GREEN CLIMATE FUND PROPOSAL TOOLKIT 2020

Toolkit to develop a project proposal for the GCF

June 2020

ACCLIMATISE
building climate resilience

CDKN
Climate & Development Knowledge Network

Produced by Acclimatise and the Climate and Development Knowledge Network (CDKN)

Acclimatise is a specialist advisory and analytics company that provides world-class expertise in climate change adaptation and resilience. Founded in 2004, Acclimatise focuses on adaptation and actively shapes the discussion and architecture of climate finance around the world by utilising the skills and experience gained from advising regional agencies, national governments, and large global businesses to develop and implement adaptation strategies. With experience in more than 85 countries on over 400 projects with over 120 clients, Acclimatise has a demonstrated track record and commitment to supporting clients access, manage, and channel the necessary financial resources to successfully implement climate adaptation strategies, programmes, and projects. Acclimatise is also accredited as a private sector observer organisation to the GCF.

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By Virginie Fayolle and Maya Dhanjal | June 2020

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Acronyms

AE	Accredited Entity
CDKN	Climate and Development Knowledge Network
COP	Conference of Parties
EDA	Enhanced Direct Access
EE	Executing Entity
EO	Earth Observation
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESS	Environmental and Social Safeguards
FAA	Funded Activity Agreement
FPIC	Free, prior, and informed consent
GAP	Gender Action Plan
GCF	Green Climate Fund
GCF-1	Green Climate Fund's First Formal Replenishment
GHG	Greenhouse Gas
GIS	Geographic Information Systems
IE	Implementing Entity
IFC	International Finance Corporation
IIU	Independent Integrity Unit
ILO	International Labor Organisation
IPCC	Intergovernmental Panel on Climate Change
IPP	Indigenous Peoples' Plan
IPPF	Indigenous Peoples' Planning Framework
IRM	Independent Redress Mechanism
ITAP	Independent Technical Advisory Panel
KfW	Kreditanstalt für Wiederaufbau
LDCs	Least Developed Countries
M&E	Monitoring and Evaluation
MFS	Mobilising Funds at Scale
MSME	Micro, Small and Medium Enterprises programme
NAMA	Nationally Appropriate Mitigation Action
NAP	National Adaptation Plan

NC	National Communications
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NGO	Non-governmental Organisation
PMF	Performance Measurement Framework
PPF	Project Preparation Facility
PS	Performance Standards
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RMF	Results Management Framework
SAP	Simplified Approval Process
SIDS	Small Island Developing States
TNA	Technology Needs Assessment
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
UNFCCC	United Nations Framework Convention on Climate Change

Glossary of key terms

Accredited Entity (AE): an entity that is accredited by the Board in accordance with the Governing Instrument and relevant Board decisions.

Accreditation Master Agreement (AMA): legal agreement that sets out the terms and conditions for an entity's use of GCF resources, which formalises the AEs' accountability in carrying out GCF-approved projects appropriately.

Adaptation: adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.

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

Climate rationale: the justification that the linkages between climate and climate impacts, climate action and societal benefits are fully grounded in the best available climate data and science.

Co-financing: resources that are committed by the AE itself or by other non-GCF sources and which are essential for meeting the project objectives. It can include direct co-finance, indirect co-finance, leveraged finance (sum of indirect and direct finance), and parallel finance.

Concept note: a project or programme concept document that provides basic information about a project or programme to seek feedback on whether the concept is broadly aligned with objectives and policies of the Fund.

Direct co-finance: financial resources directly flowing from a third party into the project directly through the accredited entity (causal link).

Earth Observation (EO): the gathering of information about planet Earth's physical, chemical and biological systems via remote sensing technologies, usually involving satellites carrying imaging devices.

Effectiveness: the capability of producing a desired result. Effectiveness constantly measures if the produced/actual outputs meet the expected outputs.

Efficiency: a measurable concept, quantitatively determined by the ratio of useful output to total input, which can be expressed by the mathematical formula $r = P/C$, where P is the amount of useful output (product) produced per the amount C (cost) of resources consumed. Efficiency focuses on achieving the maximum output with minimum resources and may also be expressed as a percentage of the result that can ideally be achieved.

Environmental and Social Impact Assessment (ESIA): a comprehensive document of a project's potential environmental and social risks and impacts, which is developed based on key process elements generally consisting of i) initial screening of the project and scoping of the assessment process; ii) examination of alternatives; iii) stakeholder identification (focusing on those directly affected and other stakeholders) and gathering of environmental and social baseline data; iv) impact identification, prediction and analysis; v) generation of mitigation or management measures and actions; vi) significance of impacts and evaluation of residual impacts; vii) consultation with and disclosure to project affected people, including setting up a grievance mechanism; viii) documenting the assessment process in the form of an ESIA report.

Environmental and Social Management Plan (ESMP): a document prepared either as part of an ESIA, or as a separate document accompanying the ESIA, describing the process of management of the mitigation measures and actions identified in the ESIA study, including the associated responsibility, timeline, costs and monitoring of key environmental and social indicators described in the ESMP.

Environmental and Social Management System (ESMS): process that institutions have in place to make sure they adequately identify, assess, manage, mitigate, and monitor environmental and social risks and respond to problems that arise. All institutions seeking accreditation to the GCF must have an ESMS. The strength of the ESMS can vary depending on the accreditation category.

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

Evaluation: a systematic assessment of the worth or utility of an intervention at a specific point in time, for example whether a policy has been effective in achieving set objectives.

Executing Entity (EE): with respect to the GCF, an organisation that executes eligible activities supported by the GCF under the oversight of the AEs. An AE can also perform the EE's functions.

Exit strategy: a strategy which ensures that the ongoing activities, impact, and results of the project/programme are sustained after the Fund's intervention.

Expected co-financing: the ex-ante estimation expected to be necessary implementing a project.

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

Financial and economic analyses: these two types of analysis have similarities and differences. They both estimate the net benefits of a project investment based on the difference between the situation with the project and without the project. The basic difference between them is that the financial analysis compares benefits and costs to the company, while the economic analysis compares benefits and costs to the whole economy. The economic analysis is concerned with the positive and negative impacts of a project on the whole society; it also covers the costs and benefits of goods and services that are not sold in the market and therefore have no market price.

While financial analysis uses market prices to check the balance of investment and the sustainability of a project, economic analysis uses economic prices that are converted from the market price by excluding tax, profit, subsidy, etc. to measure the legitimacy of using national resources for certain projects. Financial and economic analyses also differ in their treatment of external effects (benefits and costs), such as favourable effects on health. Economic analysis attempts to value such externalities in order to reflect the true cost and value to the society. The inclusion of externalities raises difficult questions of their identification and measurement in terms of money.

Financial and economic analyses are complementary: for a project to be economically viable, it must be financially sustainable. If a project is not financially sustainable, there will be no adequate funds to properly operate, maintain and replace assets.

Financial intermediation: a productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market. The role of financial intermediaries is to channel funds from lenders to borrowers by intermediating between them.

Financial mechanism: the UNFCCC established the financial mechanism to facilitate the provision of climate finance by providing financial resources to developing country parties. The UNFCCC's financial mechanism serves the Kyoto Protocol and the Paris Agreement.

Funded Activity Agreement (FAA): document signed by the AE and the GCF after the Board has approved a project. It contains the project-specific terms.

Funding proposal: document containing information on a proposed climate change project or programme, which is submitted by an Accredited Entity to the GCF Secretariat to access GCF resources.

Gender: refers to how societies and specific cultures assign roles and ascribe characteristics to men and women on the basis of their sex. For example, many cultures share expectations that women are more nurturing than men, and that men should be soldiers during wars.

Gender Assessment (GA): method used to understand relationships between men and women, their access to resources, their activities, and the constraints they face relative to each other. In the case of climate change projects/programs, a well-done gender assessment helps to identify multiple causes of vulnerability, including gender inequality.

Gender Action Plan (GAP): provides indicative portfolio-level gender-related indicators to operationalise the updated Gender Policy of the GCF which recognises that women and men of all ages, particularly from excluded or minority groups, have an important role to play to combat climate change more broadly.

Gender equality: as enshrined in international and national constitutions and other human rights agreements, refers to equal rights, power, responsibilities and opportunities for women and men, as well as equal consideration of the interests, needs and priorities of women and men.

Gender equity: refers to the process of being fair to women and men. To ensure equity, measures often need to be taken to compensate for (or reduce) disparities in historical and social disadvantages that prevent women and men from otherwise operating on an equitable basis. Equity leads to equality.

Gender sensitivity: refers to understanding of the ways people think about gender and sociocultural factors underlying gender inequality. Gender sensitivity implies a consideration of the potential contributions of women and men to societal changes, as well as the methods and tools to promote gender equity and reduce gender disparities, and to measure the impact of activities on women and men.

Gender responsiveness: putting the operational policies, procedures, and guidelines in place to safeguard men and women's equal rights and participation in deciding on GCF projects and allowing them to benefit equally.

Green Climate Fund (GCF): at COP 16 in Cancun in 2010, governments established a Green Climate Fund as an operating entity of the financial mechanism of the Convention under Article 11. The GCF will support projects, programmes, policies, and other activities in developing country Parties. The Fund will be governed by the GCF Board.

Independent Technical Advisory Panel (ITAP): provides independent technical assessment of, and advice on, funding proposals for the GCF Board. The Panel conducts the technical assessments at the analysis and recommendations to the Board stage of the Fund's project and programme activity cycle. This is done in accordance with the Fund's initial proposal approval process, and in order to provide objective technical advice on funding proposals for the Board.

In-kind contributions: goods and/or services that would otherwise not be measured in monetary terms, such as tax exemptions.

Indicator: a measurable characteristic or variable which helps to describe an existing situation and to track changes or trends – e.g. progress – over time.

Indigenous Peoples Plan (IPP): outlines the actions to minimise and/or compensate for the adverse impacts and identify opportunities and actions to enhance the positive impacts of a project for Indigenous peoples in a culturally appropriate manner.

Indigenous Peoples Plan Framework (IPPF): description of the processes and plans so that specific activities meet the requirements of the Indigenous Peoples Policy and the GCF Environmental and Social Policy and ESS standards.

Indirect co-finance: financial resources indirectly flowing downstream into the project without going through the accredited entity but the GCF acts as catalyst (causal link).

Investment criteria: six investment criteria adopted by the Board, namely impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership, and efficiency and effectiveness. There are coverage areas, activity-specific sub criteria and indicative assessment factors that provide further elaboration. Please refer to the Board Decision on Further Development of the Initial Investment Framework which provides more detailed explanations of the Fund's investment criteria.

Least Developed Countries (LDCs): the world's poorest countries. The criteria currently used by the United Nations Economic and Social Council (ECOSOC) for designation as an LDC include low income, human resource weakness and economic vulnerability.

Level of concessionality: refers to a measure of the 'softness' of a credit reflecting the benefit to the borrower compared to a loan at market rate. Technically, it is calculated as the difference between the nominal value of a Tied Aid Credit (see definition in this glossary) and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

Leveraged finance: also referred to as mobilised finance or catalysed finance, all financial resources flowing from a third party into the project that can reasonably be assumed to have been the result of financing provided by GCF. Leveraged finance is the sum of direct and indirect co-finance.

Loan pricing: refers to determining the interest rate for granting loans to creditors.

Loan tenor: the amount of time left for the repayment of a loan or contract, or the initial term length of a loan. It can be expressed in years, months, or days.

Log frame: one of the most used methods to articulate and clarify how a set of activities will achieve the desired outcomes and objective of a project (or its 'theory of change'). The log frame represents a results map or results framework which is part of the Results Management Framework (RMF). The log frame also captures basic monitoring and evaluation (M&E) requirements. The project/programme's log frame is critical to determining the costs at the activity level required in the proposal template, the overall budget, and the timeline and key milestones.

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

Mobilised private finance: private finance mobilised as a result of the GCF proceeds.

Money laundering (ML): the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime

Monitoring: the systematic and continuous collection of information that enables stakeholders to check whether an intervention is on track or achieving a set objective.

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

Non-reimbursable grants: unlike reimbursable grants, non-reimbursable grants are standard transfers made in cash, goods, or services for which no repayment is required. This amounts to direct aid as opposed to repayable assistance.

Paradigm shift: a fundamental shift of all countries towards low-carbon and climate-resilient sustainable development, in accordance with the GCF agreed results areas and consistent with a country-driven approach.2 It should be noted that this is not an official definition from the GCF and that the terms 'paradigm shift' and 'transformational change' are often used interchangeably. The paradigm shift of a project corresponds to the degree to which the proposed activity can catalyse impact beyond a one-off project/ programme investment. This can be emphasised by providing further details on the seven related factors.

1. Innovation: The proposal should refer to the creation and/or adoption of new technical or business improvements

2. Potential for expanding the scale and impact of the proposed project (scalability): The proposal should refer to specific measures for scaling-up a project through explicitly identifying target sectors, providing evidence of the market demand for sectors targeted and estimating of the target market (defined by a certain scale such as investment size or activity size)

3. Potential for exporting key structural elements of the proposed project elsewhere within the same sector as well as to other sectors, regions, or countries (replicability): The proposal should refer to specific measures for replicating a project elsewhere within the same sector as well as to other sectors, regions, or countries.
4. Contribution to the creation or strengthening of knowledge, collective learning processes, or institutions: The proposal should highlight any measures that aim to improve/advance the general technical understanding in a relevant filed, strengthen cooperation between institutions responsible for implementing the project, and organise learning exchanges between institutions partnering in the project and beyond.
5. Sustainability of outcomes and results beyond completion of the intervention: The proposal should provide the arrangements that ensure the financial sustainability of key outcomes and activities in the long run. A strategy to phase out GCF funding is needed by identifying or securing additional public and/or private funding sources (including project cash flows).
6. Market development and transformation: Highlight the aspects of market development and transformation by which the project creates new skills in the job market and business activities at the local, national, or sectoral levels activities previously not existing in the market.
7. Potential for strengthened regulatory frameworks and policies: The proposal should refer to measures aimed to achieve a "systematic mainstreaming" of climate change into countries' regulatory frameworks and policies.

Parallel finance: financial resources flowing alongside GCF proceeds to a project but are not required for the implementation of the project and earmarked for other outcomes consistent with general mitigation and adaptation measures.

Performance Measurement Framework (PMF): a set of indicators established by the GCF to measure progress towards intended results based on the paradigm-shift objective, Fund- level impacts and project/programme outcomes as outlined in the GCF's mitigation and adaptation logic models.

Pre-feasibility study: a preliminary study undertaken to determine if it would be worthwhile to proceed to the feasibility study stage.

Prohibited practices: abuse, conflict of interest, corruption, retaliation against whistle-blowers or witnesses, as well as fraudulent, coercive, collusive, and obstructive practices

Project: a set of activities with a collective objective(s) and concrete outcomes and outputs that are narrowly defined in scope, space, and time; and that are measurable, monitorable and verifiable.

Project Preparation Facility (PPF): supports AEs in project and programme preparation. It is especially targeted to support direct access entities, and micro-to-small size category projects. The PPF can support project and programme preparation costs from all AEs, especially direct access entities and especially for projects in the micro-to-small size category. Funding available is up to US$1.5 million for each PPF request and can be provided through grants and repayable grants while equity may be considered for private sector projects through grants or equity. Funding proposals developed with the PPF should be submitted to the GCF Board within two years of the approval of a PPF request.

Project proponent: an individual, group or organisation that submits or proposes a project or programme for review and acceptance by the GCF. A project proponent is often regarded as one of the key roles that determine the concept and content of a project or programme and create a detailed project description in the relevant GCF template forms at the concept note and/or full funding proposal stages. It is also responsible for mobilising all relevant stakeholders, including the country's NDA/Focal Point, the beneficiaries, and other local stakeholders. It can be from the private or public sector. It can also be an existing AE of the GCF. If the project/ programme is successfully approved by the GCF, the project proponent will in many cases become the EE of that project/programme. An AE can also perform the EE's functions. 'Project proponent' is often used interchangeably with the terms 'project sponsor' and 'project initiator'.

Programme: a set of interlinked individual sub-projects or phases, unified by an overarching vision, common objectives, and contribution to strategic goals, which will deliver sustained climate results and impact in the GCF result areas efficiently, effectively and at scale.

Quantitative indicators: measures of quantity, including numbers, indexes, ratios, or percentages.

Qualitative indicators: these are subjective indicators and can be numerical. They can measure, for instance, quality, opinions, perceptions, systems development, or influence (e.g. level of satisfaction). They are mostly used to measure non-material and often complex multidimensional impacts.

Realised co-financing: the ex-post amount of co-financing that is actually provided to the project during implementation.

Rebound effect: the increase in emissions, following initial emissions reductions from a new project/ technology which increases the efficiency of resource use, due to behavioural or other systemic responses that increase such use, e.g. in energy efficiency emissions reductions are associated to lower consumption of electricity (thus lower cost) per electric output used (higher resource efficiency), and may result in behavioural changes leading to higher use of such output).

Reimbursable grants: assimilated to loans, reimbursable grants consist in contribution provided to a recipient institution for investment purposes, with the expectation of long-term reflows at conditions specified in the financing agreement. The provider assumes the risk of total or partial failure of the investment; it can also decide if and when to reclaim its investment.

Resettlement Action Plan (RAP): document drafted by the sponsor or other parties responsible for resettlement (such as government agencies), specifying the procedures it will follow and the actions it will take to properly resettle and compensate affected people and communities.

Resettlement Policy Framework (RPF): framework through which to appropriately identify, address and mitigate adverse socioeconomic impacts that may occur due to the implementation of subprojects that involve the involuntary acquisition of land and the subsequent resettlement of affected families.

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

Senior loans: a senior bank loan is a debt financing obligation that holds legal claim to the borrower's assets above all other debt obligations. The loan is considered senior to all other claims against the borrower, which means that in the event of a bankruptcy, the senior bank loan is the first to be repaid before all other interested parties receive repayment.

Subordinate loans: loans that, in cases of payment default or bankruptcy, have a lower repayment priority compared with other company or project loans. Leverage is achieved as subordinated debt strengthens a company/project's equity profile and encourages commercial lenders to provide senior debt financing. Concessional rates could also be used in cases where high capital costs and risk perception barriers are being addressed

Term sheet: all funding proposals submitted to the Board for consideration should be accompanied by a term sheet agreed to by the Parties – subject only to final internal approvals – setting out, in summary form, the key terms and conditions relating to the proposed funded activity (e.g. the elected GCF holding currency for disbursements or any specific deviation, derogation or modification that the AE is seeking to make to this agreement in the FAA).

Terrorist Financing (TF): the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.

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

Tied Aid Credits: official or officially supported loans, credits, or associated financing packages where procurement of the goods or services involved is limited to the donor country or to a group of countries, which does not include all developing countries.

United Nations Framework Convention on Climate Change (UNFCCC): international environmental treaty negotiated at the Earth Summit in Rio de Janeiro from 3 to 14 June 1992, then entered into force on 21 March 1994.

Vulnerability: degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change including climate variability and extremes.

Summary

Responding to climate change challenges requires collective action from all countries, governments, cities, communities, businesses, and private citizens.

The Green Climate Fund (GCF) is the world's largest fund dedicated to the fight against climate change and plays a key role in serving the goals under the Paris Agreement to keep average global temperatures below 2°C. Designated as an operating entity of the United Nations Framework Convention on Climate Change (UNFCCC) financial mechanism, the GCF channels climate finance from both public and private sources to address the pressing mitigation and adaptation needs of developing countries. It is the centrepiece of efforts to raise climate finance under the UNFCCC to help developing countries commit to climate action.

What does the GCF support?

The GCF aims to support developing countries in achieving a paradigm shift to low-emission and climate-resilient pathways. This is achieved by funding innovative and transformative mitigation (low-emission) and adaptation (climate-resilient) projects and programmes developed by the public and private sectors to contribute to the implementation of national climate change priorities in developing countries. Cross-cutting projects, those that deliver co-benefits in terms of both mitigation and adaptation, are also eligible for funding.

What makes a good GCF project?

A good GCF (adaptation, mitigation or cross-cutting) project or programme should demonstrate how it will contribute to achieving a paradigm shift to a country's low-emission and climate-resilient development pathway. To demonstrate this, project proponents should:

- Ensure their funding proposal is underpinned by a strong climate rationale providing the scientific foundation for evidence-based decision making. This is must be fully grounded in the best available climate data and science;
- Describe a long-term vision through its theory of change and how this can be achieved through the logical framework (or log frame) of realising short-, medium- and long-term changes, including by supporting systemic shifts through strategic investments in regulatory and policy actions that have the potential to change behaviour in markets and economies beyond one-off investments;
- Promote country ownership through alignment with national climate change priorities and comprehensive consultation and engagement with all relevant stakeholders, including the National Designated Authority (NDA) the target group (especially vulnerable communities, women, minority groups, etc.), government staff from different ministries or departments, other relevant organisations and sector experts;
- Generate multiple benefits beyond climate impacts, including non-climate environmental, social, economic benefits;
- Be gender-responsive by actively promoting gender equality, and the respect and value of both women's and men's contribution;
- Embed long-term sustainability in the project's design to ensure its impacts will be sustained after financial support from the GCF and other funding sources runs out; and
- Demonstrate value for money and, where possible, secure up-front co-financing to encourage crowding in, that is, stimulating long-term investments beyond the GCF resources and the up-front commitments.

What are the key GCF project design elements?

One of the key project design elements is the Results Management Framework (RMF), which defines the elements of a paradigm shift towards low-carbon, climate-resilient, country-driven development pathways within individual countries and across the Fund's activities. As detailed in Section 2 of this toolkit, the RMF includes two key elements: the logic model and the Performance Measurement Framework (PMF).

The logic model is further developed in the GCF proposal as a logical framework that demonstrates how inputs and activities are converted to changes in the form of results achieved at the project, country, strategic impact, and paradigm shift levels. The log frame also captures basic monitoring and evaluation (M&E) requirements, which are also key aspects of the RMF. The Accredited Entities (AEs) are primarily responsible for the M&E of their projects and will report accordingly to the GCF. The PMF comprises a set of indicators that allow the GCF to monitor results at the project and aggregate portfolio levels.

As part of its Environmental and Social (E&S) Policy, the GCF follows on an interim basis the International Finance Corporation (IFC)'s Performance Standards (PS) as its Environmental and Social Safeguards (ESS) standards. The IFC PS consist of one overarching standard (PS1) and seven standards covering specific E&S issues (PS2–8). Project proponents are required to meet the objectives of the standards relevant to their project, in order to manage, mitigate, or avoid the E&S risks associated with their activities.

The integration of gender considerations within a funding proposal is another key requirement. As per the GCF's Gender Policy, all funding proposals should include qualitative and quantitative gender indicators; be aligned with the national policies and priorities on gender; and provide equitable opportunities for women in stakeholder consultations and decision-making processes throughout the entire project cycle. In addition, it is mandatory that project proponents include in their funding proposal a project-level Gender Action Plan (GAP), which provides an overview of how gender equality will be promoted within the project. For further details, refer to Section 4.7 on how to mainstream gender considerations into a project. In line with the objective of promoting gender equality in terms of access and impact of climate funding, and projects with well-designed gender elements may be given additional weight.

Stakeholder engagement is another key component of the E&S Policy that applies to all activities financed by the GCF, and to AEs. The latter are required to establish meaningful consultation and engagement processes in line with the GCF Environmental and Social Management System (ESMS), ESS, Gender Policy and Indigenous Peoples Policy. Stakeholder engagement should be inclusive of vulnerable and marginalised individuals, groups or communities (including Indigenous communities, women, young and the elderly) who are affected or potentially affected by proposed GCF-funded activities.

As per the GCF policy on co-financing, there is no minimum amount and specific source of co-financing required for a project, but co-financing by the AE and other third parties is strongly encouraged to maximize impact of GCF funding, promote crowding in, demonstrate alignment of interests between the GCF and AEs, and country ownership by developing countries. They can take the form of grants, loans, guarantees and equities. In-kind contributions can be also provided on a case-by-case basis.

The GCF funding proposal template

Preparing a GCF funding proposal requires considerable research and consultation regarding its design and costing. As detailed in Section 3 of this toolkit, the funding proposal template (version 2.0) includes the following sections:

A. Project/programme summary
B. Project/programme information
C. Financing information
D. Expected performance against investment criteria
E. Logical framework
F. Risk assessment and management
G. GCF policies and standards
H. Annexes

What are the key steps to put together a GCF proposal?

Project proponents can follow ten key steps that will guide them through the preparation and submission of a fully-fledged funding proposal. These steps may be undertaken iteratively rather than strictly sequentially. A visual overview of the stepwise approach is provided in Figure 1. This toolkit presents each of these steps alongside guidance on the tools and methods needed to put a funding proposal together and fill in all sections of the GCF proposal template. For selected steps, this toolkit provides practical examples of how to demonstrate GCF requirements using Funding Proposal 122 developed by Kreditanstalt für Wiederaufbau (KfW) to support a 'Blue Action Fund (BAF) GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean' approved by the GCF Board in November 2019.

Figure 1: The stepwise approach to preparing a GCF funding proposal.

Source: adapted from GCF infographics.

How to submit a funding proposal to the GCF

Project proponents can submit funding proposals to the GCF – through an AE – spontaneously on an ongoing basis or by responding to a request for proposal published on the GCF website. Funding proposals submitted to the GCF should include a no-objection letter signed by the NDA. Through the no-objection procedure, the NDA is responsible for ensuring that funding proposals are aligned with national priorities.

The GCF project cycle includes seven main steps.

1. The AE or the NDA submits a concept note (voluntary);

2. The AE submits the project proposal to the GCF, in conjunction with a no-objection letter signed by the NDA and submitted within 30 days of the proposal itself;

3. The GCF reviews selected sections of the proposal to assess compliance with GCF policies and the Independent Technical Advisory Panel (ITAP) of the Fund undertakes a technical assessment and provides recommendations;

4. Based on the review and the technical assessment, the GCF Board decides whether to approve the funding or not;

5. If the proposal is approved, a Funded Activity Agreement (FAA) between the AE and the GCF is negotiated and signed;

6. The project enters the GCF portfolio, moving into the implementation phase. Funds are transferred to the AE according to agreed tranches; then

7. The project becomes effective, and the process of monitoring, evaluation and reporting commences and continues until the project or programme closes and exits the Fund's portfolio.

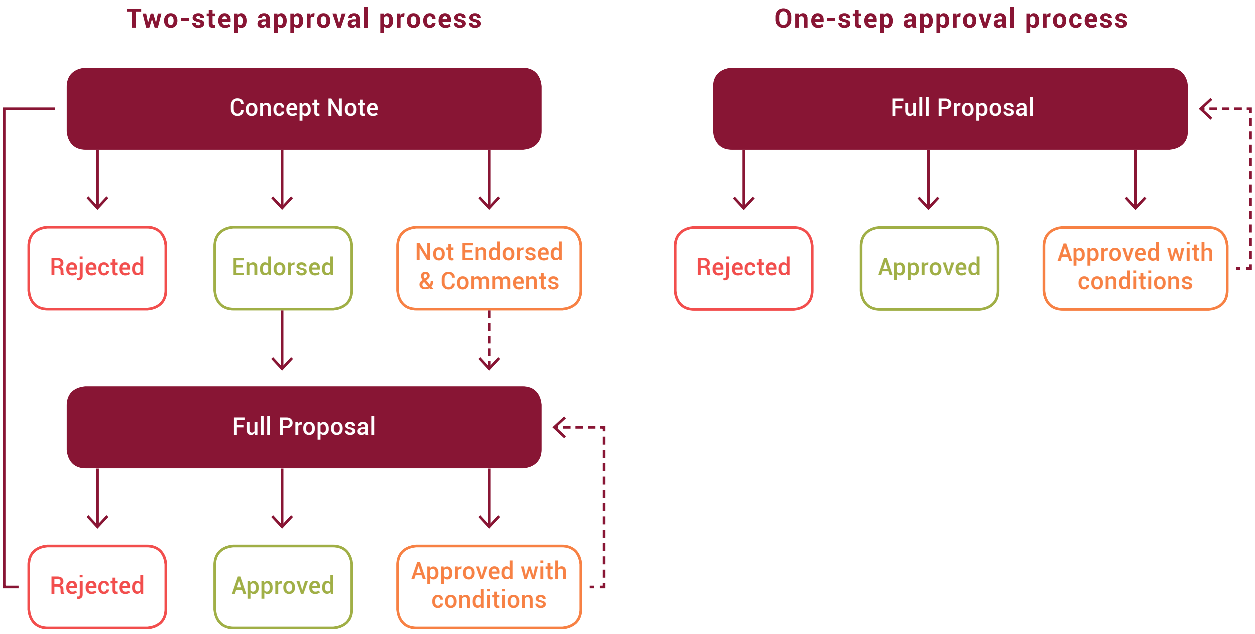
So, how can you get started?

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

While it is highly recommended, it is not mandatory to identify an AE at the concept note stage. The NDA can also submit a concept note without an associated AE and solicit feedback.

The approval process can be seen in Figure 2. Once the concept note has been submitted, further technical assistance support is available – through an AE – to turn a project concept note into a fully-fledged funding proposal. The Board will approve these requests for support under the Project Preparation Facility (PPF) based on an appropriate review and assessment against GCF's investment criteria and a justification of needs for project preparation funding with information on the underlying project. Further information can be found under Section 7.

Figure 2: Two-step and one-step approval processes.



Source: adapted from GCF infographics.

Introduction

The GCF, the world's largest dedicated climate fund, is designed to help developing countries achieve their ambition for low-carbon resilient development.

This toolkit aims to guide project proponents' understanding of the key considerations to fulfil the GCF's requirements when developing funding proposals, by acquainting themselves with the following:

1. **Essentials to know before developing a GCF project**
   What does the GCF support?
   How much and what type of finance is available?
   What are the roles of different actors?
   What about the private sector?

2. **Key project design elements**
   Results Management Framework
   Environmental and Social Policy and Safeguards
   Gender Policy
   Guidelines on stakeholder consultation and engagement
   Policy on co-financing
   Independent Redress Mechanism

3. **The GCF proposal template**

4. **How to put together a GCF funding proposal: a stepwise approach**
   Step 1: How to describe the climate rationale underpinning a project?
   Step 2: How to develop the theory of change of a project?
   Step 3: How to translate a project's theory of change into a logical framework?
   Step 4: How to align a project against the GCF investment criteria?
   Step 5: How to identify potential risks to a project and their mitigation measures?
   Step 6: How to align a project with GCF environmental and social safeguards?
   Step 7: How to integrate gender into a project?
   Step 8: How to put together a GCF funding request?
   Step 9: How to justify a GCF funding request?
   Step 10: How to demonstrate the financial viability of a project?

5. **The GCF approval process**

6. **How to get started?**

7. **Support available for the full proposal preparation**

Limitations of this guide

While this toolkit provides extensive guidance on the requirements for developing a GCF funding proposal, it should be noted that the GCF's programming is an iterative process and many decisions are pending Board approval and review. This toolkit was developed based on current GCF policies and procedures (as of November 2019 after the 24th board meeting). The GCF is expected to adopt new Environmental and Social Safeguards (ESS), and a Results Management Framework (RMF) including new logic models and a Performance Measurement Framework (PMF) for adaptation and mitigation. The GCF is also expected to develop guidance on how to report leveraged and parallel co-financing, measure and report mobilised private finance and treat tax exemptions or in-kind contributions.

In addition, it should be noted that this toolkit is focused on the requirements and corresponding funding proposal template v2.0. for mitigation and adaptation projects. As such, it does not cover the funding proposal template for REDD+ projects and projects submitted under the Simplified Approval Process (SAP). Similarly, this toolkit does not cover specificities from Enhanced Direct Access (EDA); Micro, Small and Medium Enterprises (MSME); and Mobilising Funding at Scale (MFS) pilot programmes.

1. Essentials to know before developing a GCF project

The GCF is a financial mechanism established within the UNFCCC and acts as the operating entity to support the goals of the 2015 Paris Agreement.

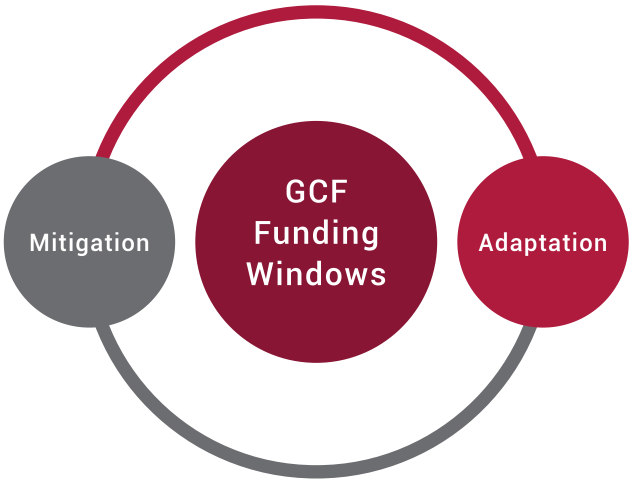
It was established through an agreement by 194 member countries at the 16th Conference of Parties (COP) in 2010 under the Cancun Agreement to help developing countries respond to climate change by investing in low-carbon resilient development.

The Fund is expected to make a significant contribution to delivering the global objective of providing USD 100 billion in climate finance per year from public and private sources by 2020. The Fund aims to deliver a 50:50 balance between mitigation and adaptation allocations in its portfolio and ensure that at least 50% of adaptation funding goes to particularly vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African States. Figure 3 illustrates the two funding windows through which countries can access GCF funds: adaptation and mitigation.

1.1 What does the GCF support?

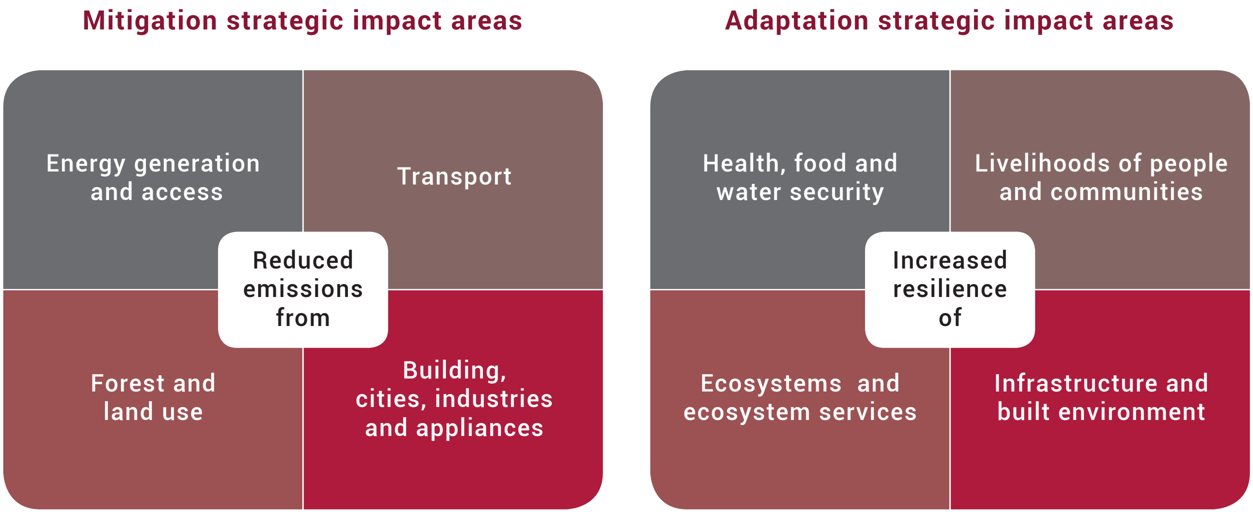
The GCF finances low-emission (mitigation) and climate-resilient (adaptation) projects developed by the public and private sectors to contribute to countries' climate change priorities. Projects that deliver co-benefits in terms of both mitigation and adaptation, also known as cross-cutting, are eligible for funding by the GCF. Throughout this guide, "project" refers to both projects and programmes, unless explicitly referring to a project example. It should be noted however that the GCF strongly encourages to move away from a small, project-by-project approach towards the use of a more programmatic approach to deliver sustained climate results and impact in the GCF result areas efficiently, effectively and at scale.

Figure 3: GCF funding windows.



Source: adapted from GCF infographics.

Figure 4: GCF Strategic impact areas.



Source: adapted from GCF infographics.

When developing a GCF project, a project proponent will have to demonstrate the climate change impact of its proposed project in terms of mitigation, adaptation or cross-cutting. The project proponent should identify which strategic impact areas their proposed project contributes towards (noting that for a project or programme, several can apply). Figure 4 presents the eight strategic impact areas for mitigation and adaptation.

1.2 How much and what type of finance is available?

From 2015 to 2018, the GCF's Initial Resource Mobilization saw USD 10.3 billion pledged to the Fund from 48 countries, regions and cities – making the GCF the largest multilateral dedicated climate fund. Following the Initial Resource Mobilization, the GCF opened their first formal replenishment (GCF-1) in 2019 prior to the 24th meeting of the Board, resulting in USD 9.8 billion pledged from 27 countries and open on a rolling basis over the period from 2020 to 2023. Of these 27 countries, 13 doubled or more than doubled their pledges from the Fund's Initial Resource Mobilization with the major contributors being (starting from the highest): United Kingdom, France, Germany, Japan and Sweden. Under GCF-1, South Korea and Indonesia were the only developing countries to pledge.

The GCF provides four financial instruments: grants, concessional loans, equity and guarantees (see Section 4.8 for further information).

1.3 What are the roles of different actors?

There are three main actors with a role to play in interacting with the GCF as shown in Figure 5; putting a funding proposal together; and, if successfully approved, overseeing and managing implementation and completion of the project.

National Designated Authority
The NDA or Focal Point is the national focal agency and point of contact between countries and the GCF. The NDA/Focal Point develops work programmes and oversees funding proposals.

Accredited Entity
An AE is an institution that is accredited by and accountable directly to the GCF's Board for the overall management of projects such as developing and submitting funding proposals, as well as for the financial, monitoring and reporting aspects of project activities. The AE may be public or private and may include the following:

- **Direct Access Entities** (DAEs), which correspond to subnational, national or regional entities. They may include national ministries or government agencies, national development banks, national climate funds, commercial banks, other financial institutions, etc.; and
- **International access entities,** which may be bilateral, multilateral or regional entities. They may include bilateral development agencies, such as Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), multilateral development banks (e.g. World Bank), United Nations agencies (e.g. United Nations Development Programme), regional development banks (e.g. African Development Bank), intergovernmental organisations (e.g. World Wildlife Fund), etc.

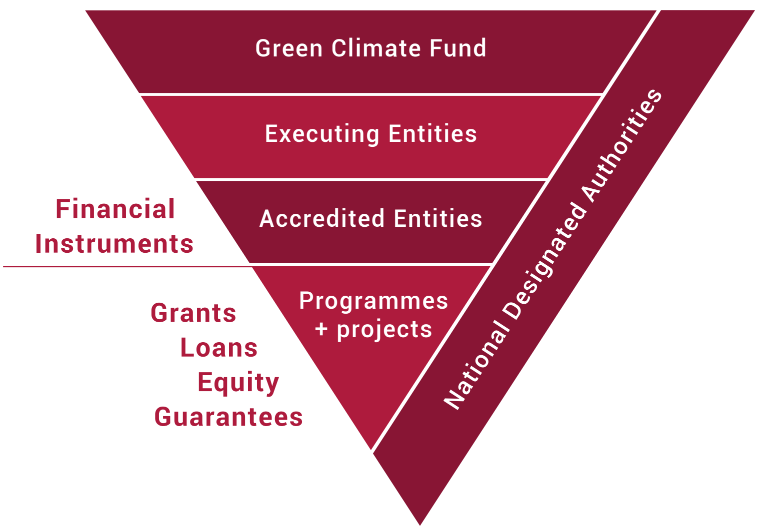
In addition to project management responsibilities, an AE may be an intermediary which administers grants and loans while blending funds with its own and others'. When developing a GCF project, a project proponent should identify an AE that will oversee the implementation and management of the proposed project. When selecting an AE, it is important to consider how the Fund categorises AEs through a customised "fit-for-purpose" accreditation approach. This approach ensures due diligence by classifying an AE according to the intended scale, nature and risks of their proposed activities, to the application of the size of the proposed project (small, medium or large scale) and funded activities, the potential environmental and social risk category level (A, B or C), and the financial intermediation risk (I-1, I-2 or I-3). The Fund has made a self-assessment tool available for entities seeking accreditation.

In addition, a project proponent should identify areas of expertise that an AE can provide to assist in developing the proposal (budgeting, economic and financial analysis, pre-feasibility and feasibility studies, M&E, etc.).

Executing Entity

A project proponent that is not an AE can act as an Executing Entity (EE). While an AE acts as a country's fund programme managers, the EE oversees executing eligible activities supported by the GCF under the oversight of the AE. An AE can also execute projects itself. Table 1 summarises the main functions of the three actors.

Figure 5: GCF architecture.



Source: adapted from GCF infographics.

Resources

The list of NDAs and Focal Points is available at **https://www.greenclimate.fund/about/partners/nda.**

The list of existing AEs is available at **https://www.greenclimate.fund/about/partners/ae.**

The self-assessment tool for entities seeking accreditation is available at: **https://www.greenclimate.fund/accreditation/self-assessment.**

Table 1: The main functions of the National Designated Authority or Focal Point, Accredited Entity and Executing Entity.

Type of entity	Role
National Designated Authority	• Providing strategic oversight of a country's priorities • Convening national stakeholders • Providing nomination letters for the accreditation of DAEs • Providing no-objection letters for projects and programmes • Approving readiness support
Accredited Entity	• Developing and submitting funding proposals for projects and programmes • Overseeing project and programme management and implementation • Deploying and administering a range of financial instruments (grants, concessional loans, equity and guarantees) • Mobilising private sector capital for blending with GCF and/or own resources
Executing Entity	• Developing and submitting funding proposals for projects and programmes through AEs • Executing funding proposals • Working under supervision and overall management of the AE (no need for accreditation)

1.4 What about the private sector?

There is a massive financing gap that the public sector cannot achieve solely with government budgets and public funds. Over the two-year period of 2017 to 2018, investments into mitigation projects averaged USD 537 billion annually and adaptation projects averaged USD 30 billion with the amount of available climate finance totalling USD 579 billion (CPI, 2019). However, the investment required in the energy system alone could cost up to USD 2.4 trillion annually over the next 30 years (IPCC, 2018), and adaptation efforts could cost up to USD 300 billion annually until 2030 (UNEP, 2016). This stark gap between what is available and what is required demonstrates the need for additional funding sources. With private wealth in the world representing over USD 66 trillion assets under management (IPE, 2019), the private sector can support governments facing constrained public budgets and rising costs of managing climate change to transform the global economy towards a low carbon and climate resilient pathway and mobilise their ingenuity, skills and capital. There are two private sector actors: enterprises that produce market goods and/or non-financial services and require lending to invest (such as MSMEs and large corporations); and private financiers (such as commercial banks and institutional investors) that provide the finance required for investment in the real economy.

As a result, the Private Sector Facility (PSF) – the private sector arm of the GCF – was set to maximise private sector engagement from both actors to provide transformational solutions and catalyse private finance that supports climate change mitigation and adaptation projects in developing countries.

The PSF provides equity, grants, concessional loans and guarantees through a variety of financial instruments and structures in an effort to: de-risk investment; bundle small projects into larger portfolios; support capacity-building; develop public-private climate-resilient infrastructure; and encourage innovation. The PSF has a particular focus on LDCs, SIDS, and African states.

Under the PSF, the Fund has catalysed private finance by issuing Requests for Proposals (RfPs) and to-date, there are two pilot programmes issued under RfPs. These two pilot programmes include:

1. The Micro, Small and Medium-sized Enterprises (MSME) pilot programme which aims to use public finance to work with local MSMEs. The objective is to unlock innovative solutions for tackling climate change, in particular on adaptation, using requests for proposals to which all AEs able to demonstrate a track record of successfully working with and financing MSMEs can respond to; and
2. The Mobilising Funding at Scale (MFS) pilot programme which aims to mobilise funds at scale from institutional investors such as commercial banks, investment funds, insurance companies, pension funds and sovereign wealth funds. To engage with these institutional investors, the fund intends to develop a range of invest-able financial products, some of which include green bonds, commercial paper, syndications and club deals. Institutional investors can benefit from these products, which can help them to raise additional third-party capital for climate-related investments.

2. Key project design elements

Before developing a funding proposal, a project proponent should review key GCF policies, procedures and guidelines including the GCF's results management framework, environmental and social safeguards, gender policy, Indigenous peoples policy, stakeholder consultation and engagement, policy on co-financing, and independent redress mechanism.

2.1 Results Management Framework

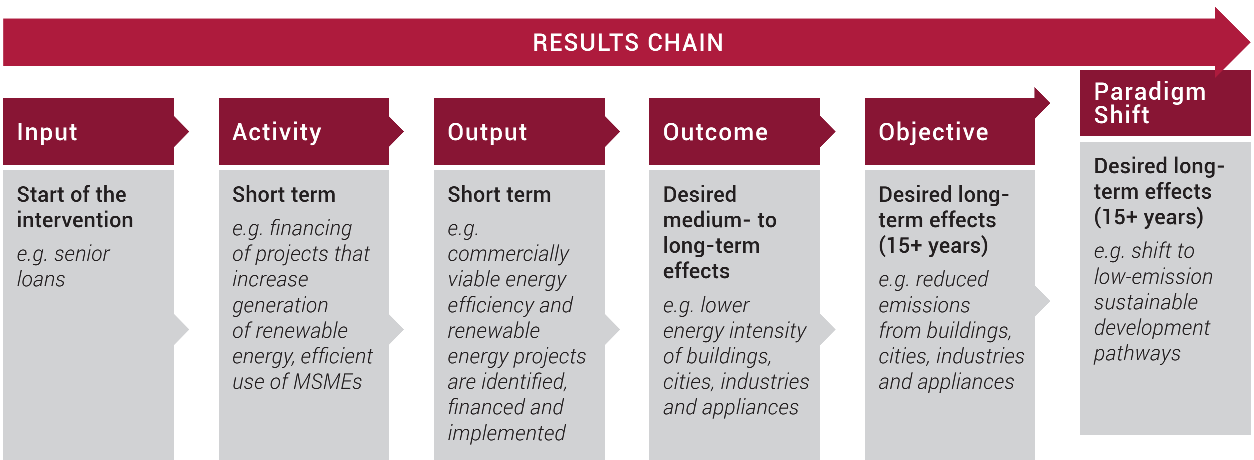
The GCF's RMF defines the elements of a paradigm shift towards low-carbon, climate-resilient, country-driven development pathways within individual countries and across the Fund's activities. It is based on two key elements: the logic model and the Performance Measurement Framework (PMF).

Logic model

The logic model demonstrates how inputs and activities are converted to changes in the form of results achieved at the project, country, strategic impact and paradigm shift levels. Figure 6 shows the levels of the logic model and indicates the estimated time required to achieve the relevant results from the time of project inception. The attribution of funded activities to results achieved becomes increasingly difficult as one moves from inputs to results achieved at the paradigm shift level.

In other words, the logic models for adaptation and mitigation represent the results chain and the theory of change. In the proposal, the logic model is reflected in the log frame (Section E of the proposal template) which will enable project proponents to demonstrate a long-term vision in the changes and impacts to be achieved through the project. Section 4.3 provides detailed guidance on how to develop a log frame, and Annex 1 provides an example log frame model from the funding proposal 122 'Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean'.

Figure 6: Six levels of logic models.



Source: (GCF, 2014).

Performance Measurement Framework
The PMF is the performance measurement system intended to monitor the Fund's results at the project and aggregate portfolio levels. It includes a set of indicators that measure progress towards intended results based on the paradigm shift objective, Fund-level impacts, and project outcomes outlined in the Fund's mitigation and adaptation logic models. See Annexes 2–3 for the full list of indicators presented in the GCF's PMF.

2.2 Interim Environmental and Social Safeguards

The ESS are part of GCF's ESMS as a broader operational framework that enables the GCF to incorporate social and environmental considerations into its decision-making processes and operations. The E&S policy is one element of this ESMS framework, along with the ESS and other management processes.

ESS are checks and balances within a proposal and its phases to avoid, reduce or compensate for negative environmental and/or social impacts from a project's activities. The GCF's interim ESS are based on the International Finance Corporation's (IFC) eight Performance Standards (PS) on Environmental and Social Sustainability and their objectives. As seen in Figure 7, these standards consist of one overarching standard (PS1) and seven standards covering specific issue areas (PS2–8). PS1 covers the elements that need to be in place to ensure the remaining seven standards are implemented.

The ESS belongs to the GCF's ESMS, namely a broad operational framework that enables the GCF to incorporate social and environmental considerations into its decision-making processes and operations.

Figure 7: Overview of the IFC Performance Standards.

P1: Assessment and Management of Environmental and Social Risks and Impacts						
PS 2 Labour and Working Conditions	**PS 3** Resource Efficiency and Pollution Prevention	**PS 4** Community Health, Safety, and Security	**PS 5** Land Acquisition and Involuntary Resettle-ment	**PS 6** Biodiversity Conservat-ion and Sustainable Management of Living Natural Resources	**PS 7** Indigenous Peoples	**PS 8** Cultural Heritage

Source: (GCF, 2014e).

2.3 Gender Policy and Gender Action Plan

The GCF emphasises the importance of, and its commitment to, gender equality as a key element of the Fund's programming architecture, both in terms of access to and the impact of climate funding. Gender mainstreaming is central to the GCF: the Governing Instrument pursues gender balance in the appointment of members of its Board and Secretariat and establishes a clear mandate to take a gender-sensitive approach in the Fund's processes and operations.

In 2015, the Board adopted an initial Gender Policy and GAP which was revised in 2019 to incorporate the Paris Agreement, lessons learned from stakeholders, as well as a public call for inputs. The resulting revision led the GCF to adopt a Gender Action Plan 2020 – 2023, as well as an updated Gender Policy. The Gender Action Plan 2020 – 2023 details how the Gender Policy will be operationalised.

The GCF's updated Gender Policy aims to:

- Support climate change interventions and innovations through a comprehensive gender approach applied both within the institution and by its network of partners, including AEs, NDAs and focal points;
- Promote climate investments that:
  - advance gender equality through climate change mitigation and adaptation actions, and
  - minimise social, gender-related and climate-related risks, while also endeavouring to promote respect for and observance of the human rights of all people, including women and men from vulnerable or marginalised communities in all climate actions; and
- Contribute to reducing the gender gap of climate change-exacerbated social, economic and environmental vulnerabilities and exclusions through GCF climate investments that mainstream gender equality.

This policy, as seen in Figure 8, is based on the following four guiding principles.

Figure 8: Four guiding principles of the GCF's Gender Policy.

Human Rights	Country Ownership	Disclosure of Information	Stakeholder Engagement and Consultation
GCF activities should endeavour to promote respect of and observance of principles set forth in the Human Rights Declaration, and other conventions on human rights (including for women's rights)	GCF encourages NDAs to apply the principles of inclusion, equality and non-discrimination with respect to stakeholder consultations and decision-making	GCF endeavours to provide accurate, gender-related and timely information through its Information Disclosure Policy to its stakeholders about its policy guidelines, standards, procedures and project operations	AEs must undertake meaningful consultation that is gender-responsive and culturally aware, pursuant to the GCF Environmental and Social Policy and Indigenous Peoples Policy

Source: (GCF, 2019c).

Division of responsibilities

At the project-level, the GCF requires AEs to undertake gender-sensitive and culturally aware consultation pursuant to the GCF E&S Policy and Indigenous Peoples Policy (see Section 4.6). Additionally, the GCF will ensure that the AEs are compliant with the requirements of the Policy in monitoring and reporting, as well as project preparation and implementation (see Section 4.3).

Although the overall responsibility for the implementation of the Policy belongs to the GCF, the NDAs and AEs have important responsibilities. Serving as the focal point for their country's engagement with the GCF, the NDA is encouraged to apply the principles of inclusion, equality and non-discrimination with respect to stakeholder consultations and decision-making. The NDA should ensure that funding proposals are aligned with countries' gender policies and priorities using, as appropriate, the countries' gender expertise (e.g. gender advisors from different ministries, university academics, representatives of civil society organisations) to review climate change plans, programmes and projects. An NDA can request support from the Fund's Readiness and Preparatory Support Programme to develop policies, procedures or competencies that meet the requirements of the Gender Policy and GAP.

The AEs (alongside the EE) are chiefly responsible for ensuring that concept notes and funding proposals submitted to GCF funding meet the principles and requirements of the GCF's Gender Policy. The GCF requires AEs to:

- Submit as a part of the funding proposal: (i) a gender assessment, along with appropriate environmental and social assessments (as may be required according to the level of risks and impacts), and (ii) a project-level GAP;
- Take necessary measures to ensure gender-responsive approaches in stakeholder consultation. Sharing information equitably withwomen and men stakeholders is a minimum standard, in which information is both available and presented in accessible formats across all stakeholder groups. The approach also includes opportunities for stakeholders to share information in a two-way exchange, give regular feedback during implementation, and ensure their views and priorities are incorporated into design and practice; and
- Take necessary measures to ensure that in stakeholder engagement men and women participate in developing measures to mitigate risks and ensure that projects do not increase gender inequality and, in optimizing the project benefits for women and men from vulnerable communities, ensure the promotion of gender equality and non-discrimination.

As part of the implementation and reporting phases, the AEs are also responsible for:

- Implementing the project-level GAP submitted as part of the funding proposal approved by GCF;
- Refining, as necessary, the gender-related baseline indicators and targets when implementing the project-level GAP;
- Undertaking periodic updates to the gender assessment and notify the GCF when there are major changes in the design and execution of a project, or other circumstances that may affect the implementation of the GAP;
- Collecting data to demonstrate implementation of the project-level GAP, including through measuring the outcomes of project activities on women's and men's adaptation and mitigation to climate change through sex-disaggregated data and gender analysis (qualitative and quantitative) throughout the project's life cycle; and
- Monitoring and reporting on the progress made in implementing the project-level GAP.

Further guidance on how to integrate gender into a funding proposal is provided in Section 4.7.

2.4 Indigenous Peoples Policy

The GCF recognises that Indigenous peoples are disadvantaged by traditional models of mitigation, adaptation and development. Therefore responding to the need to engage Indigenous peoples in climate change policies and actions, and as enshrined in the Cancun and Paris Agreements, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and International Labour Organisation (ILO) Convention 169, the GCF approved an Indigenous Peoples Policy that aims to ensure that Indigenous peoples receive culturally appropriate social and economic benefits arising from GCF activities, and do not suffer adverse effects during the design and implementation of GCF-financed activities. The policy is underpinned by a rigorous Free, Prior and Informed Consent (FPIC) process incorporating Indigenous peoples' participation in project design and implementation, grievance redress, capacity-building, and consent prior to commencing any GCF activity.

The Indigenous Peoples Policy, as seen in Figure 9, is based on the following eight key principles:

Figure 9: Eight guiding principles of the GCF's Indigenous Peoples Policy.

Respect and recognize traditional knowledge and livelihood systems	Enhance the capacity for Indigenous peoples' issues within GCF	Facilitate access to GCF resources for Indigenous peoples	Respecting the system of self-government
GCF recognizes and respects Indigenous peoples' cultural heritage, traditional knowledge, ownership, and will promote the participation of traditional knowledge holders in GCF-financed activities	GCF will develop its advisory and decision-making capacities to understand and address Indigenous peoples' issues and rights, including developing the capacity of Board members and Secretariat management and staff	GCF will encourage NDAs and AEs to engage with and be inclusive of Indigenous peoples	GCF should promote respect for the right of Indigenous communities to freely pursue their economic, social and cultural development and their right to autonomy or self-government.
Develop and implement free, prior and informed consent	**Respect and enhance the rights of indigenous peoples to their lands, territories and resources**	**Recognize key international human rights and principles**	**Respect the right of Indigenous peoples under voluntary isolation**
GCF will ensure and require evidence of the effective consultation and application of FPIC through appropriate procedures and in particular through their representative institutions	GCF activities will respect Indigenous peoples' rights related to land, territories, resources, cultural heritage, traditional knowledge, resource management systems, occupations and livelihoods, and overall well-being	GCF activities will respect the principles set forth in relevant international and regional instruments relating to the rights of Indigenous peoples (such as UNDRIP and ILO Convention No. 169)	GCF will respect the prerogative of Indigenous peoples living in voluntary isolation, to remain isolated and to live freely according to their culture, and to avoid contact with them as a consequence of the activity

Source: (GCF, 2018c).

Division of responsibilities
During the accreditation process, the GCF is responsible for assessing entities' capacity to implement the Indigenous Peoples Policy during the screening process for E&S risks under the ESMS. The GCF ensures through the accreditation process that AEs have the necessary capacity to implement the Indigenous Peoples Policy, while ensuring that they have established activity-specific grievance mechanisms.

If potential impacts on Indigenous peoples have been identified, AEs and EEs will prepare – with Indigenous consultation – an Indigenous Peoples' Plan (IPP) or if the scale of the project is not yet determined, an Indigenous Peoples' Planning Framework (IPPF). IPPs and IPPFs must outline the actions taken to avoid, minimise and/or compensate for adverse impacts in a culturally appropriate manner.

2.5 Stakeholder consultation and engagement

Stakeholder engagement is a key component of the E&S Policy that applies to all activities financed by the GCF. Project proponents should establish a meaningful consultation and engagement process inclusive of vulnerable and marginalised groups and individuals (including Indigenous communities, women, young and the elderly) who are affected - or potentially affected - by proposed GCF-funded activities. Meaningful consultation goes beyond consultation by providing a deep commitment by the project proponents to use stakeholder engagement as an opportunity to improve each phase of their activities, instead of just seeking validation or confirmation on stakeholders' positions. It is a more in-depth, nuanced and time-intensive process that gives stakeholders a larger role in framing questions and participating actively in discussions about the project. It involves an ongoing, two-way dialogue that aims to build trust and collaboration to identify ways to innovate and find solutions to shared challenges.

This can be achieved through the development of a stakeholder engagement plan that is based on five principles, as seen in Figure 10, consisting of: transparency, accountability, inclusiveness, non-discrimination, and "do no harm".

Figure 10: Five principles of the GCF's Stakeholder Engagement Plan.

Principles of a Stakeholder Engagement Plan				
Transparency	Accountability	Inclusiveness	Non-discrimination	"Do no harm"

Source: GCF (2019d).

A stakeholder engagement plan should include a:
- Detailed process for effective engagement with communities and individuals – including vulnerable and marginalised groups and individuals – who are affected or potentially affected by proposed GCF-funded activities;
- Description of how information will be disclosed; the process by which meaningful consultation and informed participation will occur in a culturally appropriate and gender responsive manner; and, in certain circumstances, steps that will be taken to obtain the FPIC of Indigenous peoples; and
- Process for receiving and managing concerns and grievances at the project level that has been designed in consultation with stakeholders and complements the AE's grievance redress mechanism and GCF Independent Redress Mechanism.

This can be developed through the following steps:

- **Develop a strategy:** clearly articulate the engagement plan's purpose, objective and guiding principles. Also, provide the roles and responsibilities related to stakeholder engagement (including from the AE), alongside the commitments and success indicators;
- **Map stakeholders and issues:** a stakeholder map can be prepared as part of a stakeholder analysis to identify and organise stakeholders according to specific criteria, for instance their position (what they want) and interest (why they want it) in a project, their expectations, their relative influence on a project and/or within a community or organisation. Any potential conflicts of interest or elite capture by one particular group should also be identified. Stakeholder mapping is a dynamic process with stakeholders' interests and perspectives changing over time and throughout the life of a project;
- **Define the strategy for engagement:** identify the best approach to engaging with each stakeholder group by undertaking initial stakeholder pre-consultation on the initial stakeholder and issues map. This involves reaching out to the people and groups identified during Step 2 above. These "pre-consultations" also help deepen an understanding of people's expectations, interests and motivations. In addition, these initial conversations provide an opportunity to share detailed information about the activity, gather ideas about the most appropriate approaches to communication and engagement, as well as refine the stakeholder map and engagement strategy. A useful approach to define engagement approaches is to divide stakeholders into three categories:
  - **Engage** priority stakeholder group, most likely to be impacted by GCF-financed activities, should be regular participants in dialogue and negotiation processes, partnerships, and joint fact-finding exercises;
  - **Communicate** indirectly impacted stakeholder group, with high degree of interest in the GCF-funded activities, should be solicited for feedback via surveys or focus groups. They should also be sent newsletters or social media updates or meeting invites;
  - **Inform** stakeholder groups with less interest in conversations or negotiation processes but still wishing to receive updates and information about the project. Considerations for this group include choosing meeting locations that are easily accessible and comfortable, providing information in a reasonable time period especially for those with transboundary environmental and social impacts, ensuring gender-inclusive and culturally-appropriate consultation, and with a high degree of acknowledgement to people's concerns. There should be multiple opportunities for consultation and engagement (one-on-one meetings, surveys, workshops, etc.);
- **Define the implementation plan:** provide clear descriptions of the budget requirements, timelines, and the roles and responsibilities of AE or stakeholders who will be responsible for implementing the actions; and
- **Develop the monitoring and evaluation process:** this will help understand how well engagement activities are working and why, identify and correct what is not working well, as well as respond to unexpected events as they unfold (e.g. changes in the scope, activities, locations or policy settings of the project) that may introduce new environmental and social risks and impacts or elevate the level of risks and impacts.

2.6 Policy on co-financing

While there is no minimum amount and specific source of co-financing required by GCF, co-financing by the AE and other third parties is strongly encouraged to maximize impact of GCF funding, promote crowding in, demonstrate alignment of interests between the GCF and AEs, and country ownership by developing countries.

They take the form of grants, loans, guarantees and equities. On the rare occasion, in-kind co-financing – goods and/or services that would otherwise not be measured in monetary terms – can be provided by LDCs.

In particular, co-financing can include:

- **Public finance:** all financial resources, other than the GCF proceeds, provided for the implementation of a project from the public sector or entities that are more than 50 per cent owned and/or controlled by the public sector;

- **Private finance:** all financial resources that are provided for the implementation of a project from entities that are more than 50 per cent owned and/or controlled by private shareholders;
- **Leveraged finance** (also referred to as catalysed finance): private investment resulting from the contribution associated with GCF involvement in an investment, including investment made as a result of the intervention of additional investors after the first project is completed;
- **Mobilised private finance:** private finance mobilised as a result of the GCF proceeds; and
- **Parallel financing:** financial resources flowing alongside GCF proceeds to a project but are not required for the implementation of the project and earmarked for other outcomes consistent with general mitigation and adaptation measures.

The GCF does not use co-financing metrics or dollar amounts of mobilised private finance as targets since maximising financial spending does not equate with achieving climate mitigation and adaptation results, strong impact potential and high paradigm shift potential.

In a funding proposal, AEs are responsible for including the amount of expected co-financing (the ex-ante estimation expected to be necessary for implementing a project), aggregated by private and public finance sources. AEs are also responsible for monitoring and reporting on the delivery of realised co-financing, including separately with respect to private finance and public finance. Realised co-financing refers to the ex-post amount of co-financing that is actually provided to the project during implementation. This is meant to assess the extent to which expected co-financing was actually provided by co-financiers and, if applicable, to identify other financial resources that were provided but were not previously included in the funding proposal. The provisions on reporting realised co-financing should be included in the final annual performance report (or project completion report) and cover to the extent possible parallel finance, and leveraged finance.

2.7 Independent Redress Mechanism

To ensure GCF's accountability to its own policies and procedures and have a grievance mechanism, the Board established the Independent Redress Mechanism (IRM). It is meant to address complaints from people in developing countries who are affected by GCF-funded activities in a transparent and effective manner.

Cases can be filed with the IRM by two or more people who believe they have been directly affected by adverse impacts through the failure of a project funded by GCF to implement GCF's operational policies and procedures, including ESS. Other kinds of complaints, such as allegations of corruption and irregular procurement, are handled by separate independent units associated with GCF, including the Independent Integrity Unit (IIU), and cases can be filed on GCF website.

For reconsideration of a GCF Board decision denying funding for a project, NDAs can submit a request to the IRM. The request must show that the denial of funding was based on a non-compliance by the GCF with its policies, programme priorities and eligibility criteria. A request for reconsideration should be made within 60 calendar days from when the GCF Secretariat informs the NDA about the Board decision. The 60-day period starts on the day the Secretariat sends the notification of the decision to the NDA. The procedure for requests is set out in the Interim Procedures and Guidelines for Reconsideration of Funding Decisions and is available on GCF website.

Resources

Cases can be filed with the IRM on the GCF website: **https://irm.greenclimate.fund/about-the-irm/file-a-complaint.**

The procedure for requests for reconsideration are available on the GCF website: **https://www.greenclimate.fund/document/gcf-b13-17.**

3. The GCF proposal template

Filling in the GCF's funding proposal template requires considerable research, consultation and thinking regarding a project's design and costing.

The development costs and the process to obtain the no-objection letter from the NDA will vary considerably depending on the project scale, the financial instruments used, the country of implementation and the AE selected.

Once all the information required to complete the template is available, it should be entered into the GCF's funding proposal template (version 2.0).

Resources

The GCF funding proposal template (v2) can be found on the GCF website: **https://www.greenclimate.fund/document/funding-proposal-template.**

Project proponents may either incorporate information directly into the funding proposal or provide summary information with cross-reference to other project documents such as a project appraisal document.

Project proponents are expected to develop their funding proposals in close consultation with the country's NDA and with due consideration of the GCF's investment framework, ESS, Gender Policy and RMF. The total number of pages for the funding proposal (excluding annexes) should not exceed 60.

Table 2: Structure of the GCF funding proposal template form (version 2.0).

Section	Description
A – Project/programme summary	
A.1. Project or Programme	Indicate if the proposal is associated with a project or a programme.
A.2. Public or private sector	Indicate whether the proposal is associated with a public or private sector project/programme.
A.3. Request for Proposals (RFP)	If relevant, indicate under which specific GCF Request for Proposals, the proposal is submitted. Otherwise specify that it is "not applicable".
A.4. Result area(s)	Indicate which result area(s) the project/programme targets. For each checked result area(s), indicate the estimated percentage of GCF budget devoted to it.
A.5. Expected mitigation impact	In case of a mitigation project/programme, insert the estimated total tons of CO2 equivalent reduction over its lifespan

Section	Description
A – Project/programme summary	
A.6. Expected adaptation impact	In case of an adaptation project/programme, insert (i) the project's/ programme's estimated total number of direct and indirect beneficiaries and (ii) the country's population share that these beneficiaries represent.
A.7 Total financing (GCF + co-finance)	Insert the project's/programme's total financing.
A.8. Total GCF funding requested	Insert the requested GCF funding for the project/programme.
A.9. Project size	Specify whether this is a micro, small, medium or large project/programme.
A.10. Financial instrument(s) requested for the GCF funding	Insert which financial instrument(s) have been requested along with the associated financial amount provided by each.
A.11. Implementation period	Insert the number of years and months the project/ programme is expected to be implemented.
B – Project / Programme Information	
B.1. Climate context	Describe the climate change problem addressed by the project/programme and associated mitigation and/or adaptation needs to be tackled by its interventions. Describe the target region/area of the proposed interventions (e.g. demographics, economy, topography, etc.) Describe the baseline scenario (e.g. emissions baseline, climate vulnerability baseline, key barriers, challenges and/or policies) in the absence of the proposed interventions. Describe related projects/interventions financed through other climate finance sources and how they will be complemented by the project/programme. Also describe recent related projects' gaps/barriers and how the project/programme complements or addresses these.
B.2. Theory of change	Describe how the project/programme serves to shift the development pathway towards a low-emission and/or climate resilient direction and include the theory of change the diagram. Include all the barriers that need to be addressed and describe the results chain of inputs, activities, outputs, outcomes, and impact statements, and how they lead to delivering the project's expected results.
B.3. Project/ programme description	Describe the proposed set of components, outputs and activities that lead to the expected Fund-level impact and outcome results. This should be consistent with the financing by component in Section C.2, the results and performance indicators provided in Section E.5, and the implementation timetable in Annex 5.

Section	Description
B – Project / Programme Information	
B.4. Implementation arrangements	Describe the project/programme implementation structure, outlining legal, contractual, institutional and financial arrangements from and between the GCF, the AE and/or the EE(s) or any third parties (if applicable) and beneficiaries. Include (a) diagram(s) that maps such arrangements including the governance structure, legal arrangements, and the flow and reflow of funds between entities.
B.5. Justification for GCF funding request	Explain why the project/programme requires GCF funding. Provide a justification for the amount and level of concessionality of funding requested and the financial instrument(s) proposed, in order to close the funding gap and bring the project/programme to fruition. In the case of grant funding without repayment contingency, present a convincing financial and/or economic argument to ensure that the Fund maximises its use of resources. Please note that the level of concessionality should correspond to the level of the proposal's expected performance against the investment criteria.
B.6. Exit strategy and sustainability	Explain how the project/programme sustainability will be ensured in the long run, after the project/programme is implemented with support from the GCF and other sources. Provide information on additional actions to be undertaken by public and private sector or civil society as a consequence of the project/ programme implementation for scaling up and continuing best practices.
C – Financing Information	
C.1. Total financing	Insert the requested amount of GCF financing along with a breakdown per financial instrument including requested amount, tenor, grace period and pricing. Insert the co-financing amount provided along with a breakdown per financial instrument including requested amount, tenor, grace period and pricing. Sum up both amounts and insert the project's/programme's total financing. If applicable, insert other financing arrangements and contributions.
C.2. Financing by component	Insert an estimate of the total cost per component and output as outlined in section B.3. and disaggregate by source of financing.
C.3 Capacity building and technology development/transfer	Specify whether the requested GCF funding will finance capacity building activities and/or technology development/transfer. If so, describe these activities and quantify the total requested GCF funding allocated towards them.
D – Expected Performance Against Investment Criteria	
D.1. Impact potential	Specify the climate mitigation and/or adaptation impact, using the four core indicators provided in the Fund's investment framework. Describe the envisaged project/programme impact for mitigation and/or adaptation. Provide the impact for mitigation by elaborating on how the project/programme contributes to low-emission sustainable development pathways. Provide the impact for adaptation by elaborating on how the project/programme contributes to

Section	Description
D – Expected Performance Against Investment Criteria	
	increased climate-resilient sustainable development. Calculations should be provided as an annex
D.2. Paradigm shift potential	Provide, as applicable: (1) Potential for scaling-up and replication (e.g. multiples of initial impact size) for both mitigation and adaptation; (2) potential for knowledge sharing and learning; (3) contribution to the creation of an enabling environment; (4) contribution to the regulatory framework and policies; (5) overall contribution to climate-resilient development pathways consistent with relevant national climate change adaptation strategies and plans
D.3. Sustainable development potential	Provide the expected environmental, social and health, and economic co-benefits. Also provide the gender-sensitive development impact, which will aim to reduce gender inequalities in climate change impacts. These co-benefits and wider positive impacts may be drawn from an economic analysis of the proposed activities and can be strengthened with more qualitative factors.
D.4. Needs of the recipient	Describe the scale and intensity of vulnerability of the country and beneficiary groups and elaborate how the project/programme addresses the identified needs. Provide, as applicable: (1) vulnerability of the country and/or specific vulnerable groups, including gender aspects (for adaptation only); (2) economic and social development level of the country and the affected population; (3) 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); (4) need for strengthening institutions and implementation capacity.
D.5. Country ownership	Demonstrate the following factors, amongst others: (1) existence of a national climate strategy and coherence with existing plans and policies; (2) existence of a GCF country programme; (3) alignment with existing policies such as Nationally Determined Contributions (NDCs), Nationally Appropriate Mitigation Actions (NAMAs), and National Adaptation Plans (NAPs); (4) capacity of AEs or EEs to deliver;(5) role of the NDA; and (6) engagement with NDAs, civil society organisations and other relevant stakeholders, including vulnerable groups.
D.6. Efficiency and effectiveness	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. Specify the expected economic rate of return based on a comparison of the scenarios with and without the project/programme. 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. Explain how best available technologies and practices have been considered and applied.

Section	Description
E – Logical framework	
E.1. Paradigm shift objectives	Select the adequate mitigation and/or adaptation-related paradigm shift objective(s).
E.2. Core indicator targets	Provide specific numerical values for the GCF core indicators to be achieved by the project/programme and associated methodologies for the calculations.
E.3. Fund-level impacts	Select the appropriate impact(s) to be reported for the project/programme. Select key result areas and corresponding indicators from GCF RMF and PMFs as appropriate. Note that more than one indicator may be selected per expected impact result. The result areas indicated in this section should match those selected in section A.4.
E.4. Fund-level outcomes	Select the appropriate outcome(s) to be reported for the project/programme. Select key expected outcomes and corresponding indicators from GCF RMF and PMFs as appropriate. Note that more than one indicator may be selected per expected outcome.
E.5. Project/ programme performance indicators	The performance indicators for progress reporting during implementation should seek to measure pre-existing conditions, progress and results at the most relevant level for ease of GCF monitoring and AE reporting.
E.6. Activities	All project activities should be listed here with a description and sub-activities. Significant deliverables should be reflected in the implementation timetable.
E.7. Monitoring, reporting and evaluation arrangements	Besides the arrangements (e.g. annual performance reports) laid out in AMA, please give a summary of the project/programme specific arrangements for monitoring and evaluation. Please provide the types of interim and final evaluations. Describe Accredited Entity (AE) project reporting relationships, including to the 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.
F – Risk Assessment and Management	
F.1. Risk factors and mitigations measures	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. For each risk, provide (1) category, (2) probability; (3) impact; (4) description and (5) mitigation measure.

Section	Description
G – GCF Policies and Standards	
G.1. Environmental and social risk assessment	Provide the E&S risk category assigned to the proposal as a result of screening and the rationale for assigning such category. Present the main risks and associated mitigation measures. Describe the capacity of the EEs to implement the environmental and social management plan (ESMP) and framework and arrangements for compliance monitoring, supervision and reporting. Include a description of the project/programme-level grievance redress mechanism and stakeholder consultations to undertake during project/programme implementation.
G.2 Gender assessment and action plan	Provide a summary of the gender assessment and project/programme-level GAP that is aligned with the objectives of GCF's Gender Policy. Present information on key findings and stakeholder consultations.
G.3. Financial management and procurement	Describe the project/programme's financial management including the financial monitoring systems, financial accounting, auditing, and disbursement structure and methods
G.4. Disclosure of funding proposal	Indicate whether or not the funding proposal includes confidential information.
H – Annexes	
H.1. Mandatory Annexes	
Annex 1	No-objection letter from NDA
Annex 2	Feasibility study and market study as applicable
Annex 3	Economic and/or financial analyses in spreadsheet format
Annex 4	Detailed budget plan
Annex 5	Implementation timetable including key project/programme milestones
Annex 6	E&S document corresponding to the E&S category
Annex 7	Summary of consultations and stakeholder engagement plan
Annex 8	Gender assessment and project/programme-level action plan
Annex 9	Legal due diligence (regulation, taxation and insurance)
Annex 10	Procurement plan
Annex 11	Monitoring and evaluation plan

Section	Description
H – Annexes	
H.1. Mandatory Annexes	
Annex 12	AE fee request
Annex 13	Co-financing commitment letter, if applicable
Annex 14	Term sheet including a detailed disbursement schedule and, if applicable, repayment schedule
H.2. Other annexes as applicable	
Annex 15	Evidence of internal approval
Annex 16	Map(s) indicating the location of proposed interventions
Annex 17	Multi-country project/programme information
Annex 18	Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project
Annex 19	Procedures for controlling procurement by third parties or executing entities undertaking projects financed by the entity
Annex 20	First level AML/CFT (KYC) assessment
Annex 21	Operations manual (Operations and maintenance)
Annex x	Other references

4. How to put together a GCF funding proposal: a stepwise approach

This section presents a stepwise approach to guide project proponents through the preparation of a fully-fledged funding proposal. For each step, the toolkit provides a detailed overview of the information required as well as the tools and methods to put a funding proposal together and fill in all sections of the GCF template.

Step 1 illustrates how to describe the climate rationale by elaborating on the climate change-induced problem that underlies a proposed project and identifying the most effective solutions to address it. Step 2 presents how to structure a theory of change to lay out potential pathways to address the climate change-induced problem previously identified. Step 3 demonstrates how to translate this theory of change into a logic framework (log frame) providing a detailed strategy to achieve a project's expected results. Step 4 presents the six GCF investment criteria and how a project can align with them. Step 5 provides guidance on how to identify potential risks to achieving a project's expected results and the corresponding mitigation measures that could be used. Step 6 focuses on environmental and social safeguards to integrate within a project. Step 7 focuses on gender considerations and provides guidance on how to integrate this dimension into a project. Step 8 provides guidance on financing information and helps project proponents to present the amount of financing to request, co-financing secured and select the most appropriate financial instrument(s). Step 9 presents how to provide a justification for GCF funding request (amount, financial instrument and level of concessionality), and Step 10 illustrates how to show the financial viability of a project through the development of an exit strategy.

In practice, these steps may be undertaken iteratively rather than strictly sequentially. In addition, there will probably be ongoing iteration between direction and guidance provided by the GCF Secretariat, and ownership and information coming from the AE, EE, beneficiaries and the NDA.

Putting together a GCF funding proposal requires investment of time and human resources. It is important to note that funding proposals need to be submitted at least three months before the Board meets (see section 5 for the phases of the GCF approval process). As Board meetings are time constrained, it is advisable to submit as early as possible to be reviewed at a Board meeting (the GCF tends to meet three or four times per year). The project proponent can then work backwards to allow enough time to develop their funding proposal. It is also important to identify and inform the selected AE and the NDA of the intention to submit a funding proposal so that they are aware and can provide the appropriate support.

Step 1: How to describe the climate rationale underpinning a project?

The first step is to describe the problem that underlies a proposed project and identify its climate-induced problem. A problem can have many factors at play but one place to start is to conceptualise the landscape of problems and determine how major – perhaps not minor – the role that climate change is having, even among other drivers. For example, climate change causes warmer temperature that causes accelerated rates of evapotranspiration that causes water stress. Other factors leading to water stress could include urbanisation or agricultural water demand but providing evidence particularly on how that water stress is being induced by a changing climate will help define the climate-induced contribution. This will in turn provide the scientific underpinning to identify and prioritise possible solutions to the problem, with a view to promote evidence-based investments by the GCF.

While it is easier to tell what problems a mitigation project can address (e.g. increase in greenhouse gases in the atmosphere, and/or whether reduction in the capacity of an ecosystem to absorb them), it is not so easy for adaptation projects. Due to the blurred lines between climate change adaptation and development, it can be difficult to separate the climate-specific benefits from broader developmental benefits of an intervention. This requires using the best available climate data and science to establish a clear causal link between climate change and the problem the project aims to address. Providing such a climate rationale for projects, particularly adaptation projects, is however often challenging in data-poor countries.

Establishing a strong climate rationale can be undertaken through the following steps:

1. Describe the climate change-induced problem, its root causes and effects;
2. Validate the climate-induced problem; and
3. Identifying the most effective solutions to address the climate-induced problem.

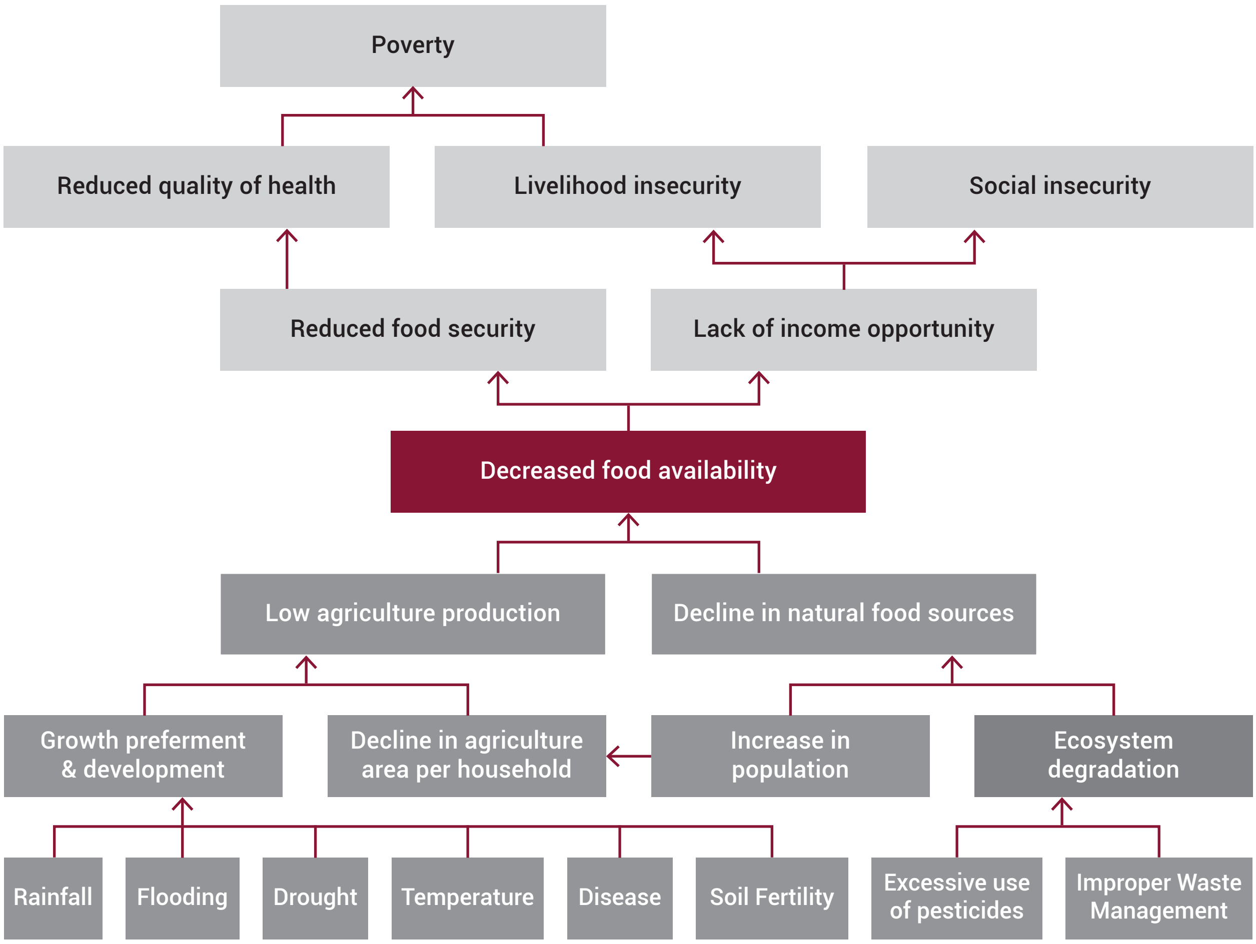
DESCRIBE THE CLIMATE CHANGE-INDUCED PROBLEM

A helpful tool to understand the relationships between a problem, its causes, and its effects is a problem tree. It can be developed by visualising a tree; the trunk will represent the main problem, the roots will be the causes of the problem, and the branches will be the direct and indirect effects of the problem. This analysis produces a conceptual "tree" that will set the foundation for understanding what interventions can solve the problem within the context of its root cause and effects.

When creating a problem tree, it is important to incorporate pressing concerns from stakeholders by asking what the developmental concerns are and investigating the climate-driven component of said concerns. This process can ideally be undertaken as a participatory group event using visual techniques, such as flipcharts or colour cards, in which stakeholders can write their individual problem statements. This can also be undertaken in a small focus group comprised of the affected peoples along with subject matter experts, government and non-government organisations including NGOs, philanthropic organisations and private sector enterprises who are functioning in the project area.

To identify a core problem, stakeholders should first compile a list of problems they perceive and only once the core problem is identified, will stakeholders identify the causes and effects. When identifying causes and effects, keep in mind that many will not necessarily follow a linear progression. To maintain focus on the considerable causes and effects, aim to identify the ones with a climate relation and also aim to not clutter the problem tree. On both levels of the causes and effects, maintain relevance by not expanding beyond three levels. Stakeholders should then check the logic of the problem tree by starting from the causes and working their way up to the effects. It is important that the linkages between the problem under consideration and climate change is established at this stage. Of course, all linkages must logically lead to the next element in procession. An illustrative example of a problem tree is seen below in Figure 11.

Figure 11: Example of a Problem Tree.



Source: adapted from WeAdapt (2020)

VALIDATE THE PROBLEM TREE

For mitigation, this implies identifying the emission trajectory for the country and sector as well as the potential pathway to shift this trajectory towards a low emissions pathway. For adaptation, this implies identifying the climate impacts, vulnerabilities, exposure, and hazards resulting in climate risks.

Climate risks are part of a broader system and should be understood as a function of hazards, exposure, and vulnerability – essentially what hazards have the potential to cause tangible and harmful impacts on a system, how exposed the system is to said hazard and how vulnerable the system is to said hazards. These key terms are explained below (IPCC, 2014):

- **Hazard:** the potential occurrence of a natural or human-induced physical event or trend or physical impact that may cause loss of life, injury, or other health impacts, as well as damage and loss to property, infrastructure, livelihoods, service provision, ecosystems, and environmental resources. Climate hazards include: (i) rapid-onset events encompassing tropical cyclones, storm surge, extreme rainfall, riverine floods, heat or cold-waves and droughts, and (ii) slow onset events encompassing sea level rise, increasing temperatures, ocean acidification, glacial retreat and related impacts, salinization, land and forest degradation, loss of biodiversity and desertification.

- **Exposure:** the presence of people, livelihoods, species or ecosystems, environmental functions, services, and resources, infrastructure, or economic, social, or cultural assets in places and settings that could be adversely affected.
- **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.

The concepts of exposure and vulnerability mostly arise from socio-economic factors and, as seen in Figure 12, are closely intertwined. The interaction of these two elements with hazards is what in turn lead to risks on a system.

To identify potential hazards from climate-related events, a climate risk and vulnerability assessment must be undertaken to define the potential current and future adaptation-related climate change risks that a specific system of interest is exposed to in the selected target areas.

Resources

Additional resources on risk and vulnerability assessments:

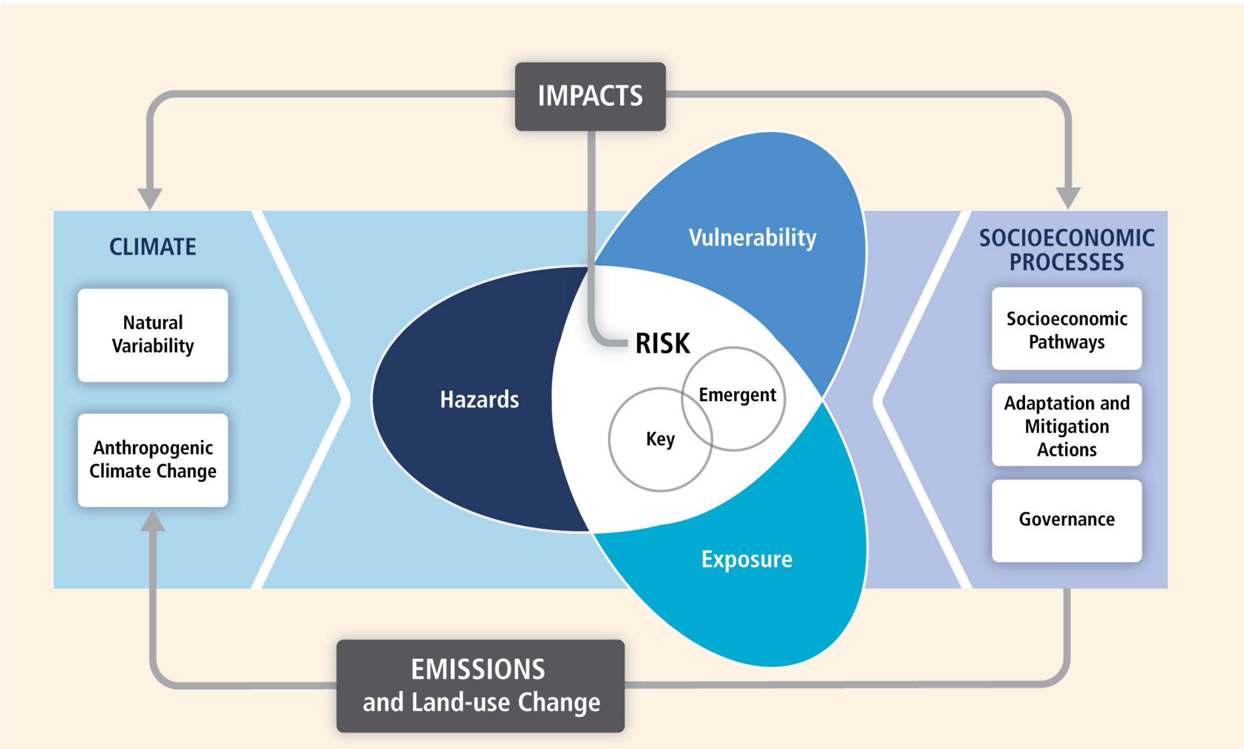
https://www.adaptationcommunity.net/vulnerability-assessment/

https://www.adaptationcommunity.net/?wpfb_dl=203

https://www.adaptationcommunity.net/vulnerability-assessment/vulnerability-sourcebook/

https://policy-practice.oxfam.org.uk/our-approach/toolkits-and-guidelines/vulnerability-risk-assessment

Figure 12: Schematic of the interaction among the physical climate system, exposure and vulnerability producing risk.



Source: IPCC, 2014, p.1046.

There are also other, already-existing data analysis methods to identify potential hazards and develop a climate rationale for a proposed project, as seen in Table 3.

Table 3: Existing data analysis methods to develop a climate rationale for a proposed project.

Tool	Description
Climate reduction assessment (if adaptation)	A form of participatory impact assessment focusing on community perceptions of vulnerability to climate change and capacity to adapt, which assesses the results of projects using pre-set indicators that measure the reduction in vulnerability and adaptive capacity. Vulnerability reduction assessment indicators are organised around four key categories: i) description and assessment of current vulnerability; ii) future vulnerability; iii) description and assessment of current adaptation/risk-management projects and strategies; iv) description and assessment of the system's capacity to adapt in the current environment and into the future.
Climate risk assessment (if adaptation)	Assesses a project's associated risks and opportunities faced under climate change by evaluating climate and weather events (hazards), their magnitude and likelihood of potential consequences (exposure) that may arise from interactions between natural or human-induced climate hazards, and pre-existing conditions (vulnerability). This can be informed by historical events or probabilistic risk models.
Climate risk narratives	Stories that incorporate a range of plausible climate futures to cover possible future conditions. These should be co-developed with relevant stakeholders, supported by technical climate data, and updated to reflect ongoing interactions between climate and other aspects.
Climate vulnerability and adaptation assessment (if adaptation)	A key instrument to identify and prepare for changing risks. It provides information for decision-makers on the extent and magnitude of likely risks attributable to climate change, as well as suggesting priority policies and programmes that can prevent or reduce the severity of future impacts.
Greenhouse gas abatement cost curve	Plots the abatement cost of various technologies or measures against the quantity of emissions reduced from said technology. This reveals the least to most expensive technologies or measures, and what marginal greenhouse gas abatement they achieve.
Greenhouse gas inventories (if mitigation)	Account for the amount of greenhouse gas emissions discharged into the atmosphere. Article 4.1a of the UNFCCC requires that all countries periodically publish and make available to the Conference of the Parties (COP) inventories of anthropogenic emissions and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol[2]. Project proponents should look for national greenhouse gas inventory reports. Other sources of reference are: UNFCCC Greenhouse Gas Inventory[3]; IPCC National Greenhouse Gas Inventories[4]; and, ISO 14064, Greenhouse Gas Accounting and Verification[5].

Tool	Description
Greenhouse gas mitigation assessment (if mitigation)	Involves a national-level analysis of the potential costs and impacts of various technologies and practices that have the capacity to mitigate climate change. The key goals of this assessment are: i) to provide policymakers with an evaluation of technologies and practices that can both mitigate climate change and contribute to national development objectives; and ii) to identify policies and programmes that could enhance their adoption.
Hazard mapping	Highlights vulnerable or easily affected areas of a particular hazard. For example, the potential occurrence of a climate or human-induced physical event that can lead to loss of life or structures, injury, damage, etc.
Impact assessment	Analyses and evaluates data on the impacts of physical events, disasters and climate change. . Aims to identify measures that can reduce possible harm to people or structures, so it stays within the baseline for acceptable risk.
Impact chain analysis	Provide the chains of cause and effect leading to potential impacts that are relevant to the project's design. Begin by analysing physical processes (both expected and observed), consider the hazards (both gradual and rapid, directly and indirectly), determine the impacts (both direct and indirect) on ecosystems, human systems, assets, etc.
Technology needs assessment	Assists developing country Parties to the UNFCCC to determine their technology priorities for the mitigation of greenhouse gas emissions and adaptation to climate change.
Vulnerability assessment (if adaptation)	Identifies the sensitivities of people and natural impacts, as well as the existing capacities to support adjustments to climate change impacts. This is done through participatory impact assessment, focusing on community perceptions of vulnerability to climate change and the capacity to adapt.

To conduct a climate risk and vulnerability assessment, a project proponent will need to gather and review climate data and information. This includes:

- **Global climate scenarios** (e.g. SRES; regional; downscaled global climate models; IPCC Representative Concentration Pathways 4.5 and 8.5);
- **Regional and subnational climate models** (e.g. scenarios modelled for UNFCCC National Communications);
- **Scientific information** (e.g. IPCC; information generated by the national meteorological agencies; climate risk conceptual framework);
- **Hydro-meteorological information** (e.g. rainfall/temperature data; information generated by national meteorological agencies; historic hydro-meteorological data); and
- **Climate services** (e.g. numerical weather prediction; weather and climate forecasts; scientific information generated by national meteorological agencies).

While different projects will need different types of climate data, this kind of information can be accessed through a variety of sources.

Global sources:
- Intergovernmental Panel on Climate Change (IPCC)
- United Nations Environment Programme (UNEP) Environmental Data Explorer
- World Bank (WB) Climate Change Knowledge portal
- World Meteorology Organisation (WMO)
- Food and Agriculture Organisation (FAO) GeoNetwork
- Organisation for Economic Co-operation and Development (OECD) Data
- European Space Agency (ESA) Climate Change Initiative (CCI)
- UNFCCC's Nationally Determined Contributions
- UK's Met Office
- National Aeronautics and Space Agency (NASA) Earth Observatory
- NASA's Socioeconomic Data and Applications Center (SEDAC)
- US Government Open Data Initiative
- US National Oceanic and Atmospheric Administration (NOAA)
- World Climate Research Programme's Coupled Model Intercomparison Project (CMIP)

National sources:
- National meteorological and hydrological services
- National academic and research institutions
- Past donor-funded projects and programmes

Using earth observation data in GCF funding applications

In many areas of the world, a lack of high-quality, high-resolution environmental data is a perennial barrier to prospective applicants being able to assemble the evidence needed to prepare strong funding proposals for the GCF.

Earth Observation (EO) is helping to address this gap. A wide range of mitigation- and adaptation-related EO data and services are now available with close-to global coverage, from historic carbon monoxide data to past flood frequency and extent analysis. These datasets enable the visualisation climate patterns, trends, and impacts for specific locations of interest.

Many global programmes are also answering the call for services that make EO data more accessible and decision relevant. The European Space Agency's EO4SD Climate Resilience Cluster is pioneering services specifically aimed at assisting GCF project proponents to leverage EO-derived climate data in order to develop evidence-based climate rationale for GCF investment.

There is also high-quality information available for some regions, for example, the CCCCC's Regional Clearinghouse that provides climate projections for Caribbean countries, or the Australian Agency for International Development (AusAID) has developed climate profiles for the Pacific Island countries. There are also the Pacific Climate Change Portal[6] and the Indianoceania Climate Change Portal[7]. Earth Observation (EO) data is also available.

Other non-climate data will be needed and may include:
- Geographic information of target area (latitude, longitude, land use and area, demographics, topology, climate);
- Land use patterns and land use change;
- Political/administrative information (number of provinces, administrative hierarchy); and
- Socioeconomic indicators (GDP per capita, census data and population size, economically important sectors; employment distribution per sector, economic growth).

IDENTIFY POTENTIAL IMPACTS ON THE VULNERABLE OR MARGINALISED GROUPS

The project proponent should consider what potential impacts the demonstrated climate changes will have on vulnerable or marginalised groups, such as women, Indigenous peoples or minority groups as they are disproportionately affected by climate change. This broadly includes identifying the distribution of impacts from a proposed activity, the level of access to resources that marginalised groups will have before and after a funding proposal is approved, and the co-benefits arising from the activity. To do so, identify what makes marginalised peoples sensitive to climate impacts from a political, economic and social perspective. Ask if women are disproportionately affected by any processes outlined in the project, and if there is fair, prior and informed consent in the project development phase. There may be intrinsic traditional or local knowledge that marginalised groups may have, especially from an adaptation standpoint.

It is also imperative to look at equal access to resources, goods and services. A project should not further exacerbate existing problems of social exclusion and marginalisation of certain groups, which can be the case if marginalised peoples already lack access to goods and services. A project should therefore ensure that its co-benefits are not only captured by a specific social group. Data that can help inform these elements include:

- Number of people dependent on a natural resource;
- Income generated from an activity; and
- Ecosystem services being affected by climate impacts.

And this data can also be drawn from stakeholder engagement such as through surveys, focus groups, workshops or interviews amongst the targeted groups as seen in Table 4.

Table 4: Selected consultation methods for stakeholder engagement.

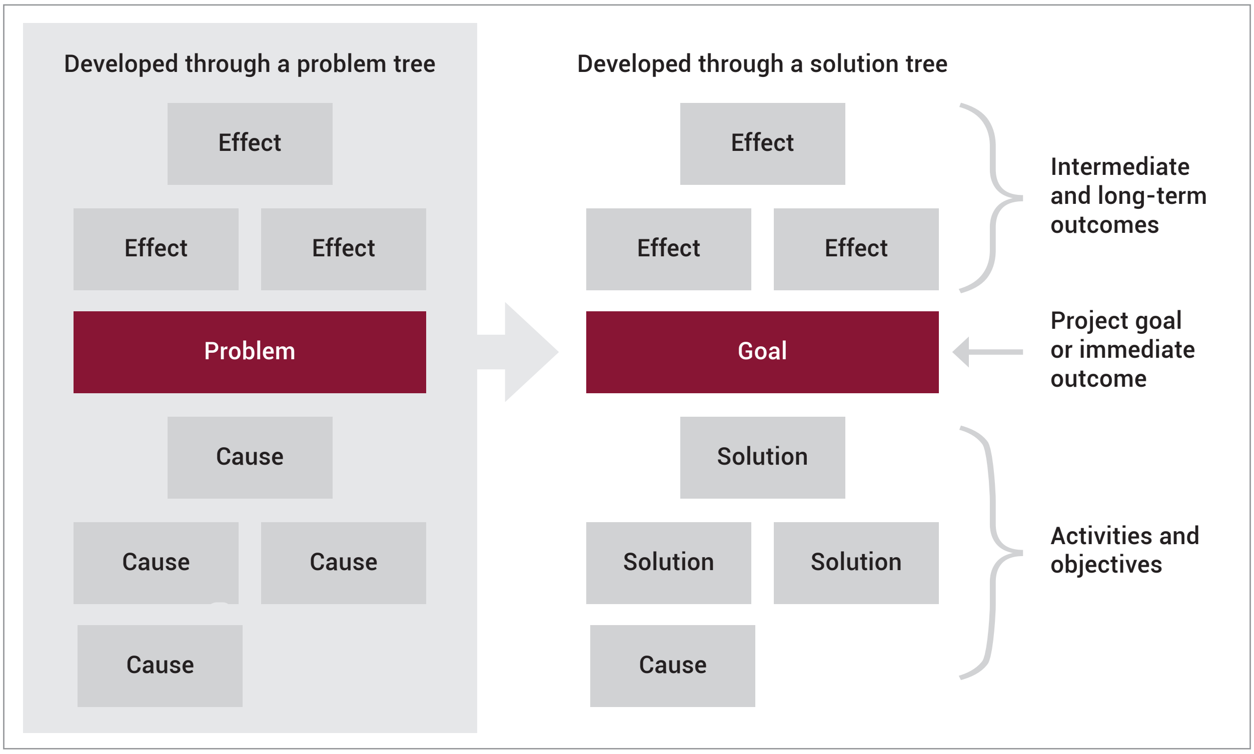
Method	Description
Interviews	Interviews may be undertaken individually or with more than one interviewee. One-on-one interviews have the advantage of allowing enough time to learn what key stakeholders think or know about a certain topic, as well as to develop a more detailed understanding of their opinions.
Focus groups	Small groups of stakeholders where specific issues are explored in depth through a structured but open-ended discussion, led by a trained facilitator. Structured to test the opinion of specific categories of stakeholders on a specific issue, focus groups can help reduce inhibition and promote open discussion by gathering similar types of people (e.g. women) in the group.
Surveys	Surveys are structured on a series of questions to obtain a view of, or to appraise, a certain area of study. They may be administered electronically, via phone or post, as well as face to face. Surveys are used to gather and compare information from many people. They are not suitable for gaining a detailed understanding of a specific issue and should be combined with qualitative methods such as focus groups, interviews or workshops.
Workshops	Workshops with different types of relevant stakeholders can provide the opportunity to discuss and share knowledge, views and lessons learned on a specific issue.

IDENTIFY THE MOST EFFECTIVE SOLUTIONS TO ADDRESS THE CLIMATE-INDUCED PROBLEM

After identifying the problem statement from the problem tree, the project proponent must develop a set of interventions providing the most effective solutions to the climate-induced problem.

A solution tree helps understand the solution options available to resolve the core problem. It can be created by reversing the negative statements found in the problem tree into positive statements. For example, if the negative statement is “lack of financial inclusion for females”, a positive statement would be “financial inclusion for all females”. This can also be done for the core problem which will provide the overall objective. The root causes will provide the various solution options available and the effects will provide the outcomes of the solutions. This turns the problem tree (root causes > core problem > effects) into a solution tree (solution options > overall objectives > outcomes). An example of a solution tree can be found in Figure 13. A comprehensive solution tree should be built through a participatory process e.g. focusing on the same stakeholders that were involved in the development of the problem tree while bringing the experience and expertise of government agencies, multilateral funding agencies, civil society, philanthropic organisations, and the private sector who have been previously involved in implementing similar projects.

Figure 13: The narrative from problem tree, to solution tree, to developing a Theory of Change.



Source: http://evaluationtoolbox.net.au/index.php?option=com_content&view=article&id=28&Itemid=134

While the solution tree provides a set of potential solutions or interventions to address the problem identified, it may be possible that multiple competing solutions might appear and accordingly, a further analysis of the benefits and potential trade-offs of each option should be undertaken to structure the solutions into a project. A Multi-Criteria Decision Analysis (MCDA) can be used at this stage to rank and prioritise multiple solutions based on a qualitative assessment of criteria such as co-benefits, ease of implementation, social acceptability etc. Qualitative expert judgment is usually undertaken to fill the information gap because reliable quantitative information is often unavailable.

Broadly, solutions can be classified into two categories (WeAdapt, 2020):

- **Non-structural:** projects involving use of knowledge, practice or agreement, especially through policies and laws, public awareness raising, training and education, institutional strengthening, technical assistance etc.; and
- **Structural:** projects involving development of physical infrastructure (e.g. dams, dykes, flood-ways) by applying engineering techniques or technologies in structures or systems.

Once the project options are selected, the project proponent can develop a high-level project design that provides the information required to assess the feasibility of the project options. If the project generates financial flows, the project proponent should present a financial analysis or integrated financial model that includes projections covering the period from financial close through to final maturity of the proposed GCF financing, with detailed assumptions and rationale. This is required for the entire project cost (including co-funding) and is used to inform the level of concessionality the project proponent will request from the GCF. As part of this analysis, it is also important to identify and assess the social and economic cost–benefits of the project through an economic analysis. Although there is no specific guidance available from GCF on discounting and other approaches, best practice in financial and economic analysis should be followed. A sensitivity analysis of critical elements (including discount rate) and other cost parameters should be performed. Cost-Benefit Analysis (CBA) or Cost-Effectiveness Analysis (CEA) can be used at this stage. An overview of these approaches can be found in Table 5.

Table 5: Selected data analysis methods to assess feasibility.

Tool	Description
Multi-Criteria Decision Analysis (MCDA)	• Structures decision problem with alternatives, and each alternative assess several criteria simultaneously. • Analyses both qualitative and quantitative information. • Uses a formal stakeholder participation process.
Cost-Benefit Analysis (CBA) Cost-	• Aims to quantify costs and benefits in monetary terms, including items such as social and environmental costs that do not typically have measurable economic value. • Quantifies social and environmental costs by translating items into common unit of value. This can present challenges by introducing a bias in the methodology to validate social and environmental costs and benefits. • Easily conducted in developing countries due to lack of data and resource environments resulting in adjusted methods.
Effectiveness Analysis (CEA)	• Measures cost effectiveness with the objective to minimise costs. CEA is essentially a simplified version of CBA by avoiding estimation of use or non-use of intangible or public goods. CBA may neglect other objectives (e.g. social and environmental costs and benefits, gender responsiveness, etc.). • Resulting output is single dollar-value figure for each alternative.

Sources: (Lami, 2014) and (Lazurko, 2019).

At this point, you should have:

- Identified the climate-induced problem your proposed project will target via a problem tree;
- Conceptualised the root causes, and direct and indirect effects of the climate-induced problem;
- Validated the problem via further analysis; and
- Identified the most effective solutions to address the climate-induced problem.

The information gathered through this step will inform primarily Section B.1 – Climate rationale and context. In Step 2, you will develop potential pathways to address the climate change induced problem, by linking activities to outcomes to the project's long-term vision through a Theory of Change.

Step 2: How to develop the theory of change of a project?

Project proponents at this point will ask "how do I make change happen?", and this can be answered through the development of a theory of change (ToC). A ToC represents the narrative/graphical statement that logically links activities of a project with the outcomes that need to be achieved to satisfy the project's long-term vision or goal. For the GCF, the ToC justifies the rationale of the project and provides information on how it serves to shift the development pathway towards low-carbon and/or climate resilient development, in line with its goals and objectives. A sound ToC is based on:

- Robust analysis of the context of where activities are planned to take place;
- Consideration of the relevant political, legal, economic and financial framework and barriers that prevent desired impacts from happening without additional intervention;
- Profound analysis of these barriers will then lead to a case for intervention, which will aim to remove some or all the barriers identified; and
- Identification of the risks associated with the intervention and potential mitigation measures.

A ToC includes the following elements:

- **Impacts:** long-term widespread changes (both positive and negative) or effects produced by an intervention, directly or indirectly, intended, or unintended;
- **Outcomes:** the likely or achieved short-term and medium-term effects of an intervention's outputs;
- **Outputs:** direct and immediate results, products or services which result from an intervention;
- **Activities:** tasks undertaken, or work performed through which inputs or resources are mobilized to produce specific results or outputs;
- **Barriers**: obstacles which may prevent a problem to get solved without additional intervention. A project should focus on overcoming these barriers;
- **Risks:** uncertain events that can threaten achievement of the project's objectives. Risks can be categorised based on their likelihood of occurring, and their impact if they occur; and
- **Assumptions:** factors outside of the project's control that need to occur for one level of the project to achieve the next level up (e.g. outputs to outcomes). Assumptions are positively-worded statements (e.g. no storms will hit the target area) and can be turned into risks by framing the positive statement into a negative one (e.g. a storm will hit the area).

The GCF requires project proponents to provide a one-page ToC in Section B.2 – Theory of change. An example of this can be found from the 'Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean' below in Figure 14. It is often presented in diagrammatic form with an accompanying narrative summary.

Figure 14: An example Theory of Change, as found in KfW's funding proposal 'Blue Action Fund (BAF) GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean'.

Fund level impact

Increase the resilience of vulnerable coastal populations with respect to climate change

Programme outcome

Enhance ecosystem services which contribute to reducing climate change-related risks for vulnerable coastal communities through the conservation and sustainable use of particularly relevant coastal communities

Project outputs

Output 1	Output 2	Output 3
Output 1: Coastal ecosystems, which are particularly relevant for climate change adaptation, are better protected and managed in a more sustainable way	**Output 2:** Degraded coastal ecosystems, which are particularly relevant for climate change adaptation, are rehabitated	**Output 3:** Enhanced knowledge, expertise and capacity of relevant national agencies to use Ecosystem-based Adaptation (EbA) approaches for climate-resilient coastal zone management

Project activities

Output 1:

- Improved sustainable management of Marine Protected Areas (MPAs) and Locally Managed Marine Areas (LMMAs)
- Reduction of land-based stressors on coastal marine ecosystems (in and outside MPAs)
- Measures to reduce physical damage to coastal and marine ecosystems
- Measures to reduce pressure on ecosystems (in & outside protected areas)

Output 2:

- Community based management of rehabilitation and site selection
- Mangrove reforestation
- Sea-grass rehabilitation
- Rehabilitation of beach vegetation
- Coral reef restoration (if applicable)

Output 3:

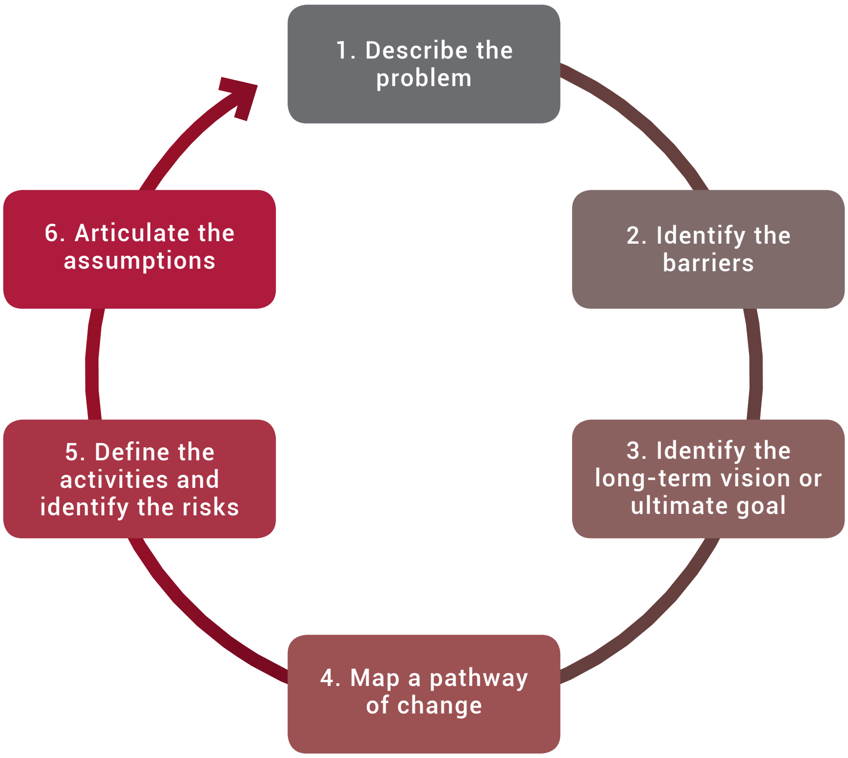
- Awareness raising and capacity building of na tional/regional agencies for EbA measures for climate-resilient coastal zone management
- Capacity building of na tional/regional gen cies on climate risk assessment and how to include EbA measures in climate-resilient coastal zone management
- Regional exchange of experiences and lessons learnt from the im plementation of EbA measures and on how to make EbA an integral part of climate-resilient coastal zone manage ment

Barriers

Lack of: • Understanding for the relevance of coastal ecosystems and ecosystem services for climate change adaptation, their effectiveness and economic and social benefits	Lack of: • Technical and financial capacities • Innovations • Concepts and solutions	Lack of: • Capacities to use coastal and marine resources more sustainably • Funds for investments into innovative solutions	Lack of: • Information and knowledge exchange across sectors and countries • Integrated planning approaches • Awareness of policy and strategy levels	Lack of: • Legal frameworks for sustainable management of marine habitat and their environment • Provisions for coastal and marine protection in legal frameworks

Source: GCF (2019b)

Figure 15: Stepwise approach to developing a Theory of Change.



A ToC can be developed through the following six steps as seen in Figure 15:

1. **Describe the problem** which is the main climate-induced problem that the project aims to overcome, as identified in Step 1, and endorsed by relevant stakeholders. It can include both climate and non-climate drivers.
   - **Ask: what is the climate-induced problem that my project aims to address?**

2. **Identify the barriers** that may prevent a problem to get solved without additional intervention. A project should focus on overcoming these barriers. These will tend to be in the form of negative statements, such as "lack of access to competitive markets". Barriers can be identified through a barrier analysis, which indicates the activities that remove the barriers and form the basis of the project idea, and what happens if the barriers are not addressed by the proposed activities (e.g. does it have an impact on the successful achievement of the project objective?). These barriers can be of different nature – political, institutional, socioeconomic, cultural, social, gender, fiscal, regulatory, technological, financial, ecological, etc. as shown in Table 6.

   The purpose of identifying these barriers is to also help identify where efforts may need to be emphasized. For example, a barrier could be cultural resistance to change, or low illiteracy rates of smallholder farmers. Respectively, more emphasis can be put on engaging community leaders or operationalising educational programmes.
   - **Ask: what barriers prevent my climate-induced problem to get solved without additional intervention?**

Table 6: Examples of the different barriers of the problem.

Types of Barriers	Examples
Ecological barriers	Natural borders between two ecosystems such as a desert, rivers, or mountains.
Financial barriers	Conditions that prevent the target groups from accessing finance.
Gender barriers	Differences (inequalities) in gender, limiting the advancement of women and adversely affecting their possibility to achieve desired goals.
Institutional barriers	Regulations or practices that hinder the achievements of the project/programme goals.
Regulatory barriers	Provisions of the national and or sectoral policies that hinder the achievement of the project/programme goals.
Social barriers	Differences (inequalities) in ethnicity, race, religion, health or socioeconomic status, gender, between individuals or groups that prevent them from achieving or accomplishing their goals or deny their opportunity to access resources and to advance their interests.
Technological barriers	Absence of relevant technologies and/or conditions to access them that prevent achievement of the desired goals.

3. Identify the **long-term** vision or **ultimate goal** of the project. This should be a clear and specific mission statement that articulates the long-term impact you want to achieve. Informed by the barriers, this is where an explanation of how your project will contribute to shift towards a low carbon (mitigation-related) and/or a climate-resilient (adaptation-related) development pathway. It is imperative that the ultimate project goal is aligned with national goals.
   - **Ask: what is the long-term vision my project aims to achieve?**

4. **Map a pathway of change** that will illustrate the cause-and-effect relationships between the long-term vision, and outcomes. Developing this pathway can be done through the process of backcasting, which is a planning process that works backwards from the long-term goal to identify the outcomes (also known as 'preconditions' or changes you wish to see) that will get you there. There can be multiple levels to outcomes; in the form of early to intermediate to ultimate outcomes and between each phase will have an "if then" statement. For example, if precondition X happens, then outcome A can happen, and so forth. This exercise will justify the activities in the next step, the resources which the project proponent is requesting funding for, and the indicators to be used for monitoring of the project progress.
   - **Ask: for my long-term vision to happen, what outcomes need to be in place?**

5. **Define the activities** that will help achieve each outcome identified in the step above. This will help a project proponent understand how certain activities will feed into outcomes which then realise the long-term vision. Be cognisant of the barriers in this step, which will help identify whether an activity is feasible or realistic, given the context it would operate in.
   - **Ask: what activities do I need to undertake so that each condition is set up for success to achieve the outcome I want from this project?**

After developing the proposed activities, **identify the risks** that may threaten the achievement of the project's activities. Risks can be categorised based on their likelihood of occurring, and their impact if they occur.

- **Ask: what potential risks may threaten the successful achievement of the proposed activities?**

6. **Articulate the assumptions** held throughout the pathway and clarify the links between activities and the outcomes they are expected to produce; the connections between the various outcomes; and the contextual factors that may influence whether outcomes will be achieved. Every project will be packed with assumptions on how change happens so the theory of change will articulate these assumptions and how change will happen during an intervention.
    - **Ask: 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?**

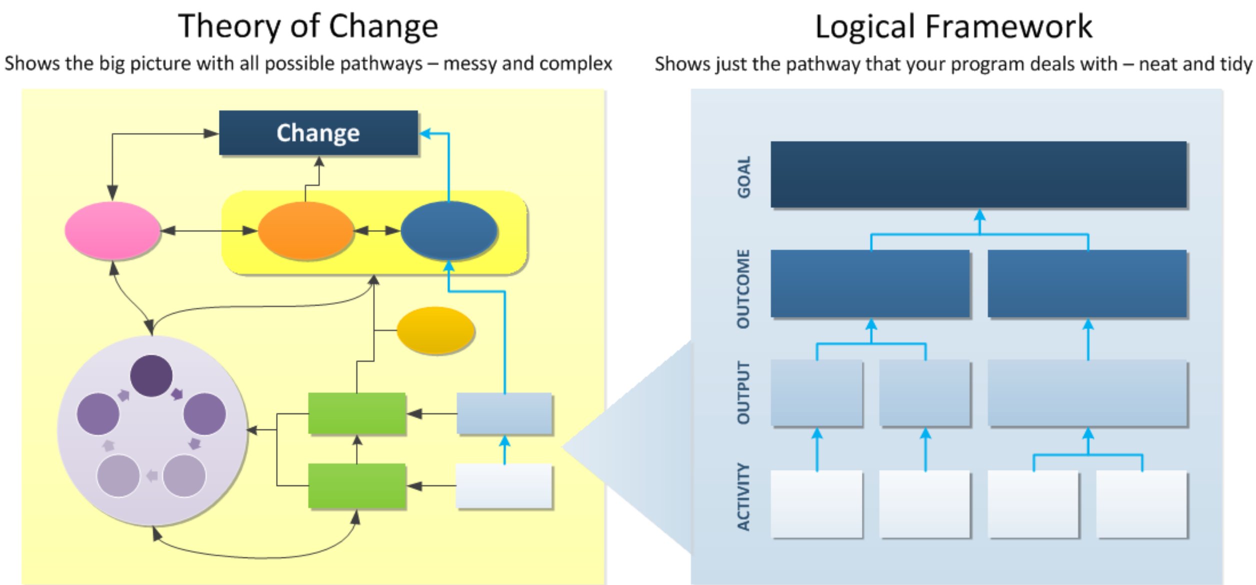
Based on the theory of change, the project proponent should define the geographical location or area, target beneficiaries and project components of the proposed project.

At this point, you should have developed a ToC laying the potential pathways to achieve the long-term vision of your project. The information gathered through this step will inform **Section B.2 – Theory of change**, as well as the barriers under **Section D.6 – Efficiency and effectiveness** of the GCF Funding Proposal Template. Step 3 will demonstrate how to develop your project's logical framework based on its Theory of Change.

Step 3: How to translate a project's theory of change into a logical framework?

The ToC is high-level, broad, and illustrates multiple pathways to describe the changes you need to make (your outcomes) and what you plan to do (your activities) to address the climate-induced problem. However, there are likely many causal pathways that can be taken to achieve this long-term vision. Zooming in on one particular causal pathway that would have the buy-in from relevant stakeholders and affected people, is scientifically backed and/or uses best-available information, and has an associated M&E framework, is referred to as a logical framework (log frame). The log frame is one of the most often-used methods to articulate and translate the ToC into a detailed strategy by logically linking the activities to outcomes and serves as a results map that captures the basic M&E requirements to ensure the efficacy of each activity. The project's log frame is critical to determine the costs at the activity level required in the proposal template, the overall budget, the timeline and key milestones. So, the log frame provides the funder with the gritty details on the who, what, where, when, how, how much and how long. The difference between the two can be seen in Figure 16.

Figure 16: An illustrative example of the difference between a theory of change and a logical framework.

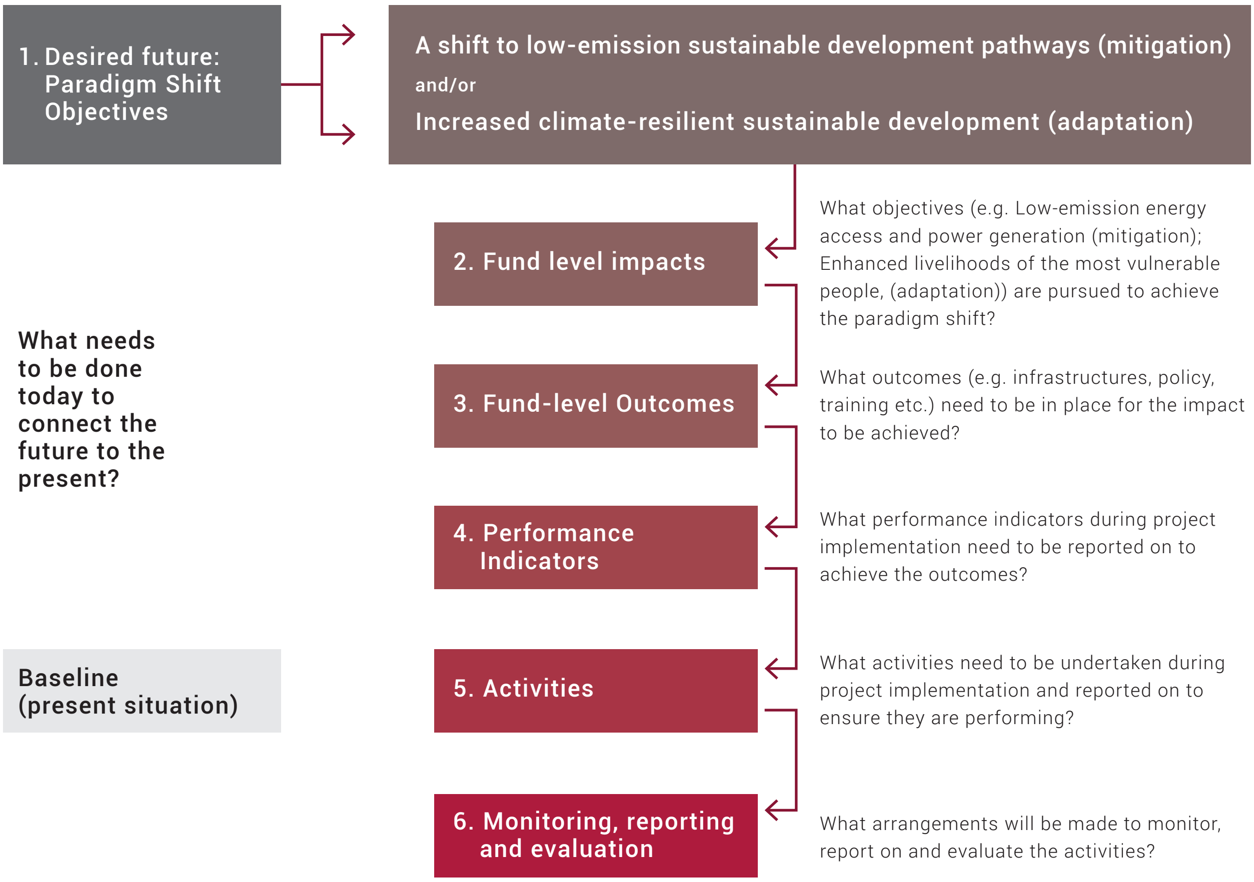


Source: http://www.tools4dev.org/resources/theory-of-change-vs-logical-framework-whats-the-difference-in-practice/

There are several ways to develop a log frame. The RMF method used by the GCF develops the log frame through a process of backcasting. **Backcasting** (the opposite of forecasting) is a planning process that starts with the desired future (paradigm shift and objectives) and works backwards to identify the outcomes, outputs, activities and inputs required to connect the future with the present (baseline) situation. The model's logic can then be verified by working from the baseline, up through the activities and onwards to the objective. The process to develop the log frame using the backcasting approach is shown in Figure 17.

As illustrated in Figure 17, following a top-down approach allows the project proponent to first identify the **paradigm shift** objective of the project, that is, the ability of the proposed project to contribute to 1) a shift to low-emission sustainable development pathways and/or 2) increased climate-resilient sustainable development. To measure the paradigm shift potential, a project proponent needs to select **core indicators.** An indicator is a quantitative or qualitative factor that provides simple and reliable means to measure achievement, depicts the changes connected to an intervention, or helps assess the performance of a development actor. Project proponents should therefore use relevant indicators that will help the GCF assess whether the expected results have been achieved.

Figure 17: Backcasting approach to developing a log frame.



SELECTING CORE INDICATORS UNDER PARADIGM SHIFT POTENTIAL

The core indicators, as seen in Table 7, inform the logic models for adaptation and mitigation.

Once core indicators are selected under the paradigm shift objective – the overarching vision of the project – the project proponent should describe in its log frame the following elements:

- **Fund-level impacts:** the aggregate changes the project will achieve in one or more of the GCF's eight strategic impact areas (see Figure 4);
- **Fund-level outcomes:** the appropriate outcomes to be reported for the project, as well as the changes that need to be in place for the Fund-level impacts to be achieved;
- **Project performance indicators:** performance indicators that should be reported on during implementation; and
- **Activities:** the significant deliverables that will be implemented under the project, and
- **Monitoring, reporting and evaluation arrangements** for the project.

Table 7: The core indicators under the mitigation and/or adaptation project.

Paradigm Shift Potential	Core Indicator
Mitigation	• Expected tonnes of carbon dioxide equivalent (t CO_2eq) reduced or avoided (disaggregated annually and over the lifetime). • Estimated cost per t CO_2eq. • Expected volume of finance leveraged by GCF funding (disaggregated by public and private sources).
Adaptation	• Expected total number of direct and indirect beneficiaries (disaggregated by sex). • Number of beneficiaries relative to total population (disaggregated by sex).

SELECTING RESULTS AND INDICATORS UNDER FUND-LEVEL IMPACTS AND FUND-LEVEL OUTCOMES

For Fund-level impacts and Fund-level outcomes, project proponents will have to select both results and outcomes, respectively, from a pre-determined list. Those results and outcomes are also associated to a pre-determined list of appropriate indicators which the GCF will use to evaluate the progress and performance of a project.

These can be found in the GCF's mitigation and adaptation PMFs, as shown in Table 8 and in Table 9 below.

Resources

The pre-determined list of results and outcomes under a mitigation or adaptation project can be found in the Performance Measurement Framework (PMF) on the GCF website:
https://www.greenclimate.fund/sites/default/files/document/mitigation-adaptation-performance-measurement.pdf.

Table 8: Mitigation and Adaptation Results and Indicators under Fund-level impacts.

Expected Results	Indicator
Mitigation – tCO2e reduced or avoided:	
M.1 Through increased low-emissions energy access and power generation	**M1.1** Gender-sensitive energy access power generation
M.2 Through increased access to low-emission transportation	**M2.1** Low emission gender-sensitive transport
M.3 From buildings, cities, industries and appliances	**M3.1** Buildings, cities, industries, and appliances
M.4 From land use, reforestation, reduced deforestation, and through sustainable forest management and conservation and enhancement of forest carbon stocks	**M4.1** Forest and land use (including increased removals of tCO2e)
Adaptation – improved resilience of:	
A.1 The most vulnerable people, communities and regions and their enhanced livelihoods	**A1.1** Change in expected losses of lives and economic assets (USD) due to the impact of extreme climate-related disasters
	A1.2 Number of males and females benefiting from the adoption of diversified, climate resilient livelihood options (including fisheries, agriculture, tourism, etc.)
	A1.3 Number of Fund funded projects/programmes that supports effective adaptation to fish stock migration and depletion to climate change
A.2 Health and well-being, and food and water security	**A2.1** Number of males and females benefiting from introduced health measures to respond to climate-sensitive diseases due to the impact of extreme climate-related disasters
	A2.2 Number of food secure households (in areas/periods at risk of climate change impacts)
	A2.3 Number of males and females with year-round access to reliable and safe water supply despite climate shocks and stresses
A.3 Infrastructure and the built environment to climate change	**A3.1** Number of physical assets made more resilient to climate variability and change, considering human benefits
A.4 Ecosystems and ecosystem services	**A4.1** Coverage/scale of ecosystems protected and strengthened in response to climate variability and change
	A4.2 Value (USD) of ecosystem services generated or protected in response to climate change

Table 9: Mitigation and Adaptation Outcomes and Indicators under Fund-level outcomes.

Expected Results	Indicator
Mitigation – tCO2e reduced or avoided:	
M.5 Strengthened institutional and regulatory systems	**M5.1** Institutional and regulatory systems that improve incentives for low-emission planning and development and their effective implementation
	M5.2 Number and level of effective coordination mechanisms
M.6 Increased number of small, medium and large low-emission power suppliers	**M6.1** Proportion of low-emission power supply in a jurisdiction market
	M6.2 Number of households and individuals (males and females) with improved access to low-emission energy sources
	M6.3 MWs of low-emission energy capacity installed, generated and/or rehabilitated as a result of GCF support
M.7 Lower energy intensity of buildings, cities, industries and appliances	**M7.1** Energy intensity/improved efficiency of buildings, cities, industries and appliances as a result of Fund support
M.8 Increased use of low-carbon transport	**M8.1** Number of additional female and male passengers using low-carbon transport as a result of Fund support
	M8.2 Vehicle fuel economy and energy as a result of Fund support
M.9 Improved management of land or forest areas contributing to emissions reductions	**M9.1** Hectares of land or forests under improved and effective management that contributes to CO2 emission reductions
Adaptation – improved resilience of:	
A.5 Strengthened institutional and regulatory systems for climate-responsive planning and development	**A5.1** Institutional and regulatory systems that improve incentives for climate resilience and their effective implementation
	A5.2 Number and level of effective coordination mechanisms
A.6 Increased generation and use of climate information in decision-making	**A6.1** Use of climate information products/services in decision-making in climate sensitive sectors
A.7 Strengthened adaptive capacity and reduced exposure to climate risks	**A7.1** Use by vulnerable households, communities, businesses and public-sector services of Fund-supported tools instruments, strategies and activities to respond to climate change and variability
A.8 Strengthened awareness of climate threats and risk-reduction processes	**A7.2** Number of males and females reached by [or total geographic coverage of] climate-related early warning systems and other risk reduction measures established/strengthened
	A8.1 Number of males and females made aware of climate threats and related appropriate responses

Gender disaggregation for the indicators should be applied where possible (see Section 4.7). In the process of selecting indicators, project proponents should consider the perspectives of a wide range of project stakeholders, most importantly the intended beneficiaries, national and local governments, and EEs.

SELECTING PROJECT/PROGRAMME PERFORMANCE INDICATORS

Based on the content of the project and to complement the adopted core indicators, the project proponent can select their own additional indicators to report on progress during the implementation of a project and measure pre-existing conditions, progress and results at the most relevant level. Unlike the Fund-level impacts and outcomes, there is no pre-determined list of indicators to be selected.

SELECTING MEANS OF VERIFICATION, BASELINE, TARGETS, AND ASSUMPTIONS

After selecting appropriate indicators at the Fund-level impact, Fund-level outcome and project/programme performance level, the project proponent should identify the i) means of verification, ii) baseline, iii) mid-term and final target, and iv) assumptions. An illustrative example of project performance indicators with above elements can be seen in Figure 18.

Figure 18: An illustrative example of indicators and corresponding means of verification, baseline, target and assumptions at the programme performance level from the 'Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean'.

Expected Results	**Indicator**	**Means of Verification (MoV)**	**Baseline**	**Target**		**Assumptions**
				Mid-term	Final	
Output 1. Coastal ecosystems, which are particularly relevant for climate change adaptation, are better protected and managed in a more sustainable way	Number and size of new marine and coastal protected areas; Number and size of protected areas with improved protection level and efficient management	Mapping of areas, legal demarcation, documents, Management Effectiveness Tracking Tool (METT) documentation, Annual Reports from sub-projects; Mid-Term and Monitoring and Evaluation Reports from BAF	0 ha under adequat e protecti on/man agemen t	200,000 ha	1.7 million ha	National institutions responsible for protected areas and their management support the activities and provide improved enforcement; The infrastructure is respected and duly maintained
Output 2. Degraded coastal ecosystems, which are particularly relevant for climate change adaptation, are rehabilitated	Size of marine and coastal ecosystems rehabilitation/res tored	Mapping of areas, surveys of rehabilitated ecosystems, photographs, Annual Reports from sub-projects; Mid-Term and Monitoring and Evaluation Reports from BAF	0 ha rehabilit ated	3,000 ha	25,000 ha	Enforcement from governmental authorities improved; rehabilitated sites will not be destroyed by extreme weather events

Source: https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp122-kfw-madagascar-mozambique-south-africa-tanzania.pdf

Means of verification
The means of verification allows the GCF to measure and monitor the target results identified in the log frame. This refers to the data sources (progress reports, interviews, surveys etc.) that project proponents can use to determine the indicators, and specifically how the data will be collected. Examples of means of verification may include:

- Project evaluations: semi-annual and annual reports, mid-term and terminal evaluations;
- Monitoring programmes and reports;
- Geographic information systems (GIS) data;
- Interviews with relevant stakeholders;
- Information from experts and/or the public; and Surveys.

The means of verification must also detail relationships between AEs, EEs and NDAs/focal points regarding reporting (who reports what data to whom), accountability (who will collect the data), and frequency (how often the data will be collected) based on project indicators, implementation challenges and financial status.

Baseline
The baseline provides a reference point with which to compare future changes. Information on the baseline can be drawn from the activities undertaken while justifying the climate rationale. In the log frame, the baseline is a measure of the current situation for a specific indicator. The baseline value/condition affects the way the target is expressed (e.g. percentage of population served, or percentage increase from the baseline condition).

Targets
Targets are commitments that indicate what project proponents want to achieve and by when. They serve several important functions in a project, including:

- Setting and quantifying the expected results of a project; and
- Providing a reference to measure progress about the project in view of what is expected to be achieved.

Final targets correspond to conditions to be achieved by the end of a project with reference to the selected indicators; **mid-term targets** are conditions anticipated to be reached at the half-way point of a project's implementation.

Assumptions
The assumptions describe factors outside the project's control that need to occur for one level of the project description to achieve the next level up (e.g. outputs to outcomes). Typical assumptions include factors such as weather, economic and political situation, and community participation.

In the assumptions, project proponents identify events that can occur and impact the project, but the probability of which is less than 100%. Assumptions and risks are strictly related. The assumptions will assume that a certain statement is 'true', while the risk accounts for the likelihood that a statement is 'not true'. In other words, assumptions are positively worded statements – 'we will have the resources needed to complete the project'– that can be turned into risks by expressing the positive statement as negative – 'we will not have the resources needed to complete the project'.

SELECTING ACTIVITIES
Then the project proponent must list the **activities** under the proposed project, along with their description and sub-activities, if any. Any significant deliverables are also to be reflected in Section E and in Annex 5 – Implementation Timetable. Eventually, the logic of the log frame can be verified by working from the **baseline**, up through the activities and onwards to the fund-level impact.

SELECTING MONITORING, REPORTING AND EVALUATION ARRANGEMENTS

The AEs are primarily responsible for the M&E of their funded projects and will report accordingly to the GCF. This is especially relevant for the indicators at the paradigm-shift objective, fund-level impact, fund-level outcome, and project performance levels. Project proponents must describe the relationships between AEs, EEs and NDAs/focal points regarding reporting (who reports what data to whom), accountability (who will collect the data), and frequency (how often the data will be collected) based on these indicators. Challenges in implementation, the financial status, and the types of interim and final evaluation arrangements must also be provided. This information must be consistent with the general terms and conditions applicable to GCF-funded activities as outlined in the Accredited Master Arrangement (AMA) between the AE and GCF. At the project level, AEs must include monitoring that enables the participation and engagement of communities and local stakeholders. Reporting requirements for the project implementation and post-implementation period are presented in Table 10.

Table 10: GCF reporting requirements.

Report	Description	Timing/frequency
Annual performance reports (APRs)	• Financial management reports (these should provide dates and amounts disbursed for each funded activity and compliance with financial covenants) • Reporting requirements on ESS consistent with GCF ESMS • Narrative report on implementation progress on logic framework • Considerations on ongoing performance of project against GCF investment framework criteria • Updates on the indicators and report on ESS and gender, and financial performance of project/ programme	During implementation period Might be required during post-implementation period
Interim evaluation report and final evaluation report for each funded activity.	• The performance of the funded activity against GCF investment criteria, including financial/ economic performances as part of the project/ programme efficiency and effectiveness criterion	During implementation period

Based on the APRs received from AEs, the Secretariat will report annually to the Board on the performance of an AE's project therefore an AE may report on progress implementation, potential risks, lessons learned from the design and implementation of the project, and in the case of a programme, how well the programme is achieving added value beyond what a collection of standalone projects would have achieved.

At this point, you should have:

- Developed a log frame detailing the deliverables, activities, performance indicators, outcomes and Impacts;

- Selected core indicators at the paradigm-shift objective level and indicators at the impact, outcome, and project performance level;
- Selected means of verification, baseline, targets and assumptions for each indicator; and
- Detailed the AEs' monitoring, reporting and evaluation requirements during implementation and post-implementation.

The information gathered through this step will inform the funding proposal's template **Section E– Logical framework and Annex 11 – Monitoring and Evaluation Plan**. Step 4 will detail how to align your project against the GCF investment criteria.

Step 4: How to align a project against the GCF investment criteria?

In formulating the proposal, the project proponent is expected to demonstrate the project's alignment with six investment criteria which are defined in the GCF's Investment Framework. The list of criteria is provided in Figure 19. The Fund's Investment Framework details possible indicators (or indicative assessment factors) that may help entities to quantify impact potential. For example, a renewable energy project may wish to provide the expected number of MW of low-emission energy capacity installed, generated and/or rehabilitated.

Resources

A list of potential activity-specific sub-criteria and indicators can be found on the GCF website: **https://www.greenclimate.fund/sites/default/files/document/investment-framework-criteria-assessment.pdf.**

For each of these investment criteria, the project proponent should **select only the applicable and relevant sub-criteria and indicators** as follows:

- Activity-specific sub-criteria informing the approval process for project allocation decisions, and applied to both adaptation and mitigation actions; and,
- Indicators (indicative assessment factors) seeking to provide clarity on how the sub-criteria can be assessed.

Figure 19: GCF investment criteria and their definitions.

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

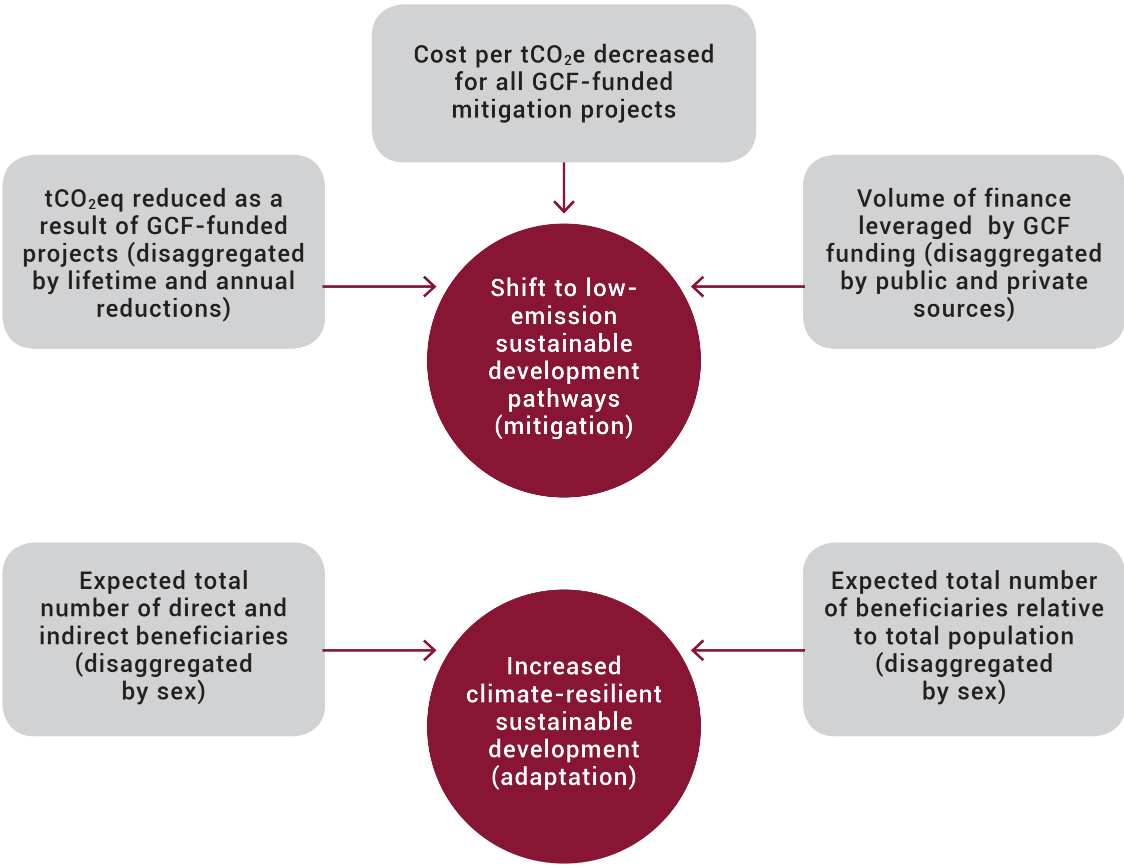
The methodology used for calculating the indicators and values should be provided. Project proponents can complement quantitative indicators with qualitative ones however not all indicators are applicable to all activities. Funding proposals must focus on indicators relevant to the proposal, country context and GCF priorities which the project addresses.

INVESTMENT CRITERION 1: IMPACT POTENTIAL

In order to demonstrate the impact potential of the project, the funding proposal should demonstrate how the project contributes to the achievement of the GCF's objectives and fund-level impacts. Namely, the funding proposal should demonstrate its contribution to the shift to low-emission sustainable development pathways (mitigation) and/or to increased climate-resilient sustainable development (adaptation).

The project proponent should provide evidence for the core indicators relevant for the selected fund-level impact. The core indicators for mitigation and adaptation are shown below in Figure 20 (see also Step 3).

Figure 20: Elements of the mitigation and adaptation core indicators.



For **mitigation projects**, an estimate of baseline emissions/avoided emissions should be provided, together with the methodology used to calculate these. This methodology should be in accordance with reliable (known, widely used, vetted and tested) best practices, protocols, or methodologies (e.g., CDM methodologies[8], IPCC emissions factor database).

It is important that the baseline emissions scenario is robust and considers the following aspects:

- Technologies or practices that have been previously implemented or are currently being introduced that embody comparable quality, properties, and applications as in the proposed project; and
- The rebound effect or leakage from emissions, and a monitoring plan for these elements.

For **adaptation projects**, the project proponent should clearly set out the specific risks and vulnerabilities, under current and future conditions of climate change, that the project aims to address. Consideration should be paid to the following aspects:

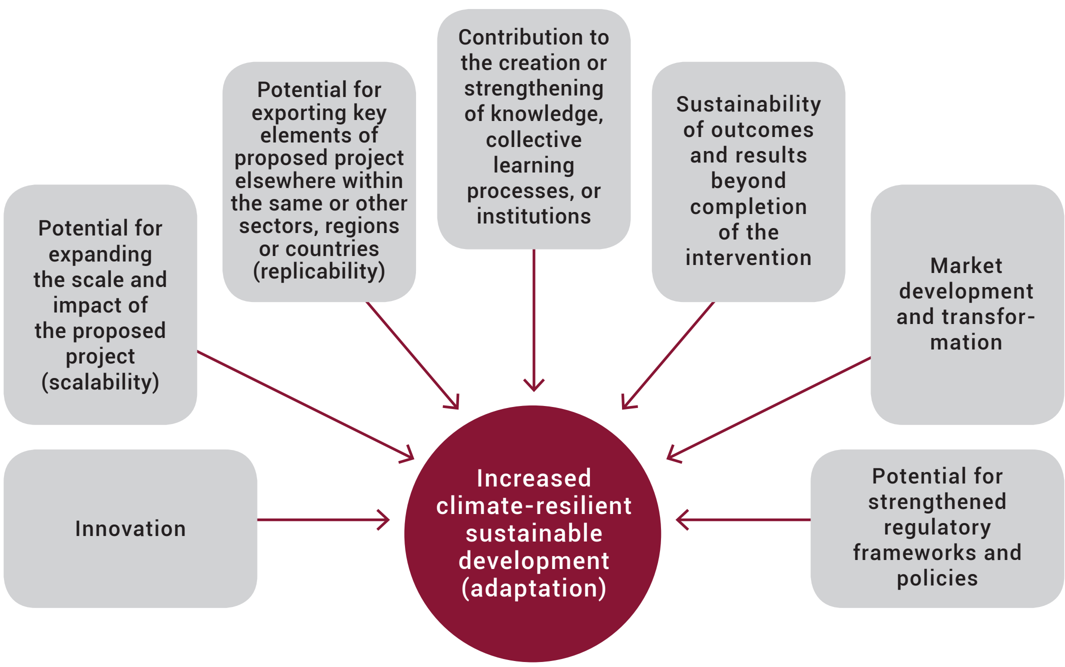
- Observed (historic) climate trends (e.g. observed changes in mean annual temperature and rainfall) and projected climate change (e.g. projected changes in temperature and rainfall);
- Appropriate geographic and temporal scales for the project;
- Slow-onset and rapid-onset climate-related hazards; and
- Impacts of these climate-related hazards on the target area in terms of loss of life, value of physical assets, livelihoods, and/or value of environmental or social/cultural assets.

The funding project should articulate a clear causal narrative between specific activities and their objective of reducing vulnerability or climate risk. This narrative needs to be evidenced and, where possible, quantified using reliable data sources and information.

INVESTMENT CRITERION 2: PARADIGM SHIFT POTENTIAL

To demonstrate the paradigm shift potential of the project, the funding proposal should demonstrate the extent to which the proposed activity can catalyse impact beyond a one-off project investment. As seen in Figure 21, the project proponent should emphasise and provide evidence for as many of the following factors as possible:

Figure 21: Elements of the paradigm shift potential criterion.



- **Potential for expanding the scale and impact of the proposed project (scalability).** Refer to specific measures for scaling-up a project. A project with high potential for scaling-up, for example an early warning system for an individual province, could be extended to surrounding provinces through a demonstration effect. The project proponent should explicitly identify target sectors for scaling up (e.g. the whole sector or all sectors of the national economy), provide evidence of the market demand for sectors targeted and an estimate of the target market (defined by a certain measure such as investment size or activity size). The proposed project should set out changes necessary to expand its scope and impact; identify short, medium and long-term milestones to achieve these; and evidence of being able to increase scope and impact without increasing costs.
- **Potential for exporting key structural elements of the proposed project elsewhere within the same sector as well as to other sectors, regions or countries (replicability).** Refer to specific measures for replicating a project elsewhere within the same sector as well as to other sectors, regions or countries. A project with high replication potential may, for example, be a hydroelectric power station situated in a region with several potential other sites identified in a supporting technical study.
- **Contribution to the creation or strengthening of knowledge, collective learning processes, or institutions.** Highlight any measures that aim to improve the general level of technical understanding in a relevant field, strengthen cooperation between institutions responsible for implementing the project, and organise learning exchanges between institutions partnering in the project and beyond. In addition, if the project will generate useful lessons, a plan should be elaborated that specifies how those lessons can be captured and shared with other projects or institutions, including through the monitoring and evaluation of the project.
- **Market development and transformation.** Highlight the aspects of market development and transformation by which the project creates new skills in the job market (e.g. with the creation of long-term training facilities, universities, etc.) and business activities at the local, national or sectoral levels activities (e.g. companies, equipment suppliers, suppliers, insurers, service providers) previously not existing in the market.
- **Innovation.** Refer to the development and/or adoption of new technical or business improvements in the target area. This includes the adoption and development of new technologies, or innovative business models which can help access new market segments or address barriers in the target area.
- **Potential for strengthened regulatory frameworks and policies.** Refer to measures geared towards achieving “systematic mainstreaming” of climate change into countries’ regulatory frameworks and policies. This requires identifying and prioritising measures to promote the consideration of climate change in development strategies and policies at national, sectoral and local levels; mobilising and allocating the necessary funding to implement set priorities; changing regulatory frameworks and policies; reforming regulatory frameworks to overcome barriers for the effective implementation of the set priorities; strengthening the capacities of the institutions responsible for the implementation of set priorities; and ensuring that the implementation of set priorities are properly monitored and reported.
- **Sustainability of outcomes and results beyond completion of the intervention.** Stipulate the arrangements that will ensure the financial sustainability of key outcomes and activities in the long run. A strategy to phase out GCF funding is needed by identifying or securing additional public and/or private funding sources (including project cash flows). Consequentially, the capacity of the AE and/or EE to run the project without GCF funding should be established by highlighting their experience and track record in similar or relevant circumstances as described in the proposed project (e.g. targeted country, sector, type of intervention, and technology). In addition, effective measures should be described to mitigate risks and challenges to project implementation in the long run (see Step 4.5 in this toolkit for further information on how to identify risks and mitigation measures).

INVESTMENT CRITERION 3: SUSTAINABLE DEVELOPMENT POTENTIAL

To demonstrate the sustainable development potential of the proposed project, the project proponent must identify at least one positive co-benefit in at least two of the four coverage areas as seen in Table 11: environmental, social, economic or gender empowerment. These co-benefits must have an associated indicator as well as baseline and target values (percentage or absolute), disaggregated by sex if available. This information may be drawn from an economic analysis of the proposed activities, and can be strengthened with more qualitative factors, referring, where appropriate, to the project's ability to achieve one of more of the SDGs shown in Figure 22.

Figure 22: The UN Sustainable Development Goals.

Source: UN (2015).

Table 11: Examples of sustainable development indicators.

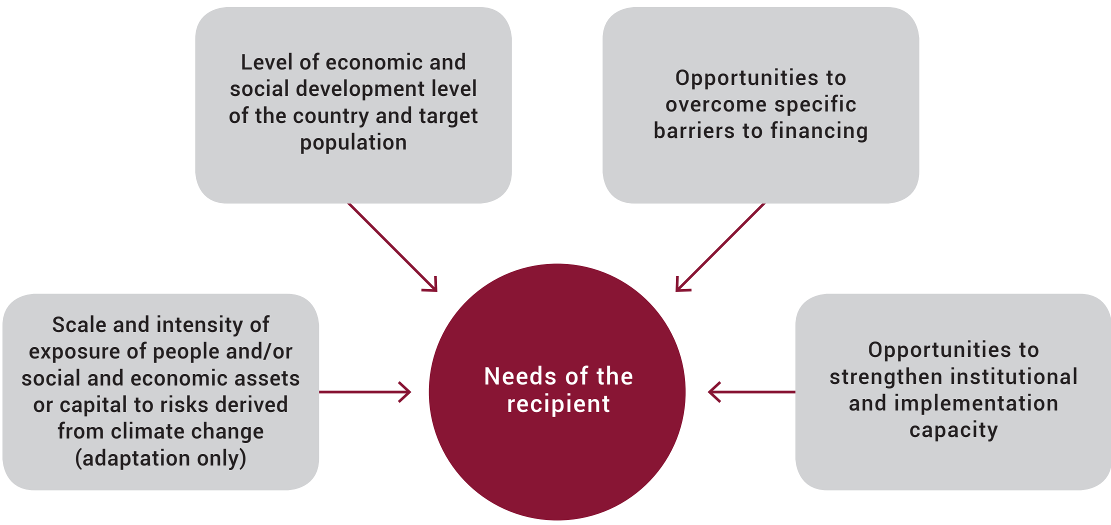
Economic co-benefits	Social co-benefits	Environmental co-benefits	Gender-responsive development impact
• Total number of jobs created • Poverty alleviation • Enhancement of income and financial inclusion, especially among women • Increased productivity and infrastructure investment	• Improved access to education • Improved conservation of and/or access to cultural heritage • Improved health and safety • Improved land rights	• Increased air and soil quality • Improved ecosystem services and biodiversity • Increased water quality • Increased efficient and sustainable use of living natural resources	• Proportion of men and women in jobs created • Reduction of gender gap in salaries • Increased number of women in leadership positions

INVESTMENT CRITERION 4: NEEDS OF THE RECIPIENT

To demonstrate the needs of the recipient, the project proponent should describe the scale and intensity of climate risks and vulnerability to climate change within the country and beneficiary groups and explain how the project will address these needs. As shown in Figure 23, this can be demonstrated by emphasising and providing evidence for as many of the following factors as possible:

- **Scale and intensity of exposure of people, social or economic assets, and capital to climate-related risks (adaptation only).** Describe the scale and intensity of exposure to climate risks for the beneficiary country and groups, which could include the exposure of people, social or economic assets, and capital to climate-related risks. Exposure could be expressed in terms of population size, number of social or economic assets, or capital value, including relevant gender-disaggregation of indicators.
- **Level of economic and social development level of the country and target population.** Describe the level of social and economic development (including income level) of the country and target population. Examples of the target population may include minorities, disabled, elderly, children, female heads of households, indigenous peoples or others.
- **Opportunities to overcome specific barriers to financing.** Describe the barriers or fiscal gaps that have created the lack of alternative funding sources for the project. Barriers can include political barriers (e.g. corruption and governance risks, administrative risks, policy/regulatory risks, social acceptance), technical and operational barriers (e.g. construction delays and risks, upstream resources-related risks, catastrophe and environmental risks), and financial barriers (e.g. operating and capital costs increase, currency risk, revenue risk).
- **Opportunities to strengthen institutional and implementation capacity.** Describe the opportunities to strengthen institutional and implementation capacity in relevant institutions (AE, EE and other partner organisations with an implementation mandate). This can include specific capacity building activities to build technical and human capital or develop/ improve governance and coordination mechanisms.

Figure 23: Elements of the needs of the recipient criterion.



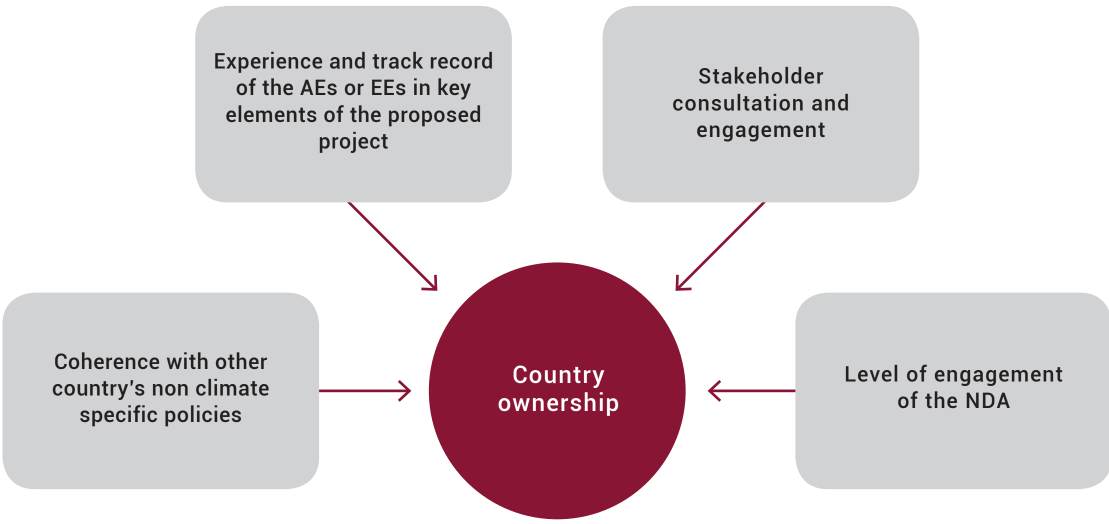
INVESTMENT CRITERION 5: COUNTRY OWNERSHIP

To demonstrate country ownership of the proposed project, the project proponent should ensure that activities to be financed by the GCF align with strategic national objectives and priorities and help advance ambitious action on adaptation and mitigation in line with national priorities. In particular, the project proponent should demonstrate that the project is coherent and aligned with the country's climate strategy and/or priorities as set out in relevant strategic documents, such as national and/or sectoral climate strategies or plans, NAMAs, NAPs, NDCs, Technology Needs Assessments (TNAs), and National Communications (NC) to the United Nations Framework Convention on Climate Change (UNFCCC).

Under this investment criterion, as seen in Figure 24, project proponents should also demonstrate the following:

- **Coherence with country's other non-climate specific policies.** Highlight how the project's objectives are aligned with a country's national and sectoral (sustainable) development policies, including national development policies and strategies, sustainable or green growth development policies and strategies, Vision 2020, and other institutional frameworks.
- **Experience and track record of the AEs or EEs in key elements of the proposed project.** Highlight the AE's and/or EEs' track record and relevant experience and expertise in similar or relevant circumstances as described in the proposed project. Such circumstances can be linked to the entities' experience in the same country context, the project's targeted sector, type of intervention, and technology. The experience working/engaging with the country's NDA should also be described.
- **Stakeholder consultation and engagement.** A stakeholder engagement plan should be developed and articulate a well-defined stakeholder engagement strategy. In particular, this should include engagement with non-governmental organisations, private companies, the financial sector, civil society organisations (CSOs), universities and/or research institutions and the targeted population inclusive of ethnic minorities, disabled, elderly, children, women, indigenous peoples and other more traditionally under-represented stakeholders.
- **Level of engagement of the NDA.** Describe how the AE/EE has engaged the NDA during the development/design phase of the proposed project. Alignment with the priorities identified in the Country Programme should also be presented.

Figure 24: Elements of the country ownership criterion.

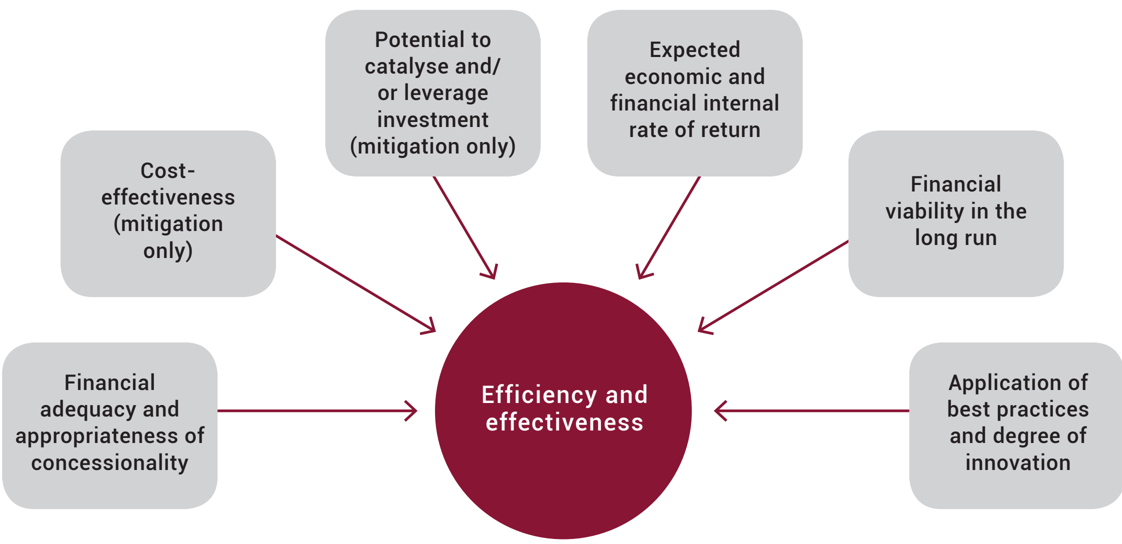


INVESTMENT CRITERION 6: EFFICIENCY AND EFFECTIVENESS

To demonstrate efficiency and effectiveness of the proposed project, the project proponent should conduct an economic and financial analysis to demonstrate value for money and, where possible, secure up-front co-financing to encourage crowding-in. The project proponent should outline how the financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable to achieve the project's objectives, including addressing existing bottlenecks and/or barriers, and provides the appropriate concessionality to make the project viable without crowding out private and other public investment. As seen in Figure 25, project proponents should demonstrate the following as relevant:

- **Financial adequacy and appropriateness of concessionality.** Describe the overall adequacy of the financial structure (funding amount, financial instrument, tenor and term) to make the proposed project financially viable, while providing the least concessionality to avoid crowding out any private or other public investment. Highlight any existing bottlenecks or barriers that will be addressed;
- **Cost-effectiveness (mitigation only).** Account for the total direct financing invested compared to expected emission reductions under the proposed project and explain how it compares to an appropriate benchmark. For example, a mitigation project can demonstrate the estimated cost per tCO2eq compared to the total investment cost over the lifetime of emission reductions;
- **Potential to catalyse and/or leverage investment (mitigation only).** Account for the total amount of co-financing for the proposed project compared to the amount of GCF financing. For a mitigation project that may not leverage a significant level of direct co-financing through the AE, the project proponent may instead demonstrate a significant level of indirect co-financing through a third party and that can be reasonably assumed to have been the result of GCF financing. An AE reporting on co-financing can cover parallel finance, which is any financial resources flowing alongside the GCF proceeds but not required for implementation and reserved for general mitigation and adaptation measures. Because it is not required for implementation, reporting on parallel financing is not mandatory under GCF reporting;
- **Expected economic and financial internal rate of return.** Describe the economic and financial rate of return (with and without GCF support). Other financial indicators, including the debt service coverage ratio, may be provided as applicable;

Figure 25: Elements of the efficiency and effectiveness criterion.



- **Financial viability in the long run.** Provide the arrangements that will ensure the financial sustainability of key outcomes and activities in the long run. A strategy to phase out GCF funding is needed by identifying or securing additional public and/or private funding sources (including project cash flows). In addition, the strength of the AE and/or EE to run the project without GCF funding should be established, by highlighting their experience and track record in similar or relevant circumstances as described in the proposed project (e.g. targeted country, sector, type of intervention, and technology). Effective measures should be described to mitigate risks and challenges to the project implementation in the long run; and
- **Application of best practices and degree of innovation.** Describe how the best available technologies and/or best practices are considered and applied, including those of indigenous peoples and local communities. Refer also to the creation and/or adoption of new technical or business improvements in the target area. This includes the adoption and development of new technical improvements, such as new technologies, or new innovative business models which can help access new market segments, or address barriers in the target area.

At this point, you should have demonstrated how the proposed project will perform against the investment criteria of the GCF.

The information provided under this section will inform **Section D – Expected Performance against Investment Criteria.** Step 5 will identify potential risks to a project and how to develop associated mitigation measures.

Step 5: How to identify potential risks to a project and their mitigation measures?

Project proponents are expected to identify any substantial risks that the project may face and propose respective risk mitigation measures. Risk is the potential of exposing something of value to damage or loss. Risk mitigation entails modifying the project design or including additional activities to reduce the likelihood the risk will occur. In the proposal, the project proponent should explain how the mitigation measures will lower the probability of the identified risks occurring, and to what extent.

Project proponents should also describe any other potential issues that will be monitored as 'emerging risks' during the life of the projects: issues that are not yet raised to the level of 'risk factor' but will need monitoring. These could include issues related to external stakeholders such as project beneficiaries or the pool of potential contractors.

For each risk, the project proponent must indicate the:

- **Category:** technical and operational, credit, forex, governance, legal, reputational, money laundering/terrorist financing (ML/TF), sanctions, prohibited practices and other risks (see definitions in Table 12);
- **Probability of the risk occurring:** low, medium or high (see matrix in Table 13); and
- **Level of impact:** low, medium or high.

Table 12: Types of risk categories and their definitions.

Risk category	Definition
Credit	GCF loan financing recipient will become unwilling or unable to satisfy the terms of a loan obligation to the GCF, or that the value of a loan asset declines due to a deterioration in the creditworthiness of the issue.
Forex	Loss in the value of contributions due to foreign exchange rate fluctuations.
Governance	Failure of the AE/EE or other related parties to comply with GCF's internal policies, guidelines, applicable regulations, and respective agreements (e.g. AMA, FAA) with involved parties to a project. Failure of the project to deliver the expected transformative mitigation and adaptation climate impact.
Legal	Financial loss, sanction, and/or reputational damage resulting from the use of defective contracts or contractual relationships.
Money laundering/ terrorist financing (ML/TF)	The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime / the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.
Prohibited practices	Abuse, conflict of interest, corruption, retaliation against whistle-blowers or witnesses, as well as fraudulent, coercive, collusive, and obstructive practices.

Risk category	Definition
Reputational	Adverse perception which has a material effect on the credibility of GCF (beyond the Reputational damage which may be incurred due to one of the other risks in this register).
Sanctions	Failure of the GCF, AE/EEs, or other related parties to adhere to the laws and regulations, including sanctions and embargoes, in jurisdictions relevant to the operations or engagements of the GCF as well as to the GCF's prohibited practices requirements and Anti-Money Laundering and Countering the Financing of Terrorism Policy (as appropriate), etc.
Technical and operational	Disruption of business due to unavailability / inaccessibility of IT infrastructure and applications. Operational failures, losses and other disruptions arising from the staffing model of the GCF, including staff headcount level and external consultants as well as from problems with recruitment, retention, succession planning, integrity and morale among GCF staff.
Other risks	Compliance, project failure risk, funding risk, financial investment risk.

Regarding levels of probability and impact, high means significant probability/impact, medium means moderate probability/impact, and low means negligible probability/impact. A combination of impact and probability can be used to prioritise the risks by using the below matrix in Table 13.

Table 13: A risk matrix based on probability and level of impact.

PROBABILITY			
High	Medium (3)	Medium-High (2)	High (1)
Medium	Low-Medium (4)	Medium (3)	Medium-High (2)
Low	Low (5)	Low-Medium (4)	Medium (3)
	Low	Medium	High
		IMPACT	

Source: Document GCF/B.10/07 titled "Initial risk management framework: methodology to determine and define the Fund's risk appetite".

The most relevant risks identified must have an associated mitigation measure. Broadly, there are two categories of mitigation measures:

- **Prevention/mitigation measures:** measures aimed at preventing the risks from occurring or reducing its impact; and
- **Response/contingency measures:** measures to be undertaken in case a risk occurs.

An example of a risk and respective mitigation measure is provided in Figure 26.

Figure 26: Illustrative example: A technical and operational risk and associated mitigation measure from KfW's 'Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean' proposal.

Selected Risk Factor 5		
Category	Probability	Impact
Technical and operational	High	Medium
Description		
Limited enforcement by responsible authorities in case of illegal fishery and destructive fishing methods.		
Mitigation Measure(s)		
The interventions by implementing NGOs and a higher presence provides a better supervision of the project areas and additional external checks and balances. Furthermore, project proposals in many cases can include activities to support local monitoring and enforcement.		

Source: GCF (2019b)

The risks and mitigation measures can be consolidated in a risk management plan, in which the project proponent will identify foreseeable risks, estimate impacts and define responses to potential issues. A risk management plan requires a risk management strategy to determine how the identified risks can be avoided or managed through mitigation measures, to reduce the probability of the risk occurring.

At this point, you should have:
- Identified any potential risk factors that might prevent the proposed project from being achieved; and
- Supported each risk factor with a mitigation measure, as part of an overarching risk management plan.

The information provided under this section will inform the GCF Funding Proposal **Section F – Risk Assessment and Management.** Step 6 will detail how to align a project with GCF's environmental and social safeguards and policy.

Step 6: How to align a project with GCF environmental and social safeguards?

For environmental and social risks, the project proponent should refer to the ESS of the GCF, which are based on an interim basis on the IFC's eight PS and their objectives. The IFC PS, as seen in Figure 7, consists of one overarching standard (PS1) and seven standards covering specific issue areas (PS2–8). PS1 covers the elements that need to be in place to ensure the remaining seven standards are implemented. Table 14 below gives an overview of the topics covered in IFC PS1–8.

Table 14: The IFC's Performance Standards.

Performance Standard	Objectives
PS1 Assessment and Management of Environmental and Social Risks and Impacts, including: • **Policy (or equivalent documents)** • **Process for identifying risks and impacts** • **Management programme** • **Organisational capacity and competency** • **Process for monitoring and evaluation** • **External communications**	a. Identify funding proposal's environmental and social risks and impacts b. Adopt mitigation hierarchy: anticipate; avoid; minimise; compensate or offset c. Improve performance through an Environmental and Social Management System d. Engagement with affected communities or other stakeholders throughout funding proposal cycle. This includes communications and grievance mechanisms
PS2 Labour and Working Conditions	a. Fair treatment, non-discrimination, equal opportunity b. Good worker–management relationship c. Comply with national employment and labour laws d. Protect workers, in particular those in vulnerable categories e. Promote safety and health f. Avoid use of forced labour or child labour
PS3 Resource Efficiency and Pollution Prevention	a. Avoid, minimise or reduce project-related pollution b. More sustainable use of resources, including energy and water c. Reduced project-related greenhouse gas emissions
PS4 Community Health, Safety and Security	a. To anticipate and avoid adverse impacts on the health and safety of the affected community b. To safeguard personnel and property in accordance with relevant human rights principles

Performance Standard	Objectives
PS5 Land Acquisition and Involuntary Resettlement	a. Avoid/minimise adverse social and economic impacts from land acquisition or restrictions on land use i. Avoid/minimise displacement ii. Provide alternative project designs iii. Avoid forced eviction b. Improve or restore livelihoods and standards of living c. Improve living conditions among displaced persons by providing i. Adequate housing ii. Security of tenure
PS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	a. Protection and conservation of biodiversity b. Maintenance of benefits from ecosystem services c. Promotion of sustainable management of living natural resources d. Integration of conservation needs and development priorities
PS7 Indigenous Peoples	a. Ensure full respect for indigenous peoples i. Human rights, dignity, aspirations ii. Livelihoods iii. Culture, knowledge, practices b. Avoid/minimise adverse impacts c. Sustainable and culturally appropriate development benefits and opportunities d. FPIC in certain circumstances
PS8 Cultural Heritage	a. Protection and preservation of cultural heritage b. Promotion of equitable sharing of cultural heritage benefits

Source: GIZ and WRI (2015).

The GCF requires all project proponents to assess and manage the environmental and social risks associated with their activities and to adopt the IFC's approach to risk categorisation, which consists of three risk categories and/or intermediations: low (C or I3), medium (B or I2) and/or high (A or I1) risk. Table 15 provides an overview of the risks and relevant categories.

Project proponents should undertake an environmental and social impact assessment (ESIA) to identify and predict the type and scale of potential environmental and social impacts, and to appraise alternative options and design appropriate mitigation, management and monitoring measures. The scope and depth of the ESIA will be proportional to the level of risks and impacts and will address the specific requirements of applicable ESS standards. The specific focus of the assessment will be determined by the requirements of the applicable ESS standards. For **category A or I1**, projects that are expected to have high environmental and social impacts, a full and comprehensive ESIA is required. For **category B**, projects with medium impacts and well-developed mitigation and monitoring measures, a limited-focus ESIA and environmental and social management plan (ESMP) will suffice. **Category C** projects, having no to low environmental and social impacts, may not require any assessment although a pre-assessment should confirm that the project is indeed in category C. Although it is understood that while information may not be as available ex-ante, project proponents must follow a precautionary approach to identify the category, and if this changes

Table 15: Risk levels and categories.

Risk level	Funding proposals	Intermediation	Examples
High	**Category A** Activities with potential significant adverse environmental and/ or social risks, and/ or impacts that are diverse, irreversible or unprecedented.	**Intermediation 1 (I-1)** When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks, and/ or impacts that are diverse, irreversible or unprecedented.	Activities with potentially significant adverse environmental and/or social risks and impacts, which are diverse, irreversible or unprecedented, such as large-scale forestry, agriculture, or renewable energy projects; projects affecting highly sensitive ecosystems; projects with large resettlements; projects affecting indigenous or tribal populations; projects with serious occupational or health risks; and projects that pose serious socioeconomic concerns.
Medium	**Category B** 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 addressed through mitigation measures.	**Intermediation 2 (I-2)** When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks, and/ or impacts that are diverse, irreversible or unprecedented.	Activities with mild adverse environmental and/or social risks, and/or impacts that are few in number, generally site-specific, such as adaptation of crops or farming; forest management; energy efficiency of industry; small- to medium-scale renewables; small-scale agricultural initiatives.
Low/no	**Category C** Activities with minimal or no adverse environmental and/ or social risks, and/ or impacts	**Intermediation 3 (I-3)** When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.	Activities with minimal or no adverse environmental and/ or social risks, and/or impacts, such as education and training; public broadcasting; small-scale reforestation; health and family planning; monitoring programmes; plans and studies; advisory services.

Source: (GCF, 2019).

throughout the project cycle, the category must be adjusted to reflect the true nature of risks as well as mitigation measures. A project proponent is expected to provide the rationale behind the chosen category in the funding proposal template.

Informed by the ESIA, the project proponent should prepare an ESMP defining resources, roles and responsibilities to manage the identified impacts and to implement mitigation measures. The ESMP should include a description of the prioritised activities planned to mitigate impacts, a timeline, and identification of resources to ensure the ESMP can be delivered. Where the project involves existing facilities, an environmental and social audit may be required, and the corresponding ESMP may include remediation, recompense or management of any residual environmental and social issues. The ESMP should also define monitoring requirements to determine whether mitigation is successful.

The development of the ESMP is the responsibility of the AEs. However, if the AE is acting as an intermediary, the EE will oversee fulfilling the project-level ESMP requirements and will conduct the necessary due diligence and oversight to ensure that these requirements, as seen in Table 16, are fulfilled.

Table 16: GCF ESMP requirements.

Environmental and social impacts	ESMP requirements
Potential involuntary resettlement impacts (consistent with the objectives and requirements of PS5 on land acquisition and involuntary resettlement)	**A resettlement action plan** (RAP)[9] or, if specific activities or locations have not yet been determined, **a resettlement policy framework** (RPF) proportional to the extent of physical and economic displacement and the vulnerability of the people and communities is required. A resettlement framework will include provisions for the development and implementation of site-specific resettlement action plans. These plans or frameworks will complement the social assessment of the project on this specific issue.
Potential impacts on biodiversity (consistent with the objectives and requirements of PS6 on biodiversity conservation and sustainable management of living natural resources)	**Impacts on biodiversity and ecosystem services are to be avoided,** and if avoidance of impacts is not possible, measures to minimise impacts and restore biodiversity and ecosystem services will be implemented. Mitigation measures may include biodiversity offsets (to be considered only after appropriate avoidance, minimisation and restoration measures have been applied). These measures need to be supported by sound science and long- term management. Evidence of secured funding should also be provided. For projects that have potential impacts on critical habitats, a biodiversity action plan is required that describes the long-term mitigation, conservation outcomes, monitoring and evaluation programme.

Environmental and social impacts	ESMP requirements
Potential impacts on indigenous peoples (consistent with the objectives and requirements of PS7 on indigenous peoples)	An **Indigenous Peoples Plan** (IPP) or, if specific activities or locations have not yet been determined, an **Indigenous Peoples Planning Framework** (IPPF)[10] is required. The scope and extent of such plans will be proportional to the vulnerability of the indigenous peoples and the extent of the impacts on the customary rights of use and access to land and natural resources, socioeconomic status, cultural integrity, indigenous knowledge and skills, and overall welfare. The planning framework should include provisions for the development and implementation of site-specific indigenous peoples plans. These plans and frameworks will complement the social assessment of the project on this specific issue.

For activities requiring financial intermediation, the GCF requires the AE acting in an intermediary function to develop an ESMS to identify and manage the risks associated with its portfolio on an ongoing basis. The ESMS is a set of management processes and procedures to identify, analyse, control and reduce the environmental and social impacts of an organisation's activities in a consistent way, and to improve performance in this regard over time. The complexity of the ESMS will vary depending on the risk exposure that the intermediary is expected to manage. The ESMS will be designed to meet the needs of intermediaries and can be integrated into existing risk management systems operating within intermediaries.

Once the environmental and social risk category has been identified through the screening and rationale, project proponents must provide a summary of the main outcomes and present the key environmental and social risks and impacts and stage-level mitigation measures, such as at the preparation, implementation and operation stage. If the proposed project uses I1, I2 or I3 (aka the project involves investments through financial intermediation), EEs must describe the due diligence and management plans in **Section G.1 – Environmental and social risk assessment.** Project proponents will also need to describe the capacity of EEs to implement the ESMP and to monitor, supervise and report on compliance which must be aligned with the project-level grievance redress mechanism, the multi-stakeholder consultation that was undertaken for the intervention and will still continue throughout the project's life, and the GCF's Information Disclosure Policy and Environmental and Social Policy.

The project proponent should ensure FPIC from Indigenous peoples before the funding proposal is submitted to the GCF, based on their own independent deliberations and decision-making process. Indigenous peoples should have access to adequate information provided in a timely and a culturally appropriate manner, in a local language, and through a process of transparent and inclusive consultations, free of coercion or intimidation, and including women and youth. An IPP should be prepared where there are potential impacts on Indigenous peoples, or, if specific activities or locations have not yet been determined, an IPPF. The scope and scale of the IPP or IPPF will be proportionate to the potential risks and impacts of the project. Ensuring that measures to avoid, minimise or mitigate adverse impacts, to compensate for residual impacts, and to provide for restoration are planned and adequately supported in the activities proposed for GCF financing. The IPP or IPPF should be submitted under Annex 6 of the funding proposal.

INFORMATION DISCLOSURE POLICY

The ESIA and ESMP should be made public as per the GCF's Information Disclosure Policy. The AEs should disclose the following to the public by completing an Environmental and Social Safeguards Report Form. The timeline for disclosure is for:

- **Category A** projects: the ESIA and an ESMP at least 120 days in advance of the AE's or GCF's Board decision, whichever is earlier.
- **Category I-1** programmes: the ESMS 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 ESMP at least 30 days in advance of the AE's or GCF's Board decision, whichever is earlier.
- **Category I-2** programmes: the ESMS at least 30 days in advance of the AE's or GCF's Board decision, whichever is earlier.

Resources

The ESS Disclosure Form can be found on the GCF website: **https://www.greenclimate.fund/document/ess-disclosure-report-annex-6-funding-proposals.**

A gender assessment, GAP, RAP, RPF, IPP and/or IPPF should also be disclosed where applicable, particularly in **Annex 6 –ESS Disclosure Form.** The report form is in both English and the local language (if not English) via electronic links on both the AE's and the GCF's website. The AE should also ensure that all disclosed information is provided in a culturally and socially appropriate manner, including in relevant indigenous language, to indigenous peoples and their advisors, and will also ensure that indigenous people have sufficient time to review and consider the information disclosed. Proposals relating to projects that do not have any significant environmental or social impact (Category C or Category I-3) do not require any additional advance information disclosure.

At this point, you should have:

- Identified the type and scale of potential environmental and social risks, and if needed appropriate mitigation measures to manage them as part of an ESIA and ESMP;
- Described any impacts on Indigenous peoples, and associated measures to avoid, minimise or mitigate adverse impacts, to compensate for residual impacts, and to provide for restoration as part of an IPP or IPPF; and
- Prepared the ESS Report Form.

The information provided in this step will inform **Section G.1. Environmental and social risk assessment.** Step 7 explains how to integrate gender in the project design.

Step 7: How to integrate gender into a project?

In order to integrate gender into a project, the project proponent must develop a gender assessment and GAP that will be submitted as per the provided template under Annex 6 of the funding proposal (see Resources box). The gender assessment entails to undertake an analysis of social, cultural, economic and political factors underlying climate change-exacerbated gender inequality. It also aims to identify the potential contributions of women and men to mitigating and adapting to climate change.

The gender assessment should describe the following as relevant:

- **Gender equality situation in the country and target area:** provide demographic data disaggregated by sex and income, including the percentage of women-headed households if available. Describe the main sources of livelihoods and income for women and men. Identify the needs and priorities in the specific sector(s) to be addressed by the project, highlighting if men's and women's needs and priorities are different. Describe the legal status of women and common beliefs, values, stereotypes related to gender;
- **Gender issues that may be relevant to the proposed project:** this should include the availability and distribution of resources and assets in the target area (income and wages, education, land rights and tenure, access and use of other productive resources and assets, access to banking services and credit). In addition, describe who does what in the project area – the gendered roles and responsibilities – including the division of labour between men and women in the household (domestic and care work tasks) and who participates in the formal and informal economy. Finally, identify who decides in the household (e.g. household resources, assets, and finances) as well as, in the broader community and political sphere; and
- **Gender-responsive development impact opportunities:** highlight who benefits from project activities and interventions, how the proposed interventions will increase the incomes of men/women, lead to an increase/decrease in women's (and men's) workload. Identify if there are any provisions to support women's productive and reproductive tasks, including unpaid domestic and care work.

Informed by the gender assessment, the GAP aims to identify specific gender elements that should be included in project activities and determine how the project can respond to the needs of women and men in view of the specific climate change issue to be addressed. The GAP should include the following aspects:

- **Impact, outcome, and output statements:** project proponents should describe the long-term gender, social, economic, environmental impacts of the project. These can be presented into three statements at the impact-, outcome-, and output-levels. The impact statement should summarise the difference the project will make, as well as the long-term gender, social, economic, and environmental impacts the project will contribute to. The outcome statement should describe the changes that will occur as a result of the project – it must be specific, measurable, and indicate when the goals are achieved. The output statement should detail all of the expected outputs under the project. For each output, the project proponent should present associated activities, gender-performance indicators, sex-disaggregated targets, a timeline, and responsibility lines;
- **Gender-responsive activities:** project proponents should insert the list of gender-specific activities, and how the project can respond to the needs and interests of women and men specifically from the addressed climate change-induced problem, and identify the drivers of change and the gender dynamics to achieve the project adaptation and/or mitigation goals. The activities should aim to address existing gender inequalities in terms of access to education and training, access to other services (including energy, healthcare, access and control over natural resources), access to sources of income generation and other employment activities, and inclusion of women in decision-making governance structures at all relevant levels. The participation of people from diverse socioeconomic and ethnic backgrounds is necessary in the goal-setting process;

- **Gender-performance indicators and targets:** project proponents will be required to select indicators and targets to measure the outputs. These should be sex-disaggregated where necessary. Sex-disaggregated targets are an effective way to measure quantifiable results for women, men, boys and girls. Gender responsive targets can include any measures that aim to address gender inequalities in decision-making participation, improve women's access to education and training, access to other services, and distribution of socioeconomic benefits;
- **Timeline:** project proponents must detail the timeline for each indicator and target; and
- **Responsibility lines:** project proponents must highlight who is responsible for each activity ensuring the achievement of the targets, as they are outlined in the gender-performance indicators and targets. This includes the institutional arrangements for implementation and monitoring of the GAP. The roles and responsibilities of the AE and EE should be clearly defined.

Resources

GCF guidance on Mainstreaming Gender in Green Climate Fund Projects (2017). From the GCF website: **https://www.greenclimate.fund/sites/default/files/document/guidelines-gcf-toolkit-mainstreaming-gender_0.pdf.**

Oxfam (2014) 'Quick guide to gender-sensitive indicators.' Oxford: Oxfam. **https://oxfamilibrary.openrepository.com/bitstream/handle/10546/312420/ml-quick-guide-to-gender-indicators-300114-en.pdf?sequence=1.**

Demetriades, J. (2007) Gender indicators: what, why and how? Brighton, UK: BRIDGE, Institute of Development Studies. **http://www.oecd.org/dac/gender-development/43041409.pdf.**

European Commission (1999) A guide to gender impact assessment. Brussels: European Commission. **https://op.europa.eu/en/publication-detail/-/publication/91d046cb-7a57-4092-b5d3-e4fd68097bb2.**

March, C., Smyth, I. and Mukhopadhyay, M. (1999) A guide to gender analysis frameworks. Oxford: Oxfam.
https://oxfamilibrary.openrepository.com/bitstream/handle/10546/115397/bk-gender-analysis-frameworks-010199-en pdf;jsessionid=71DDA0135739C80EEC08C364B9F18F83?sequence=8.

Figure 27 provides an illustrative example of these aspects from the GAP was developed by KfW to support the funding proposal ‘Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean’.

Figure 27: Illustrative example: Gender Action Plan from KfW’s approved proposal including the required elements of impact, outcome and output statement, activities, indicators and targets, timeline and responsibilities.

<table>
<tr><th>Activities</th><th>Indicators and Targets</th><th>Timeline</th><th>Responsibilities</th></tr>
<tr><td colspan="4">Impact Statement: Increased resilience of vulnerable coastal populations to climate change, through EbA of coastal and marine ecosystems, which provide services to local communities. This includes also ecosystem services for women, as women equally depend on protection provided by marine and coastal ecosystems and on the income base these ecosystems provide.</td></tr>
<tr><td colspan="4">Output Statement: Coastal ecosystems, which are particularly relevant for climate change adaptation, are better protected and managed in a more sustainable way.</td></tr>
<tr><td>Activities to be financed are not definitely known at this stage, as the sub-projects are still to be selected. However, under the eligible programme activities, the following activities related to women are indicated:

(i) Formation of self-help groups from women in order to increase their voice in the definition of support measures to local communities in protected areas (project planning).
(ii) Direct support to women to increase their role in the participatory co-management of marine protected areas and locally managed marine areas.
(iii) Women working in fisheries and fish processing are trained in the reduction of post-harvest losses and improved fish processing: specific training measures, suitable in time/location/extent for the situation and availability of women.
(iv) Creation of income alternatives, with special consideration of income opportunities for women in the production and supply chains.</td><td>Outline the indicators and targets here:

In the average for all projects:

(i) Participation of women or women self-help groups in workshops defining support measures (>50%)
(ii) Significant increase of women in the management of protected areas
(iii) Women participate in respective trainings (>50%)
(iv) 12 measures supporting sustainable livelihoods targeted exclusively women, ranging from savings clubs, business plan development to seed funding.</td><td>(timeline for each of the indicators):

By year 4

By year 7

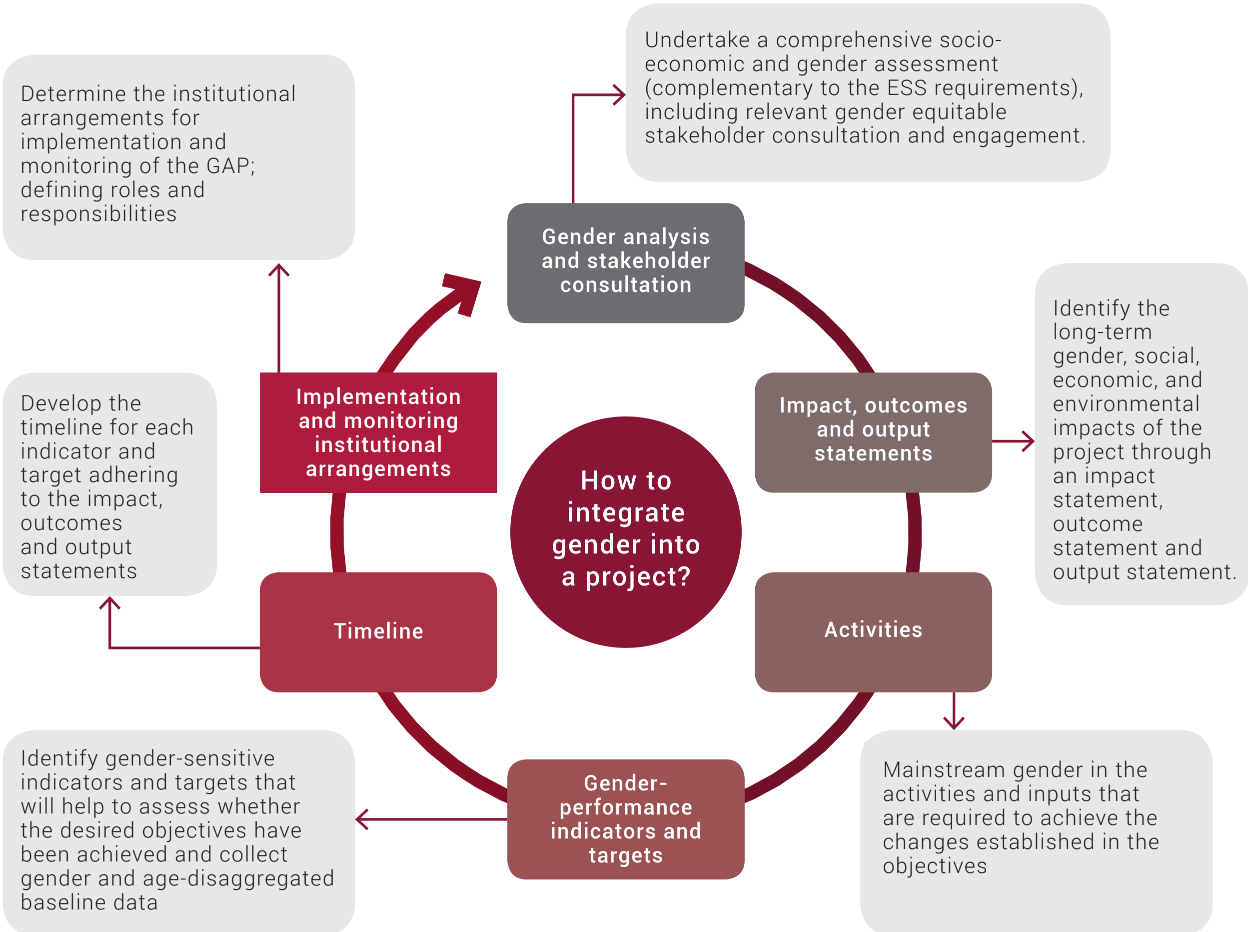
By year 7

By year 7</td><td>NGOs, responsible for execution of sub-projects</td></tr>
</table>

Source: GCF (2019b).

After developing the GAP, project proponents should plan for gender-responsive stakeholder consultation and engagement at all phases of the proposed project. In addition, project proponents should allocate sufficient resources to fund the identified activities necessary to integrate gender equality within the project (hiring relevant experts for their advice, capacity-building for project staff members, etc.) and should verify that the AE's budgets are adequate for monitoring and reporting of the project's gender elements implemented by the EE. Figure 28 synthesises the key elements needed to integrate gender into a project.

Figure 28: How to integrate gender considerations into a project.



Source: GCF (2019c).

At this point, you should have:

- Undertaken a comprehensive socioeconomic and gender assessment to identify gender issues relevant to the project and potential opportunities; and
- Developed a GAP to integrate gender into your project.

The information provided in this step will help project proponents to develop **G.2 – Gender assessment and action plan**, which should be submitted as an annex to the GCF Funding Proposal. Step 8 will detail how to put together a GCF funding request.

Step 8: How to put together a GCF funding request?

This step helps project proponents put together the funding request for the proposed project. This can be achieved by:

- Providing a detailed budget plan;
- Identifying GCF financial instruments;
- Identifying co-financing;
- Calculating the GCF funding request disaggregated;
- by component, output and source of financing (GCF funding and co-financing sources);
- Identifying capacity building and technology develop/transfer;
- Confirming the fee arrangements; and
- Developing the procurement plan.

DETAILED BUDGET PLAN

The project proponent is required to provide a detailed budget plan calculating the total costs at activity, output and component levels for the whole project duration. At the activity level, the cost category must be specified, including project staff and consultants, travel, goods, works, services, etc. Detailed assumptions, formulae and calculations for each budget line must be also provided (including the exchange rates). The total project costs can be aggregated with a breakdown of the amount to be covered by the GCF, AE, country and other co-financiers. The project proponent should submit a detailed budget plan as an annex of the funding proposal.

GCF FINANCIAL INSTRUMENTS

The project proponent should summarise the financial instrument(s) to be used in support of the proposed project. The definitions of the various financial instruments can be found in Table 17. It is important to note that the choice of financial instrument(s) will need to be justified by showing how they overcome specific barriers and help leverage additional public and/or private finance to achieve project objectives.

Table 17: GCF financial instruments.

Financial instrument	Definition
Concessional loans	The up-front transfer of resources from one party to another with the agreement that the money will be repaid on conditions more favourable than market terms is known as concessional or soft lending. Concessional lending includes a grant component that can be quantified based on how favourable the lending terms are (the 'grant element' of the loan).
Equity	Consists of an investment into a project or asset to leverage debt and achieve better returns.
Guarantees	Commitments in which a guarantor undertakes to fulfil the obligations of a borrower to a lender in the event of non-performance or default of its obligations by the borrower, in exchange for a fee. They can cover the entire investment or just a portion of it (partial guarantee).
Grants	Resources generally channelled to fund investments without the expectation that the money be repaid. Grants can be provided up-front or disbursed through an incentive- based schedule after achieving specific goals.

Financial instrument	Definition
	Grants can finance activities that would have been left unfunded by the market such as information generation, data analysis, development and dissemination of knowledge products, and capacity building of national institutions for a robust policy reform and priority setting.
Non-reimbursable grant	Unlike reimbursable grants, non-reimbursable grants are standard transfers made in cash, goods or services for which no repayment is required. This amounts to direct aid as opposed to repayable assistance.
Reimbursable grant	Assimilated to loans, reimbursable grants consist in contribution provided to a recipient institution for investment purposes, with the expectation of long-term reflows at conditions specified in the financing agreement. The provider assumes the risk of total or partial failure of the investment; it can also decide if and when to reclaim its investment.
Senior loans	A senior bank loan is a debt financing obligation that holds legal claim to the borrower's assets above all other debt obligations. The loan is considered senior to all other claims against the borrower, which means that in the event of a bankruptcy the senior bank loan is the first to be repaid before all other interested parties receive repayment.

The GCF uses four financial instruments: grants, concessional loans, equity and guarantees. Grants include reimbursable grants (providing funding after expenses have been incurred) and non-reimbursable grants. Concessional loans include senior loans and subordinate loans. It is important to note that two or more instruments may be blended, with more than one instrument being used by the GCF itself on a project, or a GCF instrument or instruments being combined with instruments from other sources of financiers.

For each GCF financing instrument, the project proponent should detail the amount request, grace period, tenor and pricing.

CO-FINANCING

Co-financing is resources that are committed by the AE itself or by other non-GCF sources and which are essential for meeting the project objectives. It can include direct co-finance, indirect co-finance, leveraged finance (sum of indirect and direct finance), and parallel finance.

The sources for co-financing can be both public and private. The GCF highly recommends securing co-financing to encourage crowding in; that is, stimulating long-term investments beyond the GCF resources and up-front commitments. Co-financing can also be sought from bilateral agencies, public finance sources, private investments and other market sources instruments that can enhance the terms of financing and make the investment viable.

Beyond these sources of co-financing, further investments that are directly or indirectly leveraged by the project can also be considered as co-financing. The GCF specified that "for projects that may not leverage a significant level of up-front co-financing, the AE may instead demonstrate a significant level of indirect or long-term investment mobilised as a result of the proposed activities". Additionally, more than one co-financing institution can find a single component or output.

The GCF welcomes the opportunity of co-financing projects with other climate funds or multilateral development banks, particularly in the early stages of operation to quickly scale up, capitalise on and learn from the knowledge and experience of these institutions. The project proponent should provide a confirmation letter or letter of commitment issued by the co-financing institution. If applicable, the project proponent should provide a short overview of the prevailing of pricing and/or financial markets for similar projects.

GCF FUNDING REQUEST

To prepare the summary budget breakdown, a project proponent must specify the local and foreign currencies (US dollars, Euros, Yen, British Pounds) used for both GCF funding and co-financing, including a currency-hedging mechanism. Examples of financial instruments and their relevant terminology can be found in Table 18. Data from the detailed budget plan can be used to aggregate the cost of delivering the project.

Table 18: Financial instruments and relevant terminology.

Term	Explanation
Currencies accepted	Euros (€) and US dollars (USD).
Financial instruments	Include loans, equity, guarantees and grants (see Table 17 for definitions).
Loan pricing (loans only)	Determining the interest rate for granting loans to creditors.
Loan tenor	The length of time (years) during which payments are made; may be expressed in years, months or days.
Seniority	The order of repayment in the event of a sale or bankruptcy of the issuer. Seniority can refer to either debt or equity. Each security, either debt or equity, that an AE issues has a specific seniority or ranking. Seniority or ranking may be pari passu, senior or junior (see Table 19 for explanation of these terms).

Table 19: Debt seniority levels and definitions.

Seniority Level	Definition
Pari passu	Refers to debt or equity that has equal rights of payment or equal seniority to loans, bonds or classes of shares that have equal rights of payment or equal seniority.
Senior loans	A debt financing obligation that holds legal claim to the borrower's assets above all other debt obligations. The loan is considered senior to all other claims against the borrower, which means that in the event of a bankruptcy the senior bank loan is the first to be repaid before all other interested parties receive repayment.
Subordinate (or junior) loans	Loans that, in case of payment defaults or bankruptcy, have a lower repayment priority compared with other company or project loans. Leverage is achieved since subordinated debt strengthens a company/project's equity profile and encourages commercial lenders to provide senior debt financing. Concessional rates could also be used in cases where high capital costs and risk perception barriers are being addressed.

The following information should be provided in the summary budget breakdown:

- **Total financing:** requested GCF funding + total co-financing;
- **Co-financing information:** project proponents should present the total co-financing and for each co-financing institution, the financial instrument(s), amount, currency, tenor and grace period, pricing and seniority of the co-financing arrangements; and
- **Other financing arrangement and contributions:** project proponents should describe if the financing parties would benefit from any type of guarantee, other contributions such as in-kind contributions (e.g. tax exemptions and contributions of assets) and explain parallel financing associated with this project.

The project proponent should then provide an estimate of the total costs per component and output, with a breakdown by source of financing (GCF funding and co-financing sources) as seen in Table 20.

Table 20: Illustrative example of the breakdown of cost estimates as seen from the 'Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean' under Section C.2. Financing by component.

Component	Output	Indicative cost million euro (€)	GCF financing		Co-financing BMZ via KfW (AE)		Other Contributions from NGOs
			Amount million euro (€)	Financial instrument	Amount million euro (€)	Financial instrument	Grants million euro (€)
Component 1: Funding window for protection and sustainable management of coastal resources relevant for EbA (mangroves, coral reefs, seagrass)	Protection and sustainable management of coastal resources relevant for EbA (mangroves, coral reefs, seagrass)	30.0	16.0	Grants	14.0	Grants	7.5
Component 2: Funding window for rehabilitation of degraded coastal ecosystems relevant for EbA	Rehabilitation of degraded coastal ecosystems relevant for EbA	14.0	8.0	Grants	6.0	Grants	3.5

Source: GCF (2019b).

The project proponent should finally submit a **term sheet** as an annex of the funding proposal (Annex 14) – agreed by all parties but subject to final internal approvals – setting out the key terms and conditions relating to the proposed project (for example, the elected GCF holding currency for disbursements or any specific deviation, derogation or modification that the AE is seeking to make to this agreement in the FAA) in summary form.

CAPACITY BUILDING AND TECHNOLOGY DEVELOPMENT /TRANSFER

The project proponent should detail if the GCF funding will finance capacity-building activities or technology development/transfer activities. If so, convey the quantification of GCF funding for these activities.

FEE ARRANGEMENTS

The project proponent should specify the fee arrangement between the GCF and the AE, in case it is project-specific. In the case it is project-specific, the fee arrangement for the proposed project should be aligned with the GCF interim policy on fees for AEs. This information should be consistent in **Section B.4 – Implementation Arrangements of the funding proposal**. Table 21 presents the fees structure, where the percentages represent the maximum administration fees that can be charged by AEs for differently sized projects.

Table 21: Schedule of cap on fees applicable to public sector projects or programmes.

Project/programme size	Fee cap (% of GCF funding, on grants)
Micro (<USD 10 million)	8.5
Small (USD 10-50 million)	7
Medium (USD 50-250 million)	5
Large (>USD 250 million)	4

The present value of the fees paid over the life of a loan (disbursement and repayment periods) will be equivalent to the total amount of fees paid for a similar grant-funded project. In addition, the financial terms and conditions for non-grant instruments to the public sector, except concessional loans, will be established on a case-by-case basis. Fees for the private sector, for both non-grant instruments and concessional loans, should be decided on a case-by-case basis.

The GCF fees can cover the following items (subject to specific arrangements with the EE):
- Project implementation and supervision (including consultancies and other procurement);
- Project completion and evaluations;
- Monitoring and reporting;
- Material and equipment (including renting of meetings/workshops venues); and
- Any contingencies.

In terms of disbursement, the fees on grants will be paid proportionally along with each grant instalment, while the fees on loans will be paid semi-annually in advance.

The AE must complete an AE Fee Request budget and attach it as **Annex 12** of the funding proposal.

PROCUREMENT PLAN

A detailed procurement plan should then be prepared according to national procurement and transparency standards aiming to ensure a fair and transparent execution as per the GCF fiduciary requirements and attached as an annex to the funding proposal.

The information provided will help project proponents to complete **Section C – Financing Information and G.3 - Financial Management and Procurement.** Steps 9 and 10 provide guidance, respectively, on how to justify the GCF funding request (funding amount, instruments, and level of concessionality) and the sustainability of the project.

Step 9: How to justify a GCF funding request?

Once the total funding request has been estimated, the project proponent should explain why the GCF support is critical for the project in consideration of other funding alternatives and prevailing barriers. In addition, the project proponent should justify why proposed financial instruments and the requested level of concessionality were selected.

The project proponent can justify GCF funding by demonstrating the following as relevant:

- **Absence of funding alternatives:** describe barriers or market failures that have created the lack of alternative funding sources for the project. This should cover public and private, domestic and international sources. If applicable, a project proponent can provide a short market read on the prevailing pricing and/or financial markets of similar projects;

- **Adequacy of financial instruments:** there are four instrument types classified: grants, loans, equity and guarantees. For **grants**, provide evidence that there is no revenue potential from the project as well as evidence that, without this grant, the project revenue would not be able to cover any payments even from other instrument types. In the case where there are other instrument types, describe why the GCF's grant is needed in addition to other concessional sources. For **loans and equity**, provide evidence that the pricing benefit of GCF's concessional loan will be passed on to end beneficiaries or that the pricing benefit is necessary for a project proponent to achieve acceptable returns. Regarding subordinated loans or equity from the GCF, provide evidence that the cushion provided to senior lenders is adequate to their risk appetite. Regarding loans that are accompanied by other concessional debt sources, describe clearly why the GCF loan is needed in addition to other sources. For **guarantees**, provide evidence that the guarantee will cause a reduction in borrowing costs of end beneficiaries, or is critical in enabling access to financing. Also provide evidence that the guarantee cover is adequate for risk appetite of the project proponent – this can be calculated by % of loan guaranteed / first loss cover. Additionally, if the GCF guarantee is accompanied by other guarantee sources, clearly describe why the GCF guarantee is needed in addition to the other concessional sources;

- **Coherence between the selected financial instruments, proposed activities and overall project financial structure:** describe how the choice of financial instrument(s) will overcome barriers that normally hinder the achievement of lasting impacts in the target area. Also, explain how co-financing amounts and market prices were determined. In addition, they should provide an overview of the size of total banking assets, debt capital markets and equity capital markets that could be tapped in order to finance the proposed project. An illustrative example of this financial markets overview can be found in Table 22. To support this, an overview of market rates (e.g. one-year Treasury bill, five-year government bond, five-year corporate bond and five-year syndicate loan) is required, including examples or information on comparable transactions; and

- **"Least concessional' approach of the selected GCF financial instruments:** the GCF applies a 'least concessional' approach, whereby it will seek to provide the least possible concessional funding that makes the proposed project viable. The reason for this is to avoid crowding out other sources of finance that are readily available. Thus, a project proponent must provide strong economic and financial justification for the level of concessionality of finance requested, particularly for a grant but also in estimating the loan rate and tenor requirements. The level of concessionality should correspond to the project's expected performance against the investment criteria – efficiency and effectiveness. For loans, a project proponent should determine the low interest rate based on:
    - Risk–return metrics that include yield curves of comparable traded debt;

Table 22. Illustrative example: Extract from the financial market overview from KfW's approved proposal: 'Blue Action Fund (BAF) GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean'.

Financial Markets Overview

The GCF was created in response to developing countries' concerns that they would be the most affected by climate change and the least capable of financing the cost of adaptation. This is particularly the case with the countries of the Programme region. The countries are (with the exception of South Africa) least developed countries (LDCs), and the populations of the coastal regions are already observing the impact that climate change has on their daily lives and on the services from ecosystems on which they depend. Despite the respective governments' efforts to put in place the necessary policies and strategies for climate adaptation, it is a big challenge to translate these plans into the necessary actions. GCF involvement in the BAF will complement the ongoing efforts in these countries and enable the respective governments, local authorities and communities to address these challenges and implement concrete actions to increase the resilience of affected communities and ecosystems. Financial needs for securing ecosystem services for vulnerable target populations in coastal and marine regions prone to significant climate change risks are in principle high, and far exceed the available funding, and this holds true for the proposed Programme region. Regarding the cost of climate change risks, a mainstream approach used by global reinsurers (Swiss RE and others) quantifies total costs by annual expected losses resulting from calculated climate risks. These are comprised of risks due to existing climate patterns plus an additional risk resulting from climate change. Using this methodology, national and local economies studied (11 cases worldwide) are projected to lose between 1 and 20% of GDP (or between 47 million and 26 billion USD) annually as a result of existing climate patterns (with current development continuing until 2030). Climate change could worsen this picture significantly: an extreme climate change scenario would lead to annual losses from flood, drought, saltwater intrusion in coastal aquifers, heatwaves, and tropical storms of between 77 million and 33 billion USD. Available prevention and mitigation measures can address a large part of the identified climate risks. Climate adaptation measures in the 11 studied cases can avert between 15 and 80% of the total climate risk, according to Swiss RE. Up to 65% of future climate losses can be averted using cost-effective adaptation measures.

For the public sector of the countries targeted by the proposed Programme, the only financing alternatives would be to secure funding for the planned measures from extremely tight government budgets or other donors. In practice, the governments are unable to provide the financial means needed and often lack the necessary technical capacities for funding and implementing projects at scale and in a time- and cost-efficient way. The Programme countries (apart from South Africa) are considered high-risk for private investment. Most communities are not able to access private funds and the identified necessary adaptation measures do not generate revenues and returns on investment. Therefore, the proposed measures are not attractive for private financing. With the GCF-funded Programme, the BAF will be able to address specifically the financial needs of countries and communities that are particularly vulnerable to the effects of climate change in the WIO. Envisaged GCF funding is required to establish a specific EbA funding window under the BAF, with EbA as the main approach to be pursued. Currently, there are not sufficient alternative funding sources for a Programme of a similar size linking sustainable, climate-smart developments in small-scale fisheries and aquaculture with ecosystem-based approaches to the management of critical coastal habitats. Considering the huge financial gap for projects improving coastal and marine conservation and relevant EbA approaches, the scope of needed funds is so significant that substantial funding from the GCF is necessary to leverage public funds from Germany, Sweden, France and other potential donors as well as private funds provided by NGOs.

- Expected loss norms;
- Market comparability; and
- The reputation, capacity, and expertise of the AE channelling agency.

When providing information on justifying GCF funding, a project proponent should keep in mind the following key elements:

- Barriers to investment;
- Risk-sharing structure between public and private sectors to bring down these barriers to investment; and
- Indebtedness of the recipient.

These may be supported by further evidence in a relevant annex of the funding proposal (such as the feasibility study, economic analysis, or financial analysis).

This will inform Section **B.5 – Justification for GCF Funding request, Section C- Financing Information** and **Section G.3 – Financial management and procurement.** Step 10 will detail how to demonstrate the financial viability of a project.

Step 10: How to demonstrate the financial viability of a project?

The project proponent should demonstrate the financial viability of a project in the long run. A project must remain financially viable after the withdrawal of GCF financing, whether through commercial or other concessional capital providers.

The project proponent can demonstrate the financial viability of a project, by presenting the following as relevant:

- Existence of a strategy (exit strategy) to phase out GCF support after the project is completed and the GCF and co-financier funding runs out;
- The financial strength of the EE including its credit rating to run the project without GCF's capital; and
- The deployment of effective risk-mitigating instruments.

Because of its highly context-specific nature, specific circumstances should be accounted for when assessing the long-term financial viability of a project. For example, adaptation projects in LDCs and SIDS are public goods in nature and may struggle finding viable commercial and/or concessional capital financing options, due to high level of indebtedness and shallow or imperfect capital markets.

EXIT STRATEGY

An exit strategy should clarify how a project will be brought to close while sustaining its benefits. It is closely linked to the justification of the GCF funding request, as the removal of financial, institutional, social, gender and environmental barriers will enable a project to be sustainable in the long term. In this context, the exit strategy should describe how the project will ensure two types of sustainability: internal sustainability and external sustainability. Internal sustainability is about how the benefits delivered by the project will continue to be delivered after the end of the project. External sustainability means the scale-up of services so that others also benefit from the project results without the funder providing additional resources.

In designing an exit strategy, project proponents may use three approaches:

- **Phasing down:** a gradual reduction of project activities, utilising local organisations to sustain project benefits while the GCF and other co-financiers deploy fewer resources. For instance, an ex-post plan for Operation and Maintenance (O&M) can be developed. This will identify how resources allocated to human resources, tools, equipment and travel for O&M of key infrastructure, assets, contractual arrangements funded by the GCF and other co-financers will decrease over time and will be supported by domestic financing after the project completion. In case of private sector, please describe the GCF's financial exit strategy through an Initial Public Offerings (IPOs), trade sales, etc. Phasing down is often a preliminary stage to phasing over and/or phasing out;
- **Phasing out:** a withdrawal of involvement in a project without turning it over to another institution from the public or private sector for continued implementation. GCF funding can support activities promoting permanent or self-sustaining changes, thus eliminating the need for additional external inputs. This can include policy, regulatory and legal reforms to promote the creation of enabling environment or the creation of Public-Private Partnerships (PPPs) to support private sector participation in climate change investments; and
- **Phasing over:** the transfer of the ownership of project activities to local institutions or communities, through a learning and knowledge management component to capture and disseminate lessons learnt, and to support knowledge and skill transfer to promote institutional capacity building of local organisations. For instance, GCF funding can support capacity-building activities that aim to promote knowledge and skills transfer as well as peer-to-peer learning. Training of trainers is a possible approach to ensure that adequate capacity to train new employees is developed in the local institutions, while enabling the replication of best practices after the project ends.

THE FINANCIAL STRENGTH OF THE EE

Project proponents should highlight the EEs' track record and relevant experience and expertise in similar or relevant circumstances as described in the proposed project. Such circumstances can be linked to the entity's experience in the same country context, the project's targeted sector, type of intervention, and technology. The credit rating of the entity to run the project without GCF capital and meet its financial obligations should also be described. These obligations can include operation and maintenance of investment in key infrastructure and assets etc.

THE DEPLOYMENT OF EFFECTIVE RISK-MITIGATING INSTRUMENTS

Many external and internal factors may alter the success of a project. These possible risks, as seen in Table 23, may include:

These risks can be categorised based on their likelihood of occurring, and their impact if they occur (see Step 5). For the most relevant risks, the project proponent should define mitigation strategies. These can include the use of mechanisms that mitigate and transfer risks from project proponents and the GCF to third-parties, such as insurance or a guarantee.

The information in this section will inform **B.6 – Exit strategy and sustainability.**

Table 23: The possible risks that can alter the success of a project.

Term	Explanation
Political and social	• Political risks (e.g. corruption and governance risks including repeal of contracts, legal and ownership rights infringements risk, risk of property expropriation, ownership claims). • Administrative risks (e.g. permitting delays, denial or repeal, forced relocation). • Policy/regulatory risks (e.g. change of support to tariffs or level of subsidisation). • Social opposition and violence (e.g. social resistance, protests from local citizen, reputational risk).
Technical and physical	• Construction delays and risks (e.g. uncertainty over the timing of construction and sub-standard construction). • Upstream resources-related risks (e.g. lack of capacity and knowledge, availability of material and workforce, risks related to delays and quality of supply, uncertainty over the effective availability of natural resource on the specific site). • Operation risks and other downstream output-related risks (e.g. risks related to technical operations, faulty operations, reliability of activity output). • Catastrophe risks impacting the activity (e.g. earthquakes, severe drought). • Environmental risks resulting from project activities (e.g. leading to potential clean-up liabilities)
Commercial	• Financing barriers (uncertainty in access capital and cost of capital for financing or re-financing). • Construction and operation costs increase (e.g. risk of increased project-related construction and operation costs). • Currency risk (e.g. risk of depreciation and currency volatility). • Revenue risk (e.g. uncertainty on output price, low demand, payment risk, counterparty credit risk, uncertainty of exit value of investment).

5. The GCF Approval Process

To submit a funding proposal to the GCF, a project proponent can follow a number of steps from concept note submission to funding and legal negotiations.

Project proponents can submit funding proposals to the GCF through an AE. They can submit on an ongoing basis, or by responding to RfPs published on the GCF website. The NDA/Focal Point and AE can also engage stakeholders via workshops and structured dialogues to generate project ideas aligned with the national climate change strategy, NDC's and other national plans, as well as develop project priorities and entity work programmes.

The project proponent may submit a country programme, including a NAP or voluntary adaptation plan and appropriate elements of countries' NDCs, to the Secretariat. NDAs may also request support from the Readiness and Preparatory Support Programme under the readiness activity areas (see Section 7 for more information). The NDA/focal point may inform the Secretariat of preferred AEs that will implement projects under the country programme. The Secretariat will compile country programmes and submit this to the Board for its information.

AEs will submit annual and/or multi-annual work programmes to the Secretariat. AEs will develop annual and/or multi-annual programmes in consultation with NDAs/FPs. The Secretariat will compile AE work programmes to be submitted to the Board for information and discussion.

In accordance with the strategic plan, the Secretariat will host an annual strategic dialogue at the regional level in each region. Based on the country and AE work programmes, countries will identify priorities, analyse financial needs and gaps and identify partners to design and implement funding proposals.

The Secretariat would provide support to NDAs/FPs and DAEs to conduct the process for pipeline origination through strategic approaches. The Board may periodically approve requests for proposals to guide the development of the GCF portfolio in specific areas in accordance with the initial strategic plan.

The Secretariat will publish regular calls for funding proposals on the GCF website, as directed by the Board. NDAs/FPs and AEs may submit funding proposals to the Secretariat in response to requests for proposals, as well as funding proposals included in country and AE work programmes, which would be subject to the proposal approval process.

To submit a funding proposal, AEs must secure a no-objection letter (NOL) from the NDA. A no-objection is a mandatory condition for approval of all funding proposals submitted to the GCF. It is also a modality for engaging the public on communications and consultations, according to the country's capacities and existing processes and institutions. Through rigorous country coordination and multi-stakeholder engagement process, funding proposals need to be aligned with GCF requirements (financial and investment criteria, ESS, gender and Indigenous Peoples policies) and at the same time be consistent with national processes (relevant national laws, national climate change strategies and plans, and gender plans).

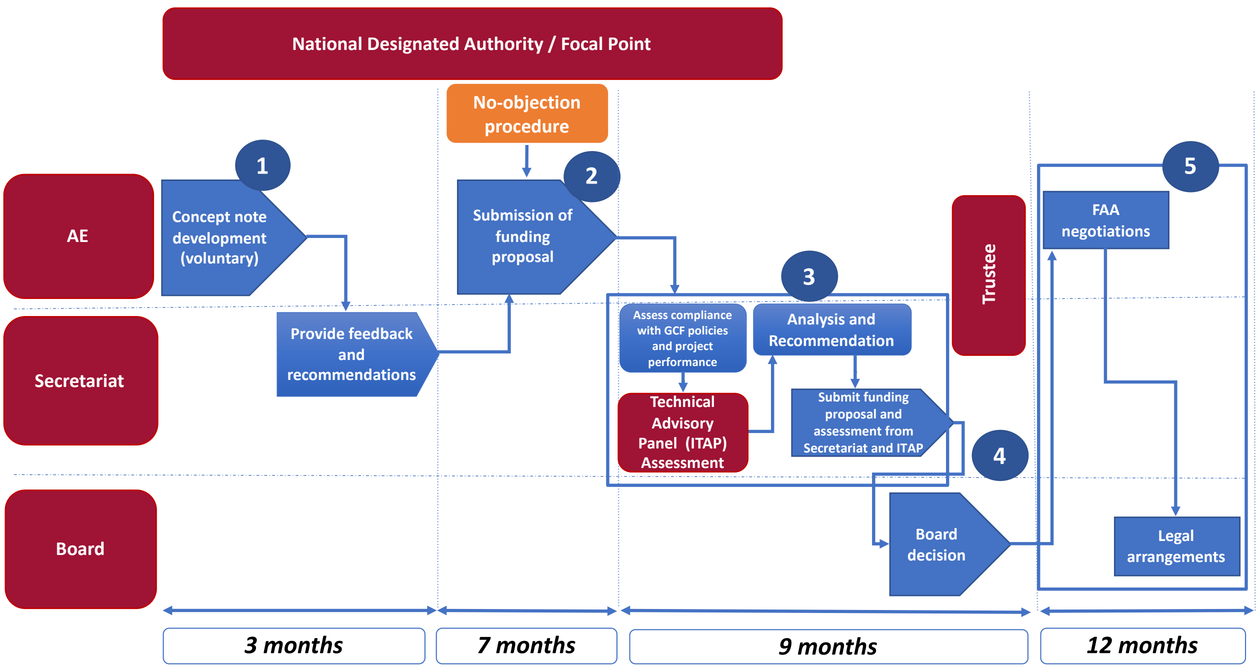
Each of the phases of the GCF approval process is further described in Table 24 and Figure 29.

Table 24: The phases of the GCF approval process.

Phase	Description
1. Concept note (voluntary but highly recommended)	The project proponent may submit – through an AE – a concept notes for feedback and recommendations from the GCF, in consultation with the NDA. Alternatively, the concept note may be submitted by the NDA if an associated AE has not been identified by the project proponent. The recommendation will clarify whether the concept is i) endorsed; ii) not endorsed with a possibility of resubmission; or iii) rejected. If the project proponent submits a concept note through an AE, the NDA will need to be copied on the submission. The GCF Secretariat will re-view the alignment of the concept with the investment framework, RMF and other Fund criteria, respond to the submitter (with copy to the NDA), and provide feedback on alignment with the Fund's objectives. A request for support under the Project Preparation Facility (PPF) can be submitted by an AE at this stage. The PPF will give preference to DAEs, for projects in the micro to small size category. A no-objection letter will also be required to be submitted alongside the PPF request.
2. Proposal submission	The project proponent may submit a proposal to the GCF – through an AE – in conjunction with the no-objection letter signed by the NDA. At this stage, the GCF acknowledges the submission and reviews it for completeness. The NDA should be included in the different stages of communication.
3. Secretariat Analysis and Inde-pendent Technical Assessment and Recommend-ations to the Board	The Secretariat will assess compliance with the GCF interim environ-mental and social safeguards, Gender policy, financial policies and any other policies promulgated by the Board, in addition to the performance of the project against activity-specific criteria. The ITAP will conduct a technical assessment of the performance of the project against activity-specific criteria, as defined in the initial invest-ment framework. The ITAP will present the outcome of its technical assessment and its recommendations on each funding proposal. The Secretariat facilitates the response from AEs to the assessment and recommendations from the ITAP. The ITAP assessment and the AEs responses will be published on the GCF website. The Secretariat will only submit to the Board for its consideration those funding proposals whose approval has been recommended by the ITAP and the Secretariat. The Secretariat will then submit the following documentation to the Board: (i) The final funding proposal as submitted by the AE; (ii) The Secretariat's assessment of compliance with safeguards and policies and performance of the project against activity-specific criteria. Pro-posals that best achieve GCF objectives will be selected based on selec-tion process methodologies to be approved by the Board; (iii) A sum-mary of the second-level due diligence carried out by the Secretariat ; (iv) A cover note containing: the funding recommendation by the Secre-tariat; and a summary of the proposal and the underlying assessments with respect to the activity-specific criteria; and (v) The assessment of the ITAP and responses from AEs (standard practice since the four-teenth meeting of the Board).

Phase	Description
4. Board decision	Based on the funding package provided by the Secretariat, the GCF Board will then make the following decisions: (i) approve funding; (ii) provide an approval which is conditional upon modifications to the project or subject availability of funding, or (iii) reject the funding proposal. GCF sends a notification to the AE, interim trustee and the NDA about the funding decision.
5. Legal arrangements	Following the approval of funding for the funding proposal, a FAA is negotiated and signed between the AE and the GCF. The Interim Trustee also provides a letter of commitment.

Figure 29: The phases of the GCF approval process.



The project then moves into the implementation period whereby funds are transferred to the AE according to agreed tranches as per the term sheet's disbursement schedule and other key terms and solutions. The Fund's fiduciary standards and ESS are applied, and an external audit report is submitted. Following these steps, the project becomes effective, and the process of M&E commences and continues until the project closes and exits the Fund's portfolio.

The Simplified Approval Process

The Simplified Approval Process (SAP) aims to allow for quick review, approval and disbursement of funding for projects that are ready for scaling-up, of low environmental and social risk (Category C) and small (US$ 10 million). The process is particularly directed to DAEs to encourage them to submit funding proposals. The GCF aims overtime at having 50% of SAP-approved projects coming from DAEs.

Resources

The application template is available on the GCF website: **https://www.greenclimate.fund/projects/ppf/documents.**

The guidance on SAP is available on the GCF website: **https://www.greenclimate.fund/projects/sap/resources.**

The key benefit of the SAP is that it reduces time and effort required to go from project concept to implementation. During project formulation, the concept notes and the funding proposal templates are simpler, require fewer pages and are easier to fill in. There are dedicated templates for the SAP window available on the GCF website, alongside other template annexes for the full-funding proposal stage. Other guidance on the SAP includes an e-learning course and platform, recorded webinars, and also technical guidelines and manuals on: the preparation of SAP proposals; renewable energy; energy efficiency for industry and appliances; preparing a pre-feasibility study under SAP; preparing the economic and financial analysis under SAP; REDD+; forests and land use; cities and climate change; transport; ecosystems and ecosystem services; environmental and social screening of activities under SAP.

While it is too early to tell if the SAP will improve timelines, the average approval times the SAP funding proposals are so far very similar to those going through regular channels (eight months compared to nine months, as of July 2019).

Projects are eligible under the SAP application window if they meet the following three conditions:

- A mitigation or adaptation project that is ready for scaling up;
- A required GCF contribution under $10 million USD of the total project budget; and
- A no- to low-E&S risk level (category C). GCF can support several activities under the SAP window that qualify as no- to low-E&S risk level (category C). Examples of eligible activities under SAP include:
- Learning, communication and monitoring activities (e.g. planning support);
- Household-level facilities and production within an already built-up area and with no additional footprint (e.g. rainwater harvesting, small-scale climate resilient agriculture); and
- Small-scale rural and urban community-based projects, rural water supply and drainage at village level (e.g. rural energy, community forest management activities).

What is not eligible are projects with known risk factors that require additional information or more detailed due diligence and stakeholder consultation. Examples of ineligible activities with inherently high-risk factors include those involving the displacement of people or affecting indigenous peoples, those occurring in protected areas and cultural heritage sites, or those that generate waste and affect peoples' health.

Each of the phases of the SAP application process is further described in Table 25.

After approval, the GCF Secretariat undertakes robust monitoring to ensure the implementation of the conditions and covenants, and to verify that the GCF procedures and safeguards are maintained.

Table 25: The phases of the SAP application process.

Phase	Description
Project submission	AEs and NDAs must submit concept notes using the SAP concept note template and ESS checklist. The GCF Secretariat validates the risk categories and notifies the AE and/or NDA if the submitted project is eligible for SAP. AEs develops a funding proposal, including a pre-feasibility study, a summary of the consultations, a stakeholder engagement plan with the grievance re-dress mechanism, and an Environmental and Social Action Plan as applicable
Project review	The Secretariat and ITAP review the funding proposal and annexes on a case-by-case basis.
Board approval	The Board considers the funding proposals during regular Board meetings.
Post-approval	The Secretariat expedites the post-approval process.

6. How to get started?

Project proponents may decide to prepare a one-step (full proposal) or two-step application (concept note followed by full proposal). While it is a voluntary step (except for SAP projects), developing a concept note is highly recommended as experience has shown that it leads to better proposals.

It provides the opportunity to start a dialogue with the GCF Secretariat and receive valuable feedback and guidance. In writing up a concept note, project proponents should use the GCF's concept note template which details important information. The concept note should not exceed the maximum number of 12 pages, excluding annexes.

Resources

GCF Concept Note User Guide (2016).: **https://www.greenclimate.fund/document/gcf-concept-note-users-guide.**

If you decide to prepare a two-step application (concept note followed by full proposal), the following checklist offers a guide to help you prepare your GCF project concept.

- ☐ Set up a team to work on the project concept, based on the type of expertise you are going to need (sector experts, economists, climate change experts, gender experts, social anthropologists, ESS specialists, etc.).
- ☐ Engage with the NDA to communicate intention of developing a GCF project concept and seek assistance.
- ☐ Identify an AE to work through on your concept (it should be noted that while recommended, this is not mandatory at the concept note stage; the NDA can also submit a concept note without an associated AE and solicit feedback). When selecting an AE, identify areas of expertise that they can provide to assist the development of the proposal (e.g. budgeting, economic and financial analysis, pre-feasibility and feasibility studies, M&E, etc.).
- ☐ Check the GCF's calendar for upcoming submission deadlines, which generally coincide with Board meetings. Proposals need to be submitted at least three months before the Board to be considered. Ensure you leave yourself enough time to prepare the proposal.
- ☐ Read the GCF concept note template and guidance documents.
- ☐ Review examples of past proposals submitted to the selected fund to see what may be expected from a proposal.
- ☐ Develop a set of interventions and collect relevant baseline information:
  - relevant scientific information about the impacts of and risks posed by climate change in your country including the methodology behind calculating national greenhouse gas inventories if a mitigation project or expected total number of direct and indirect beneficiaries relative to the total population.
  - information on your country's relevant national priorities and strategic frameworks for sustainable development, poverty reduction and climate change.
  - national vulnerability and risk assessments, economic studies and other research, including past project evaluations, undertaken by other organisations (research centres, universities, NGOs etc.).

The baseline for key indicators should be established from the available data as far as possible. All information gaps to complete the GCF proposal should be identified and the required activities to fill the gaps (e.g. vulnerability mapping, surveys, cost–benefit analysis etc.) should be costed.

☐ Consult with key stakeholders including the target group (especially vulnerable communities, minority groups, Indigenous peoples, etc.), government staff from different ministries or departments, other relevant organisations, and sector experts. The concept note should reflect and harmonise stakeholder ideas and organise them into outputs–activities– sub-activities of a single project component in full alignment with GCF requirements.
☐ Conduct a pre-feasibility study and provide a clear indication of what must be covered in detail in the full feasibility study during proposal development.
☐ Conduct a screening on environmental and social risks and impacts, gender and indigenous peoples and provide a clear indication of what safeguards must be covered during proposal development.
☐ Review Terms of Reference (ToR) of similar projects, if you decide to procure to external experts any of the technical studies (e.g. pre-feasibility study). Many examples of ToRs for approved or in-progress projects can be found on the websites of AEs.
☐ Consider if you need to request support from the PPF (see Section 7).
☐ Write your project concept, using simple, clear language to answer all the questions, and illustrating with tables and bullet points where required to present information clearly and simply:
- provide background information and project context (with clear adaptation/additionality argument for adaptation projects)
- determine the project's system boundaries and scope, and implementation arrangements
- describe the project's impact using a compelling theory of change (using logic structure of underlying problem, preferred normative solution, key barriers, targeted project outputs, activities, sub-activities)
- develop the project description, objective, outputs (expected results), activities, sub- activities, inputs and indicators (at output level)
- define the expected impacts aligned with GCF investment criteria: impact potential, paradigm shift, sustainable development, country ownership, and efficiency and effectiveness of the proposed project
- identify the engagement amongst NDA, AE/EE and other relevant country stakeholders
- identify the total project cost, GCF funding request, level of concessionality, types of financial instruments used, indicative co-financing and baseline investments
- describe the sustainability and replicability of the project and how to set out an exit strategy of receiving GCF funding.

☐ Provide relevant documentation:
- map indicating the location of the project.
- diagram of theory of change.
- economic and financial model with key assumptions and potential stressed scenarios.
- pre-feasibility study or brief feasibility study
- evaluation report of previous project (if applicable).
- results of environmental and social risk screening.

7. Support available for the full proposal preparation

The GCF's Project Preparation Facility (PPF) provides support to turn a concept note into a full funding proposal.

The Board will approve requests for support from project proponents, by reviewing and assessing them against GCF's investment criteria as well as its justification of needs for project preparation funding with information on the underlying project. The PPF is available to all AEs, with preference given to DAEs submitting projects under the micro- to small-size categories (up to USD 10 million).

Resources

GCF Concept Note User Guide (2016).: **https://www.greenclimate.fund/document/gcf-concept-note-users-guide.**

The PPF can support the following activities:

- Pre-feasibility and feasibility studies, and project design.
- Environmental, social and gender studies (including alignment with the indigenous peoples' policy through program support or partnership facilitation).
- Risk assessments.
- Identifying project-level indicators.
- Pre-contract services including revision of tender documents.
- Advisory services and/or other services to financially structure a proposed activity.
- Readiness support to develop project pipelines.
- Other project preparation activities.

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

Applications must be submitted by the AE. The applicant must justify how the proposed project is aligned with national priorities and ensure full country ownership. A no-objection letter from the NDA should be provided alongside the PPF application. It is therefore recommended that the applicant consult the NDA on the concept note at an early stage.

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Annex 1. Illustrative example: Logframe from FP122 Blue Action Fund

Source: Annex 24 of FP122 'Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean'.
Source: https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp122-kfw-madagascar-mozambique-south-africa-tanzania.pdf

Name of subproject: Ecosystem-based Adaptation in selected Coastal Areas of Lindi District **Country/Region:** Tanzania

Paradigm shift objectives and impacts at the Fund level

Paradigm shift objectives						
Increased climate resilient sustainable development	*The Programme's objective is to enhance, through a coastal zone management based on the conservation and sustainable use of coastal ecosystems, ecosystem services that contribute to reducing climate change-related risks for vulnerable coastal communities. The outcome will increase the resilience of vulnerable coastal populations to climate change.*					
Expected result	**Indicator**	**Means of verification (MoV)**	**Baseline**	**Target**		**Assumptions**
				Mid-term	**Final**	
Fund-level impacts						
A1.0 Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions	**A1.2** Number of males and females benefiting from the adoption of diversified, climate resilient livelihood options (including fisheries, agriculture, tourism, etc.)	Household Surveys, Monitoring Reports from BAF; Mid-term review and final evaluation reports	0 men 0 women		50,000 men, 50,000 women direct beneficiaries (estimate; tbc at midterm review)	
A2.0 Health and wellbeing, and food and water security	**A2.1** number of males and females benefitting from access to health care, food or water and overall wellbeing	Household Surveys, Monitoring Reports from BAF; Mid-term review and final evaluation reports	0 men 0 women		30,000 men, 30,000 women direct beneficiaries (estimate; tbc at midterm review)	

Expected result	Indicator	Means of verification (MoV)	Baseline	Target		Assumptions
				Mid-term	Final	
Fund-level outcomes						
A5.0 Strengthened institutional and regulatory systems for climate-responsive planning and development	**A5.1** Institutional and regulatory systems that improve incentives for climate resilience and their effective implementation	Revised planning documents, new legislation, or regulation. Annual Reports from sub-projects; Mid-Term and Final Monitoring Reports	0	1	8	Capacity development with competent authorities will result in 2 improved systems in each of the countries.
A7.0 Strengthened adaptive capacity and reduced exposure to climate risks	**A7.2** Number of males and females reached by climate-related early warning systems and other risk reduction measures established/ strengthened	Household Surveys, Annual Reports from sub-projects; Mid-term and final monitoring reports	0	10,000	200,000	Capacity-building and outreach activities foster the adoption of EbA approaches by the local communities; National institutions and policies provide ongoing support to the approach, tools, instruments and strategies developed by the sub-projects

Expected result	Indicator	Means of verification (MoV)	Baseline	Target		Assumptions
				Mid-term	Final	
Programme performance indicators						
Output 1. Coastal ecosystems, which are particularly relevant for climate change adaptation, are better protected and managed in a more sustainable way	Number and size of new marine and coastal protected areas; Number and size of protected areas with improved protection level and efficient management	Mapping of areas, legal demarcation documents, Management Effectiveness Tracking Tool (METT) documentation. Annual Reports from sub-projects; Mid-Term and Monitoring and Evaluation Reports from BAF	0 ha under adequate protection/ management	200,000 ha	1.7 million ha	National institutions responsible for protected areas and their management support the activities and provide improved enforcement; The infrastructure is respected and duly maintained
Output 2. Degraded coastal ecosystems, which are particularly relevant for climate change adaptation, are rehabilitated	Size of marine and coastal ecosystems rehabilitated/ restored	Mapping of areas, surveys of rehabilitated ecosystems, photographs. Annual Reports from sub-projects; Mid-Term and Monitoring and Evaluation Reports from BAF	0 ha rehabilitated	3,000 ha	25,000 ha	Enforcement from governmental authorities improved; rehabilitated sites will not be destroyed by extreme weather events
Output 3. Enhanced knowledge, expertise and capacity of relevant national agencies to use Ecosystem-based Adaptation (EbA) approaches for a climate resilient coastal zone management	Lessons learned / best practices are documented and published in renowned regional and international media; number of local, national and international institutions with which lessons learned were disseminated and actively shared; Revision of national strategies resulting in higher importance of EbA approaches for climate resilient coastal management	Reports, publications and presentations Minutes, photographs and participants lists of meetings, trainings and conferences. Annual Reports from sub-projects; Mid-Term and Monitoring and Evaluation Reports from BAF	0 articles of lessons learnt placed in renowned scientific journals 0 revised strategies	0 0	At least 2 of the 4 partner countries have drafted revised strategies with mor e focus on EbA	

Activities	Description	Sub-activities	Deliverables
Component 1: Funding window for protection and sustainable management of coastal ecosystems relevant for EbA (mangroves, coral reefs, seagrass)			
1.1. Funding for Improved sustainable management of Marine Protected Areas (MPAs) and Locally Managed Marine Areas (LMMAs)	Measures eligible for financing towards supporting local communities managing protected areas may include: i. Infrastructure, ii. boats and other equipment, iii. demarcation of areas through buoys, iv. participatory co-management, update of management plans to make sites more resilient to climate change impacts; enforcement of activities outlined in management plans, and v. reduction of post-harvest losses and improved processing of fish.	Construction of small buildings, other small works, Supply of equipment, consultancy, technical expertise and consulting, studies	Consultancy for review of existing management plans and updates; develop participatory approach for co-management; define protection measures and sites; plan and implement protection activities (procurement processes for works and equipment); Identify potential for reduction of postharvest losses and fish processing; method for implementing improvements together with women and men in the supply chain.
1.2. Funding for measures to reduce physical damage to coastal and m	Activities eligible for funding include: i. Mooring buoys for minimizing damage of coral reefs by anchors, ii. Demarcation and signalling of relevant ecosystems, iii. Installation of breakwaters to protect parts of reefs from wave action, iv. Boardwalks for the protection of beach vegetation, and v. Participatory land use planning for improved protection of coastal ecosystems from damaging human impacts.	Construction of small buildings, other small works, Supply of equipment, consultancy, technical expertise and consulting, studies	Review of existing coastal management and coastal protection against physical damage and proposal for improvements; planning of protection activities and tender processes; execution of works.
1.3. Funding for measures to reduce pressure and landbased stressors on coastal and marine ecosystems (in and outside protected areas)	i. Promotion of alternative fuel wood sources, where mangroves are used, ii. Promotion of sustainable fisheries management as well as aquaculture, including co-management approaches with local communities, promotion of Integrated Multi-Trophic Aquaculture (IMTA) and seaweed farming, and		

Annex 2. Indicators in the Performance Management Framework mitigation logic model

Source: GCF, 2015d26

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Paradigm shift objectives							
Shift to low-emission, sustainable development pathways	**M-1** Tons of carbon dioxide equivalent ($t\ CO_2eq$) emitted by countries receiving mitigation funding	Assumed business-as-usual emissions trajectory measured in $t\ CO_2eq$ emitted by countries		The Fund would coordinate with the UNFCCC data	Every five years	Fund Secretariat	
	M-2 Cost per $t\ CO_2eq$ decreased for all Fund-funded mitigation projects	Not required		Executing Entity (EE)/ Implementing Entity (IE) results reports and energy balances	Every five years	Fund Secretariat	Provides information to help reduce the expected cost of mitigation
	M-3 Volume of public and private funds catalysed by the Fund (core indicator)			Project/ programme proposals and end-of-project reports	Every five years	IEs	To effectively bring about a paradigm shift in the way societies approach mitigation, the private sector must be engaged given its sizeable role in the energy sector. This indicator – consistent with the Fund's Governing Instrument – is a proxy indicator that measures catalysed funding, including private sector funding. It should be tracked by all projects and programmes.

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Impacts (strategic level)							
1.0 Increased low-emission energy access and power generation	**1.1** Level of national/ regional capacity (MW) from low-emission sources (renewable energy)	Existing mix of power generation		Data from transmission system operator or dispatch centre	Mid-term and end of invest-ment	IEs	
2.0 Increased access to low-emission transport	**2.1** Emissions levels from vehicles	Existing transport emissions		Data from Ministry of Transport	Annually	IEs	Draw on data available from UNFCCC reporting
3.1 Annual energy savings (GWh)	Energy balance data		Statistics office or Ministry of Energy	Mid-term and end of investment	IEs		
4.1 Forest area under improved management and reduced carbon emissions practices	Existing levels		Ministry of Forestry and remote sensing	Mid-term and end of investment	IEs		Approach to measurement of forestry management will draw on UNFCCC decisions 9/CP.19 to 15/CP.19 and related decisions regarding REDD+ Decision B.05/03, Annex I, from the October 2013 Board meeting included (g) Sustainable land use management to support mitigation and adaptation; and (h) Sustainable forest management to support mitigation as initial result areas

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Project/programme outcomes							
5.0 Increased gender- sensitive low-emission development mainstreamed in government	**5.1** Number and gender sensitivity of policy, laws and sector strategies supported by the Fund	Existing legislation		Gender-sensitive analysis of the low-carbon enabling environment	Annually	EEs	This indicator will measure the government's enabling environments for low-carbon development
6.0 More small, medium and large low-emission power suppliers	**6.1** MW of capacity from low emission sources	Existing set of low-emission suppliers		Data from the transmission system operator or dispatch centre	Annually		This will focus on solar, wind, geothermal and similar suppliers
7.0 Lower country energy intensity trajectory	**7.1** Energy savings (GWh)	Existing energy use		Utilities are expected to be the primary source of data	Annually	EEs	This may require aggregating country-level statistics in key emitting sectors of each city
8.0 Increased use of low-carbon transport	**8.1** Number of passengers (disaggregated by gender where possible) using low- emission vehicles	Existing transport use		Records of Ministry of Transport or licensing bureau	Annually	EEs	Assumes that a portion of investments will target vehicle fleets and possibly car manufacturers
	8.2 Modal share (by transportation type)	Existing transport use		Transportation household survey with sex-disaggregated data	Annually	EEs	Survey would determine the predominant types of transportation used (pedestrian, bicycle, bus, rickshaw, collective taxi, rail, car, etc.) by women and men. Repeated over time to determine any movement to low-emission modes

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Project/programme outcomes							
9.0 Itabilisation of forest coverage	**9.1** Rate of net deforestation and forest degradation	Existing levels of deforestation and degradation		REDD+ action areas compared to baseline using records of forest management agencies	Annually	EEs	The approach to forestry measurement will draw on UNFCCC decisions 9/CP.19 to 15/CP.19 and related decisions regarding REDD+ Decision B.05/03, Annex I, from the October 2013 Board meeting included: (g) Sustainable land-use management to support mitigation and adaptation (h) Sustainable forest management to support mitigation as initial result areas
	9.2 Trend in women/ men's livelihood from sustainable forestry	Current trend		Household surveys with sex-disaggregated data	Annually	EEs	

Annex 3. Indicators in the Performance Management Framework adaptation logic model

Source: GCF, 2015d27

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Paradigm shift objective							
Project/programme outcomes							
Impacts (strategic level)							
1.0 Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions	**1.1** Percentage reduction in the number of people affected (cf. CRED definition; see Endnote 15) by climate- related disasters, including the differences between vulnerable groups (women, elderly, etc.) and the population as a whole	Baseline already available through CRED		Third-party monitoring plus survey of targeted populations, disaggregated by sex and income levels	Annually	Implementing Entities (IEs)/ (Independent Evaluation Unit, IEU)	Direct measure of impact, but the results will depend on whether and when extreme climate events occur. An indicator over the long term
	1.2 Number (percentage) of households adopting a wider variety of livelihood strategies/coping mechanisms	Pre-project/ programme assessment		Household survey of men and women	Mid-term and end of invest- ment	IEs	Outcome based on Global Environment Facility (GEF) Outcome 1.3, and Pilot Program for Climate Resilience (PPCR) A1.1 (core), and Adaptation Fund Outcome 6 Indicator is consistent with GEF Least Developed Countries Fund (LDCF)/ Special Climate Change Fund (SCCF) indicator 1.3.1

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
2.0 Increased resilience of health and wellbeing, and food and water security	**2.1** Percentage of food- secure households (reduced food gaps)	Pre-project/ programme assessment		Household survey of men and women	Mid-term and end of invest-ment	IEs	Variant of GEF LDCF/SCCF indicator 1.2
	2.2 Percentage of households with year-round access to adequate water (quality and quantity for household use)	Pre-project/ programme assessment		Household survey of men and women	Mid-term and end of invest-ment	IEs	Replication of PPCR indicator A1 (non-core)
	2.3 Climate-induced disease incidence in areas where adaptation health measures have been introduced (percentage of population)	Pre-project/ programme assessment		Hospitals and health centre records dis-aggregated by sex (aid agen-cy records)	Mid-term and end of invest-ment; and continu-ing (IEU)	IEs/IEU	This outcome is based on GEF outcome 1.2 and PPCR A1.2 This indicator replicates the GEF (LDCF/SCCF) indicator 1.2.1 with a slight rewording for clarification IEs would select from a range of indicators similar to those provided in GEF Outcome 1.2 and various toolkits
	2.4 Area (ha) of agricultural land made more resilient to climate change through changed agricultural practices (e.g. planting times, new and resilient native varieties, efficient irrigation systems adopted)	Not required		Programme reports and records	Mid-term and end of invest-ment	IEs	This is a fairly simple measure that tracks GCF- funded activities in this thematic area

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
3.0 Increased resilience of infrastructure and the built environment to climate change threats	**3.1** Value of infrastructure made more resilient to rapid-onset events (e.g. floods, storm surges, heatwaves) and slow-onset processes (e.g. sea level rise)	Not required		Replacement cost of infra-structure esti-mated to have been saved from weather events (weath-er intensity factored in)	Mid-term and end of invest-ment	IEs	Must ensure that inflated property values not included in these calcula-tions
	3.2 PNumber of new infrastructure projects or physical assets strengthened or constructed to withstand conditions resulting from climate variability and change (e.g. to heat, humidity, wind velocity and floods)	Not required		Programme reports and records	Mid-term and end of invest-ment	IEs	Replication of Adaptation Fund Indi-cator 4.1.2

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
4.0 Improved resilience of ecosystems	**4.1** Area (ha) of habitat or kilometres of coastline rehabilitated (e.g. reduced external pressures such as overgrazing and land degradation through logging/ collecting); restored (e.g. through replanting); or protected (e.g. improved fire management; flood plain/ buffer maintenance)	Not required		Programme reports and records	Mid-term and end of invest-ment with climate-related damage to the project area continued to be moni-tored via IEU	IEs/IEU	Consistent with Adaptation Fund Outcome 5. These (process) indicators measure the interventions made but not the ability of ecosystems to withstand weather events. However, the area of ecosystems requiring rehabilitation or restoration due to recent events should decline as the project is implemented.
	4.2 Number and area of agroforestry projects, forest–pastoral systems, or ecosystem-based adaptation systems established or enhanced	Not required		Programme reports and records	Mid-term and end of invest-ment	IEs	From GCF IR8

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Project/programme outcomes							
5.0 Strengthened government institutional and regulatory systems for climate-responsive development planning	**5.1** Degree of integration/ mainstreaming of climate change in national and sector planning and coordination in information sharing and project implementation [Core indicator]	Pre-project/ programme assessment		Quality scorecard with standards	Annually	Executing Entities (EEs)	Indicator is consistent with the Climate Investment Fund (CIF)-PPCR indicator A2.1 (core) and Adaptation Fund Outcome 7
6.0 Increased generation and use of climate information in decision-making	**6.1** Evidence that climate data are collected, analysed and applied to decision- making in climate-sensitive sectors at critical times by the government, private sector and men/women [Core indicator]	Pre-project/ programme assessment		Scorecards to measure climate information generation, analysis and communication	Annually	EEs	This indicator aligns with CIF-PPCR B3, but adds an additional component of 'collecting and analysing' climate data, critical aspects of reliable climate information systems that must continuously assess climate variability
	6.2 Perception of men, women, vulnerable populations and emergency response agencies of the timeliness, content and reach of early warning systems [Core indicator]	Pre-project/ programme assessment		Household survey and survey of managers of emergency response agencies with data disaggregated by sex.	Annually	EEs	Consistent with GEF Outcome 2.1

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
7.0 Strengthened adaptive capacity and reduced exposure to climate risks	**7.1** Extent to which vulnerable households, communities, businesses, and public sector services use improved tools, instruments, strategies and activities (including those supported by the Fund) to respond to climate variability and climate change [Core indicator]	Not required		Programme reports and records	Annually	EEs	Replication of CIF-PPCR indicator B1 (Core) and linked to GEF Outcome 2.1
8.0 Strengthened awareness of climate threats and risk reduction processes	**8.1** Percentage of target population aware of the potential impacts of climate change and range of possible responses [Core indicator]	Pre-project/ programme assessment		Survey of targeted populations, disaggregated by sex and income levels	Annually	EEs	Consistent with GEF Outcome 2.3.1 and AF Outcome 3
Additional tracking measure							
	Number of direct and indirect beneficiaries, disaggregated by sex and income level	Not required		Project records	Annually	EEs	Consistent with Adaptation Fund and PPCR tracking indicators [This measure tracks the scope and developmental potential of GCF-funded projects and programmes by counting and categorising the number of vulnerable people it supports.]

Endnotes

1 The NDA and Focal Point are the government counterparts of the GCF. The main difference between the two is that the Focal Point is an individual and not an institution mandated to liaisewith the Fund.

2 This information can be found here: https://treaties.un.org/docTreaties/1989/01/19890101%2003-25%20AM/Ch_XXVII_02_ap.pdf

3 This information can be found here: https://unfccc.int/process/transparency-and-reporting/greenhouse-gas-data/what-is-greenhouse-gas-data

4 This information can be found here: https://www.ipcc-nggip.iges.or.jp/

5 This information can be found here: https://www3.epa.gov/ttnchie1/conference/ei16/session13/wintergreen.pdf

6 This information can be found here: https://www.pacificclimatechange.net/

7 This information can be found here: http://regionalclimate-change.sc/en/

8 This information can be found here: https://cdm.unfccc.int/methodologies/index.html

9 An example of a Resettlement Action Plan be found in Annex 9 of FP119 'Water Banking and Adaptation of Agriculture to ClimateChange in Northern Gaza'. Available at: https://www.greenclimate.fund/document/gcf-b24-02-add05

10 An example of an Involuntary Resettlement Due Diligence Report can be found in FP036 'Pacific Renewable Energy Investment Facility (Cook Islands: Rarotonga Battery Storage Supply Systems)'. Available at: http://www.adb.org/sites/default/files/project-document/210836/49450-004-rpddr-01.pdf

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