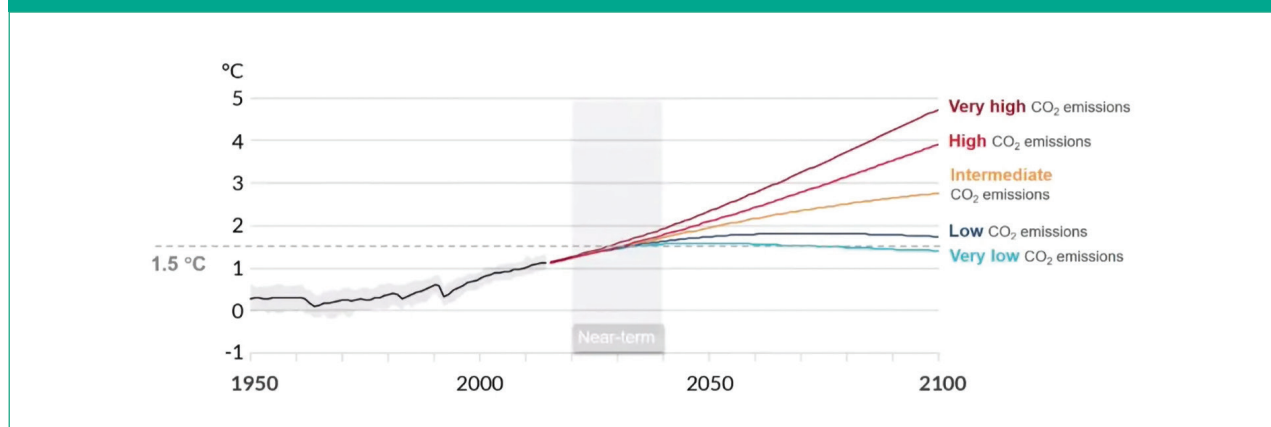
Figure 1.1.3: Evidence of Climate Change Impact



### Future emissions cause future additional warming

All of the major climate system components are affected by human activity, with some responding over decades and others over millennia. One graph is given below-

Figure 1.1.4: Future Climate Change Emissions

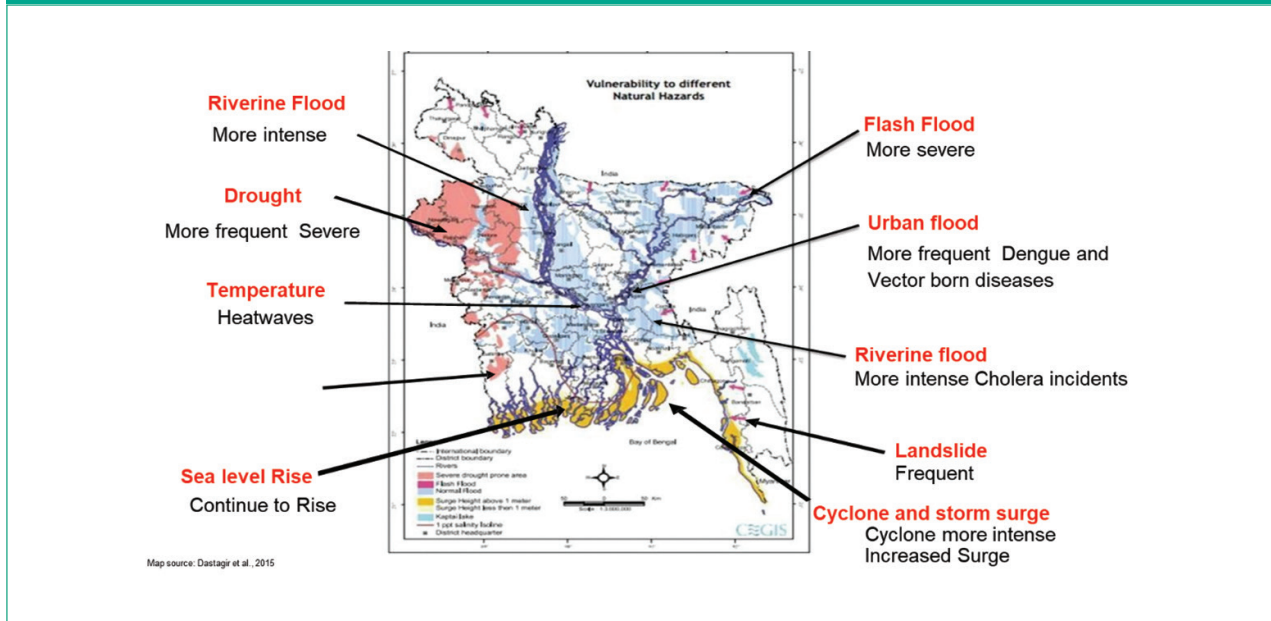


Source: IPCC-AR6

## Climate Change Vulnerability in Bangladesh

Bangladesh is one of the most climate vulnerable countries in the world. It is exposed to a high range of climate variability- e.g., erratic rainfall pattern, tropical cyclones and storm surges, sea level rises, salinity intrusion, floods and seasonal droughts. Climate change and variability is affecting the climate sensitive development sectors like agriculture, water, energy, forest, fisheries & livestock, health, social services and overall development.

Figure 1.1.5: Risk and Vulnerability of climate change in Bangladesh



### Flood

Flood is an annual phenomenon generally affecting 30 per cent of the country, but up to 70 per cent in extreme years. Flood-related fatalities are decreasing, but economic losses have been increasing over the years. The government has been developing and implementing various measures to better equip the country to deal with floods. Important initiatives include the flood action plan, flood hydrology study, flood management model study, national water management plan, national water policy, flood early warning study and construction of flood embankments and flood shelters. The flood damage potential is increasing due to climate change, urbanisation, growth of settlements in flood-prone areas and overreliance on flood control works such as levees and reservoirs.



Bangladesh generally experiences four types of floods:

Figure 1.1.6: Types of floods



1

Flash floods occur during mid-April before the onset of the south-westerly monsoon. In particular, flash floods can decimate an annual rice crop when they occur at harvest time. Crop decimation occurred four times from 2004 to 2014 in the Haor region. The city of Sylhet is also prone to flash floods.



3

River floods are the most common; the areas are inundated during monsoon season along the river and in cases far beyond the riverbanks. Extreme flooding occurs when the rivers flood at the same time, or when the rivers flood during a heavy monsoon. For example, Bangladesh's northern region experienced a shorter than average flood period in 2012, while the southwestern region of the country experienced flooding for 49 days.



2

Rain-fed floods generally happen in the deltas in the South-Western part of the country and are increasing in lowlying urban areas. In 1988, record floods inundated 250 square kilometers (sq km) of Dhaka for 3 weeks. Chattogram also experiences monsoon related floods.



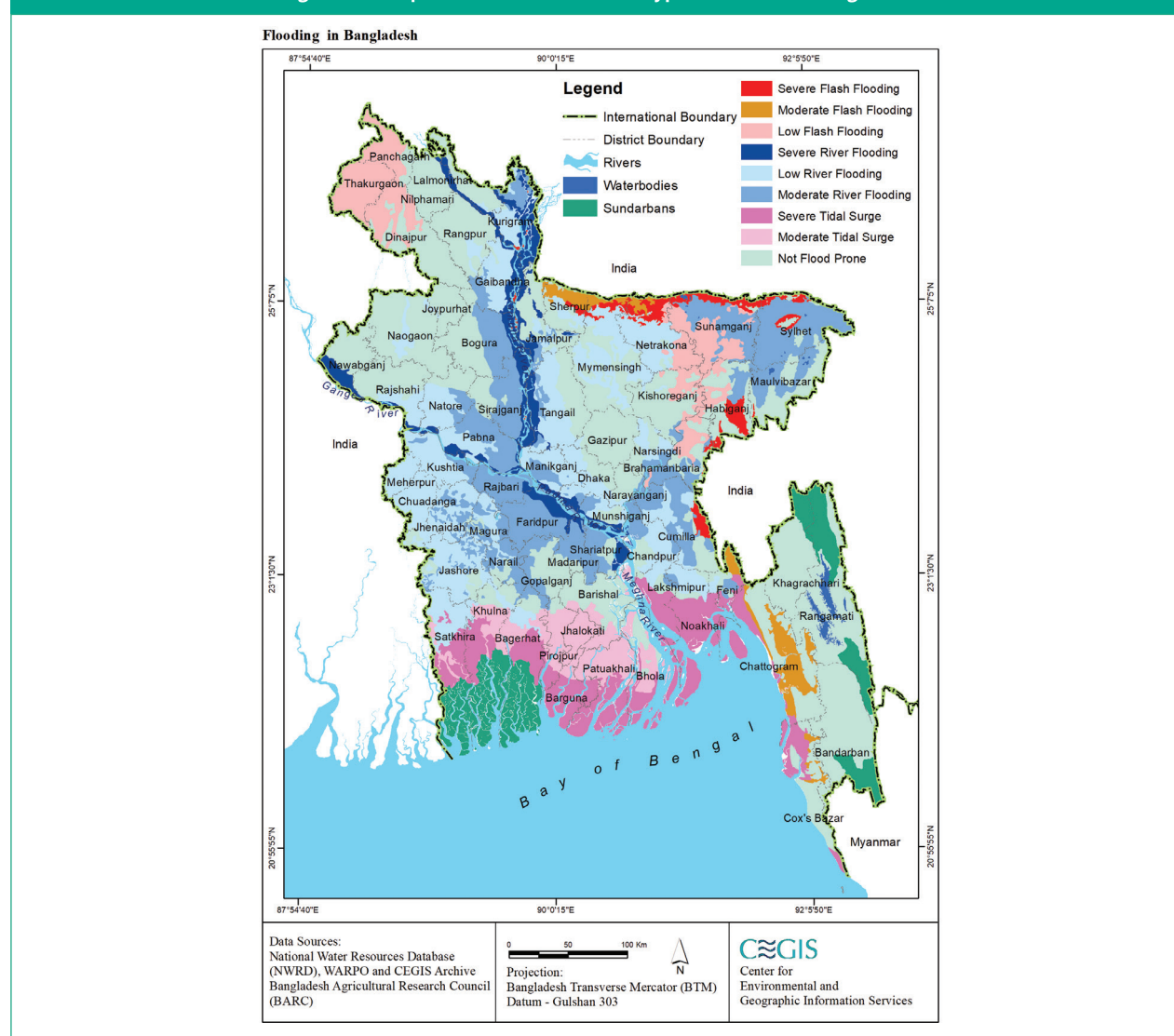
4

Storm surge floods occur along the coastal areas of Bangladesh, which has a coastline of about 800 km Northern part of Bay of Bengal.

Table 1.1.1: Historical mega floods in Bangladesh

Year	Hazard		
	Inundation (%)	Estimated Damage (USD Billion)	Death toll
1954	28%		
1987	35	1	2,055
1988	61	1.2	6,500
1998	69	2.8	1,100
2004	38	2	700
2007	43	2.7	

Figure 1.1.7: Spatial Extent of different types of floods in Bangladesh

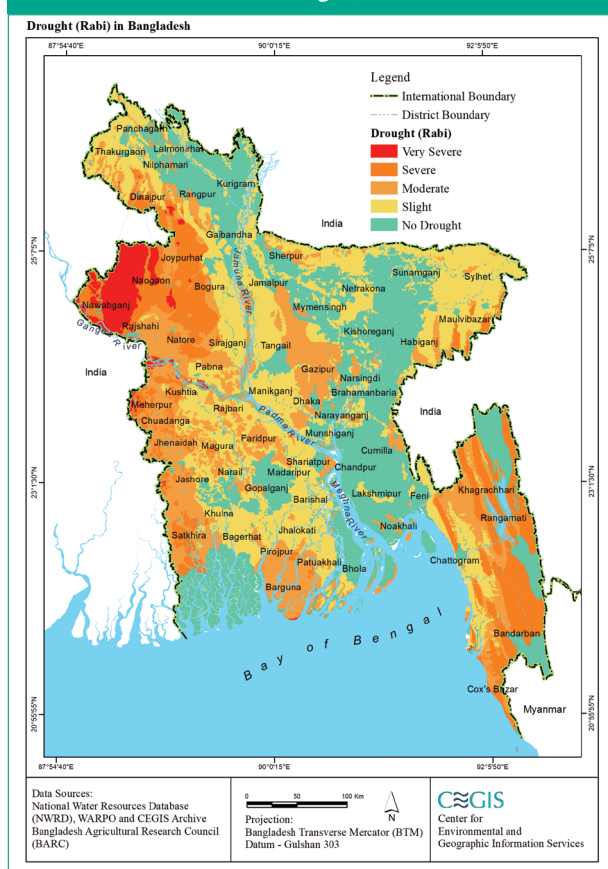


Source: BDP 2100 Background studies, 2014

## Drought

Droughts are seasonal– north-western parts of Bangladesh experience drought in the crop season. During the last 50 years, Bangladesh suffered from about 20 severe drought episodes. As much as 20 per cent of the main crop -wet season paddy -may be lost in a typical year due to drought. Drought-prone areas are also affected by cold waves with impacts on human health. There is opportunity for supporting resilience to drought through institutional initiatives. The consultations for developing NPDM 2016-2020 strongly suggested the need for addressing drought through structural and non-structural measures.

Figure 1.1.8: Water shortage during dry periods (More Drought)

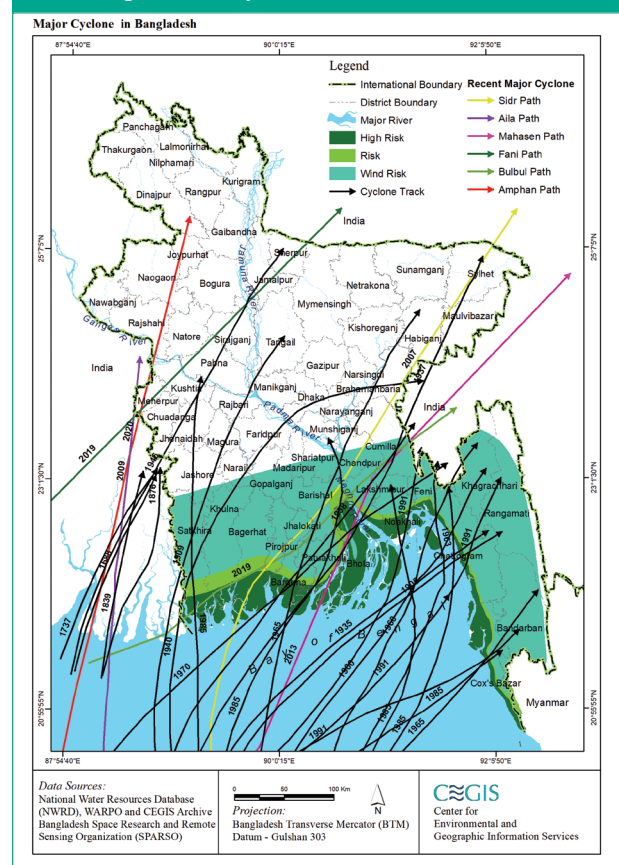


Source: CEGIS

## Cyclone and surge, tornado

Severe cyclones with storm surges sometimes in excess of ten meters frequently impact Bangladesh's low-lying coast. GoB has a well-coordinated cyclone forecasting, early warning and evacuation system and the cyclone mortality rate has been reduced greatly from 300,000 in 1971 to 138,882 in 1991 from the same category of cyclone. However, growing and higher concentration of assets has resulted in increasing economic losses. Tornadoes are seasonal and occur in the pre-monsoons season. The frequency of tornadoes in Bangladesh is among the highest in the world. The Brahmanaria tornado of 2013 struck 20 villages and killed 31 people and injured around 500 in Brahmanbaria district.

Figure 1.1.9: Cyclone tracks in Coastal area



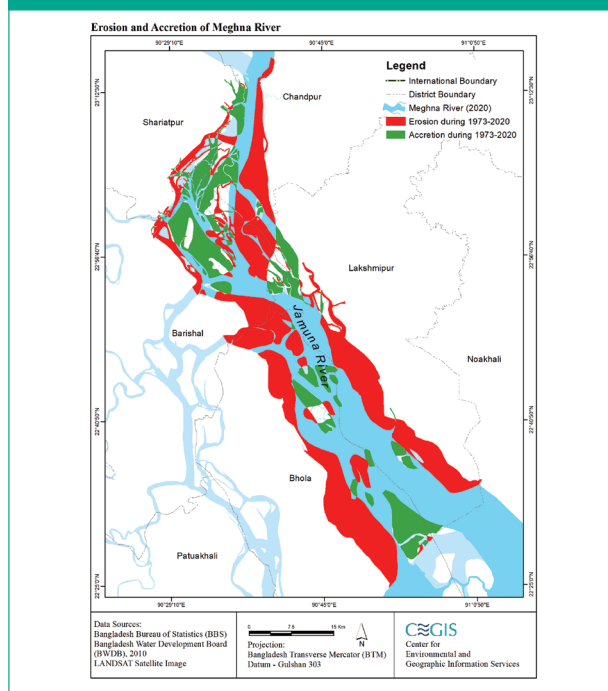
Source: CEGIS



## Riverbank erosion

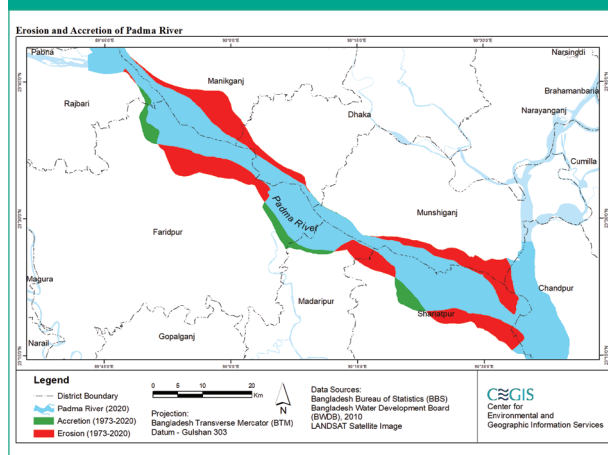
Riverbank erosion is a common problem in Bangladesh due to the deltaic topography and it has been forcing people to migrate or resettle. Riverbank erosion has rendered millions homeless; the majority of slum dwellers in large urban and metropolitan towns and cities are victims of erosion. The major rivers like the Jamuna, the Ganges, the Padma, the Lower Meghna, Arial Khan and Teesta are highly erosion-prone. Structural interventions are costly and need to be complemented by non-structural measures, such as erosion prediction and warning. From 2005, prediction activities were funded by the Jamuna-Meghna River Erosion Mitigation Project (JMREMP) and EMIN project of the BWDB and WARPO, and in 2008, by UNDP.

Figure 1.1.10: Riverbank erosion and accretion in Meghna



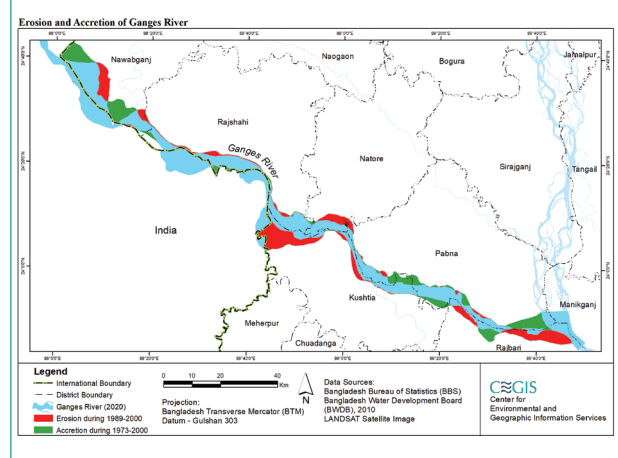
Source: CEGIS

Figure 1.1.11: Riverbank erosion and accretion in Padma



Source: CEGIS

Figure 1.1.12: Riverbank erosion and accretion in Ganges

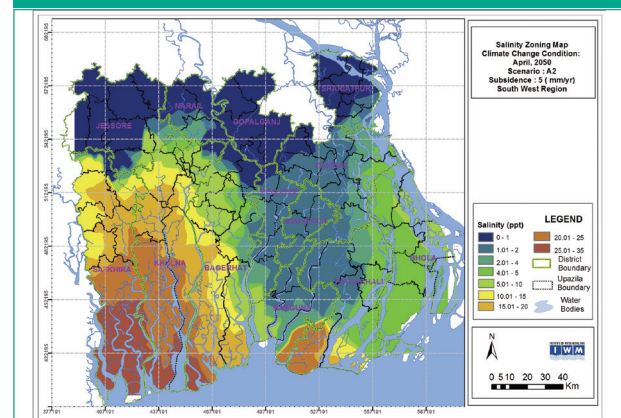


Source: CEGIS

## Salinity intrusion

Salinity intrusion is an increasing hazard in the coastal areas of Bangladesh, posing a threat to ecosystems, livelihoods and public health and diminishing access to freshwater for household and commercial use. About 20 million people in the coastal areas of Bangladesh are affected by salinity in their drinking water. Bangladesh Water Development Board (BWDB) undertook studies on groundwater availability and found that there was no freshwater layer as deep as 300 meters in some coastal districts. In many cases, saline water was found in aquifers at 200 meters.

Figure 1.1.13: Effect of Sea Level on 2 ppt Salinity contour (A1B, 2050)



Source: IWM

## Tsunami

The 2004 Indian Ocean Tsunami raised awareness of the Tsunami hazard, though Bangladesh suffered relatively minor damages. The Bangladesh Meteorological Department monitors Tsunami risk and early warning. A Tsunami inundation risk assessment was undertaken with support from CDM for the coastal areas of Bangladesh. The assessment identified fault zones in the Bay of Bengal which could possibly cause Tsunami inundation in many coastal areas.

## Lightning

Bangladesh is prone to electrical storms. Deaths caused by lightning strike often occur during the pre-monsoon season - usually between March and May and often in rural areas where people work outdoors. The open hoar areas are particularly at risk. MoDMR has declared lightning strike as a hazard in Bangladesh. In recent years, Sunamganj has faced the highest lightening.

## Location wise Sectoral Impacts of Climate Change

The following figure is showing the location wise climate change vulnerability in Bangladesh-

Figure 1.1.14: Location wise climate change vulnerability in Bangladesh		
Climate and Related Elements	Critical Vulnerable Areas of Bangladesh	Most Impacted Sectors
Temperature rise and drought • period of no-rainfall	North-west	Agriculture (crop, livestock, fisheries), Water and sanitation, Energy, Health
Sea Level Rise and Salinity Intrusion • Drinking water crisis in coastal belt • Health related problems	Coastal Area	Agriculture (crop, fisheries, livestock), Water (water logging, drinking water, sanitation), Human settlement, Energy, Health
Floods • Flash floods • Tidal Floods • River floods	Central Region North East Region Char land	Agriculture (crop, fisheries, livestock), Water (urban, industry), Infrastructure, Human settlement, Health, Disaster, Energy
Cyclone and Storm Surge	Coastal and Marine Zone	Marine Fishing, Infrastructure Human settlement, water and sanitation, Life and property
Drainage congestion • Untimely rainfall • Short duration heavy rainfall	Coastal Area Urban South West	Water (Navigation), Agriculture (crop)

## Concept of Climate Change Adaptation

### Definition of Climate Change Adaptation (CCA)

According to IPCC, adaptation to climate change refers to adjustments in human and natural systems in response to actual or expected climatic variation, with a view to moderating harm or exploiting beneficial opportunities. (IPCC, 2014).

## Sectoral Adaptation Needs

### ■ Agriculture

If we see how agriculture can adapt the climate change, we should research on short duration and heat tolerant varieties of crops. We need to use Gender Responsive Adaptation in agriculture. Also need to introduce drought tolerant varieties (Rice, Maize, Rabi Vegetable, Mango, etc.). Use of Mulching and organic fertilizer to reduce the soil moisture losses. Encourage the use of water-saving crops. To reduce post-harvest losses, storage and processing have been enhanced. To boost fruit cultivation and agroforestry. Vertical gardening, sack cultivation, floating agriculture, the Sorjan technique, dike and ridge, the alternating wetting and drying (AWD) system, and other approaches should be promoted. Pest Population Monitoring and Integrated Pest Management Strategies Agricultural mechanization (rice trans-planter, combine harvester, and so on), which saves time and money.

### ■ Livestock & Fisheries

Cultivation of improved breeds of animals and fish will be started for adaptation of livestock and fisheries. Extended immunization program will be implemented to reduce the mortality rate of cattle and poultry. Increased production and preservation of cattle and fish feed. Research and cultivation of shellfish and seaweed culture should be promoted. The backyard breeding of poultry and locally developed cattle breeds should be increased. Ensure safe drinking water for cattle. Programs and fish farmers need to take precautionary measures to prepare the nets for fencing the pond before the flood.

### ■ Water Resources

River training and dredging (including digging of reservoirs, canals and drains) should be provided. Introduce and promote rainwater harvesting and rainwater reservation methods. Correction must ensure proper use of surface water. River, canal and beel excavation activities and connection need to be restored.

## ■ Public Health and WASH

We are currently seeing adaptation to climate change affecting health. So advanced and accessible wash facilities should be given. At the same time household level rainwater harvesting technology needs to be connected.

## ■ Ecosystem

We need to conserve biodiversity and ecosystems from our own place. Attempts should be made to bring about behavioural change in forest conservation through advocacy and awareness. Alternative income generation activities need to be introduced to reduce dependence on forest resources. Encourage planting of native/ native species instead of exotic/ exotic species. Greenbelts need to be established and maintained in coastal areas. Social forestry and afforestation programs should be promoted.

## ■ Urban Areas

Urban resilience needs to be improved by improving drainage systems to deal with floods in every city. Lightning arresters should also be placed in residential or commercial buildings.

## ■ Infrastructures

Flood and cyclone shelters need to be constructed for infrastructural development. Indoor monsoon flood prevention and protection must be ensured. Need to establish climate tolerant infrastructure and communication system. Need to build climate tolerant housing. Measures need to be taken to repair and rehabilitate existing infrastructure (including coastal dams, river dams and drainage systems, urban drainage systems). Need to plan, design and build urgently needed new infrastructure (various types of shelters, low-cost disaster resilient housing, protection projects, water management structures, etc.). There should be improved road and transport facilities for market development in remote areas. Build a shelter center (fort) building for cattle. A culvert should be provided to protect the road from floods.

Adequate arrangements should be made for the development of fish friendly structures or pass adequately of fish.

## ■ Disaster Management

Advanced early warning measures need to be taken for tropical cyclones, floods, flash floods and droughts. There must be adequate preparedness to deal with disasters. There should be adequate protection against tropical cyclones and hurricanes. Wheelchairs, stretchers, hand mices, life jackets, first aid kits, etc. will be required to bring the helpless people to the shelter during the disaster.

## ■ Capacity Building

Research and knowledge management will play a vital role in enhancing skills. At the same time, adaptation measures need to be taken based on the local level perspective. There is a need to focus on capacity building at the individual and institutional level for planning and implementation of adaptation programs and projects in Bangladesh. Improved coordination between different stakeholders. Adequate training measures need to be taken for adaptation practice at the local level.

## Concept of Climate Change Mitigation

### Definition of Climate Change mitigation

Climate change mitigation has been a fundamental element in the intergovernmental negotiations carried out under the UNFCCC process. Climate change mitigation is the process of limiting or preventing greenhouse gas emissions and by enhancing activities that remove these GHG from the atmosphere. The main gases responsible for the greenhouse effect include carbon dioxide, methane, nitrous oxide, and water vapour (which all occur naturally), and fluorinated gases (which are synthetic). These GHGs are generated from a range of sources which include energy, transport, buildings, industry, waste management, agriculture, forestry, and other forms of land management. Climate mitigation can be applied across all these sectors and activities.

## Different Types of Mitigation

There are different types of mitigation process. They are given below-

### Alternative energy sources

- Renewable energy
- Nuclear power
- Carbon intensity of fossil fuels
  - Fuel switching
  - Carbon capture and storage

### Energy efficiency and conservation

- Transport
  - Urban planning
- Building design
- Eliminating waste methane

### Sinks and negative emissions

- Reforestation and avoided deforestation
- Negative carbon dioxide emissions

### Geoengineering

- Carbon dioxide removal
  - Carbon air capture
- Solar radiation management
  - Sulfate aerosols

## Sectoral Mitigation Needs of Bangladesh

### SECTOR: ENERGY

#### ■ Power

It is very important to implement renewable energy projects to increase energy. We need to focus on increasing the efficiency of existing power plants. The use of advanced technology in power generation must be ensured.

#### ■ Transport

Transportation sector needs to improve energy efficiency. Increase the use of low-emission-based transportation systems and improve inland water transport systems.

#### ■ Industry

Industry needs to increase energy efficiency in the industry sub-sector.

#### ■ Agriculture

Agriculture needs to enhanced use of solar energy.

#### ■ Brick Kilns

We need to enforce and improve technology uses.

#### ■ Residential and Commercial

We need to enhance use of energy- efficient appliances in household and commercial buildings.

#### ■ F-Gases (Fluorinated gases)

We need to implement Montreal Protocol targets.

### SECTOR: AFOLU

#### ■ Agriculture

We need to reduce of emission from Rice Field, Fertilizer User, and Enteric Fermentation Manure Management.

#### ■ Forestry

We can mitigate by reduction of deforestation, reforestation or afforestation also forest restoration for increasing tree cover.

### SECTOR: WASTE

Improved Municipal solid waste management by ensuring 3R principle for waste management.

## 1.2. Role of National Designated Authority (NDA) in Bangladesh

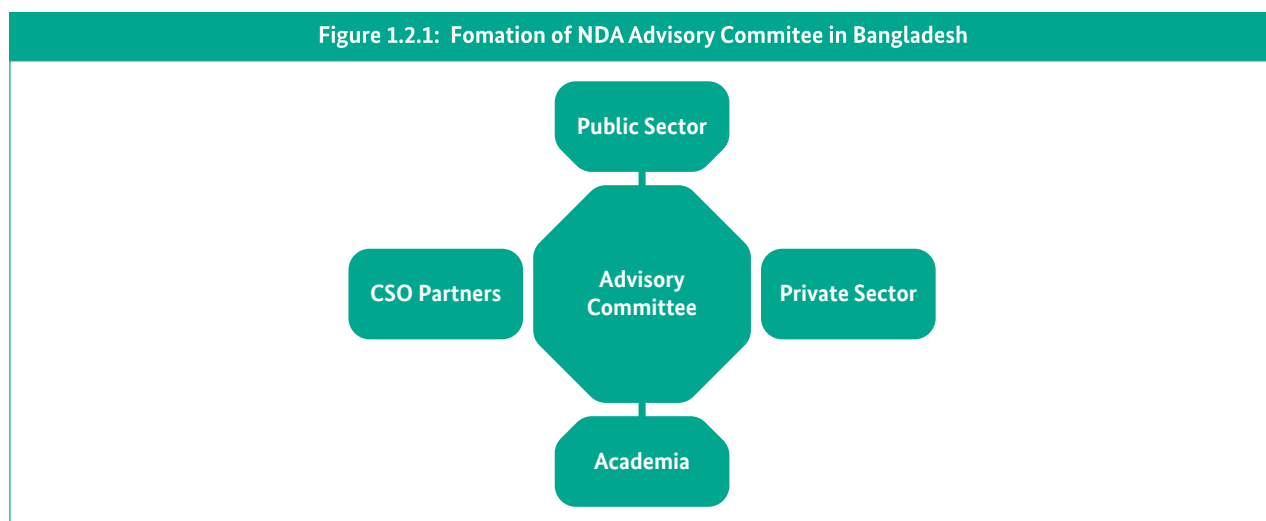
The Economics Relations Division (ERD) under the Ministry of Finance was nominated by the Government of Bangladesh as the National Designated Authority (NDA) to the Green Climate Fund (GCF). ERD is one of the important Divisions of the Government of Bangladesh which mobilizes external resources for socio-economic development of the country. ERD deals with the Bilateral Development Partners along with the Multilateral Development Partners of Bangladesh in order to mobilize external economic and technical assistances for the development of Bangladesh.

### Core Mandates and Responsibilities of the NDA

The NDA serves as the core interface and focal point of communication between Bangladesh and the GCF. Every project the GCF Board agrees to fund must be endorsed, expressed via a no objection letter by the country's NDA or focal point. The NDA seeks to ensure that activities supported by GCF align with strategic national objectives and priorities, and help advance ambitious action on adaptation and mitigation in line with national needs. Funding proposals are developed by Accredited Entities, in close consultation with the NDA or focal point of a country.

### NDA Advisory Committee in Bangladesh

Figure 1.2.1: Fomation of NDA Advisory Committee in Bangladesh



Representatives from the public sector (e.g. Planning commission, Finance Division, Ministry of Environment Forest and Climate Change, IMED etc.), private sector (banks, investors, entrepreneurs) academia and CSO partners serve as sector experts on the Advisory Committee. The Advisory Committee will meet at least once a year to review progress and areas for improvement. The NDA may call for a meeting for the Advisory Committee to discuss specific proposals as required.

### Specific Roles of NDA

#### Provide broad strategic oversight of the Funds' activities in Bangladesh

This includes ensuring alignment with national sustainable development objectives and frameworks including climate strategies and policies, e.g.

- National Adaptation Programs of Action (NAPA),
- Nationally Appropriate Mitigation Actions (NAMAs),
- National Adaptation Plans (NAPs),
- Nationally Determined Contributions (NDC) etc.

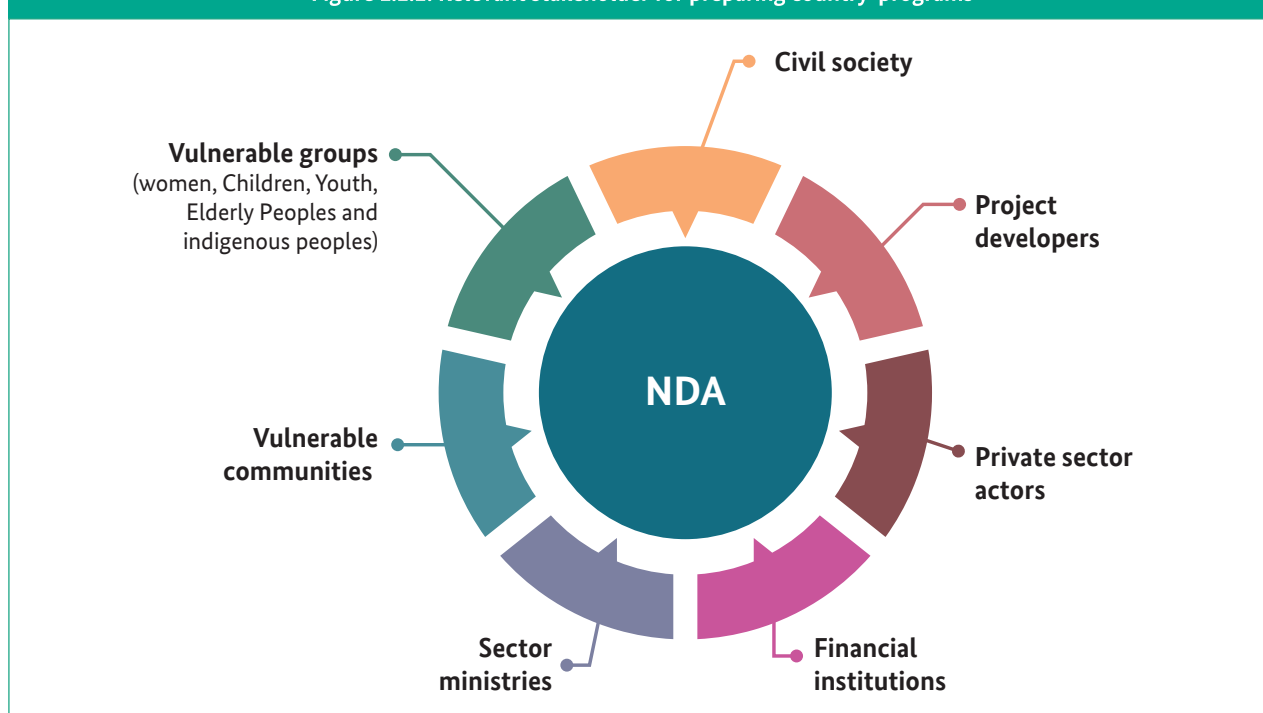
The Fund's readiness program is able to provide support to develop or strengthen such strategic frameworks and develop country programs to identify strategic priorities for engagement with the Fund.

#### Convene Relevant Public, Private and Civil Society Stakeholders to Identify Priority Sectors to be Financed by the Fund

Stakeholders include other relevant government entities at national and sub-national levels who will be affected by the Fund's activities. NDAs and focal points are encouraged to consult such stakeholders in preparing their country programs.



Figure 1.2.2: Relevant stakeholder for preparing country programs



Communicate nomination letters to entities (sub-national, national or regional, public and private) seeking accreditation to the fund under the 'direct access'

A key responsibility of the NDA is to engage with potential, public, private sector and non-governmental entities in the country and nominate such entities for accreditation to the Fund. Applications from these entities wishing to become accredited via the direct access track need to be accompanied by a nomination letter from the NDA.

Implement the no-objection procedure on funding proposals submitted to the Fund, to ensure consistency of funding proposals with national climate change plans and priorities

The no-objection letter is provided to GCF by the NDA, in conjunction with any submission of a funding proposal by an accredited entity of the Fund. In case a proposal is submitted without the no-objection letter, GCF will notify the NDA or focal point and will only submit the proposal to the GCF Board if the no-objection is received within 30 days of the notification. Otherwise, the proposal will be suspended, and the accredited entity notified.

Provide leadership on the deployment of readiness and preparatory support funding in the country

The NDA may directly benefit from the funding or select international, regional, national and sub-national, public, private or non-governmental institutions, well-versed in readiness activities as their delivery partners. The Fund may also deploy readiness and preparatory support to prospective sub-national or regional entities seeking accreditation with the Fund to prepare them to apply for accreditation, and to accredited entities to develop project and program pipelines.

### Designated Persons of NDA in Bangladesh

The designated persons of NDA in Bangladesh are as follows-

- 1. Secretary**  
Economic Relations Division (ERD), Ministry of Finance
- 2. Desk Officer**  
NDA Secretariat  
UN wing  
Economic Relations Division (ERD), Ministry of Finance

## 1.3. GCF Projects in Bangladesh

A list of GCF approved projects in Bangladesh is as follows-

**Table 1.3.1: List of GCF approved projects in 2023**

Project Code	Title	Accredited Entity	Executing Entity	Approved Date	Total project value (USD)	Theme
SAP026	Extended Community Climate Change Project-Drought (ECCCP-Drought)	PKSF	PKSF	13 Jul 2023	30.0 m	Adaptation
FP206	Resilient Homestead and Livelihood support to the vulnerable coastal people of Bangladesh (RHL)	PKSF	PKSF	13 Jul 2023	50.0 m	Adaptation
FP190	Climate Investor Two	FMO		20 Jul 2022	880.0 m	Cross-cutting
FP177	Cooling Facility	The World Bank	Malawi, North Macedonia, Panama, Kenya, Sri Lanka, El Salvador, Sao Tome and Principe, Somalia, and Bangladesh (Ministry of Finance, and acting through the Ministry of Power, Energy and Mineral Resources)	7 Oct 2021	879.8m	Crosscutting
FP150	Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Ready-made Garment (RMG) sectors of Bangladesh	IDCOL	IDCOL, and Local Financial Institution (South East Bank Limited, City Bank Limited, BRAC Bank Limited and IDLC Finance)	13 Nov 2020	340.5m	Mitigation
SAP008	Extended Community Climate Change Project-Flood (ECCCP-Flood)	PKSF	PKSF	14 Nov 2019	13.3m	Adaptation
FP070	Global Clean Cooking Program – Bangladesh	The World Bank	Department of Finance	1 Mar 2018	40.0m	Cross-cutting
FP069	Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity	UNDP	MoWCA	1 Mar 2018	33.0m	Adaptation
FP004	Climate Resilient Infrastructure Mainstreaming (CRIM)	KfW	LGED	5 Nov 2015	81.0m	Adaptation

## 1.4. GCF Readiness Projects in Bangladesh

The GCF Readiness Programme provides resources for strengthening the institutional capacities of National Designated Authorities/focal points (NDAs) and direct access entities to effectively engage with the Fund. It also assists countries in undertaking adaptation planning and developing programming frameworks to build out their long-term climate action agenda.

Figure 1.4.1: GCF Readiness Projects



### Approved GCF Readiness projects in Bangladesh (2015-23)

Figure 1.4.2: Approved GCF Readiness projects

#### Project Title

Increasing the capacity of Bangladesh's NDA and Direct Access Accredited Entities to Access GCF Resources

Strengthening Bangladesh's National Designated Authority Secretariat, Enhancing Pipeline Implementation and Private Sector Engagement in Effective Climate Action

Entity support for Bangladesh through PKSF

Strategic frameworks support for Bangladesh through Bangladesh Bank

Adaptation Planning support for Bangladesh through UNDP (NAP)

Entity Support for Bangladesh through PwC

Country Programming support for Bangladesh through UNDP

NDA Strengthening support for Bangladesh through GIZ







## Introduction to the GCF

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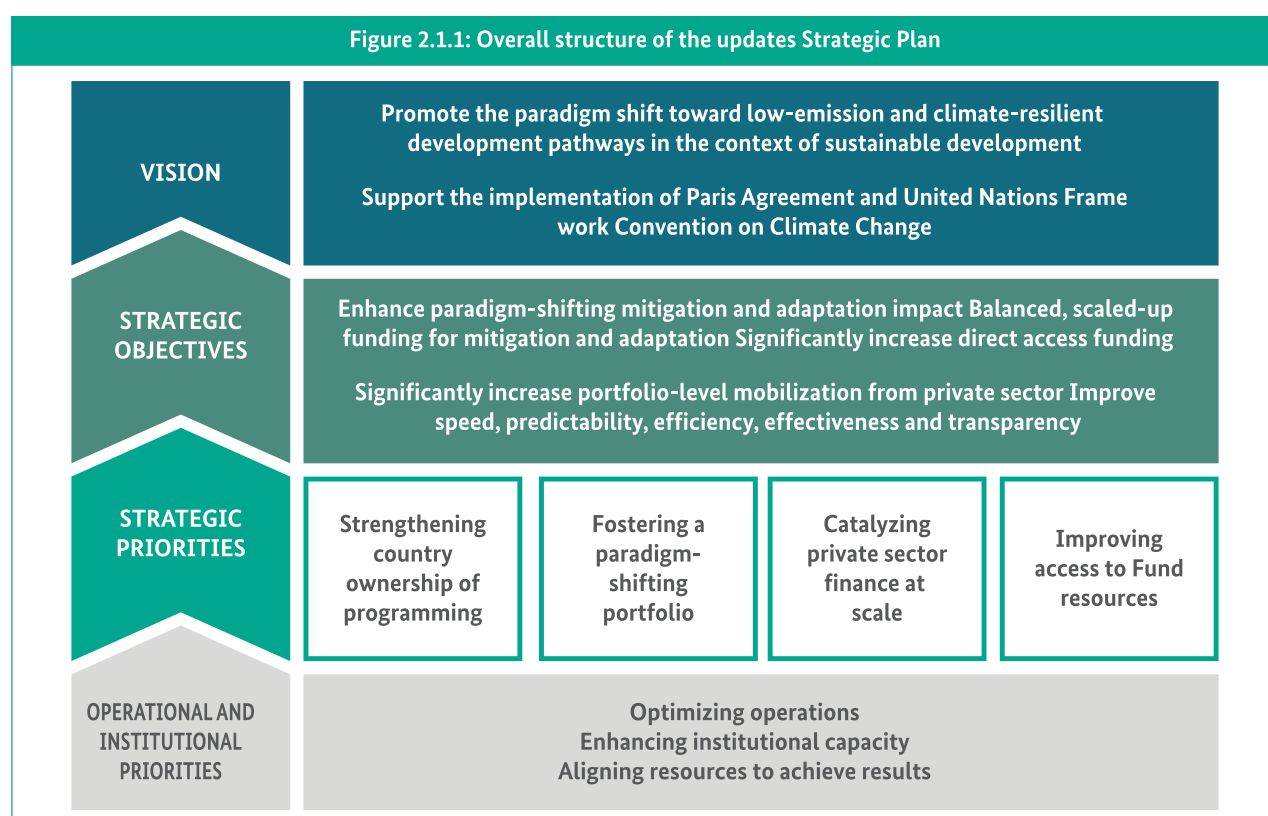
### Learning Outcomes:

- I To understand how and who can access Green Climate Fund (GCF) resources;
- I To understand how the Fund operates and the basics of the different stages of project formulation (Secretariat Review, Climate Investment Committee, iTAP, Board approval etc) and the documents required (concept note and funding proposal);
- I To understand the role of the National Designated Authority (NDA) and Accredited Entity (AE) and how they interact throughout the project/programme;
- I To identify GCF:
  - ▣ Objective and vision
  - ▣ Structure of portfolio
  - ▣ Strategic impact
  - ▣ Investment priorities and criteria

## 2.1. Introduction to the GCF

The Green Climate Fund (GCF) was established in 2010 by the 197 member countries of the United Nations Framework Convention on Climate Change (UNFCCC). GCF is an operating entity of the Financial Mechanism of the UNFCCC under its Article 11 and contributes to the achievement of the ultimate objective of the UNFCCC, which is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. The GCF is accountable to and functions under the guidance of the Conference of the Parties, which provides guidance on a yearly basis on policies, programme priorities and eligibility criteria that is then reflected in the GCF Programming frameworks accordingly<sup>2</sup>.

The mandate of GCF is to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions (mitigation) and to adapt to the impacts of climate change (adaptation). Given the urgency and seriousness of climate change, the purpose of GCF is to make a significant and ambitious contribution to global efforts towards attaining the goals set by the international community to combat climate change<sup>3</sup>. The updated Strategic Plan 2020-2023 can be summarised as follows:



Source: Updated Strategic Plan for the Green Climate Fund: 2020-2023<sup>4</sup>

For the Initial Resource Mobilisation period (2015-2018) a total of 45 countries, 3 regions and 1 city have made a pledge to the GCF. Out of a total 10.3 billion USD announced, 8.31 billion USD were confirmed. For the First Replenishment (2019-2022), as of 28/02/2022 out of a total announced 10 billion USD, 9.68 billion USD have been confirmed<sup>5</sup>.

<sup>2</sup> GCF Programming Manual: Executive Summary, p. xxii

<sup>3</sup> GCF Programming Manual, *ibid.*

<sup>4</sup> Updated Strategic Plan for the Green Climate Fund: 2020-2023, p. 1, accessible at: <https://www.greenclimate.fund/sites/default/files/document/updated-strategic-plan-green-climate-fund-2020-2023.pdf>

<sup>5</sup> Status of pledges and contributions, 02/2022, accessible at: <https://www.greenclimate.fund/sites/default/files/document/status-pledges-irm-gcf1-feb-28-2022.pdf>

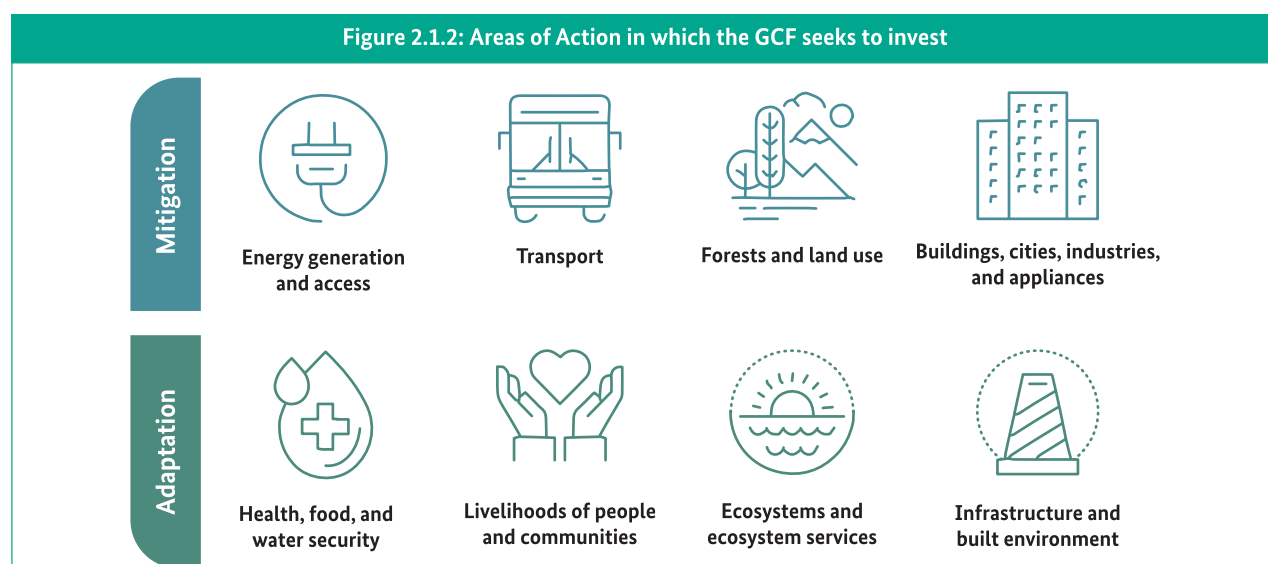
The GCF's approach<sup>6</sup> is:

- **To finance projects that demonstrate the maximum potential for a paradigm shift towards low-carbon and/or climate-resilient sustainable development:** The GCF understands a 'paradigm shift' as being the potential of a project to catalyse impact beyond a one-off investment
- **To balance national priorities, potential to deliver concrete climate benefits, cost considerations, and opportunities to deliver co-benefits:** Overall, the GCF aims over time to develop a balanced portfolio with 50% mitigation and 50% adaptation projects. It also aims to achieve a balance in the geographic spread of resources with an adaptation allocation for particularly vulnerable countries (including Small Island Developing States, Least Developed Countries and Africa) with a floor of 50%, with the rest for other developing countries.
- **To partner with the private sector:** a significant allocation of resources will support private sector involvement in projects and programs, although these are no targets on this. For example, the GCF has concluded that there is a major market for private sector investment in renewable in Africa.

In addition, some resources are being made available to support developing countries access and make effective use of the fund – this funding is called “readiness funding”<sup>7</sup>. There is no country cap (for now), but the GCF strives for geographical balance. At a glance, the pledges for the readiness funding can be found below:

- \$10.2 billion pledged for 2015 – 2018; \$5.8 billion signed so far (US intends to formalize its pledged \$3 billion soon)
- \$3 billion expected to be approved annually in 2016 and 2017

The GCF aims to achieve strategic impacts across a broad range of sectors across its mitigation and adaptation portfolios through eight results areas, four for mitigation and four for adaptation action:



Source: GCF Programming Manual, Executive Summary

As indicated in Figure 2.2.2 on page 41 GCF mitigation impacts are achieved through reduced emissions from:

- Energy generation and access
- Transport
- Buildings, cities, industries and appliances
- Forests and land use

On the other hand, GCF adaptation impacts are achieved through increased resilience of:

- Health, food and water security
- Livelihoods of people and communities
- Infrastructure and built environment
- Ecosystems and ecosystem services

<sup>6</sup> GCF, Initial Investment Framework, p. 2, accessible at: [https://www.greenclimate.fund/sites/default/files/document/initial-investment-framework\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/initial-investment-framework_0.pdf)

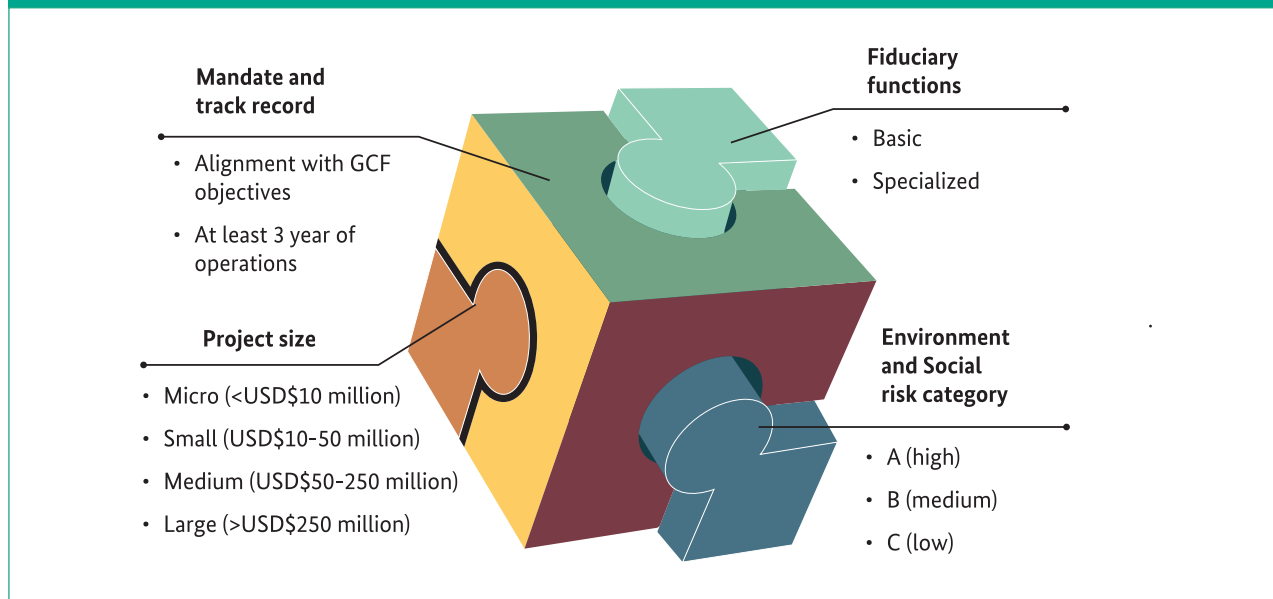
<sup>7</sup> Comprehensive information can be found in the Readiness and Preparatory Support Programme Guidebook, accessible at: [https://www.greenclimate.fund/sites/default/files/document/readiness-guidebook\\_2.pdf](https://www.greenclimate.fund/sites/default/files/document/readiness-guidebook_2.pdf)

The GCF can fund different sizes of projects, and more specifically:

- Micro (<USD\$10 million)
- Small (USD\$10-50 million)
- Medium (USD\$50-250 million)
- Large (>USD\$250 million)

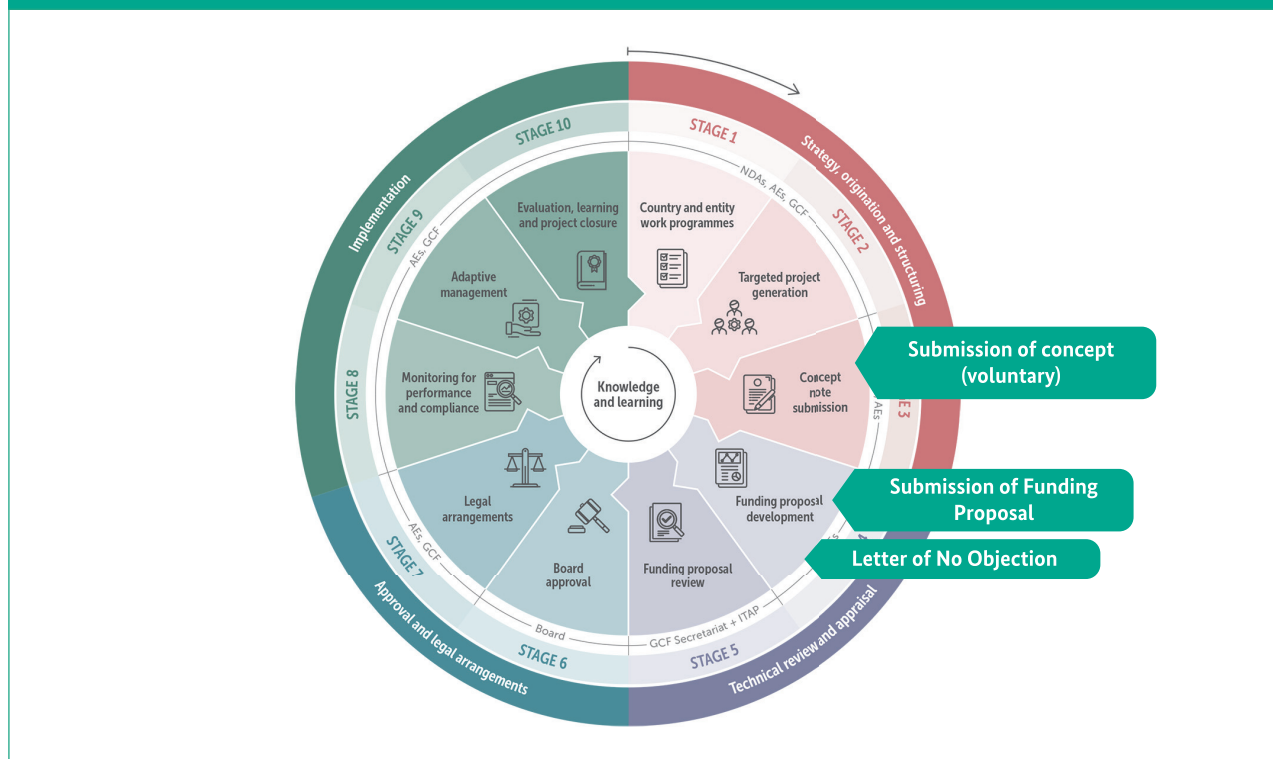
It is important to note that Accredited Entities (AEs) can only submit funding proposals up to the size for which they have been accredited<sup>8</sup>. Project must match with the accreditation standards of the AEs.

Figure 2.1.3: Fit-for-purpose accreditation approach



In order to be approved, a project/programme needs to go through the 10 stages of the GCF activity cycle:

Figure 2.1.4: GCF Project/Programme Activity Cycle with key highlighted moments



Source: ToT Presentation

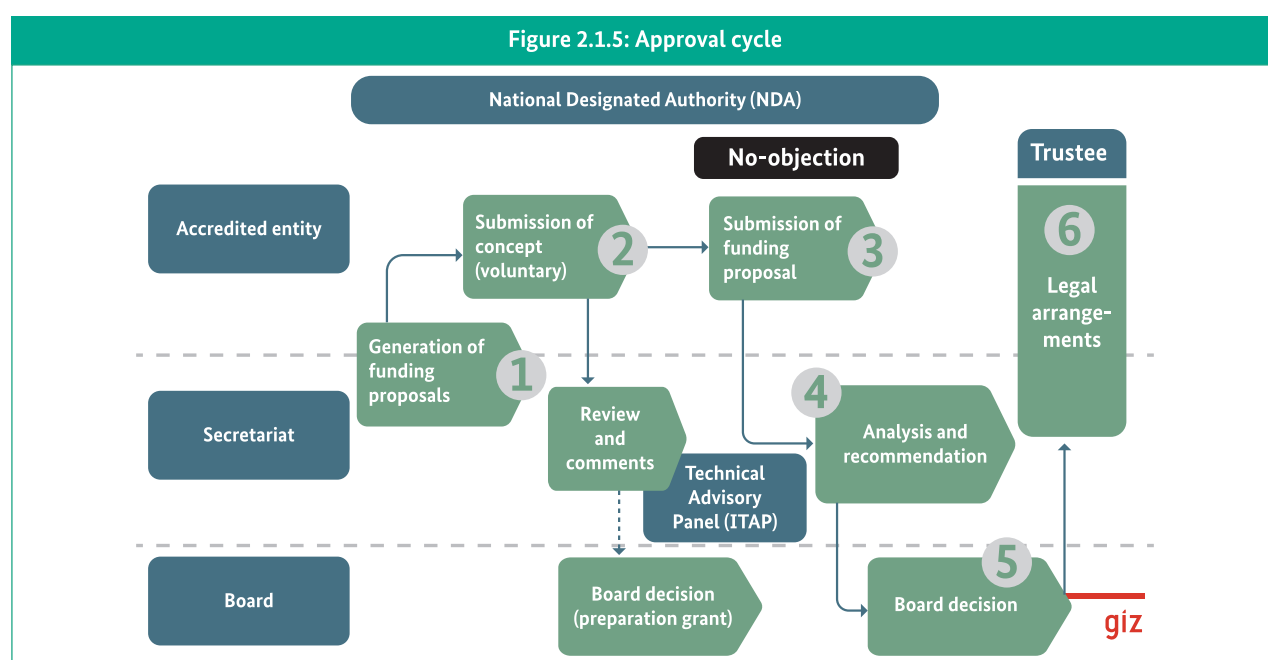
<sup>8</sup> GCF Programming Manual, 2020: Part 1, 4.2.1: Accreditation Scope, p. 23

The stages<sup>9</sup> are:

- Country and accredited entity work programmes – This is the key GCF origination channel. During this stage, countries identify national priorities, analyse financial needs and gaps, and identify partners to design and implement funding proposals.
- Targeted generation of projects/programmes - While stage 1 of the project/programme activity cycle is the main GCF origination channel, stage 2 supports complementary origination channels for project ideas to be developed by NDAs and AEs.
- Concept note submission - Stage 3 of the project/programme activity cycle involves the development and submission of concept notes (CNs). Although the submission of CNs is voluntary, it is strongly encouraged, as CNs can lead to higher “quality at entry” of funding proposals, a reduced review time and lower transaction costs for all stakeholders.
- Funding proposal development - Stage 4 covers the development and submission of funding proposals by the accredited entities (AEs) to the GCF Secretariat. It includes several steps further elaborated in the Handbook that the AEs must take in order to ensure that submissions are complete and meet GCF requirements and policies.
- Funding proposal review - Stage 5 covers the review of a submitted funding proposal, which includes the Secretariat review and independent Technical Advisory Panel (TAP) review and comprises several steps.
- Board consideration – includes questions and answers from the board, a possible consultation / information day, and the board meeting itself with the outcome.
- Legal arrangements and post-approval – the Funded Activity Agreement (FAA) negotiation and signing takes place after the FP is approved by GCF

In addition, the following stages are related to the portfolio management and implementation of GCF approved projects:

- Monitoring for performance and compliance - the Secretariat takes a risk-based monitoring approach, which uses an early warning system to provide information and flag risks related to performance and compliance.
- Adaptive management - During the implementation period, GCF employs an adaptive management approach which enables project implementation and design to be adjusted in response to dynamic operating contexts and requirements.
- Evaluation, learning and project closure - The final stage of the GCF project/programme activity cycle relates to evaluation, synthesis and codification of lessons learned, and project closure.



Source: ToT Presentation

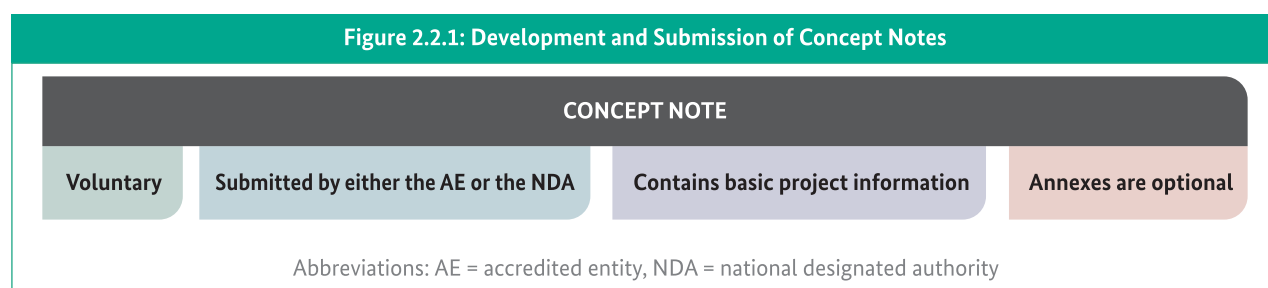


## 2.2. GCF website walkthrough

Useful links to navigate the GCF website are indicated below:

- Main website: <https://www.greenclimate.fund/>
- Process and documents: <https://www.greenclimate.fund/projects/process>
- Templates: same link as above, scrolling down to the “Templates” section. Here you can access the Concept Note and Full Proposal templates
- Concept Note: <https://www.greenclimate.fund/document/funding-proposal-template>
- Funding Proposal: <https://www.greenclimate.fund/document/funding-proposal-template>

### Key information on the Concept Note:



*Source: GCF Programming Handbook, Stage 3: Concept Note*

Stage 3 of the project/programme activity cycle involves the development and submission of concept notes (CNs)<sup>10</sup>. The submission of a CN is a voluntary step and can be done either by accredited entities (AEs) or by national designated authorities (NDAs)/ focal points. Although the submission of CNs is voluntary, it is strongly encouraged, as CNs can lead to higher “quality at entry” of funding proposals, a reduced review time and lower transaction costs for all stakeholders. For a Project Preparation Facility (PPF) request and for submission of a proposal under the simplified approval process (SAP), the submission of CNs is mandatory.

A CN adds the greatest value when NDAs/focal points and AEs discuss a project idea and concept at the very early stages of funding proposal development. When submitting a CN, AEs are encouraged to include a description of the engagement with the NDA(s) and other relevant stakeholders in the country that has taken place and what further engagement will be undertaken as the concept is developed into a funding proposal. A CN may also play an important role for cases in which the proposed activities are highly innovative or untested.

CNs provide an opportunity to seek initial feedback from the Secretariat on whether the proposal is aligned with GCF objectives, mandates, policies and investment criteria. However, the CN should be able to indicate the environmental and social (E&S) risk category that will then inform the type of E&S due diligence required in the development of the funding proposal.

The CN should provide the following information<sup>11</sup>:

- A brief climate context and baseline;
- A project description, including project components;
- The project size, suggested financial instruments and other financial information;
- Brief information on how the concept note meets the GCF investment criteria; and
- Information on engagement with the NDA(s) and relevant stakeholders.

Optional annexes to be included at the CN stage:

- Map indicating the location of the project/programme;
- Diagram of the theory of change;
- Economic and financial model with key assumptions;
- Pre-feasibility study, if applicable;
- Evaluation report of previous project(s), if any;
- Results of E&S risk screening.

The following elements do not need to be provided at the CN stage:

- Project logical framework;

<sup>10</sup> GCF Programming Manual, 2020: part 1: Stage 3, Concept Note, pp. 16-19

<sup>11</sup> GCF Programming Manual, 2020: part 1: Stage 3, Concept Note, *ibid*.

- Detailed budget; and
- Project appraisal report.

The **review**<sup>12</sup> of CNs submitted to the Secretariat is conducted by the origination and structuring team (OST). Through a detailed review of the CN, OST seeks to provide clear and constructive comments with recommendations and suggestions on how to improve the proposed project. This feedback is captured in the CN feedback form.

The NDAs/focal points or AEs that submitted the CN can respond to the Secretariat's comments by replying directly via the feedback form. At this stage, the Secretariat may also consult the NDA/focal point on the CN submitted by an AE. The Secretariat's response is usually provided within 30-45 days from the date of submission of the CN. In certain cases, when further clarifications are requested, the Secretariat may decide to undertake a CN scoping/engagement mission. The Secretariat can make the following recommendations upon completion of its review:

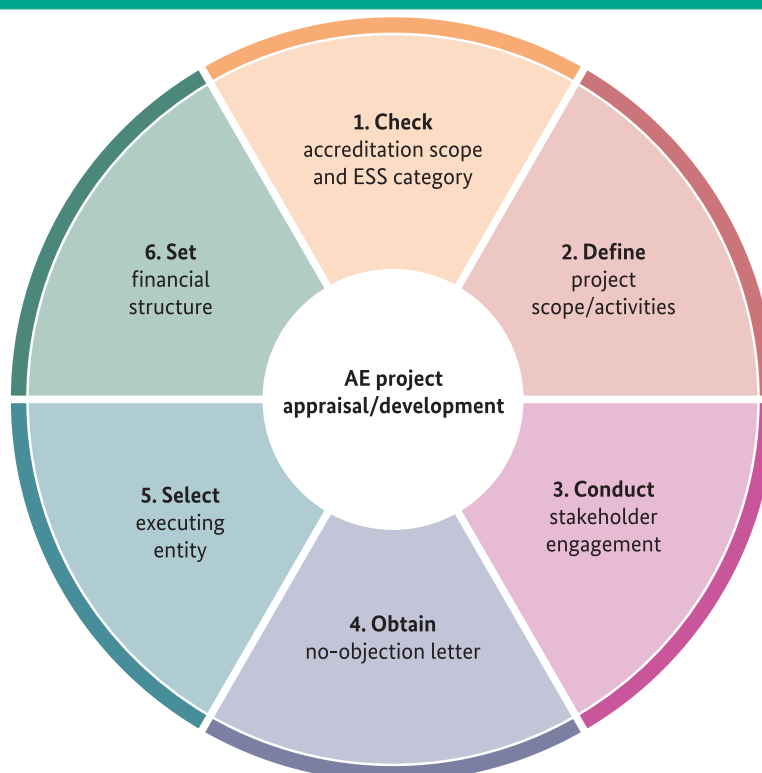
- For the CN to be fully advanced into a funding proposal;
- For the CN to be further developed and resubmitted, including for potential PPF support; or
- For the CN to be rejected if it is not eligible to receive GCF support or does not meet the GCF investment criteria.

Endorsement of the CN by the Secretariat does not guarantee approval of the funding proposal or a commitment to provide financial resources.<sup>13</sup>

### Key information on the Funding Proposal:

Stage 4<sup>14</sup> covers the development and submission of funding proposals by the accredited entities (AEs) to the GCF Secretariat. It includes several steps that the AEs must take in order to ensure that submissions are complete and meet GCF requirements and policies:

Figure 2.2.2: Development and Submission of Concept Notes



Abbreviations: AE= accredited entity, ESS= environmental and social safeguards

Source: GCF Programming Handbook, Stage 4 Funding Proposal

First of all, the AE should carry out a First Level Due Diligence: AEs are responsible for developing and initially appraising the funding proposal, as part of its first-level due diligence. The AE should conduct all necessary and desirable due

12 GCF Programming Manual, 2020: part 1: Stage 3, Concept Note, *ibid*.

13 GCF Programming Manual, 2020: part 1: Stage 3, Concept Note, *ibid*.

14 GCF Programming Manual, 2020: part 1: Stage 4, Funding Proposal, pp. 22-36

diligence on the proposed project/programme that it would apply to its own portfolio or when using or investing its own funds or funds for which it has management or investment responsibility, pursuant to its own policies and procedures. The AE should clearly document the conclusions/recommendations of its first-level due diligence in the funding proposal. Due diligence should cover the following aspects, including but not limited to:

- The technical, engineering, economic, financial, risk, legal and commercial viability of the proposed activities;
- Compliance with GCF standards (environmental and social safeguards (ESS), fiduciary standards and the Gender Policy) to the extent and scope of its accreditation, and with the applicable requirements under the Indigenous Peoples Policy;
- Climate change mitigation and/or adaptation impacts, including developmental benefits;
- Administrative and regulatory requirements; and
- Any business or company searches to ascertain the legal capacity, solvency or financial health of the executing entity (EE) and other recipients/beneficiaries of the funding and the parties to the transaction set out in the relevant FP.

Once the First Level Due Diligence is completed, the key steps<sup>15</sup> represented in Figure 2.2.2 on page 41 are:

1. **Check Accreditation Scope and ESS Category:** When entities are accredited to work with GCF, their accreditation scope specifies the types of projects and programmes they can submit for funding and implement. Based on the capabilities, track record, and internal policies and procedures of the AE, the accreditation scope defines three main areas for the AE: the size of project/programme activity that they could propose, the financing modalities that they could apply, and the ESS (Environmental and Social Safeguards) categorization of projects that they could implement.
2. **Define Project Scope and Activities:** The project scoping exercise should start with the identification of the climate change problem that the proposed project is aiming to address. This determination will form the starting point and basis for the theory of change diagram, which articulates how the project will address the identified problem.
3. **Conduct Stakeholder Engagement:** When developing a funding proposal, the AE is required to have, in collaboration with the relevant country authorities, a process for multi-stakeholder engagement, consistent with any national regulations and processes for such engagement, including confirmation of appropriate action to address any feedback received. A detailed consultation process should be well thought out and established at the early stages of the appraisal process. It should involve direct beneficiaries and other relevant players (e.g. local government units, civil society organisations, the private sector, academia). An annex that details how those inputs have been captured and featured to the extent possible in the design of the project/programme should be included as Annex 7 to the funding proposal. The ESS related consultation and related reports should provide details of how men and women representatives and Indigenous peoples groups, in locations where they exist, have meaningfully participated in the discussions.
4. **Obtain No-Objection Letter:** All funding proposals submitted to GCF must be accompanied by a no-objection letter (NOL) from the national designated authority (NDA)/focal point. An NOL is one of the key tools to ensure country ownership.
  - a. For a multi-country programme, no activities or investments can be undertaken in a country without obtaining a NOL from the NDA/focal point of the host country. By issuing an NOL, the NDAs/focal points ensure that the proposed project/programme is consistent with country-driven approaches and national climate strategies and plans and signal their support for funding proposals. Each country will decide on its own nationally appropriate process for ascertaining no-objection to funding proposals according to the country's capacities and existing processes and institutions. The NDAs/focal points must ensure that the no-objection procedure is conducted in a transparent manner through established processes and procedures.
  - b. For regional proposals, each country in which the project/programme is to be implemented needs to issue a NOL. In cases of submissions of Funding Proposals that are not accompanied by a NOL, the Secretariat will inform the NDA/focal point of the receipt of such funding proposal and will request the NDA/focal point to provide its no-objection within 30 days after receiving this information. After 30 days have passed, consideration of the relevant FP will be suspended if a NOL has not been submitted, and the Secretariat will notify the AE of the suspension. In case of multi-country programmes for which not all

<sup>15</sup> GCF Programming Manual, 2020: part 1: Stage 4, Funding Proposal, ibid

NOLs have been received at the time of FP submission, the Secretariat will inform the NDA/focal point of countries that have not issued the NOL of the receipt of such funding proposal, and will request the NDA/focal point to provide its no-objection within 30 days after receiving this information. After 30 days have passed, consideration of the relevant FP will be suspended, and the Secretariat will notify the AE of the suspension. At this stage, AEs may re-assess the programme scope and revise the FP to include only countries for which NOLs have been received.

5. **Select Executive Entity:** The funding proposal must present the implementation arrangements for the proposed project/programme. One of the key elements of the implementation arrangements is determining the EE. The AE may itself act as the EE or may carry out and execute the project/programme fully or partially through one or more EEs. For example, direct access entities could also act as EEs for international access entity, thus building their capacity to execute GCF projects and programmes. The AE is responsible for determining, selecting and engaging the EE based on its due diligence and financial management capacity assessment and the requirements of the Accreditation Master Agreement (AMA). The AE must have a direct contractual relationship – a subsidiary agreement – with each EE, through which the AE passes down the relevant obligations and requirements of the AMA and funded activity agreement to the EE. It is the responsibility of the AE to ensure that (a) all the relevant requirements under the AMA and the FAA are passed down to the EEs and (b) the project is implemented in accordance with such requirements. The subsidiary agreement serves various purposes, such as:
  - a. Setting out the policy and contractual requirements to ensure that the project to be implemented in a manner consistent with the funding proposal and GCF policies as well as the AE's policies (where relevant);
  - b. Enabling the AE to directly monitor and supervise project implementation;
  - c. Enabling the AE to request the EE to take remedial actions and ensure that those actions are enforced; and
  - d. Allowing GCF to step into the Subsidiary Agreement in accordance with the relevant AMA/FAA (i.e. assume the contractual position of the AE in order to continue operation of the funded activity or to exercise any rights under the subsidiary agreement, if deemed necessary by GCF).

GCF does not enter into a direct contractual relationship with an EE, which is instead the responsibility of the AE. Also, GCF does not prescribe the form of the Subsidiary Agreements.

6. **Set Financial Structure:** When developing a funding proposal, AEs need to elaborate on the following elements to determine the financial structure<sup>16</sup>:
  7. The total cost of the project/programme;
  8. The requested amount of GCF funding;
  9. The choice of financial instruments (e.g. grants, loans, guarantees, equity); and
  10. The level of concessionality that GCF and the AE should use to finance their portion of the costs.

### Key policy frameworks for the Funding Proposals:

The **investment framework**<sup>17</sup> is the key guiding framework informing GCF programming and investment decision-making. It is supported by the GCF investment policies and sets out six investment criteria and related activity-specific subcriteria indicators and assessment factors. AEs are expected to develop their funding proposals with due consideration of the GCF investment criteria and the applicable and relevant activity-specific subcriteria and indicative assessment factors. In the formulation of the funding proposal, **AEs are expected to respond to all six of the investment criteria**, but only the applicable and relevant subcriteria and indicative assessment factors. Not all activity-specific subcriteria and indicative assessment factors will be applicable or relevant to every proposal.

The **Integrated Results Management Framework**<sup>18</sup> integrates and supersedes the initial Results Management Framework and Performance Measurement Framework, has been adopted by decision B.29/01. The IRMF establishes an updated GCF results architecture that includes the levels at which results will be collected and assessed.

<sup>16</sup> Additional information can be accessed through: GCF Terms and Conditions of Financial Instruments (<https://www.greenclimate.fund/document/gcf-b09-08>); Investment Framework (<https://www.greenclimate.fund/about/policies/investment-framework>); Risk Management Framework (<https://www.greenclimate.fund/document/gcf-b17-12>).

<sup>17</sup> Ibid.

<sup>18</sup> Accessible here: <https://www.greenclimate.fund/document/integrated-results-management-framework>

**GCF sectoral guidance**<sup>19</sup> provides additional guidance on the types of initiatives that fully meet GCF investment criteria in key sectors across its eight results areas.

## 2.3. How can you access the GCF?

### Roles of institutions in GCF Projects:

- **Accredited Entities:** Responsible for presenting funding applications to GCF, and then overseeing, supervising, managing and monitoring the overall GCF-approved projects and programmes. Guided by the investment framework and the priorities of developing country governments, Accredited Entities convert concepts into action. They work alongside countries to come up with project ideas, and submit funding proposals for the GCF Board to approve. Accredited Entities can be private or public, non-governmental, sub-national, national, regional or international, as long as they meet the standards of the Fund. Accredited Entities carry out a range of activities that usually include the development of funding proposals and the management and monitoring of projects and programmes. Countries may access GCF resources through multiple entities simultaneously. There are currently 113 Entities approved for accreditation, 89 legal arrangements signed, and 79 accreditation process completed<sup>20</sup>. AEs are financed through GCF fees.
- **Executive Entities:** directly implement the project: day-to-day management, procurement, recruitment, management of contracts, etc. EEs are financed through project management costs in project budget

### GCF Guidance on arrangements:

Avoid overly complex implementation/executing arrangements, as these imply:

- Diffused responsibility, which complicates accountability and reporting
- Inter-dependent project components, which in turn increases risk

GCF prefers to have one EE when possible, with the addition of other partners in different forms (contractors, service providers, etc.). GCF prefers to have a national EE, which means that, in the case of a project/programme led by an International Accredited Entity, this should not also be the EE.

### Roles in GCF project delivery:

The roles of various entities in the project delivery can be summarised in Table 2.3.1

Table 2.3.1: Roles in the GCF project delivery					
Stakeholder	Accredited entity	Beneficiary	Executing entity	Co-financier	Subcontractor
Government	✓	✓	✓	✓	unlikely
Private sector	✓ (generally banks and funds)	✓*	✓ (generally funds)	✓	✓
Civil society	✓	✓*	✓	✓	✓

\*careful attention needed to avoid market distortions

Source: ToT Presentation

It is important to avoid market distortion with competitive tenders or market level actions with open access to all competing companies/organisations, for instance, competitive tenders for work to develop standards, and open access to the standards and standard setting workshops.

<sup>19</sup> Accessible here: <https://www.greenclimate.fund/publications>, filter by type: select "Guides"

<sup>20</sup> <https://www.greenclimate.fund/about/partners/ae>, accessed on 12/04/2022



## 2.4. GCF Simplified Approval Process (SAP)

The GCF is moving quickly to build a large and transformative project portfolio, with many projects already being implemented with the objective to adapt and/or mitigate to climate change. However, there is a need to simplify and streamline the approval of certain small scale projects, particularly from direct access entities. In response, the GCF's Board has approved a new approach: the Simplified Approval Process Pilot Scheme (SAP), which is now operating<sup>21</sup>.

Adopted during the 18th Board meeting in October 2017, the SAP intends to reduce the time and effort needed in the preparation, review, approval and disbursement procedures for proposals of certain activities, in particular small-scale activities. The simplifications are two-fold:

- The application process is simpler, requiring fewer pages and easier form-filling. There are dedicated templates for Concept Notes and full Funding Proposals<sup>22</sup>; and
- The review and approval processes are streamlined.

These two simplifications should lead to a reduction in time and effort required to go from project conception to implementation. As SAP is currently in a Pilot phase, further improvements in the simplification will be added overtime<sup>23</sup>.

Eligibility criteria include:

- Projects or programmes must be ready for scaling up and have the potential for transformation
- Eligible projects or programmes can only request up to USD 10 million of the total project budget from the GCF, meaning the project could be a micro, small, medium or large project – that may cost up to 50 million, but the amount requested from the GCF must not exceed 10 million
- Finally, projects and programmes are only eligible for the SAP if their environmental and social risks and impacts are classified as minimal to none (CATEGORY C)

The GCF website has numerous resources on the SAP, which can be accessed at the following links:

- SAP funding proposal preparation guidance: <https://www.greenclimate.fund/sites/default/files/document/sap-guidelines.pdf>
- SAP technical guidance (Agriculture, REDD+, Forests and Land Use, Ecosystems and Ecosystem Services, Renewable energy, Cities and Climate Change): <https://www.greenclimate.fund/publications/documents>
- SAP approved projects: <https://www.greenclimate.fund/projects/sap>

## 2.5. Project Preparation Facility

GCF recognises developing countries may face capacity constraints in developing climate finance proposals. That is why it provides financial and technical assistance for the preparation of project and programme funding proposals through the Project Preparation Facility (PPF). Key information:

- Funding available is up to USD 1.5 million for each application to the PPF, commensurate to the funding proposal being developed and to the activities included in the PPF application
- The Project Preparation Facility is especially designed to support Direct Access Entities for projects in the micro and small-sized category. However, all Accredited Entities are eligible to apply
- Support is available through two modalities: PPF funding (full or simplified); and PPF service

PPF Funding: AEs receive funding in the form of grants, repayable grants or equity to undertake project preparation activities by themselves. As such, AEs organize the procurement and implementation process directly and are accountable for the oversight and reporting of the approved funding and activities. AEs who request up to USD 300,000 from GCF are eligible for the Simplified PPF Funding.

In general, if a PPF results in a feasible project with income generation potential, the PPF amount financed by the GCF should be repayable at financial close of the funded activity. In principle, the PPF funding from the GCF should be repaid within the financial structure of the Funding Proposal, with terms and conditions to be determined at the Funding Proposal development and review process, prior to submission to the GCF Board. If an AE assigns a project supported by the GCF PPF to a third party without the consent from the GCF, the AE should repay the PPF funding to the GCF. This is not limited to private sector projects.

21 Simplified Approval Process brief, p. 1, accessible here: [https://www.greenclimate.fund/sites/default/files/document/gcf-brief-simplified-approval-process\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/gcf-brief-simplified-approval-process_0.pdf)

22 Templates can be accessed here: <https://www.greenclimate.fund/projects/sap>

23 Simplified Approval Process brief, ibid.



PPF Service: The GCF provides project preparation services directly to AEs through a roster of independent consultancy firms, ensuring fast and quality delivery to AEs who do not wish to take on the procurement and project management of PPF activities by themselves. As is the case for all types of GCF projects, Accredited Entities may seek PPF financial resources to prepare funding proposals for consideration under the Simplified Approval Process, based on a high potential concept note<sup>24</sup>.

Figure 2.5.1: What does the PPF cover?

Pre-feasibility and feasibility studies, as well as project design
Environmental, social and gender studies
Risk assessments
Identification of programme/project-level indicators
Pre-contract services, including the revision of tender documents
Advisory services and/or other services to financially structure activities
Other project preparation activities with sufficient justification

Source: ToT Presentation

The PPF process has six key steps, as indicated below:

- **Application:** PPF applications are developed by the AE, in collaboration with the NDA / FP, with support from the GCF Secretariat. Applicants must select the correct PPF application form, based on the modality they select. The full application should include:
  - The Concept Note (CN)
  - The PPF application
  - A no objection letter for PPF from the NDA or FP

PPF applications are only considered after the CN has been cleared by the GCF's Climate Investment Committee (CIC), based on the GCF's investment criteria.

- **Review:** The PPF application is reviewed once the CN is endorsed by the CIC. CIC's review is based on a number of criteria.
- **Approval:** Based on the review of the PPF team, the application will either be approved or sent back with comments for revision.
  1. **For PPF funding:** Once any feedback from the GCF has been addressed, the PPF funding application will be sent for approval.
  2. **For the PPF service:** A firm on the GCF's PPF roster will be selected to undertake activities via a competitive process.

Approved PPF application packages are available on the GCF's website.

- **Legal:**
  - **PPF funding:** For AEs that do not have a Readiness and Preparatory Support Agreement with the GCF, a legal agreement will need to be signed prior to disbursement.
  - **PPF service:** Roles, responsibilities and operational details related to the PPF service application will be outlined in contractual arrangements.
  - **Implementation:** If a revision is required after a PPF funding application enters the implementation phase, the AE must notify the GCF to discuss; AEs must monitor the implementation of PPF activities and report the progress made to the GCF Secretariat; for PPF Service, implementation will be undertaken by the selected firm according to instructions from the AE;

<sup>24</sup> <https://www.greenclimate.fund/projects/ppf>, accessed on 12/04/2022

- **Completion:** After the PPF has been implemented, the AE must submit a completion report to the GCF Secretariat. The AE will also be asked to provide reports and information on the Project Preparation Activities.

For PPF service: A confirmation of services letter should be prepared and signed by the AE and sent to the GCF.

- **Submission:** The full Funding Proposal supported by a PPF application should be submitted to the GCF Board within two years after the PPF application was approved. If a delay is anticipated, the AE must notify the GCF Secretariat and provide a justification and adjusted plans for completion.

PPF projects are assessed through a series of criteria, summarised below in Table 2.5.1

Table 2.5.1: PPF Review Criteria, PPF Guidelines, GCF			
ASSESSMENT CRITERIA	PPF FUNDING		PPF SERVICE
	STANDARD PPF APPLICATION	SIMPLIFIED PPF APPLICATION	
Articulation of how the PPF activities will produce the documents that make up a funding proposal	✓	✓	✓
Justification of the AE's need for project preparation support	✓	✓	✓
Detailed implementation arrangements	✓	Limited	N/A
Detailed budget to ensure efficient use of GCF resources for project preparation	✓	Limited	N/A
Detailed disbursement and reporting schedule	✓	Limited	N/A
Counterpart financial support for project preparation is encouraged	✓	✓	✓
Adequacy of terms of reference for desired studies/outputs	✓	✓	✓

The GCF website has numerous resources on the PPF, which can be accessed at the following links:

- PPF Guidelines: <https://www.greenclimate.fund/sites/default/files/document/ppf-guidelines.pdf>
- Resources including templates, NOL, progress reports, approved projects and more: <https://www.greenclimate.fund/projects/ppf/resources>





## SESSION

## 3

## Context and baseline

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**Learning Outcomes:**

- | To describe the climate change problem.
- | To describe the state of the baseline before the project intervention.
- | To understand what barrier analysis is.
- | To understand the purpose of barrier analysis.
- | To learn how to do a barrier analysis and how to categorise barriers.
- | Learn how problem trees are a key analytical tool to understand problems and the interrelations between issues
- | Develop a problem tree by starting with a core problem
- | Appreciate how developing a tree as part of a group is an effective way of engaging stakeholders in project design

### 3.1. Climate context

Section B of the Funding Proposal is the key section of the funding proposal to explain the project/programme design. Section B.1 is the Climate context:

Figure 3.1.1: Funding Proposal template, GCF

B. I. Climate context (max. 1000 words, approximately 2 pages)
<p><b>Climate change problem:</b> Describe the climate change problem the proposal is expected to address. Describe the mitigation needs (GHG emissions profile) and/or adaptation needs (climate hazards and associated risks based on impacts, exposure, and vulnerabilities) that the proposed interventions are expected to address. Also describe the most likely scenario (prevailing conditions or other alternative) that would remain or continue in the absence of the proposed interventions. Include baseline information. The methodologies used to derive such information, including the mitigation and adaptation needs, should be included in the feasibility study.</p> <p><b>Context:</b> In describing the mitigation and/or adaptation needs, briefly describe the target region/area of the proposed interventions including information on the demographics, economy, topography, etc.</p> <p><b>Related projects/interventions:</b> Also describe any recent or ongoing projects/interventions that are related to the proposal from other domestic or international sources of funding, such as the Global Environment Facility, Adaptation Fund, Climate Investment Funds, etc., and how they be complemented by this project/programme (e.g. scaling up, etc.). Please identify current gaps and barriers regarding recent ongoing projects and elaborate further how this project/programme complements or addresses these.</p>

Section B.1 sets the context within which the proposed project/programme operates and what climate change problems the project/programme aims to address. It should describe the mitigation needs (e.g. the greenhouse gas (GHG) emission profile) and/or adaptation needs (e.g. climate hazards and associated risks based on impacts, exposure and vulnerabilities according to the location and time of occurrence, and how these could be addressed through improved planning and management) in the country(ies) where the project/programme is intended to operate, with an emphasis on the subnational areas/locations where the activities are expected to be implemented. This section should include information on the general state (current climate trends and variability) and trajectory of the climate system based on a set of relevant indicators.

The description of projected long-term climate change should characterize the most likely scenario, including the prevailing conditions or other alternative, that would remain or continue in the absence of the proposed intervention in terms of, for example, GHG emissions, climate vulnerability and/or resilience challenges. To the extent possible, this section should also include baseline information, including a description of climate data adequacy (availability, quality, applicability) and of the key assessment methodologies and tools used to document and analyse climate variability, trends and potential future climatic changes.

The characterisation of the climate system at the national level should also include the identification of the main climatic impacts and the specific climatic factors affecting specific priority sectors or locations. Projects submitted to GCF should underline the climate risks that the project will address and ensure that the project design is climate-resilient against current and future climate extremes<sup>25</sup>.

Important sources of information include:

- First Nationally Determined Contribution Republic of Bangladesh (unfccc.int)
- Strategy of NDC Implementation
- Country Programme for the Green Climate Fund
- General – country profile and data

25 GCF Programming Manual, 2020, Part 2, Section B.1, pp. 90-97



## 3.2. Barrier Assessment

Section B.2 is dedicated to the Theory of Change:

Figure 3.2.1: Funding Proposal template, GCF

### B.2 (a). Theory of change narrative and diagram (max. 1500 words, approximately 3 pages plus diagram)

Present the theory of change (TOC) that contains a goal statement and describes how the proposed project/programme contribute towards the goal statement by using results chain links from activities, outputs, to outcomes. By referring to the Simple ToC diagram template available in the guidance note, present a result chain diagram (approximately 1/2 page) which visually represents the same logic in the narrative description. The TOC diagram and narrative may include a wide range of co-benefits\* as applicable in the context of the project/programme.

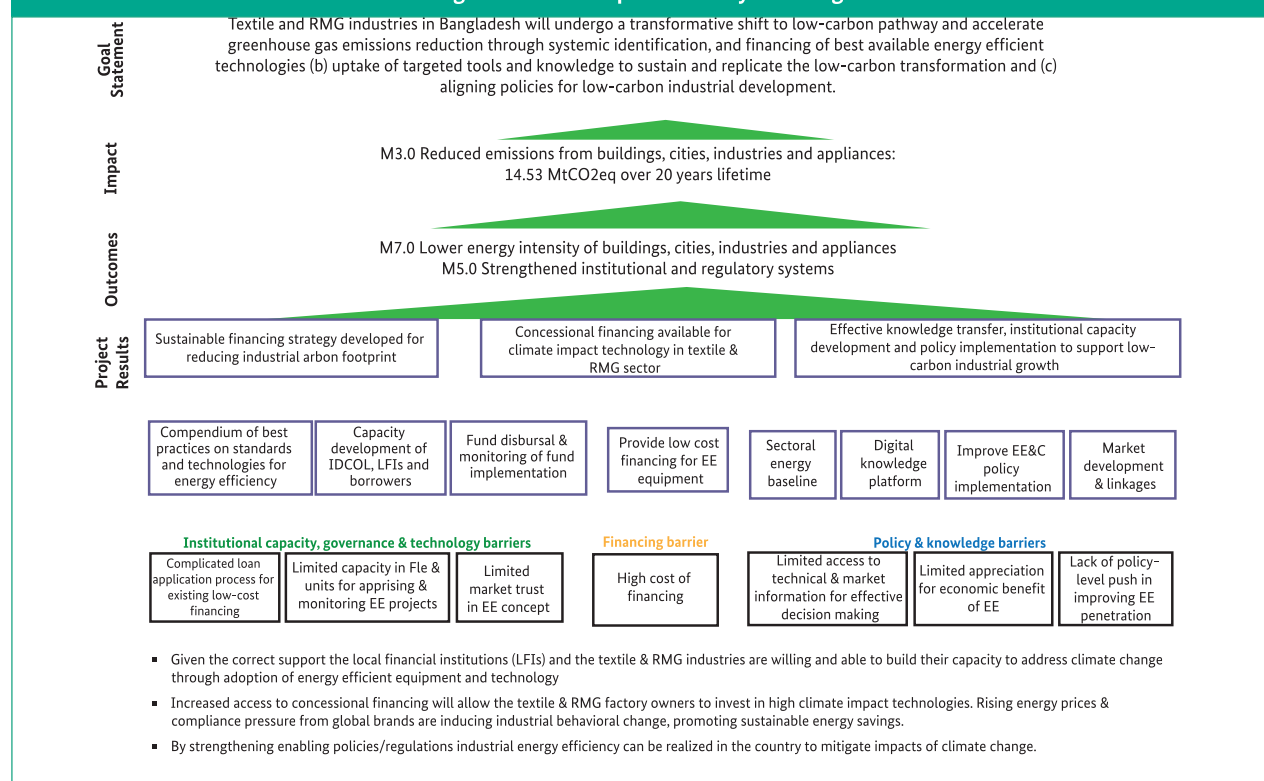
Note that co-benefits need to be further elaborated in section D-3 (sustainable development potential) and correspondent benefit indicators should be provided under section E.5 (project/programme specific indicators).

The theory of change should also include any relevant barriers (social, gender, fiscal, regulatory, technological, financial, ecological, etc.) that need to be addressed as well as risks and assumptions. Note that the assumptions can be elaborated further in sections E. 3 (CCF outcome level: reduced emissions and increased resilience) and E. 5 (project/programme specific indicators) for each relevant indicator, as appropriate.

An essential component of the Theory of Change is the barrier analysis. The GCF Programming Manual defines this step as the identification of the barriers that prevent the realisation of the project outcomes. NB: when the barriers are aligned with the assumptions and the outputs, it may be necessary to rearrange some of the outputs, and even some of the outcomes of your Theory of Change<sup>26</sup>.

A relevant example for Bangladesh, from the GCF FP-150, is as follows<sup>27</sup>. The interconnections of the barriers with the Theory of Change are highlighted in Figure 3.2.2 below:

Figure 3.2.2: Example of Theory of Change



Source: FP-150, GCF

In general, barrier analysis is an assessment tool that identifies and analyses obstacles that prevents movement or change, so that effective interventions can be designed to overcome them. Barrier analysis should therefore provide:

- explanations of the present status quo
- understanding of reasons for change (or not)

<sup>26</sup> GCF Programming Manual, 2020, Part 2, Section B.2, pp. 97-100

<sup>27</sup> Accessible at <https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp150.pdf>

Barrier analysis techniques are part of a baseline determination. A baseline is an account of all features in the environment of the proposed project which will have a bearing on the implementation of the activities. Baselines vary in level of detail and rigor, and can have a technical or market perspectives. For example:

1. For the Clean Development Mechanism (CDM) a baseline scenario is the scenario that reasonably represents the anthropogenic emissions by sources of GHGs that would occur in the absence of the CDM project activity or Component Project Activity (CPA)<sup>28</sup>
2. The Green Environmental Facility (GEF) requires a Business-as-Usual scenario – Baseline Project. GEF defines the Baseline Project as the set of ongoing and planned activities underway without GEF financing and are therefore funded by, or proposed to be funded by non-GEF funding. During the concept preparation, the Project Identification Form (PIF) or the Program Framework Document (PFD) should provide an overview of this business-as-usual scenario, and explain what happens or what is expected to happen without financing provided by the GEF. The analysis of the business-as-usual scenario should provide quantitative estimates of the baseline project which may include the set of baseline activities that should have been fully funded and implemented by the government or other financing sources<sup>29</sup>.
3. The NAMA Facility defines the baseline scenario as the reference case for the NAMA Support Projects. It is a hypothetical description of what would have most likely occurred in the absence of the NSP in order to provide (nearly) the same product or service. The baseline scenario is used to estimate baseline emissions<sup>30</sup>.

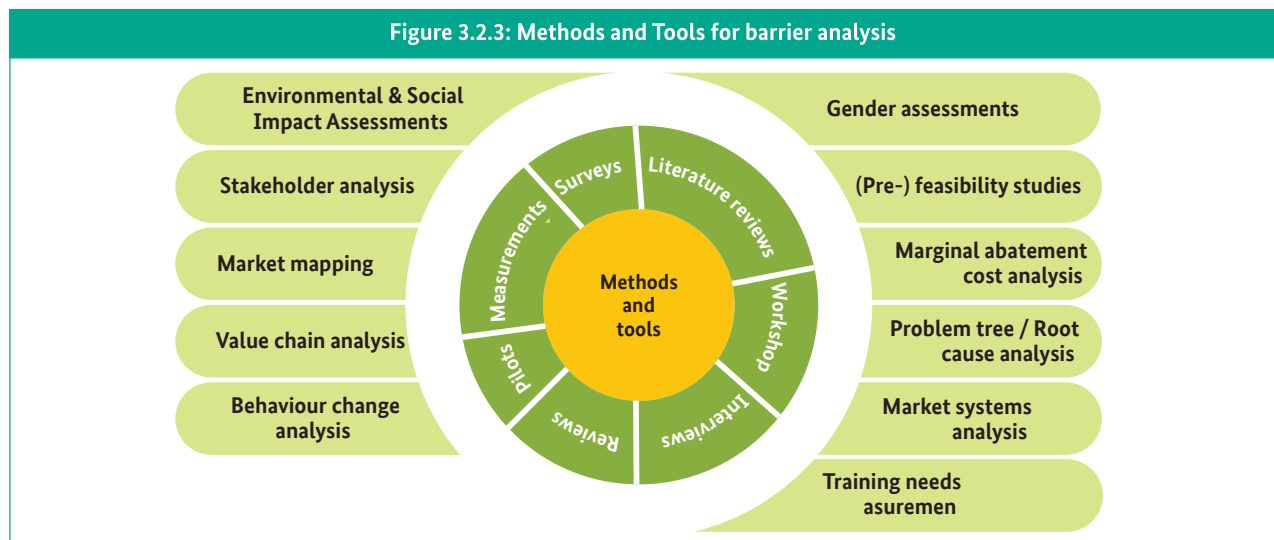
Analysing barriers is important because:

- It helps us understand the market
- So that we can design something that works
- Most successful projects reduce or remove barriers
- Barrier removal is often part of a project proposal format

There are many ways of conducting a barrier analysis. Generally, it can be distinguished between:

- ways of collecting the information
- ways of analysing and presenting the results

It is important to bear in mind that different approaches work for different situations, and that barrier analysis is much more than a table of barriers. A few examples of tools and methodologies are summarised in Figure 3.2.3:



Source: ToT Presentation

Most donors look at barrier through a standard categorisation. It is helpful in project designing as it helps to plan project components and activities and drawing barrier lists can help in the analysis process. Barriers are usually subdivided in the following categories:

28 CDM, Glossary, Version 10.0, p. 6, accessible at: [https://cdm.unfccc.int/Reference/Guidclarif/glos\\_CDM.pdf](https://cdm.unfccc.int/Reference/Guidclarif/glos_CDM.pdf)

29 The GEF, Guidelines for Project Funding, p. 1, accessible at: [https://www.thegef.org/sites/default/files/council-meeting-documents/C.41.Inf\\_04\\_Guidelines\\_for\\_Project\\_Financing\\_5.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/C.41.Inf_04_Guidelines_for_Project_Financing_5.pdf)

30 The NAMA Facility Mitigation Guidelines, p. 9, accessible at: [https://www.nama-facility.org/fileadmin/user\\_upload/call-for-projects/Ambition\\_Initiative/NAMA\\_Facility\\_Guideline\\_Annex\\_6-May\\_2021.pdf](https://www.nama-facility.org/fileadmin/user_upload/call-for-projects/Ambition_Initiative/NAMA_Facility_Guideline_Annex_6-May_2021.pdf)

- Financial barriers
- Regulatory/ legal barriers
- Institutional barriers
- Technical barriers
- Market organisation barriers
- Awareness barriers
- Skills-related barriers

Table 3.2.1: Barrier categorisation for NAMA<sup>31</sup>

Analysis of implementation barriers/risks and formulation of risk management measures	
Barrier/risks	Potential risk management measures
Flagging sense of programme ownership and commitment among stakeholders	<ul style="list-style-type: none"> <li>• A focal or coordinating entry takes and maintains ownership of the NAMA</li> <li>• Regular communication and updates on the progress of the NAMA &amp; development</li> <li>• Requests for sharing</li> <li>• Offer capacity building</li> <li>• Publicise successes of other national NAMAs or NAMAs in other countries</li> <li>• Capacity for public institutions and private sector</li> <li>• Training of trainers: advisers, planners, and developers of measures under the NAMA</li> <li>• Measures' actions and demonstrating their practicability and benefits</li> <li>• Marketing and outreach</li> <li>• Capacity building for public institutions and private sector</li> <li>• Training of trainers: advisers, planners and developers of measures under the NAMA</li> </ul>
Lack of awareness <ul style="list-style-type: none"> <li>• Limited awareness of options</li> <li>• Lack of knowledge/access to knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity for public institutions and private sector</li> <li>• Training of trainers: advisers, planners, and developers of measures under the NAMA</li> <li>• Measures' actions and demonstrating their practicability and benefits</li> <li>• Marketing and outreach</li> </ul>
Capacity barriers <ul style="list-style-type: none"> <li>• Lack of skilled labour</li> <li>• High transaction costs</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building for public institutions and the private sector</li> <li>• Training of trainers: advisers, planners, and developers of measures under the NAMA</li> </ul>
Technical barriers <ul style="list-style-type: none"> <li>• High transaction costs</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building</li> <li>• Training of advisors, planners, and developers of measures under the NAMA</li> <li>• Encouragement and support for domestic and regional manufacturers and companies</li> </ul>
Regulatory and institutional barriers <ul style="list-style-type: none"> <li>• Limited access to capital</li> <li>• Monopolies/ Limited access to markets</li> </ul>	<ul style="list-style-type: none"> <li>• Analyse/strengthen sector regulation and permitting procedures</li> <li>• Training for local authorities and other local stakeholders</li> <li>• Capacity building for monitoring and auditing authorities</li> <li>• Design, establishment, and operation of a NAMA office/institution</li> </ul>
Financial barriers <ul style="list-style-type: none"> <li>• Limited access to capital</li> <li>• High upfront costs; small project sizes</li> <li>• Split incentives (e.g., between owners and users)</li> <li>• Conflicting allocation of resources for investments (e.g. subsidies for conventional technologies)</li> <li>• Financially stable support</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of promotional financing, trading grants and subsidised loans</li> <li>• Attract donors for up-front finance to start the NAMA process</li> <li>• Reduction of incremental investment costs by economies of scale</li> <li>• Publicise national commitments in addition to international cooperation and support for NAMA formulation and process</li> </ul>

31 2013 UN Guidance for NAMA Design

Table 3.2.1 on page 53 Barrier categorisation for NAMA provides a helpful example of how barriers can be listed and categorized: this is how most donors want to see barriers presented. Other typical barriers identified for the main GCF Result Areas are included in Table 3.2.2 and Table 3.2.3 below:

Table 3.2.2: Barriers for GCF main Result Areas	
(Main) GCF Result areas	Typical Barriers
Forestry and land use	<ul style="list-style-type: none"> <li>• Trees are often seen as obstacles to economic growth.</li> <li>• Communities living in and around forest are often excluded from decision- making.</li> <li>• Unclear and contested land tenure.</li> <li>• Systemic corruption and low levels of law enforcement</li> <li>• Inefficient and ineffective forest governance.</li> </ul>
Most vulnerable people and communities	<ul style="list-style-type: none"> <li>• Lack of institutional capacity building, technology and equipment.</li> <li>• Inappropriate stakeholders' empowerments.</li> <li>• Unsatisfied dissemination of regulations to the local people.</li> <li>• Lack of accurate data.</li> </ul>
Energy access and power generation	<ul style="list-style-type: none"> <li>• Capital and resource constraints.</li> <li>• Low use of renewable energy</li> <li>• Geographically remote and isolated area.</li> <li>• Reluctance to the benefit of renewable energy</li> </ul>
Buildings, cities and industries and appliances	<ul style="list-style-type: none"> <li>• Lack of national funding</li> <li>• Lack of foreign investment</li> <li>• Local governments do not always operate in synergy with the central government.</li> <li>• New and expensive technology</li> </ul>

Source: ToT Presentation

Table 3.2.3: Barriers for GCF main Result Areas	
(Main) GCF Result areas	Typical Barriers
Infrastructure and built environment	<ul style="list-style-type: none"> <li>• Lack of national funding and foreign investment.</li> <li>• Local governments do not always operate in synergy with the central government.</li> <li>• New and expensive technology.</li> <li>• Poor public participation</li> <li>• Higher costs for clean technology and renewable energy</li> </ul>
Ecosystem and ecosystem services	<ul style="list-style-type: none"> <li>• Many ecosystem services are not monetized.</li> <li>• Conservation programs are seen as obstacles to development.</li> <li>• Unclear and contested land tenure.</li> <li>• Systemic corruption and low levels of law enforcement.</li> </ul>
Health and well-being, and food and water security	<ul style="list-style-type: none"> <li>• Lack of funding</li> <li>• Lack of labor, volunteers, training of doctors, midwives or health workers.</li> <li>• Slum housing infrastructure.</li> <li>• Need for renewed traditional knowledge and institutions.</li> <li>• Limited support for processing local food.</li> <li>• Limited diversification of food consumption.</li> <li>• Limited food packaging and branding programs.</li> <li>• Lack of information and accurate data.</li> </ul>

Source: ToT Presentation



## Problem Tree Analysis

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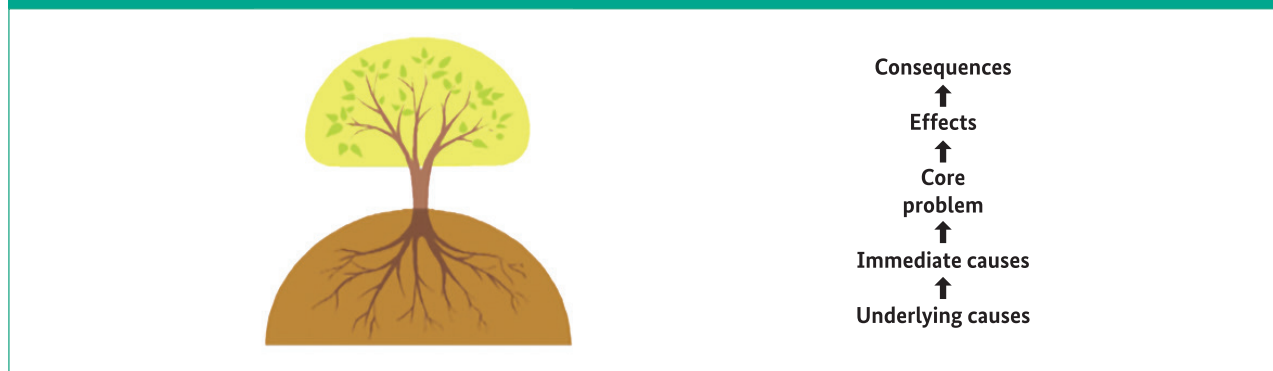
### Learning Outcomes:

- Learn how problem trees are a key analytical tool to understand problems and the interrelations between issues
- Develop a problem tree by starting with a core problem
- Appreciate how developing a tree as part of a group is an effective way of engaging stakeholders in project design



A problem tree is a diagram visualising the cause-and-effect relationships that characterise the problem a project will deal with. The task of developing a problem tree consists of identifying problems (what we might call the existing or current negative situation), constraints and opportunities. These problems are visualized in the form of a problem tree or hierarchy of problems. At the centre of the problem tree lies the core problem. The roots are the causes of the problem and the branches are the effects. From the causes you work down to identify the underlying causes, while from the effects you work up to identify the ultimate consequences:

Figure 4.2.1: Problem tree visualisation,

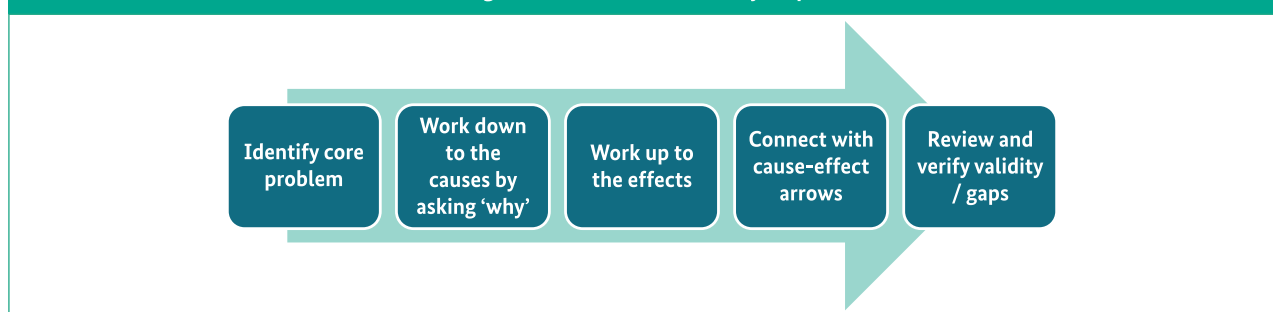


Source: ToT Presentation

Among the advantages of doing a problem tree analysis, there is that problems can easily be translated into potential project objectives. Also, cause and effect relationships are key to identifying effective interventions. There are at least five key steps to develop a problem tree:

- **Identify the core problem:** This is the objective you have had in mind in the previous steps of information collection and analysis
- **Work down to the causes:** Then identify the causes of this problem by asking 'Why?'. What causes this problem? Continue asking 'Why?' until the underlying causes contributing to the problem are clearly identified
- **Work up to the effects:** what problems are caused by the core problem? Again, work up until you have reached the consequences of the core problem.
- **Connect cause-effect:** connect all the problems and effects with arrows, to establish causal relations
- **Review:** Now look at the tree as a whole and verify that there are no gaps and that each of your arrows answers the question: Why?

Figure 4.2.2: Problem tree key steps



Source: ToT Presentation

Some key points to note on the development of a problem tree are:

- Problems are worded as negative situations, for instance "It is difficult to obtain funding for investments in energy efficiency"
- The problems should be, as in this example, existing problems
- The problem tree shows cause-effect relationships, not importance.
- Finally, working in a group to develop a problem tree is a good way to involve stakeholders in project design

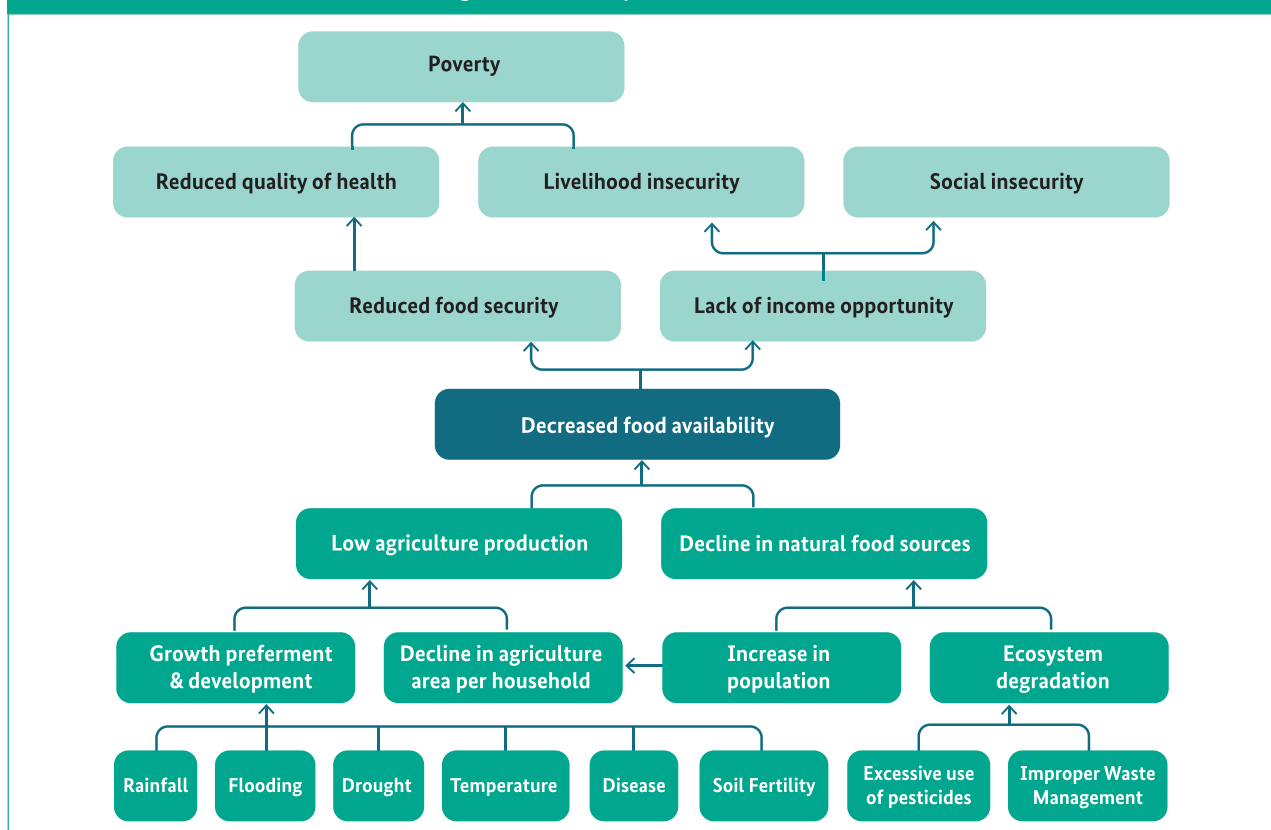
Common difficulties in the development of a problem tree include:

- **Inadequate problem specification:** In order to get a useful problem tree, try to specify the problem in as much detail as needed for a good analysis. For instance, the example provided before (“It is difficult to obtain funding for investments in energy efficiency”) could be improved by saying “Companies wishing to invest in energy efficient technologies find it difficult to obtain loans”. Always try to specify your problem by looking at the current situation, not at the missing solution – because that would lock you in to thinking about a predetermined solution.
- **Problems are not an absence of a solution:** try to avoid wording problems as “lack of”, as it risks biasing the intervention towards the fact that there is no solution, whereas it may be an issue related to how it is worded. For instance, “Lack of Trained Staff” can be also phrased as “Staff has insufficient or inappropriate skills”, which may lead to analyse recruitment/capacity solutions

Helpful questions to ask once the problem tree has been drafted:

- Does it make sense? The cause-and-effect relationship between each item should be clear as you move up or down the tree.
- How do you know? Can you provide evidence to support the problems you have identified?
- Is it a climate problem?
  - For an adaptation project we will ask: Are at least some of the roots a climate problem? Is there a climate driver that is causing this problem?
  - For a mitigation project we will ask: Are at least some of the branches leading to greenhouse gas emissions?
  - For a cross-cutting project – i.e. one that addresses both adaptation and mitigation we would ask both questions.
- Is it manageable? Is the problem you’ve identified something that can be solved?
- What are the leverage points? What can you change with your project?

Figure 4.2.3: Example of a Problem Tree.



Source: Adapted from WeAdapt (2020)



**Key takeaways from this session include:**

- Problem trees are key analytical tools for understanding the problem and interrelations between issues
- Development of problem trees starts with a core problem. Roots are developed by asking “why?” repeatedly, and the branches by asking “what are the effects?”
- Developing the tree in a group is an effective way of engaging stakeholders in the project design process
- Mitigation projects have “Greenhouse gas emissions” as one of the effects, and Adaptation projects have a climate driver as one or more of the causes.





## Project logic and Introduction to theory of change

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### Learning Outcomes:

- I Be able to turn the insights from a problem tree into a results framework
- I Understand how the Theory of change builds on the results framework and ideally describes how change happens not just what happens

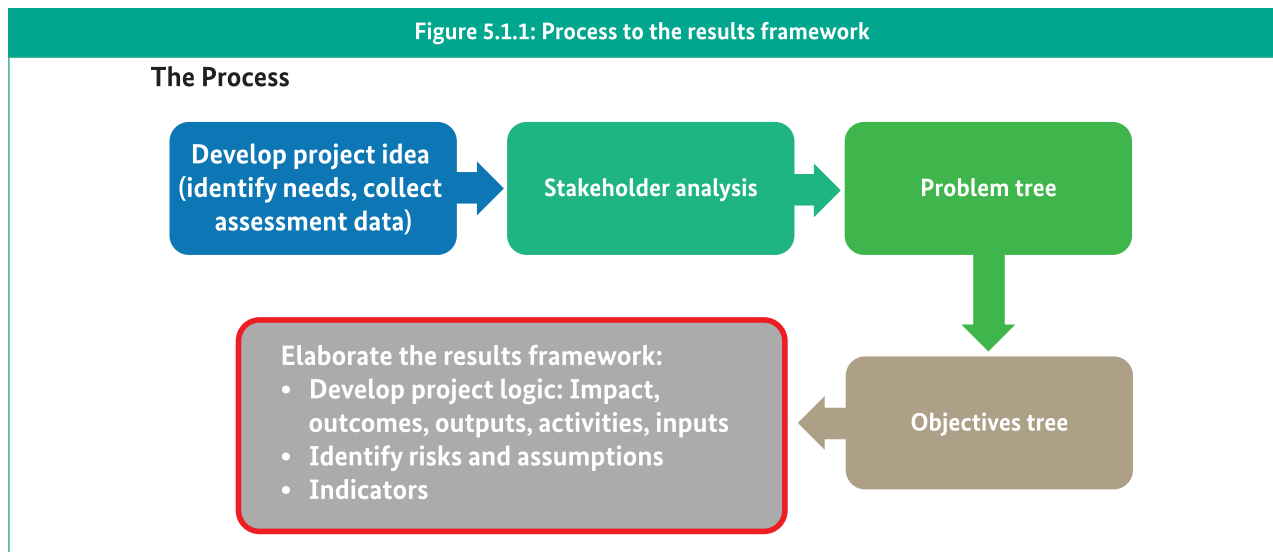
## 5.1. Logical Framework Approach

A Logical Framework Approach is a methodology for project design, monitoring and evaluation, and it is widely used by international donors. When project formulation is approached systematically, writing the logical framework matrix (or logframe) is a key stage in the project design process.

The term 'Logical Framework Approach' is used to emphasise the fact that project design is an analytical process that has a set of tools and concepts that are used to support project planning.

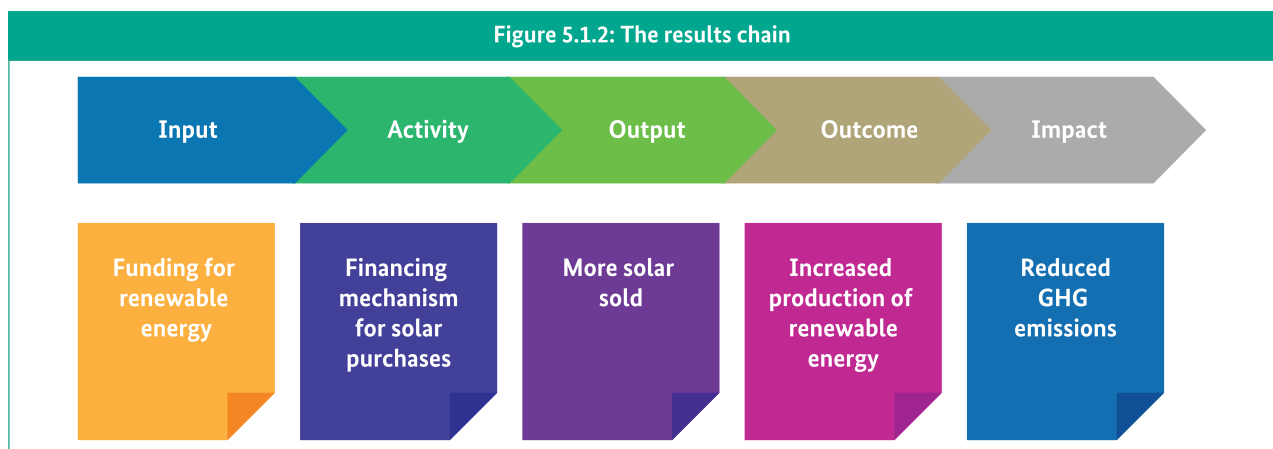
The Results Framework is the documented product of the design process, which includes steps such as the identification of needs, stakeholder analysis, and problem tree and objectives tree analysis. The logframe matrix describes the results chain which leads from project inputs all the way to the high-level impact.

The results framework itself is the documented product of this process, which includes steps such as the identification of needs, stakeholder analysis, and problem tree and objectives tree analysis.



Source: ToT Presentation

For example, if our input is increased funding for renewable energy, we can use this for the activity of setting up a financing mechanism for solar panel purchases. This activity will then lead to the output of increased sales of solar panels. The outcome of that will be increased production of renewable energy, which will ultimately lead to the impact of reduced GHG emissions.



Source: ToT Presentation

Structure of the logframe: The basic results framework has four columns and four rows. The rows describe the results chain, leading from activities to outputs, which lead to outcomes and finally to impacts. Sometimes a fifth row for the lowest level, that of inputs, is also included. The name given to each level in the results chain can change, but the meaning is always the same.



The columns of the logframe are: first, a column for the project description; second, a column for indicators that measure what you have achieved; third, a column with sources of verification that give you the information you need to measure the indicators; and fourth, the assumptions that need to hold true for the project to succeed:

**Table 5.1.1: The logframe structure**

Project Description	Indicators	Sources of verification	Assumptions
Description of Impact			
Description of Outcome			
Description of Outputs			
Description of Activities			

Source: ToT Presentation

Some reasons for developing a logframe are that it helps us to design a project that works, reducing confusion – key components of the project are presented in a standardised format, they increase transparency, which helps effectiveness. Moreover, logframes demonstrate the logic of a project, which supports decision making.

Limitations: as with every tool and methodology, the logframe has its limitations:

- It is just a summary of the project
- Often, it is only made after the project is planned, despite the fact that best practice is to start off here, and use it as a tool to discuss the project with stakeholder and gather their insights
- Logframes can be very top-down, and they are only useful if time, effort and resources are invested in understanding the project development process and tools
- The logframe is a living document, and should continuously be improved and adapted during the project lifetime

## 5.2. GCF Results Management Framework

**GCF Integrated Results Management Framework (IRMF):**<sup>32</sup> The IRMF was adopted by decision B.29/01, and became applicable from B.32 onwards, becoming mandatory for all projects approved ever since. The IRMF Establishes an updated results management framework that integrates and supersedes the initial results management framework and performance measurement frameworks, to allow the Fund to measure and report the impact of its investments.

The IRMF is designed to be fully aligned with the two key investment criteria (paradigm shift and impact potential) of the initial investment framework (initial IF), which define the project and programme eligibility and selection criteria. The initial IF assesses ex ante results of GCF investments, while the IRMF enables the assessment, reporting and analysis of actual results (ex post) of GCF investments that lead to promoting paradigm shift in the context of sustainable development.<sup>33</sup>

Figure 5.2.1 on page 62 presents the overall structure of the IRMF showing three results measurement levels<sup>34</sup> :

- GCF impact level – paradigm shift potential;
- GCF outcome level comprising
  - (i) reduced emissions and increased resilience (impact potential) and
  - (ii) enabling environment derived from activity-specific sub-criteria of paradigm shift potential in the initial IF;
- Project/programme level results.

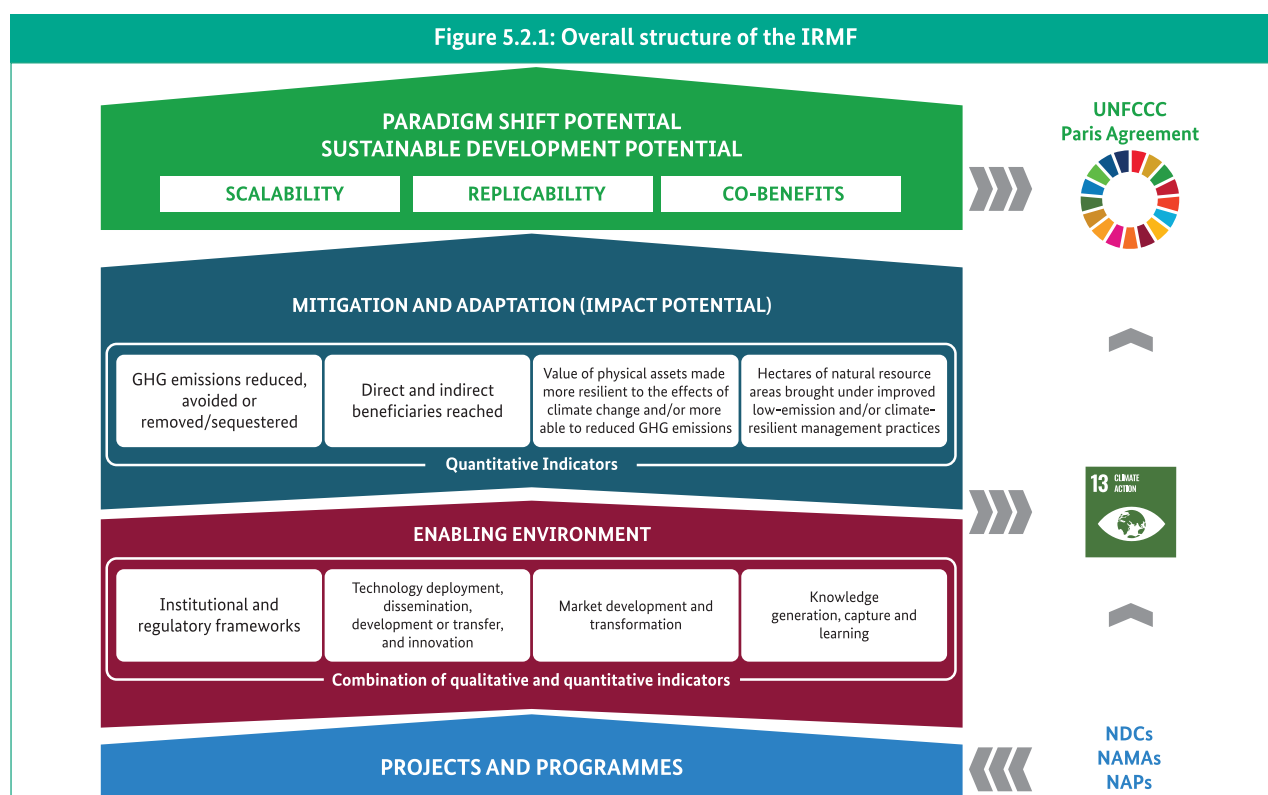
It is worth noting that there will be no additional requirements in the funding proposal template related to paradigm shift potential or enabling environment, and that the aim is to enhance the understanding of the role that GCF is playing in promoting paradigm shift through the impact of its funding for adaptation and mitigation projects/programmes as per the Governing Instrument.

<sup>32</sup> GCF, Integrated Results Management Framework, 2021, accessible at: <https://www.greenclimate.fund/sites/default/files/document/irmf-policy.pdf>

<sup>33</sup> GCF, Integrated Results Management Framework, 2021, p. 2

<sup>34</sup> GCF, Integrated Results Management Framework, Ibid.

Figure 5.2.1: Overall structure of the IRMF



Source: GCF, 2021

Key elements of the IRMF include<sup>35</sup> :

- **Result Areas:** The IRMF will be based on eight results areas which originate from the GCF mitigation and adaption logic models of the initial RMF, recognizing that projects/programmes may cut across these results areas. Each project/programme outcome within a project/programme logframe will be linked to one of these results areas, and this will facilitate systematic results reporting against the IRMF. Results Areas are:
  - Mitigation – reduced emissions from:
    - iv. Energy generation and access;
    - v. Low-emission transport;
    - vi. Buildings, cities, industries and appliances; and
    - vii. Forestry and land use
  - Adaptation – increased resilience of:
    - i. Most vulnerable people and communities;
    - ii. Health and well-being, and food and water security;
    - iii. Infrastructure and built environment; and
    - iv. Ecosystems and ecosystem services.
- **Results Levels:** The IRMF's results levels have been structured following the logic that paradigm shift in the context of sustainable development can be promoted through GCF-funded activities to reduce emissions or increase resilience as well as creating an enabling environment for the paradigm shift as captured in the coverage area of the paradigm shift potential in the initial IF. The IRMF seeks to track and monitor results at the following levels:
- **GCF impact level – paradigm shift potential:** aims to assess how and to what extent GCF has promoted paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and made a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change. It does this by:

35 GCF, Integrated Results Management Framework, 2021, pp. 3-5

- supporting projects/programmes in reporting how and to what extent projects/programmes have promoted paradigm shift potential through interventions that reduce emissions and/or increase resilience (climate impacts); and
  - aggregating the information gathered via projects/programmes at the impact results level of the IRMF architecture through application of three assessment dimensions (scale, replicability and sustainability), which are in turn derived from the coverage areas and activity-specific sub-criteria of the initial IF. The results at this level are typically delivered beyond the lifetime of project/programme and may not be directly attributable to GCF interventions only
- **GCF outcome level:** aims to measure observable results of GCF-funded projects/programmes across the following two interdependent layers, which interact to underpin pathways to paradigm shift:
  - **Reduced greenhouse gas (GHG) emissions and increased resilience (impact potential):** aims to measure quantified mitigation and adaptation outcomes delivered via GCF projects/programmes; and
  - **Enabling environment:** aims to inform how GCF projects/programmes have contributed to creating enabling conditions and environments for paradigm shift in a country-driven manner and in line with the coverage area and activity specific sub-criteria of paradigm shift potential of the initial IF;
  - **Project/programme-level outcomes and outputs:** as with current practice, an accredited entity (AE) will have project/programme-level indicators in its logframe to monitor and assess the project/programme's specific progress results.

### 5.3. Theory of Change

While there is a lot of variation in thinking about Theories of Change, with some people advocating prescriptive approaches and others taking a much broader, global approach, there are several common ideas. A Theory of Change is, essentially, a theory of how and why a given intervention will lead to a specific change. It is also important to recognize that it is not a tool: it is a process and approach (the Theory of Change Approach).

The most important thing to remember about a Theory of Change is that it includes an understanding of how and why change takes place. Too often projects assume that there is a clear and direct causal link between a project activity and the intended and desired result. Instead, developers should think carefully about how and why the activity produces the result. This is particularly true where changed behaviours are intended.

For example, there is a general assumption that awareness drives behaviour, but this is frequently not the case. So why do we often assume that an awareness campaign will result in changed behaviour? What evidence exists? What is the theory that we have about how and why the change will happen?

It is generally recognized that Theories of Change strengthen logical frameworks – they do not replace them. While they can be a great aid to ongoing adaptive management of projects or programmes, they are not rigorous linear frameworks with indicators and means of verification. But there are common elements. Both usually include causal chains linking activities with results, and both include assumptions. Much like the Logframe (and any other tool, approach and methodology) without investing time and resources, and making it a participatory exercise strongly geared towards ownership, it can easily become a paper exercise, with no real added value.

There are also significant differences: a Theory of Change is mostly about the big picture within which a project happens, whereas the logical framework is a description of the logic of the project. Theory of Change describes how and why you think change happens and could be used to complete the sentence “If we do X then Y will change because...” whereas the logical framework describes how you think change will happen (not why), and could be used to complete the sentence “we plan to do X which will give Y as the result”.

The theory of change is usually presented as a diagram along with narrative text, and often includes processes and feedback loops whereas a logical framework usually consists of a 4 by 4 matrix and presents the project logic as essentially linear. A Theory of Change aims to make both the assumptions and evidence explicit, whereas logical frameworks do not include evidence for why one thing leads to another:

Figure 5.3.1: Differences between Theory of Change and Logical Framework

**THEORY OF CHANGE** - the it will happen

- BiG picture (within which project happens)
- Describes how and why you think change happens.
- Could be used to complete the sentence “if we do X then Y will change because...”.
- Is usually presented as a diagram with narrative text.
- Often includes processes and feedback loops
- Describes why one box will lead to another box (e.g. if you think knowledge will lead to behaviour change, is that an assumption or is there evidence to show it is so?)

**LOGICAL FRAMEWORK** - what will happen

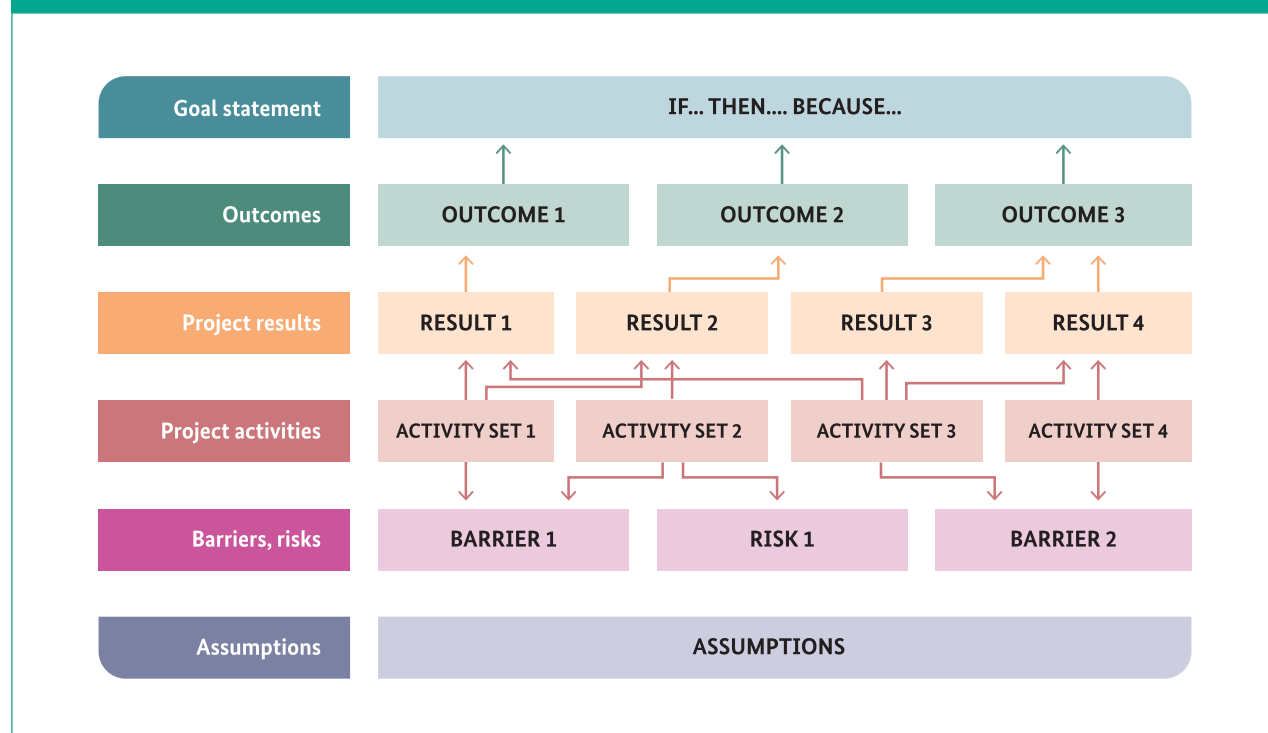
- Description of the logic of the project - activities to impacts how
- Describes how you think change will happen
- Could be used to complete the sentence “we plan to do X which will give Y result”.
- Is normally shown as a matrix, called a loeframe or chart called a logic model.
- Is linear - there are no cyclical processes or feedback loops.
- Doesn't include evidence for why you think one thing will lead to another.

Source: Piroška Bisits Bullen, adapted

Theory of Change and the GCF: In GCF proposals the Concept Note includes reference to a Theory of Change in these words: “In terms of rationale, please describe the theory of change and provide 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.” The Concept Note also includes an optional supporting “Diagram of the theory of change”.

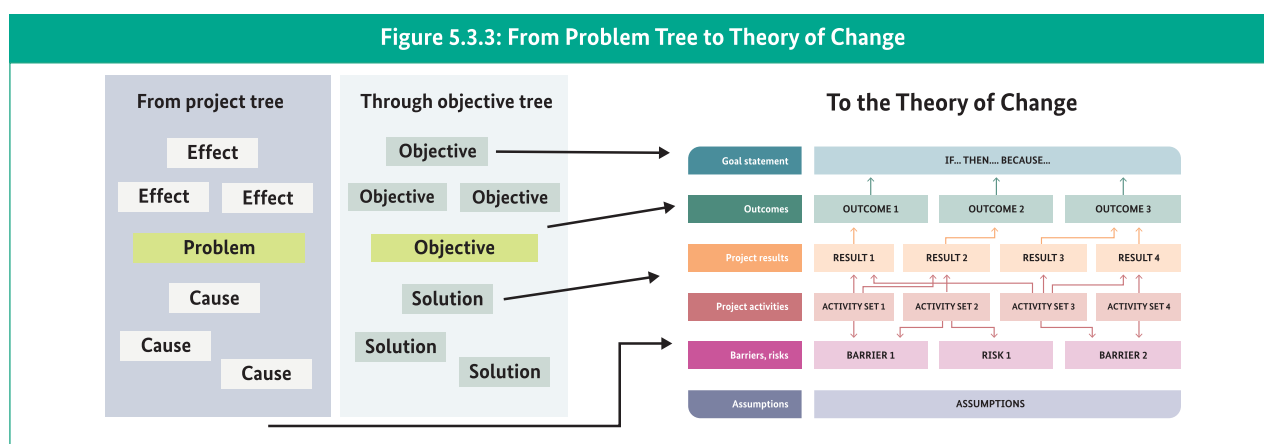
At Funding Proposal stage, AEs are requested to provide a diagram of the theory of change as part of section B.2, along with a description of the diagram (see Figure 5.3.2 below). In the context of GCF, the presentation of a project-specific theory of change is required to support, among others, the demonstration of the funding proposal’s paradigm shift potential and should also illustrate causal linkages between and among the results hierarchy that will permit project planners to understand better how and why a project’s impact(s) can be delivered. Additionally, the project logical framework is linked to the theory of change and the logical framework indicators shall be developed in such a way that they support the theory of change and track the process towards achieving the long-term goals and objectives of the project(s)<sup>36</sup>.

Figure 5.3.2: Theory of Change Diagram



Source: GCF Programming Manual

36 GCF Programming Manual, 2020, Part 2, Section B.2, p. 97

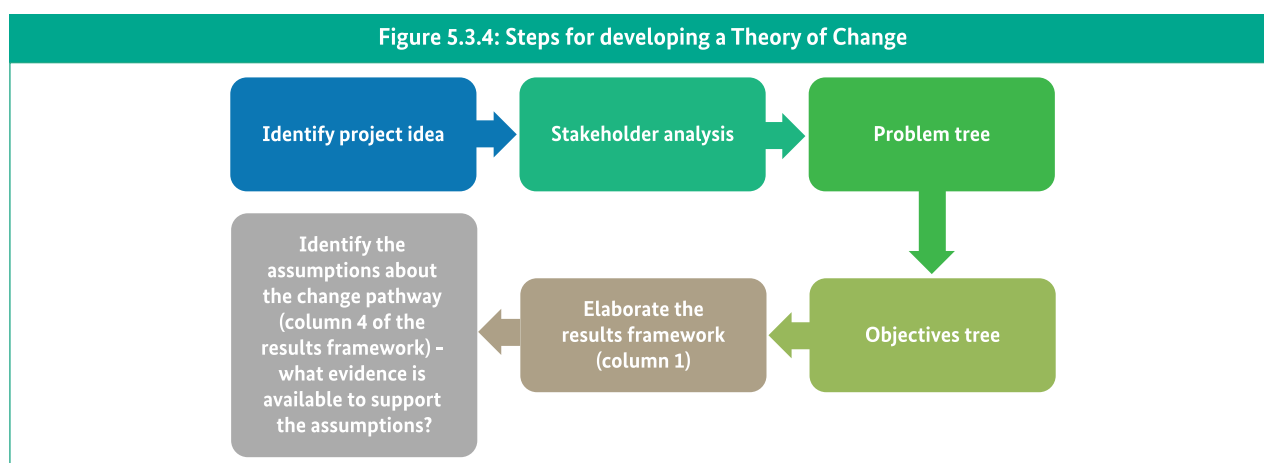


Source: Acclimatize, adapted

Figure 5.3.3 shows a general approach that can be used to go from the problem tree to the theory of change. The theory of change diagram here is that required by the GCF. The goal of the project comes from the top of the objective tree. Note: the goal statement is a peculiarity of the GCF and is structured as “If... outputs (what the GCF called results in this diagram), then.... Goal (or impact), Because... outcomes”, while the goal in this statement is at the top of the objective tree and should match with the GCF’s results management framework.

The objective (which is the positive statement of the problem) and higher level objectives contribute to the outcomes, and the solutions to the project results or activities. Barriers come directly from the problem tree.

As described earlier the results framework emerges from the baseline assessment activities that is carried out at the beginning of the process. Based on this the first column of the results framework can be elaborated, and then the focus should be on the assumptions by asking at each level: “what assumptions am I making about the change pathway that would allow for the activities to successfully result into outcomes which will feed into achieving the long-term vision (impacts)?”



Source: ToT Presentations

In addition, the GCF Programming Manual provides a helpful 7-steps guide<sup>37</sup> to develop a Theory of Change:

- **Formulation of the goal:** The first step in developing a theory of change is to determine the overarching goal. It is important to keep in mind that the goal is not what the project does on its own, but something that the project contributes to achieving. In the context of GCF, it is important to always consider how the goal is aligned with the eight GCF results areas and the GCF goals
- **Formulation of the goal statement:** The goal statement is the second important part of the theory of change. It is usually structured in the “IF ... THEN ... BECAUSE ...” format and explains the causal linkages between the project outputs, outcomes and the goal that the project will help to achieve. It is important to note that the goal statement is not static and can be updated after its initial formulation, as explained in the next steps
- **Formulation of outcomes:** In this step, the AE should look into the outcomes (or conditions) that contribute to achieving the goal established in step 1 and the linkages between the various outcomes. The outcomes

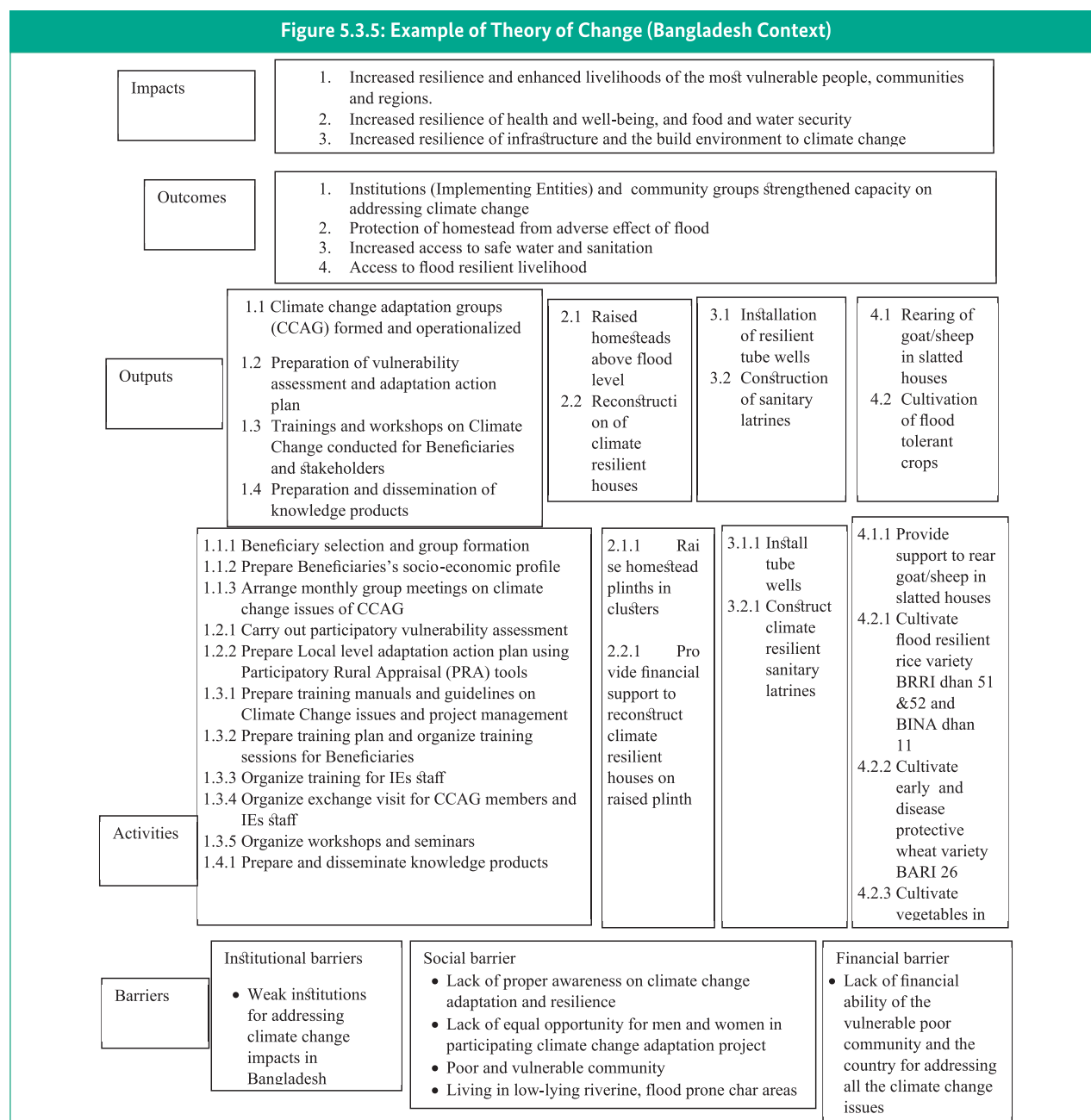


will then provide the framework to analyse which outputs from which types of activities or interventions will lead to the desired outcomes. Depending on the type of project, there can be several outcomes leading to another outcome (i.e. several layers of causal relationships). Analysing the relationship among the various project outcomes is crucial to the design of a solid theory of change

- **Formulation of project results:** In this step, the AE should analyse the activities, inputs and outputs that can lead to the project results of the project. Project results can be related to one specific outcome or to several outcomes.
- **Key assumptions:** In this step, it is important to identify the assumptions that apply to each of the outcomes and the underlying activities. While making the assumptions, it may be necessary to rearrange some of the outcomes and project results in order to make sure that the theory of change applies realistic assumptions linked to the project outcomes
- **Barriers and risks:** At this stage, the barriers that prevent the realisation of the project outcomes shall be identified and listed. When the barriers are aligned with the assumptions and the outputs, it may be necessary to rearrange some of the outputs, and even some of the outcomes (see section on barrier analysis above)
- **Fine-tuning of the initial Theory of Change:** The development of a theory of change requires a series of iterations before it is finalized. Once the initial draft of the theory of change has been formulated, it is important to review and, if necessary, realign the linkages between the project results, outcomes and the final goal to ensure that all linkages have been captured, and that the theory of change presents in a logical manner how the goal cascades back to the outcomes and results. In this process, for example, some outputs may be removed or replaced, and linkages changed in order to establish a clear logical pathway. The process of fine-tuning the theory of change may be repeated several times.



Figure 5.3.5: Example of Theory of Change (Bangladesh Context)



Source: SAP-008 (Extended Community Climate Change Project-Flood (ECCCP-Flood)), GCF

Key takeaways for this session include:

- The results framework is a 4x4 matrix structure used to turn the insights from previous analysis including the problem tree and the objective tree into a project plan
- The project is described in the first column which goes from activities at the bottom, thought outputs, outcomes and impacts
- Theory of change builds on the results framework and ideally describes how change happens not just what happens
- A good approach to developing a theory of change is to use the results framework and focus on the assumptions, ideally asking for each assumption "what evidence is there that this assumption holds true?"





## Climate rationale

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### Learning Outcomes:

- Understand how climate rationale is used to explain why climate money is required for the requested activities
- Understand what goes into GHG emissions calculations and about established methodologies for mitigation rationale
- Understand what elements need to be considered as part of adaptation projects, and how these are far less developed than for mitigation rationale



## 6.1. Climate rationale introduction

The climate rationale is the scientific and technical basis for the project upon which an investment decision can be made, to show that a particular intervention goes beyond a country's development imperative and demonstrates that the proposed investment is truly an intervention needed as a result of a country's changing climate situation. The approach to build a climate rationale should be science-based, using data, tools and methodologies to develop:

- a detailed description of the main climatic impacts or factors affecting a specific priority sector or location;
- the identification and production of data and science, including reference to the state of the climate (temperature, precipitation, ocean acidification, greenhouse gas emissions, etc.) now and in the future; and
- the identification of adaptation/mitigation measures to address the issues

## 6.2. Climate Rationale for mitigation projects

The GCF specifies that, as part of the Funding Proposal development, AEs should define how the proposed intervention reduces GHG emissions to the atmosphere and provide a detailed description of how the projected emissions have been calculated with respect to the baseline scenario<sup>38</sup>. A detailed practical guidance<sup>39</sup> on how to estimate GHG emissions reductions for GCF projects/programmes is provided in the GCF Programming Manual.

In general, development of a climate rationale for mitigation projects is a well-developed process which builds on decades of experience with GEF, CDM and gold standard projects, and many detailed methodologies exist for this purpose. Some key steps include:

- Choose a methodology (e.g. CDM & Gold Standard)
- Establish a baseline and quantify baseline GHG emissions
- Demonstrate that the baseline is different from the project scenario – would it have occurred in the absence of the project – “additionality”
- Determine the incremental cost (if relevant)
- Quantify the project's GHG emissions and GHG emission reductions.

For all the methodologies the process starts with establishing the baseline and quantifying baseline GHG emissions. The CDM methodology includes a flow chart for how to demonstrate additionality: a key recommendation is to follow through the chart and use it to formulate the narrative on additionality.

**Incremental cost funding** is an operational principle of many climate funds, especially the GEF. The fund finances the increment or additional costs associated with transforming a project with national/local benefits into one with global environmental benefits as well. Its determination is not always required: for instance, for GEF this is a fundamental operating principle, but for the GCF this is not, except in the case where the mitigation technology is commercial and usually in middle income countries. This despite the fact that GCF intends to provide climate finance, not development finance<sup>40</sup>, and therefore incremental is essential to justify GCF finance. However, there seem to be a contradictory position on this.

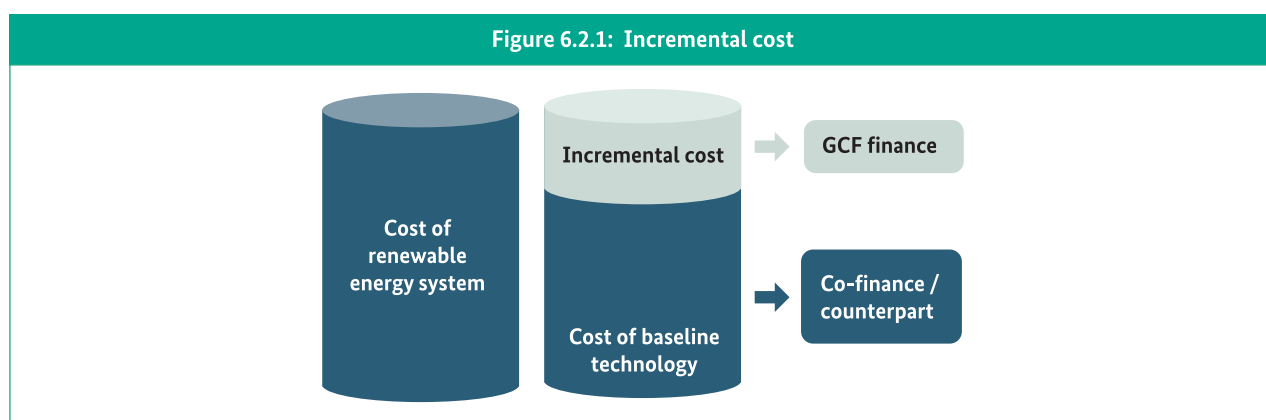
Figure 6.2.1 illustrates an example of incremental cost for a renewable energy system. Note that the costs are not simply investment costs. Costs should be compared based on the Net Present Value of the investments. Given the high initial cost of renewables and the high operating costs of many baseline technologies, it is possible that the incremental cost will be less than zero. If that is the case, there is no simple rationale for climate funding since the cost of the new technology is less than the cost of the baseline technology.

38 GCF Programming Manual, 2020, Part 2, Section B.1, pp. 93-94

39 GCF Programming Manual, 2020, Part 2, Section B.1, Box 21, p. 93

40 GCF, SAP Funding Proposal Guidelines, p. 9





Source: ToT Presentation

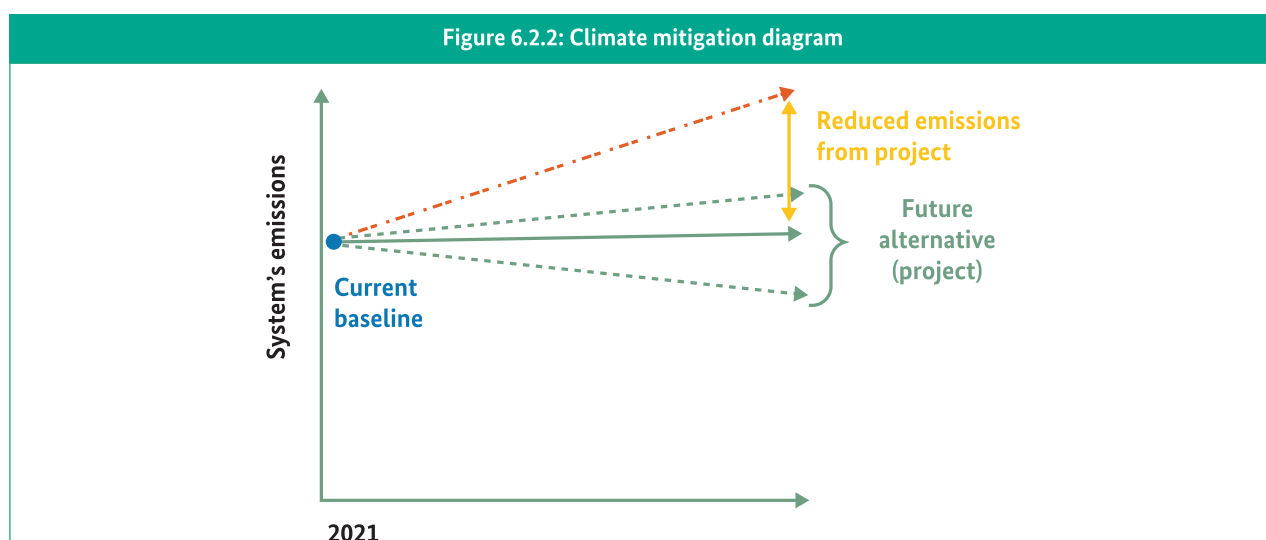
GHG reductions estimates include:

### Mitigation

- **Function of**
  1. Type of activity
  2. Emission factor of the gases released by the activity
  3. Scale of intervention
- **Examples:** efficient cooling, changes in livestock feed

### Sequestration

- **Function of**
  1. Sequestration capacity
  2. Scale of intervention
- **Examples:** afforestation, mangrove plantations



Source: ToT Presentation

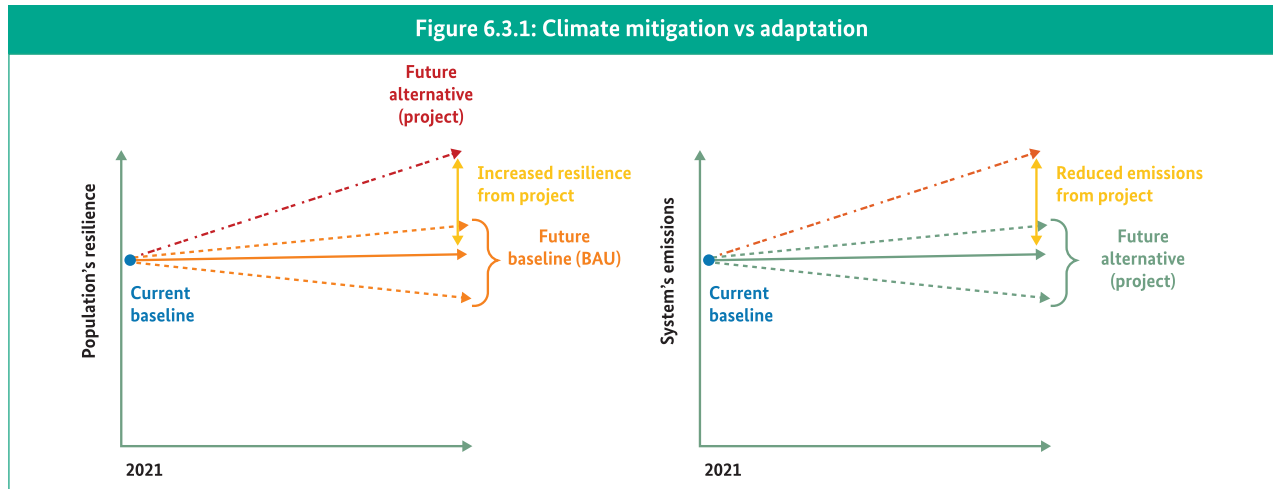
A helpful checklist for the climate rationale of mitigation projects should include the following questions:

- Have I described the GHG emissions profile of the country and how the project contributes? Have I described the mitigation needs?
- Have I described the expected GHG emissions of the baseline and project alternative and how it has been estimated?
- Have I provided an argument related to the incremental costs?
- Have I referred to scientific evidence for the sections above? E.g. UNFCCC documents – TNAs, national communications, NDCs, IPCC documents
- Is there a logical alignment between mitigation opportunities, barriers and the project activities my project is putting forward?

### 6.3. Climate rationale for adaptation projects

IPCC defines adaptation as “The process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. In some natural systems, human intervention may facilitate adjustment to expected climate and its effects.”<sup>41</sup>

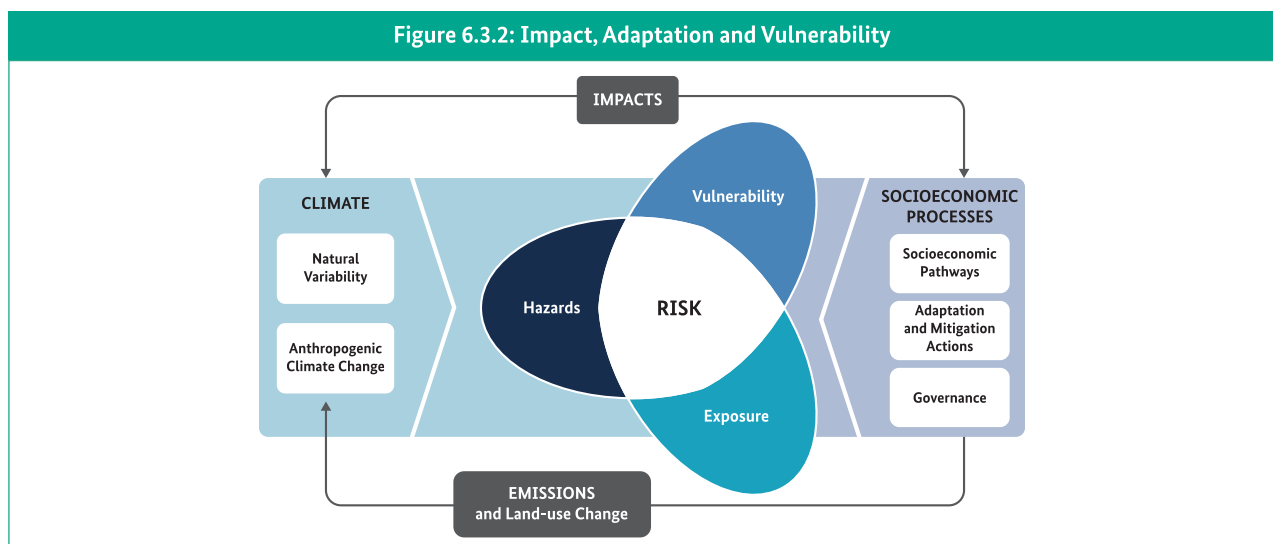
Unlike climate change mitigation, climate change adaptation focuses on reducing vulnerability and increasing resilience. Adaptation is about responding to imminent change – we can be reactive or proactive in this response, and a stronger level of resilience requires a proactive approach. Being more proactive requires a better identification of the risks and impacts in a given area and on a given community:



Source: ToT Presentation

Therefore, climate change funding proposal requirements ask project developers to: describe the climate vulnerabilities, impacts and adaptation needs that the intervention is envisaged to address. In other words, how this project will create a shift towards a climate resilient future.

IPCC summarises some of these core concepts in the following diagram: Risk of climate-related impacts results from the interaction of climate-related hazards (including hazardous events and trends) with the vulnerability and exposure of human and natural systems. Changes in both the climate system (left) and socioeconomic processes including adaptation and mitigation (right) are drivers of hazards, exposure, and vulnerability. The Venn diagram in the centre shows the combination of hazards, exposure and vulnerability determining risk. When potential risks materialise, this results in impacts.<sup>42</sup>



Source: IPCC AR6

<sup>41</sup> IPCC, Climate Change 2014, Impact, Adaptation and Vulnerability, Summary for Policymakers, p. 5

<sup>42</sup> IPCC, Climate Change 2014, Impact, Adaptation and Vulnerability, Summary for Policymakers, p. 3

In the 6th Annual Report of IPCC an updated illustration of core concepts is shown in figure below:

Figure 6.3.3: From climate risk to climate resilient development



Source: IPCC AR6

Some key terminology for understanding concepts of climate change adaptation and then draw the climate rationale include :

1. **Climate driver:** for example, increased wind speed, reduced precipitation, increased temperature and increased evapotranspiration
2. **Natural variability:** the day to day – season to season change.
3. **Anthropogenic climate change:** human contributed and usually identified by climate data trends of 30+ years which show a change over decades.
4. **Socio-economic pathways:** related to our livelihoods, employment, economic prosperity
5. **Adaptation actions:** are those that reduce vulnerability and increase resilience, for instance ensuring freshwater resources do not get contaminated by saline water through climate proofed water treatment facilities.
6. **Governance:** the rules and laws that guide our societies and determine whether we adapt to climate change, how quickly and if we avoid maladaptation.
7. **Hazards:** The potential occurrence of a natural physical event or trend or physical threat 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<sup>43</sup>. EM-DAT<sup>44</sup>, the International Disasters Database, classifies hazards into natural and technological. Natural hazards can be sub-classified, among other groups, as
  - **Hydrological:** a hazard caused by the occurrence, movement, and distribution of surface and subsurface freshwater and saltwater. Examples include: floods, landslides, wave action

43 IPCC, Climate Change 2014, Impact, Adaptation and Vulnerability, Summary for Policymakers, p. 5

44 <https://www.emdat.be/classification>, accessed on 14/04/2022

- **Meteorological:** a hazard caused by short-lived, micro- to meso-scale extreme weather and atmospheric conditions that last from minutes to days. Examples include: extreme temperatures, fog, storms
- **Climatological:** A hazard caused by long-lived, meso- to macro-scale atmospheric processes ranging from intra-seasonal to multi-decadal climate variability. Examples include: droughts, wildfires

NB: Earthquakes, Tsunamis and volcanoes are geophysical hazards and not climate driven.

- 8. Exposure:** The proximity and presence of people, livelihoods, ecosystems, infrastructure, or economic, social, or cultural assets in places and settings that could be adversely affected by climate hazards. Here, proximity is defined as being geographical/spatially or otherwise exposed, for instance, a community becomes food insecure due to adjacent region being impacted by climate change.
- 9. Vulnerability:** The propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts and elements including sensitivity or susceptibility to harm and lack of capacity to cope and adapt. Vulnerability is inherently dynamic, meaning current vulnerability to climate drivers is not necessarily the same as future vulnerability to climate change.
- 10. Sensitivity:** The degree to which a system or species is affected, either negatively or positively by climate variability or change. Examples include high dependency of farmers from rain-fed agricultural production, meaning they have a high level of sensitivity to climatic and meteorological hazards.
- 11. Adaptive capacity:** The ability of systems, institutions, humans, and other organisms to adjust to potential change. Factors defining adaptive capacity include:
  - Financial: no savings or poor access to credit
  - Physical: low protective infrastructure, inadequate housing or inaccessible shelter
  - Social/Human: low disaster awareness or a support network due to marginalisation or discrimination
- 12. Risk:** The potential for consequences or impacts, where something of value is at stake and where the outcome is uncertain
- 13. Climate Impact:** The consequence of climate change on natural and human systems. That is, when risk becomes real (damage to essential infrastructure due to tropical storms, damage to crops due to drought conditions and, livelihoods compromised, next seasons seeds lost, food insecurity, no second harvest due to seasonality)

A helpful summary of key terms is as follows:

- Climate impact – the consequences of climate change on natural and human systems
- Climate hazard – a danger or a threat driven by a climate variable such as precipitation
- Disaster – a serious disruption caused by exposure to a hazard / multiple hazards that impacts the functioning of society, causing widespread human, material or environmental losses, which exceed the ability of affected society to cope using only its own resources
- Risk – a potential for impacts where something of value is at stake with an uncertain outcome.
- Exposure – people or things exposed to a hazard – geographically or otherwise
- Vulnerability – sensitivity to harm and lacking adaptive capacity
- Sensitivity – the degree to which a system or species is affected, either negatively or positively by climate variability or change
- Adaptive capacity – ability of systems, institutions, humans, and other organisms to adjust to potential change/damage

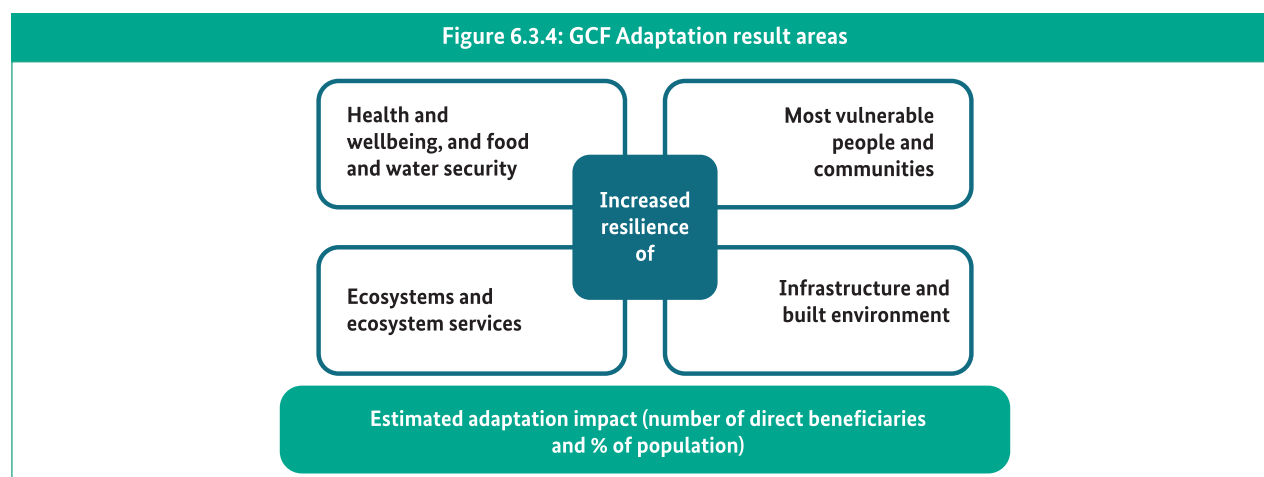
#### Preparation for formulating the climate rationale:

The GCF Programming Manual<sup>45</sup> determines that the climate rationale for adaptation projects should demonstrate how the project/programme activities would help to reduce vulnerabilities to the impacts of climate change. This should clearly distinguish between the climatic and non-climatic drivers of stressors to humans and ecosystems and their vulnerabilities in order to allow the project to achieve transformative results. In addition to climate factors, in the case of adaptation, the climate science basis should identify the degree of exposure and vulnerability of affected people and assets to current and future climate conditions, and their root causes, as a basis for identifying and prioritizing

<sup>45</sup> GCF Programming Manual, 2020, Part 2, Section B.1, p. 94

adaptation needs. The climate science basis supports the theory of change, identifying and characterizing the past, present and future behaviour of multiple climate drivers across spatial and temporal scales that are associated with societal impacts and which need to be addressed to improve future climate-related societal impacts. The climate rationale for adaptation can potentially broaden the prevailing “predict-and-act” approach whereby biophysical hazards are viewed as the main source of risk, neglecting the societal roots of exposure and vulnerability and the necessity for political-economic change to achieve transformative adaptation.

As seen above, GCF has four adaptation strategic impact result areas:



Source: ToT Presentation

It is not necessary to focus on all of four of them: result area in the funding proposal stage needs to be also clearly evidenced and has fund standardised impact and outcome indicators. It is therefore important to identify the main climatic impacts and the specific climatic factors affecting specific priority sectors or locations. The rationale should provide a strong evidence base using sound scientific and technical evidence demonstrating the need for the proposed project:

- **Step 1 – Establishing the climate risk profile.** Here the project should present:
  - Why are we addressing climate change, why is it important to the country/people
  - Historical climate data – 30 years observed variability (1981-2010) + events
  - Projected climate data – 2011-2040, 2041-2070 and 2071-2100; RCP4.5 and 8.5
  - Future risks – what is potentially at stake, who/what is most vulnerable
    - Projected impacts – what are the consequences if the risk manifests (target region)
- **Step 2 – Identifying adaptation activities.** Here the project should present:
  - Proposed adaptation activities – responding to the climate problem
  - Alternative option – the situation without the project
  - Justification of why we are choosing this intervention and country alignment

GCF looks for these features with an increasing trend in requiring more downscaled climatic and socioeconomic data. Step 1 is focused on the science related problem and impacts, step two focuses on the activities in response to these risks. For the Concept Note, best practice is to compose 1-2 paragraphs per section with the current and future baseline presented in text, table form or ideally climatic maps showing variability and significant shifts respectively. Depending on the context, temperature, precipitation, desertification and Sea Level Rise (SLR) could be used. Other important information include:

- Historical records and major events (e.g. Seroja, Cempaka, Bonnie, Viyaru, Flores etc) plus seasonal impacts, such as El Nino and La Nina years – name, year, impacts and Loss and Damage (L&D)

Use a Regional Climate Model (RCM) with at least 50 km resolution for the Representative Concentration Pathway 2.6, 4.5 and 8.5 future projections. The RCPs – originally RCP2.6 (immediate emissions decline, below 2 degrees), RCP4.5 (emissions decline 2040, likely), RCP6(emissions decline 2080), and RCP8.5 (worst case scenario, no action)– are labelled after a possible range of radiative forcing values in the year 2100. Shared Socioeconomic Pathways: as are new RCPs such as RCP1.9, RCP3.4 and RCP7.

**Example:** Projections for Indonesia tell us that temperature will increase, number of hot days and nights will increase along with extreme heat events, SLR will increase (already 5th in the world) , precipitation will decrease overall but vary and climate impacts could costs 2.5 to 7% of GDP by 2100 (WB/ADB risk profile). Target region – Indonesia is extremely



diverse geographically and spatially from mountains to coast, mainland to islands – regional climates are significant to mention when considering your target area.

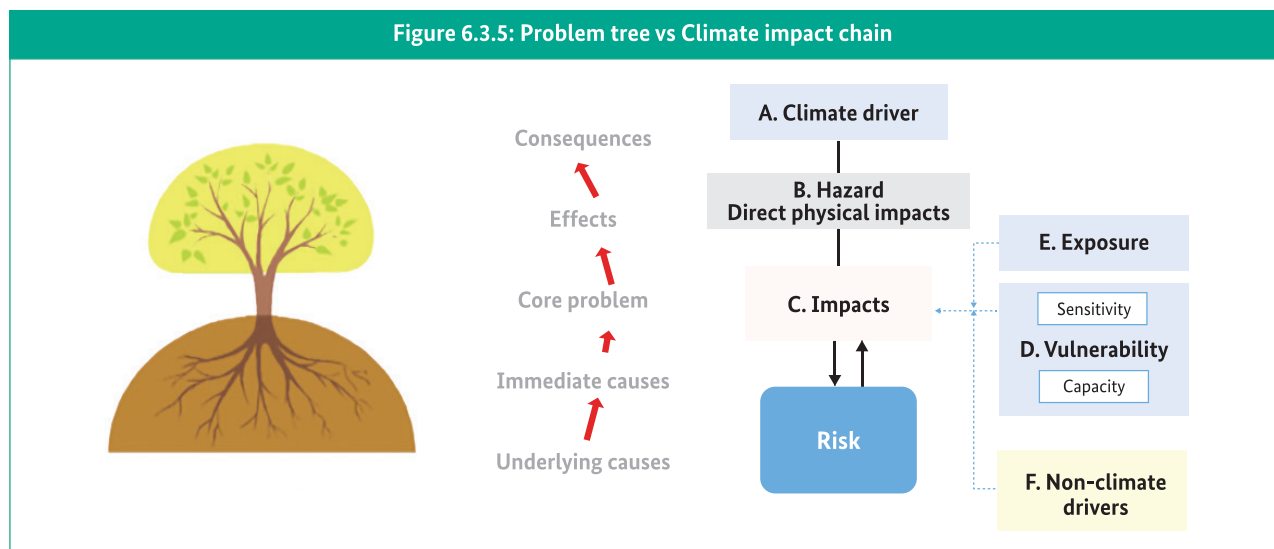
In considering the climate adaptation problem, it helps to gather some context and insights to support the project goal. Some helpful resources include:

- **Plans:** NDC 2016, NC3 2017, 2nd BUR 2018, NAP Executive Summary, others e.g. health, water, agricultural
- **Indices:** ND-GAIN, Global Climate Risk (germanwatch), Climact, INFORM
  - Profiles: ADB 2020, WB Climate Change Knowledge Portal, US Aid Climate Risk Factsheets, GERICS
  - Projections: WB Portal, climate models, Structured Access Platform
  - Impacts: Agriculture, economic, social – specific ministries will have information and resources
  - GCF: NDA/Focal point dialogues; GCF Programming Manual – indicators, guiding questions, Funding Proposal examples, helpful tips, published concept notes for good practice
  - Project developers: past/current climate projects
- **Online course:** Integrating Climate Risk Information into NAPs
- **Water projects:** climate rationale for GCF – 19 September 2018
- **WMO & GCF Guide & training:** pending release
- **E Co.:** webinars, case studies and GCF insight

**Climate impact chain:** It is important to remember that development projects are rooted in political, cultural and economic factors, climate projects are rooted in variables of climate. A helpful exercise to help tease out the climate elements that contribute to the risk profile is the development of a climate impact chain.

Climate impact chains [...] are an analytical concept to better understand, systemise and prioritise the climate factors as well as environmental and socio-economic factors that drive climate related threats, vulnerabilities and risks in a specific system.<sup>46</sup>

A climate impact chain provides decision-makers with a first indication of where climate impacts may be felt earliest, such as losses in production, health, ecosystems and assets; and where interventions might be needed. It also helps identify effective adaptation solutions that address the specific impacts and vulnerability factors.

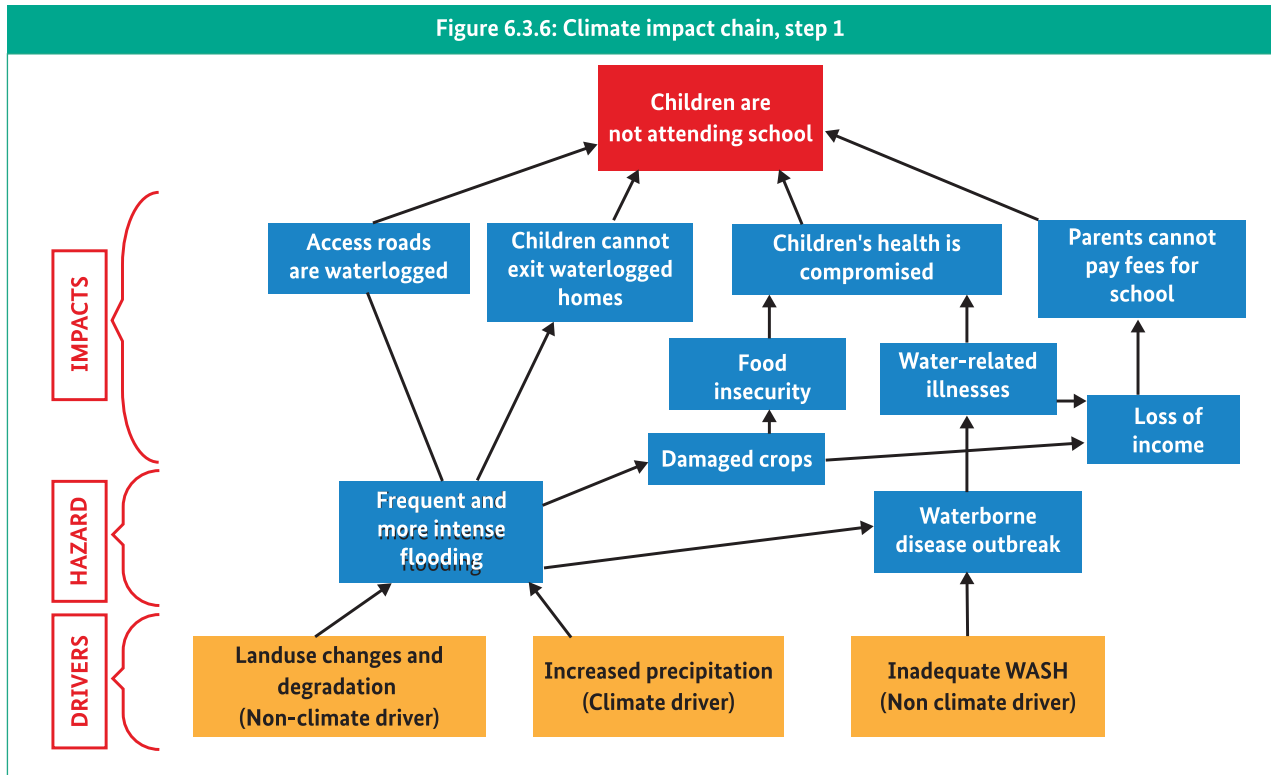


Source: ToT Presentation

A practical application of this model would look like this: first, identify the drivers (distinguishing between climate and non-climate), hazard and impacts:

<sup>46</sup> M. Zebisch et al., The vulnerability sourcebook and climate impact chains – a standardised framework for a climate vulnerability and risk assessment, International Journal of Climate Change Strategies and Management, ISSN: 1756-8692, March 2021

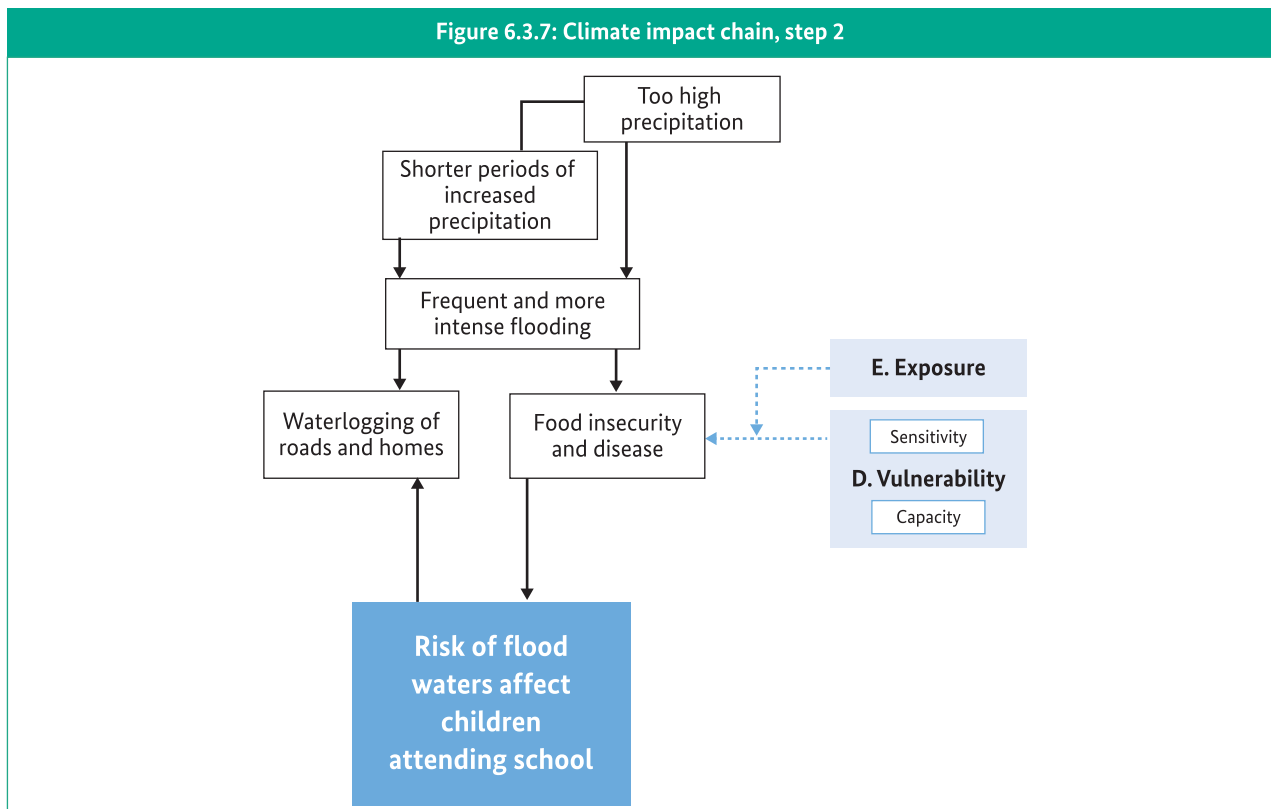
Figure 6.3.6: Climate impact chain, step 1



Source: ToT Presentation

When applying information already included in the problem tree (the climate driver, the hazard and the impacts) to our impact chain model, it is easy to determine the risk – which is the potential for an impact:

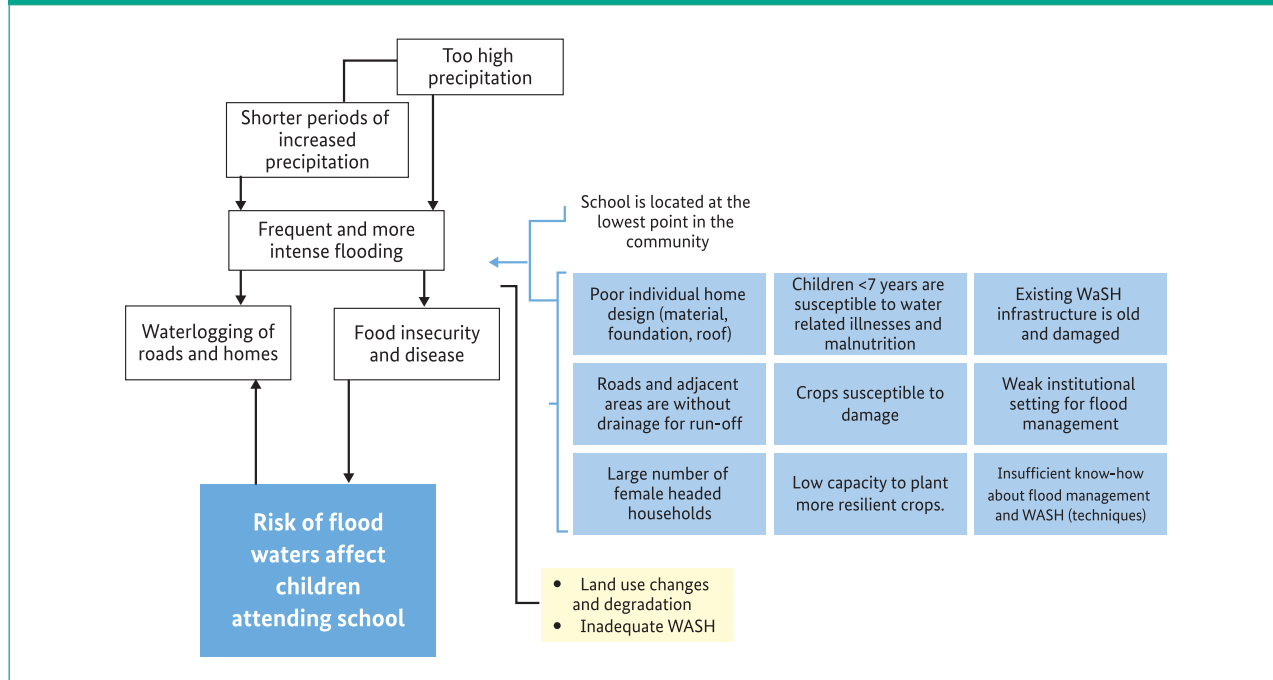
Figure 6.3.7: Climate impact chain, step 2



Source: ToT Presentation

Developers then work through the logic relating risk to the other core climate elements of vulnerability and exposure

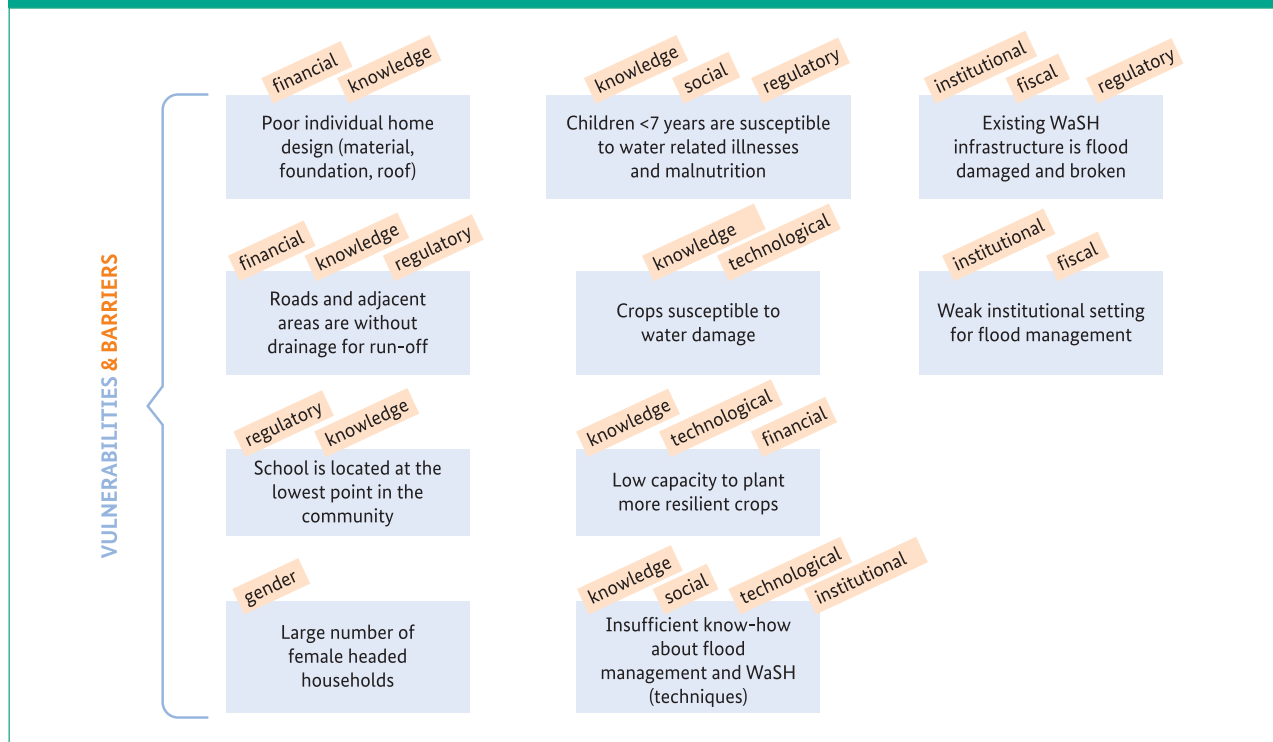
Figure 6.3.8: Climate impact chain, step 3



Source: ToT Presentation

While analysing the vulnerabilities, it is essential not to forget the barriers. With a good grasp of the vulnerabilities and an understanding of the barriers, it is possible to develop thoughtful and realistic solutions through developing the activities:

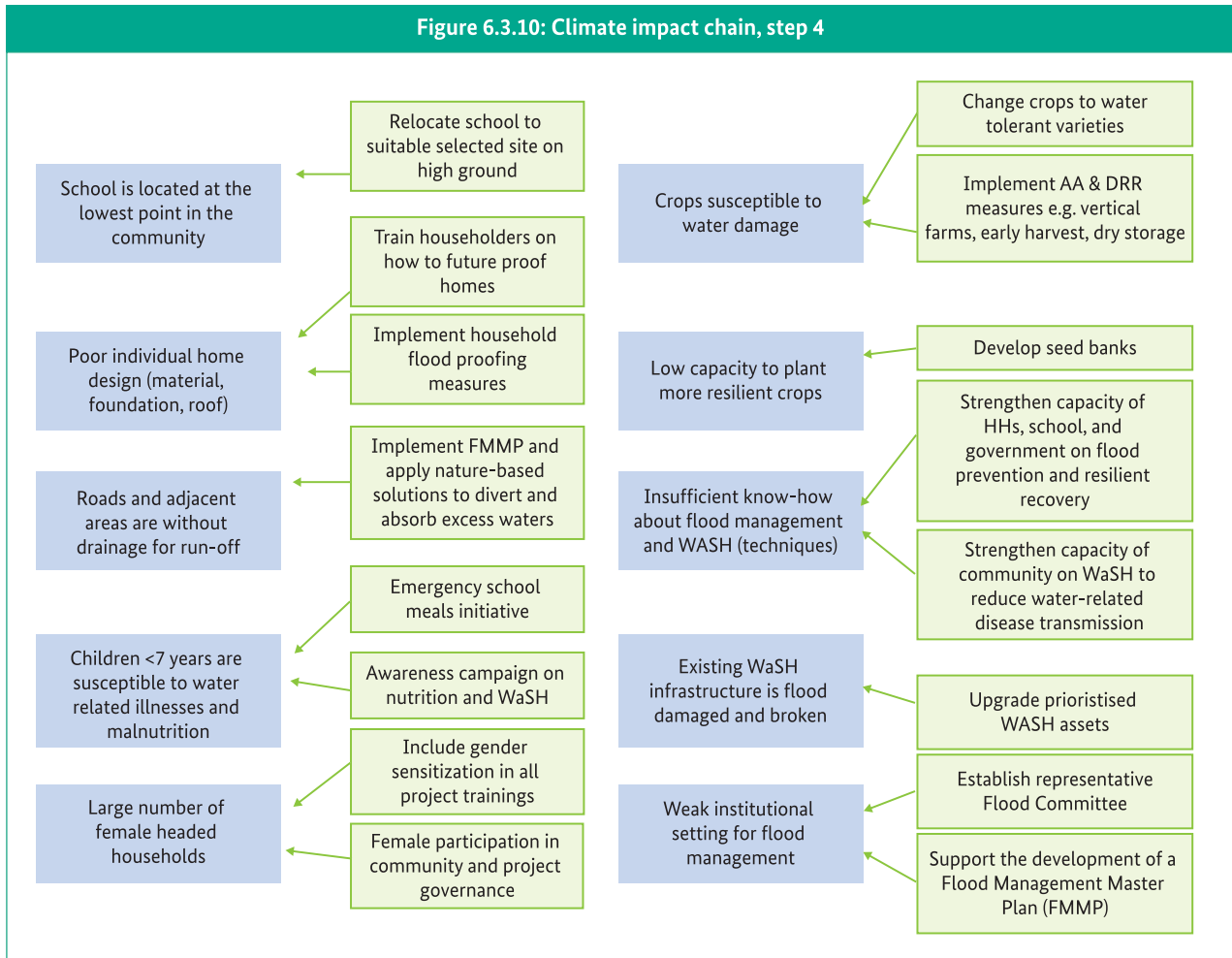
Figure 6.3.9: Climate impact chain, step 3 - barriers



Source: ToT Presentation

Once the vulnerabilities and the barriers are identified, it is possible to work on the activities. These should remove the barriers and address the vulnerabilities:

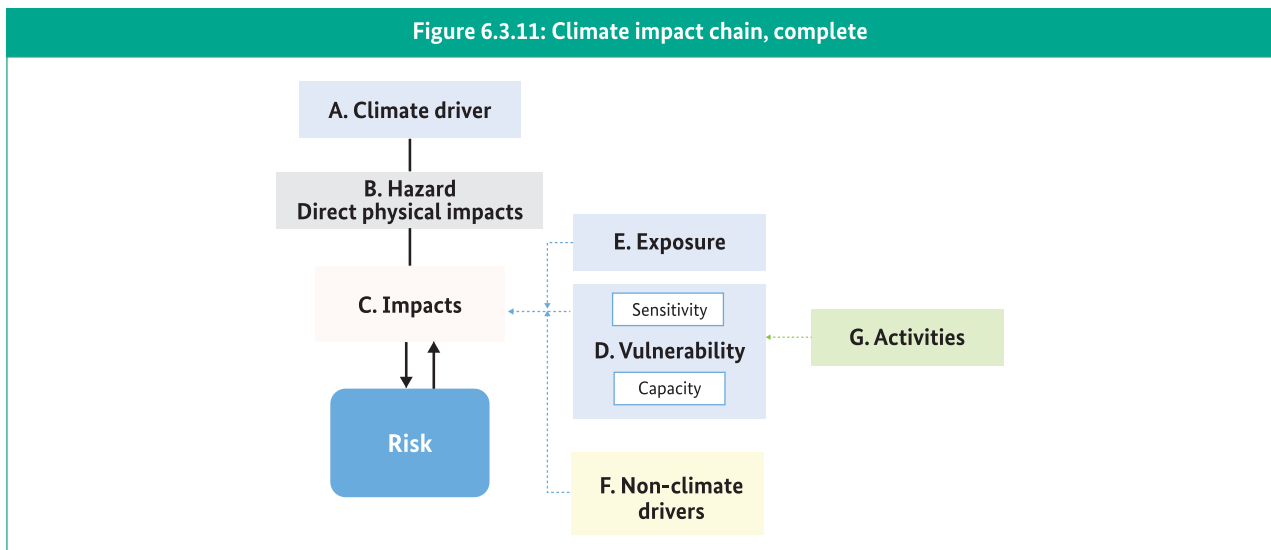
Figure 6.3.10: Climate impact chain, step 4



Source: ToT Presentation

When all the steps are completed, the final climate impact chain will look like this:

Figure 6.3.11: Climate impact chain, complete



Source: ToT Presentation



Simplified approach to the climate rationale for adaptation projects: this approach includes three steps:

- Describe the impact chain from the problem tree
- Provide scientific data to support the causal links in the impact chain, including the use of climate data
- Check the validity of the description

A helpful checklist for the climate rationale of adaptation projects should include the following questions:

- Have I described the main climate hazards and associated risks that the project is addressing?
- Have I described the main climate impacts these hazards will have on the specific sector, area or population?
- Have I mentioned historical trends, extreme events and future projections related to these climate hazards?
- Have I described the non-climate drivers?
- Have I described the vulnerability of the sector, area and populations (including gender, indigenous groups) to the climate hazards?
- Have I referred to scientific evidence for the sections above?
- Is there a logical alignment between climate hazards, barriers and the project activities my project is putting forward?







## GCF investment criteria

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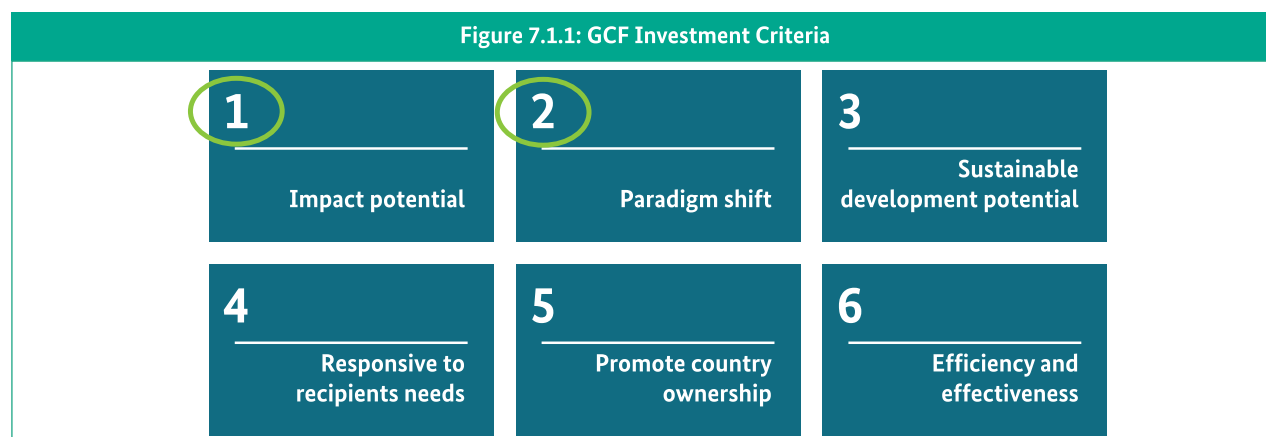
### Learning Outcomes:

- Understand how impact, outcomes, outputs, activities and deliverables must be well defined
- Learn how linking these in a logical structure ensures that the project follows a clear logic
- Ask guiding questions to ensure each of the investment criteria have been considered

## 7.1. GCF Investment Criteria

The following sections described the seven GCF investment criteria and the related guiding questions.

Funding proposals submitted to the GCF need to describe how they fulfil the GCF's six investment criteria:



Source: ToT Presentations

These are:

- Impact potential, means the potential of the project to contribute to the achievement of the GCF objectives and results areas.
- Paradigm shift, means the potential of the project to catalyse impacts beyond a once off investment to achieve a systemic change
- Sustainable Development potential is the wider benefits including environmental, social, and economic co-benefits and gender sensitive impact of the project
- Responsiveness to recipients needs, means how the project responds to vulnerability and financing needs of the beneficiary country
- Promote country ownership, refers to how the project promotes ownership and skills to implement the funded project
- Efficiency and effectiveness, refers to the economic efficiency, financial viability, cost effectiveness and co-financing of the project/ programme

Through the 6 investment criteria the GCF seeks to achieve a paradigm shift towards low emissions climate resilient development. Proposals must describe how the project fulfils all six of the investment criteria. Section D of the GCF funding proposal templates follow these 6 investment criteria closely:

## 7.2. Impact potential

The description of this criteria should start with an introduction of the impact potential elements that the funding proposal intends to achieve<sup>47</sup>. Impact is defined as the change produced for institutions and beneficiaries from delivering outputs; for example, the expected reduction of mortality rates and economic losses due to improved early warning systems are the impact potential of the activities and outputs financed by GCF.

This section should describe the potential of the project/programme to contribute to the achievement of the GCF objectives and results areas. As applicable, describe the envisaged project/programme impact for mitigation and/or adaptation. With respect to the mitigation impact, elaborate on how the project/programme contributes to low-emission sustainable development pathways, while for the adaptation impact, elaborate on how the project/programme contributes to increased climate-resilient sustainable development. The information in this section can refer to section B.1 ("Climate context") and should be consistent with section E.2 ("Core indicator targets").

<sup>47</sup> GCF Programming Manual, 2020, Part 2, Section D.1, p. 116

Guiding questions for assessing impact potential, included in the GCF Programming Manual, include:

**Figure 7.2.1: Guiding questions, impact potential**

MITIGATION POTENTIAL	ADAPTATION POTENTIAL
The project/programme's contribution to the shift to low-emission sustainable development pathways	The project/programme's contribution to increased climate-resilient sustainable development
<p>What is the expected amount in tCO<sub>2</sub>eq to be reduced or avoided?</p> <p>What is the degree to which the activity avoids lock-in of long-lived, high-emission infrastructure?</p> <p>What is the expected increase in the number Of households with access to low-emission energy?</p> <p>What is the degree to which the project/programme supports the scaling up of low-emission energy?</p> <p>What is the expected amount of MW of low-emission energy capacity installed, generated and/or rehabilitated?</p> <p>What is the expected increase in the number of low-emission power suppliers?</p> <p>What is the expected decrease in the energy intensity of buildings, cities, industries and appliances? (PMF-M expected result 7.0)</p> <p>What is the expected increase in the use of low-emission transport? (PMF-M expected result 8.0)</p> <p>What is the expected improvement in the management of land or forest areas contributing to emission reductions? (PMF-M expected result 9.0)</p> <p>What is the expected improvement in waste management contributing to emission reductions?</p>	<p>What is the expected total number Of direct and indirect beneficiaries in terms Of reduced vulnerability or increased resilience? Please specify the number of beneficiaries relative to total population (PMF-A core indicator 1), particularly the most vulnerable group</p> <p>What is the degree to which the activity avoids lock-in Of long-lived, climate-vulnerable infrastructure?</p> <p>What is the expected strengthening of institutional and regulatory systems for climate-responsive planning and development (PMF-A expected result 5.0)?</p> <p>What is the expected increase in generation and use of climate information in decision-making (PMF-A expected result 6.0)?</p> <p>What is the expected strengthening of adaptive capacity and reduced exposure to climate risks (PMF-A expected result 7.0)?</p> <p>What is the expected strengthening of awareness of climate threats and risk-reduction processes (PMF-A expected result 8.0)?</p>

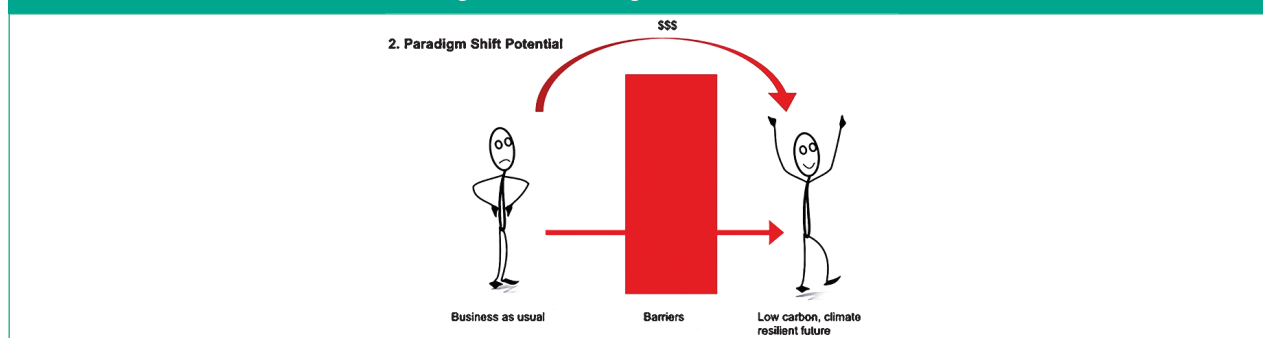
Source: GCF Programming Manual

## 7.3. Paradigm shift

This criterion should refer to the theory of change<sup>48</sup>. Through the theory of change, GCF and the independent Technical Advisory Panel 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 include a chart that shows the theory of change model and summarizes how the project removes barriers to climate resilience and green growth in the long term and how gender issues are addressed. This section should present the current situation, the situation 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, as well as the capacity of the project to generate knowledge and lessons that can be applied to future climate interventions both in the country where the project is implemented and in others. Other elements to be discussed, as applicable, could include how the intervention is expected to encourage private sector investment or how it could have wider economic impacts.

<sup>48</sup> GCF Programming Manual, Part 2, Section D.2, p. 117

Figure 7.3.1: Paradigm Shift visualisation



Source: ToT Presentation

A good way to visualise the change is shown here: by transformational project design, funders are asking for the project to be designed in such a way that the project doesn't just temporarily jump over the barriers but systematically reduces or removes them. Activities that support changes in policy and legislation, that embed knowledge, that structure transactions so that they are not purely dependent on outside money, can produce this lasting change.

Guiding questions for assessing paradigm shift, included in the GCF Programming Manual, include:

Table 7.3.1: Guiding questions, paradigm shift

Potential for scaling up and replication, and contribution to global low-emission development pathways consistent with a temperature increase of less than 2°C (mitigation only)	Overall contribution to climate-resilient pathways consistent with a country's climate change adaptation strategies and plans (adaptation only)	Potential for knowledge and sharing lessons learned	Contribution to the creation of an enabling environment	Contribution to the regulatory framework and policies
<p>Do the proposed activities create the opportunities for targeting innovative solutions, new market segments, developing or adopting new technologies, business models, modal shifts and/or processes?</p> <p>What is the potential for expanding the scale and impact of the project/ programme without increasing the total costs of implementation? Support this with a theory of change.</p> <p>What is the replicability of the proposed project/ programme?</p>	<p>What is the potential for expanding the proposal's impact without equally increasing its cost base?</p> <p>What is the potential for exporting key structural elements of the proposed project/ programme elsewhere within the same sector and other sectors, regions or countries? Support this with a theory of change.</p> <p>What is the degree to which the intervention reduces proposed risks of investment in technologies and strategies that promote climate resilience?</p>	<p>What is the contribution to the creation Or strengthening of knowledge, or collective learning processes?</p> <p>Is there a monitoring and evaluation plan and a plan for sharing lessons learned so that they can be incorporated within other projects/ programmes?</p>	<p>Are there arrangements that provide for the long-term and financially sustainable continuation of outcomes and activities beyond the completion of the intervention?</p> <p>Please describe the extent to which the project/programme creates new markets and business activities at the local, national, or international levels.</p> <p>What is the degree to which the activity will change incentives for market participants by reducing costs and risks and eliminating barriers to the deployment of low-emission and climate-resilient solutions?</p> <p>What is the degree to which the proposed activities help to overcome systematic barriers to low-emission development to catalyse impact beyond the scope of the intervention?</p>	<p>What is the degree to which the project/ programme advances the regulatory or legal frameworks to systematically promote investment in low-emission or climate-resilient development?</p> <p>What is the degree to which the activity promotes mainstreaming of climate change considerations into policies and regulatory frameworks and decision-making processes?</p>

Source: GCF Programming Manual

## 7.4. Sustainable development

The description of this criteria in the funding proposal should describe the wider benefits and priorities of the project/programme in relation to the United Nations Sustainable Development Goals and provide an estimation of the impact potential in terms of:

- The environmental co-benefits;
- The social co-benefits, including health impacts;
- The economic co-benefits; and
- The gender-sensitive development impact<sup>49</sup>.

Only the applicable elements of the above list need to be elaborated upon in the funding proposal. Although GCF is mandated to finance climate-related costs, there is the potential to achieve several development co-benefits of an environmental, social and economic nature. This section of the funding proposal should clearly describe the co-benefits of the proposal. If possible, it should quantify them against the current baseline. Explicit reference to the commitment and status of the country(ies) to the relevant United Nations Sustainable Development Goals can be made at the start of this section.

Guiding questions for assessing sustainable development, included in the GCF Programming Manual, include:

**Table 7.4.1: Guiding questions, sustainable development**

Social co-benefits	Environmental co-benefits	Economic co-benefits	Gender-sensitive development impact
Is the project/programme expected to promote positive environmental externalities (e.g. air quality, soil conservation, biodiversity)?	What is the potential for externalities in the form of expected improvements in areas such as health and safety, access to education, improved regulation and/or cultural preservation?	Is the project/programme expected to expand/enhance job markets, facilitate job creation and poverty alleviation and/or increase involvement Of local industries?  Is the project/programme expected to contribute to an increase in productivity and competitive capacity?	Please provide an explanation of how the activities will address the needs of women and men in order to correct prevailing inequalities in climate change vulnerability and risks

Source: GCF Programming Manual

## 7.5. Responsive to recipient needs

It is important for the project proposal to include a discussion on how communities, especially those most vulnerable, will benefit from the proposed intervention<sup>50</sup>. The durability and sustainability of the solutions proposed by the intervention for the country(ies), institutions (public or private) and beneficiaries (households, small and medium-sized enterprises, etc.) that the project intends to support are important components of the proposal. This section of the funding proposal should describe the scale and intensity of vulnerability of the country and beneficiary groups and elaborate how the project/programme intends to address the issue (e.g. the level of exposure to climate risks for the beneficiary country and groups, overall income level). Describe how the project/programme addresses the following needs:

- The vulnerability of the country and/or specific vulnerable groups, including gender aspects (for adaptation only);
- The economic and social development level of the country and the affected population;
- The absence of alternative sources of financing (e.g. the fiscal or balance-of-payment gap that prevents the government from addressing the needs of the country; and the lack of depth and history in the local capital market); and

The need to strengthen institutions and implementation capacity.

<sup>49</sup> GCF Programming Manual, Part 2, Section D.3, p. 119

<sup>50</sup> GCF Programming Manual, Part 2, Section D.4, p. 120-121



Guiding questions for assessing responsiveness to recipient needs, included in the GCF Programming Manual, include:

**Table 7.5.1: Guiding questions, responsiveness to recipient needs**

Vulnerability of the country (adaptation only)	Vulnerable groups and gender aspects (adaptation only)	Economic and social development levels of the country and the affected population	Absence of alternative sources of financing	Need for strengthening institutions and implementation capacity
Please describe the intensity of exposure to climate risks and the degree of vulnerability, including exposure to slow onset events.  What is the size Of the population and/or the social/economic assets of the country exposed to climate change risks and impacts?	Does the project/ programme support groups that are identified as particularly vulnerable in national climate or development strategies, with relevant sex disaggregation?	What is the level of social and economic development (including income level) Of the country and target population (e.g. minorities, disabled, elderly, children, female heads Of households, Indigenous peoples)?	Please provide an explanation of the existing barriers that create an absence of alternative sources Of financing and how they will be addressed.	What are the opportunities to strengthen institutional and implementation capacity?

Source: GCF Programming Manual

## 7.6. Promote country ownership

This criterion should describe how the targeted host country(ies) takes ownership of and implements the funded project/programme, including the following elements<sup>51</sup> :

- The existing national climate strategy;
- The existing GCF country programme;
- Alignment with existing policies such as NDCs, nationally appropriate mitigation actions (NAMAs) and national adaptation plans (NAPs);
- The capacity of AEs or executing entities (EEs) to execute the project;
- The role of the national designated authority; and
- Engagement with civil society organisations and other relevant stakeholders, including Indigenous peoples,90 local communities, women and other vulnerable groups.

The description should demonstrate how the proposal is aligned with and contributes to national climate change strategies (e.g. NDCs, NAPs, national adaptation programmes of action and NAMAs) and other relevant policies (e.g. economic strategies, technology needs assessments, development policies and plans, disaster risk reduction policies). Regional or international commitments that can be related to the outcomes of the project (e.g. the Sendai Framework for Disaster Risk Reduction 2015–2030, Sustainable Energy4all) should also be elaborated. The new policy framework introduced by the country to support the project/programme, if any, should also be explained in this section (e.g. the development of a standardized long-term power purchase agreement to support renewable energy projects).

This section should describe the experience of the proposing AE in the specific sector(s) in which the proposal will invest in the country(ies) proposed for the project/programme implementation. The ‘comparative advantage’ of the AE in this type of intervention should be described and shown through examples. Reference should be made to the quality and skills of the staff that are envisaged to support the project (also at the headquarters and regional office levels), as well as the commitment to work with the government and local consultants during project implementation.

In another paragraph of this section, a succinct description should be provided of why the proposed EE(s) is/are best suited to project implementation, in the context of the country. This part can refer to the information reported in section B.4 on implementation and institutional arrangements, and the due diligence of the EE in terms of its financial management capacity to administer GCF proceeds (e.g. its track record of managing similar-sized funding). There should also be references to how the national designated authority was involved in the design of the intervention.

Guiding questions for assessing country ownership, included in the GCF Programming Manual, include:

<sup>51</sup> GCF Programming Manual, Part 2, Section D.5, p. 121–122

Table 7.6.1: Guiding questions, country ownership

Alignment with priorities in the country's national climate strategy	Coherence with existing policies	Capacity Of accredited entities or executing entities to execute the project	Engagement with civil society organisations and other relevant stakeholders
Does the project/programme contribute to the country's climate strategies and priorities, such as nationally appropriate mitigation actions or national adaptation plans, and demonstrate alignment with technology needs assessments, as appropriate?	What is the degree to which the activity is supported by the country's nationally determined contribution, country programme or existing policy and institutional framework?	Can the accredited entities/ executing entities demonstrate a consistent track record, experience and expertise in relevant circumstances as described in the proposed project/ programme?	<p>Has the proposal been developed in consultation with civil society groups and other relevant stakeholders, with particular attention to gender equality?</p> <p>Does the proposal provide a specific mechanism for future engagement with stakeholders in accordance with the CCF environmental and social safeguards and stakeholder consultation guidelines?</p> <p>Does the proposal place decision-making responsibility related to implementation with in-country institutions and use domestic systems to ensure accountability?</p>

Source: GCF Programming Manual

## 7.7. Efficiency and effectiveness

This criterion should describe how the financial structure is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers, and providing the minimum concessionality to ensure that the project is viable without crowding out private and other public investments<sup>52</sup>. If applicable, describe the level and sources of co-finance and the envisaged private sector engagement. the description should describe the efficiency and effectiveness of the proposed project/programme, taking into account the total financing and mitigation/adaptation impact the project/programme aims to achieve, and explain how this compares to an appropriate benchmark. In addition, this section should specify the expected economic rate of return based on a comparison of the scenarios with and without the project/programme. It should also specify the expected financial rate of return with and without the GCF support to illustrate the need for GCF funding and overall cost-effectiveness. Additionally, this section should explain how best available technologies and practices have been considered and applied. If applicable, it should specify the innovations/ modifications/adjustments that are proposed with the project based on industry best practices.

52 GCF Programming Manual, Part 2, Section D.5, p. 123

Guiding questions for assessing efficiency and effectiveness, included in the GCF Programming Manual, include:

**Table 7.7.1: Guiding questions, efficiency and effectiveness**

Cost-effectiveness and efficiency	Amount Of co-financing	Project/programme financial viability and other financial indicators	Industry best practices
<p>Is the proposed financial structure (funding amount, financial instrument, tenor and term) adequate and reasonable to achieve the proposal's objectives?</p> <p>Does the financial structure demonstrate the least concessionality needed to make the proposal viable?</p> <p>Does the proposal demonstrate that CCF support will not crowd out other investment?</p>	<p>What is the expected volume of finance to be leveraged by the proposed intervention and as a result of the CCF financing, disaggregated by public and private sources (PMF-M core indicator 3P)</p> <p>What is the co-financing ratio (total amount of co-financing divided by the GCF investment)?</p>	<p>Please provide the financial rate of return with and without the GCF support.</p> <p>Please provide a description of the financial viability in the long term, beyond the GCF intervention.</p>	<p>Please provide explanations Of how best available technologies and/or best practices, including those from Indigenous and local knowledge systems, are considered and applied.</p> <p>If applicable, the proposal should specify the innovations or modifications/adjustments proposed by the project based on industry best practices.</p>
<p>What is the estimated cost per tonne of carbon dioxide equivalent (PMF-M core indicator 2), defined as total investment cost/expected lifetime emission reductions?</p> <p>Please provide the economic rate of return with and without the project.</p>	<p>What is the potential to catalyse private and public sector investment, assessed in the context Of performance based on industry best practices?</p> <p>What is the expected indirect/ long-term low-emission investment mobilized as a result of the implementation of the activity?</p>		

Source: GCF Programming Manual

## 7.8. Expected Performance Against Investment Criteria<sup>53</sup>

In February 2019 the Board approved a package of indicators for the investment criteria<sup>54</sup>. The indicators will strengthen the implementation of the investment framework and will help all stakeholders to better understand them. The six investment criteria indicators are intended to evolve based on experience and lessons learned, and were therefore approved for a pilot period of one year.

Investment criteria indicators have been designed to provide guidance to all GCF stakeholders, particularly AEs, when developing funding proposals so that they can describe more clearly how the project/programme is expected to deliver against the relevant investment criteria, taking into account the differing national circumstances of developing countries. The investment criteria indicators propose a streamlined set of indicators for each of the six GCF investment criteria as set out in the initial investment framework.

AEs should use these indicators to enhance the quality of funding proposals over time by increasing clarity on how different proposals meet the GCF investment criteria and by flagging where the Secretariat, the independent Technical Advisory Panel, or the Board would require additional explanations or justifications. The indicators allow for greater consistency and transparency across different funding proposals and make the preparation and assessment of funding proposals more efficient.

The indicators are not used to screen the funding proposals as a binary pass/fail test and do not set a single threshold that must be passed; instead, the indicators should support AEs in describing the extent to which a funding proposal

<sup>53</sup> GCF Programming Manual, 2020, Part II, Section D, pp. 112 - 116

<sup>54</sup> Annex VII to decision B.22/15. Available at: <https://www.greenclimate.fund/document/gcf-b22-24>

delivers against the investment criteria and provide a mechanism through which an explanation can be provided for performance that is relatively higher or lower than expected, taking into account differing national circumstances.

All the indicators, and therefore the relevant investment criteria, should be considered for each proposal, so that reviewers can understand its individual context and merits. A project may be less strong on one criterion (e.g. sustainable development potential) but stronger on another (e.g. impact potential). The two should be considered together and not in isolation. Application of the indicators must consider the range of differing national circumstances and the needs of those developing countries particularly vulnerable to the adverse effects of climate change.

The following Table 7.8.1 presents the indicators per each criteria, with examples from GCF projects:

Table 7.8.1: Investment criteria indicators			
INVESTMENT CRITERION	INDICATOR	EXPLANATION	EXAMPLE
Impact potential	Mitigation impact	Describe the expected reductions in emissions from the GCF intervention (in tCO <sub>2</sub> eq)	<b>FP028 Mongolia: Business loan programme for GHG emission reduction</b> <ul style="list-style-type: none"> <li>Total GHG emissions reduced or avoided during project lifespan: 1.2 MtCO<sub>2</sub>eq</li> </ul>
	Adaptation impact	Describe the expected change in loss of lives, value of physical assets, livelihoods, and/or environmental or social losses due to the impact of extreme climate-related disasters and climate change in the geographical area of the GCF intervention.  Proposals should also refer to the number of direct and indirect beneficiaries of the project	<b>FP056 Colombia: Scaling up climate-resilient water management practices</b> <ul style="list-style-type: none"> <li>Enhancement of rural livelihoods through water-resilient agroecosystems-food security, generation of income;</li> <li>Improved management of water resources to strengthen the resilience of rural communities and smallholder farmers; and</li> <li>Enhancement of adaptive capacity through increased capacity to generate and use climate information services and early warning systems</li> </ul>
Paradigm shift potential	Necessary conditions	Outline how the proposed project can catalyse impact beyond one-off investment, accompanied by a robust and convincing theory of change for replication and/or scaling up the project results	<b>FP056 Colombia</b> <ul style="list-style-type: none"> <li>Aims to shift from a disaster response approach to an integrated strategy approach based on preventive risk management, through adaptation to floods and drought; and</li> <li>Includes a theory of change detailing the problems, barriers and activities to address those barriers, the outputs and overall outcome</li> </ul> <b>FP070 Bangladesh: Global Clean Cooking Program</b> <ul style="list-style-type: none"> <li>Potential for global replication and scaling up throughout Bangladesh; and</li> <li>Addresses key barriers in supply and demand by using a model that is recognized globally as one of the most successful programmes in the sector</li> </ul>

INVESTMENT CRITERION	INDICATOR	EXPLANATION	EXAMPLE
Sustainable development potential	Co-benefits	Identify at least one positive co-benefit in at least two of the four coverage areas: economic, social, environmental, and gender empowerment. The proposal should provide an associated indicator, as well as baseline and target values for the co-benefits. Where appropriate, proposals should reference the achievement of one or more of the United Nations Sustainable Development Goals	<p><b>FP025 Multiple countries: Sustainable energy financing facilities</b></p> <ul style="list-style-type: none"> <li>Economic benefits: Creation of markets. 20,000 commercial projects across sectors and raising awareness, available capital for sustainable energy financing, capacity-building, etc., 11,500 green jobs;</li> <li>Social benefits: Heating. Improving the efficiency of heating systems, equipment and building energy use. Improving adaptive capacities of vulnerable groups (e.g. farmers); and</li> <li>Gender-sensitive development impact: Filling the financing gap which mirrors the underinvestment in gender equality. Adoption of the strategy of the European Bank for Reconstruction and Development for the promotion of gender equality</li> </ul>
Needs of the recipient	Barriers to climate-related finance	Describe the country's financial, economic, social and institutional needs and the barriers to accessing climate finance and how the proposed intervention will address the identified needs and barriers	<p><b>FP005 Rwanda and Kenya: KawiSafi Ventures Fund</b></p> <ul style="list-style-type: none"> <li>Enabling innovative, early-stage companies to develop and build financially viable business models that have scaled social impact;</li> <li>Investing in addressing the needs of off-grid households, which are typically rural, low-income and difficult to reach; and</li> <li>Long-term investment capital is needed as traditional investors are wary of the risks and it takes a relatively long time to build companies and achieve a financial return</li> </ul>
Country ownership	Alignment with NDCs, relevant national plan indicators, and/or enabling policy and institutional frameworks	Describe how the proposed activities are aligned with the country's NDC and other national plans, and how the funding proposal will help to achieve the NDC or those plans. Also reference the degree to which the project is supported by a country's enabling environment	<p><b>FP035 Vanuatu: Climate information services for resilient development</b></p> <ul style="list-style-type: none"> <li>Vanuatu Climate Change and Disaster Risk Reduction Policy 2016-2030: mainstreaming climate change and disaster risk reduction into sustainable development processes for Vanuatu;</li> <li>Vanuatu Meteorology and Geo-Hazards Department Strategic Development Plan 2014-2030; and</li> <li>Vanuatu Framework for Climate Services</li> </ul> <p><b>FP038 Multiple countries: GEEREF NeXt</b></p> <ul style="list-style-type: none"> <li>Countries involved have committed to NDC targets; for the majority of those countries it would be impossible to meet NDC targets without significant foreign direct investment flows; and</li> <li>Discusses the capacity of accredited entities and executing entities</li> </ul>



INVESTMENT CRITERION	INDICATOR	EXPLANATION	EXAMPLE
	Explanation of engagement with relevant stakeholders	Outline how proposals were developed in consultation with relevant stakeholders. Engagement with national designated authorities is required	<p><b>FP035 Vanuatu</b></p> <ul style="list-style-type: none"> <li>Engagement with all national and subnational-/community-level stakeholders to ensure that the project design is consistent with and complementary to the prescribed priorities of relevant national plans and strategies</li> </ul> <p><b>FP038 GEEREF NeXt</b></p> <ul style="list-style-type: none"> <li>Seeks to work with local development plans, small and medium-sized enterprises and local developers; and</li> <li>Discusses engagement with national designated authorities, civil society, organisations and other relevant stakeholders</li> </ul>
Efficiency and effectiveness	Mitigation: cost per tCO <sub>2</sub> eq	Provide the cost per tCO <sub>2</sub> eq of the GCF intervention	<p><b>FP085 Pakistan: Green BRT Karachi</b></p> <ul style="list-style-type: none"> <li>Outlined in section E6.5° of the proposal: estimated cost per tCO<sub>2</sub>eq is USD 224/tCO<sub>2</sub>eq; estimated GCF cost per tCO<sub>2</sub>eq removed (e = b/c) USD 19/tCO<sub>2</sub>eq</li> </ul>
	Mitigation: ratio of co-financing	Indicate the ratio of co-financing mobilized relative to the GCF contribution to the total project, as appropriate	<p><b>FP085 Pakistan Green BRT Karachi</b></p> <ul style="list-style-type: none"> <li>Outlined in section E6.5 of the proposal: a breakdown of how the GCF financing of USD 49 million is going to be leveraged by the BRT project is illustrated below and broken down by cost component. All funds are public funds. No private capital investment is used;</li> <li>Asian Development Bank USD 442 million (83 per cent of co-financing): 100 per cent loan;</li> <li>Islamic Republic of Pakistan: USD 92.5 million (17 per cent of co-financing): 100 per cent grant;</li> <li>Total co-financing: USD \$34.5 million;</li> <li>Total amount of GCF funding: USD 49 million;</li> <li>Total project finance: USD 583.5 million; and</li> <li>Co-financing ratio: 1:10</li> </ul>
Efficiency and effectiveness	Mitigation: expected rate of return	Provide an estimate of the expected economic internal rate of return and/ or financial internal rate of return, depending on the needs of the project	<p><b>FP040 Tajikistan: Scaling up hydropower sector climate resilience</b></p> <ul style="list-style-type: none"> <li>Outlined in section E.6.3 of the funding proposal: the economic internal rate of return is 21.71 per cent and the financial internal rate of return is 6.88 per cent</li> </ul>
	Mitigation and adaptation: application of best practices	Describe how the proposal applies and builds on the best practices in the sector	<p><b>FP040 Tajikistan</b></p> <ul style="list-style-type: none"> <li>The European Bank for Reconstruction and Development is involved in policy dialogue with the Tajik Government supporting energy tariff reform, which is envisioned to contribute significantly to the financial sustainability of the Tajik energy sector,</li> <li>Inclusion of long-term planning and climate change considerations ensure the resilience and efficiency of the project in the long term; and</li> <li>Provides application of best practices</li> </ul>

Source: GCF Programming Manual





## GCF project budgeting

### Learning Outcomes:

- Understand how to describe the financial structure of a project
- Learn about the key categories that should be included in the financing information
- Understand when co-financing can be used and how to find it

## 8.1. Project budgeting

Section C explains the financial instrument(s) and amount of funding being requested from GCF, as well as the co-financing available for the project/programme.<sup>55</sup> GCF provides financing in the form of:

- Grants
- Loans
- Equity
- Guarantees

In the Concept Note, Section C.1 provides an overview of financing by components:

Table 8.1.1: Section C.1						
Component	Indicative cost (USD)	GCF financing		Co-financing		
		Amount (USD)	Financial Instrument	Amount (USD)	Financial Instrument	Name of Institutions
Indicative total cost (USD)						

Source: GCF

The most important aspect of developing the budget is to show the reasoning behind it. This means that all of the assumptions and calculations should be as easy to understand as possible both internally and externally, and it will be possible to answer questions along the way. For this reason, it is recommended to divide the budget into components, then activities, then costs per unit and number of units.

Furthermore, it is best practice to divide the budget over the course of the period of implementation – and be realistic about the pace of development. This means trying to avoid a high concentration of expenditure in the first year – especially for investment.

It is recommended to reference as much as possible to sources of information for the budget and include in-kind contributions (for instance for the use of office space, government time of employees, etc).

### Guidance for filling in Section C.1<sup>56</sup> :

- Provide an estimate of the total cost per component and disaggregate the source of financing.
- The 'Indicative total cost' should be the sum of 'GCF financing' amount and the 'Cofinancing' amount.
- On the 'GCF financing', provide a breakdown by component and financial instrument.
- For each financing instrument, specify the amount. If you select 'senior loans' and/or 'subordinated loans', please specify tenor in years and pricing in percentage.
- On the 'Co-financing' section, specify financial instrument; provide amount and indicate currency;
- list the name of institutions that provide support for the proposed project/programme.

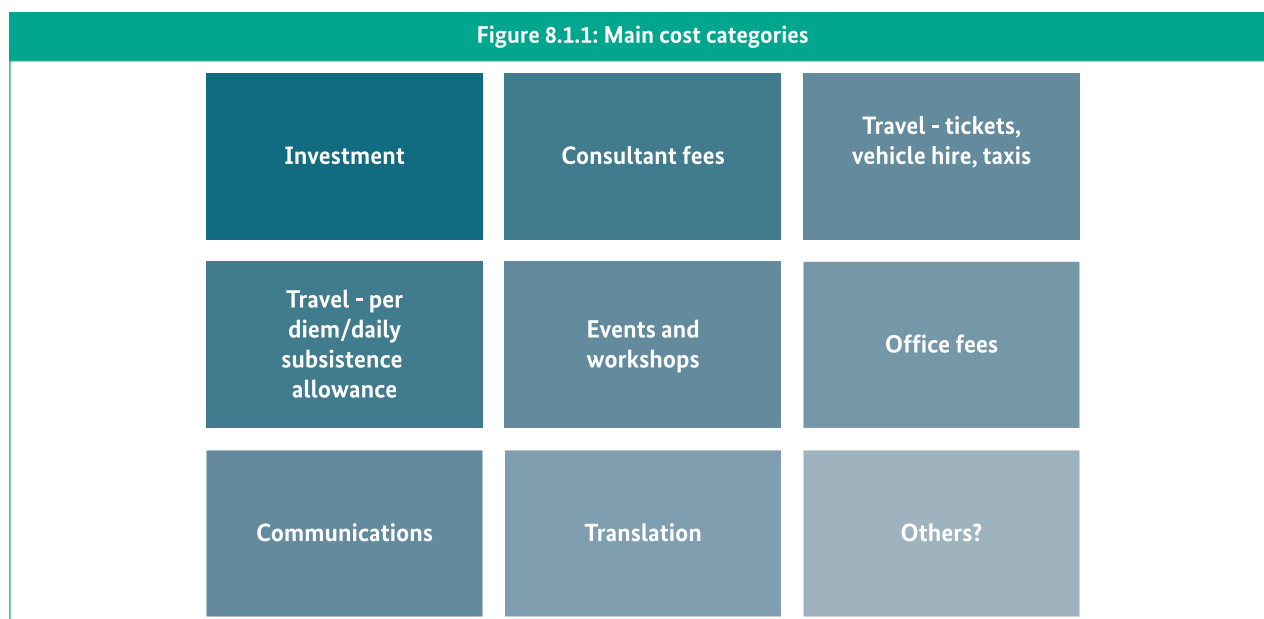
Some of the main cost categories are as follows:

- Investment in projects, construction, etc. For example, an afforestation project may have information on costs of forestation per hectare. An irrigation project could have information on costs of irrigation per hectare or per km of irrigation piping.
- Consultancy fees should probably be sub-divided into fees for national and international consultants. It may even be useful to divide them according to their types of roles – such as finance specialists, engineers, and so on.
- Travel for tickets could include plane travel, vehicle hire, taxis, etc.
- Travel for daily subsistence allowances – which are sometimes called per diems.

<sup>55</sup> GCF Programming Manual, Part 2, Section C, p. 106-112

<sup>56</sup> GCF Concept Note User's Guide, 2016, p. 12

- Events and workshops
- Office fees for rent
- Communications such as for phones, internet, etc.
- Translation
- Others such as project audit fees and perhaps others



Source: ToT Presentation

It is useful when developing the budget to have the same categories for each component and/or activity – which makes things easier to add up at the end. One important line item to note is budgets for project management fees and salaries. This is usually calculated based on a per-month basis and different funders will have their own requirements for how they are included in the budget. It is an open question as to whether project management fees should be spread through the various components of the project or separated into their own budget line. One thing that is certainly true is that funders are typically seeking low project management costs as a percentage of the entire project. An example of a project budget is provided in the training slides.

#### Helpful tips:

- Article I. Have the same budget categories for each activity. This makes it easier to sum them all up later.
- Article II. Do not use a calculator – use a spreadsheet (e.g. Excel). This makes it easier to change things quickly.
- Article III. When in doubt, add more information, more rows, and more columns. This makes it easier to understand for you and – if necessary – the reviewer.

## 8.2. Co-financing and mobilised finance

Co-financing is defined as “the financial resources required, whether Public Finance or Private Finance, in addition to the GCF Proceeds, to implement the GCF Funded Activity for which a funding proposal has been submitted.”

Co-financing must be identified and confirmed with submission of the funding proposal. Principles for co-financing established by the GCF include <sup>57</sup>:

- There is no minimum amount of co-financing required for a funded activity, and no specific sources of co-financing that must be complied with
- Wherever possible, funded activities should seek to incorporate appropriate levels of co-financing to maximize the impact of GCF proceeds, to be determined on case-by-case basis taking into account country ownership and the needs of developing countries

<sup>57</sup> GCF Programming Manual, Part 2, Section C, pp. 106 - 112



- Maximizing co-financing is desirable, but is not a stand-alone target
- Co-financing should be assessed in a comprehensive manner in conjunction with other indicators included in the investment framework
- Where GCF funding covers all or part of the incremental costs of a funded activity, other costs should be co-financed by other sources

Types of co-financing include: grants, loans, guarantees, and in-kind resources. In kind resources should be:

- Dedicated uniquely to the project;
  - **Example:** Salary of staff or procured resources, venues used for the project, private sector finance
- Valued as the lesser of the cost and the market value of the required inputs provided to the project;
  - **Example:** percentage of salary of staff or procured resources, venues used for the project.

**NB:** in addition to being detailed in the Funding Proposal, co-financing should also be specified in the Concept Note, in Section III, Financing/Cost information. Instructions to complete it: “On the ‘Co-financing’ section, specify financial instrument; provide amount and indicate currency; list the name of institutions that provide support for the proposed project/programme; choose appropriate seniority from ‘pari passu’, ‘senior’ and ‘junior’; and specify the lead financing institution.”<sup>58</sup>

Factors that might influence the level of co-financing include:

#### Project type

- Mitigation projects, especially renewable energy projects, often require higher levels of co-finance
- Adaptation projects, particularly those under the most vulnerable people and communities’ results areas may require less co-finance

#### Project size

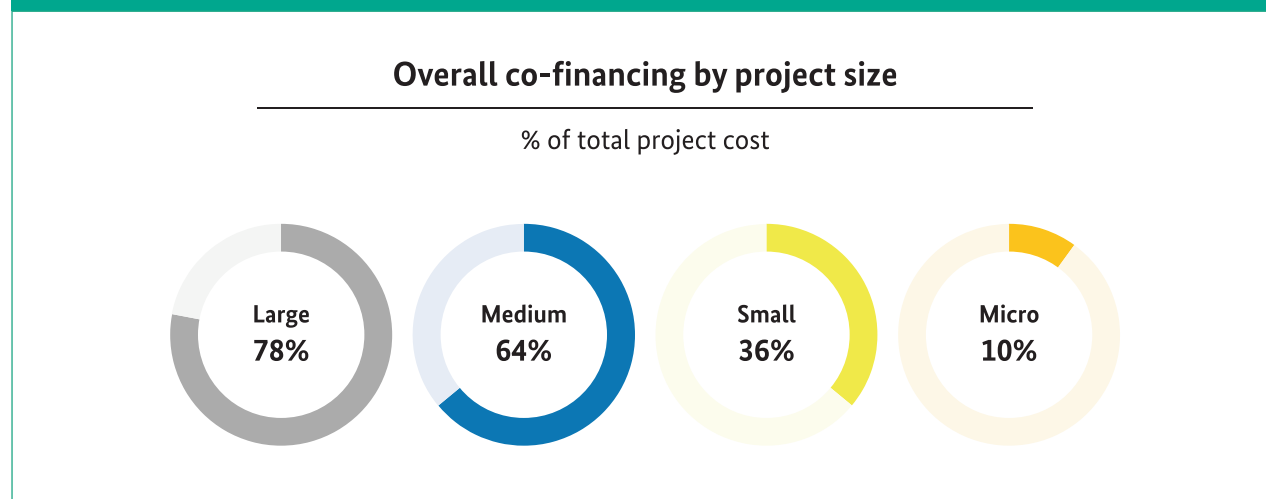
- GCF may allow micro projects to present lower levels of co-finance whereas small, medium and large projects usually require higher ratios.

Type of accredited entity

- Projects with international accredited entities and/or financial institutions may require higher co-financing levels

Figure 8.2.1, Figure 8.2.2, Figure 8.2.3 and Figure 8.2.4 outline the current levels and disaggregation of co-financing for GCF projects:

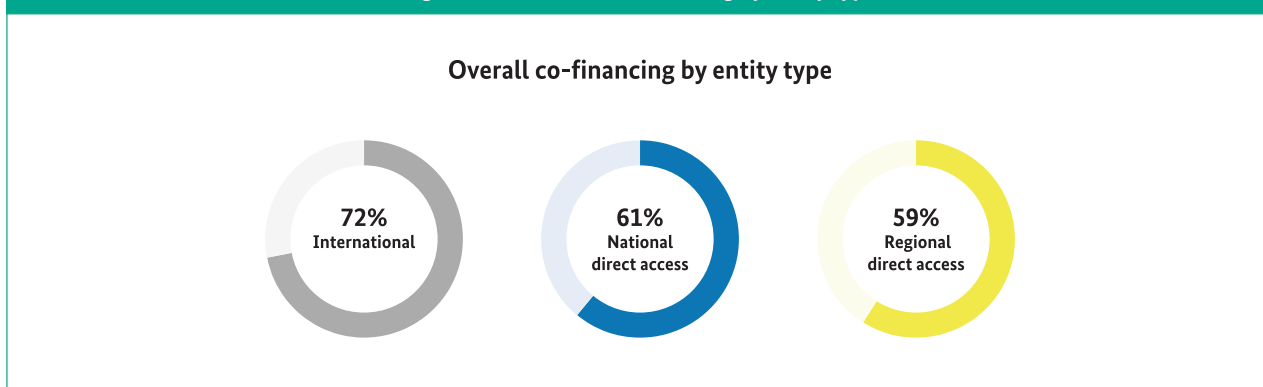
Figure 8.2.1: Overall co-financing by project size



Source: ToT Presentation

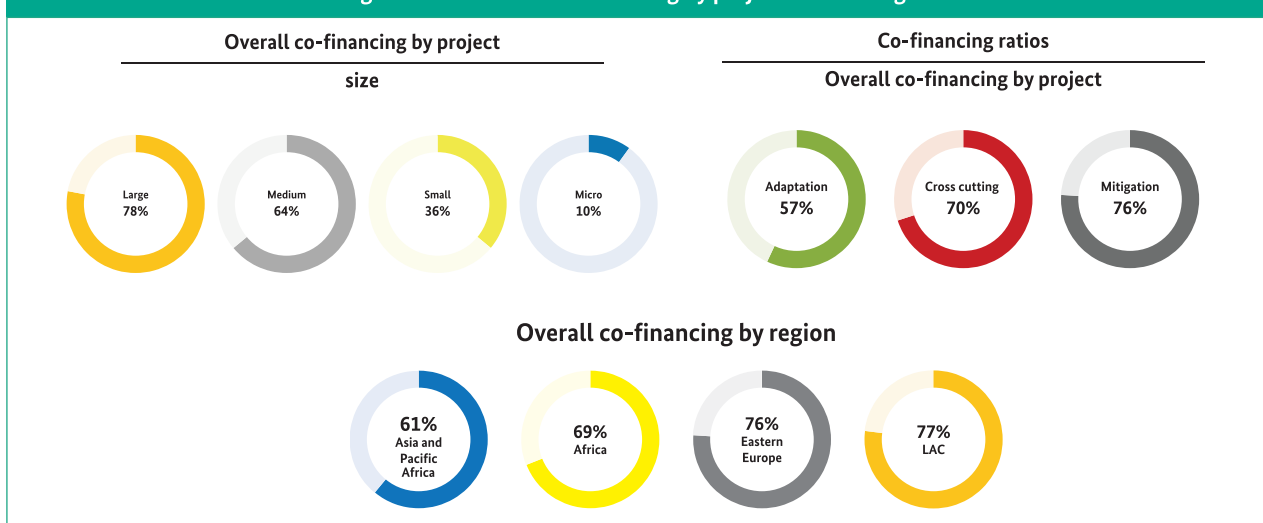
58 GCF Concept Note User's Guide, 2016, p. 12

Figure 8.2.2: Overall co-financing by entity type



Source: ToT Presentation

Figure 8.2.3: Overall co-financing by project size and region

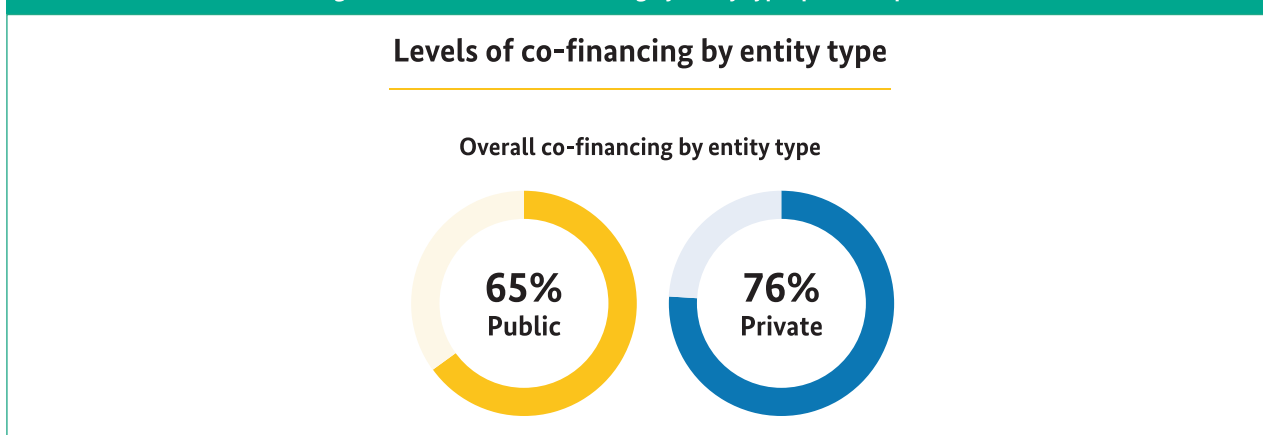


Source: ToT Presentation

Note that due to the small number of projects the co-financing ratio is dominated by the only two large projects approved up to now, which are both in the energy sector in Latin America and have high co-financing ratios:

- Energy Efficiency Green Bond in Latin America and the Caribbean (co-financing ratio of 13.9)
- Climate Action and Solar Energy Development Programme in the Tarapacá Region in Chile (co-financing ratio of 4.2)

Figure 8.2.4: Overall co-financing by entity type: public vs private



Source: ToT Presentation

### How to find Co-financing:

- Identify potential co-funders early
- Prepare a 2-page project summary... Don't expect co-funders to understand GCF concept note or funding proposal
- Focus 2-pager on interests of funder
- Ensure it is clear that funds do not need to flow through the project
- Design project to incorporate already available (baseline) funding
- Prepare a template for the requested letter
- Purpose: letters of support state the amount and nature of contributions from donors/government

## 8.3. Financial structure of projects

AEs should<sup>59</sup> :

1. Explain why the project/programme requires GCF funding, i.e. explaining why this is not financed by the public and/ or private sector(s) of the country.
2. Describe 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.
3. Justify the rationale of the GCF financial instrument(s) as well as how this will be passed on to the end-users and beneficiaries.
4. Describe in detail the mechanisms that will make this happen. Justify why this is the minimum required to make the investment viable and most efficient considering the incremental cost or risk premium of the project/programme. The justification for grants and reimbursable grants is mandatory. In the case of private sector proposal, concessional terms should be minimized and justified as per the guiding principles applicable to the private sector operations.
5. The concept note should include strong economic and financial justification for the grant elements and concessionality level that GCF provides. The concept note should describe – to the extent possible – how it will address all the guiding principles listed below:
  - Grant elements should be tailored to incremental cost or the risk premium required to make the investment viable, or to cover specific activities such as technical assistance that cannot be financed otherwise.
  - Seeking the right level of concessionality, so as not to displace investments that would otherwise have occurred, including for private sector investment and avoid crowding out commercial financing.
  - Levels of indebtedness capacity of the recipient should be taken into account so as not to encourage excessive indebtedness.
  - Structure terms on a case-by-case basis to address specific barriers.
  - Leveraging of other financing, seeking to maximize potential leverage in the case of private financing.
  - The grant element of concessional finance will be tailored to provide the appropriate incentive to facilitate the implementation of mitigation and adaptation activities.
  - Concessional forms of finance will be designed to minimize market distortions and potential disincentives to private investment.
  - The expertise and capacity of financial intermediaries and implementing entities in implementing similar projects successfully.
  - The risk sharing between public and private investment, when relevant.
  - The subsidy element provided through grants and/or concessional lending will be the minimum amount necessary to make the project or programme viable and help achieve the GCF's paradigm shift objective.

<sup>59</sup> GCF Concept Note User's Guide, 2016, p. 12-13

- Proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers.

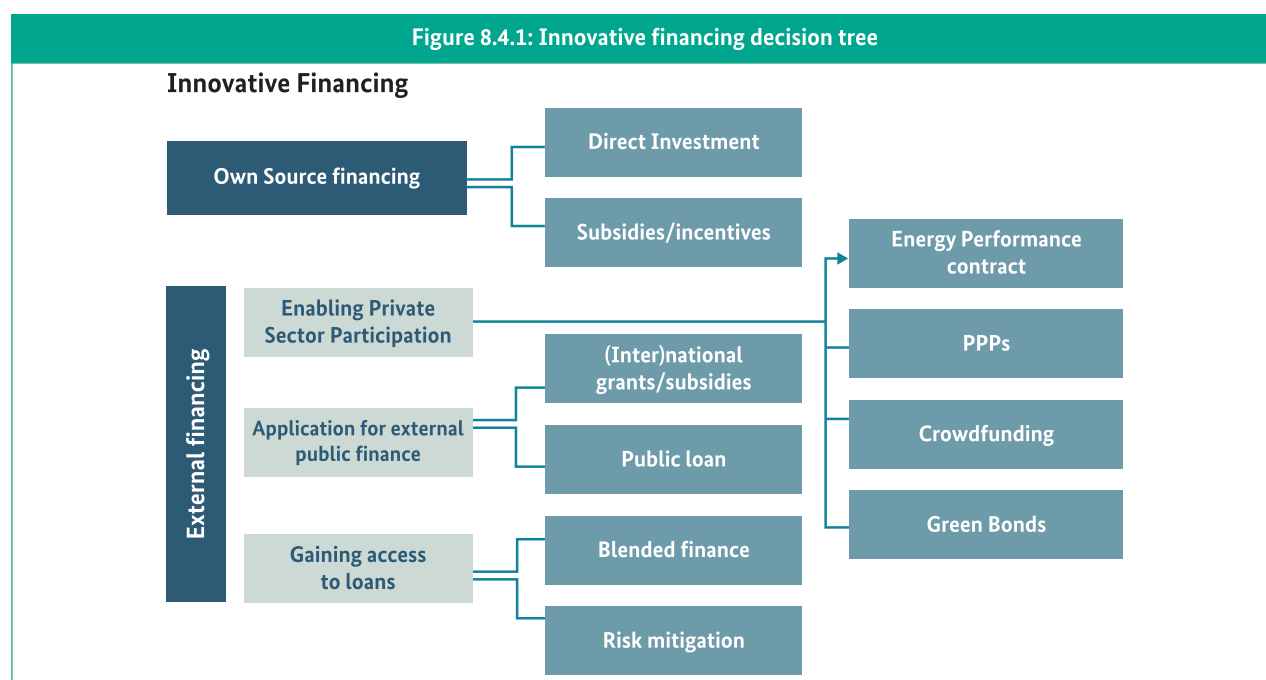
Common types of financial instruments, their related barriers and an example of a financial model can be found in the training slides provided.

## 8.4. Innovative financing instruments

Different finance tools can be considered by local and national governments – the decision tree below (Figure 8.4.1) can guide governments on questions including:

- Do they have sufficient own financial sources?
- Are they interested in enabling private sector participation?
- Are they interested in applying for external public finance?
- Are they eligible to apply for grants, subsidies or loans?

Figure 8.4.1: Innovative financing decision tree



Source: ToT Presentation

### Definitions:

- Direct Investment** - When the local government has enough savings and liquidity can use cash instead of debt issuance to fund projects. It is most commonly used in cases when project sizes are small, project sponsors have limited access to debt, local governments are closely approaching their debt limits, or there are prohibitions on use of debt
- Subsidies** - A subsidy is a form of financial aid or support extended to an economic sector (or institution, business, or individual) generally with the aim of promoting economic and social policy
- Energy Performance Contract** - An EPC is a contract where an array of services is agreed and the provider of the services is able to guarantee that a minimum of energy savings and/or sustainability value will be achieved.
- Public Private Partnership (PPP)** - A typically long-term cooperative arrangement between one or more public entities and a private organisation, where there is an allocation of risks between the two partners.
- Crowdfunding** - an alternative source of income for local governments. It is guided by the principle that citizens can voluntarily invest a certain financial amount into a proposed project.
- A green bond** - a bond specifically earmarked to be used for climate and environmental projects.



- **Grants** - non-repayable funds disbursed by the government or international financing institutions. The eligibility criteria are always defined by the donors. International subsidies are mostly used by the European Union.
- **Public loan** - Per definition a loan is given in exchange for future repayment of the loan value amount along with interest or other finance charges.
- **Blended finance** - The term blended finance implies the mixing of both public and private funds through a common investment scheme or deal, with each party using their expertise in a complementary way
- **Risk mitigation** - The most commonly used risk mitigation mechanisms are guarantees (e.g., risk guarantees and credit guarantees) as well as risk insurance (e.g., political risk insurance). Guarantees and risk insurance products can cover the failure of the public sector party to meet specific obligations within a project.







## Economic and financial analysis

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### Learning Outcomes:

- Understand the different components of the economic and financial analysis
- Learn about the role of the private sector
- Understand how funds flow between the different stakeholder groups
- Learn about the different annexes that are required

## 9.1. Economic and financial analysis

Economic and financial analyses are required in annex 3 to the funding proposal. The objective of these analyses is to assess the viability of the project/programme and mobilize adequate resources from GCF, AEs, governments, financial institutions, project sponsors and/or other co-financiers. Elements of the economic and/or financial analysis can inform aspects of each of the GCF investment criteria, elaborated in section D, titled “Expected performance against investment criteria”. Most directly, an assessment of the efficiency and effectiveness investment criterion is based predominantly on the economic and financial analyses. Indirectly, the economic and financial analyses can form part of the assessment of the impact potential, paradigm shift potential, sustainable development potential and needs of the recipient.<sup>60</sup>

Although they are complementary, the economic analysis and financial analysis are two different tools that assess different aspects of a funding proposal. The financial analysis forecasts cash flows to the project or a single party, and is used to assess sustainability, paradigm shift potential, concessionality and risk, among other elements. The economic analysis projects the costs and benefits to society at the national or global level, including those that cannot be monetized, and is used to assess cost-effectiveness, incremental cost, non-market benefits and economic co-benefits. The results of the economic and financial analyses are usually summarized in the funding proposal, and the models and documentation used are submitted as annex 3 to the funding proposal.<sup>61</sup>

Figure 9.1.1: Economic vs Financial Analyses

Economic Analysis	Both	Financial Analysis
Focuses on the entire economy	Identify project benefits and costs	Focuses on the investment • Uses market prices (includes tariffs, subsidies, taxes etc)
Excludes tariffs, subsidies to assess the impact in the society	Convert them to present value by discounting	Does not take into account on-market aspects (externalities)
Takes in to account externalities and quantifies them in monetary terms	IRR - NPV	FIRR - FNPV
EIRR - ENPV		

Source: ToT Presentations

IRR (Internal Rate of Investment) and NPV (Net Present Value) are two metrics used to assess the profitability of investments/projects. Both of them are based on discounting future cashflows. NPV is a metric used to find today's value of a future stream of payments, based on a discount rate. Usually, this discount rate is the expected rate of return from alternative investments. IRR is the rate of return that would turn the present value into zero. The higher it is the more desirable is the investment/project. Therefore, it is a metric that can be used to rank different investments/projects.

### Economic Analysis

While mitigation and adaptation cost-benefits are the core of the Economic Analysis (EA), co-benefits should also be included. Overall, the core question is whether the interventions are cost effective? Take note of the differences when including and when excluding externalities.

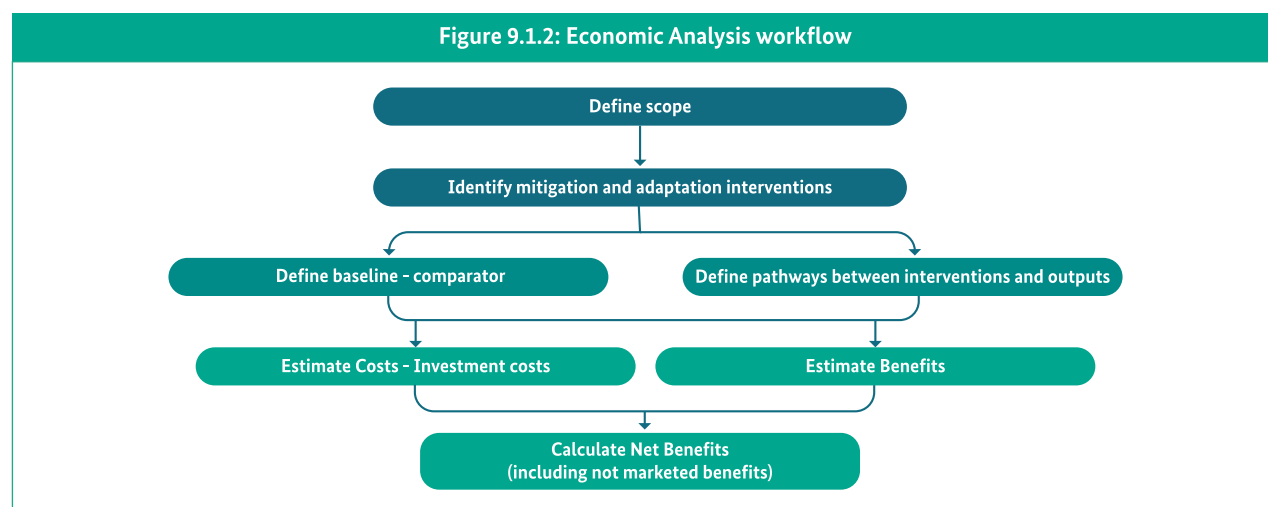
The EA is a comparison of the project's monetary and non-monetary costs and benefits to the international community over time. After the costs and benefits are identified and quantified, their value is compared and summarized through two complementary statistics: the economic internal rate of return (EIRR) and the economic net present value (ENPV). This is part of the first-level due diligence that AEs are expected to conduct and submit to GCF. GCF expects AEs to follow their own guidelines for the cost-benefit analysis, as long as they provide sufficient information to assess the project. The Secretariat reviews economic models to ensure that they are technically sound and to inform the assessment of the project against the GCF investment criteria.

One of the key features of an economic analysis is that it assesses the use of scarce resources, instead of just financial flows. As such, it uses opportunity costs and shadow prices to value costs and benefits and excludes transfers, taxes, subsidies and inflation. It also estimates the economic value of project benefits that may not have cash flows, such as GHG emissions or ecosystem services. All costs and benefits are projected over the entire economic lifespan of the project, which may vary from 10 years or less for some types of technical training to 30 or more years for major infrastructure investments. The costs and benefits are then compared against a counterfactual scenario, which is the situation that would prevail in the absence of the project. The net benefits are calculated as the difference between the “with project” and “without project” scenarios, and the EIRR and ENPV are estimated in accordance with that net benefit stream. In some cases, multiple project scenarios may be modelled to compare alternative project designs.

<sup>60</sup> GCF Programming Manual, Part 2, Annex 3, p. 149

<sup>61</sup> GCF Programming Manual, Part 2, Annex 3, p. 150

When assessing the EIRR or estimating the ENPV, a social discount rate (SDR) should be used. Many development organisations use a standard SDR in the range of 8–12 per cent, although some are moving towards lower SDRs (e.g. 6 per cent) for climate projects owing to the long timelines associated with the impacts of climate change. GCF does not endorse any particular SDR, but asks AEs to justify their choice of SDR and conduct a sensitivity analysis for multiple SDRs, as appropriate<sup>62</sup>.

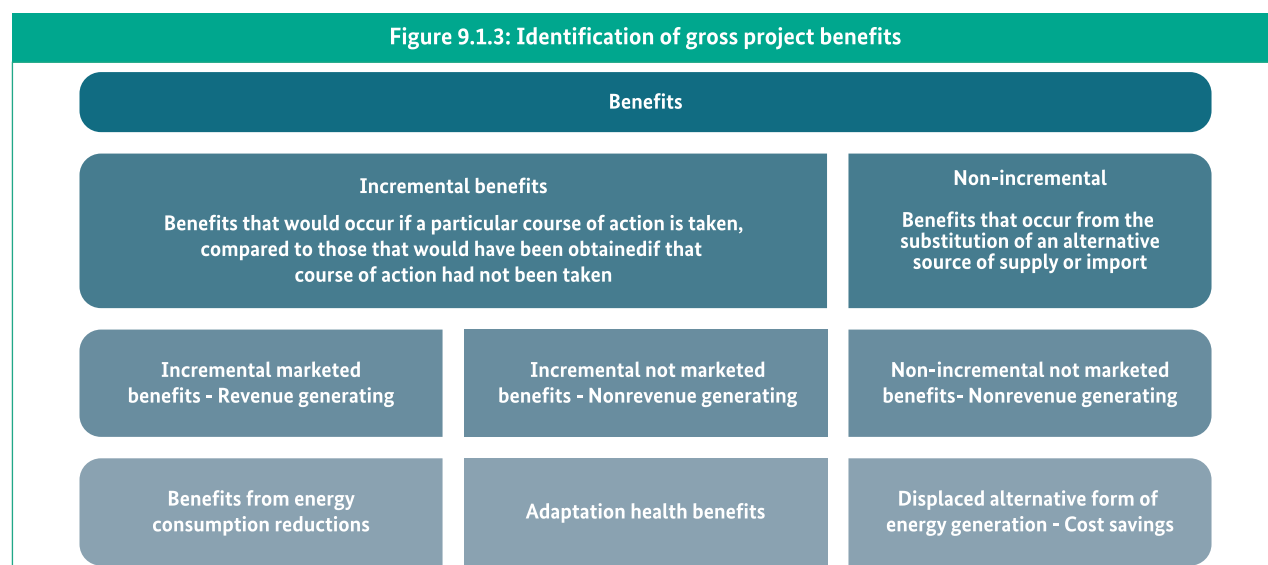


Source: ToT Presentations

Definitions of the workflow's components:

- Define scope: Set the boundaries of the economic analysis. What should be included or secluded by the analysis
- Identify mitigation and adaptation interventions: Identify the interventions that will be analysed.
- Define baseline: Set up the economic model if the project did not take place
- Define pathways between interventions and outcomes: Take into consideration possible secondary effects
- Estimate costs and benefits: translate outputs into monetary terms
- Estimate net benefits: EIRR, ENPV

Figure 9.1.3 provides definition and examples of gross project benefits:



Source: ToT Presentations

62 GCF Programming Manual, Part 2, Annex 3, p. 151

## Financial Analysis

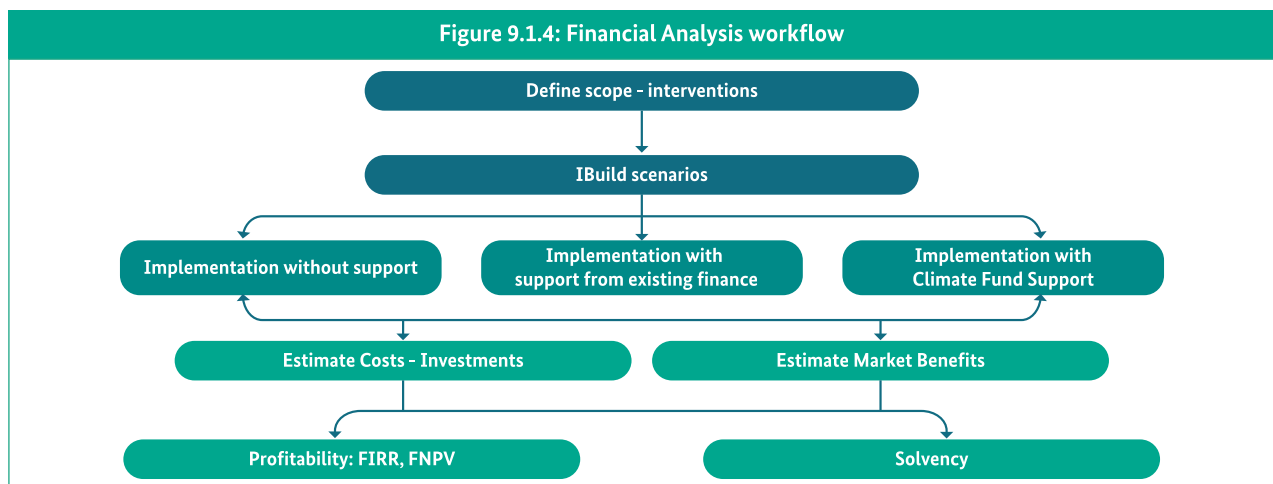
Core questions to guide the FA should be:

- Will interventions be profitable without financing?
- What should the financing support be (concessionality)?
- What is the effect after the end of the project/programme?
- What is the potential for replication and scaling up?

The project/programme's viability is also examined from a financial standpoint. Although the form of the financial analysis is similar to the economic analysis, the content is different. The main difference between the financial analysis and the economic analysis is that the latter examines the effects on the national economy, whereas the former measures expenditures and revenues incurred on a project/programme scale, or for a single party within the project/programme (e.g. a special purpose vehicle, utility company, household). As it provides a single perspective, there can be multiple financial analyses for the same project (e.g. one for the special purpose vehicle, one for the end users). The financial analysis projects the cash flows over time and summarizes them in several statistics: the financial internal rate of return (FIRR), the financial net present value, the payback period, and the debt service coverage ratio.

The financial analysis is used to estimate both the initial and long-term financial viability of the project. A comparison of the FIRR with the weighted average cost of capital (WACC) is one factor that private sector actors consider when deciding whether to invest in a project. All else equal, an FIRR that exceeds the WACC shows that the project is financially viable, while an FIRR below the WACC indicates non-viability. For GCF projects, AEs estimate the FIRR and WACC with and without GCF funding, which can then be used to illustrate how GCF concessionality makes the investment viable. Because the financial analysis projects cash flows over the lifespan of the project, it can also be used to assess sustainability beyond the intervention of GCF.

For public sector grant projects, the financial analysis may demonstrate that a project is not financially viable. In this situation, the economic and financial analyses may be used in tandem to assess the overall case for the project. A project that is not financially viable but is economically viable owing to its significant non-monetary benefits may in fact be an excellent target for GCF grants or other concessional funding to enable the provision of those broad economic benefits because the market does not. While this should be incorporated in the feasibility study, the spreadsheet format of the economic and financial analyses is requested as part of the funding proposal submission to determine the detailed methodology used for the results of the analyses<sup>63</sup>.



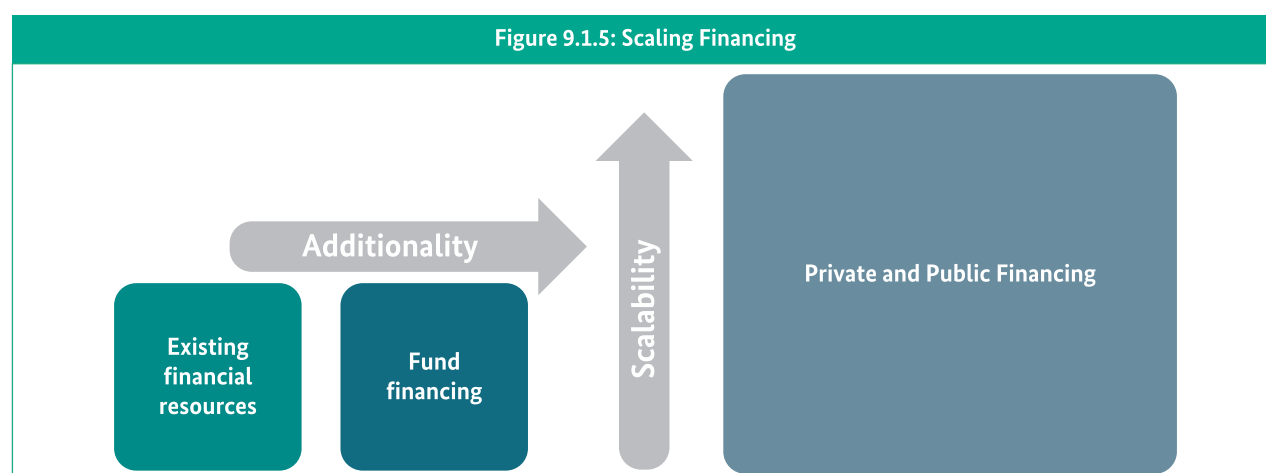
Source: ToT Presentations

- Define scope: Set the boundaries of the analysis. What should be included or secluded by the analysis
- Built scenarios: which interventions would be implemented in each one of the three scenarios
- Estimate costs and market benefits: The standing point of the financial analysis is the project itself
- Estimate profitability and solvency: it should reflect market conditions

**Focus on scalability:** climate funds aspire to increase the availability of climate financing. Fund financing is linked with additionality which has to be demonstrated with the financial analysis. In other words, funds want to assess the

<sup>63</sup> GCF Programming Manual, Part 2, Annex 3, p. 152

effect that the financing has compared to the basic scenario. Here the basic scenario is the available financial resources without the fund support. Additionality is not linear:



Source: ToT Presentations

Moreover, funds want to ensure scalability in order to attract more private and public funding. With the replication and scaling up of activities the overall availability of climate financing is increasing. The financial analysis provides the insight to assess the scalability of the project.

## 9.2. Private & financial sector engagement

The GCF Initial Investment Framework highlights that one of the initial portfolio targets is to Maximize fund-wide engagement with the private sector, including through significant allocation to the Private Sector Facility<sup>64</sup>.

Comments from the GCF on the current pipeline and the list of AEs, there is a strong need for representation of national public sector and direct access entities as additional channels to access the GCF. Similar comments apply to private sector entities of all kinds, including those from developing countries (in particular financial institutions), and, in general, entities from the Pacific and Asian regions.

In order to scale up GCF's activities and support this challenge, GCF has set up the PSF to fund and mobilize private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest. The PSF's mission is to engage both the local and global private sector to support climate change mitigation and adaptation projects in developing countries<sup>65</sup>.

GCF summarises the private sector value proposition<sup>66</sup> as follows:

- We aim to de-risk the movement of global capital to solve climate challenges in developing countries
- We have a special focus on Least Developed Countries, Small Island Developing States, and African states
- We can provide expertise to help you assess the potential climate benefits of project ideas
- We offer long-term funding through various instruments and can structure in concessionality where necessary to achieve results
- We are strategic and flexible

The flow of funds and contracts follows this structure, in line with what is described in Module 1:

- Funds flow from Accredited Entity to Executing Entity/ies
- Executing entities may subcontract work (via competitive tenders)
- Accredited Entity has a "Funded Activity Agreement" (FAA) with GCF: an FAA contains the specific terms and conditions for the financing and implementation of the funded activity, including an implementation plan, reporting requirements, disbursement plan and budget for the project.

<sup>64</sup> GCF Initial Investment Framework, p. 2, accessible at: [https://www.greenclimate.fund/sites/default/files/document/initial-investment-framework\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/initial-investment-framework_0.pdf)

<sup>65</sup> GCF Private Sector Facility, p. 4, accessible at: [https://www.greenclimate.fund/sites/default/files/document/green-climate-fund-s-private-sector-facility\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/green-climate-fund-s-private-sector-facility_0.pdf)

<sup>66</sup> GCF Private Sector Facility, p. 5, *ibid*.



- No direct contractual relationship between GCF and executing entity/ies
- Accredited Entity remains fully responsible to GCF

### 9.3. Overview of the annexes of the GCF funding proposals

The GCF requires 14 mandatory annexes to the Funding Proposal: templates can all be found on the GCF website<sup>67</sup>. The list of the mandatory annexes includes:

- ANNEX 1 NDA no-objection letter(s)
- ANNEX 2 Feasibility study
- ANNEX 3 Economic and/or financial analyses
- ANNEX 4 Detailed budget plan (template provided)
- ANNEX 5 Implementation timetable
- ANNEX 6 E&S document
- ANNEX 7 Summary of consultations and stakeholder engagement plan
- ANNEX 8 Gender assessment and project/programme-level action plan
- ANNEX 9 Legal due diligence
- ANNEX 10 Procurement plan
- ANNEX 11 Monitoring and evaluation plan
- ANNEX 12 AE fee request
- ANNEX 13 Co-financing commitment letter
- ANNEX 14 Term sheet

Guidance on the completion of the Annexes is fully explained in the GCF Programming Handbook, including for additional annexes.<sup>68</sup>

**Focus on Feasibility Study:** While the Funding Proposal is the “main” document of a GCF proposal, the basis of the proposal is the feasibility study. The feasibility study informs parts of Funding Proposal: a feasibility or pre-feasibility study is a pre-submission requirement that is necessary to determine whether the proposed project is feasible and implementable

The study should present:

- An assessment of the various technological options analysed for the proposed project scope;
- Alternative scenarios and a clear conclusion with recommendations for the selection of specific project interventions;
- The reasons why those interventions have been chosen for a particular project; and
- An explanation of the underlying logic of the project structure and activities<sup>69</sup>.

A detailed study/assessment undertaken as part of the preparation of the funding proposal to analyse the current state/conditions of the area and assets that the project/programme is targeting, the existing market, the different options/interventions possible to address the problem and the reasons for selecting specific technological solutions over alternative options.

A non-exhaustive list of studies include:

- Problem analysis
- Climate impact and vulnerability analysis (for adaptation)
- Baseline emission scenario without the project (for mitigation)
- Policy and regulatory environment
- Mapping of existing projects and initiatives that are related and how the current project leverages and adds value

<sup>67</sup> Templates available at <https://www.greenclimate.fund/projects/process>, accessed on 20/04/2022

<sup>68</sup> GCF Programming Handbook, Part 2, Section H, pp. 146 – 169

<sup>69</sup> GCF Programming Handbook, Part 2, Section H, Annex 2, p. 148

- Different options for addressing the problem and costs and benefits
- Selected option/set of options/approaches and criteria for its selection
- Description of activities
- Models to be used and their specifications
- Exclusion lists, if applicable
- Can draw from the financial analysis to support information on the design of activities and the financial instruments for each
- Institutional analysis and proposed institutional arrangements
- Site selection and beneficiary selection criteria
- Details on financing mechanisms and operations, if applicable
- Design of interventions to support sustainability
- Operations and maintenance plan, if applicable







## Environmental, social and gender safeguards

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### Learning Outcomes:

- Understand the purpose of Environment and Social Safeguards (ESS)
- Learn the process for assigning an ESS risk category
- Practise identifying E&S risks as part of the concept note preparation
- Understand how climate change can lead to gendered inequalities and vulnerabilities
- Learn how gender mainstreaming should be included in all phases of the project lifecycle
- Apply gender mainstreaming in the Gender Action Plan



## 10.1. Environmental and Social Action Plan -Country regulation

### Bangladesh Context

#### Environment

- Many laws and regulations have been enacted over the years to protect the environment and programmes and policies.
- Environmental degradation and climate change have been integrated into the government's medium-term planning process, with particular targets and strategies for environmental protection and climate change specified.
- In addition to the legal framework, significant progress in regulating air pollution from brick kilns and lowering water pollution from the leather sector has bolstered the focus on implementation.

#### Social

- Bangladesh has also maintained its focus on human development, women's empowerment, and social inclusion, regardless of gender, religion, emphasize providing social protection for old people, small ethnic communities, disabled persons.
- The inclusion strategy for ethnic minorities, physically challenged people, and underprivileged people who face social discrimination because of their profession will continue to be based on the Constitution, which guarantees equal rights and opportunities to all citizens regardless of race, religion, caste, creed, or profession.

## Overview of National Environmental and Social Policy, Legal and Regulatory Framework

#### Constitution

- Article 18 (A) of the constitution states that the State shall endeavor to protect and improve the environment and to preserve and safeguard the natural resources, bio-diversity, wetlands, forests and wild life for the present and future citizens.
- As per Article 15 (d) of the Constitution of the People's Republic of Bangladesh 'It shall be a fundamental responsibility of the State to attain a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the people through planned economic growth, with a view to securing its citizens right to social security, that is to say, to public assistance in cases of undeserved want arising from unemployment, illness or disablement, or suffered by widows or orphans or in old age, or in other such cases'.

#### Country documents

- Bangladesh Climate Change Strategy and Action Plan (BCCSAP) 2009,
- 8th Five Year Plan,
- Bangladesh Delta Plan 2100,
- Perspective Plan of Bangladesh 2021-2041
- Nationally Determined Contributions (NDCs) 2021
- National Action Plan of Sustainable Development Goals (SDGs) 2018

#### Environment related Policy, Legal and Regulatory Framework

- Environment Policy (1992),
- Environment Conservation Rules (ECR) 1997 amended 2003,
- Environment Policy (2017 Draft),
- Environmental Pollution Control Ordinance, 1977
- National Environmental Policy, 1992
- National Environmental Management Plan, 1995



- The Environmental Court Act 2000
- The Bangladesh Environment Conservation Act, 1995
- Climate Change Trust Act, 2010

## Environmental Standards/Guidelines

- Environmental Quality Standards
- Ecologically Critical Areas
- The EIA Guidelines for Industry

## Other relevant Sectoral Policy

Forest	<ul style="list-style-type: none"> <li>Forest Act, 1927</li> <li>Private Forest Ordinance (PFO), 1959</li> <li>National Forestry Policy 1994</li> <li>Social forestry Rules, 2004</li> <li>Wildlife (Conservation &amp; Security) Act, 2012</li> <li>Forestry Master Plan (Draft)</li> <li>National Forestry Policy 2016 (Draft)</li> </ul>
Water	<ul style="list-style-type: none"> <li>Water Pollution Control Ordinance, 1970</li> <li>National Water Policy 1999</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>National Agricultural Policy, 1999</li> </ul>
Industry	<ul style="list-style-type: none"> <li>National Industrial Policy-2016</li> </ul>
Land	<ul style="list-style-type: none"> <li>National Land Use Policy (2001)</li> </ul>
Policy, Legal and Regulatory Frameworks related to social aspects	<ul style="list-style-type: none"> <li>National Social Protection Strategy (NSPS) of Bangladesh</li> <li>National Social Security Strategy (NSSS)</li> </ul>
Labor	<ul style="list-style-type: none"> <li>Bangladesh Labor Act 2013</li> <li>National Labour Policy (2012),</li> <li>Bangladesh Labour Act Implementing Rules 2015</li> <li>National Occupational Safety and Health (OSH) Policy (2013)</li> <li>National Skills Development Policy (NSDP), 2011</li> </ul>
Gender	<ul style="list-style-type: none"> <li>National Women Development Policy (NWDP), 2011</li> <li>Bangladesh Climate Change and Gender Action Plan 2013 (ccGAP)</li> </ul>
Youth	<ul style="list-style-type: none"> <li>The National Youth Policy (2017)</li> </ul>
Persons with Disabilities	<ul style="list-style-type: none"> <li>Rights and Protection of Persons with Disabilities Act 2013</li> </ul>

## 10.2. Environmental and Social Action Plan - Environment and social safeguard policies<sup>70</sup>

### GCF Architecture

The activities supported by GCF may include programmes, projects and subprojects. The financial instruments may vary and may include grants, concessional loans, guarantees and equity investments.

The GCF Environment and Social Policy applies to three engagement areas:

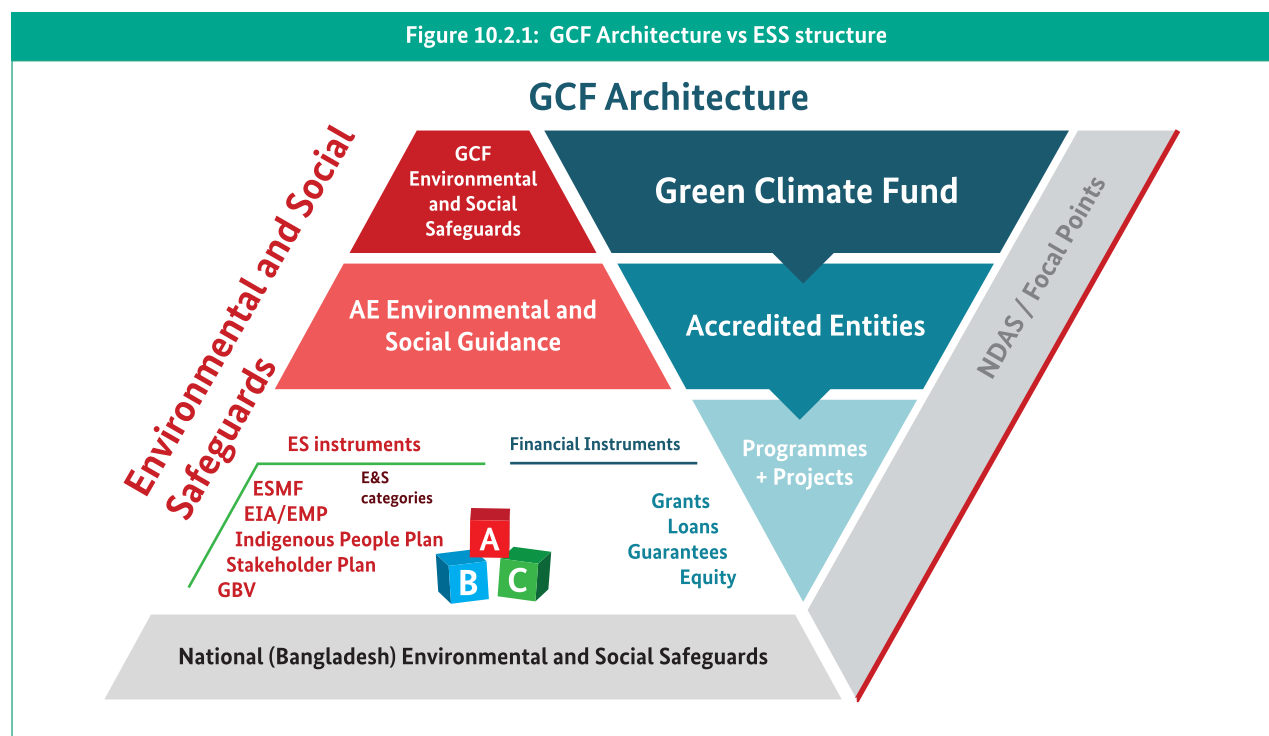
1. At the strategic and institutional level, the policy responds to the mandate expressed in the Governing Instrument and links to other operational strategies and policies including internal structures and governance frameworks of GCF;
2. At the entities level, the policy sets out the requirements for accredited entities working with GCF to

<sup>70</sup> Revised Environmental and Social Policy, accessible at: <https://www.greenclimate.fund/sites/default/files/document/revised-environmental-and-social-policy.pdf>

establish and maintain robust, systematic, accountable, inclusive, gender responsive, participatory and transparent systems to manage risks and impacts from GCF-financed activities, pursuant to this policy and the ESS standards adopted by GCF. These requirements complement the accreditation framework and are considered in the accreditation and reaccreditation processes; and

3. At the activity level (Programmes and projects), the policy establishes the requirements for environmental and social risk assessment and management to be aligned to GCF ESS standards ensuring that due diligence is undertaken for all GCF-financed activities, including subprojects financed from GCF-funded programmes or through financial intermediaries, regardless of the financial instruments used or whether these are solely supported by GCF or cofinanced by other institutions.

The below Figure 10.2.1 shows what could be (as an example) the corresponding ESS policies, instruments to three engagement areas.



## GCF Environmental and Social Safeguards (ESS)

Environmental and social safeguards (ESS) standards are defined as: a set of standards that specifies the desired outcomes and the specific requirements to achieve those outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts.<sup>71</sup>

In carrying out its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, GCF will effectively and equitably manage environmental and social risks and impacts, and improve outcomes of all GCF-financed activities. This is facilitated by a set of management processes and procedures that allow GCF to identify, analyse, avoid, minimise, and mitigate any potential adverse environmental and social impacts of its activities, to maximise environmental and social benefits, and to improve the environmental and social performance of GCF and its activities consistently over time.

This system of processes and procedures is an overarching framework for achieving improvements in environmental and social outcomes while addressing any unintended adverse impacts of all the GCF-financed activities. GCF incorporates environmental and social considerations into its decision-making and operations and identifies opportunities to “do good” and improve environmental and social outcomes<sup>72</sup>. Accredited entities are approved to use their own internal ESS guidelines as per their accreditation status.

GCF's ESS Policy articulates the commitments of GCF to sustainable development, elaborates how GCF integrates environmental and social issues into its processes and activities, and sets the roles and responsibilities including

<sup>71</sup> GCF Programming Manual, Glossary

<sup>72</sup> GCF website, safeguards: <https://www.greenclimate.fund/projects/safeguards/ess>, accessed on 19/04/2022

the requirements to deliver these commitments. To achieve these, the policy defines how GCF will manage the environmental and social risks and impacts, and how GCF will support the overall sustainability of its operations and investments in line with its obligations under national and international law and other relevant standards. Specifically, the policy aims to:

- Provide the basis for a coherent, consistent and transparent management system founded on the principles of diversity, equity and inclusive, gender-sensitive sustainable development, for improving performance and outcomes, managing risks and impacts, and enhancing equitable access to benefits in all GCF-financed activities;
- Support the decision-making of GCF, particularly regarding the accreditation of entities, the provision of support, and the design, development, approval, implementation, and review of GCF-financed activities;
- Underpin the development of an ESMS that incorporates a systematic gender-sensitive and intersectional approach to integrating environmental and social performance and risk management into the operations of GCF and those of the accredited entities and other development institutions with which GCF is associated; and
- Define the responsibilities and processes to deliver upon the commitments of GCF.<sup>73</sup>

At Concept Note stage, AEs are required to select the appropriate ESS category in the cover page, in box A.14. To do so, please refer to the GCF Environmental and Social Safeguards, established in decision B07/02<sup>74</sup>. The ESS component is based on the Performance Standards of the International Finance Corporation<sup>75</sup>, which are listed here:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

Performance Standard 1 establishes the importance of (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and (iii) the client's management of environmental and social performance throughout the life of the project. Performance Standards 2 through 8 establish objectives and requirements to avoid, minimize, and where residual impacts remain, to compensate/offset for risks and impacts to workers, Affected Communities, and the environment.<sup>76</sup>

The Accredited Entity is accredited for different risk categories: the GCF will only accredit institutions to implement activities with high or medium levels of risk if the institution can demonstrate that it has an organisational structure that defines roles, responsibilities and authority to implement the E&S policy and ESMS, and a track record of managing projects with the same level of environmental or social risk in the past.

<sup>73</sup> Revised Environmental and Social Policy, p. 4

<sup>74</sup> GCF/B.07/02: Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards, accessible at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b07-02.pdf>

<sup>75</sup> International Finance Corporation's Performance Standards on Environmental and Social Sustainability, p. i, accessible at: [https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS\\_English\\_2012\\_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h](https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h)

<sup>76</sup> International Finance Corporation's Performance Standards on Environmental and Social Sustainability, *ibid.*

An overview of the risk categories is provided in Table 10.2.1 below:

Table 10.2.1: Risk categories, ToT Presentation			
Risk category	Risk level	Description	Possible activities implemented under the project
A	High	Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible or unprecedented.	Large scale and effecting many people e.g. relocation of people
B	Medium	Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily.	Construction, land use, waste management
C	Low	Activities with minimal or no adverse environmental and/or social risks and/or impacts.	Policy, trainings, small-scale works e.g. energy efficiency retrofits in buildings, not new construction. only upgrading of a home or buildings

Depending on the environmental and social safeguards (ESS) category, at the Funding Proposal stage the AE is required to submit the following:

- an environmental and social impact assessment
- an environmental and social management plan, or
- an environmental and social management system.

The ESS report disclosure form<sup>77</sup> must be submitted along with the appropriate ESS report(s). The AE may also be requested to submit other documents as deemed necessary by the Secretariat, such as an environmental and social (E&S) audit, an Indigenous peoples plan, and a land acquisition and resettlement action plan.

The most important aspect of this is that the results of the impact assessment determine under which ESS Risk Category the project falls. For entities with an accreditation that is limited to ESS Categories B (medium risk) or C (low risk) it is essential that the assessment demonstrate convincingly that the project does not fall in a higher risk category than the entity is accredited for. The AE should ensure that the disclosure requirements have been met at least 120 calendar days (for Category A or I-1 projects/programmes) or 30 calendar days (for Category B or I-2 projects/programmes) from the decision of the board of the AE or the GCF Board, whichever occurs first. In case of GCF, the period is counted from the first day of the GCF Board meeting<sup>78</sup>.

## Key considerations and elements of ESMS

To fulfil its mandate the GCF has adopted an ESMS, comprising an environmental and social policy (ESP), a set of interim ESS standards and guiding manual. An ESMS is an overarching framework for achieving improvements in environmental and social outcomes while addressing the unintended adverse impacts in all the GCF-financed activities. It provides an opportunity for the GCF to incorporate environmental and social considerations into its decision-making and operations in ways that not only include safeguard measures of 'do no harm', but also identify opportunities to 'do good' and improve environmental and social outcomes. An ESMS allows the GCF to integrate environmental and social considerations in a systematic, coherent and transparent manner, and at three entry points:

- At the facilities and operations level, related to the environmental and social management practices of the GCF, its institutional capacity and stakeholder involvement, among other things;
- At the activities level through environmental and social due diligence, and risk assessment, and through a management framework tailored to the nature and scale of the activities and the magnitude of environmental and social risks and impacts; and
- At the policy level, by establishing the process for integrating sustainability considerations into the strategies and decisions.

An ESMS consists of the processes that institutions have in place to make sure that they adequately assess, manage and monitor environmental and social risks, and respond to problems that arise. All institutions seeking accreditation

<sup>77</sup> GCF Programming Manual, 2020, Part 2, Annex 6, pp. 154 – 159

<sup>78</sup> GCF Programming Manual, 2020, Part 2, Annex 6, p. 159

to the GCF must have an ESMS. The strength of the ESMS can vary though depending on the accreditation category. To determine whether an institution's ESMS is adequate the GCF uses elements laid out in IFC's PS 1, including:

- Environmental and social policy
- Process for identifying risks & impacts
- Management program
- Organisational capacity & competency
- Process for monitoring & evaluation
- External communications

Entities seeking accreditation for low-risk projects only need to show that their ESMS enables them to identify risks, categorize projects by risk, and deal with unexpected challenges that arise. An institution does not need to have an environmental and social policy to become accredited to implement low-risk projects. Those seeking higher risk accreditation need to show a more complete risk management system covering the six ESMS elements.

Table 10.2.2 below gives an overview of the main ESMS requirements for different levels of accreditation.

Element of ESMS	Low Risk	Medium or High Risk
Policy	Not Required	Must be consistent with PS 1-8
Identification of Risks & Impacts	Process to screen & categorize risk	Process & implementation track record consistent with PS 1-8
Management Programme	Process to identify & manage risks (incl. unanticipated risks)	Process & track record for mitigating identified risk
Organisational Capacity & Competency	Staff members able to categorize activities by risks	Clear roles & authority for implementation; includes Senior Management
Monitoring & Review	Monitoring for unforeseen impacts or risks	Process for & track record of monitoring mitigation actions; includes Senior Management

## Information Disclosure Requirements

The required disclosure will apply to Category A and Category B subprojects of GCF-funded programmes

- Category A projects: the Environmental and Social Impacts Assessment (ESIA) and an Environmental and Social Management Plan (ESMP) **at least 120 days in advance of the AE's or GCF's Board decision, whichever is earlier:**
- Category B projects: the ESIA and an Environmental and Social Management Plan (ESMP) **at least 30 days in advance of the AE's or GCF's Board decision, whichever is earlier:**

The reports should be available:

- English and the local language (if not English).
- Via electronic links in both the AE's and the GCF's website as well as in locations convenient to affected peoples.

## GCF Independent Redress Mechanism

- The IRM accepts requests for reconsideration from **developing countries whose funding proposals have been denied** by the GCF Board.
- The IRM addresses complaints by **people who believe they are negatively affected** or may be affected by projects or programmes funded by the GCF



## ESS for Simplified Approval Process (SAP)

Activities eligible under the SAP are those typically qualifying as Category C or low intermediation (I3) only following the environmental and social risk category definition in the Accreditation Framework and the Information Disclosure Policy of the GCF. Activities under this category are project and context specific, and will be assessed on a case-by-case basis, and include, among others:

- Capacity development, planning support, institutional development and strengthening, advisory services, communication and outreach, and early warning and other monitoring systems;
- Household-level facilities and production within an already built-up area and with no additional footprint (basic post-harvest processing, rainwater harvesting, pico- to micro-scale renewable energy, retrofit renewable energy systems and energy efficiency and conservation, smallholder agroforestry, and small-scale climate resilient agriculture); and
- Small-scale rural and urban community-based projects, village-level rural water supply and drainage (including smallholder farm irrigation such as drip irrigation, shallow wells, etc.), rural energy, small-scale infrastructure (including in-situ rehabilitation, upgrading, and maintenance of existing public facilities where waste will not be an issue), small-scale community-based watershed and habitat management and rehabilitation, climate resilient agriculture, soil and water conservation, and community forest management activities.

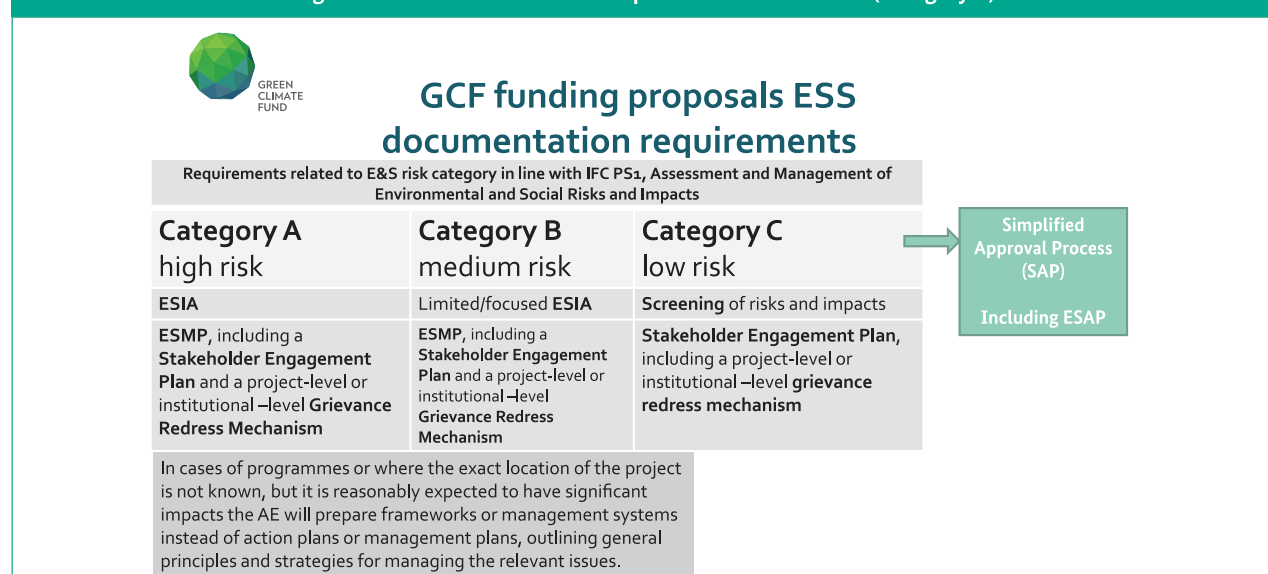
SAP eligibility requirements: The SAP makes small-scale projects or programmes from concept to implementation an easier process in accessing GCF resources with fewer documentation and review.

To submit Concept Notes under the SAP, projects of programmes must meet three criteria:

- The budget for a project or programmes should be up to USD10 million
- Having little to no environmental and social risks and impacts
- Has the potential for transformation to adaptation and/or mitigation to climate change.

### Documentation Requirements

Figure 10.2.2: Documentation Requirements for GCF SAP (Category C)



The SAP Funding Proposal shall follow a simplified format based on the updated project approval process and using a template that will be developed by the Secretariat for this purpose.

### PRE-FEASIBILITY STUDY

Funding proposals will include a pre-feasibility study and be screened in relation to the environmental and social risks and impacts, stakeholder engagement undertaken, and grievance redress mechanisms, which will be put in place.

The entity proposing the project or programme will need to provide a summary of consultations and a stakeholder engagement plan including activity-level and entity-level grievance redress mechanisms following the guidance and standard format to be provided by the Secretariat.

The review of safeguards will take into account the results of the environmental and social risk screening and the ESAP, as required.

## ADDITIONAL INFORMATION DURING FUNDING PROPOSAL PREPARATION

During funding proposal development, additional information will be required and will include the following information:

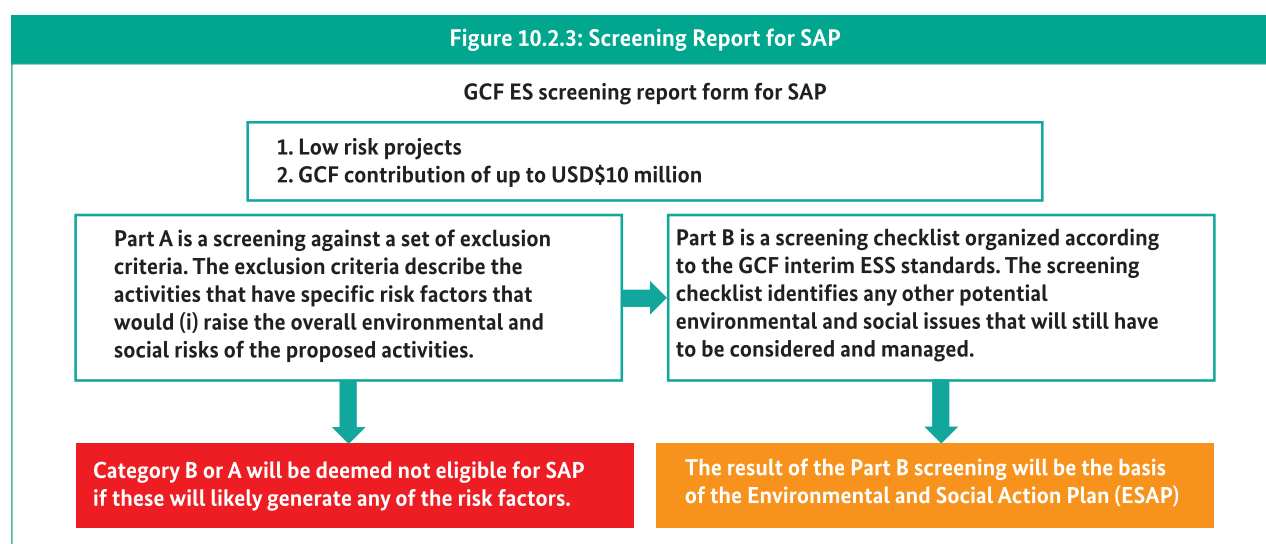
- ESAP or management plan that considers the environmental and social risks identified during the screening, the risk significance, and measures to manage and address the identified risks;
- information on policy or regulatory requirements applicable to the proposed activities;
- summary of consultation events (place and dates), identifying who were consulted and relevant issues raised, and how were the issues responded and integrated in the proposal;
- stakeholder engagement plan describing how the activities will ensure continuing participation of stakeholders throughout the duration of the activities;
- grievance redress mechanisms that include a project-level and the accredited entity's institutional-level mechanisms, describing the principles and processes for receiving, addressing, and tracking complaints of affected or potentially affected people and communities.

### SAP Screen Process

The ESS for SAP guidance provides forms that may be used by the accredited entities in reporting the results of the environmental and social screening. The accredited entities may use their own processes and tools in conducting and reporting the screening if such processes and tools are more technically rigorous than the process and form outlined in this guidance document<sup>4</sup>.

The environmental and social screening report form consists of two parts:

- Part A is a screening against a set of exclusion criteria. The exclusion criteria describe the activities that have specific risk factors that would (i) raise the overall environmental and social risks of the proposed activities (for example raising to Category B or A) and (ii) would require more detailed and specific assessments and management plans. The proposed activities will be deemed not eligible for SAP if these will likely generate any of the risk factors. Guidance on Part A is provided in Annex 1 of this document.
- Part B is a screening checklist organized according to the GCF interim ESS standards (or correspondingly, the IFC Performance Standards<sup>5</sup>). The screening checklist takes into consideration any potential environmental and social risks including requirements based on the specific ESS standards. The screening checklist identifies any other potential environmental and social issues that will still have to be considered and managed. The result of the Part B screening will be the basis of the Environmental and Social Action Plan (ESAP) or management plan that may be developed during the Funding Proposal preparation.



Environmental and social Tool (SAP):

- Screening uses various tools (Positive list, Negative list, Prohibitive list) to capture information on the risks and impacts and the significance analysis – the most common tool being a checklist that provides a list of environmental and social risk factors as well as significance criteria.

- Only activities with risk categories that are within the accredited entity's scope of accreditation will be considered for GCF financing. For example, entities accredited to Category B can propose activities with environmental and social risk category of up to Category B only
- The accredited entities may use their own processes and tools in conducting and reporting the screening if such processes and tools are more technically rigorous than the process and form outlined in the GCF guideline.

#### Best practices:

- Nominate an environmental officer for the project
- Elaborate action plan for cross cutting themes (public participation, stakeholder analysis, institutional assessment, Free, Prior and Informed Consent, M&E)
- Start with a checklist leading to the project's environmental classification

#### Helpful resources:

- GCF link to check ESS category of accredited entities: [https://www.greenclimate.fund/about/partners/ae?f\[\]=field\\_category:category-b](https://www.greenclimate.fund/about/partners/ae?f[]=field_category:category-b)
- Decisions of the board document – with information on the GCF's ESS: <https://www.greenclimate.fund/sites/default/files/document/gcf-b07-11.pdf>
- Guidelines for the environmental and social screening of activities proposed under the Simplified Approval Process: <https://www.greenclimate.fund/document/guidelines-environmental-and-social-screening-activities-proposed-under-simplified-approval>

## 10.3. Climate change and gendered vulnerability

It is well known that women and girls are disproportionately affected by the impacts of climate change and associated severe weather events. Women's mortality from climate-related disasters is higher than that of men, and climate-induced floods and droughts exacerbate women's poverty and unpaid domestic and care work burdens. This is due to factors such as entrenched discriminatory social and cultural norms, a lack of entitlements, and unequal access to land, water and productive assets, compounded by limited mobility and decision-making power in many contexts.<sup>79</sup>

Women tend to rely more on natural resources for their livelihood in developing contexts. Any decline in land and biomass productivity affects women more than men, especially in rural areas.

In urban areas, after climate-related disasters, it is harder for poor women than for poor men to recover their economic status and welfare.

At the same time, in many countries women are being recognized as agents of change who make valuable contributions to climate change mitigation and adaptation efforts. Women are building climate resilience and enhancing the livelihoods and well-being of their families by investing in climate-smart agriculture and sustainable energy solutions for home and work. They are preparing for climate-induced disasters and finding innovative ways to cope with climate change impacts on communities and environments.<sup>80</sup>

## 10.4. Gender inequality and climate change

Gender inequality is prevalent throughout the world due to structural barriers and social normative behaviour – or what is socially acceptable, which changes over time and usually develops into new policies and plans. Examples of gender inequalities include<sup>81</sup>:

- All over the world, men tend to earn more than women (gender pay gap)
- Women are often underrepresented in senior positions within firms and governments
- Women are often overrepresented in low-paying jobs and unpaid labour
- In many countries men are more likely to own land and control productive assets than women
- Women often have limited influence over important household decisions, including how their own personal earned income is spent

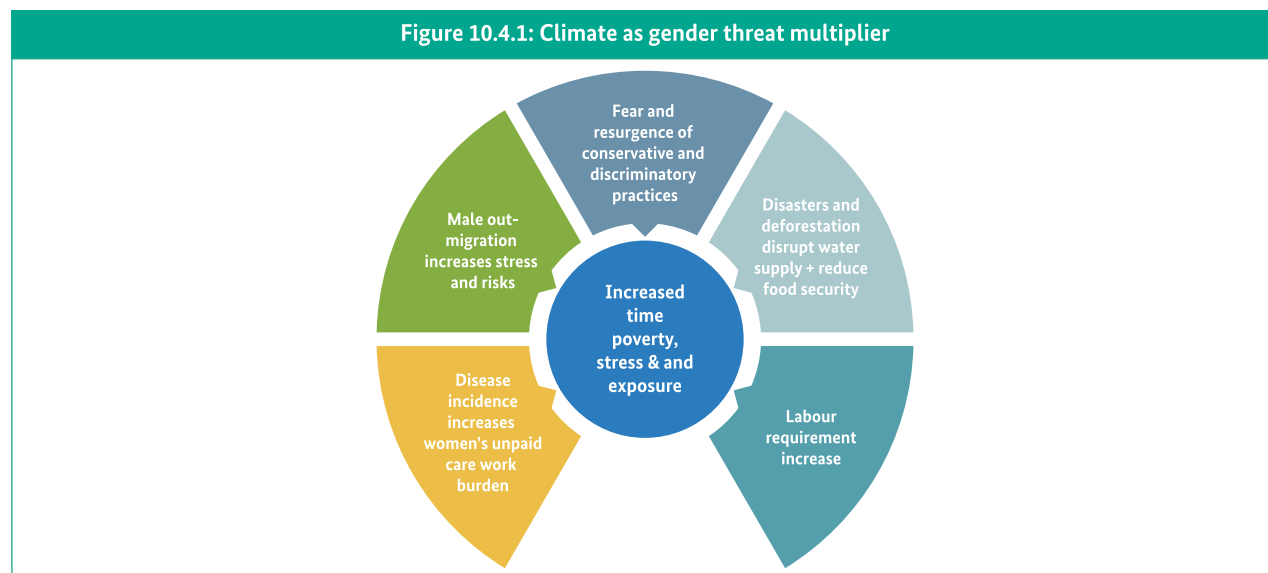
<sup>79</sup> Mainstreaming Gender in Green Climate Fund Projects, Forward, accessible at: <https://www.greenclimate.fund/document/mainstreaming-gender-green-climate-fund-projects>

<sup>80</sup> Mainstreaming Gender in Green Climate Fund Projects, Ibid.

<sup>81</sup> <https://ourworldindata.org/economic-inequality-by-gender>, visited on 20/04/2022

However, inequalities are shifting and, according to composite indices that cover multiple dimensions, they have been decreasing substantially over the last century. For example: a) In most countries the gender pay gap has decreased in the last couple of decades and b) gender-equal inheritance systems, which were rare until recently, are now common across the world.

While these results are certainly welcome news, climate change acts as a gender threat multiplier. Figure 10.4.1 highlights how this can happen:



Source: UNDP

There is evidence of increased time poverty, stress burden and exposure to climate risks being higher for women than men. This is compounded by:

- Disaster- and climate-related disease incidence increases women's unpaid care work burden
- Male outmigration for labour increases stress and risks for female partners left behind to manage domestic issues and subsistence agriculture
- Climate change can create fear and drive resurgence of conservative and discriminatory socio-cultural practices
- Disasters (floods, drought) and deforestation disrupt water supply and undermine food security
- Climate change increases labour requirements and introduces unpredictability in agriculture

The cumulative effects of poverty and social, economic and political barriers often cause women to be disadvantaged when coping with the impacts of climate change. Secondly, compared with men, women face huge challenges in accessing all levels of policy and decision-making processes. This renders them less able to influence policies, programmes and decisions that impact their lives. Third, socio-cultural norms can prevent women from acquiring the information and skills necessary to escape or avoid hazards. Similarly, women's roles in looking after the family can restrict their mobility in times of disaster, as they are responsible for children and the elderly. Such social influences render women disproportionately vulnerable to disasters and to the negative effects of climate change. Fourth, a lack of sex disaggregated data in all sectors (livelihoods, disaster preparedness, environmental protection, health and well-being) often leads to an underestimation of women's roles and contributions. In many cases, women and men have similar levels of awareness about climate change. However, because women and men have different gender roles in their daily activities, they may feel and be impacted by these changes in different ways. For example, women may be more concerned about the health impacts of clean water shortages or about the difficulty of finding affordable household fuel, while men may be more concerned about the lack of employment caused by flooding or drought. Depending on the country, women and/or men may be impacted by higher workloads in agriculture.<sup>82</sup>

82 UNDP (2015): [https://www.acccrn.net/sites/default/files/publication/attach/Mainstreaming\\_Gender.pdf](https://www.acccrn.net/sites/default/files/publication/attach/Mainstreaming_Gender.pdf)

## 10.5. Gender Assessment and Gender Action Plan

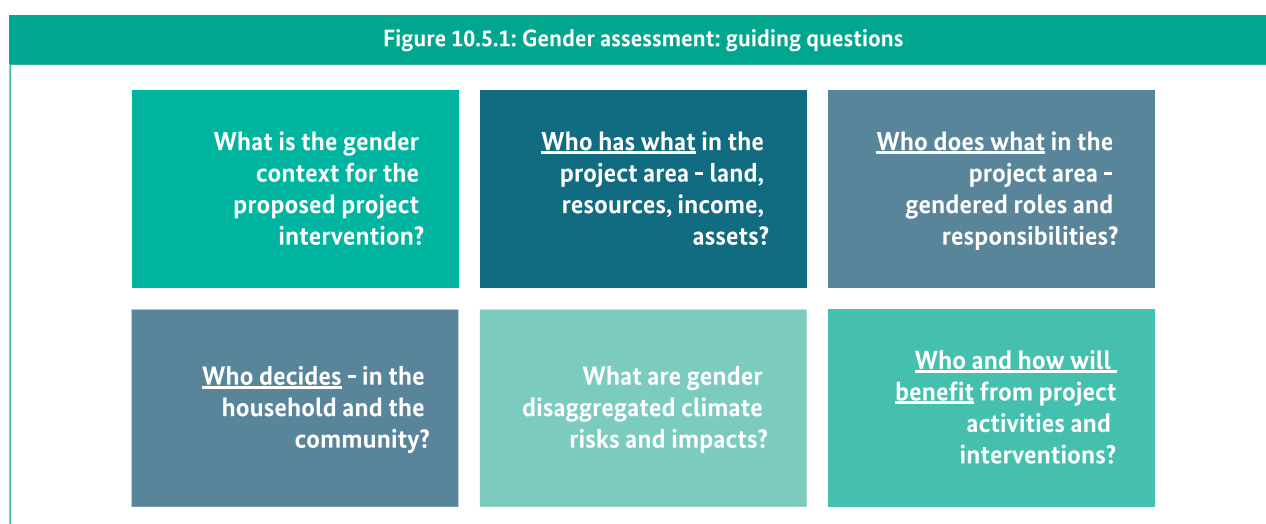
The gender assessment and action plan is a mandatory annex that needs to be prepared and submitted as part of the funding proposal package (Annex 8)<sup>83</sup>. Such analysis may include raising a number of questions, like: what is the gender baseline in the project context?

The answer to which should include the information on demographic data disaggregated by sex and income, main sources of income for man and women, impacts of climate change on men and women, boys and girls, common gender beliefs, values and practices. It is also important to understand the gender disaggregated distribution of resources including:

1. who controls access to or owns land, water, energy;
2. extent of the access to education, information, finance and essential economic activities and services.

The analysis needs to provide answers and information on what gender roles are in the formal and informal economy and who is in charge of the decision-making in the political, economical and social spheres. There needs to be a clear understanding implications of climate change on men, women, boys and girls and who will benefit from planned project interventions.

Moreover, the assessment needs to show how gender inequality, specific vulnerabilities and gender sensitive needs will be addressed by the Project and demonstrate specific response strategies for each target group. A recap of key guiding questions is provided in Figure 10.5.1:



Source: GCF Toolkit for Gender Mainstreaming<sup>84</sup>

GCF has produced helpful guidelines and manuals to support AE and project developers with the adequate design of Annex 8. One of these is the Manual on Mainstreaming Gender in GCF projects.

In the introduction to the manual, it is noted that: “Gender mainstreaming is central to the GCF’s objectives and guiding principles, including through engaging women and men of all ages as stakeholders in the design, development and implementation of strategies and activities to be financed. The GCF Governing Instrument states that: ‘The Fund will strive to maximize the impact of its funding for adaptation and mitigation... promoting environmental, social, economic and development co- benefits and taking a gender-sensitive approach.’ Thus, gender equality considerations should be mainstreamed into the entire project cycle to enhance the efficacy of climate change mitigation and adaptation interventions, and ensure that gender co-benefits are obtained. This applies to all projects, not only those intended from the outset to center on women or to have a gender focus. Gender mainstreaming is fundamental to any project intervention and does not necessarily signify additional costs; in fact, mainstreaming gender makes climate interventions more effective and efficient.”<sup>85</sup>

<sup>83</sup> GCF Programming Manual, 2020, Part 2, Annex 8, p. 163

<sup>84</sup> GCF, Mainstreaming Gender in Green Climate Fund Projects, p. 23, accessible at: [https://www.greenclimate.fund/sites/default/files/document/guidelines-gcf-toolkit-mainstreaming-gender\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/guidelines-gcf-toolkit-mainstreaming-gender_0.pdf)

<sup>85</sup> Mainstreaming Gender in Green Climate Fund Projects, Introduction



Further in the Manual, the GCF stresses again this concept, indicating that: “gender mainstreaming should shape the entire project cycle, from project identification to M&E”<sup>86</sup>.

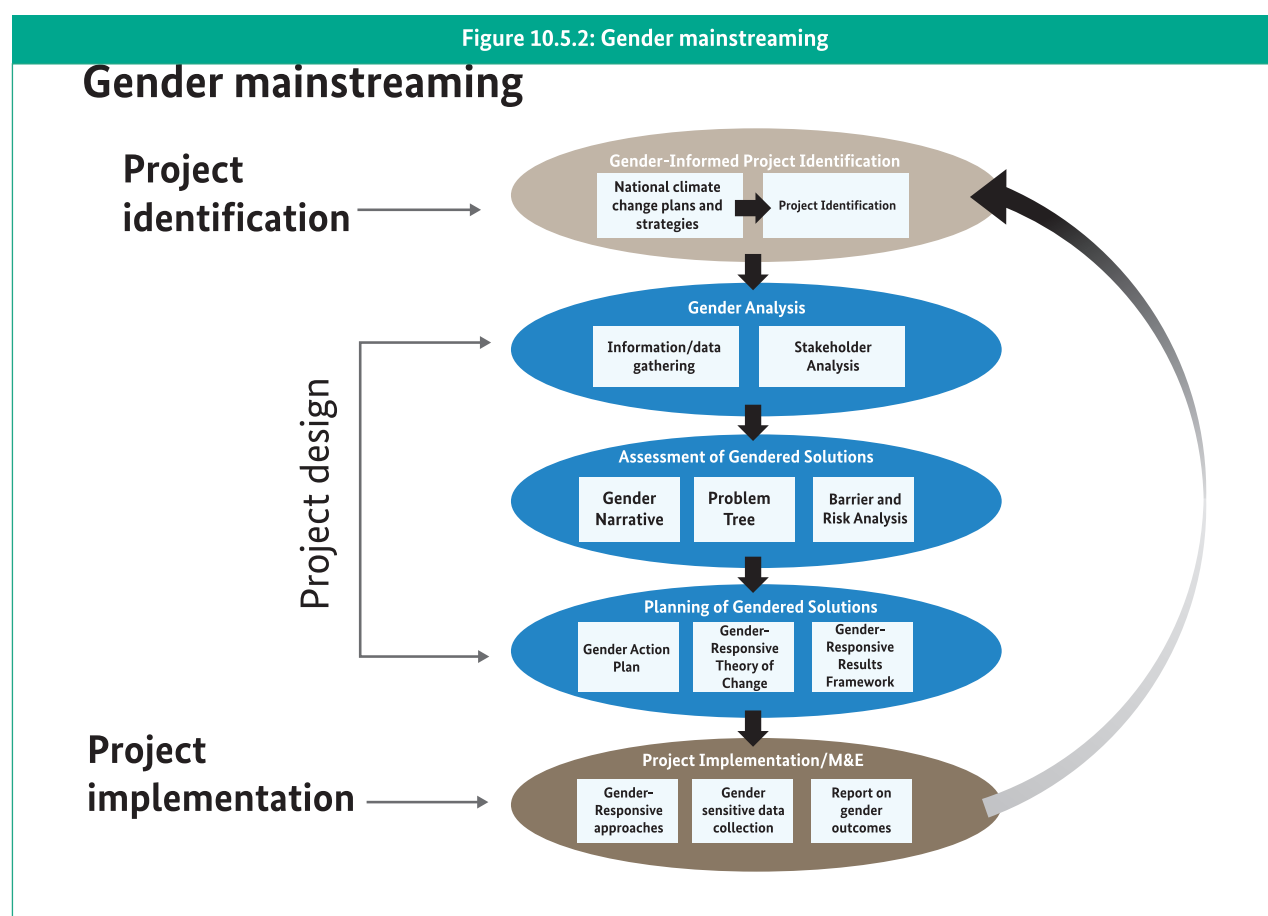
Another helpful resource is the Gender Action Plan of the GCF 2020-2023 (or Gender Policy). The implementation of the Gender Policy and Gender Action Plan will focus on the following five priority areas, including:

1. Governance;
2. Competencies and capacity development;
3. Resource allocation, accessibility and budgeting;
4. Operational procedures; and
5. Knowledge generation and communications.

GCF is committed to ensure that the projects they fund benefits everyone – women and men. How?

1. Understand through a gender analysis the social, economic and political factors underlying climate change-exacerbated gender inequalities, and the potential contributions of women and men to mitigating and adapting to climate change, and building climate resilience.
2. Adopting methods and tools to promote gender equality and reduce gender disparities in climate funding by mainstreaming gender in the project cycle.
3. Measuring the outcomes and impacts of project activities on women’s and men’s resilience to climate change through gender-responsive monitoring and evaluation (M&E).

Figure 10.5.2 provides a good visualisation of gender mainstreaming in the project cycle:



Source: UN WOMEN, 2016

The Gender Action Plan (GAP)<sup>87</sup> is a tool used to ensure gender mainstreaming is clearly visible in project/program design and implementation. The project/program GAP is not a separate component. It mirrors the logical framework

<sup>86</sup> Mainstreaming Gender in Green Climate Fund Projects, p.17

<sup>87</sup> GCF Programming Manual, 2020, Part 2, Section G.2, p. 145

of the project and is an integral part of project/program design, presenting:

- Description of gender responsive activities, outputs, outcomes and impacts
- Targets and indicators, included in the project/program to address gender concerns
- Mechanisms to ensure implementation of the gender design elements – including responsibilities, timeline and associated costs

GAPs include clear targets, gender design features and measurable performance indicators to ensure women's participation and benefits. Key aspects of the GAP are incorporated into project/program assurances to encourage buy-in from AEs and other partners. A practical example of a GAP is provided in the training slides.

## PART II

# Additional Training Content

Image by vecstock on Freepik



## – SECTION A –

# PROJECT/PROGRAMME SUMMARY

Section A is a structured summary of the main elements of the funding proposal.

It is recommended that this section is completed at the end of the funding proposal preparation process. It provides high-level background information on project/programme, including:

- Sector;
- Adaptation, mitigation or cross-cutting;
- Result areas;
- Mitigation/adaptation impact;
- Project cost and GCF funding request;
- Duration and lifespan of project;
- ESS category.

The following Table A.1.1 provides a breakdown of the information required:

Table A.1.1: Description	
Sub-section	Description
<b>A.1. Project or programme</b>	<ul style="list-style-type: none"> <li>• Programme – multiple interlinked subprojects unified by an overarching vision, common objectives and contribution to strategic goals.</li> <li>• The exact details of the subprojects may be unknown but the selection criteria should be articulated</li> <li>• For multi-country programmes, Annex 17 should be completed</li> </ul>
<b>A.2. Public sector or private sector</b>	<ul style="list-style-type: none"> <li>• Depends on the financial structure, the instruments used and the types of beneficiaries and industries involved in the project/programme.</li> </ul>
<b>A.3. Requests for proposal</b>	<ul style="list-style-type: none"> <li>• If the proposal is in response to a specific GCF request for proposal (RFP), the AE should indicate which RFP it is responding to from the selection in the drop-down.</li> </ul>
<b>A.4. Results area(s)</b>	<ul style="list-style-type: none"> <li>• Select from eight mitigation and adaptation options – it may target several areas and be cross-cutting.</li> <li>• Indicate the estimated percentage of the request for GCF funding that is devoted to each checked results area, totally 100%.</li> </ul>
<b>A.5. Expected mitigation impact</b>	<ul style="list-style-type: none"> <li>• Provide an estimate of the total tCO<sub>2</sub>eq to be avoided or reduced on an annual basis and over the lifespan of the proposed project/programme.</li> <li>• Further details, including methodology, are to be provided in section D.1 “Impact potential”, as well as in annex 2 “Feasibility study”</li> </ul>
<b>A.6. Expected adaptation impact</b>	<ul style="list-style-type: none"> <li>• Provide the expected total number of beneficiaries, including both direct and indirect beneficiaries, and the percentage of total beneficiaries relative to the total population</li> </ul>



Sub-section	Description
<b>A.7. Total financing (GCF financing + co-financing)</b>	<ul style="list-style-type: none"> <li>Indicate the total cost that will cover all expenses for the successful implementation of the project/programme, including funding from GCF and funding that will be co-financed.</li> </ul>
<b>A.8. Total GCF funding requested</b>	<ul style="list-style-type: none"> <li>Indicate the estimated funding to be requested from GCF.</li> </ul>
<b>A.9. Project size</b>	<ul style="list-style-type: none"> <li>Indicate the size of the proposed project based on the total financing requested,</li> <li>The dropdown menu list includes the following choices: micro, small, medium and large.</li> <li>In a programme, if all subprojects are to be implemented simultaneously, the total programme size would apply as a limit</li> </ul>
<b>A.10. Financial instrument(s) requested for GCF funding</b>	<ul style="list-style-type: none"> <li>Check all appropriate boxes to indicate which type of financial instrument(s) is requested from GCF and the amount requested for each financial instrument.</li> </ul>
<b>A.11. Implementation period</b>	<ul style="list-style-type: none"> <li>The implementation period starts from the effective date of the funded activity agreement (FAA) until the completion date.</li> <li>The completion date is the last day of the implementation period and is the date on which all the project's components and activities set out in the logical framework shall be fully implemented and completed.</li> </ul>
<b>A.12. Total lifespan</b>	Defined as the maximum number of years over which the impacts of the investment are expected to be effective. (Different to the project duration).
<b>A.13. Expected date of internal approval by the accredited entity</b>	If the AE is governed by a board or has a management or investment committee or other relevant authority that needs to approve the funding proposal for the AE to be authorized to undertake its implementation, the expected date of such AE internal approval needs to be indicated
<b>A.14. Environmental and social risk category</b>	<ul style="list-style-type: none"> <li>Assign the appropriate environmental and social risk categories to activities in a manner consistent with the GCF Environmental and Social Policy.</li> <li>Based on the types of proposed activities and their risks and impacts</li> <li>It is imperative that a proper assessment of potential impacts is undertaken to inform the risk categorization</li> </ul>
<b>A.15. Has the funding proposal previously been submitted as a concept note?</b>	Whether the accredited entity has previously submitted a concept note.
<b>A.16. Has readiness or Project Preparation Facility support been used to prepare the funding proposal?</b>	Indicate whether the funding proposal received readiness support from the GCF Readiness and Preparatory Support Programme and/or project preparation support from the GCF Project Preparation Facility (PPF).
<b>A.17. Is the funding proposal included in the entity work programme (EWP)?</b>	<ul style="list-style-type: none"> <li>Indicate whether the funding proposal has been included and/ or generated from the entity work programme</li> <li>EWP is a document developed by AEs that provides an overview of the envisaged partnership of the AE with GCF, including strategies and plans to address climate change, its advantages, areas of work and priority sectors, alignment with Country Programmes, and its experience in implementing projects and programmes</li> </ul>

Sub-section	Description
<b>A.18. Is the funding proposal included in the country programme?</b>	<ul style="list-style-type: none"> <li>Indicate whether the funding proposal has been included and/or generated from the country programme in the country where the activities will be implemented.</li> <li>Country programme is a document developed by the NDA/focal point that presents a country's climate change priorities to GCF, including a pipeline of projects that the country would like to develop with GCF</li> </ul>
<b>A.19. Complementarity and coherence</b>	Indicate whether the proposed activities complement other activities financed by other climate finance institutions, such as the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Climate Investment Funds (CIF)
<b>A.20. Executing entity information</b>	When the AE does not assume the role of Executing Entity in respect of the Funded Activity or a part thereof, the name(s) of the EE(s) responsible for channelling GCF proceeds and directly implementing the project on the ground should be provided.
<b>A.21. Executive summary</b>	Broken down into three parts: (i) the climate rationale of the project/programme; (ii) the proposed interventions of the project/programme; and (iii) the climate impacts/benefits of the project/programme.

Source: ToT Presentation

An example for Bangladesh is provided in the Figure A.1.1 below:

Figure A.1.1: Example of A.1 and A.21

A. PROJECT/PROGRAMME SUMMARY			
<b>A.1. Project or programme</b>	Programme	<b>A.2. Public or private sector</b>	Private
<b>A.3. Request for Proposals (RFP)</b>	Not applicable Not applicable		
<b>A.4. Result area(s)</b>	<p><u>Mitigation:</u> Reduced emissions from:</p> <p><input type="checkbox"/> Energy access and power generation:</p> <p><input type="checkbox"/> Low-emission transport:</p> <p><input checked="" type="checkbox"/> Buildings, cities, industries and appliances:</p> <p><input type="checkbox"/> Forestry and land use:</p> <p><u>Adaptation:</u> Increased resilience of:</p> <p><input type="checkbox"/> Most vulnerable people, communities and regions:</p> <p><input type="checkbox"/> Health and well-being, and food and water security:</p> <p><input type="checkbox"/> Infrastructure and built environment:</p> <p><input type="checkbox"/> Ecosystem and ecosystem services:</p>		
<b>A.5. Expected mitigation impact</b>	14.53 million t CO <sub>2</sub> eq	<b>A.6. Expected adaptation impact</b>	Not applicable
<b>A.7. Total financing (GCF + co-finance)</b>	340.50 million USD	<b>A.9. Project size</b>	Medium (Upto USD 250 million)
<b>A.8. Total GCF funding requested</b>	256.48 million USD		As per GCF policy, each sub- project will be within the IDCOL accreditation scope.

<b>A.10. Financial instrument(s) requested for the GCF funding</b>	Mark all that apply and provide total amounts. The sum of all total amounts should be consistent with A.8.		
	<input checked="" type="checkbox"/> Grant <u>6.48 million</u> <input checked="" type="checkbox"/> Loan <u>250 million</u> <input type="checkbox"/> Guarantee <u>Enter number</u>	<input type="checkbox"/> Equity <u>Enter number</u> <input type="checkbox"/> Results-based payment <u>Enter number</u>	
<b>A.11. Implementation period</b>	12 years; considering last disbursement for any sub- project loan under this programme will take place at Year 12 as per project implementation timetable	<b>A.12. Total lifespan</b>	21 Years
<b>A.13. Expected date of AE internal approval</b>	Within 03 months after signing of FAA.	<b>A.14. ESS category</b>	B
<b>A.15. Has this FP been submitted as a CN before?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>A.16. Has Readiness or PPF support been used to prepare this FP?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<b>A.17. Is this FP included in the entity work programme?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>A.18. Is this FP included in the country programme?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<b>A.19. Complementarity and coherence</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
<b>A.20. Executing Entity information</b>	<p>Component 1, 2 &amp; 4 : AE i.e. Infrastructure Development Company Limited (IDCOL) is also the EE</p> <p>Component 3: Local Financial Institution (LFIs) will be the EES namely- South East Bank Limited, City Bank Limited, BRAC Bank Limited and IDLC Finance Limited or any other eligible LFIs as per selection criteria. IDCOL may also be the EE in some cases when it lends directly to the RMG manufacturers.</p> <p>Component 5: Infrastructure Development Company Limited (IDCOL) as EE. Sustainable Renewable Energy Development Authority (SREDA), GOB will be the Implementing Partner for this component and a beneficiary, although not an EE.</p>		
<b>A.21. Executive summary (max. 750 words, approximately 1.5 pages)</b>			
<p>CO2 emissions per capita of Bangladesh increased from 0.18 metric tons in 1997 to 0.47 metric tons in 2014, having an average annual growth rate of 6%.<sup>1</sup> The rising trend is a ramification of current economic growth due to industrial expansion. In order to support the present industrial and economic growth, energy production is soaring in the country, causing a higher fossil fuel emission<sup>2</sup>.</p> <p>The industrial sector in Bangladesh accounts for 47.8%<sup>3</sup> of the commercial energy consumption, predominantly in the form of natural gas and electricity. Among this the textile sector is the second largest energy consuming industrial sub-sector with 12.40%<sup>4</sup> consumption after Garment sector (15.40%). The GoB's Energy Efficiency and Conservation Master Plan states that manufacturing industries in Bangladesh are not efficient in energy use because of continuous usage of old/ mal-maintained machines and poor energy management. The impetus towards efficient end use of energy in the industrial sector is lagging mostly due to inadequate financial incentives and lack of technical expertise. If the current industrial energy intensity persists then considering the economic growth outlook in the medium to long term, it can be assured that GoB will face difficulties to manage the rising energy demand, and subsequently achieve GHG emission reduction targets under the UN Paris climate accord.</p> <p>Hence, the proposed programme aims to support business establishments in the textile and RMG sector with financial and market resources to avail investment opportunities for energy saving technology upgrades. The intervention will create a favorable market environment and scalable business model for investment in energy efficiency improvements, leading to sizeable energy savings and accompanying with greenhouse gas (GHG) emissions reductions. It will substantially contribute to achieving Bangladesh's Nationally Determined Contribution (NDC); i.e. 15% GHG emission reduction compared to the Business-As-Usual scenario by 2030 with international support, under the Paris Agreement. Furthermore, the program also contributes to the GoB target to achieve 10% of energy consumption reduction in the industry sector by 2030 and 20% improved energy intensity by 2030.</p> <p>Overall the proposed program will comprise an integrated package of concessional financing for textile &amp; RMG borrowers, and technical assistance for creation of enabling environment by covering areas such as capacity building, awareness, support in loan disbursal and monitoring and evaluation of the program parameters. The Programme comprises of five interrelated and closely coordinated components:</p>			

Source: ToT Presentation

– SECTION B –

# PROJECT/PROGRAMME INFORMATION

## B.1. Implementation Arrangements:

Figure B.1.1: Implementation Arrangements

### B.1. Implementation arrangements (max. 1500 words, approximately 3 pages plus diagrams)

Provide a description of the project/programme implementation structure, outlining legal, contractual, institutional and financial arrangements from and between the GCF, the Accredited Entity (AE) and/or the Executing Entity(ies) (EE) or any third parties (if applicable) and beneficiaries.

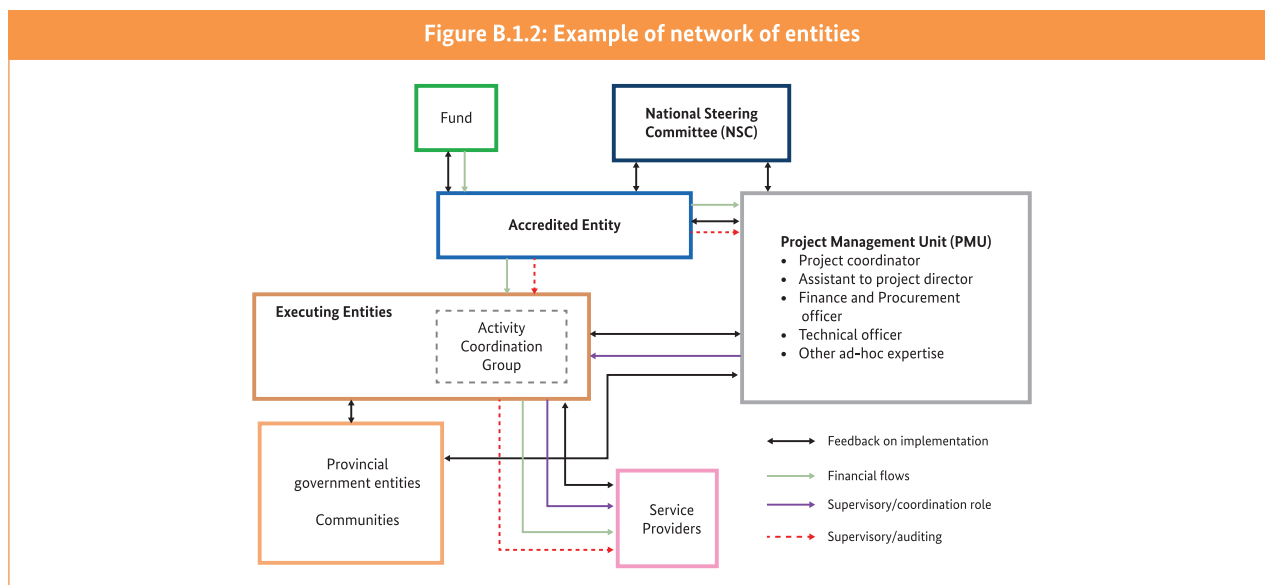
- Provide information on governance arrangements (supervisory boards, consultative groups among others) set to oversee and guide project implementation. Provide a composition of the decision-making body and oversight function, particularly for Enhanced Direct Access (EDA) proposals.
- Provide information on the financial flows and implementation arrangements (legal and contractual) between the AE and the EE, between the EE or any third party and beneficiaries. For EEs that will administer GCF funds, indicate if a Capacity Assessment has been carried out. Where applicable, summarize the results of the assessment.
- Describe the experience and track record of the AE and EEs with respect to the activities (sector and country/region) that they are expected to undertake in the proposed project/programme.

Provide a diagram(s) or organogram(s) that maps such arrangements including the governance structure, legal arrangements, and the flow and reflow of funds between entities.

Source: GCF Funding Proposal

Institutional arrangements are defined as the networks of entities and organizations involved in planning, supporting and implementing projects and programmes for each fund. Institutional arrangements are usually visually represented by a graphic representing the network of entities:

Figure B.1.2: Example of network of entities



Source: ToT Presentation

An example for Bangladesh is provided in the Figure B.1.3 below:

Figure B.1.3: Example of Governance Arrangements

**Governance arrangements under the programme for Component 01 and 02:**

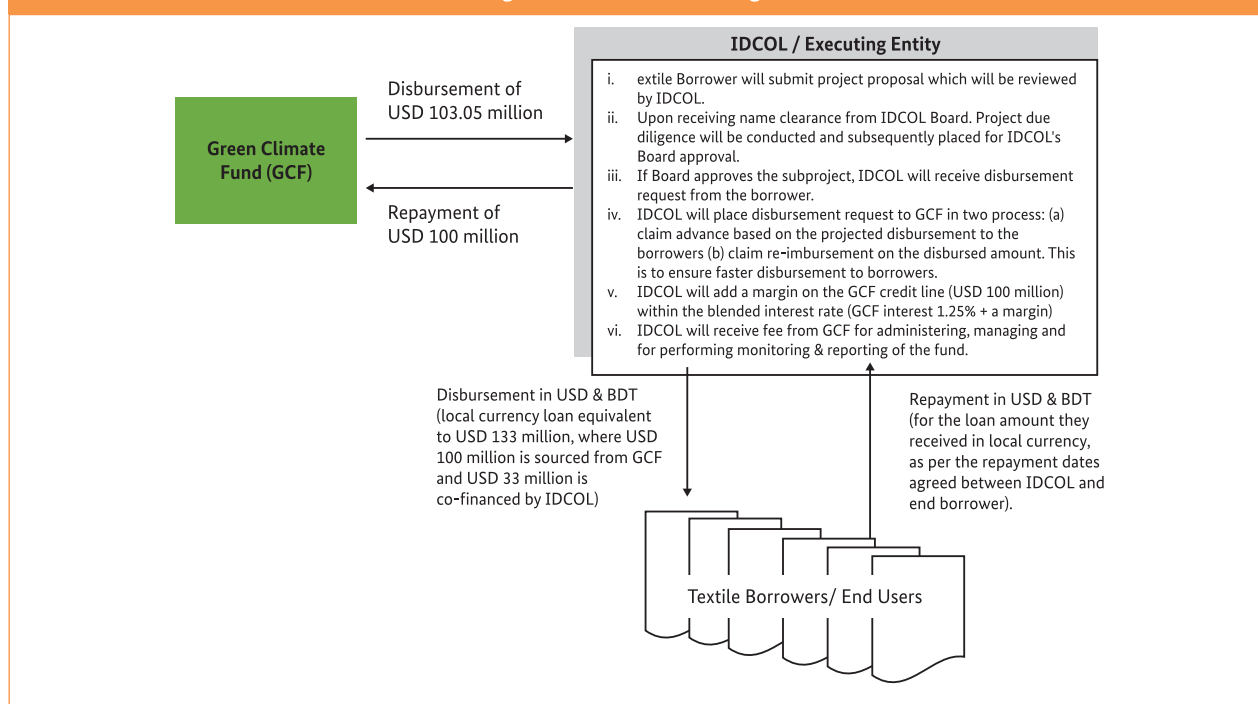
IDCOL will play the significant role as Executing Entity to assess the eligibility of the sub-projects of the Textile sector for financing under the program as per the set criteria and accordingly will place disbursement request to GCF. IDCOL will be the borrower & Executing Entity (EE) where the Textile owners will be the end borrower. IDCOL will channelize the loans to the ultimate beneficiaries, textile borrowers. This business unit(s) of IDCOL will be in primary contact with the end borrowers. IDCOL will have separate role as Accredited Entity (AE) & Executing Entity (EE).

IDCOL's Organogram (Figure 2.1.3 on page 38) shows all the functional departments and detail reporting structure under the respective functional departments including Finance, Internal Audit, Procurement, and other key functions. IDCOL Board has the following three special committees comprising board members: Audit Committee, Credit Committee and Organization Committee (Recruitment and Promotion Committee). Composition and roles and responsibilities of Board Committees is annexed.

Among the list of internal oversight bodies/committees IDCOL has the following committees for maintaining internal oversight in different aspects of company operations: Management Committee, Credit Risk Management Committee, Asset Liability Management Committee, Internal Control and Compliance Unit, Risk Management Forum, Risk Analysis Unit and Integrity Committee. The terms of reference of the aforesaid committees are enclosed in Annex. All these committees are assigned to ensure dedicated internal oversight on vital corporate governance issues. The committees comprise senior management officials of IDCOL with appropriate functional designation and responsibilities that best fit to serve the purpose of the committees.

Source: ToT Presentation

Figure B.1.4: Fund flow diagram



Source: ToT Presentation

Key points are summarised below:

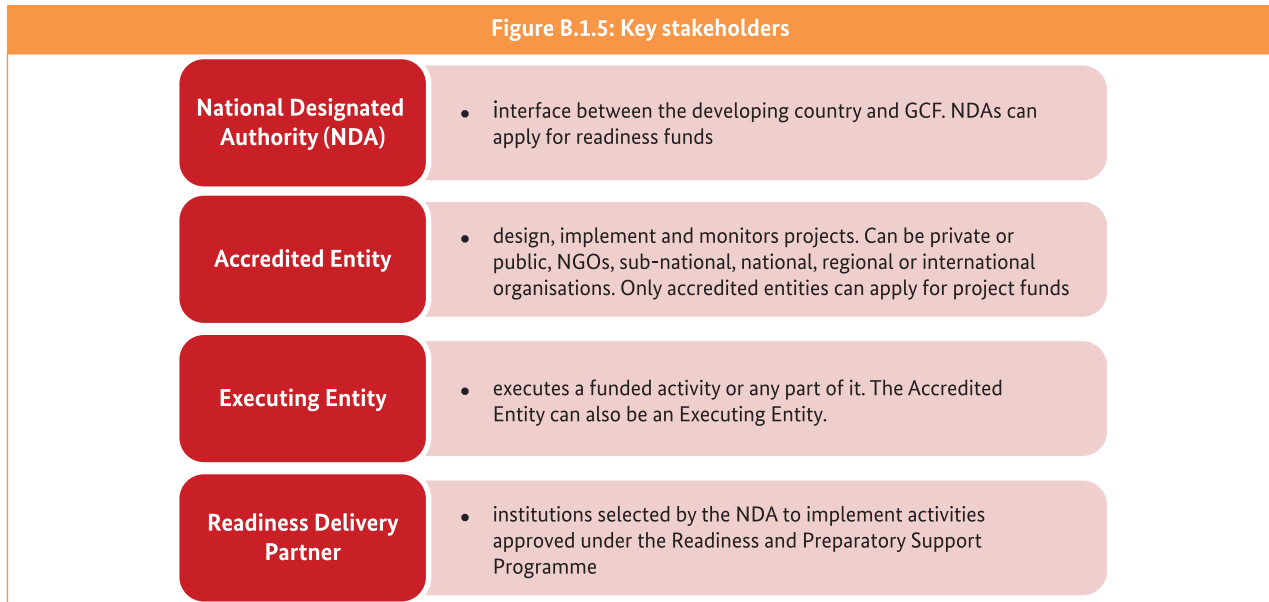
Funds require a clear definition of the institutional arrangements for implementation of a project. That definition should cover:

- functional roles (organisation structure),
- reporting lines,
- monitoring roles and
- funding flows (fund flow diagram)

It is advisable to prepare one or more diagrams to explain these roles, along with narrative text. Key stakeholders for GCF, GEF, Adaptation Fund, NAMA Facility and IKI include:



Figure B.1.5: Key stakeholders



Source: ToT Presentation

**NB:** An NDA has a different role from that of an accredited entity. NDAs act as the interface between each developing country and GCF. They ensure country ownership by providing broad strategic oversight of the Fund's activities in their country, serve as the point of communication, and ensure that investments are aligned with local needs and planning. Accredited entities are responsible for channelling GCF resources to programmes and projects. Normally the roles of NDA and accredited entities are distinct and separate. However, in some cases, NDAs may seek to become accredited.

The GCF Programming Manual provides a helpful checklist<sup>88</sup> to fill in this section correctly:

- Who is the Executing Entity for the project/programme?
  - Will the AE act as the Executing Entity or will there be entity(ies) other than the AE that will act as Executing Entity(ies) for all or part of the project/programme?
  - The description of the Executing Entity(ies) should provide information on the legal status and legal capacity of each of the Executing Entity(ies) (i.e. regarding their individual legal personality and authority to act and enter into contracts independently).
  - Does the selected Executing Entity have the financial management capacity to carry out the project/programme? For example, if the project/programme involves loan or equity financing, does the relevant Executing Entity have the legal and financial capacity to carry out such financial transactions? (please refer to Clause 10.02(a)(i) of the template AMA)
- Where the project involves more than one Executing Entity, have their respective parts and roles in the implementation of the project/programme activities been clearly set out?
  - If there are multiple Executing Entities involved, consider setting out the information in table form
- Does the proposed implementation arrangement and contractual arrangement match with the proposed project/programme financing structure as described in Section B.3, Section C.1 and Section E of the Funding Proposal?
  - Subsidiary Agreements: Pursuant to the AMA, given the roles and responsibilities of an Executing Entity, the AE must enter into a legal agreement i.e. the Subsidiary Agreement with each Executing Entity in order to pass down the relevant obligations of the AMA and FAA, as well as the AE's requirements and policies, so that the project is implemented in accordance with the GCF's and AE's policies and the FP approved by GCF. Subsidiary Agreements must be legally binding and enforceable agreements. GCF does not enter into a contract with any Executing Entity or other stakeholders involved in project implementation for it is the responsibility of the AE

<sup>88</sup> GCF Programming Manual, Part II, Section B.4, pp. 102 - 104

4. If the project involves other key parties which are not EEs (e.g. for project finance, the EPC and O&M contractors), please describe their roles and the contractual arrangements to be put in place with them?
5. Has the flow of funds from the GCF and any Co-financiers to the project been clearly described in a manner consistent with the Section B.3 and Section C.1? If the project/programme involves any financial reflows, the reflow of funds from the project to GCF and any co-financiers should also be provided.
6. In case of programmes that consist of multiple sub-projects and investments to be selected and executed after the FP is approved, what are the eligibility criteria for selecting, and who (which legal entity) will be selecting, the entities that will carry out such sub-projects and investments? What are the roles and responsibilities of those entities to be selected? Will they be acting as Executing Entities?
7. If it is a programme that involves the selection and financing of multiple subprojects, investments or interventions pursuant to eligibility criteria, what is the mechanism for screening and approving the sub-projects, investments or the interventions? Which entity will be in charge of carrying out such functions?
8. Are there any governance bodies, such as project steering committees or technical committees, which will oversee or be involved in the project/programme implementation (e.g. by approving work plans, annual budgets, reporting, selection of eligible activities, etc.)? In such cases, the Executing Entity(ies) must retain the final approval authority over any matter submitted to, or decision adopted by, any such governance bodies.
9. Will there be a project management unit (PMU) or project implementation units (PIU) established? If so, clearly mention who is responsible for hosting and managing the PMU and/or PIUs (e.g. will the AE or EE appoint or engage personnel for such purposes?).
10. Please insert a diagram or diagrams setting out:
  - (For the purposes of facilitating review by all relevant stakeholders) the project/programme financing structure and flow/reflow of funds. If the project/programme involves any financial reflows, the diagram should illustrate the reflow of funds from the project to GCF and/or to any co-financiers consistent with the information set out in Section B.3 and Section C.1 of the FP;
  - The project/programme implementation and governance structure indicating the Executing Entities and, if applicable, other key parties involved in project implementation and decision-making; and
  - The project/programme contractual arrangements indicating the type of contracts to be entered into between the GCF, the Accredited Entity and the Executing Entity(ies) as well as, if applicable to the project/programme, the Cofinanciers, project sponsors project beneficiaries and other key contractors.

In addition to the FAA between the AE and the GCF (which may be in the form of, for example, a grant, reimbursable grant, loan, guarantee and/or trust agreement), the types of contracts to be put in place for project/programme financing and implementation may include, without limitation, the following:

- Subsidiary Agreement(s) between the AE and the Executing Entity(ies), if different from the AE. Please indicate the financial instrument of the Subsidiary Agreement (e.g. grant, loan, guarantee, reimbursable grant, equity investment, etc.) which must be consistent with the information provided in other sections of the FP including Section B.3, Section C.1 and Section E;
- Technical assistance agreements;
- Co-financing Agreements;
- Parallel Financing Agreements;
- Legal agreements between the Executing Entity(ies) and the project beneficiaries and/or final recipients of funding;
- EPC contracts, Operations and Maintenance Agreements, Power-purchase or other offtake agreements; and
- Shareholders Agreement, Subscription Agreement, Limited Partnership Agreement

## B.2. Justification for GCF Funding Request:

Figure B.2.1: Justification for GCF Funding request

### B.2. Justification for GCF funding request (max. 1000 words, approximately 2 pages)

Justify why the level of concessionality of the GCF financial instrument(s) is the minimum required to make the investment viable. Additionally, how does the financial structure and the proposed pricing fit with the concept of minimum concessionality? Who benefits from concessionality?

In your answer, please consider the risk sharing structure between the public and private sectors, the barriers to investment and the indebtedness of the recipient. Please reference relevant annexes, such as the feasibility study, economic analysis or financial analysis when appropriate.

Explain why the project/programme requires GCF funding to address mitigation or adaptation measures, i.e. Why is the project/programme not currently being financed by public and/or private sector? Which market failure is being addressed with GCF funding? Are there any other domestic or international sources of financing?

Explain why the proposed financial instruments were selected in light of the proposed activities and the overall financing package. i.e. What is the coherence between activities financed by grants and those financed by reimbursable funds? How were co-financing amounts and prices determined? How does the concessionality of the GCF financing compare to that of the co-financing? If applicable, provide a short market read on the prevailing of the pricing and/or financial markets for similar projects/programmes.

Source: GCF Funding Proposal

This Section<sup>89</sup> should explain why the project/programme requires GCF funding. For example: Why is the project not currently being financed by the public and/or private sector? Which market failure is being addressed with GCF funding? Are there any other domestic or international sources of financing?

This section should also explain the need for the proposed financial instrument or mix of instruments. For example: What is the coherence between activities financed by grants and those financed by reimbursable funds? How were the co-financing amounts and prices determined? How does the concessionality of the GCF financing compare to that of the co-financing? How will grants facilitate the sustainable development of the sector, or further new private sector investments? If applicable, the AE should provide a short market read of the banking and/or financial markets for similar projects/programmes, or refer to feasibility studies if such market analysis was performed therein.

In addition, this section should justify why the level of concessionality of the GCF financial instrument(s) is the minimum required to make the investment viable considering the incremental cost or risk premium of the project/programme. Additionally, the AE should explain how the financial structure and proposed pricing fit with the concept of minimum concessionality, and who benefits from concessionality.

It should also consider the risk-sharing structure between the public and private sectors, the barriers to investment and the indebtedness of the recipient.

Reference should be made to the feasibility study, economic analysis and/or financial analysis, where appropriate.

#### Key points are summarised below:

- Explain why the project/programme requires GCF funding
- Explain why the proposed financial instruments were selected in light of the proposed activities and the overall financing package
- Justify why the level of concessionality of the GCF financial instrument(s) is the minimum required to make the investment viable.
- Consider the risk-sharing structure between the public and private sectors, the barriers to investment and the indebtedness of the recipient.

89 GCF Programming Manual, Part II, Section B.5, p. 105

## B.3. Exit Strategy and Sustainability<sup>90</sup> :

Figure B.3.1: B.6, Exit Strategy

### B.3. Exit strategy (max. 500 words, approximately 1 page)

Explain how the project/programme will successfully exit once implementation is completed, including how results and benefits will continue beyond the project/programme period and how the contribution to paradigm shift will be maintained.

Include information pertaining to the longer-term ownership, project/programme exit strategy, operations and maintenance of investments (e.g. key infrastructure, assets, contractual arrangements). In case of private sector, please describe the GCF's financial exit strategy through Initial Public Offerings, trade sales, etc.

Provide information on additional actions to be undertaken by public and private sector or civil society as part of the project/programme to ensure sustainability of the results attained.

Source: GCF Funding Proposal

This section should elaborate on how the project/programme will be sustained following the conclusion of GCF support.

To achieve paradigm shift and contribute to the creation of an enabling environment, the long-term sustainability of the project/programme must be ensured. The project should demonstrate consideration of arrangements that provide for the long-term and financially sustainable continuation of relevant outcomes and activities derived from the project/programme beyond the completion of the intervention. This sustainability should be considered from multiple angles and at multiple layers, including the financial, institutional, social, gender equality and environmental aspects.

The demonstration of sustainability should cover issues such as the extent to which the project/programme creates new markets and business activities at the local, national or international levels; the degree to which the activity will change incentives for market participants by reducing costs and risks, eliminating barriers to the deployment of low-emission and climate-resilient solutions; and the degree to which the proposed activities help to overcome systematic barriers to low-emission development to catalyse impact beyond the scope of the project or programme. Long-term ownership of the beneficiaries of the project should be ensured. Several activities are recommended to be undertaken to ensure the long-term sustainability of the project at the appraisal stage:

- Consider teaming with a local partner in project implementation;
- Consider the inclusion of national and/or local capacity-building activities/revision of regulatory frameworks as a project component;
- Consider various possible technologies to be used in the project as part of the technical assessment and how those will be sustained;
- Ensure appropriate stakeholder consultations, in particular with project beneficiaries; and
- Prepare an operation and maintenance plan that would be used following project completion.

The operation and maintenance plan ensures that the project's long-term sustainability is secured through a rigorous monitoring procedure. It is therefore highly encouraged that proposals should include as an activity the preparation of an operations manual, in particular for large infrastructure projects.

<sup>90</sup> GCF Programming Manual, Part II, B.6, pp. 105 – 106

Key points are summarised below:

Demonstrate arrangements that provide a financially sustainable continuation of relevant outcomes and activities derived from the project/programme beyond the completion of the intervention. Explain how the project/programme supports:

- The capacity of the institutions involved, including a concrete strategy for staff retention and sustainability indicators
- How ownership of the beneficiaries is established, both for community members and institutions
- Technologies that are sustainable and suitable in the local context
- Policies and/or regulatory frameworks that impact the sustainability of the results in the long term
- Include information on the operation and maintenance of investments (e.g. infrastructure, assets, contractual arrangements) and how the government/ beneficiaries will support the operation and maintenance of projects without any revenue potential.

Sustainability should be considered from multiple angles and at multiple layers, including the financial, institutional, social, gender equality and environmental aspects.

An example for Bangladesh is provided below:

Figure B.3.2: Example of exit strategy

Financial	Financial support to the industries to procure EE equipment which would otherwise be filtered out of their options due to capital constraints. The EE equipment procured under the programme, if costly, will not burden the textile and RMG industry owners since the cost saving on energy will, in sometime, reach the break-even and the loan is bearable due to the concessionality.
Institutional	Institutional capacities will be built financially, technologically and in terms of the work force. Internationally competitive EE equipment will facilitate growth in terms of production and reduce cost of production from energy savings. Moreover, the textile and RMG industries will timely be reporting the social impact on their workforce especially gender empowerment and the initiatives towards environmental cleaning of their processes.
Social	Institutional and financial growth of the industries will bring about growth of the communities associated with them. The workforce will experience growth in wages as an indirect benefit of industrial growth/profit-making; with expansion in production, older employees will undergo training and new jobs will be created; as a mandate, the industries will have to provide for basic needs like medical facilities, savings account, provision of safer working environments, etc.
Gender equality	A specialized gender action plan is devised to ensure that neither of men or women experience discrimination. There has to be equity in opportunities for financial opportunities in loan disbursement and job opportunities; skill training; provision of special needs like separate washrooms and maternity leaves, improving work environment, etc.
Environmental	The programme scope is designed to continually prevent a great amount of emissions from textile and RMG sectors of Bangladesh. The endorsement and installation of EE equipment will prevent emissions during the programme life cycle and beyond.

Source: ToT Presentation





## – SECTION C –

## FINANCING INFORMATION

## C.1. Capacity building and technology development/transfer:

Figure C.1.1: Capacity building and technology development/transfer

<b>C.1 Capacity building and technology development/transfer (max. 250 words, approximately 0.5 page)</b>		
C.1.1 Does GCF funding finance capacity building activities?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
C.1.2. Does GCF funding finance technology development/transfer?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
If the project/programme is expected to support capacity building and technology development/transfer, please provide a brief description of these activities and quantify the total requested GCF funding amount for these activities, to the extent possible.		

Source: GCF Funding Proposal

For GCF portfolio-level reporting purposes, this section should indicate whether GCF funding is being used to finance capacity-building activities and/or technology development/transfer. If so, this section should elaborate on these activities and, to the extent possible, provide the total GCF funding amount requested for them. Amounts indicated should form part of the total requested GCF amount in section C.2.<sup>91</sup>

- Capacity-building activities:
  - for example, institutional capacity-building for the sustainability of the project; the enhancement and/or creation of an enabling environment; technical knowledge transfer; capacity-building for the implementation of adaptation, resilience-building and mitigation measures; research and systematic observation; education, training and public awareness.
- Technology development/transfer
  - For example, the type of climate technology proposed
  - Details should be provided in a qualitative and quantitative manner
  - It could be provided as a breakdown of the costs related both to capacity-building and to technology development/transfer (e.g. costs to cover technical support for awareness-raising)

91 GCF Programming Manual, Part II, C.3, pp. 111 – 112

An example for Bangladesh is provided below:

Figure C.1.2: Example of C.3.2

C.1 Capacity building and technology development/transfer (max. 250 words, approximately 0.5 page)	
C.1.1 Does GCF funding finance capacity building activities?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
C.1.2. Does GCF funding finance technology development/transfer?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<p>The activities under Component 02, including the package of standardized tools which the programme is expected to develop has a strong replication potential in other market segments and elsewhere. The implementation of the proposed intervention includes a number of consultations, technical assistance activities and capacity building process of key implementing partners of the program (i.e., IDCOL and the textile industries) and a strong dissemination and communications strategy around these standard tools and business model. In addition, the monitoring activities during implementation of the Program will provide information and early lessons from good practices to be further replicated in later implementation stages of the Program and disseminated to market players. This would allow to exchange experiences and replicate results in other regions with similar challenges for investment in EE projects.</p> <p>The activities under Component 04 of the programme intends to develop capacity across a diverse set of stakeholders operating in the RMG sector in relevant topics which will help address any technical barriers impeding growth of energy efficiency equipment in the sector. In case of EEs, capacity for apprising, monitoring and evaluating energy efficient projects is envisaged - this will help the EEs tap into the energy efficiency market thereby increasing fund flows to the segment. The trainings of unit owners, their facility managers and workers on operational aspects and commercial benefits of energy efficient equipment, will help reduce risk perception towards the concept. The programme also intends to develop capacity of policy makers, which will ensure that policies supporting use of energy efficient equipment adopted by Bangladesh, thereby stimulating the market. Market interface events are also planned which will interested RMG units connect with equipment suppliers and get their queries resolved by them - thereby giving the RMG units a first-hand understanding of the benefits.</p>	

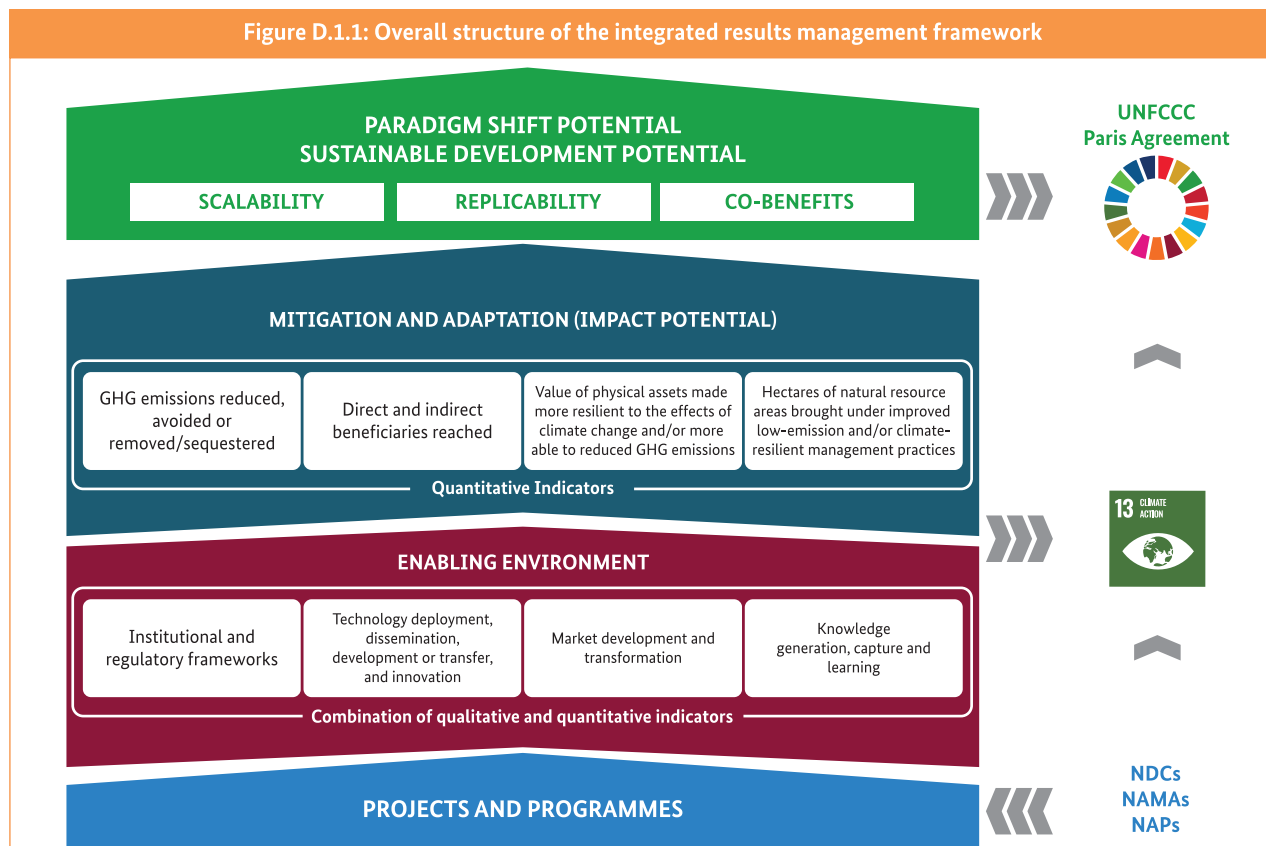
Source: ToT Presentation

# LOGICAL FRAMEWORK

## D.1. Overall structure of the integrated results management framework

Figure D.1.1 presents the overall structure of the IRMF showing three results measurement levels:

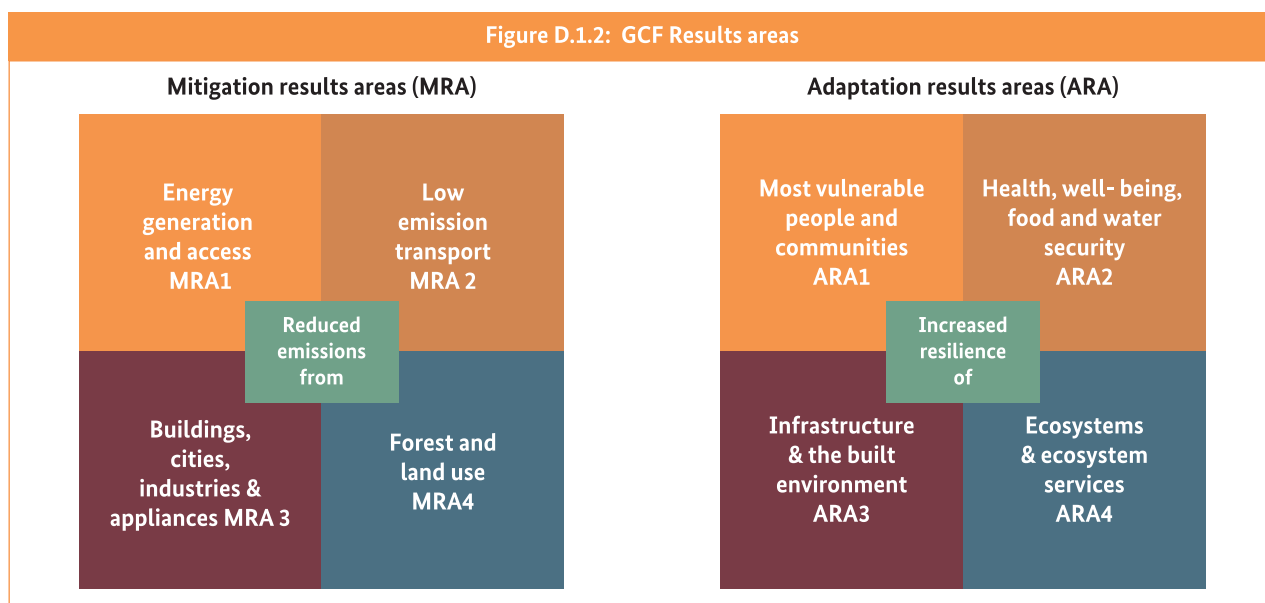
- GCF impact level – paradigm shift potential;
- GCF outcome level comprising (i) reduced emissions and increased resilience (impact potential) and (ii) enabling environment derived from activity-specific sub-criteria of paradigm shift potential in the initial IF; and
- project/programme level results.



### Results areas

The IRMF will be based on eight results areas which originate from the GCF mitigation and adaption logic models of the initial IRMF (see Figure D.1.2), recognizing that projects/programmes may cut across these results areas. Each project/programme outcome within a project/programme logframe will be linked to one of these results areas, and this will facilitate systematic results reporting against the IRMF.

Figure D.1.2: GCF Results areas



## Results levels

The IRMF's results levels have been structured following the logic that paradigm shift in the context of sustainable development can be promoted through GCF-funded activities to reduce emissions or increase resilience as well as creating an enabling environment for the paradigm shift as captured in the coverage area of the paradigm shift potential in the initial IF.

The IRMF seeks to track and monitor results at the following levels:

1. **GCF impact level** – paradigm shift potential: aims to assess how and to what extent GCF has promoted paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and made a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change. It does this by
  - a. Supporting projects/programmes in reporting how and to what extent projects/programmes have promoted paradigm shift potential through interventions that reduce emissions and/or increase resilience (climate impacts); and
  - b. Aggregating the information gathered via projects/programmes at the impact results level of the IRMF architecture through application of three assessment dimensions (scale, replicability and sustainability), which are in turn derived from the coverage areas and activity-specific sub-criteria of the initial IF. The results at this level are typically delivered beyond the lifetime of a project/programme and may not be directly attributable to GCF interventions only.
1. **GCF outcome level:** aims to measure observable results of GCF-funded projects/programmes across the following two interdependent layers, which interact to underpin pathways to paradigm shift:
  - a. Reduced greenhouse gas (GHG) emissions and increased resilience (impact potential): aims to measure quantified mitigation and adaptation outcomes delivered via GCF projects/programmes; and
  - b. Enabling environment: aims to inform how GCF projects/programmes have contributed to creating enabling conditions and environments for paradigm shift in a country-driven manner and in line with the coverage area and activity specific sub-criteria of paradigm shift potential of the initial IF; and
1. **Project/programme-level outcomes and outputs:** as with current practice, an accredited entity (AE) will have project/programme-level indicators in its logframe to monitor and assess the project/programme's specific progress results.

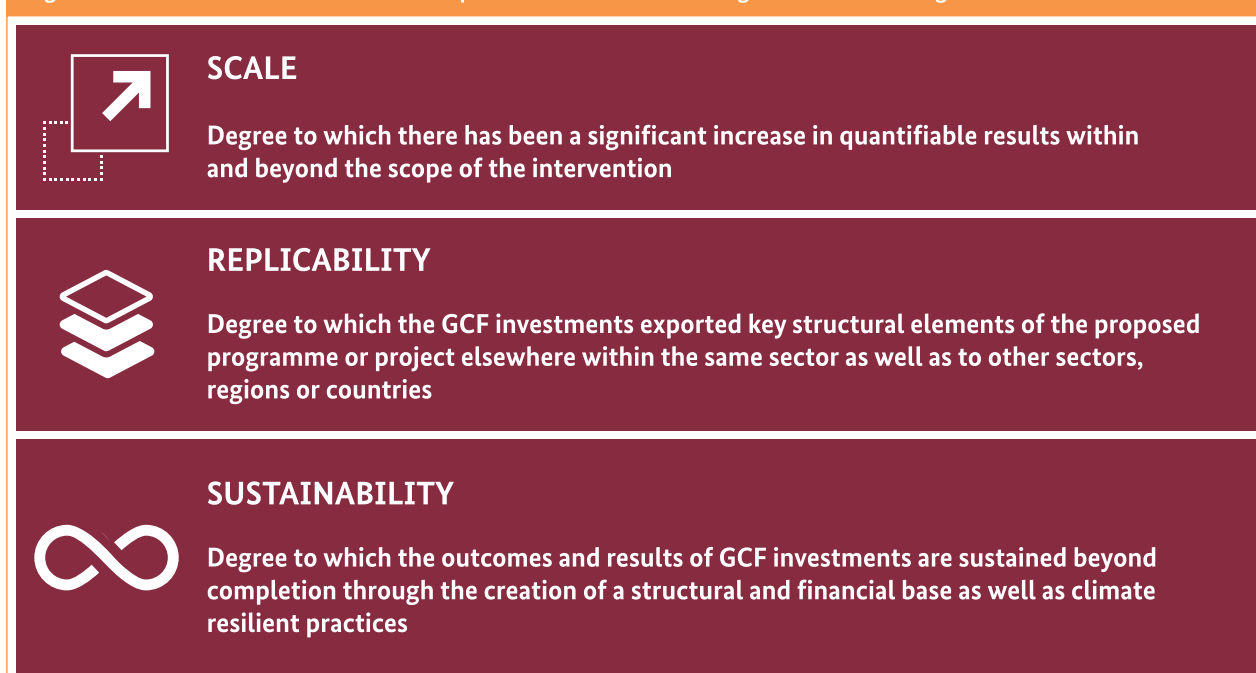
## Indicators, measurement and reporting approaches: Paradigm shift potential

Paradigm shift potential is defined as the “degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment” and presents the coverage areas that support the assessment of this investment criterion. GCF has been promoting paradigm shift in the context of sustainable development through all its investments. These coverage areas comprise:



- potential for scaling up and replication, and its overall contribution to global low-carbon development pathways being consistent with a temperature increase of less than 2 degrees Celsius;
- potential for knowledge and learning;
- contribution to the creation of an enabling environment;
- contribution to regulatory frameworks and policies; and
- overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans.

Figure D.1.3: Assessment dimensions for impact results level of the integrated results management framework architecture



Noting that paradigm shift can take place beyond the lifetime of a project/programme, the assessment frequency is set at a maximum of twice during project/programme lifetime. Accordingly, the assessment will be embedded in an interim evaluation report and a final evaluation report for projects/programmes. Specifically, a project/programme is expected to complete a three-point scale scorecard template (to be developed by the Secretariat) to assess how it promoted paradigm shift as part of its interim and final evaluations. As often AEs commission these evaluations to an external evaluator, the scorecard assessment will be completed by the external evaluator rather than the AE. This also helps with the independence of the assessment from the projects/programmes.

**Indicators, measurement and reporting approaches: Outcome result level - reduced emissions and increased resilience and enabling environment**

### Reduced emissions and increased resilience

The GCF outcome results level “reduced emissions and increased resilience” will be measured through the core indicators set out in Figure D.1.4 below. These core indicators quantitatively track major, climate-focused outcomes of GCF-funded projects/programmes and are aligned with those of other climate finance mechanisms, national statistical authorities and the Sustainable Development Goals (SDGs).

- Core indicator 1:** GHG emissions reduced, avoided or removed/sequestered
- Core indicator 2:** Direct and indirect beneficiaries reached
- Core indicator 3:** Value of physical assets made more resilient to the effects of climate change and/or more able to reduce GHG emissions
- Core indicator 4:** Hectares of natural resource areas brought under improved low emission and/or climate-resilient management practices

AEs will define the project/programme's thematic area (mitigation, adaptation or crosscutting) and relevant results areas for each outcome in the project/programme-level logframe, which in turn link to core quantitative indicators of

the IRMF. AEs will monitor and report project/programme results against these core quantitative indicators under the project/programme logframe. Results reported against each core indicator will then be aggregated, first per results area of the portfolio and ultimately at the entire portfolio level.

Core indicators come with a set of supplementary indicators, which will be aggregated to portfolio-level results respectively from core indicators to give understanding of the results achieved at the portfolio level. Results that can be measured against any supplementary indicators will be reported in addition to a relevant core indicator.

Figure D.1.4: Core indicators and supplementary indicators for core indicator 1
















Indicator	Description	SDGs	Reference
Core indicator 1	<b>Greenhouse gas (GHG) emissions reduced, avoided or removed/sequestered<sup>15</sup></b> (Unit: tonnes of carbon dioxide equivalent) 16 (Disaggregation: results area)		Initial RMF
	<b>Suggested results areas</b> MRA 1: Energy generation and access MRA 2: Low-emission transport MRA 3: Buildings, cities, industries and appliances MRA 4: Forests and land use		
Supplementary indicator 1.1	Annual energy savings (Unit: megawatt-hours)	 	CIF (CTF)
Supplementary indicator 1.2	Installed energy storage capacity <sup>17</sup> (Unit: megawatt-hours)	  	New indicator
Supplementary indicator 1.3	Installed renewable energy capacity 18 (Unit: megawatts)	  	SDG indicator CIF (CTF)
Supplementary indicator 1.4	Renewable energy generated (Unit: megawatts)	  	New indicator
Supplementary indicator 1.5	Improved low-emission vehicle fuel economy (Unit: volume of fuel per kilometer travelled)	  	ASEAN

Figure D.1.5: Core indicators and supplementary indicators for core indicator 2



















Indicator	Description	SDGs	Reference
Core indicator 2	Direct and indirect beneficiaries reached (Unit: number of individuals) <sup>19</sup> (Disaggregation: sex; and results area)	 	Initial RMF
	<b>Suggested results areas</b> ARA 1: Most vulnerable people and communities ARA 2: Health, well-being, food and water security ARA 3: Infrastructure and built environment ARA 4: Ecosystems and ecosystem services		
Supplementary indicator 2.1	Beneficiaries (female/male) adopting improved and/or new climate-resilient livelihood options (Unit: number of individuals)	  	PMFs/ LDCF/ SCCF

Figure D.1.6: Core indicators and supplementary indicators for core indicators 3 and 4

Indicator	Description	SDGs	Reference
Core Indicator 3	<b>Value of physical assets made more resilient to the effects of climate change and/or more able to reduce GHG emissions</b> (Unit: value of physical assets in USD) (Disaggregation: type of physical assets; and results area)	  	LDCF/SCCF/ AF
	<b>Suggested results area</b> All eight results areas		
Supplementary indicator 3.1	Change in expected losses of economic assets due to the impact of extreme climate-related disasters in the geographic area of the GCF intervention (Unit: value in USD)	   	PMF
Core Indicator 4	<b>Hectares of natural resource areas brought under improved low-emission and/or climate-resilient management practices<sup>21</sup></b> (Unit: hectares) (Disaggregation: type of natural resource areas; and results area)	  	GEF/CIF/AF
	<b>Suggested results areas</b> MRA 4: Forestry and land use ARA 1: Most vulnerable people and communities ARA 2: Health, well-being, food and water security		

<b>Supplementary indicator 4.1</b>	Hectares of terrestrial forest, terrestrial non-forest, freshwater and coastal marine areas brought under restoration and/or improved ecosystems (Unit: hectares)		GEF
<b>Supplementary indicator 4.2</b>	Number of livestock brought under sustainable management practices (Unit: number of livestock)		New indicator
<b>Supplementary indicator 4.3</b>	Tonnes of fish stock brought under sustainable management practices (Unit: tonnes)		New indicator

The set of quantitative indicators above will help capture quantifiable climate results while core indicators 5-8 below will help explain how the quantifiable results reported were achieved. By annually collecting project and programme results, GCF will aggregate, track and analyze its portfolio-level results, which will inform on GCF contributions to the global efforts to achieve the goals put forward by the UNFCCC and the Paris Agreement including, as appropriate, information on support provided for activities related to a wider alignment of financial flows with countries' climate plans and strategies.

Measurement and reporting of reduced emissions and increased resilience will be carried out as follows:

- During the funding proposal development stage, AEs will outline how proposed outcomes contribute to core indicator 1 or 2 or both in the funding proposal template. AEs should also select other core and supplementary indicators if relevant to their projects/programmes. AEs will then establish baselines in the logframe of the funding proposal to enable comparison between a business as usual scenario and progress achieved as a result of the GCF investments using a selected set of indicators. AEs will gather baseline data on the selected core and supplementary indicators, informed by relevant sector strategies and country programmes, and disaggregated by region, country, theme, results area and/or sex as relevant;
- During the project/programme implementation, AEs will report annually to GCF on actual results achieved through the updated APR template. While the indicators are primarily quantitative, reporting will be supported by qualitative reporting to explain expected or unexpected levels of progress, in line with monitoring provisions of the monitoring and accountability framework (MAF).

## Enabling environment

Contributions to another GCF outcome results level, “enabling environment”, will be informed through the four core indicators set out below. These indicators are placed at the outcome level to recognize that they could be building blocks towards promoting paradigm shift and that they will be applied at the level of GCF mitigation and adaptation projects/programmes rather than at the corporate level.

The assessment will be based on a combination of qualitative and quantitative approach through a simple three-point scale scorecard consisting of low, medium and high ratings along with narratives to be completed during the interim and final project/programme evaluations. The interim and final evaluations are usually undertaken by external evaluators to be commissioned by projects/programmes under the existing requirements of the accreditation master agreement and as per accountabilities outlined under the MAF.

The scorecard approach is designed to help AEs to gain an independent assessment of how GCF-funded projects/programmes are contributing to creating an enabling environment, such as through institutional outcomes, in a country-driven manner. The scorecard will include a set of statements defining what constitutes – for example – “low” technology deployment versus “high” technology deployment. The scale-based scorecards along with qualitative analysis put forward by the evaluators then will help AEs to assess projects/programmes' contribution towards an enabling environment.

The four core indicators used to track progress at this level are as follows:

- Core indicator 5:** Degree to which GCF investments contribute to strengthening institutional and regulatory frameworks for low-emission climate-resilient development pathways in a country-driven manner;
- Core indicator 6:** Degree to which GCF investments contribute to technology deployment, dissemination, development or transfer and innovation;

- **Core indicator 7:** Degree to which GCF investments contribute to market development/transformation at the sectoral, local or national level; and
- **Core indicator 8:** Degree to which GCF investments contribute to effective knowledge generation and learning processes, and use of good practices, methodologies and standards.

Measurement and reporting of an enabling environment will be carried out as follows:

- a. During the funding proposal development stage, AEs will identify at least two indicators for an enabling environment. AEs will provide a baseline description of the enabling environment indicators under the relevant section of the funding proposal template such as the section on expected performance against investment criteria.
- b. During the project/programme implementation, AEs will utilize interim/final evaluations to get an assessment of relevant enabling environment indicators by the evaluators using a scorecard along with narratives to explain the three-point scale assessment. The assessment will be done in relative (not absolute) terms, taking into consideration that the starting point and the context in which projects/programmes operate differ from one to another.

### Indicators, measurement and reporting approaches: Project/programme level

AEs are encouraged to add and monitor co-benefit indicators such as those related to biodiversity, social and gender inclusion and/or poverty alleviation under respective project/programme-level logframes, if not captured by the core and supplementary indicators.

To enhance the technical support to AEs, in particular direct access entities (DAEs), a new dedicated funding window for DAEs will be created under the Readiness and Preparatory Support Programme (RPSP) upon the adoption of the IRMF. Through the new funding window, allocation of an additional amount of up to USD 12.4 million will be made available to DAEs, including regional DAEs, to support the implementation of GCF policies, including the IRMF.

### Key concepts on Logical Framework and Indicators

The logic of the logical framework is highlighted in Table D.1.1

Table D.1.1: Logic of the Logical Framework	
Project Description	Logic
Description of Impact	if the OUTCOMES occur, then this contributes to the IMPACT
Description of Outcome	If the OUTPUTS are produced, then the OUTCOMES can occur
Description of Outputs	If the ACTIVITIES are completed, then the OUTPUTS can be produced
Description of Activities	If INPUTS are provided, then the ACTIVITIES can be completed

Source: ToT Presentation

### Indicators

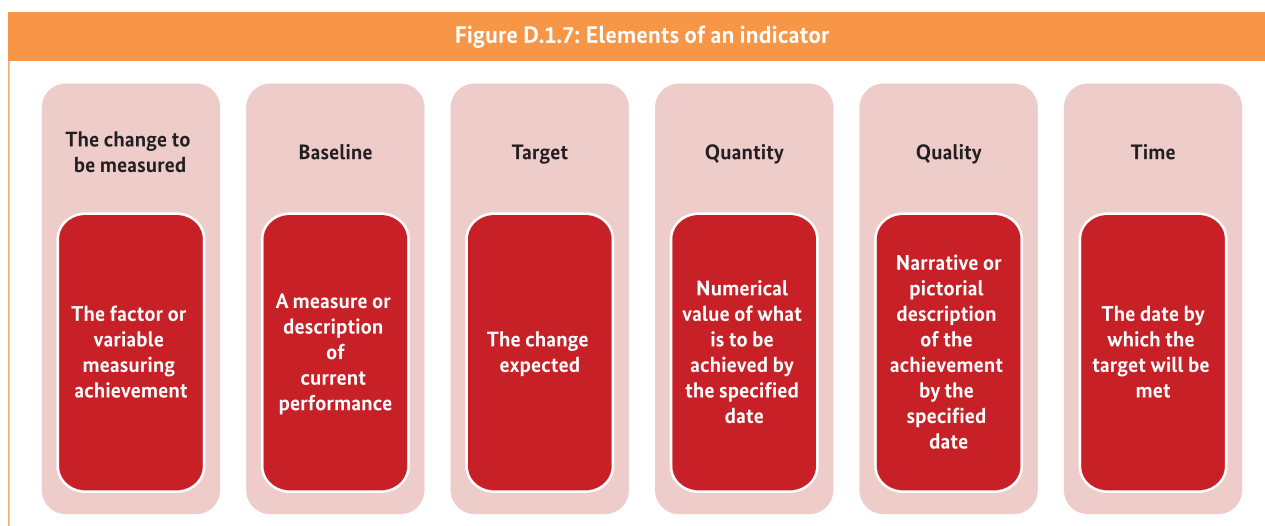
OECD DAC defines an indicator as “Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor”. Indicators track the extent to which a project is accomplishing its planned inputs, outputs, outcomes and goals, and there are several, on different levels. The following indicators are two fund-level examples from GCF:

- Tonnes of carbon dioxide equivalent (t CO<sub>2</sub>eq) reduced or avoided as a result of Fund-funded projects
- 9.1 Hectares of land or forests under improved and effective management that contributes to CO<sub>2</sub> emission reductions

Figure D.1.7 on page 146 presents all the elements of an indicator including baseline, target and timeline. These elements are followed in all result frameworks. NB: indicators are either quantitative or qualitative therefore either the quantity or quality element will be present.



Figure D.1.7: Elements of an indicator



Source: ToT Presentation

The indicator in Figure D.1.8 is an actual example from a GCF mitigation project. The boxes highlight the different elements of the indicator. Notice that a target is set for both the mid-term period of implementation and the overall duration of the project. Here the timeframe is implicit (mid-term and final) and not explicitly presented as a date. This is a quantitative indicator and therefore the target is a numerical value that should be achieved within a specific timeframe.


Figure D.1.8: Quantitative indicator

The change to be measured		Means of Verification (MOV)	Baseline	Target		Assumptions	Time
Expected Results	Indicator			Mid-term	Final		
M40 Reduced emissions from land use, reforestation reduced deforestation, and through sustainable forest management and conservation and enhancement of forest carbon stocks	M4.1 Tonnes of carbon dioxide equivalent CO <sub>2</sub> e) reduced or avoided (including increased removal).forest and land use	LULUCF GHG inventory report in UNFCCC National Communication (circa 2023) and Biennial update reports (circa 2025) (P)  Greenhouse gas mission assessment (8)	0	131,061	1,307,819	Government priorities remain focused on long-term forestry restoration plans  Farmers and CEPO remain committed long-term private sector forestry concessions do not fail to rehabilitate degraded state and district forests.  Absence of major natural disasters including forest fires in target areas.  State budget allocated to fund NDCs is guaranteed during and after the project  The economic, social and political context in the country and project areas remain stable	

Source: ToT Presentation

The indicator in Figure D.1.9 is an example of a qualitative indicator. This indicator also comes from the GCF (newly adopted) integrated results framework. Notice, that while the target and or the baseline is presented with a number, this number does not reflect equal distance between the different levels. The information that the numbers provide us is that the level 2 is better than 1 and 0, level 3 is better than 2, 1, and 0 etc.

Figure D.1.9: Qualitative indicator

Dimension	0 (No evidence of change)	1	2	3 (High degree of evidence of change)	Intensity of GCF contribution
<b>Scale</b> 	No replication or multiplying effects across population, markets, institutions, sectors and geographic areas of GCF-supported interventions without expanding the cost base or securing additional funding from the initial project/programme	Some emerging signs (e.g. increase in demand for climate services/products /business and expansion of climate results) of clear pathway to replication or multiplying effects across population, markets, institutions, sectors and geographic areas of GCF-supported interventions without expanding the cost base or securing additional funding from the initial project/programme	Evidence of replication or multiplying effects across population, markets, institutions, sectors and geographic areas of GCF-supported interventions without expanding the cost base or securing additional funding from the initial project/programme	Evidence of a significant replication or multiplying effects across population, markets, institutions, sectors and geographic areas of GCF-supported interventions without expanding the cost base or securing additional funding from the initial project/programme	<b>High:</b> GCF funded activity played a central role and the change wouldn't have happened without it <b>Medium:</b> GCF funded activities enhanced an existing initiative to significantly improve outcomes <b>Low:</b> GCF played a catalytic/ facilitative role which supported a broad coalition of actors Scale

Source: ToT Presentation

Objectively verifiable indicators describe the project's objectives in measurable terms:

Figure D.1.10: QQT

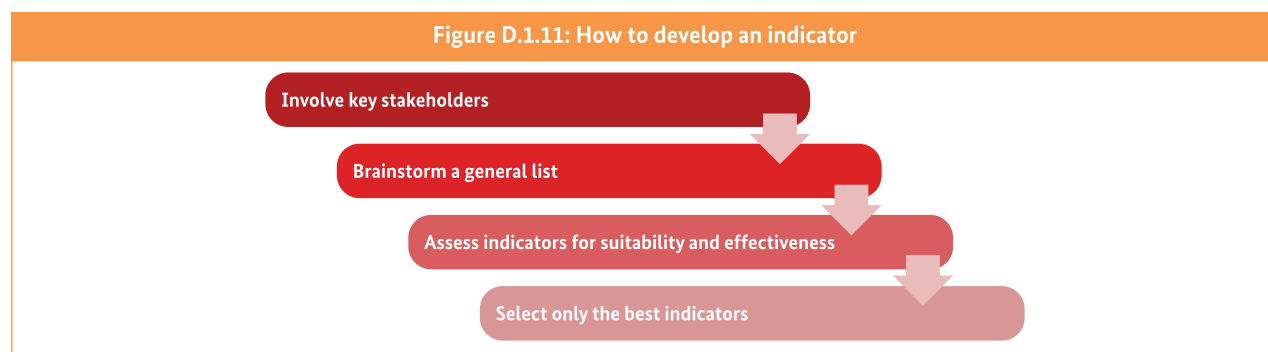


Source: ToT Presentation

The acronym QQT is easy to remember and goes to the heart of an indicator – what is the quantity – number that is being tracked, what is the quality – description of the indicator, and time – by when will the indicator.

It should be highlighted here that in this case quality does not correspond to qualitative indicators, but rather the quality that the indicator represents. Looking again at the example in Figure D.1.8 from the GCF, Quantity corresponds to “1,307,819”, quality to “M4.1 Tonnes of carbon dioxide equivalent (t CO<sub>2</sub> eq) reduced or avoided (including increased removals) - forest and land use” and time to “Final” or in other words the end of the project.

How to develop indicators? Figure D.1.11 below provides a helpful checklist of the process:



Source: ToT Presentation

1. Involve representatives from implementing agencies, government, beneficiaries, and other stakeholders. Be sure to include stakeholders and direct actors identified during the stakeholder analysis. A participatory approach to selecting indicators not only draws on stakeholders' experience and knowledge, it also helps obtain their consensus and promotes ownership.
2. Brainstorm to develop a general list of possible indicators for each objective and result (activities, outputs, outcomes, and so on). This initial list can consider all stakeholder perspectives, and not worry about how to measure them.
3. Assess each indicator on the general/initial list against a checklist of criteria for judging its suitability and effectiveness
4. Select the "best" indicators that will provide useful information at an affordable time and cost; choose only a few—the minimum needed to characterize the most basic and important measures.

There are a number of mandatory indicators to be included in the results framework. These indicators correspond to the higher levels of the results framework. Nevertheless, a number of indicators have to be developed on a project level. The checklist below provides insights and guidance concerning developing a good indicator.

**Figure D.1.12: Indicator checklist**

<b>Valid</b>	Does the indicator measure the result?
<b>Precise</b>	Do stakeholders agree on exactly what the indicator measures?
<b>Practical, affordable, and simple</b>	Is information available at reasonable cost? Will it be easy to collect and analyze? Is the indicator strictly necessary?
<b>Reliable</b>	Is it a consistent measure over time?
<b>Sensitive</b>	When the result changes, will it continue to be susceptible to change?
<b>Clear</b>	Are we sure whether an increase is good or bad?
<b>Useful</b>	Will the information be useful for decision - making, accountability, and learning?
<b>Owned</b>	Do stakeholders agree this indicator makes sense to use?
<b>Disaggregated</b>	Is the indicator disaggregated by gender, age, health status etc.?

Source: Adapted from CIDA's checklist of good indicators by the Adaptation Fund & E Co.

Each level of objective hierarchy has its own indicators:

- Impact indicator: Measures the extent to which a contribution to the impact has been made. Used during evaluation. Sometimes it is not appropriate for the project itself to try and collect this information.
- Outcome indicator: Helps answer the question “How will we know if the outcome has been achieved?”
- Output indicator: Helps answer the question “How will we know if the outputs have been delivered?”

Output indicators verify that the outputs have been delivered. Since outputs have to be tangible, output indicators are in most cases straightforward. Outcome and impact indicators can be more difficult to grasp. GCF has developed a predetermined list of indicators for these levels.

An additional consideration is that in some cases impact indicators should not be monitored by the project itself. This is not the case when the methodology and verification of the impacts are well established, as in the case of avoided GHG emissions. If the impact indicator is the number of beneficiaries, independent means of verification should be provided if possible.

The following Table D.1.1 provides an example of indicators for each level of the objective hierarchy. Notice that for each indicator the source of verification is provided. The source or means of verification refers to the source of data that will inform the indicator. In this particular case internal (project) and external (independent) sources are combined:

	Project description	Indicators	Source of verification	Assumptions
<b>Impact</b>	Contribution to meeting government renewable energy targets	% of Renewable Energy contribution to total power generation increases from 1% in 2022 to 5% in 2028	Reporting. National assessments Progress and M&E reports	
<b>Outcome</b>	Improved clean energy access for poor rural people with greater involvement of private sector	Number of poorer people having improved access to clean energy increases by 5.29m by 2028. Baseline: 1.9m in 2021	Progress reports, M&E reports	Conducive environment for the private sector
<b>Outputs</b>	Workable policy & regulatory framework established	Relevant renewable energy policy and regulation drafted and approved by 2026	Government documents, Progress reports, M&E reports	High level interest and willingness of the stakeholders
<b>Activities</b>				

Source: ToT Presentation

The selection of indicators should also include another set of considerations:

- Indicators should be independent, each relating to one level in the logic (not to be a summary of what has been stated at the level below). This is also valid between different outputs (outcomes or impacts), since otherwise it will not be possible to distinguish which activity is contributing to which output.
- In many cases more than one indicator is necessary to meaningfully monitor an objective statement. In certain cases, the inclusion of a quantitative and qualitative indicator is needed. As an example, the number of watershed management plans, may need to be supported by a qualitative indicator on the participatory character of these plans.
- Collect the minimum amount of information required to determine whether objectives have been achieved. Data collection can be costly and time consuming, therefore Monitoring & Evaluation (M&E) should strive to be simple but comprehensive.

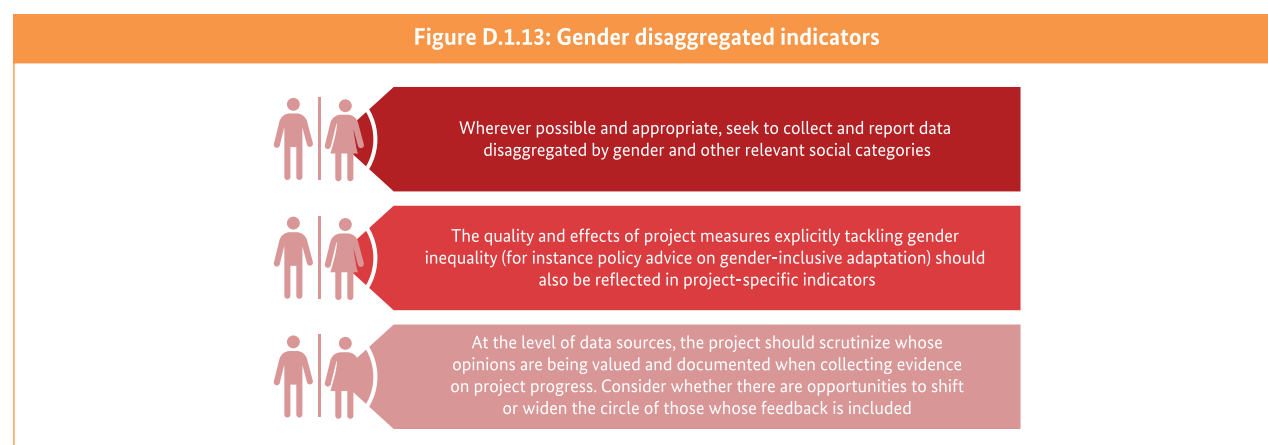
Indicators should, whenever possible and appropriate, be disaggregated by gender. Just as climate vulnerability is gendered, activities may be gendered or socially biased. Supporting low emissions public transportation, especially if it promotes safety, is expected to benefit more women than men, since women tend to use public transportation more than men.<sup>92</sup> In the opposite way a project that supports small holder farmers in area where women do not traditionally own land is expected to benefit women less than men.

92 Gender in public transportation <http://library.fes.de/pdf-files/bueros/amman/15221.pdf>

If the project aspires to explicitly tackle gender or social inequality, then specific indicators should be included to monitor progress in this aspect.

Lastly, data sources should be scrutinized in order to assess possible (latent) bias.

These points are summarised in the following Figure D.1.13:



Source: ToT Presentation

The different levels of indicators serve different purposes. In particular activities and output indicators, address the question “Is the project doing things right?”, while the impact and output indicators addresses the question “Is the project doing the right things?”.

In other words, activity and outputs indicators address the question of whether the project is being implemented as it was designed. Keep in mind that even if the answer to this question is yes, that does not mean that the question “Are we doing the right things?” is also yes.

Outcome and impact indicators assess whether successfully implemented activities that produced the desirable outputs, contributed to the desirable outcomes and impact. Therefore, outcome and impact indicators can provide insights concerning the validity of out theory of change.

An example for Bangladesh is provided below:

**Figure D.1.14: Example of E.2**

E.2. Core indicator targets (RMG & Textile combined)		
<b>E.2.1. Expected tonnes of carbon dioxide equivalent (t CO<sub>2</sub> eq) to be reduced or avoided (mitigation and cross-cutting only)</b>	Annual	0.727 million t CO <sub>2</sub> eq
	Lifetime	14.53 million t CO <sub>2</sub> eq
<b>E.2.2. Estimated cost per t CO<sub>2</sub> eq, defined as total investment cost/ expected lifetime emission reductions (mitigation and cross-cutting only)</b>	a) Total programme financing	340.50 million USD
	(b) Requested GCF amount	256.48 million USD
	(c) Expected lifetime emission reductions	14.53 million t CO <sub>2</sub>
	(d) Estimated cost per t CO <sub>2</sub> eq (d = a/c)	23.43 USD/t CO <sub>2</sub> eq
	(e) Estimated GCF cost per t CO <sub>2</sub> eq removed (e = b/c)	17.65 USD/t CO <sub>2</sub> eq
<b>E.2.3. Expected volume of finance to be leveraged by the proposed project/ programme as a result of the Fund's financing, disaggregated by public and private sources (mitigation and cross-cutting only)</b>	(f) Total finance leveraged	167.02 million USD
	(g) Public source co-financed	0.02 million USD
	(h) Private source finance leveraged	167.00 million USD
	(i) Total Leverage ratio (i = f/b)	
	(j) Public source co-financing ratio (j = g/b)	0.0000780
	(k) Private source leverage ratio (k=h/b)	0.65



<b>E.2.4. Expected total number of direct and indirect beneficiaries, (disaggregated by sex)</b>	Direct	Click here to enter Click here to enter % of female
	Indirect	Click here to enter Click here to enter % of female
	<i>For a multi-country proposal, indicate the aggregate amount here and provide the data per country in annex 17.</i>	
<b>E.2.5. Number of beneficiaries relative to total population (disaggregated by sex)</b>	Direct	Click here to enter text. (Expressed as %) of country(ies)
	Indirect	Click here to enter text. (Expressed as %) of country(ies)
	<i>For a multi-country proposal, leave blank and provide the data per country in annex 17.</i>	

Source: ToT Presentation

## Activities

Figure D.1.15: Section E.6

<b>E.6. Project/programme activities and deliverables</b>			
<p>All project activities should be listed here with a description and sub-activities. Significant deliverables should be reflected in annex 5 implementation timetable. Add rows as needed.</p> <p>Please number the activities as shown below to indicate association of activities to the related outputs provided above in section E.5. Similarly, please number sub-activities as shown below to associate to the related activity.</p>			
Activities	Description	Sub-activities	Deliverables
Activity 1.1.1		Sub-activity 1.1.1.1 Sub-activity 1.1.1.2 Sub-activity 1.1.1.3	
Activity 1.1.2			
Activity 1.2.1			
Activity 1.2.2			

Source: ToT Presentation

Activities are the actions taken to produce an output. They might include the action of developing infrastructure, a plan, an assessment etc. In a nutshell they represent what will be done from the project. For example: Detailed design of coastal conservation measures and capacity development of stakeholders (GCF).

There should be a distinction between the actions that are implemented by the project itself and actions that are implemented by actors with the support of the project. As an example, a project may include the provision of private sector loans to install new solar capacity. The project activity in this case is the provision of loans, not the installation of new solar capacity.

**NB:** All project activities should be listed in this section, with a description of the activities and sub-activities; significant deliverables should be reflected in the implementation timetable.

An example for Bangladesh is provided below:

Figure D.1.16: Example of E.6

E.6. Activities (Component 01&2, EE&C in Textile Sector)			
Activity	Description	Sub-activities	Deliverables
<b>Financing for Energy Saving Equipment &amp; Technology for Textile sector</b>			
Activity 1.1.1 Disbursement of USD 133.00 million credit line for EE equipment in textile sector	IDCOL will extend USD 133 million amount of loans to textile borrowers for purchasing EE equipment over a tenor of 10 years with maximum 03 years of grace period. From the USD 133 million, GCF loan contribution will be USD 100 million while the rest USD 33 million will be co-financed by IDCOL as the Executing Entity. IDCOL will revolve the loan over 10 years.	1.1.1.1 Prepare financing strategy 1.1.1.2 Develop strong project pipeline & mapping 1.1.1.3 Approach large number of prospective textile borrowers 1.1.1.4 Selection of end borrowers 1.1.1.5 Approval and disbursement of USD 133 million against USD 33 million equity	Loans of USD 133.00 million extended to implementing entities

Source: ToT Presentation

## Monitoring, reporting and evaluation arrangements

Figure D.1.17: Section E.7

E.7. Monitoring, reporting and evaluation arrangements (max. 500 words, approximately 1 page)
<p>Besides the arrangements (e.g. annual performance reports) laid out in Accreditation Master Agreement (AMA), please give a summary of the project/programme specific arrangements for monitoring, reporting and evaluation including a description of the monitoring and reporting system that will be used to assess the climate results of the proposed activity. Please also summarize the types of interim and final evaluations. Describe Accredited Entity (AE) project reporting relationships, including to the National Designated Authority (NDA)/Focal Point and between AE and Executing Entity (EE) as relevant, identifying reporting obligations from the EE to the AE. This should relate to the frequency of reporting on project indicators, implementation challenges and financial status. Please note that interim and final evaluations are expected to embed an assessment of project/programme's contributions to a paradigm shift and enabling environment using a three-point scale rating. Refer to the guidance note for the summary requirements and factor in additional evaluation /assessment activities under this section accordingly.</p>

Source: ToT Presentation

The GCF Programming Manual outlines section E.7<sup>93</sup> as follows: This section provides a summary of the project-/programme-specific arrangements for monitoring and evaluation, besides the arrangements set out in the accreditation master agreement (e.g. annual performance reports).

First of all, the section shall describe the organizational structure, as well as the duties and responsibilities related to monitoring, reporting and evaluation within the project/programme. This includes explanation of who will be in charge of data collection and project/programme monitoring, how the information will be collected, what quality control and quality assurance measures are planned to be put in place and others.

Among others, the AE project reporting relationships, including those with the national designated authority/focal point and between the AE and the executing entity, shall be elaborated. In cases surveys are planned to be conducted, a brief summary of the proposed approach for conducting them shall be included here or in a separate annex. The section shall also describe what reporting arrangements will be in place, especially in cases when specific project or programme reporting requirements are planned to be introduced and how these arrangements are aligned with the GCF and AE policies.

93 GCF Programming Manual, 2020, Part II, Section E.2, p. 135 - 136

Reporting obligations shall be clearly identified and linked to the frequency of reporting on project indicators, implementation challenges, and financial status. Additionally, the section shall describe the specific AE arrangements related to interim and final evaluations, the types of evaluations and the relevant AE and/or GCF policies that are planned to be applied by the project/programme. It is important to note that while developing this section, the AE shall also prepare Annex 11: Monitoring and Evaluation Plan and ensure that the relevant monitoring and evaluation costs are incorporated in the project/programme budget. Finally, the AE may also wish to describe if there would be any elements of the monitoring, reporting and evaluation arrangements allowing for extracting lessons learnt from the project and best practices, and how these might be reflected in process of project/programme implementation or in the design and implementation of future projects.

But what is M&E? OECD defines monitoring and evaluation as follows:

**Monitoring:** A continuing function that uses systematic collection of data on specified indicators to provide management and main stakeholders with indications of the extent of progress and achievement of objectives and progress in the use of funds

**Evaluation:** The systematic and objective assessment of an on-going or completed project, its design, implementation and results

**Monitoring is ongoing.** Evaluations are usually arranged for the mid-term (halfway through the project), often called a mid-term review (GEF), or mid-term evaluation (GCF), and end of term evaluation (also sometimes called the “terminal evaluation”). Monitoring data provides real-time information to the project management on progress and data for regular reporting to the funds.

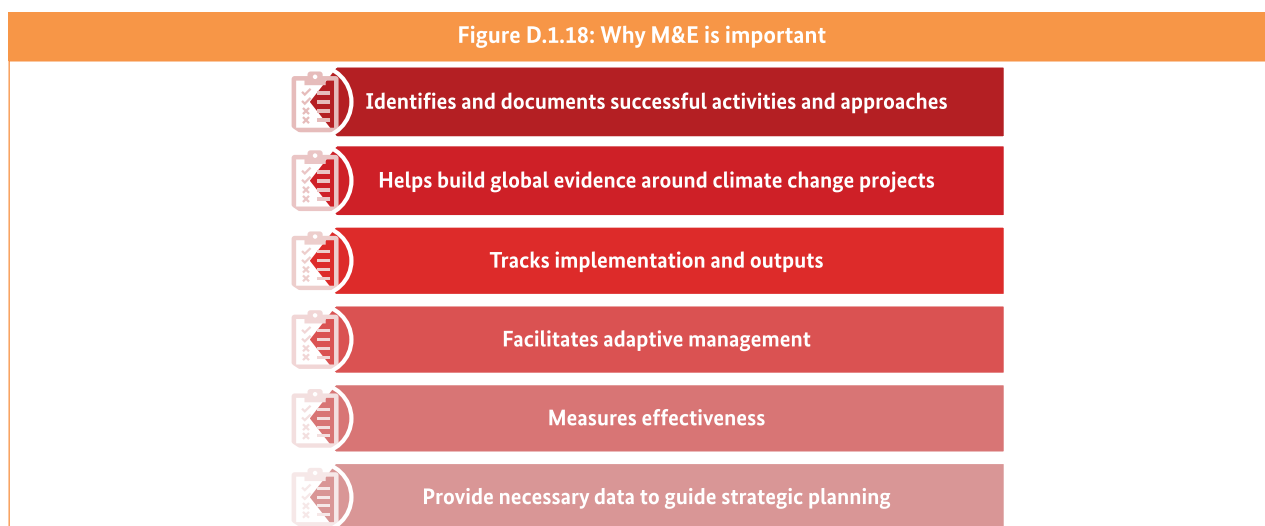
**Monitoring and evaluation are synergistic.** Monitoring information is a necessary but not sufficient input to the conduct of rigorous evaluations. While monitoring information can be collected and used for ongoing management purposes, reliance on such information on its own can introduce distortions because it typically covers only certain dimensions of a project's or program's activities, and careful use of this information is needed to avoid unintended behavioural incentives. In contrast, evaluation has the potential to provide a more balanced interpretation of performance. But evaluation is a more detailed and time-consuming activity, and because of its greater cost it needs to be conducted more sparingly. One approach is to rely on monitoring information to identify potential problem issues requiring more detailed investigation via an evaluation.

Monitoring allows for an assessment of progress and achievements while at the same time providing an opportunity to assess challenges, including implementation delays and compliance difficulties, as well as measures being taken to address them. This facilitates tracking and support of timely resolution efforts to tackle those challenges and thus contributes to strong delivery and impact.

The evaluations help to assess whether the project/programme is on track and should result in reports that, among other things:

- Provide an assessment of the effectiveness, efficiency and sustainability of results and the process of implementation of the funded activities; and provide recommendations for corrective actions to address identified implementation challenges/risks (for interim evaluations);
- Provide a verification of reported data;
- May recommend course-correcting adaptive management measures, including budget reallocations, partial or full project cancellations, restructuring of projects and project extensions, as applicable; and
- Provide opportunities to extract lessons learned and best practices that can inform implementation of similar projects and/or assess the efficacy and impact of certain measures and policies.

Figure D.1.18: Why M&E is important



Source: ToT Presentation

Monitoring and evaluation support important processes throughout the project cycle. During the implementation monitoring tracks implementation and outputs, providing insights about the effectiveness and efficiency of the project. The ex-post (end of project evaluation) identifies successful activities and approaches and the build-up of global datasets allows evidence-based policies development and strategic decisions.

### Reporting:

Reporting is a means for the fund to track project progress. It includes:

- Financial reporting
- Reporting on the progress
- Interim and final evaluation reports
- M&E under the adaptive management approach highlights possible adjustment needed to increase effectiveness

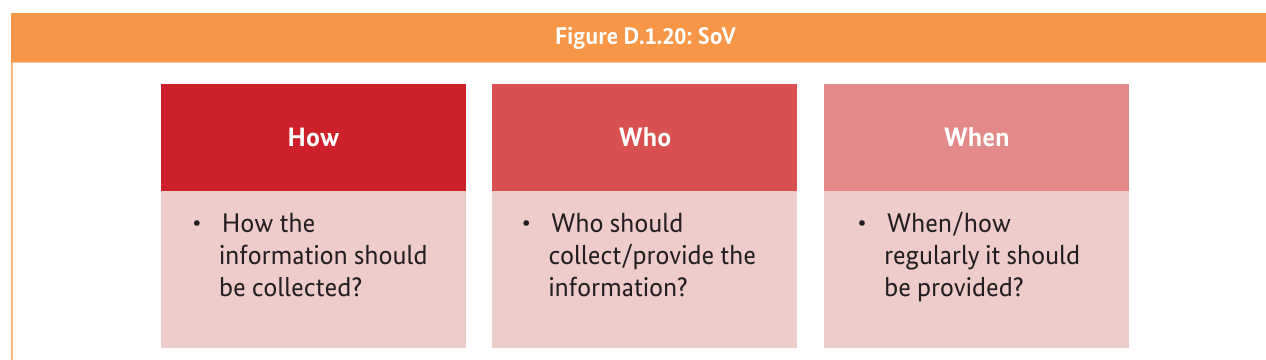
Figure D.1.19: Reporting template

Report	Description	Timing/frequency
<b>Quarterly financial management reports</b>	These should provide dates and amounts disbursed for each funded activity and compliance with financial covenants.	During implementation period Quarterly
<b>Semi-annual progress reports</b>	These should include a narrative report (with supporting data as needed) on implementation progress based on the log frame submitted in the funding proposal and considerations on the ongoing performance of the project/ programme against the GCF Investment Framework criteria, including updates on the indicators and a report on ESS as well as gender. The report should align with the modalities set out in the GCF RMF and its PMFs for adaptation and mitigation, as amended and updated from time to time.	During implementation and post-implementation periods Semi-annual
<b>Interim evaluation report and final evaluation report for each funded activity</b>	These assess the performance of the funded activity against the GCF investment framework criteria, including financial/ economic performance, as part of the project/programme efficiency and effectiveness criteria.	Mid-point evaluation during implementation and final report at project completion

Source: GCF

## Means of Verification:

Means of verification practically refer to the How, Who, and When questions presented in the figure below:



Source: ToT Presentation

- Data can be collected by surveys, reporting of executing agencies, independent sources like an independent energy auditor etc.
- Who should collect and provide the information is also relevant. Should the information be provided by the executing agency or should, the organization that is responsible for the M&E (eg the AE), collect and report them?
- Lastly, the frequency of data collection should be included in the M&E strategy. Data availability and especially timeseries availability may be crucial when it comes to the project of fund impact evaluation.

An example for Bangladesh is provided below.

Monitoring: IDCOL has a proven track record of highly efficient, effective monitoring and supervision of the previously led and current internationally funded country-wide program. This has been made possible because of the programme specific Monitoring, Reporting and Evaluation (MRE) plans devised and implemented by IDCOL suited to the needs of each programme.

**Figure D.1.21: Example of MRE Plan**

Stage	Responsibility	Monitoring action
<b>Sub-project approval stage</b>	Business unit of IDCOL	Select eligible borrowers suitable for GCF financing & assess project viability under regular process
	Credit Risk Management (CRM)	Ensure due diligence of borrowers and compliance with existing lending policy of IDCOL & other GCF facility criteria
	Management/ Board of IDCOL	Approve funding proposals as per IDCOL's vision & mission ensuring viability, integrity, governance, sustainability and other related aspects.
<b>Sub-project disbursement phase</b>	Business unit, Legal unit, Credit Administration Department (CAD)	Ensure disbursement of GCF fund in line with FAA
<b>Sub-project implementation stage</b>	Business unit	Regularly monitor the project through timely progress report from end borrowers and visiting the project premise to ensure smooth operation for anticipated mitigation impact at the project end

Source: ToT Presentation





– SECTION E –

# RISK ASSESSMENT AND MANAGEMENT

Figure E.1.1: Section F, Funding Proposal

F. RISK ASSESSMENT AND MANAGEMENT		
F.1. Risk factors and mitigations measures (max. 3 pages)		
<p>Please describe financial, technical, operational, macroeconomic/political, money laundering/terrorist financing (ML/TF), sanctions, prohibited practices, and other risks that might prevent the project/programme objectives from being achieved. Also describe the proposed risk mitigation measures. Insert additional rows if necessary.</p> <p>For probability: High has significant probability, Medium has moderate probability, Low has negligible probability</p> <p>For impact: High has significant impact, Medium has moderate impact, Low has negligible impact</p> <p>Prohibited practices include abuse, conflict of interest, corruption, retaliation against whistleblowers or witnesses, as well as fraudulent, coercive, collusive, and obstructive practices</p>		
Selected Risk Factor 1		
Category	Probability	Impact
Select	Select	Select
Description		
Please describe the risk to the best of your knowledge at this point in time.		
Mitigation Measure(s)		
Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?		

Source: GCF Full Proposal Template

The risk strategy covers risk assessment and risk management – all funders (private and public sector) expect an analysis of risks in their proposals / business plans. Risk can be seen from the funder's perspective and the project's perspective – these are similar, but the funder may be more interested in reputational risks than the project stakeholders are. Reputational risks include money-laundering/finance of terrorism, sanctions and prohibited practices.

Section F of the funding proposal describes the financial, technical, operational, macroeconomic/political, money-laundering/financing of terrorism (ML/FT) sanctions, prohibited practices and other risks that might prevent the project/programme objectives from being achieved. It also describes the proposed risk mitigation measures for each risk. As part of the second-level due diligence, the Secretariat checks whether the accredited entity (AE) has provided the outcome of its anti-money-laundering/ countering the financing of terrorism (AML/CFT) project due diligence. This includes identifying the key risk factors arising from the project's implementation structure, as well as the proposed risk mitigation strategy to effectively address the potential for integrity risks throughout the project cycle.<sup>94</sup> The table should be filled in as appropriate, considering:

94 GCF Programming Manual, 2020, Part II, Section F, pp. 136

## Risk Categories:

- **Technical and operational:** Potential challenges concerning the technology to be used in project implementation, operation and maintenance issues; government/regulatory support required for implementation and steady operation of the project
- **Credit:** Risk pertaining to repayment of GCF loans; invocation of a guarantee due to repayment default under the loans guaranteed by GCF
- **Foreign exchange:** Impact of currency fluctuation on project costs, revenue and profitability
- **Governance:** Adequacy of the control structure; AE safeguarding GCF interests; country regulations
- **Legal:** Validity/enforceability of contracts; rights of GCF under the legal agreement
- **Reputational:** Risk that the funding proposal can cause an adverse perception of GCF, or affect the credibility of GCF
- **Money-laundering/financing of terrorism:** Risk that instances of money-laundering and/or financing of terrorism can occur or threaten proposed activities and expenditures. Risks that failure to meet international standards with respect to preventing money-laundering and/or financing of terrorism can present problems such as obstacles to financial flows and/or implementation and/or payment processing
- **Sanctions:** Confirmation as to whether there are any United Nations Security Council resolutions imposing financial sanctions that would prohibit the engagement of GCF or the AE in the country or with individuals or entities. If there are United Nations Security Council resolutions applicable to the country, indicate whether any approvals, exemptions, exceptions, licenses or other permissions are required and provide a description as to how those would be sought and when
- **Prohibited practices:** Whether there is any risk that prohibited practices may occur during the implementation and financing of the activities and what mitigation measures may be present or proposed. Also provide assurances that the Policy on Prohibited Practices can be effectively enforced downstream among counterparties to the proposed project
- **Others:** Other project-specific risks identified by the AE through its first-level due diligence, which could include any restrictions or conditions required by international, regional, or national entities that could impact the project implementation

Risks are dependent on probability and impact. A probable risk with an insignificant impact is less important than an equally probable risk with high impact. Similarly, if the impact of two risks is the same, the more common one is more significant. Therefore, for each identified risk is important to assess its probability and impact.

Figure E.1.2: Probability and Impact

The PROBABILITY is usually rated as:	The IMPACT is usually rated as:
<b>High-</b> significant probability it will occur <b>Medium-</b> it might happen but this is somewhat unlikely <b>Low-</b> small probability it will occur	<b>High-</b> significant impacts; the outcomes are very unlikely to be delivered <b>Medium-</b> the impacts would mean the outcome are somewhat doubtful <b>Low-</b> the impacts would not have a significant impact on outcomes - they should still be delivered

Source: ToT Presentation

These two factors are crucial to identify the proper mitigation approach, that will in turn highlight risks that might jeopardise the feasibility of the project.

The risk and compliance assessment of funding proposals is guided by the following<sup>95</sup> :

- The risk management framework (RMF) approved by the Board;
- The information shared by AEs through funding proposal packages; and
- The project-/programme-specific risks identified by the AE as part of its first-level due diligence.

<sup>95</sup> GCF Programming Manual, 2020, Part II, Section F, pp. 137

The RMF is available on the GCF<sup>96</sup> website. The specific documents pertaining to risk assessment of funding proposals are the risk guidelines for funding proposals, the risk appetite statement, and the compliance risk policy.

As per the Board-approved RMF, all proposals under review should be assessed using the risk guidelines for funding proposals. These guidelines can be used to identify the risks involved in a funding proposal and potential mitigation actions to counter the risks. The AE is also encouraged to specify any other risks that it uncovers as part of its first-level due diligence. The guidelines support the notion that GCF will actively take on credit risk to meet its strategic mandate of promoting paradigm shift towards low-emission and climate-resilient development pathways, and that GCF is willing to take on risks that other investors will not.

The risk guidelines for funding proposals contain four subcategories:

Table E.1.1: Risk guidelines	
RISK GUIDELINES: SUBTYPE	KEY POINTS TO BE CONSIDERED
Guidelines for assessing the risk of a project/programme failing to deliver its target impact	<p>A clear description of the project/clear parameters for making delegated funding decisions (for programmes):</p> <p>Policy and regulatory support from the country.</p> <p>Project(s)-specific execution risks, such as construction, operations, key supplies, the legal and regulatory environment; and</p> <p>Adequacy of the capabilities of the AE and EE to deliver the project, as well as the experience of the AE in working with the proposed EE, in the country, in executing similar projects. Assessment by the AE of the EE in terms of its capacity to implement the project, and its experience</p>
Risk guidelines for setting funding terms and conditions	<p>A description of the terms on which the AE is proposing GCF financing for the project/programme. These terms should be based on the first-level due diligence performed by the AE before submitting the funding proposal to GCF and can include clauses pertaining to disbursement-related conditions, covenants, rights of GCF vis-à-vis co-financiers, and technical and financial criteria to be applied by the AE while selecting the recipients of GCF resources (mainly required for programmes). A description of the seniority/subordination of GCF vis-à-vis other co-financiers; for loans, an explanation of who is the borrower and whose credit risk GCF is requested to assume, for equity, a description of the exit opportunity for GCF; and for guarantees, what is the proposed guarantee cover, how does GCF guarantee help to the beneficiaries, etc.</p> <p>The details of pricing and AE fees may be finalized later, however, the AE can specify the proposed concessional pricing requested to make the project(s) viable.</p> <p>Are the funding terms clear and in line with GCF policies?</p> <p>Are the possible negative financial consequences and liabilities elaborated in the funding proposal?</p>
Guidelines for assessing alignment with GCF portfolio-level risk limits	Will approval of this proposal breach GCF portfolio-level risk appetite metrics?
Guidelines for assessing compliance with GCF policies and legal requirements	Does the proposal ensure that the zero tolerance of the GCF for prohibited practices and such risks are adequately prevented and mitigated?

Source: GCF Programming Manual

Compliance with GCF Standards<sup>97</sup>: The following key areas are assessed as part of the GCF compliance review and thus should be carefully considered as part of the funding proposal appraisal process:

- Institutional arrangements/implementation, including financial flows;
- Project governance;
- Risk factors; and
- Financial management and procurement.

<sup>96</sup> See decisions B/17.11, available at: <https://www.greenclimate.fund/decision/b17-11> and <https://www.greenclimate.fund/decision/b19-04>

<sup>97</sup> GCF Programming Manual, 2020, Part II, Section F, pp. 138

**Table E.1.2: Compliance Assessment**

<b>A.</b>	<b>AML/CFT</b>	AML/CTF risks United Nations Security Council sanctions/resolutions imposing financial sanctions
<b>B.</b>	<b>Prohibited practices</b>	Corruption and fraud Abuse Coercive, collusive or obstructive policies
<b>C.</b>	<b>Financial management, procurement, internal controls or irregularities</b>	Project-based monitoring in collaboration with the Office of Portfolio Management and the business lines Accreditation-based monitoring for significant structural changes within the respective counterparty Disbursements Policies and procedures
<b>D.</b>	<b>Other related financial crimes</b>	Institutional arrangements/implementation, including financial flows
<b>E.</b>	<b>Other</b>	Whether any exceptions, exemptions, permissions, licenses or waivers are required before the AE or GCF can engage in the project

Source: GCF Programming Manual

It is recommended that the AE prepares a prohibited practice prevention plan. A preliminary assessment should be conducted regarding the risks related to ML/FT and prohibited practices, along with a statement on the strategy of the AE to monitor, mitigate and address such risks.

**Mitigation Approach:** This is a description of mitigation measures that will be taken to:

- Reduce the likelihood that the expected risk will materialize
- Reduce the impact of the risk should it materialise
- Reduce both likelihood and impact

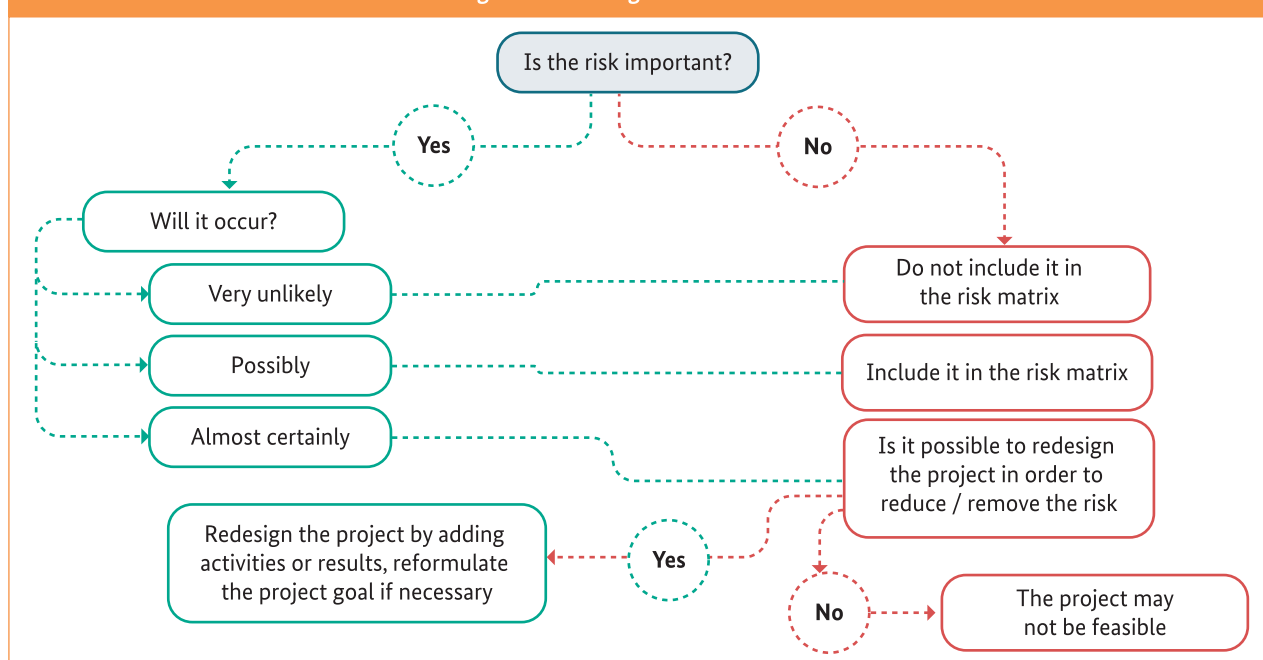
In reality there is a tension between mitigation measures and the assessment of the risk - this is usually done in an iterative way. NB: It is very unlikely that funders will accept to finance projects where risks have high likelihood to take place and a high impact.

As risks fall within several different categories, mitigation measures may also vary significantly and may include, but are not limited to:

- Management arrangements to reduce the likelihood of a risk
- The commitment of institutions concerning project component
- Financial features to decrease risk
- Enhanced monitoring and advanced planning to address risks



Figure E.1.3: Mitigation decision tree



Source: ToT Presentation

The decision tree in Figure E.1.3 provides an algorithm for assessing whether a risk should be included in the risk matrix, as well as safeguarding the feasibility of the project. Low impact risks or important risks that are unlikely do not need to be incorporated in the risk matrix. Important and likely to happen risks should be included and a possible mitigation strategy to be provided. Important and highly probably risks should be eliminated, either by redesigning the project or reformulating the goal. Since redesigning may not be possible, there is always the possibility that a project might not be feasible under the specific circumstances.

An example for Bangladesh is provided below:

Figure E.1.4: Example of mitigation approach

Selected Risk Factor 1		
Category	Probability	Impact
CreditCredit	LowLow	MediumMedium
Description		
Demand risk and market risk in the textile sector which may slow down manufacturing, marketing and profit making and fail to attract investment		
Mitigation Measure(s)		
While chances of demand and market risks are low given the potent role of Bangladesh's textile sector in National and international clothing sector. IDCOL will take mitigation measures such as collateral loans for distributing loans to end consumers and also ensure hypothecation of energy efficient equipment finance if required.		

Source: ToT Presentation



– SECTION F –

# GCF POLICIES AND STANDARDS

## F.1. Financial Management and Procurement:

Figure F.1.1: Financial management and procurement

### G.3. Financial management and procurement (max. 500 words, approximately 1 page)

Describe the project/programme's financial management including the financial monitoring systems, financial accounting, auditing, and disbursement structure and methods. Refer to section B.4 on implementation arrangements as necessary.

Articulate any procurement issues that may require attention, e.g. procurement implementation arrangements and the role of the AE under the respective proposal, articulation of procurement risk assessment undertaken and how that will be managed by the AE or the implementing agency. Provide a detailed procurement plan as annex 10.

Source: GCF Funding Proposal

This section<sup>98</sup> should describe the project/programme's financial management, including the financial monitoring systems of the entities involved, financial accounting standards, and disbursement arrangements, structure and methods. It should also describe the financial flows in the context of applicable AE accreditation parameters (e.g. specialized fiduciary function), referring to section B.4 ("Implementation/institutional arrangements"), as necessary.

This section should also provide a summary of the procurement plan as detailed in annex 10. It should articulate any procurement issues that may require attention (e.g. procurement implementation arrangements and the role of the AE under the respective proposal), and describe the procurement risk assessment undertaken and how that will be managed and monitored by the AE or the implementing agency with respect to its subcontractors in cases where high-risk indicators are identified.

### Key points:

Describe the project/programme's financial management, including:

- the financial monitoring systems of the entities involved
- financial accounting standards
- disbursement arrangements, structure and methods

Describe the financial flows in the context of applicable AE accreditation parameters (e.g. specialized fiduciary function), referring to section B.4 ("Implementation/institutional arrangements"), as necessary.

- Provide a summary of the procurement plan as detailed in annex 10.
- Articulate any procurement issues that may require attention (e.g. procurement implementation arrangements and the role of the AE under the respective proposal),

Describe the procurement risk assessment undertaken and how that will be managed and monitored by the AE or the implementing agency with respect to its subcontractors in cases where high-risk indicators are identified

An example for Bangladesh is provided in the slides.

98 GCF Programming Manual, 2020, Part II, G.3, pp. 145 - 146

## Disclosure of Funding Proposal:

Figure F.1.2: G.4, Disclosure of Funding Proposal

### G.4. Disclosure of funding proposal

Note: The Information Disclosure Policy (IDP) provides that the GCF will apply a presumption in favour of disclosure for all information and documents relating to the GCF and its funding activities. Under the IDP, project and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Information provided in confidence is one of the exceptions, but this exception should not be applied broadly to an entire document if the document contains specific, segregable portions that can be disclosed without prejudice or harm.

Indicate below whether or not the funding proposal includes confidential information.

☐ No confidential information: The accredited entity confirms that the funding proposal, including its annexes, may be disclosed in full by the GCF, as no information is being provided in confidence.

☐ With confidential information: The accredited entity declares that the funding proposal, including its annexes, may not be disclosed in full by the GCF, as certain information is being provided in confidence. Accordingly, the accredited entity is providing to the Secretariat the following two copies of the funding proposal, including all annexes:

full copy for internal use of the GCF in which the confidential portions are marked accordingly, together with an explanatory note regarding the said portions and the corresponding reason for confidentiality under the accredited entity's disclosure policy, and

redacted copy for disclosure on the GCF website.

The funding proposal can only be processed upon receipt of the two copies above, if containing confidential information.

Source: GCF Funding Proposal

This section<sup>99</sup> should indicate whether the funding proposal includes confidential information. If it contains confidential information, the AE should provide an explanatory note, as well as two copies of the funding proposal, as indicated in the funding proposal template (a full copy for internal use and a redacted copy for disclosure on the GCF website).

The GCF Information Disclosure Policy (IDP) provides that GCF will apply a presumption in favour of disclosure for all information and documents relating to GCF and its funding activities. Under the IDP, project and programme funding proposals will be disclosed on the GCF website simultaneously with their submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Information provided in confidence is one of the exceptions, but this exception should not be applied broadly to an entire document if the document contains specific, segregable portions that can be disclosed without prejudice or harm. This section of the funding proposal template sets out the requirements when submitting the funding proposal, inclusive of the annexes, to the Secretariat.

Moreover, the accreditation master agreement contains provisions governing disclosure and confidentiality, for example, on information submitted by an AE to GCF marked and/or described as “confidential”.

### Key points:

Indicate whether the funding proposal includes confidential information.

- If it contains confidential information, the AE should provide an explanatory note, as well as two copies of the funding proposal, as indicated in the funding proposal template (a full copy for internal use and a redacted copy for disclosure on the GCF website).

The GCF Information Disclosure Policy (IDP) provides that GCF will apply a presumption in favour of disclosure for all information and documents relating to GCF and its funding activities.

- Under the IDP, project and programme funding proposals will be disclosed on the GCF website simultaneously with their submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP.
- Information provided in confidence is one of the exceptions, but this exception should not be applied broadly to an entire document if the document contains specific, segregable portions that can be disclosed without prejudice or harm.
- This section of the funding proposal template sets out the requirements when submitting the funding proposal, inclusive of the annexes, to the Secretariat.

<sup>99</sup> GCF Programming Manual, 2020, Part II, G.4, p. 146

Moreover, the accreditation master agreement contains provisions governing disclosure and confidentiality, for example, on information submitted by an AE to GCF marked and/or described as “confidential”.

An example for Bangladesh is provided below:

Figure F.1.3: Example of G.3

**G.3. Financial management and procurement (max. 500 words, approximately 1 page)**

IDCOL, as a development financial institution under the ownership of Ministry of Finance of Government of Bangladesh, has substantial experience in financing and monitoring industrial development projects and management of funds provided by development organizations like World Bank, ADB, JICA .etc. The projects funded by IDCOL have successfully been accounted and audited as per the international standards, in line with national procedures in financial management. Financial management of the program will be guided by IDCOL's own accounting policies & procedures, as well as procedures related to the financial & operational aspects of project management administration. When not acting as an Executing entity, IDCOL, as an AE will comply with the terms & conditions set forth for financial management of GCF proceeds as per the Accreditation Master Agreement (AMA). Again for Component 03, IDCOL in its role as AE will ensure that the executing entities i.e. LFI/IDCOL will comply with internationally accepted accounting standards for the project related activities at their end.

The energy efficiency component procured under this program will be the subject matter of the loan financing. Thus the procurement will be carried out by the end borrower for their respective projects as per the business as usual practice. Along with the disbursement request/procurement application, the end borrowers will be submitting the evidences/supporting for implementation of the respective procurement under the programme. These will be screened by IDCOL/LFIs to approve the loan application.

After the disbursement of GCF fund as per the implementation arrangement in section B4, IDCOL/LFIs will monitor that the proceeds of the funding are efficiently utilized for intended purposes only and in compliance with GCF and GoB. Fund disbursement and repayment will be conducted as per scheduled (annex 14).

IDCOL has an independent internal audit division, reporting directly to the Board, to add value through an independent appraisal of all IDCOL's financial operations and activities. The result of such appraisal is improved operational efficiency, risk analysis & management and internal control system that will ensure achieving IDCOL's corporate objectives. Moreover, IDCOL's financial statements are audited externally by a qualified, internationally recognized auditing firm, in accordance with international standards of auditing. This firm is competitively selected by IDCOL.

As per the AMA, the procurement of goods and services for funded activities, whether by the Accredited Entity itself, and Executing Entity or by a third party, shall be done in accordance with the rules, policies and procedures of the Accredited Entity i.e. IDCOL to the extent and scope of its Accreditation. Thus IDCOL will follow its own “Procurement Policy” for the operations of this program. Procurement audit is conducted periodically by the internal audit division to ensure proper compliance with the policy.

Source: ToT Presentation





– SECTION G –

# FUNDING PROPOSAL ANNEXES

The Figure G.1.1 below lists the annexes to be included in the Funding Proposal:

Figure G.1.1: List of Annexes

H. ANNEXES		
H.1. Mandatory annexes		
<input type="checkbox"/>	Annex 1	NDA no-objection letter(s) <i>(template provided)</i>
<input type="checkbox"/>	Annex 2	Feasibility study - and a market study, if applicable
<input type="checkbox"/>	Annex 3	Economic and/or financial analyses in spreadsheet
<input type="checkbox"/>	Annex 4	Detailed budget plan <i>(template provided)</i>
<input type="checkbox"/>	Annex 5	Implementation timetable including key project/programme milestones <i>(template provided)</i>
<input type="checkbox"/>	Annex 6	E&S document corresponding to the E&S category (A, B or C; or 11, 12 or 13): (ESS disclosure form provided) <ul style="list-style-type: none"> <li><input type="checkbox"/> Environmental and Social Impact Assessment (ESIA) or</li> <li><input type="checkbox"/> Environmental and Social Management Plan (ESMP) or</li> <li><input type="checkbox"/> Environmental and Social Management System (ESMS)</li> <li><input type="checkbox"/> Others (please specify-e.g. Resettlement Action Plan, Resettlement Policy Framework, Indigenous People's Plan, Land Acquisition Plan, etc.)</li> </ul>
<input type="checkbox"/>	Annex 7	Summary of consultations and stakeholder engagement plan
<input type="checkbox"/>	Annex 8	Gender assessment and project/programme-level action plan <i>(template provided)</i>
<input type="checkbox"/>	Annex 9	Legal due diligence (regulation, taxation and insurance)
<input type="checkbox"/>	Annex 10	Procurement plan <i>(template provided)</i>
<input type="checkbox"/>	Annex 11	Monitoring and evaluation plan <i>(template provided)</i>
<input type="checkbox"/>	Annex 12	AE fee request <i>(template provided)</i>
<input type="checkbox"/>	Annex 13	Co-financing commitment letter, if applicable <i>(template provided)</i>
<input type="checkbox"/>	Annex 14	Term sheet including a detailed disbursement schedule and, if applicable, repayment schedule

Source: GCF Funding Proposal

## Annex 2: Feasibility Study

The funding proposal should refer to annex 2<sup>100</sup> as much as possible and only provide meaningful summary information from the results of the feasibility study. A feasibility or pre-feasibility study is a pre-submission requirement that is necessary to determine whether the proposed project is feasible and implementable. This information needs to be

100 GCF Programming Manual, 2020, Part II, Annex 2, pp. 148 – 149

provided in annex 2 to the funding proposal, which is a mandatory annex. The study should present:

- An assessment of the various technological options analysed for the proposed project scope;
- Alternative scenarios and a clear conclusion with recommendations for the selection of specific project interventions;
- The reasons why those interventions have been chosen for a particular project; and
- An explanation of the underlying logic of the project structure and activities.

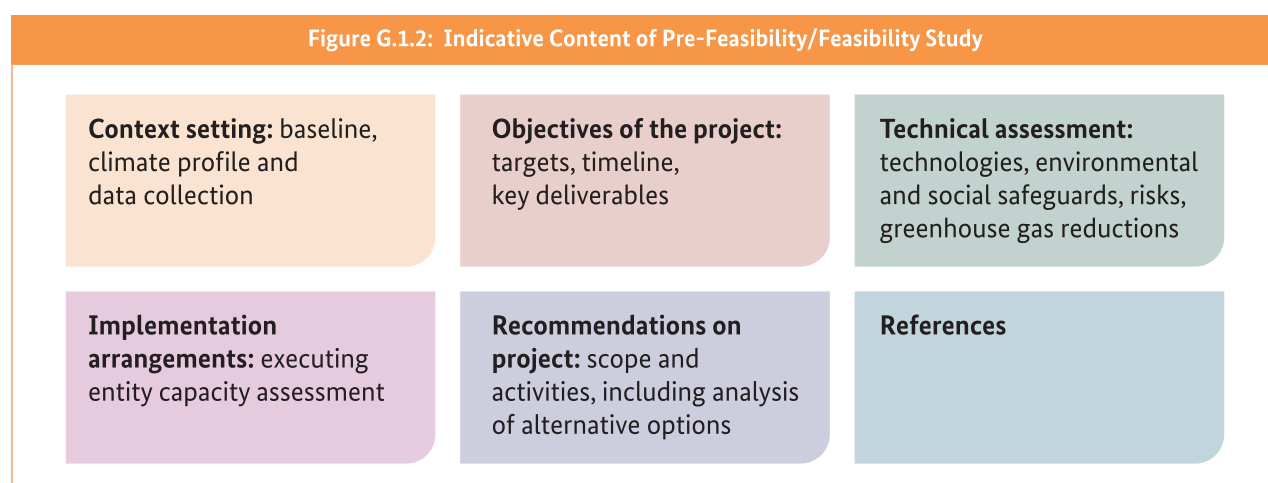
However, information presented in the study should not duplicate that provided in the funding proposal. The feasibility and pre-feasibility studies are defined as follows:

**Pre-feasibility study:** A preliminary study undertaken at the early stage of a project to help to establish whether the project is viable and what the feasible options are. The main difference between the feasibility and the pre-feasibility study is the use of primary or secondary data as sources. Pre-feasibility studies rely on secondary data and existing evaluation reports.

**Feasibility study:** A detailed study/assessment undertaken as part of the preparation of the funding proposal to analyse the current state/conditions of the area and assets that the project/programme is targeting, the existing market, the different options/interventions possible to address the problem and the reasons for selecting specific technological solutions over alternative options. The study should also analyse the potential impact of the proposed project, including its estimated greenhouse gas (GHG) emission reductions in the case of mitigation or cross-cutting projects. In such cases, a transparent GHG emission measurement, reporting and verification methodology should be proposed and presented, including a GHG emission reduction calculation sheet.

**Note:** In cases where a proposal involves the scaling up of projects/programmes that have been previously funded, existing studies, mid-term or final project evaluations, or data used for those prior activities could be updated and used for the preparation of the funding proposal.

Figure G.1.2 provides the indicative content for a pre-feasibility and feasibility study:



Source: GCF

### Key Points:

The Feasibility Study is the basis of the Funding Proposal. There are no minimum requirements for feasibility studies, nor published templates to be followed. Typical studies include:

- Problem analysis
- Climate impact and vulnerability analysis (for adaptation)
- Baseline emission scenario without the project (for mitigation)
- Policy and regulatory environment
- Mapping of existing projects and initiatives that are related and how the current project leverages and adds value
- Different options for addressing the problem and costs and benefits

- Selected option/set of options/approaches and criteria for its selection
- Description of activities
- Models to be used and their specifications
- Exclusion lists, if applicable
- Can draw from the financial analysis to support information on the design of activities and the financial instruments for each
- Institutional analysis and proposed institutional arrangements
- Site selection and beneficiary selection criteria
- Details on financing mechanisms and operations, if applicable
- Design of interventions to support sustainability
- Operations and maintenance plan, if applicable

The components of a typical feasibility study include:

- Situation analysis
- Technical assessment
- Market assessment
- Environment and Social Assessment
- Climate change analysis and rationale

In more detail a feasibility study should cover the following:

#### **Context**

- 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

#### **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

#### **Specific information on the project**

- Climate rationale
- Incremental cost reasoning
- Theory of change
- Project objective, logic of action and components.
- Logframe and indicators
- Timeline of the implementation

#### **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 programme/project level grievance redress mechanism(s)

Typically, the team for the feasibility study will include:

- International expert(s)
- National expert(s)
- Sectoral expert(s)

The duration will normally be between 3 and 5 months, for an average budget between 40,000 and 100,000 USD, depending on the magnitude of the task.

### Annex 5: Implementation timetable including key project/programme milestones

The project/programme implementation timetable<sup>101</sup> shows the key milestones of the project/programme and should be consistent with the other sections and annexes of the funding proposal, in particular the logical framework and list of activities, and should provide a timeline of different deliverables for each project components. It should contain major milestones across the project implementation period and be clearly established against project activities. A template is provided in the funding proposal form:

Figure G.1.3: Implementation timetable

Annex 5 Implementation Timetable

Project/Programme Title:

COMPONENTS/ OUTPUTS	20XX				20XX				20XX			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Component 1												
Output 1.1												
Activity 1.1.1												
Activity 1.2.1												
Output 1.2												
Activity 1.2.1												
Activity 1.2.2												
Output 1.3												
Activity 1.3.1												
Activity 1.3.2												
Component 2												
Output 2.1												
Activity 2.1.1												
Activity 2.1.2												
Output 2.2												
Activity 2.2.1												
Activity 2.2.1												
Project Monitoring*		Inception Report			APR		Interim Evaluation		Completion Report			Final Evaluation

Source: GCF Funding Proposal

APR=Annual Performance Report

\*In addition to this monitoring requirements, the Funded Activity is also subject to financial reporting per the AMA/FAA, such as Unaudited/Audited Financial Statements, Financial information reports, and other reports as defined in the FAA

101 GCF Programming Manual, 2020, Part II, Annex 2, p. 154



## Key points:

The project/programme implementation timetable shows the key milestones of the project/programme. It should be consistent with the other sections and annexes of the funding proposal, in particular:

- the logical framework
- list of activities
- a timeline of different deliverables for each project components

The implementation timetable should contain major milestones across the project implementation period, and it should be clearly established against project activities.

## Annex 7 - Summary of consultations and stakeholder engagement plan

Stakeholder consultations<sup>102</sup> are a key part of the project/programme appraisal process. The funding proposal should enable reviewers to understand how the relevant stakeholders have engaged in the project/programme design, and how consultations will be carried out during the implementation phase. As part of the stakeholder consultation process, a stakeholder mapping should be undertaken, where relevant stakeholders are identified, along with a description of the kind and extent of consultations that have taken place to date, as well as the future consultations that will be conducted.

Projects/programmes should demonstrate relevant stakeholder consultation, with particular attention to vulnerable groups within civil society, as outlined in the GCF initial investment framework. A detailed consultation process should be well thought out and established at the early stages of the appraisal process. It should involve direct beneficiaries and other relevant players (e.g. local government units, civil society organizations, the private sector, academia). An annex that details how those inputs have been captured and featured to the extent possible in the design of the project/programme should be included in annex 7 to the funding proposal.

The consultation and related reports should provide details of how men and women representatives and Indigenous peoples groups meaningfully participated in the discussions. This type of analysis aims to identify all the people and organizations involved in or potentially affected by the project. First, a stakeholder's list containing key relevant stakeholders and a stakeholder needs matrix should be prepared to determine the expectations of the interested parties. It should also specify a method for managing expectations. Stakeholder consultations could also be undertaken as part of the no-objection procedure to be issued by the relevant NDA/focal point of the country where the project will be implemented. Stakeholder consultations are particularly important to the environmental and social, gender and Indigenous peoples safeguards.

Further guidance on meaningful stakeholder engagement is provided in the GCF guidance note on designing and ensuring meaningful stakeholder engagement on GCF-financed projects. This process should be described in section D.5 of the funding proposal template, titled "Country ownership", including the consultation process and feedback received from civil society organizations and other relevant stakeholders. For more information on the stakeholder consultation process, see the GCF initial best practice options for country coordination and multi-stakeholder engagement.

**Focus on stakeholder consultations:** The GCF Independent Redress Mechanism addresses complaints from people who believe that they have been adversely affected by, or may be affected by, projects or programmes funded by GCF. The AE is required, as a condition of funding stipulated in the accreditation master agreement, to also establish a grievance redress mechanism to address complaints from people affected by the project or programme. Ensuring adequate consultation with people involved in, or potentially affected by, a project/ programme at the early stages of the design phase is critical to ensuring that any potential grievances are addressed early on and do not become more significant issues which are later reported to the IRM or the grievance mechanism of the AE.

A 2012 study by the Office of the Compliance Advisor Ombudsman for the International Finance Corporation and Multilateral Investment Guarantee Agency examined 262 complaints from 72 countries. The study found that the most common issues raised in complaints were: (i) project due diligence and supervision efforts; (ii) consultation and disclosure practices; and (iii) adverse socioeconomic impact on people and the environment.

102 GCF Programming Manual, 2020, Part II, Annex 7, pp. 159 - 163

An example of a stakeholder consultation plan is provided below:

Figure G.1.4: Example of Stakeholder Consultation

STAKEHOLDER GROUP	INTERESTS AND INFLUENCE RELEVANT TO THE PROJECT	PROPOSED ROLE IN THE PROJECT	ENGAGEMENT STRATEGY
Smallholder communities	Smallholders have been identified as extremely vulnerable to climate change impacts. They receive limited training and support to develop climate-resilient livelihoods. As a result of climate change impacts and unsustainable management practices, the productivity of forests and agricultural lands is decreasing. This group therefore has a great interest in accessing knowledge and technologies to foster resilient livelihoods in the context of climate change	Direct beneficiaries of the proposed project. They will also contribute to the design of climate-resilient agricultural interventions that are suited to their environmental and socio-economic conditions. Smallholders will also be part of community forest management committees and contribute to forest restoration activities and sustainable management of natural resources	Engagement ensured through: (i) surveys to identify relevant adaptation technologies; (ii) consultations to develop/ revise forest management plans, including forest permit sale systems; (iii) establishment and training of community forest management committees to enforce forest management plans; (iv) training and access to farming tools and seeds; (v) organized visits to demonstration fields; and (vi) awareness-raising campaigns on the benefits of restored forests and sustainable management practices

Source: GCF

Annex 7 should include a list of all stakeholder consultations undertaken as part of the project appraisal. Detailed information and evidence should be included on how the AE engaged with civil society organizations and other relevant stakeholders, including Indigenous peoples, women and other vulnerable groups, not only during project design and development, but also in decision-making during the implementation phase.

#### Key points:

The stakeholder consultation and engagement plan's aim is to identify all the people and organizations involved in or potentially affected by the project:

- Stakeholder's list containing key relevant stakeholders
- A stakeholder needs matrix should be prepared to determine the expectations of the interested parties.
- It should also specify a method for managing expectations.
- Stakeholder consultations could also be undertaken as part of the no-objection procedure to be issued by the relevant NDA/focal point of the country where the project will be implemented.

Stakeholder consultations are particularly important to the environmental and social, gender and Indigenous peoples safeguards

### Annex 9 - Legal due diligence (regulation, taxation and insurance)

This annex<sup>103</sup> is a mandatory annex and should provide summary information on the legal due diligence conducted by the AE using the template form of Annex 9 available on the GCF website. If the AE has prepared a due diligence report, the report may be attached as Annex 9 provided that it addresses the requirements set out below. It is essential that the proposed project/programme implementation arrangements and structure should be consistent with the GCF business model, as described in the AMA.

The AE is responsible for conducting all necessary first-level due diligence in relation to the funding proposal. Legal due diligence is one of the due diligence tasks that the AE must conduct. The AMA entered into with the AE sets out the obligations of the AE in relation to due diligence and compliance with applicable laws and regulations (please refer to Clause 4.05(b) of the AMA template). Depending on the proposed project/programme, the scope of legal due diligence will vary. Legal due diligence should cover at a minimum, among other elements, the following areas:

- An overview of the main laws and regulations, including any international treaties and conventions that will apply in the implementation of the project/programme, and how the AE or other third parties involved in such

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implementation (e.g. executing entities (EEs)) will comply with them – please refer to the section on “Legal details of the project/programme structure and financing structure” below for further details;

- An overview of any government, regulatory or corporate approvals, licenses or permits, including land rights, required for implementing and operating the project/programme, the relevant issuing authority and the date of issuance or expected date of issuance;
- Tax implications, including any applicable taxes on the expenditures to be financed with GCF resources and/or, depending on the type of financial instrument, the financial reflows to be received by the AE or EE from the downstream recipients and ultimately transferred to GCF (or any exemptions therefrom);
- Foreign exchange regulations and currency conversion arrangements related to the project/programme, including all documentation required in order for a payment to be made by and/or to the GCF – please refer to the section on “Relevant tax and foreign exchange implications” below for further details;
- Any insurance requirements to be obtained by the AE, EE or other involved parties for the implementation of activities; and
- The treatment and ownership of any immoveable assets that are financed by the project. This must be consistent with the exit strategy outlined in the FP.

This and other information on the above matters should be described in both Annex 9 and in section B.4 (Implementation arrangements) of the Funding Proposal template, which requires the AE to explain the regulatory framework/requirements and implementation arrangements.

**Legal details of the project/programme structure and financing structure:** If applicable, the details of the legal structure (other than the contractual arrangements) that will be used for the implementation of the project/programme should be analysed and presented in both Annex 9 and section B.4 (Implementation arrangements) of the Funding Proposal template. In particular, this section should outline whether any new entities are to be established and the incorporation, regulatory and licensing requirements. For example, for projects/programmes involving the creation of an investment fund or other investment vehicle, the AE should describe the legal nature and implications of the proposed legal structure, as well as the reason for choosing the investment structure, including the background of the chosen jurisdiction of incorporation of the structure, if applicable. Similarly, for project finance, the legal structure of the project vehicle (e.g. the special purpose vehicle) to be established to carry out the project.

**Relevant tax and foreign exchange implications:** Provide details of any applicable taxes (or exemptions therefrom) to services and goods to be purchased with GCF funds, and any tax implications for GCF (e.g. in respect of the transfer of financial reflows from the EE to AE, and from the AE to GCF, as applicable) and the legal measures to be taken to mitigate any foreign exchange risks. In this regard, GCF expects reflows to be transferred by the AE to the GCF are free and clear of any deductions or withholding taxes. Also describe any foreign exchange regulations applicable or licenses/approvals needed by the AE or EE in the relevant jurisdiction to receive, manage and/or transfer GCF resources in the same GCF Holding Currency selected for the project/programme. To the extent that any specific documentation is required in order for a payment to be made from or to the GCF (e.g. any certificates of residency, licenses or other approvals or exemptions), this must be listed in Annex 9. Once the project/programme is approved by the GCF Board, GCF cannot disburse additional funds, other than the approved funding amount, to the AE. Therefore, in case there are any applicable taxes, such amount must be budgeted in the project/ programme and indicated as applicable taxes in the relevant documents (including the budget to be submitted to the GCF).

#### **Key points:**

Annex 9 is a mandatory annex . When compiling it, provide summary information on the legal due diligence conducted by the AE, covering:

- An overview of the main laws and regulations, including any international treaties and conventions that will apply in the implementation of the project/programme
- An overview of any government, regulatory or corporate approvals, licenses or permits, including land rights, required
- Tax implications
- Foreign exchange regulations and currency conversion arrangements
- Any insurance requirements to be obtained by the AE, EE or other involved parties for the implementation of activities
- The treatment and ownership of any immoveable assets that are financed by the project. This must be consistent with the exit strategy outlined in the FP.

## Annex 10 - Procurement plan

The procurement plan<sup>104</sup> should provide details on how the procurement requirements for the project/programme will be managed, including the norms and guidelines to be followed during project implementation. Distinguish between procurement categories and the method applicable. This annex should be submitted following the template provided:

Figure G.1.5: Procurement Plan template

### II. Goods, Works and non-consulting services.

#### 1. Prior Review Threshold: Procurement Decisions subject to Prior Review by the AE

	Procurement Method	Threshold for use of method	Prior Review Threshold	Comment
1.				
2.				
3.				
4.				
5.				

#### 2. Prequalification (for complex Civil Works)

#### 3. Procurement Packages (for Goods, Works and Non-consultancy services) with Methods and Time Schedule

1	2	3	4	5	6	7	8	9	10	11	12	13
Ref. No.	Contract (Description)	Source of Funds	Planned VS Actual	Estimated Cost in US\$	Procurement Method	Pre qualification (yes/no)	Domestic Preference (yes/no)	Review by AE (Prior/ Post)	Date of issuance of doc's	Bid-Opening Date	Date of contract/ order signature	Comments
1			Planned									
			Actual									
2			Planned									
			Actual									
3			Planned									
			Actual									
Total For Goods												

### III. Selection of Consultants

#### 1. Prior Review Threshold: Selection decisions subject to Prior Review by AE:

	Selection Method	Prior Review Threshold	Comment
1.			
2.			
3.			

**2. Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely of national consultants in accordance with the Fund's interest in encouraging the development and use of National Consultants from partner countries of operation.

**3. Any Other Special Selection Arrangements:** [including advance procurement and retroactive financing, if applicable]

#### 4. Consultancy Assignments with Selection Methods and Time Schedule

1	2	3	3	4	5	6	7	8	9	10	11	
Ref No.	Description of Assignment	Source of Funds	Estimated Cost	Selection Method	Review by AE (Prior/ Post)	Issuance of Expression of Interest	Finalize shortlist and issue RFP	Proposals Submission Date	Complete Technical Evaluation	Complete Financial Evaluation	Negotiate and Award	Comment
1												
2												
3												

<sup>104</sup> GCF Programming Manual, 2020, Part II, Annex 10, p. 165

**Competitive Methods are the following:**

- Quality Cost Based Selection method (QCBS)
- Quality Based Selection (QBS)
- Fixed Budget Selection (FBS)
- Least Cost Selection (LCS)
- Consultants Qualifications Selection (CQS)
- Individual Consulting (IC)

Source: GCF

**Key points:**

The procurement plan should provide details on:

- how the procurement requirements for the project/programme will be managed
- the norms and guidelines to be followed during project implementation
- Distinguish between procurement categories and the method applicable.

The annex should be submitted using the template provided.

**Annex 11 - Monitoring and evaluation plan**

This annex<sup>105</sup> should provide the monitoring and evaluation arrangements for the proposed project/programme. The budget allocation indicated in the template shall form part of the total financing for the proposed project/programme. This annex should be submitted following the template provided on the GCF website:

**Figure G.1.6: Monitoring and Evaluation plans**

**Annex 11 Monitoring and evaluation plans**

Monitoring				
Data/Source	Collection Tool	Frequency	Indicator	Indicative Budget
	Choose an item.			
	Choose an item.			
	Choose an item.			
	Choose an item.			
	Choose an item.			
Evaluation				
Type	Timing	Independent/Self-evaluation	Indicative Budget	
	Choose an item.	Choose an item.		
	Choose an item.	Choose an item.		
	Choose an item.	Choose an item.		

Source: GCF

105 GCF Programming Manual, 2020, Part II, Annex 11, p. 165



## Key points:

Monitoring and evaluation requirements for the project or programme include:

- logframe and identification of indicators in the funding proposal
- annual performance reports from the project or programme
- interim and final evaluations at the project or programme level.

As part of the Funding Proposal (FP) package submitted, project proponents are required to submit monitoring and evaluation plans as Annex 11:

- The Accredited Entities (AEs) are primarily responsible for the Monitoring and Evaluation of their projects or programmes and will report accordingly to the GCF. The IRMF comprises a set of indicators that allow the GCF to monitor results at the project, programme and aggregate portfolio levels.
- At the project funding proposal stage, the project proponent should indicate the activities, outputs, outcomes and results to be achieved in relation to the results areas of the IRMF. The AE should provide indicators at activity and output levels and report on the indicators at outcome and impact levels.



## – ANNEX A –

# ANNEX A – GCF GLOSSARY

**Accreditation:** pursuant to paragraph 45 of the Governing Instrument for the GCF, access to GCF resources is through entities accredited by the Board. Accreditation means a process by which entities are assessed and approved by the Board to access GCF funding. Accreditation defines the way in which an entity can access GCF resources (e.g. the accreditation scope), identifying the maximum limits of GCF financial support for which the entity can apply in a single funding proposal, the financing modality (e.g. for managing projects, awarding grants, on-lending, blending, undertaking equity investments and providing guarantees) and the environmental and social risk levels.

**Accreditation master agreement (AMA):** a framework legal agreement entered into between GCF and the accredited entity (AE) that marks the final stage of the accreditation of the AE. The AMA establishes the general terms and conditions that govern the relationship between GCF and the AE during the entire term of the accreditation of the AE<sup>106</sup>. The AMA also sets out the main roles and responsibilities of an AE throughout the GCF project cycle and reflects the GCF's policies and requirements that apply to implementation of funded activities. GCF has a template AMA, as adopted by the Board in decision B.12/31, as updated to reflect all new GCF policies, or revisions thereto, applicable to funded activities. AMAs with individual AEs are negotiated based on the template AMA and may accommodate fit-for-purpose and entity specific deviations, as approved by GCF. The template AMA can be found on the GCF website<sup>107</sup>.

**Accreditation Panel (AP):** the AP was established by the Board in accordance with decision B.07/02, paragraph (g), as an independent technical panel to advise the Board on matters related to the accreditation of implementing entities and intermediaries to GCF. The AP is comprised of six expert members nominated by the Accreditation Committee for endorsement by the Board. The AP is in charge of conducting the Stage II (Step 1) review of applications in the accreditation process in accordance with its terms of reference contained in annex V to decision B.07/02 (annex V to document GCF/B.07/11), which consists of an assessment of how the entity meets the standards for accreditation and a recommendation on the accreditation scope for the consideration of the Board.

**Accreditation standards:** during the accreditation process, an applicant entity's systems, policies and procedures, track record and demonstrated capacity to undertake projects or programmes of different financing size categories, financing modalities and environmental and social risk categories are assessed against the GCF standards listed below (which may be updated periodically):

- Fiduciary standards:
  - Initial fiduciary principles and standards (see annex II to decision B.07/02);
  - Policy on the Protection of Whistleblowers and Witnesses (see annex I to decision B.BM-2018/21);
  - Anti-Money Laundering and Countering the Financing of Terrorism Policy (see annex XIV to decision B.18/10);
  - Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy (see annex IX to decision B.23/15);<sup>3</sup> and
  - Policy on Prohibited Practices (see annex XIV to decision B.22/19);
- Environmental and social safeguards (ESS) standards:
  - Environmental and Social Policy (see annex X to decision B.19/10);
  - Interim environmental and social safeguards standards (see annex III to decision B.07/02); and
  - Information Disclosure Policy requirements for environmental and social information disclosure (see paragraph 17 and section X of annex XXIX to decision B.12/35); and
  - Gender Policy (see annex XIII to decision B.24/12).

<sup>106</sup> In accordance with decision B.23/11, the term of accreditation of an AE starts from the date on which the AMA becomes effective and continues for a period of five years.

<sup>107</sup> See <https://www.greenclimate.fund/sites/default/files/document/gcf-b23-23.pdf>



**Accredited entity (AE):** AEs are institutions or organizations that are accredited by GCF through the accreditation process. Only AEs can submit a funding proposal to GCF. AEs develop and submit funding proposals for appraisal and approval by GCF and oversee and monitor the management and implementation of projects and programmes approved and financed by GCF. There are two types of accreditation modalities: direct access and international access. For further information, please refer to the definition of direct access entities and international accredited entities.

**Board:** the Board of GCF established pursuant to the provisions of the Governing Instrument for the GCF. The Board is the highest decision-making body of GCF.

**Climate change:** a change in the climate that is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and is in addition to natural climate variability observed over comparable time periods.

**Climate Investment Committee (CIC):** CIC is a committee of the Secretariat that oversees the GCF project pipeline. CIC oversees the development, management and financial planning of the pipeline of concept notes and funding proposals submitted by AEs and national designated authorities (NDAs), as applicable, in alignment with the GCF portfolio-level goals and Board decisions on financial planning, including matters related to readiness and preparatory support and the Project Preparation Facility.

**Co-financing:** the financial resources, whether public finance or private finance, required in addition to GCF proceeds to implement the funded activity for which a funding proposal has been submitted.

**Concept note:** a document submitted to the Secretariat by AEs or NDAs/focal points that provides basic information on an intended project or programme to seek feedback on whether the concept is aligned with the GCF investment criteria and policies.

**Country programme:** a document developed by the NDA/focal point that presents a country's climate change priorities to GCF, including a pipeline of projects that the country would like to develop with GCF for each replenishment period. It provides an action plan for projects and programmes to be developed, the accredited or prospective entity with which to partner, and the readiness and project preparation support that requires funding from GCF. The country programme represents step 1.1 of the proposal approval process.

**Direct access entity (DAE):** pursuant to paragraph 47 of the Governing Instrument for the GCF, DAEs are entities accredited under the direct access modality, including subnational, national or regional entities, that have obtained a nomination from NDAs/focal points. They may include ministries or government agencies, development banks, climate funds, commercial banks or other financial institutions, private foundations and non-governmental organizations.

**Entity work programme:** a document developed by AEs that provides an overview of the envisaged partnership of the AE with GCF, including strategies and plans to address climate change, the comparative advantages, areas of work and priority sectors of the AE, alignment with Country Programmes and country programming processes as well as GCF sectoral guidance on the eight GCF results areas, and its experience in implementing projects and programmes across the eight GCF results areas. It also summarizes the indicative projects and programmes of the AE and outlines an action plan for engagement with GCF for each replenishment period. The entity work programme represents step 1.2 of the proposal approval process.

**Environmental and Social Policy:** a GCF policy, adopted by the Board in decision B.19/10, which sets out the ESS requirements applicable in the preparation and implementation of all GCF funded projects. The policy articulates the commitments of GCF to sustainable development, elaborates how GCF integrates environmental and social issues into its processes and activities, and sets out the roles and responsibilities of AEs, executing entities and other parties involved in project implementation in respect of ESS.

**Environmental and social safeguards (ESS) standards:** a set of standards that specifies the desired outcomes and the specific requirements to achieve those outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts. Each AE is required to have a set of ESS standards that are equivalent to the GCF ESS standards within the scope of its accreditation and to apply those standards in GCF funded projects.

**Executing entity (EE):** an EE refers to any entity which channels or uses GCF proceeds for the purposes of a GCF funded activity, and/or which executes, carries out or implements a GCF funded activity or any part thereof. The reference to executing or implementing a GCF funded activity relates to the exercise of discretion and decision making with respect to such funded activity, or part thereof. An EE can be a developing country that is a Party to the United Nations Framework Convention on Climate Change and/or any entity that possesses a legal personality. An AE may also carry out the functions of an EE. The GCF requires the AEs to evaluate the capacity of and engage the relevant EE based on their ability to channel or use GCF proceeds and/or implement the GCF funded activity in accordance with GCF policies.

and requirements.

**Fiduciary principles and standards (FPS):** the GCF initial FPS are set out in annex II to decision B.07/02. Each AE is required to have a set of FPS that are equivalent to the GCF FPS and to apply the related principles and standards in the development and implementation of GCF financed projects.

**Fiduciary standards:** are an element of the AE's scope of accreditation that is determined based on the assessment by the GCF of the fiduciary, transparency, accountability, financial management, principles and policies, and track record of the AE, against the GCF fiduciary principles and standards. All AEs must satisfy the basic fiduciary requirements of GCF. Additionally, each AE is accredited to a specialized fiduciary standard based on the policies and procedures and track record of the AE. There are three specialized fiduciary standards that AEs may be accredited for, including a combination thereof:

- Specialized fiduciary standard for project management: where an AE manages, supervises and oversees the overall project or programme, either directly or indirectly through executing entities. The AE has identified EEs and beneficiaries at the time of the funding proposal.
- Specialized fiduciary criteria for grant award and/or funding allocation mechanisms: where AEs provide grants to beneficiaries through an award system or competitive-based mechanism. The mechanisms (including criteria for selection of beneficiaries, modalities for providing financing, decision-making processes for allocating grants, etc.) are identified in the funding proposal, however, the identification of EEs to undertake the actual selection of beneficiaries, and identification of beneficiaries, would take place after the funding proposal is approved by GCF.
- Specialized fiduciary criteria for on-lending and/or blending (for loans, blending, equity and/or guarantees): where AEs provide loans, equity and/or guarantees onto beneficiaries using GCF resources, or blending resources (particularly of different instruments). This also includes AEs that provide resources to an EE, such as a fund manager, that further on-lends, undertakes equity investments and/or provides guarantees to beneficiaries.

**Financial instruments:** pursuant to paragraph 54 of the Governing Instrument for the GCF, GCF may provide financing in the form of grants, concessional lending and other modalities. The Board, by decision B.08/12, concluded that GCF would work through AEs, who may deploy the resources in approved projects and programmes by using a diverse range of financial instruments, focusing on but not limited to grants, concessional loans, equity and guarantees.

**First-level due diligence:** the duty and obligation of the AE to carry out all due diligence as necessary or desirable in accordance with its own policies and procedures and the requirements of the AMA when investing funds (its own funds or funds for which it has management or investment responsibility) in relation to a funding proposal submitted to GCF. GCF, in conducting appraisals and making investment decisions, relies on the due diligence and risk assessments performed by the AE and presented in the relevant funding proposal, without prejudice to the right of GCF to request additional information, clarification and documents from the AE.

**Funded activity:** a project and/or programme to be financed by GCF based on an approved funding proposal, and which the AE is responsible for implementing in accordance with the AMA and funded activity agreement. In this Programming Manual, the terms “funded activity”, “project” and “programme” will be used interchangeably.

**Funded activity agreement (FAA):** a legally binding agreement entered into between GCF and an AE for an individual funded activity. Each approved project or programme must have an FAA. An FAA contains the specific terms and conditions for the financing and implementation of the funded activity, including an implementation plan, reporting requirements, disbursement plan and budget for the project. The FAA also incorporates by reference the provisions from the AMA. The FAA must be consistent in all material respects with the approved funding proposal and term sheet.

**Funding proposal:** the set of documents prepared by the AEs using GCF standard templates (i.e. funding proposal and its annexes) that is submitted to GCF to formally request funding for a project.

**GCF proceeds:** the funds disbursed by GCF via the Trustee to implement a funded activity, in accordance with the relevant FAA, which do not include any fees payable to the AEs.

**Gender Policy:** the GCF Updated Gender Policy, adopted by the Board in decision B.24/12, aims to ensure that GCF will contribute to gender equality through a gender-sensitive approach and will, in turn, achieve greater and more sustainable climate change results. Each AE is required to have a gender policy that is equivalent to the GCF Gender Policy and to apply its own gender policy in GCF funded activities.

**Governing Instrument for the GCF:** the constituting document of GCF approved by the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) at its seventeenth session on 11 December 2011 and annexed to its decision 3/CP.17. It establishes the objectives and guiding principles of GCF, as well as its

governance and institutional arrangements and operational guidelines.

**Indigenous Peoples Policy:** a GCF policy adopted by the Board in decision B.19/11, which aims to ensure that GCF activities are developed and implemented in a way that fosters full respect, promotion and safeguarding of Indigenous peoples so that they benefit from GCF activities and projects in a culturally appropriate manner; and do not suffer harm or adverse effects from the design and implementation of GCF financed activities. All GCF projects must comply with the applicable requirements of the Indigenous Peoples Policy.

**Information Disclosure Policy (IDP):** a GCF policy approved by the Board in decision B.12/35 which sets out the GCF policy regarding the information that it makes available to the public, either as a routine matter or upon request, and outlines requirements for the information that is made available to the public. The IDP applies to all information produced by or in possession of GCF. It sets out the requirements to be observed by AEs for the public disclosure of the relevant environmental and social reports in advance of the decision by the board of the AE or the GCF Board, whichever occurs first.

**Information programme management system (IPMS):** an online tracking system that tracks the status of funding proposals and concept notes submitted to the Secretariat, including the submission date, review status/stages and other relevant project information.

**Interdivisional project team (IPT):** a team comprised of members of divisions and offices from across the Secretariat assigned to a project to review different stages of the project/programme activity cycle.

**International access entities (IAEs):** IAEs are AEs that are accredited under the international access modality track and operate across multiple regions and countries. IAEs include bilateral development agencies, multilateral development banks, United Nations organizations, intergovernmental organizations, and private sector financial institutions.

**Investment criteria:** six criteria adopted by the Board in decision B.07/06 that all GCF funding proposals have to meet in order to receive GCF funding. The criteria include coverage areas, activity-specific subcriteria and indicative assessment factors further detailed by the Board.

**Investment Criteria Scorecard (ICS):** a GCF tool developed and used by the Secretariat for rating funding proposals against GCF investment criteria at the Secretariat review stage.

**Logical framework or log frame:** one of the sections of the FP and a tool that brings together all the elements of the project or programme that are related to the effective planning, implementation, measurement, monitoring and evaluation of the programme or project. The logical framework is critical to defining and understanding the cause and effect (causal logic) or relationship between each level of the logical framework and key project and/or programme milestones. The logical framework can also be considered as a results map that allows for the clear articulation of the expected changes or results to be achieved from the project or programme.

**National designated authority (NDA) or focal point:** an authority designated by a developing country Party to the United Nations Framework Convention on Climate Change pursuant to paragraph 46 of the Governing Instrument for the GCF that serves as the interface between each country and GCF. The NDA/focal point plays a key role throughout the project cycle in ensuring country ownership and a country-driven approach, which are core principles of the GCF business model.<sup>4</sup> NDAs and focal points are listed on the GCF website<sup>5</sup>.

**No-objection letter (NOL):** a letter signed and issued by the GCF NDA or a focal point official representative pursuant to the GCF no-objection procedure, adopted in Decision B.08/10, Annex XII. The communication of a “no-objection” implies that the government of the country has no objection to the funding proposal. A no-objection is a condition for inclusion of the relevant country in the approval of all funding proposals submitted to GCF. The template form for the NOL is available on the GCF’s website.

**Policy on Restructuring and Cancellation (PRC):** a policy adopted by the Board in decision B.22/14, which sets out the procedures to be followed by the AE, among others, to request changes to approved funded activities and the mechanism for decision-making by GCF in respect of such proposed changes.

**Project Preparation Facility (PPF):** the PPF supports AEs in project and programme preparation and development of funding proposals to be submitted to GCF. It is especially targeted to support DAEs and micro- to small-size category projects.

**Request for proposal (RFP):** a specific call for proposals published periodically on the GCF website for certain subsectors/results areas as approved by the Board. RFPs have specific eligibility standards, project requirements and an allocated budget envelope.

**Results areas:** GCF funds projects that fall under eight of its results areas divided into two categories: mitigation and adaptation (four results areas for mitigation and four for adaptation), as approved by the Board in decision B.07/04.



**Rules of Procedure:** pursuant to paragraph 17 of the Governing Instrument for the GCF, at its meeting in March 2013, the Board adopted the Additional Rules of Procedure of the Board to supplement the procedural rules contained in the Governing Instrument. This publication presents the Rules of Procedure as set out in the Governing Instrument and the Additional Rules of Procedure in a consolidated manner.

**Second-level due diligence:** a comprehensive assessment undertaken by the Secretariat, as per decision B.07/03, in respect of funding proposals, which seeks to identify any relevant risks, such as financial, environmental and social, compliance and legal risks, and to ensure consistency with the relevant GCF policies and procedures. As a result of this assessment, GCF may request specific clarification, information and/or additional documents from the AE. For these purposes, the Secretariat relies and bases its assessment on the first-level due diligence conducted by the AE.

**Term sheet:** A document setting out, in summary form, the key terms and conditions relating to a proposed funded activity to be presented to the Board. All funding proposals submitted to GCF for consideration must be accompanied by a term sheet agreed by GCF and the AE. An indicative example of a term sheet is attached as annex 1 to the template AMA.

**Trustee:** A Board-appointed trustee who is responsible for holding GCF funds in a trust account, pursuant to the Governing Instrument for the GCF. In decision B.21/07, the Board appointed the International Bank for Reconstruction and Development as the Permanent Trustee of GCF.





## – ANNEX B –

# GCF FUNDING PROPOSAL TEMPLATE

## Funding Proposal

Project/Programme title:	<i>Please indicate the project title. Ideally this should reference the country where the project/programme will be implemented and be less than 100 characters, approximately 10-15 words.</i>
Country(ies):	<i>List all the countries where the project/programme will be implemented.</i>
Accredited Entity:	<i>Indicate the Accredited Entity submitting this proposal.</i>
Date of first submission:	<i>[YYYY/MM/DD]</i>
Date of current submission:	<i>[YYYY/MM/DD]</i>
Version number	<i>[V.000]</i>

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### NOTE TO ACCREDITED ENTITIES ON THE USE OF THE FUNDING PROPOSAL TEMPLATE

Accredited Entities should provide summary information in the proposal with cross-reference to annexes such as feasibility studies, gender action plan, term sheet, etc.

Accredited Entities should ensure that annexes provided are consistent with the details provided in the funding proposal. Updates to the funding proposal and/or annexes must be reflected in all relevant documents.

The total number of pages for the funding proposal (excluding annexes) should not exceed 60. Proposals exceeding the prescribed length will not be assessed within the usual service standard time.

The recommended font is Arial, size 11.

Under the GCF Information Disclosure Policy, project and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Accredited Entities are asked to fill out information on disclosure in section G.4.

Please submit the completed proposal to:  
fundingproposal@gcfund.org

Please use the following name convention for the file name:  
“FP-[Accredited Entity Short Name]-[Country/Region]-[YYYY/MM/DD]”

A

PROJECT/PROGRAMME SUMMARY				
A.1. Project or programme		A.2. Public or private sector		
A.3. Request for Proposals (RFP)	<p>If the funding proposal is being submitted in response to a specific GCF Request for Proposals, indicate which RFP it is targeted for. Please note that there is a separate template for the Simplified Approval Process and REDD+.</p> <p><u>Choose an item.</u></p>			
A.4. Result area(s)	Check the applicable GCF result area(s) that the overall proposed project/programme targets below. For each checked result area(s), indicate the estimated percentage of GCF and Co-financers' contribution devoted to it. The total of the percentages when summed should be 100% for GCF and Co-financers' contribution respectively.			
				GCF contribution
	Mitigation total			%
	<input type="checkbox"/> Energy generation and access			%
	<input type="checkbox"/> Low-emission transport			%
	<input type="checkbox"/> Buildings, cities, industries and appliances			%
	<input type="checkbox"/> Forestry and land use			%
	Adaptation total			%
	<input type="checkbox"/> Most vulnerable people and communities			%
	<input type="checkbox"/> Health and well-being, and food and water security			%
	<input type="checkbox"/> Infrastructure and built environment			%
	<input type="checkbox"/> Ecosystems and ecosystem services			%
A.5. Expected mitigation outcome  (Core indicator 1: GHG emissions reduced, avoided or removed / sequestered)	Indicate greenhouse gas (GHG) emission reductions or removals in tCO <sub>2</sub> eq over total lifespan of the project/programme <sup>109</sup>	A.6. Expected adaptation outcome  (Core indicator 2: direct and indirect beneficiaries reached)	Indicate total number of direct and indirect beneficiaries	
			Indicate number of direct beneficiaries	Indicate number of indirect beneficiaries
			Indicate % of direct beneficiaries vis-à-vis total population	Indicate % of indirect beneficiaries vis-à-vis total population
A.7. Total financing (GCF + co-finance <sup>110</sup> )		A.9. Project size		
A.8. Total GCF funding requested	For multi-country proposals, please fill out annex 17.			

108 Co-financer's contribution means the financial resources required, whether Public Finance or Private Finance, in addition to the GCF contribution (i.e. GCF financial resources requested by the Accredited Entity) to implement the project or programme described in the funding proposal.

109 The total lifespan of the project/programme is defined as the maximum number of years over which the outcomes of the investment are expected to be effective. This is different from the project/programme implementation period.

110 Refer to the Policy of Co-financing of the GCF.



A

<b>A.10. Financial instrument(s) requested for the GCF funding</b>	<p>Mark all that apply and provide total amounts. The sum of all total amounts should be consistent with A.8.</p> <div> <input type="checkbox"/> Grant             <input type="checkbox"/> Loan             <input type="checkbox"/> Guarantee             <input type="checkbox"/> Equity             <input type="checkbox"/> Results-based payment           </div>		
<b>A.11. Implementation period</b>	Indicate the number of years and months the project/programme is expected to be implemented.	<b>A.12. Total lifespan</b>	Indicate the maximum number of years over which the outcomes of the investment are expected to be effective, i.e. to lead to adaptation and/or mitigation results.
<b>A.13. Expected date of AE internal approval</b>	This is the date that the Accredited Entity obtained/ will obtain its own approval to implement the project/programme, if available.	<b>A.14. ESS category</b>	Refer to the AE's safeguard policy and GCF ESS Standards to assess your FP category.
<b>A.15. Has this FP been submitted as a CN before?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<b>A.16. Has Readiness or PPF support been used to prepare this FP?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>A.17. Is this FP included in the entity work programme?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<b>A.18. Is this FP included in the country programme?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>A.19. Complementarity and coherence</b>	<p>Does the project/programme complement other climate finance funding (e.g. GEF, AF, CIF, etc.)? If yes, please elaborate in section B.1.</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>		
<b>A.20. Executing Entity information</b>	<p>If not the Accredited Entity, please indicate the full legal name of the Executing Entity(ies) and provide its country of registration and ownership type. Note that there can be more than one Executing Entity. Also indicate if an Executing Entity is the National Designated Authority. Refer to the definition of Executing Entity in the Accreditation Master Agreement.</p>		
<b>A.21. Executive summary (max. 750 words, approximately 1.5 pages)</b>			
<p>Provide an executive summary of the project/programme including:</p> <ul style="list-style-type: none"> <li>• Climate change problem</li> <li>• Proposed interventions</li> <li>• Climate results/benefits</li> </ul>			

## ■ PROJECT/PROGRAMME INFORMATION

### B.1. Climate context (max. 1000 words, approximately 2 pages)

**Climate change problem:** Describe the climate change problem the proposal is expected to address. Describe the mitigation needs (GHG emissions profile) and/or adaptation needs (climate hazards and associated risks based on impacts, exposure, and vulnerabilities) that the proposed interventions are expected to address. Also describe the most likely scenario (prevailing conditions or other alternative) that would remain or continue in the absence of the proposed interventions. Include baseline information. The methodologies used to derive such information, including the mitigation and adaptation needs, should be included in the feasibility study.

**Context:** In describing the mitigation and/or adaptation needs, briefly describe the target region/area of the proposed interventions including information on the demographics, economy, topography, etc.

**Related projects/interventions:** Also describe any recent or ongoing projects/interventions that are related to the proposal from other domestic or international sources of funding, such as the Global Environment Facility, Adaptation Fund, Climate Investment Funds, etc., and how they will be complemented by this project/programme (e.g. scaling up, replication, etc.). Please identify current gaps and barriers regarding recent or ongoing projects and elaborate further how this project/programme complements or addresses these.

### B.2 (a). Theory of change narrative and diagram (max. 1500 words, approximately 3 pages plus diagram)

Present the theory of change (ToC) that contains a goal statement and describes how the proposed project/programme will contribute towards the goal statement by using results chain links from activities, outputs, to outcomes. By referring to the sample ToC diagram template available in the guidance note, present a ToC diagram (approximately 1 page) which visually represents the same logic in the narrative description. The ToC diagram and narrative may include a wide range of co-benefits<sup>111</sup> as applicable in the context of the project/programme.

Note all co-benefits will need to be further elaborated in section D.3 (sustainable development potential) and correspondent co-benefit indicators should be provided under section E.5 (project/programme specific indicators).

The theory of change should also include any relevant barriers (social, gender, fiscal, regulatory, technological, financial, ecological, institutional, etc.) that need to be addressed as well as risks and assumptions. Note that the assumptions can be elaborated further in sections E.3 (GCF outcome level: reduced reduced emissions and increased resilience) and E.5 (project/programme specific indicators) for each relevant indicator, as appropriate.

<sup>111</sup> GCF categorizes co-benefits into six areas which are: environmental, social, economic, gender, adaptation (relevant for pure mitigation projects) and mitigation (relevant for pure adaptation projects). Further guidance is available in the funding proposal (FP) guidance note.

## B.2 (b). Outcome mapping to GCF results areas and co-benefit categorization

Fill in the GCF results area table below to map each project/programme outcome identified in section B.2(a) to the contributing GCF results area(s) by referring to the description of eight results areas provided in the guidance note.

Outcome number	GCF Mitigation Results Area (MRA 1-4)				GCF Adaptation Results Area (ARA 1-4)			
	MRA 1 Energy generation and access	MRA 2 Low-emission transport	MRA 3 Building, cities, industries, appliances	MRA 4 Forestry and land use	ARA 1 Most vulnerable people and communities	ARA 2 Health, well-being, food and water security	ARA 3 Infrastructure and built environment	ARA 4 Ecosystems and ecosystem services
Outcome 1		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outcome 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outcome 3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outcome 4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outcome ...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outcome ...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If any co-benefits have been identified in section B.2(a), fill in the Co-benefit table below to map each co-benefit to the corresponding category as defined in the FP guidance note.

Co-benefit number	Co-benefit					
	Environmental	Social	Economic	Gender	Adaptation	Mitigation
Co-benefit 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-benefit 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-benefit ....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-benefit ....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## B.3. Project/programme description (max. 2500 words, approximately 5 pages)

Define the project/programme. Describe the proposed set of components, outputs and activities that will be undertaken by the project/programme to attain the intended outcomes elaborated in Section B.2 (a). Please also elaborate how the project/programme activities will address the barriers described in Section B.2.

This section of the funding proposal should be consistent with sections C.2 (financing by component), E.5 (project/programme results level) and E.6 (project/programme activities and deliverables).

Referring to the feasibility study, describe why this set of interventions was selected instead of alternative solutions and how the project/programme can help unlock the needed support in a sustainable manner. Also identify trade-offs of the selected interventions, if applicable.

For Enhanced Direct Access (EDA) proposals and projects/programmes with financial intermediation (loans or on-granting), describe the selection criteria of the sub-project and types.

## B.4. Implementation arrangements (max. 1500 words, approximately 3 pages plus diagrams)

Provide a description of the project/programme implementation structure, outlining legal, contractual, institutional and financial arrangements from and between the GCF, the Accredited Entity (AE) and/or the Executing Entity(ies) (EE) or any third parties (if applicable) and beneficiaries.

- Provide information on governance arrangements (supervisory boards, consultative groups among others) set to oversee and guide project implementation. Provide a composition of the decision-making body and oversight function, particularly for Enhanced Direct Access (EDA) proposals.
- Provide information on the financial flows and implementation arrangements (legal and contractual) between the AE and the EE, between the EE or any third party and beneficiaries. For EEs that will administer GCF funds, indicate if a Capacity Assessment has been carried out. Where applicable, summarize the results of the assessment.
- Describe the experience and track record of the AE and EEs with respect to the activities (sector and country/region) that they are expected to undertake in the proposed project/programme.

Provide a diagram(s) or organogram(s) that maps such arrangements including the governance structure, legal arrangements, and the flow and reflow of funds between entities.

## B

### B.5. Justification for GCF funding request (max. 1000 words, approximately 2 pages)

Explain why the project/programme requires GCF funding to address mitigation or adaptation measures, i.e. Why is the project/programme not currently being financed by public and/or private sector? Which market failure is being addressed with GCF funding? Are there any other domestic or international sources of financing?

Explain why the proposed financial instruments were selected in light of the proposed activities and the overall financing package. i.e. What is the coherence between activities financed by grants and those financed by reimbursable funds? How were co-financing amounts and prices determined? How does the concessionality of the GCF financing compare to that of the co-financing? If applicable, provide a short market read on the prevailing of the pricing and/or financial markets for similar projects/programmes.

Justify why the level of concessionality of the GCF financial instrument(s) is the minimum required to make the investment viable. Additionally, how does the financial structure and the proposed pricing fit with the concept of minimum concessionality? Who benefits from concessionality?

In your answer, please consider the risk sharing structure between the public and private sectors, the barriers to investment and the indebtedness of the recipient. Please reference relevant annexes, such as the feasibility study, economic analysis or financial analysis when appropriate.

### B.6. Exit strategy (max. 500 words, approximately 1 page)

Explain how the project/programme will successfully exit once implementation is completed, including how results and benefits will continue beyond the project/programme period and how the contribution to paradigm shift will be maintained.

Include information pertaining to the longer-term ownership, project/programme exit strategy, operations and maintenance of investments (e.g. key infrastructure, assets, contractual arrangements). In case of private sector, please describe the GCF's financial exit strategy through Initial Public Offerings, trade sales, etc.

Provide information on additional actions to be undertaken by public and private sector or civil society as part of the project/programme to ensure sustainability of the results attained.

■ FINANCING INFORMATION						
C.1. Total financing						
(a) Requested GCF funding (i + ii + iii + iv + v + vi + vii)		Total amount			Currency	
GCF financial instrument	Amount	Tenor	Grace period	Pricing		
(i) Senior loans	Enter amount	years	years	%  % equity return		
(ii) Subordinated loans		years	years			
(iii) Equity		years				
(iv) Guarantees						
(v) Reimbursable grants						
(vi) Grants						
(vii) Results-based payments						
(b) Co-financing information		Total amount			Currency	
Name of institution	Financial instrument	Amount	Currency	Tenor & grace	Pricing	Seniority
				years	%	
				years	%	
				years	%	
				years	%	
Total financing (c) = (a)+(b)		Amount			Currency	
(d) Other financing arrangements and contributions (max. 250 words, approximately 0.5 page)		<p>Please explain if any of the financing parties including the AE would benefit from any type of guarantee (e.g. sovereign guarantee, MIGA guarantee).</p> <p>Please also explain other contributions such as in-kind contributions including tax exemptions and contributions of assets.</p> <p>Please also include parallel financing associated with this project or programme (refer to the co-financing policy).</p>				
C.2. Financing by component						
Please provide an estimate of the total cost per component and output as outlined in section B.3. above and disaggregate by source of financing. More than one co-financing institution can fund a single component or output. Provide the summarised cost estimates in the table below and the detailed budget plan as annex 4.						



C

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

This table should match the one presented in the term sheet and be consistent with information presented in other annexes including the detailed budget plan and implementation timetable.

In case of a multi-country/region programme, specify indicative requested GCF funding amount for each country in annex 17, if available.

<b>C.3 Capacity building and technology development/transfer (max. 250 words, approximately 0.5 page)</b>	
<b>C.3.1 Does GCF funding finance capacity building activities?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>C.3.2. Does GCF funding finance technology development/transfer?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>

If the project/programme is expected to support capacity building and technology development/transfer, please provide a brief description of these activities and quantify the total requested GCF funding amount for these activities, to the extent possible.

## ■ EXPECTED PERFORMANCE AGAINST INVESTMENT CRITERIA

This section refers to the performance of the project/programme against the investment criteria as set out in the GCF's Initial Investment Framework.

### D.1. Impact potential (max. 500 words, approximately 1 page)

Describe the potential of the project/programme to contribute to the achievement of the Fund's objectives and result areas. As applicable, describe the envisaged project/programme benefits for mitigation and/or adaptation. Provide the intended outcomes for mitigation by elaborating on how the project/programme contributes to low-emission sustainable development pathways. Provide the intended outcomes for adaptation by elaborating on how the project/programme contributes to increased climate-resilient sustainable development. Calculations should be provided as an annex. This should be consistent with section E.3 reporting GCF's core indicators.

### D.2. Paradigm shift potential (max. 500 words, approximately 1 page)

Paradigm shift potential is defined as 'degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment'. In this section, elaborate on the contribution to paradigm shift and how the proposed project/programme aims to contribute towards it based on the theory of change described in section B2(a). Also describe how and to what extent the project/programme will be able to promote or contribute to paradigm shift through the below.

- Potential for scaling up and replication
- Potential for knowledge sharing and learning
- Contribution to the creation of an enabling environment
- Contribution to the regulatory framework and policies
- Overall contribution to climate-resilient development pathways consistent with relevant national climate change adaptation strategies and plans

### D.3. Sustainable development (max. 500 words, approximately 1 page)

Describe the wider benefits and priorities of the project/programme in relation to the Sustainable Development Goals and provide the potential in terms of:

- Environmental co-benefits
- Social co-benefits including health co-benefit
- Economic co-benefits
- Gender-sensitive development benefit

### D.4. Needs of recipient (max. 500 words, approximately 1 page)

Describe the scale and intensity of vulnerability of the country and beneficiary groups and elaborate how the project/programme addresses the issue (e.g. the level of exposure to climate risks for beneficiary country and groups, overall income level, etc.). Describe how the project/programme addresses the following needs:

- Vulnerability of the country and/or specific vulnerable groups, including gender aspects (for adaptation only)
- Economic and social development level of the country and the affected population
- Absence of alternative sources of financing (e.g. fiscal or balance of payments gap that prevents government from addressing the needs of the country; and lack of depth and history in the local capital market)
- Need for strengthening institutions and implementation capacity

# D

## D.5. Country ownership (max. 500 words, approximately 1 page)

Please describe how the beneficiary country takes ownership of and implements the funded project/programme. Describe the following:

- Existing national climate strategy
- Existing GCF country programme
- Relevance to and alignment with existing policies such as Nationally Determined Contributions (NDCs), Nationally Appropriate Mitigation Actions (NAMAs), and National Adaptation Plans (NAPs)
- NDCs, NAMAs, and NAPs
- Capacity of Accredited Entities or Executing Entities to deliver
- Role of National Designated Authority
- Engagement with civil society organizations and other relevant stakeholders, including indigenous peoples, women and other vulnerable groups

## D.6. Efficiency and effectiveness (max. 500 words, approximately 1 page)

Describe how the financial structure is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers, and providing the minimum concessionality to ensure the project is viable without crowding out private and other public investments. Refer to section B.5 on the justification of GCF funding requested as necessary.

Please describe the efficiency and effectiveness of the proposed project/programme, taking into account the total financing and mitigation/ adaptation outcome the project/programme aims to achieve, and explain how this compares to an appropriate benchmark.

Please specify the expected economic rate of return based on a comparison of the scenarios with and without the project/ programme.

Please specify the expected financial rate of return with and without the Fund's support to illustrate the need for GCF funding to illustrate overall cost effectiveness.

Please explain how best available technologies and practices have been considered and applied. If applicable, specify the innovations/modifications/adjustments that are made based on industry best practices.

## ■ LOGICAL FRAMEWORK

*This section refers to the project/programme's logical framework in accordance with the GCF's Integrated Results Management Framework to which the project/programme contributes as a whole, including in respect of any co-financing.*

### E.1. Project/Programme Focus

Please indicate whether this proposal is for a mitigation or adaptation project/programme. For cross-cutting proposals, select both.

- ☐ Reduced emissions (mitigation)
- ☐ Increased resilience (adaptation)

### E.2. GCF Impact level: Paradigm shift potential (max 600 words, approximately 1-2 pages)

This section of the logical framework is meant to help a project/programme monitor and assess how it contributes to the paradigm shift described in section D.2 above by applying three assessment dimensions - scale, replicability, and sustainability. Accordingly, for each assessment dimension (see the definition per assessment in the accompanying guidance note), describe the current state (baseline) and the potential scenario (target) and rate the current state (baseline) by using the three-point-scale rating (low, medium, and high) provided in the guidance note. Also describe how the project/programme will contribute to that shift/ transformation under respective assessment dimensions (scale, replicability and sustainability). In doing so, please refer to section B.2(a) (theory of change).

Assessment Dimension	Current state (baseline)		Potential target scenario (Description)	How the project/programme will contribute (Description)
	Description	Rating		
Scale		Choose an item.		Describe key applicable outputs and or resulting outcomes relevant to increasing (scaling up) quantifiable results within and beyond the scope of the intervention.
Replicability		Choose an item.		Describe key applicable outputs and resulting outcomes that will be replicated to other sectors, markets, geographical regions, or countries.
Sustainability		Choose an item		Describe key applicable outputs and resulting outcomes that will be sustained beyond the project/programme period.

### E.3. GCF Outcome level: Reduced emissions and increased resilience (IRMF core indicators 1-4, quantitative indicators)

Select appropriate IRMF core and supplementary indicators to monitor project/programme progress. More than one IRMF (core and or supplementary) indicators may be selected as applicable for each GCF results area and project/programme outcome (as defined in the table in section B.2(b)). If IRMF indicators are unable to measure any given project/programme outcomes, project/programme-specific indicators should be developed under section E.5 (project/programme specific indicators).

## E

GCF Result Area	IRMF Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final <sup>112</sup>	
<u>Choose an item.</u>	<u>Choose appropriate indicators and supplementary indicators</u>	Sources of information and methods used to collect and report data /information to measure progress against targets	The starting point or current value of the indicators before the implementation of the project	The estimated value of the indicator at the mid-point of the implementation	The estimated value of the indicator at the completion of the implementation	Externalities and factors outside project management's control that may impact the outcomes  Data sources and methodologies applied for estimating baseline and targets
<u>Choose an item.</u>	<u>Choose appropriate indicators and supplementary indicators</u>					
<u>Choose an item.</u>	<u>Choose appropriate indicators and supplementary indicators</u>					

**E.4. GCF Outcome level: Enabling environment (IRMF core indicators 5-8 as applicable)**

Select at least two relevant IRMF core (enabling environment) indicators to monitor and elaborate the baseline context and project/programme's targeted outcome against the respective indicators. Rate the current state (baseline) vis-à-vis the target scenario and select the geographical scope of the outcome to be assessed. Describe how the project/programme will contribute towards the target scenario. Refer to a case example in the accompanying guidance to complete this section.

Core Indicator	Baseline context (description)	Rating for current state (baseline)	Target scenario (description)	How the project will contribute	Coverage

**E.5. Project/programme specific indicators (project outcomes and outputs)**

This section should list out project/programme-specific performance indicators (outcomes and outputs) that are not covered in sections above (E.1-E.4). List down tailored indicators to monitor /track progress against relevant project/programme results (outcomes/outputs). AEs have the freedom to decide against which outcomes they would like to set project/programme specific indicators. If any co-benefits are identified in sections B.2(a)(b), and D.3, AEs are encouraged to add and monitor co-benefit indicators under the "Project/programme co-benefit indicators" section in table below. Add rows as needed.

Please number each outcome and output as shown below to indicate association of outputs to the contributing outcome. The numbering for outputs under this section should correspond to the output numbering in annex 4 (detailed budget plan).

<sup>112</sup> The final target means the target at the end of project/programme implementation period. However, for core indicator 1 (GHG emission reduction), please also provide the target value at the end of the total lifespan period which is defined as the maximum number of years over which the impacts of the investment are expected to be effective.



# E

Project/ programme results (outcomes/ outputs)	Project/ programme specific Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final	
Outcome 1		Sources of information and methods used to collect and report data/information to measure progress against targets	The starting point or current value of the indicators before the implementation of the project	The estimated value of the indicator at the mid-point of the implementation	The estimated value of the indicator at the completion of the implementation	Externalities and factors outside project management's control that may impact on the Component  Data sources and methodologies applied for estimating baseline and targets
Output 1.1						
Output 1.2						
Outcome 2						
Output 2.1						
Output 2.2						
<b>Project/programme co-benefit indicators</b>						
Co-benefit 1						
Co-benefit 2						
Co-benefit 3						
<b>E.6. Project/programme activities and deliverables</b>						
All project activities should be listed here with a description and sub-activities. Significant deliverables should be reflected in annex 5 implementation timetable. Add rows as needed.						
Please number the activities as shown below to indicate association of activities to the related outputs provided above in section E.5. Similarly, please number sub-activities as shown below to associate to the related activity.						
Activities	Description		Sub-activities		Deliverables	
Activity 1.1.1			Sub-activity 1.1.1.1 Sub-activity 1.1.1.2 Sub-activity 1.1.1.3			
Activity 1.1.2						
Activity 1.2.1						
Activity 1.2.2						
Activity 2.1.1						
Activity 2.1.2						



# E

## E.7. Monitoring, reporting and evaluation arrangements (max. 500 words, approximately 1 page)

Besides the arrangements (e.g. annual performance reports) laid out in Accreditation Master Agreement (AMA), please give a summary of the project/programme specific arrangements for monitoring, reporting and evaluation including a description of the monitoring and reporting system that will be used to assess the climate results of the proposed activity. Please also summarize the types of interim and final evaluations. Describe Accredited Entity (AE) project reporting relationships, including to the National Designated Authority (NDA)/Focal Point and between AE and Executing Entity (EE) as relevant, identifying reporting obligations from the EE to the AE. This should relate to the frequency of reporting on project indicators, implementation challenges and financial status. Please note that interim and final evaluations are expected to embed an assessment of project/programme's contributions to a paradigm shift and enabling environment using a three-point scale rating. Refer to the guidance note for the summary requirements and factor in additional evaluation /assessment activities under this section accordingly.





## ■ RISK ASSESSMENT AND MANAGEMENT

### F.1. Risk factors and mitigations measures (max. 3 pages)

Please describe financial, technical, operational, macroeconomic/political, money laundering/terrorist financing (ML/TF), sanctions, prohibited practices, and other risks that might prevent the project/programme objectives from being achieved. Also describe the proposed risk mitigation measures. Insert additional rows if necessary.

For probability: High has significant probability, Medium has moderate probability, Low has negligible probability

For impact: High has significant impact, Medium has moderate impact, Low has negligible impact

Prohibited practices include abuse, conflict of interest, corruption, retaliation against whistleblowers or witnesses, as well as fraudulent, coercive, collusive, and obstructive practices

#### Selected Risk Factor 1

Category	Probability	Impact
Description		
Please describe the risk to the best of your knowledge at this point in time.		
Mitigation Measure(s)		
Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?		

#### Selected Risk Factor 2

Category	Probability	Impact
Description		
Please describe the risk to the best of your knowledge at this point in time.		
Mitigation Measure(s)		
Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?		

#### Selected Risk Factor 3

Category	Probability	Impact
Description		
Please describe the risk to the best of your knowledge at this point in time.		
Mitigation Measure(s)		
Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?		

## ■ GCF POLICIES AND STANDARDS

### G.1. Environmental and social risk assessment (max. 750 words, approximately 1.5 pages)

Provide the environmental and social risk category assigned to the proposal as a result of screening and the rationale for assigning such category. Present also the environmental and social assessment and management instruments developed for the proposal (for example, Environment and Social Impact Assessment (ESIA), Environment and Social Management Framework (ESMF), Environmental and Social Management Plan (ESMP), Environmental and Social Management System (ESMS), environmental and social audits, etc.). Provide a summary of the main outcomes of these instruments. Present the key environmental and social risks and impacts and the measures on how the project/programme will avoid, minimize and mitigate negative impacts at each stage (e.g. preparation, implementation and operation), in accordance with GCF's Environmental and Social Safeguard (ESS) standards. If the proposed project or programme involves investments through financial intermediations, describe the due diligence and management plans by the Executing Entities (EEs) and the oversight and supervision arrangements. Describe the capacity of the EEs to implement the ESMP and ESMF and arrangements for compliance monitoring, supervision and reporting. Include a description of the project/programme-level grievance redress mechanism, a summary of the extent of multi-stakeholder consultations undertaken for the project/programme, the plan of the Accredited Entity (AE) and EEs to continue to engage the stakeholders throughout project implementation, and the manner and timing of disclosure of the applicable safeguards reports following the requirements of the GCF Information Disclosure Policy and Environmental and Social Policy.

Describe any potential impacts on indigenous peoples and the measures to address these impacts including the development of an Indigenous Peoples Plan and the process for meaningful consultation leading to free, prior and informed consent, pursuant to the GCF Indigenous Peoples Policy.

Attach the appropriate assessment and management instruments or other applicable studies, depending on the environmental and social risk category as annex 6.

### G.2. Gender assessment and action plan (max. 500 words, approximately 1 page)

Provide a summary of the gender assessment and project/programme-level gender action plan that is aligned with the objectives of GCF's Gender Policy. Confirm a gender assessment and action plan exists describing the process used to develop both documents. Provide information on the key findings (who is vulnerable and why) and key recommendations (how to address the vulnerability identified) of the gender assessment. Indicate if stakeholder consultations have taken place and describe the key inputs integrated into the action plan, including: how addressing the vulnerability will ensure equal participation and benefits from funds investment; key gender-related results to be expected from the project/programme with targets; implementation arrangements that the AE has put in place to ensure activities are implemented and expected outcomes will be achieved, monitored and evaluated.

Provide the full gender assessment and project-level gender action plan as annex 8.

### G.3. Financial management and procurement (max. 500 words, approximately 1 page)

Describe the project/programme's financial management including the financial monitoring systems, financial accounting, auditing, and disbursement structure and methods. Refer to section B.4 on implementation arrangements as necessary.

Articulate any procurement issues that may require attention, e.g. procurement implementation arrangements and the role of the AE under the respective proposal, articulation of procurement risk assessment undertaken and how that will be managed by the AE or the implementing agency. Provide a detailed procurement plan as annex 10.

#### G.4. Disclosure of funding proposal

Note: The Information Disclosure Policy (IDP) provides that the GCF will apply a presumption in favour of disclosure for all information and documents relating to the GCF and its funding activities. Under the IDP, project and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Information provided in confidence is one of the exceptions, but this exception should not be applied broadly to an entire document if the document contains specific, segregable portions that can be disclosed without prejudice or harm.

Indicate below whether or not the funding proposal includes confidential information.

- ☐ No confidential information: The accredited entity confirms that the funding proposal, including its annexes, may be disclosed in full by the GCF, as no information is being provided in confidence.
- ☐ With confidential information: The accredited entity declares that the funding proposal, including its annexes, may not be disclosed in full by the GCF, as certain information is being provided in confidence. Accordingly, the accredited entity is providing to the Secretariat the following two copies of the funding proposal, including all annexes:

full copy for internal use of the GCF in which the confidential portions are marked accordingly, together with an explanatory note regarding the said portions and the corresponding reason for confidentiality under the accredited entity's disclosure policy, and

redacted copy for disclosure on the GCF website.

The funding proposal can only be processed upon receipt of the two copies above, if containing confidential





ANNEXES		
H.1. Mandatory annexes		
<input type="checkbox"/>	ANNEX 1	NDA no-objection letter(s) (template provided)
<input type="checkbox"/>	ANNEX 2	Feasibility study - and a market study, if applicable
<input type="checkbox"/>	ANNEX 3	Economic and/or financial analyses in spreadsheet format
<input type="checkbox"/>	ANNEX 4	Detailed budget plan (template provided)
<input type="checkbox"/>	ANNEX 5	Implementation timetable including key project/programme milestones (template provided)
		E&S document corresponding to the E&S category (A, B or C; or I1, I2 or I3): (ESS disclosure form provided)
<input type="checkbox"/>	ANNEX 6	<input type="checkbox"/> Environmental and Social Impact Assessment (ESIA) or <input type="checkbox"/> Environmental and Social Management Plan (ESMP) or <input type="checkbox"/> Environmental and Social Management System (ESMS) <input type="checkbox"/> <b>OTHERS (PLEASE SPECIFY – E.G. RESETTLEMENT ACTION PLAN, RESETTLEMENT POLICY FRAMEWORK, INDIGENOUS PEOPLE'S PLAN, LAND ACQUISITION PLAN, ETC.)</b>
<input type="checkbox"/>	ANNEX 7	Summary of consultations and stakeholder engagement plan
<input type="checkbox"/>	ANNEX 8	Gender assessment and project/programme-level action plan (template provided)
<input type="checkbox"/>	ANNEX 9	<b>LEGAL DUE DILIGENCE (REGULATION, TAXATION AND INSURANCE)</b>
<input type="checkbox"/>	ANNEX 10	Procurement plan (template provided)
<input type="checkbox"/>	ANNEX 11	Monitoring and evaluation plan (template provided)
<input type="checkbox"/>	ANNEX 12	AE fee request (template provided)
<input type="checkbox"/>	ANNEX 13	Co-financing commitment letter, if applicable (template provided)
<input type="checkbox"/>	ANNEX 14	Term sheet including a detailed disbursement schedule and, if applicable, repayment schedule
H.2. Other annexes as applicable		
<input type="checkbox"/>	ANNEX 15	EVIDENCE OF INTERNAL APPROVAL (template provided)
<input type="checkbox"/>	Annex 16	Map(s) indicating the location of proposed interventions
<input type="checkbox"/>	Annex 17	Multi-country project/programme information (template provided)
<input type="checkbox"/>	Annex 18	Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project
<input type="checkbox"/>	Annex 19	Procedures for controlling procurement by third parties or executing entities undertaking projects financed by the entity
<input type="checkbox"/>	Annex 20	First level AML/CFT (KYC) assessment
<input type="checkbox"/>	Annex 21	Operations manual (Operations and maintenance)
<input type="checkbox"/>	Annex 22	Assessment of GHG emission reductions and their monitoring and reporting (for mitigation and cross cutting-projects) <sup>113</sup>
<input type="checkbox"/>	Annex X	Other references

\* Please note that a funding proposal will be considered complete only upon receipt of all the applicable supporting documents.

113 Annex 22 is mandatory for mitigation and cross-cutting projects.

