Green Climate Fund Proposal Toolkit 2017:

Toolkit to develop a project proposal for the GCF

June 2017

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

Acclimatise is a specialised advisory and digital application company that provides world-class expertise in climate change adaptation and resilience. With experience in more than 60 countries, Acclimatise focuses on adaptation, and its work is helping to shape the emerging climate finance architecture by utilising the skills and experience gained from advising regional agencies and national governments, as well as some of the largest global businesses, in developing and implementing adaptation strategies. Acclimatise supports its clients to access, manage and channel the necessary financial resources for the implementation of climate adaptation strategies, programmes and projects. Acclimatise is accredited as a private sector observer organisation to the GCF.

CDKN is a programme funded by the UK Department for International Development (DFID) and the Netherlands Directorate-General for International Cooperation (DGIS) for the benefit of developing countries. It aims to help decision-makers in developing countries design and deliver climate compatible development. It provides demand-led research and technical assistance, channelling the best available knowledge on climate change and development to support policy processes at the country level.

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Acronyms

AE	Accredited Entity
CDKN	Climate and Development Knowledge Network
CIF	Climate Investment Fund
COP	Conference of Parties
ECOSOC	Economic and Social Council
EE	Executing Entity
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
GAP	Gender Action Plan
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	greenhouse gas
IE	Implementing Entity
IEU	Independent Evaluation Unit
IFC	International Finance Corporation
ITAP	Independent Technical Advisory Panel
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least Developed Countries
M&E	monitoring and evaluation
MSME	Micro, Small and Medium Enterprises programme
NDA	National Designated Authority
NGO	non-governmental organisation
PMF	Performance Measurement Framework
PPCR	Pilot Program for Climate Resilience
PPF	Project Preparation Facility
PS	Performance Standards
REDD	Reducing Emissions from Deforestation and Forest Degradation
RMF	Results Management Framework
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: 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.

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.

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.

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.

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 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.

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.

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

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 subcriteria 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.[1]

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.

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.

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

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 four related factors.

1. *Potential for scaling up and replication:* the proposal should illustrate how the proposed project/programme's expected contributions to global low-carbon and/or climate-resilient development pathways could be scaled up and replicated, including a description of the steps necessary to accomplish it.

2. *Potential for knowledge and learning:* any potential for the creation or the strengthening of knowledge, collective learning processes or institutions should be highlighted.

3. *Contribution to the creation of an enabling environment:* the sustainability of outcomes and results beyond the completion of the intervention should be highlighted. The proposal should explain how proposed measures will create conditions that are conducive to effective and sustained participation of private and public sector actors in low-carbon and/or resilient development that go beyond the programme.

4. *Contribution to regulatory framework and policies:* the proposal should elaborate on how the proposed project/programme advances national/local regulatory or legal frameworks to systematically drive investment in low-emission technologies or activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development.

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.

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.

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.

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).

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

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. With US$10.3 billion currently pledged, the Green Climate Fund (GCF) is the world's largest fund dedicated to the fight against climate change. Designed to be the main financial instrument to mobilise US$100 billion per year by 2020 from both public and private sources, the GCF is the centrepiece to address the pressing mitigation and adaptation needs of developing countries.

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 low-emission (mitigation) and climate-resilient (adaptation) projects and programmes developed by the public and private sectors to contribute to the implementation of national climate change priorities in developing countries. While it is relatively easy to tell what a mitigation project or programme is (i.e. its contribution to the reduction of greenhouse gases in the atmosphere, and/or whether it increases the capacity of an ecosystem to absorb them), the blurred line between a general development project and an adaptation project has been a contentious issue in the international climate finance debate, including at GCF Board meetings. The relevant question is not whether a project is (also) a development project, but whether the project contributes to adaptation (i.e. what the adaptation/additionality argument is). Cross-cutting projects 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 describes a long-term vision through its theory of change and how this can be achieved through 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 Designation 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.

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

- 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.

The GCF funding proposal template

Preparing a GCF funding proposal requires considerable research and consultation regarding its design and costing. The funding proposal template (**version 1.1**) includes the following sections:

A. Project/programme summary

B. Financing/cost information

C. Detailed project/programme description

D. Rationale for GCF involvement

E. Expected performance against investment criteria

F. Appraisal summary

G. Risk assessment and management

H. Results monitoring and reporting

I. Annexes.

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. 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 logic framework (or log frame) that demonstrates how inputs and activities are converted to changes in the form of results achieved at the project/programme, 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 or programmes and will report accordingly to the GCF. The PMF comprises a set of indicators that allow the GCF to monitor results at the project, programme and aggregate portfolio levels.

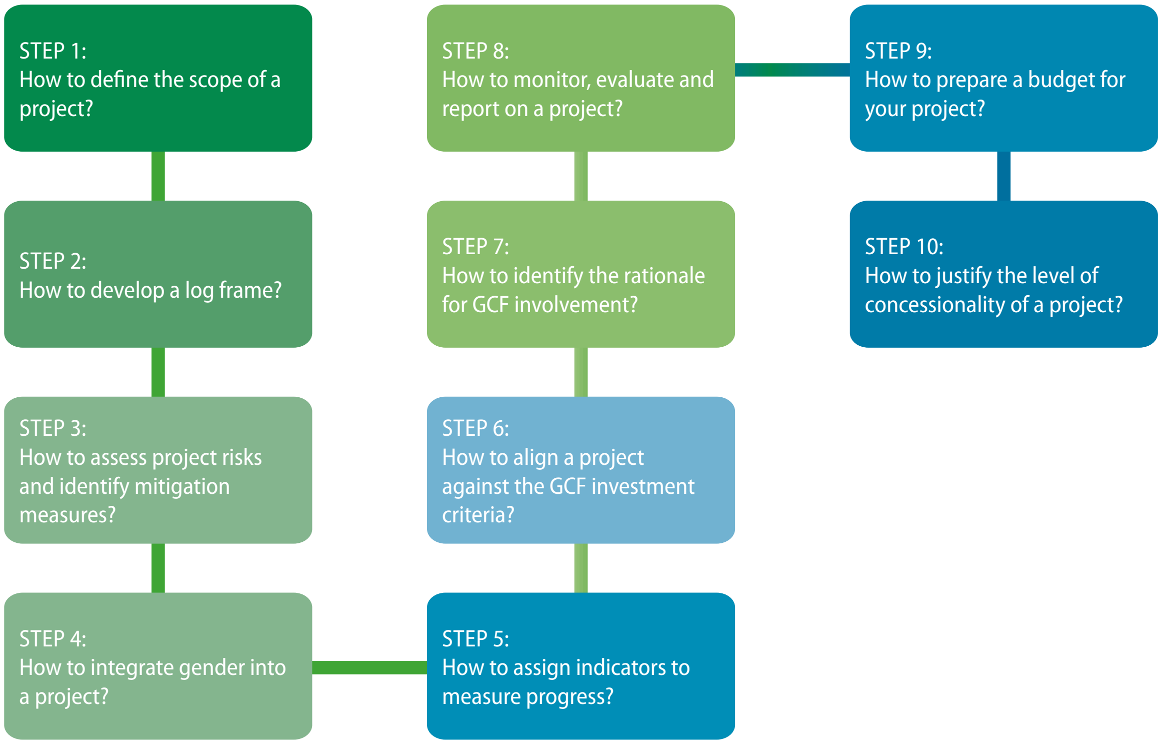
The GCF follows on an interim basis the International Finance Corporation (IFC)'s Performance Standards (PS) as its Environmental and Social Safeguards (ESS) standards. The IFC PS consist of one overarching standard (PS1) and seven standards covering specific environmental and social issues (PS2–8). Project proponents are required to meet the objectives of the standards relevant to their programme or project, in order to manage, mitigate or avoid the environmental and social 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 project 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 highly recommended that project proponents include in their proposal a Gender Action Plan (GAP), which provides an overview of how gender equality will be promoted within the project. In line with the objective of promoting gender equality in terms of access and impact of climate funding, programmes and projects with well-designed gender elements may be given additional weight.

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 each step we provide practical examples of how to demonstrate GCF requirements, using a funding proposal developed by XacBank (Funding Proposal 028) to support a funding proposal 'Business loan program for GHG emission reduction' approved by the GCF Board in December 2016.

Figure 1. Stepwise approach to preparing a GCF funding proposal



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 proposals published on the GCF website. Funding proposals submitted to the GCF should include a no-objection letter signed by the National Designated Authority (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.

3. The GCF reviews selected sections of the proposal 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 decides whether or not to approve the funding.

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.

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.

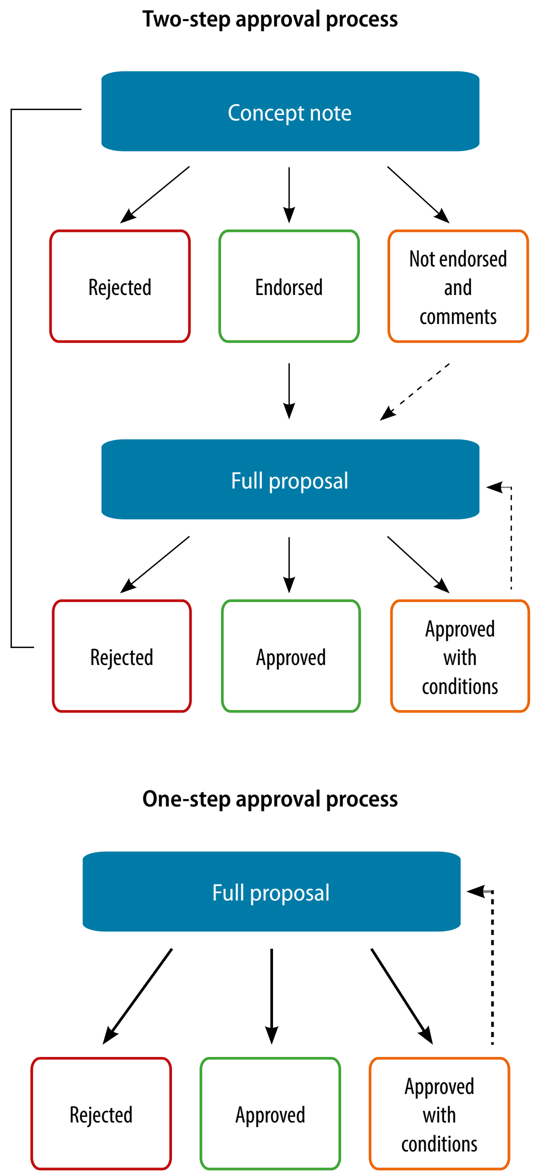
So, how can you get started?

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.

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 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.

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



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 take into account 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
   Interim Environmental and Social Safeguards
   Gender Policy

3. **The GCF proposal template**

4. **How to put together a GCF funding proposal: a stepwise approach**
   Step 1: How to define the project scope?
   Step 2: How to develop a logic framework?
   Step 3: How to access project risks and identify mitigation measures?
   Step 4: How to integrate gender into a project?
   Step 5: How to assign indicators to measure progress?
   Step 6: How to align a project against the GCF investment criteria?
   Step 7: How to identify the rationale for GCF involvement?
   Step 8: How to monitor, evaluate and report on a project?
   Step 9: How to prepare a budget for your project?
   Step 10: How to justify the level of concessionality of a project?

5. **The GCF project cycle**

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 a revised version of the GCF funding proposal template is currently being developed by the GCF Secretariat. This toolkit is based on the current template version 1.1.

In addition, this toolkit does not present the new, simplified process for micro-scale and small-scale funding proposals (less than US$50 million) that are assessed to fall under the low/no-risk Category C/Intermediation 3. The latter is still under discussion. It is envisaged that this simplified process will include a revised full funding proposal template for micro- and small-scale activities, and will involve simplifying the level of detail required in terms of feasibility studies and other supporting documentation for these proposals.

Similarly, this toolkit does not cover the specificities from the Enhanced Direct Access; Micro, Small and Medium Enterprises (MSME); and Mobilising Funding at Scale pilot programmes.

Users of this toolkit should also bear in mind that the GCF's RMF, Gender Policy and interim ESS are also likely to evolve following completion of the initial resource mobilisation period, based on experience gained and lessons learned.

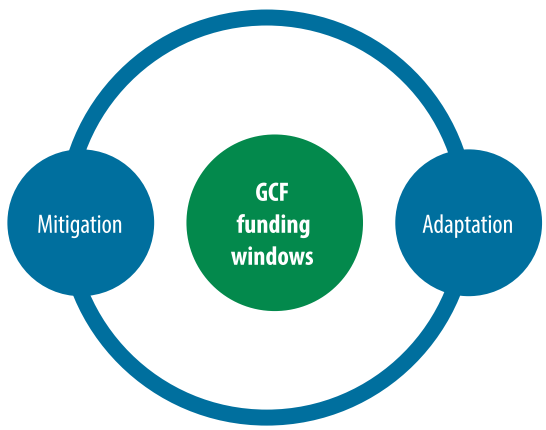
1. Essentials to know before developing a GCF project

The GCF is a financial mechanism established within the United Nations Framework Convention on Climate Change (UNFCCC) and acts as the operating entity to implement 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 US$100 billion in climate finance per year from public and private sources by 2020. Figure 3 illustrates the two funding windows through which countries can access GCF funds: adaptation and mitigation.

Figure 3. GCF funding windows

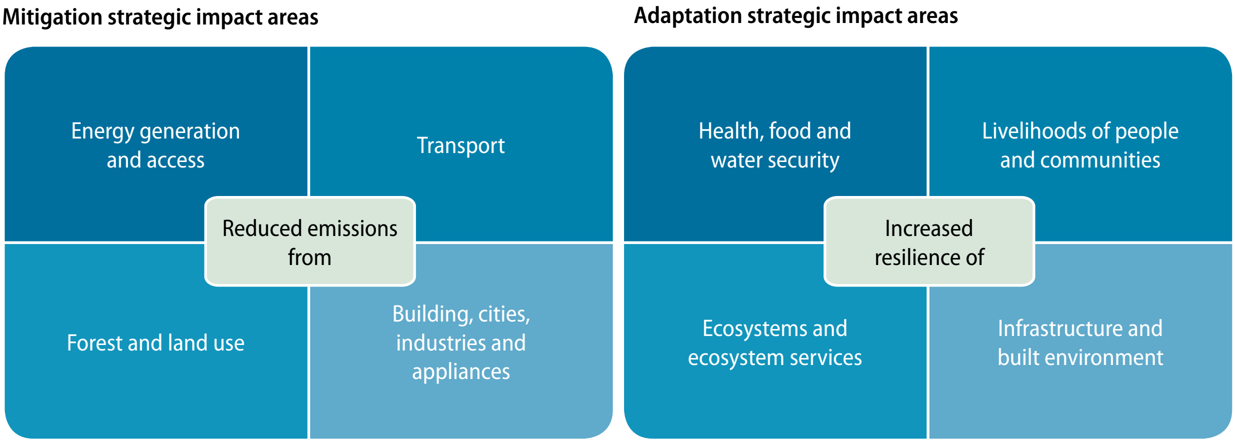


1.1 What does the GCF support?

The GCF finances low-emission (mitigation) and climate-resilient (adaptation) projects and programmes developed by the public and private sectors to contribute to countries' climate change priorities. Cross-cutting projects that deliver co-benefits in terms of both mitigation and adaptation are eligible for funding by the GCF. A project proponent will have to demonstrate the climate change impact of its proposed project or programme in terms of mitigation, adaptation or both.

When developing a GCF project, a project proponent should identify which strategic impact areas its proposed project or programme contributes towards (noting that for an individual project or programme, several can apply). Figure 4 presents the eight strategic impact areas for adaptation and mitigation.

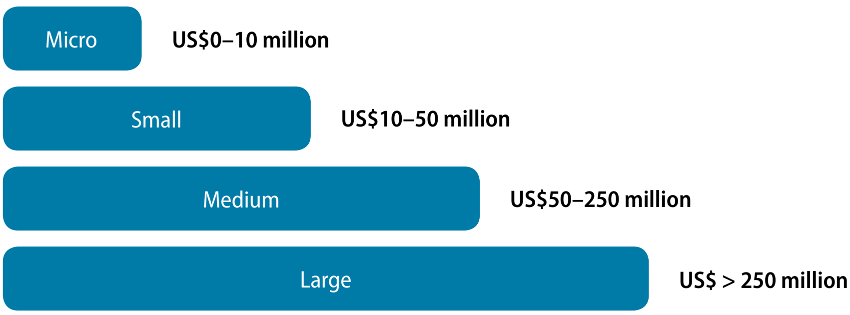
Figure 4. GCF strategic impact areas



Source: adapted from GCF infographics.

The proposed project or programme submitted will fall into one of the four GCF project size categories (Figure 5).

Figure 5. Total project costs



Source: adapted from GCF infographics.

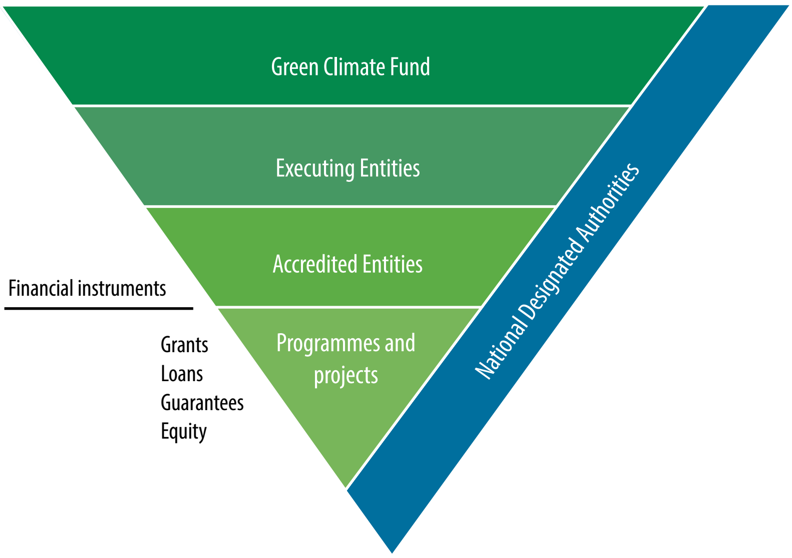
1.2 How much and what type of finance is available?

As of March 2017, the Fund has raised US$10.3 billion equivalent in pledges from 43 state governments. So far, the major contributors have been (in chronological order of contribution): the United States, Japan, the United Kingdom, France and Germany. However, developing countries also pledged finance, including Chile, Colombia, Indonesia, Mexico, Mongolia, Panama, Peru and Vietnam. The GCF provides four financial instruments: grants, concessional loans, equity and guarantees (see section 4.10.2 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; putting a funding proposal together; and, if successfully approved, overseeing and managing implementation and completion of the project.

Figure 6. GCF architecture



Source: adapted from GCF infographics.

National Designated Authority

The NDA or Focal Point[3] is the focal agency and point of contact with the GCF. The NDA/Focal Point develops work programmes and oversees proposals. The list of NDAs and Focal Points is available at www.greenclimate.fund/partners/countries/nda-directory.

Accredited Entity

An AE is accountable directly to the GCF's Board for the overall management of projects, 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**, 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.

- **International access entities**, which may be bilateral, multilateral or regional entities. They may include bilateral development agencies (e.g. 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'.

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 is in charge of executing eligible activities supported by the GCF under the oversight of the AE. An AE can also execute projects itself.

In the former situation, when developing a GCF project, a project proponent should identify an AE that will oversee the implementation and management of the proposed project or programme. When selecting an AE, it is important to consider the potential risk category level (A, B or C) and size (small, medium or large scale) of the proposed project and funded activities. The AEs are classified according to the intended scale, nature and risks of their proposed activities. 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.). The list of existing AEs is available at www.greenclimate.fund/partners/accredited-entities/ae-directory.

Table 1 summarises the main functions of the three actors.

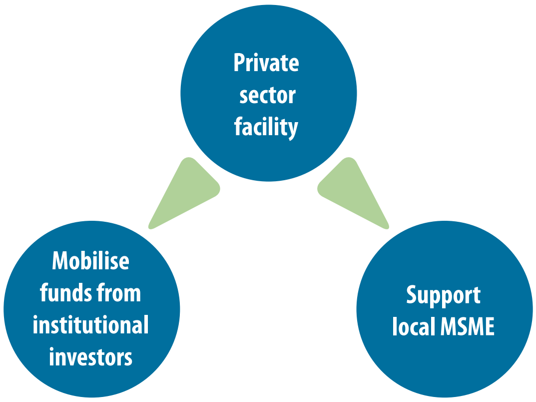
Table 1. National Designated Authority, Accredited Entity and Executing Entity

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 NIEs • 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?

The **Private Sector Facility**, the private sector arm of the GCF, was set up to maximise private sector engagement to provide transformational solutions and catalyse private finance, through two alternative mechanisms – the Mobilising Funding at Scale and MSME pilot programmes.

Figure 7. Support provided by the GCF's Private Sector Facility



The Mobilising Funding at Scale pilot programme 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 investable 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.

Through the MSME pilot programme, the GCF uses public finance to work with local micro, small and medium enterprises. 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.

Resources

Rai, N., Hossain, I., Soanes, M., Fayolle, V., Nasir, N. and Mahid, Y. (2016) *How can Bangladesh's private sector engage with the Green Climate Fund?* London: International Institute for Environment and Development. http://pubs.iied.org/pdfs/10162IIED.pdf

2. Key project design elements

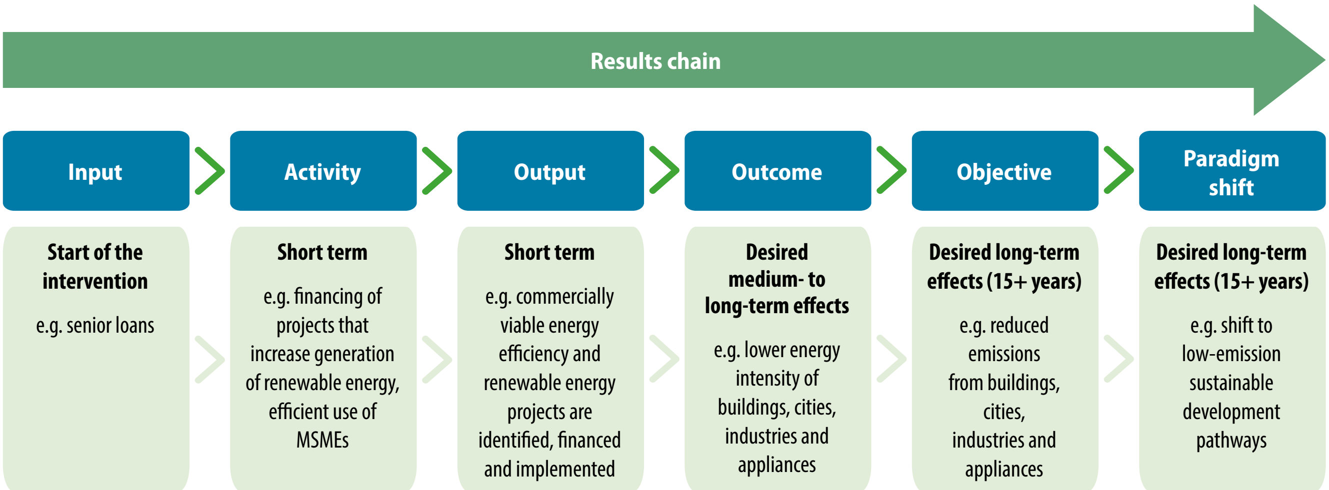
2.1 Results Management Framework

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 includes two key elements: the logic model and the PMF.

Logic model

The logic model demonstrates how inputs and activities are converted to changes in the form of results achieved at the project/programme, country, strategic impact and paradigm shift levels. Figure 8 shows the levels of the logic model and indicates the estimated time required to achieve the relevant results from the time of project inception. Generally speaking, the attribution of funded activities to results achieved becomes increasingly difficult as one moves from inputs to results achieved at the paradigm shift level.

Figure 8. Six levels of logic models



Source: GCF, 2014b.[4]

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 H** 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 4.2 provides detailed guidance on how to develop a log frame.

Performance Measurement Framework

The PMF is the performance measurement system intended to monitor the Fund's results at the project, programme 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/programme outcomes outlined in the Fund's mitigation and adaptation logic models. See Annexes 2–4 for the full list of indicators presented in the GCF's PMF.

2.2 Interim Environmental and Social Safeguards

The GCF's interim ESS are based on the IFC's eight PS and their objectives. These 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.

Figure 9. Overview of the IFC's Performance Standards

Ps 1: 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 resettlement	**PS 6** Biodiversity conservation and sustainable management of living natural resources	**PS 7** Indigenous peoples	**PS 8** Cultural heritage

2.3 Gender Policy

The GCF emphasises the importance of gender equality in terms of access and impact of climate funding. The Governing Instrument of the Fund pursues gender balance in the appointments of members of its Board and Secretariat, and establishes a clear mandate to enhance a gender-sensitive approach in the Fund's processes and operations.

The GCF's Gender Policy aims to:

- achieve greater, more effective, sustainable and equitable climate change results, outcomes and impacts through the adoption of a gender-sensitive approach
- build resilience to climate change equally for men and women, as well as to ensure that men and women equally contribute to and benefit from activities supported by the Fund
- address or mitigate risks for women and men associated with adaptation and mitigation activities financed by the Fund
- reduce the gender gap of social, economic and environmental vulnerabilities exacerbated by climate change.

The Gender Policy is built on six fundamental principles (Figure 10).

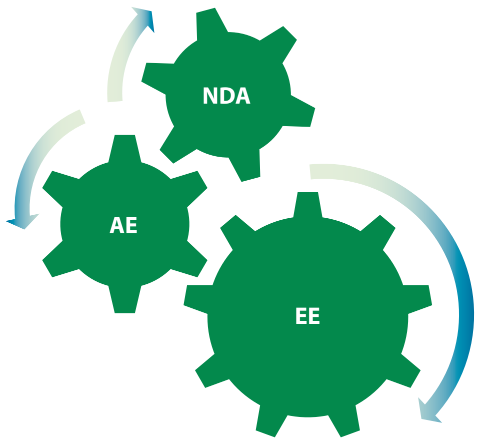
The Fund promotes gender-sensitive solutions to all its activities in all countries, while taking into account different national realities and priorities.

The integration of gender considerations within a funding proposal is one of the key requirements to access the Fund and takes place at three interrelated levels: NDA, AE and EE.

Figure 10. Six principles of the GCF's Gender Policy

- Commitment to gender equality and equity
- Inclusiveness in terms of applicability to all the Fund's activities
- Accountability for gender and climate change results and impacts
- Country ownership, alignment with national policies and priorities and inclusive stakeholder participation
- Competencies throughout the Fund's institutional framework
- Equitable resource allocation between women and men

Figure 11. Three levels for integration of gender considerations into a funding proposal



The NDA should ensure that funding proposals are aligned with countries' gender policies as well as their climate change 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.

The AE has the main responsibility for implementing the GCF's Gender Policy, working alongside the EE, through the development and implementation of the funding proposal supported by results reporting. This includes developing a funding proposal which must draw on a context and gender assessment and integrate qualitative and quantitative gender indicators. Development of the proposal should be informed by stakeholder consultations and decision-making processes that include equitable opportunities for women and men to be involved and to lead activities. Further guidance on how to integrate gender equality into a funding proposal through the development of a GAP is provided in section 4.4.

3. The GCF proposal template

Filling in the GCF's 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, the proposal should be entered into the GCF's funding proposal template (version 1.1) at www.greenclimate.fund/library/-/docs/list/574044. Sections A, B, D, E and H of the funding proposal (see Table 2) require detailed inputs from the project proponent. For all other sections, project proponents have discretion in how they wish to present the information. Project proponents may either incorporate information directly into the proposal, or provide summary information in the proposal 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.

Table 2. Structure of the GCF funding proposal template form (version 1.1)

Section	Description
A – Project/programme summary	
A.1. Brief project/programme information	
A.1.1. Project/programme title	Provide the full title of the proposed project/programme.
A.1.2. Project or programme	Indicate if the proposal is associated with a project or a programme.
A.1.3. Country(ies)/region	Enter the country (or countries) or region in which the proposed project/programme will be implemented.
A.1.4. National Designated Authority(ies)	Insert the name of the NDA.
A.1.5. Accredited Entity	Insert the name of the AE.
A.1.5.a. Access modality	Indicate which mode of access the entity is using to access the Fund's resources: direct or international.
A.1.6. Executing Entity/beneficiary	Insert the name of the EE(s) who will channel funds, execute, carry out or implement the funded activity under the overall management and supervision of the AE.
A.1.7. Project size category (total investment, million US$)	Indicate the scale of intended activities for the proposed project/programme: micro (≤10), small (10 < × ≤ 50), medium (50 < × ≤ 250) or large (>250).
A.1.8. Mitigation/adaptation focus	Indicate if the proposed project/programme targets mitigation, adaptation or cross-cutting (both mitigation and adaptation).
A.1.11. Results areas	Mark all the relevant results areas of the Fund's initial RMF that are applicable to the proposed project/programme.

Chapter 3

Section	Description
B – Financing/cost information	
B.1. Description of financial elements of the project/ programme	Provide a breakdown of cost estimates analysed according to major cost categories. Present a financial model that includes projection covering the period from financial closing through final maturity of the proposed GCF financing with detailed assumptions and rationale. Summarise the financial instrument(s) to be used in support of the project/programme, and how the choice of financial instrument(s) will overcome barriers and leverage additional public and/or private finance to achieve project objectives.
B.2. Project financing information	State the amount of financial contributions needed for the proposed project/ programme. The 'total project financing' should be the sum of 'requested GCF' amount and 'co-financing' amount. Provide a breakdown by financial instrument. Provide strong economic and financial justification for the concessionality that GCF provides, particularly in the case of grants. Please note that the level of concessionality should correspond to the level of the proposal's expected performance against the investment criteria.
B.3. Financial market overview if applicable	Provide an overview of the size of total banking assets, debt capital markets and equity capital markets which could be tapped to finance the proposed project/programme. Provide also an overview of market rates (i.e. one-year Treasury bill, five-year government bond, five-year corporate bond (specify credit rating) and five-year syndicate loan.
C – Detailed project/programme description	
C.1. Strategic context	Describe relevant national, subnational, regional, global, political and/or economic factors that help to contextualise the proposal, including existing national and sector policies and strategies.
C.2. Project/programme objective against baseline	Describe the baseline scenario (i.e. emissions baseline, climate vulnerability baseline, key barriers, challenges and/or policies) and the outcomes and the impact that the project/programme will aim to achieve in improving the baseline scenario.
C.3. Project/programme description	Describe the main activities and the planned measures of the project/ programme according to each of its components. Provide information on how the activities are linked to objectives, outputs and outcomes that the project/programme intends to achieve.
C.4. Background information on project/programme sponsor (EE)	Describe the quality of the management team, overall strategy and financial profile of the sponsor (EE) and how it will support the project/programme in terms of equity investment, management, operations, production and marketing.
C.5. Market overview (if applicable)	Describe the market for the product(s) or services including the historical data and forecasts. Describe the competitive environment including the list of competitors with market shares and customer base and key differentiating factors (if applicable). Provide pricing structures, price controls, subsidies available and government involvement (if any).
C.6. Regulation, taxation and insurance (if applicable)	Provide details of government licences or permits required for implementing and operating the project/programme, the issuing authority, and the date of issue or expected date of issue. Describe applicable taxes and foreign exchange regulations and details on insurance policies related to the project/programme.

Section	Description
C.7. Institutional/ implementation arrangements	Describe in detail the governance structure of the project/programme, including but not limited to the organisation's structure, roles and responsibilities of the project/programme management unit, steering committee, EEs and so on, as well as the flow of funds structure.
C.8. Timetable of project/programme implementation	Provide a project/programme implementation timetable.
D – Rationale for GCF involvement	
D.1. Value added for GCF involvement	Describe the value added by the Fund's support and the project/programme's long-term sustainability after the Fund's intervention. Provide a justification for the amount 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.
D.2. Exit strategy	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.
E – Expected performance against investment criteria	
Demonstrate the project/programme's expected performance against the Fund's investment criteria. For each investment criterion, identify activity-specific sub-criteria and indicators in the Fund's investment framework.	
E.1. Impact potential	Specify the climate mitigation and/or adaptation impact, using the four core indicators provided in the Fund's investment framework.
E.2. Paradigm shift potential	(1) Potential for scaling-up and replication (e.g. multiples of initial impact size) for both mitigation and adaptation; (2) potential for knowledge and learning; (3) contribution to the creation of an enabling environment; (4) contribution to the regulatory framework and policies.
E.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.
E.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.
E.5. Country ownership	Demonstrate the following factors, amongst others: (1) existence of a national climate strategy and coherence with existing plans and policies; (2) capacity of AEs or EEs to deliver; and (3) engagement with NDAs, civil society organisations and other relevant stakeholders.
E.6. Efficiency and effectiveness	Make the case for strong cost-effectiveness and financial soundness.

Section	Description
F – Appraisal summary	
The information to fill this section can be drawn from the project/programme appraisal document.	
F.1. Economic and financial analysis	Provide the results of the detailed economic and financial analysis (including the financial model). Also, demonstrate the economic and financial justification (both qualitative and quantitative) for the concessionality that GCF provides.
F.2. Technical evaluation	Provide an assessment from the technical perspective, if a particular technological solution has been chosen.
F.3. Environmental, social assessment, including gender considerations	Describe the main outcome of the Environmental and Social Impact Assessment (ESIA) and specify the Environmental and Social Management Plan (ESMP), and how the project/programme will avoid or mitigate negative impacts in accordance with the Fund's (ESS) standard. Also describe how the gender aspect is considered in accordance with the Fund's Gender Policy and Action Plan.
F.4. Financial management and procurement	Describe the project/programme's financial management and procurement, including financial accounting, disbursement methods and auditing.
G – Risk assessment and management	
G. Risk assessment and management	Identify any substantial technical, operational, financial, social and environmental risks that the project/programme may face, and propose respective risk mitigation measures.
H – Results monitoring and reporting	
H. Results monitoring and reporting	Provide the logic framework of the proposed project/programme.
Supporting documents	
Annexes	• No-objection letter from NDA • Feasibility study • Integrated financial model that provides sensitivity analysis of critical elements (xls format) • Confirmation letter or letter of commitment for co-financing commitment • Project/programme confirmation (term sheet) • Environmental and Social Impact Assessment (ESIA) or Environmental and Social Management Plan (ESMP) • Appraisal report or due diligence report with recommendations • Evaluation report of the baseline project • Map indicating the location of the project/programme • Timetable of project/programme implementation • Procurement plan • Detailed budget • Gender Action Plan (GAP) • Economic analysis

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 proposal together and fill in all sections of the GCF funding proposal template.

Step 1 illustrates how to undertake a scoping analysis in order to gain a better understanding of the contextual and strategic background of the project and define the baseline scenario. Step 2 presents how to structure a logic framework (*log frame*) to demonstrate how the project's activities will allow its objectives to be achieved. Step 3 provides guidance on how to identify potential risks to a project, including social and environmental risks (based on the GCF environmental and social risk categories; see Table 10) and the corresponding mitigation measures that could be used. Step 4 focuses on gender, providing guidance on how to integrate this dimension into a project. Step 5 explains how to use and assign indicators for your project, which will help the GCF to measure progress and performance. Step 6 presents the six GCF investment criteria and how to align your project with them. Step 7 illustrates how to justify the added value of GCF involvement and the sustainability of the project (the so-called *exit strategy*). Step 8 provides an overview of the GCF's monitoring, evaluation and reporting responsibilities. Step 9 provides guidance on how to prepare the budget and complete the budget-related sections of the GCF proposal. Step 10 helps project proponents to identify to the GCF the amount of financing they want to request and the most appropriate financial instrument.

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 proposals need to be submitted at least three months before the Board meeting. As Board meetings are time constrained, it is advisable to submit proposals as early as possible to be reviewed at a particular Board meeting (the GCF tends to meet three or four times per year). The applicant 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 proposal so that they are aware and can provide the appropriate support.

4.1 Step 1. How to define the project scope?

The first step is to define the project scope. A scoping analysis will provide the project proponent with a better understanding of the strategic context in which the project will take place, and will inform the description of the baseline scenario in the project proposal.

This section provides an overview of the tools and methods to conduct a scoping analysis and to enable project proponents to:

- describe the prevailing environmental and climate conditions in the project's target area

- outline the regulatory, socioeconomic, political and institutional context that informed the proposed interventions
- identify potential threats and barriers to the project (social, technological, financial, ecological, institutional) and how they are going to be addressed/overcome
- describe the baseline scenario.

In order to gather the necessary information to complete a scoping analysis, a project proponent may be required to:

- undertake desktop research and a literature review
- conduct new research and studies
- consult relevant stakeholders.

Figure 12. Key elements in undertaking a scoping analysis

4.1.1 Desktop research and literature review

Project proponents should identify relevant studies and undertake desktop research to compile the existing information about:

- impacts of and vulnerabilities to climate change in their country, with particular focus on the project's target area (for adaptation projects)
- expected impacts of climate change on energy demand, energy efficiency and renewable energy on greenhouse gas emissions (for mitigation projects)
- Reducing Emissions from Deforestation and Forest Degradation (REDD+), and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

This information generally can be found in national documents, but should be complemented with information included in international reports such the Intergovernmental Panel on Climate Change (IPCC) Assessment Reports.

The literature review could focus on the following.

- **National priorities on climate change** can be found in Intended Nationally Determined Contributions (INDCs) or Nationally Determined Contributions (NDCs) as well as any national, subnational and sectorial policy documents related to climate change (e.g. national communications to the UNFCCC, climate change national policy, programme or strategy).

- **Climate change impacts and vulnerabilities**, including adaptation needs (ideally disaggregated by gender and age), can be found in national vulnerability and risk assessments as well as adaptation policy processes such as the National Adaptation Programmes of Action (NAPAs) or National Adaptation Plans (NAPs).

- **Country's energy demand, energy efficiency and renewable energy priorities, options and impacts** can be found in greenhouse gas inventories, technology needs assessments, energy-related policy documents, Low-Emission Development Strategies and Plans (LEDs), Nationally Appropriate Mitigation Action (NAMA) and other available studies.

- **National strategies or action plans relating to REDD+, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks**, including National Forest Reference Emission Level (FREL) and/or Forest Reference Level (FRL), as well as National Forest Monitoring Systems (NFMS) for the monitoring and reporting on REDD+ activities.

- **Sustainable development priorities and potential options** can be found in sustainable development policy documents, Poverty Reduction Strategy Papers (PRSPs), environment- and gender-related policy documents and other relevant sector policies.

- **Evaluation reports from ongoing or past climate change projects/programmes** to draw lessons on achieved successes and/or failures related to the project/programme design, implementation and evaluation. This process will allow the project proponent to avoid overlaps with existing initiatives, while building on their achievements and filling potential gaps. This also provides project proponents an opportunity to identify the potential for scaling up and replication, which informs the paradigm shift potential of the project.

- **Past studies that assess (quantitatively or qualitatively) the costs and benefits of climate change projects or activities**, such as cost–benefit analysis, cost-effectiveness analysis or multi-criteria analysis, economic valuation studies of natural resources and ecosystems and their services, including contingent valuation and willingness-to-pay methods.

Table 3. Existing supporting tools for undertaking a scoping analysis for a climate change project

Tool	Description
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.
Vulnerability 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.
Vulnerability mapping (if adaptation)	Provides precise indications on the location of sites at risk due to a potentially catastrophic event that could result in death, injury, pollution or other destruction. In the context of climate change, vulnerability refers to the state of susceptibility to damage from exposure to climate hazards, and the ability of the environment/ society/economy to cope with, and recover from, such exposure as well as to manage incremental and long-term climate change. Identifying vulnerability is therefore a necessary prerequisite to develop low-emission climate-resilient plans and strategies and to ensure that societies are resilient in the face of climate change. Once vulnerability has been determined, it is useful to map this information to identify the likely location(s) of vulnerable sectors and people for a range of possible climate futures.
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.[5] Project proponents should look for national greenhouse gas inventory reports. Other sources of reference are: • UNFCCC Greenhouse Gas Inventory[6] • IPCCC National Greenhouse Gas Inventories[7] • ISO 14064, Greenhouse Gas Accounting and Verification.[8]
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 policy-makers with an evaluation of those 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.

Chapter 4

Tool	Description
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.
Forest Reference Emission Level; Forest Reference Level (if REDD+)	Reference levels are expressed as tonnes of CO_2 equivalent (t CO_2eq) per year for a reference period against which the emissions and removals from a results period will be compared. Thus reference levels serve as benchmarks for assessing each country's performance in implementing REDD+ activities. Reference levels need to maintain consistency with the country's greenhouse gas inventory estimates.
National Forest Monitoring Systems (if REDD+)	Reliable data on forest areas and forest area changes are key to any functional measurement and reporting of forest carbon. These systems use a combination of remote sensing and ground-based forest carbon inventory approaches for estimating anthropogenic forest-related greenhouse gas emissions by sources and removals by sinks, forest carbon stocks and forest area changes.

4.1.2 New research and studies

Where comprehensive information is not available, new research and studies can be undertaken to fill information gaps. These activities will focus on filling the gaps in knowledge and data on the impacts of, and vulnerabilities to, climate change, as well as the mitigation potential (t CO_2eq per year) for the target area and population.

A number of tools and methods are available to undertake the studies and fill in these gaps. An overview of selected tools and methods is provided in Table 4.

Table 4. Selected data analysis methods

Tool	Description
Trend analysis	A method of analysis in which information is collected in the attempt to identify a pattern or trend in the information.
Cost–benefit analysis	A systematic approach for calculating and comparing the benefits and costs of a project. It is used to determine what option provides the best approach to achieve a specific objective with the maximum benefits.
Cost-effectiveness analysis	A form of economic analysis that compares the relative costs and outcomes (effects) of different courses of action. While the cost–benefit analysis assigns a monetary value to the measure of effect, the cost-effectiveness analysis is most useful when analysts face constraints which prevent them from conducting a cost–benefit analysis, such as the inability to monetise benefits. It is the most common form of analysis in governments, as it allows evaluating and comparing the costs of alternative ways of providing similar kinds of outputs.

Tool	Description
Causal loop diagram	A tool for mapping a set of relationships forming a 'system' – such as a policy, a strategy or a regulation. The result is a 'picture' showing causal links among key drivers or influential variables that affect the system's behaviour or outcomes. Thus a causal loop diagram reveals the systemic relationships (structures) underlying a complex system.
Multi-criteria analysis	A decision-making method (also called multi-criteria decision analysis) developed to analyse complex problems, which involves choosing between alternatives with conflicting objectives. Multi-criteria analysis helps to analyse problems that are characterised by any mixture of monetary and non-monetary objectives by breaking the problem into more manageable pieces to allow data and judgements to be brought to bear on the pieces, then reassembling the pieces to present a coherent overall picture to decision-makers. The purpose is to serve as an aid to thinking and decision-making, but not to take the decision. As a set of techniques, multi-criteria analysis provides different ways of disaggregating a complex problem, measuring the extent to which options achieve objectives, weighting the objectives and reassembling the pieces.
Problem/solution tree	A methodology including three steps for identifying main problems, along with their causes and effects, helping project planners to formulate clear and manageable objectives and strategies for how to achieve them.

4.1.3 Stakeholders' consultations

In line with the GCF's Best Practices for Country Coordination and Multi-Stakeholder Engagement, the project proponent is required to identify and consult relevant stakeholders to gather contextualised information on the target area and population. Consultations should involve the target population, inclusive of ethnic minorities, disabled, elderly, children, women, indigenous peoples and others.

A wealth of quantitative and qualitative methods are available to undertake consultations. The project proponent may select the most appropriate approach based on the type of information to be gathered and the expertise required, also taking into account literacy and cultural aspects. Participatory approaches may be used where appropriate.

Relevant stakeholders to consult may include government ministries, departments and agencies; private sector organisations; civil society organisations; non-governmental organisations (NGOs); universities and/or research institutions; and regional organisations. As per the GCF's Gender Policy, the project proponent should ensure that stakeholders' consultations are gender equitable.

Table 5. Selected consultation methods

Method	Description
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 a large number of 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.
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.
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.
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.

The information gathered through the scoping analysis will inform **Section C** of the GCF funding proposal template; the baseline scenario against which the project's success is measured (see Step 2 – *How to develop a logic framework?*); and the identification of potential risks to the project (see Step 3 – *How to assess project risks and identify mitigation measures?*).

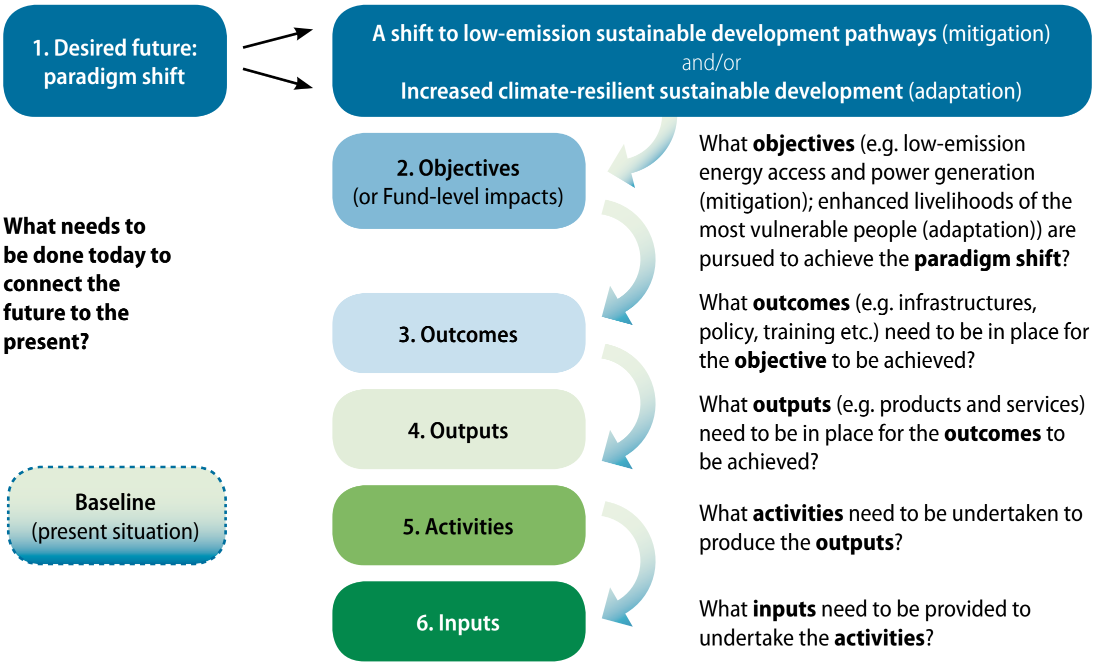
4.2 Step 2. How to develop a logic framework?

The **logic framework** (*log frame*) is one of the most often-used methods to articulate and clarify how a set of activities will achieve a project's desired outcomes and objectives (its *theory of change*). The theory of change represents the long-term vision of the project and how this can be achieved through short-, medium- and long-term changes.

Hence the log frame serves as a results map that also captures the basic monitoring and evaluation (M&E) requirements. The project/programme'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.

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 a backcasting approach is shown in Figure 13.

Figure 13. Backcasting approach to developing a log frame



As illustrated in Figure 13, following a top-down approach, the project proponent can first identify the **paradigm shift potential** of the project, that is, the ability of the project/programme to contribute to a shift to low-emission sustainable development and/or to climate-resilient sustainable development.

The paradigm shift therefore represents an overarching vision of the project, which is then broken down into **objectives** or **fund-level impacts**. The objectives correspond to aggregate changes the project will achieve in one or more of the GCF's eight strategic impact areas (see Figure 4 and Table 6).

Table 6. Mitigation and adaptation fund-level impacts

Fund-level impacts and GCF strategic impact areas
Mitigation
• Low-emission energy access and power generation
• Low-emission transport
• Energy-efficient buildings, cities and industries
• Sustainable land use and forest management
Adaptation
• Enhanced livelihoods of the most vulnerable people, communities and regions
• Increased health and wellbeing, and food and water security
• Infrastructure and built environment resilient to climate change threats
• Resilient ecosystems

The **outcomes** describe changes that need to be in place for the objective to be achieved. The GCF provides different categories of outcomes for mitigation and adaptation projects. The project proponent will have to select in the proposal which outcomes the project/programme will achieve. The outcomes used by the GCF for mitigation, adaptation and REDD+ are listed in Table 7.

Table 7. Mitigation and adaptation project/programme-level outcomes

GCF Project/programme-level outcomes
Mitigation
• Increased gender-sensitive low-emission development mainstreamed in government
• More small, medium and large low-emission power suppliers
• Lower country energy-intensity trajectory
• Increased use of low-carbon transport
• Stabilisation of forest coverage
Adaptation
• Strengthened government institutional and regulatory systems for climate-responsive development planning
• Increased generation and use of climate information in decision-making
• Strengthened adaptive capacity and reduced exposure to climate risks
• Strengthened awareness of climate threats and gender-sensitive risk reduction processes
REDD+
• Reduced emissions (t CO_2eq) from deforestation
• Reduced emissions (t CO_2eq) from forest degradation
• Reduced emissions and increased removals (t CO_2eq) through the conservation of forest carbon stocks
• Reduced emissions and increased removals (t CO_2eq) through the sustainable management of forests
• Increased removals (t CO_2eq) through the enhancement of forest carbon stocks

The outcomes are then further broken down in **outputs**, which describe high-level products and services to be achieved as a result of project/programme outcomes (e.g. more small, medium and large low-emission power suppliers).

The outputs will be achieved through specific activities and corresponding inputs. The **activities** correspond to direct services to be provided under the project (e.g. capacity-building training; increased investment in renewable energies). These will be realised through dedicated **inputs** – financial resources (e.g. GCF's grants/concessional loans) and human efforts.

Eventually, the logic of the log frame can be verified by working from the **baseline**, up through the inputs and onwards to the objective. An example of a complete log frame is provided in Annex 1, based on an approved project proposal: 'Business loan program for GHG emission reduction'.

When developing the log frame, the following levels require the use of indicators.

- **Output level:** To demonstrate how the expected results of the project/programme will contribute to achieving the identified outputs.
- **Outcome level (country level):** To demonstrate how the expected results of the project/programme will contribute to achieving the selected outcomes.
- **Fund impact level (objective):** To demonstrate how the outcomes included in the project/programme will achieve results that contribute to the identified strategic impact areas of the GCF.

The log frame will help complete **Section H – Results monitoring and reporting** of the GCF funding proposal. To complete this section, project proponents will have to assign specific indicators and corresponding means of verification to allow the GCF to measure and monitor the expected results identified in the log frame. Step 3 explains how to categorise risks for your project based on the GCF's requirements, and how to assess risks and identify mitigation measures.

4.3 Step 3. How to assess project risks and identify mitigation measures?

Project proponents are expected to identify any substantial technical, operational, financial, social and environmental risks that the project/programme may face, and propose respective risk mitigation measures.

For each risk, the project proponent will have to indicate the:

- **category:** technical and operational; financial; or social and environmental
- **level of impact:** low (less than 5% of project value), medium (between 5.1 and 20% of project value) or high (over 20% of project value)
- **probability of the risk occurring:** low, medium or high.

Risks can be addressed by developing 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.

4.3.1 Risk mitigation

Risk is the potential of exposing something of value to damage or loss. All projects have associated risks that need to be considered when designing and implementing a project. 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. An example of a risk and respective mitigation measure is provided in Table 8.

Table 8. Illustrative example: A risk and mitigation measure from XacBank's approved proposal: 'Business loan program for GHG emission reduction'

Selected Risk Factor 5

Description	Risk category	Level of impact	Probability of risk occurring
Technology-related risk, e.g. failure of installed renewable energy and energy efficiency components, installed technologies not suited for required task, inexperienced staff unable to operate the equipment to achieve efficiency gains	Technical and operational	Low (<5% of project value)	Low
Mitigation measure(s)			
The technological elements of proposed products will either be verified through supplier documentation of testing, or tested in collaboration with XacBank's local partner Building Energy Efficiency Center (BEEC), which XacBank has worked with on many projects. In addition to verifying the actual functionality of the products, XacBank will provide technical advisory to ensure the selected product is appropriate for the task required of it. Finally, the primary focus of awareness raising activity with regard to energy efficiency and renewable energy will centre around reducing perception of risk with these products (closing technological knowledge risk). Many MSMEs know that these products exist, but they perceive them as a risky investment. Making them aware of the extensive testing and risk reducing measures that are integrated into the program will cull more interest in participation.			

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 that will need monitoring. These could include issues related to external stakeholders such as project beneficiaries or the pool of potential contractors.

4.3.2 Environmental and social risks

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 International Finance Corporation (IFC)'s eight PS and their objectives.

The IFC PS 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. Table 9 below gives an overview of the topics covered in IFC PS1–8.

Table 9. 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
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

Performance Standard		Objectives
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) Free, prior and informed consent 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)[9]

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: low (C), medium (B) and high (A) risk. Table 10 provides an overview of the risks and relevant categories.

Table 10. 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.

Risk level	Funding proposals	Intermediation	Examples
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 (2017)[10]

Project proponents should undertake an ESIA to identify, predict and assess 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**, projects that are expected to have significant environmental and social impacts, a full and comprehensive ESIA is required. For **category B**, projects with limited impacts and well developed mitigation and monitoring measures, a limited-focus ESIA and ESMP will suffice. **Category C** projects, having no expected significant environmental and social impacts, may not require any assessments although a pre-assessment should confirm that the project is indeed in category C.

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 be in charge of fulfilling the project-level ESMP requirements and will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

Table 11. 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**[11] or, if specific activities or locations have not yet been determined, a **resettlement policy framework** 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.
Potential impacts on indigenous peoples (consistent with the objectives and requirements of PS7 on indigenous peoples)	An **indigenous peoples development plan** or, if specific activities or locations have not yet been determined, an **indigenous peoples planning framework**[12] 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.

Source: GCF (2016e)[13]

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.

4.3.3 Information Disclosure Policy

The ESIA and the ESMP should be made public as per the GCF's **Information Disclosure Policy**. The AEs should disclose the following to the public.

- **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.

The reports will be made available in both English and the local language (if not English) via electronic links on both the AE's and the GCF's website (in the case of the GCF website, upon submission of a funding proposal to the Board). Proposals relating to projects/programmes that do not have any significant environmental or social impact (Category C or Category I-3) do not require any additional advance information disclosure.

An example of information disclosure from an approved proposal is provided in Table 12.

The information provided in this step will inform **Section G – Risk Assessment and Management** of the GCF Funding Proposal. Step 4 explains how to integrate gender in the project design and how to develop a GAP.

4.4 Step 4. How to integrate gender into a project?

In order to integrate gender into a project or programme, project proponents have to develop a gender assessment and a Gender Action Plan (GAP). This entails undertaking a comprehensive socioeconomic and gender assessment (complementary to the ESS requirements), including relevant gender-equitable stakeholders' consultations and engagement. The gender assessment and the GAP should be submitted as an annex of the proposal. This will provide the GCF, AE and EE with an overview of how gender equality will be promoted within the project.

Informed by the gender assessment, the GAP should include the following aspects.

- **Defining gender-responsive objectives**. Project proponents should determine how the project/programme can respond to the needs and interests of women and men in view of the specific climate change issue to be addressed, and identify the drivers of change

Resources

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

European Commission (nd) *A guide to gender impact assessment*. Brussels: European Commission. http://ec.europa.eu/social/BlobServlet?docId=4376

March, C., Smyth, I. and Mukhopadhyay, M. (1999) *A guide to gender analysis frameworks*. Oxford: Oxfam. www.ndi.org/sites/default/files/Guide%20to%20Gender%20Analysis%20Frameworks.pdf

Oxfam (2014) 'Quick guide to gender-sensitive indicators'. Oxford: Oxfam. www.fsnnetwork.org/sites/default/files/ml-quick-guide-to-gender-indicators-300114-en.pdf and the gender dynamics to achieve the project/programme adaptation or mitigation goals. The participation of people from diverse socioeconomic and ethnic backgrounds is necessary in the goal-setting process.

- **Mainstreaming gender in the project activities**. Project proponents should define activities and inputs that are required to achieve the changes established in the objectives of the proposed project or programme.

Table 12. Illustrative example: Environmental and social report disclosure information from XacBank's approved proposal: 'Business loan program for GHG emission reduction'

Environmental and social report(s) disclosure

Basic project/programme information	
Project/programme title	MSME business loan program for GHG emission reduction
Accredited entity	XacBank LLC
Environmental and social safeguards (ESS) category	Intermediation 2 (I2)
Environmental and Social Impact Assessment (ESIA) (if applicable)	
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Link to disclosure	N/A
Other link(s)	N/A
Environmental and Social Management Plan (ESMP) (if applicable)	
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Link to disclosure	N/A
Other link(s)	N/A
Resettlement Action Plan (RAP) (if applicable)	
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Link to disclosure	N/A
Other link(s)	N/A
Any other relevant ESS reports and/or disclosures (if applicable)	
Description of report/disclosure	Environmental and Social Management System (ESMS)
Date of disclosure on accredited entity's website	2016-11-11
Language(s) of disclosure	English and Mongolian
Link to disclosure	English: http://xacbank.mn/en/552/about-xacbank/socialresponsibility/eco-bank/esms Mongolian: http://xacbank.mn/mn/552/about-xacbank/socialresponsibility/eco-bank/esms
Other link(s)	N/A

- **Selecting outputs, outcomes and impact indicators for monitoring and reporting purposes**. Each objective results in activity(ies) which require(s) inputs (e.g. budget line) and is evaluated by indicator(s), means of verification and targets. Project proponents can refer to the RMF to select the relevant gender-sensitive indicators for both adaptation and mitigation. The AE/EE will be required to collect gender- and age-disaggregated baseline data to inform the GAP.

- **Determining the institutional arrangements** for implementation and monitoring of the GAP.

After developing the GAP, project proponents should **plan for gender equitable stakeholders' consultations** and engagement at all phases of the proposed project or programme. In addition, **project proponents should allocate sufficient resources** to fund the identified activities necessary to integrate gender equality within a project or programme (hiring relevant experts for their advice, capacity-building for project staff members, etc.) and should verify that AEs' budgets are adequate for the supervision and reporting of the project's gender elements implemented by EEs. Figure 14 synthesises the key elements needed to integrate gender into a project.

Table 13 provides an example of how to mainstream gender in a project's activities, outputs and outcomes, and the use of relevant indicators. This GAP was developed by XacBank (Funding Proposal 028) to support the funding proposal 'Business loan programme for GHG emission reduction' approved by the GCF Board in December 2016.

Figure 14. How to integrate gender into a project?

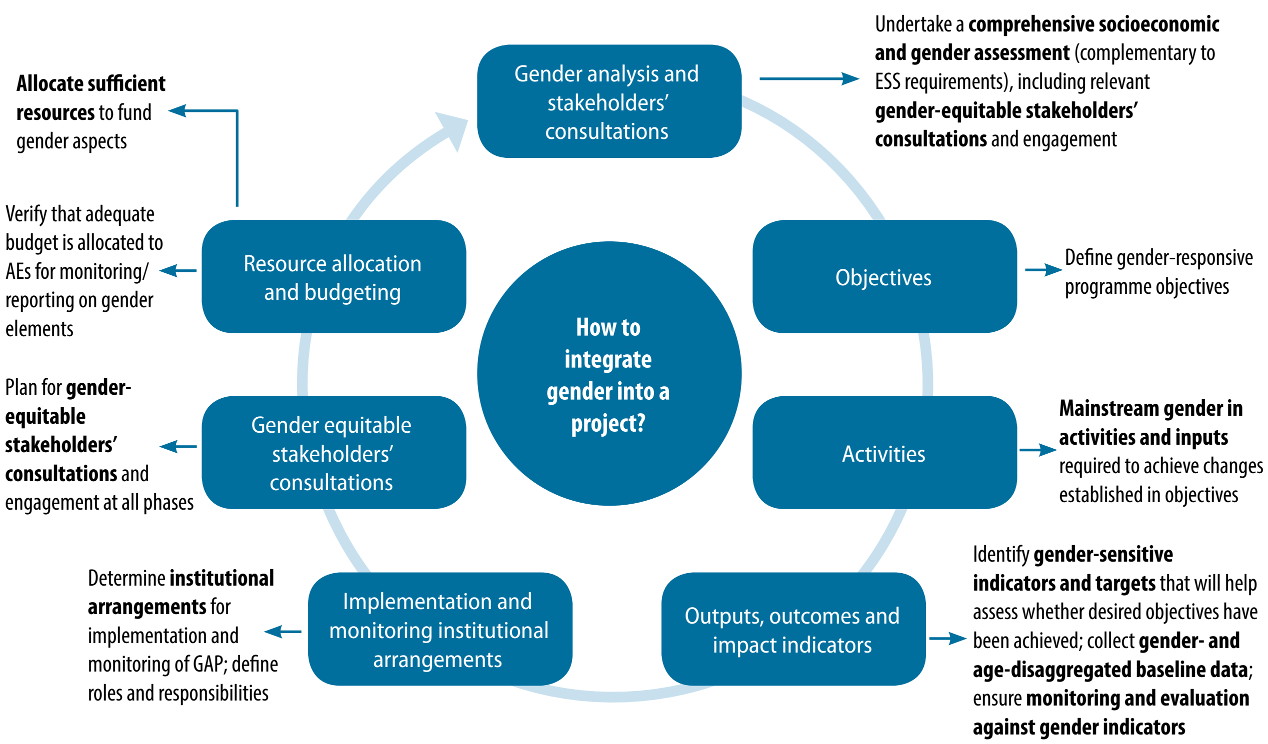


Table 13. Illustrative example: GAP from XacBank's approved proposal: 'Business loan program for GHG emission reduction'

Activities	Indicators and targets	Timeline	Responsible organisations (excluding the NDA/Focal Point)
Impact: *Increased number of energy efficiency and renewable energy related business enterprises managed by women and men* ***Outcome:*** *Improved access to energy efficiency and renewable energy finance by women and men* ***Means of verification:*** *Gender disaggregated data assessed against appropriate indicator to measure enhanced access for women to energy efficiency and renewable energy loans*			
Output 1: 50% of loan clients fund-wide are women-led MSMEs			
• Develop outreach programmes targeted at industries with high rates of women involvement (e.g. light industry, service industry) • Develop outreach programmes targeted at existing XacBank clients that are women-led MSMEs • Create materials and train bank employees in how to formalise informal SMEs, as many women-led SMEs are informal and operated out of their homes in the Ger district • Provide information to non-women-led MSMEs on how to become classified as women-led, and aid them in doing so • Work with women-led MSMEs to ensure that the offerings are able to match up with their particular financing needs • Implement knowledge-sharing and client recommendation practices with local women's Economic empowerment NGOs	Loan data of MSME clients disaggregated by gender and classified as women-led based upon achieving one of the three criteria below: 1. Greater than 50% ownership by women 2. At least 30% women on company board or in senior management positions 3. At least 40% of employees are women At least 50% of participating MSMEs must be women-led.	Gender ratio achieved by third year of programme operation and until programme completion	XacBank branch offices
Output 2: Equal interest from men and women-led MSMEs in participating in programme			
• Undertake targeted advertising in women in business forums and organisations. • Undertake knowledge-sharing with local women's economic empowerment NGOs, in both directions. On the one hand, the MSME programme will receive input regarding the needs of these organisations, on the other hand, they will become aware of the gender-focused programme, and encourage women-led MSMEs they aid to incorporate energy efficiency and renewable energy measures in their businesses. • Spread awareness on the gender diversity dimensions of the project through marketing and publicity strategies	Data on potential SME programme client meetings and inquiries disaggregated by sex All inquiring companies to be classified as either women-led or not, regardless of if they end up participating in the programme. This data will be compared to target ratios Aim for 50% of company inquiries from women-led SMEs, adjust gender-targeted marketing based.	Throughout the programme operation	XacBank marketing department and other relevant departments

Activities	Indicators and targets	Timeline	Responsible organisations (excluding the NDA/Focal Point)
Output 3: Ensure local businesses' capacity building on climate finance competencies is equally shared between genders			
• Establish gender equity in local talent identification and recruitment	• Outsourcing employment statistics to be disaggregated by gender • Aim for 50% of all external advisors to be women	At all points wherein local outsourcing is conducted	Relevant local organisation/ consultants
Output 4: Knowledge management products highlighting equal gender access to climate finance programmes to be prepared and disseminated			
• Highlight gender goal achievement status and report on gender disaggregated statistics in progress report • Publish case studies to represent gender diversity of the programme and disseminate these on public forums	Every quarter of programme operation	XacBank Marketing team XacBank Business Banking department	• Highlight gender goal achievement status and report on gender disaggregated statistics in progress report • Publish case studies to represent gender diversity of the programme and disseminate these on public forums

The information provided in this step will help project proponents to develop a GAP, which should be submitted as an annex to the GCF Funding Proposal. Step 5 explains how to identify and select the relevant indicators to measure your project's progress.

4.5 Step 5. How to assign indicators to measure progress?

An indicator is a quantitative or qualitative factor that provides simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor. The GCF will use indicators to evaluate the progress and performance of a project. Project proponents should therefore use the relevant indicators that will help the Fund to assess whether the expected results have been achieved.

The indicators to be used from the GCF'S PMF are different for mitigation, adaptation and REDD+ interventions, and include the following.

Mitigation/REDD+ core indicators:

- Tonnes of carbon dioxide equivalent (t CO_2eq) reduced as a result of GCF-funded projects or programmes

- Cost per ton of carbon dioxide equivalent (t CO_2eq) decreased for all GCF-funded mitigation projects or programmes
- Volume of finance leveraged by GCF funding (disaggregated by public and private sources).

Adaptation core indicators:

- Total number of direct and indirect beneficiaries; number of beneficiaries relative to total population.

The core indicators inform the logic models for adaptation and mitigation. Additional indicators can be selected by the project proponent based on the content of the project/programme and can be used to complement the adopted core indicators. Gender disaggregation for the indicators should be applied where possible (see section 4.4). In the process of selecting indicators, project proponents should take into account the perspectives of a wide range of project stakeholders, most importantly the intended beneficiaries, national and local governments, and EEs. Annexes 2 and 3 present the full list of indicators presented in the GCF's PMF for mitigation and adaptation, respectively. Whereas at the paradigm shift and fund impact levels the REDD+ PMF uses the same core indicators as for the mitigation PMF, the project/programme outcomes and outputs levels require the use of specific REDD+ indicators (see Table 14). The full PMF for REDD+ activities is provided in Annex 4.

Tables 14–16 present the list of indicators from the mitigation, adaptation and REDD+ PMFs that will inform the logic framework in the GCF funding proposal. Project proponents will select the indicators relevant for their projects/programmes at the paradigm shift, fund impact and project/programme outcome levels.

In addition to selecting appropriate indicators, the project proponent should indicate in the log frame the means of verification, the baseline target, and assumptions at the Fund-level impact, outcome and output levels.

4.5.1 Means of verification

This refers to the data sources (progress reports, interviews, surveys etc.) used to determine the indicators, and specifically how the data will be collected. Accountability (who will collect data) and frequency (how often data will be collected) can be detailed further in **Section H.2** of the proposal – **Arrangements for Monitoring, Reporting and Evaluation**. 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
- surveys.

Table 14. Mitigation indicators

Expected results	Indicators
Paradigm shift	
Shift to low-emission, sustainable development pathways	**M-1** Tonnes of carbon dioxide equivalent (t CO_2eq) emitted by countries receiving mitigation funding **[core indicator]**
	M-2 Cost per t CO_2eq decreased for all GCF-funded mitigation projects **[core indicator]**
	M-3 Volume of public and private funds catalysed by the Fund **[core indicator]**
Fund impact level	
1.0 Increased low-emission energy access and power generation	**1.1** Level of national/regional capacity (megawatts, MW) from low emission sources (renewable energy)
2.0 Increased access to low-emission transport	**2.1** Emissions levels from vehicles
3.0 Increased energy efficiency in buildings, cities and industries	**3.1** Annual energy savings (gigawatt hours, GWh)
4.0 Sustainable land use and forestry management including REDD+	**4.1** Forest area under improved management and reduced carbon emissions practices
Project/programme outcomes	
5.0 Increased gender-sensitive low-emission development mainstreamed in government	**5.1** Number and gender sensitivity of policies, laws and sector strategies supported by the Fund
6.0 More small, medium and large low-emission power suppliers	**6.1** MW of capacity from low emission sources
7.0 Lower country energy intensity trajectory	**7.1** Energy savings (GWh)
8.0 Increased use of low-carbon transport	**8.1** Number of passengers (disaggregated by gender where possible) using low-emission vehicles
	8.2 Modal share (by transportation type)
9.0 Stabilisation of forest coverage	**9.1** Rate of net deforestation and forest degradation
	9.2 Trend in women/men's livelihood from sustainable forestry

Source: GCF (2014b)[14]

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Table 15. Adaptation indicators

Expected results	Indicators
Paradigm shift	
Increased climate-resilient sustainable development	Total number of direct and indirect beneficiaries; number of beneficiaries relative to total population
Fund impact 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)[15] by climate-related disasters, including the differences between vulnerable groups (women, elderly, etc.) and the population as a whole
	1.2 Number (percentage) of households adopting a wider variety of livelihood strategies/coping mechanisms
2.0 Increased resilience of health and wellbeing, and food and water security	**2.1** Percentage of food-secure households (reduced food gaps)
	2.2 Percentage of households with year-round access to adequate water (quality and quantity for household use)
	2.4 Area (hectares, 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)
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)
	3.2 Number 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)
4.0 Improved resilience of ecosystems	**4.1** Area (ha) of habitat or extent (kilometres, km) 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)
	4.2 Number and area of agroforestry projects, forest–pastoral systems, or ecosystem-based adaptation systems established or enhanced
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]**
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 government, private sector and men/women. **[core indicator]**
	6.2 Perception of men, women, vulnerable populations and emergency response agencies of the timeliness, content and reach of early warning systems **[core indicator]**

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Expected results	Indicators
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]**
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]**

Source: GCF (2014b)[16]

Table 16. REDD+ indicators

Expected results	Indicators
Paradigm shift	
Shift to low-emission, sustainable development pathways (forest cover and forest carbon loss is slowed, halted and reversed)	**M.1** Tonnes of carbon dioxide equivalent (t CO_2eq) emitted by countries receiving mitigation funding **[Core indicator]**
	M.2 Cost per t CO_2eq decreased for all Fund-funded mitigation projects **[Core indicator]**
	M.3 Volume of public and private funds catalysed by the Fund **[Core indicator]**
Fund impact level	
4.0 Reduced emissions from land use, deforestation, forest degradation, and sustainable management of forests and conservation and enhancement of forest carbon stocks	Tonnes of carbon dioxide equivalent (t CO_2eq) reduced (including increased removals) from REDD+ activities
Project/programme outcomes	
A. Reduced emissions (t CO_2eq) from deforestation	Reduced emissions (t CO_2eq)
B. Reduced emissions (t CO_2eq) from forest degradation	Reduced emissions (t CO_2eq)
C. Reduced emissions and increased removals (t CO_2eq) through the conservation of forest carbon stocks	Reduced emissions and increased removals (t CO_2eq)
D. Reduced emissions and increased removals (t CO_2eq) through the sustainable management of forests	Reduced emissions and increased removals (t CO_2eq)
E. Increased removals (t CO_2eq) through the enhancement of forest carbon stocks	Increased removals (t CO_2eq)

Source: GCF (2014d)[17]

4.5.2 Baseline

The baseline provides a reference point with which to compare future changes. Information on the baseline can be drawn from the activities undertaken during the scoping analysis. 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).

4.5.3 Targets

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

- setting and quantifying the expected results of a project
- 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.

4.5.4 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.[18]

Table 17. Illustrative example: Indicators and corresponding means of verification, baseline, target and assumptions from XacBank's approved proposal: 'Business loan program for GHG emission reduction'

Expected result	Indicator	Means of verification (MoV)	Baseline	Target Mid-term (Year 2021)	Assumptions Final (Year 2025)
M1.0 Reduced emissions through increased low-emission energy access and power generation	Tonnes of carbon dioxide equivalent (t CO_2eq) reduced or avoided	XacBank program monitoring reports	0	262,564.49 t CO_2	525,128.98 t CO_2
M3.0 Reduced emissions from buildings, cities, industries and appliances	Tonnes of carbon dioxide equivalent (t CO_2eq) reduced or avoided	XacBank program monitoring reports	0	334,597 t CO_2	669,195 t CO_2
			Sum	597,161.49 t CO_2eq	1,194,323.98 million t CO_2eq

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 takes into account 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'.

The information provided under this section informs **Section H – Results Monitoring and Reporting** of the GCF Funding Proposal and will help project proponents to fill in the log frame template. Step 6 provides guidance on how to align a project against the GCF investment criteria.

4.6 Step 6. How to align a project against the GCF investment criteria?

In formulating the proposal, the project proponent is expected to **demonstrate the project alignment with six investment criteria which are defined in the GCF's Investment Framework**. The list of criteria is provided in Figure 15. 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/programme may wish to provide the expected number of MW of low-emission energy capacity installed, generated and/or rehabilitated.

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

- the activity-specific sub-criteria inform the approval process for project and programme allocation decisions, and apply to both adaptation and mitigation actions
- the indicators (indicative assessment factors) seek to provide clarity on how the sub-criteria can be assessed.

A list of potential activity-specific sub-criteria and indicators is provided in Annex 2. 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, and funding proposals are to focus only on those relevant to the proposal, country context and GCF priorities on which the project/programme focuses.[19]

4.6.1 Investment criterion 1: Impact potential

The proposal should specify the climate mitigation and/or adaptation impact of the proposed project or programme. The Fund's Investment Framework has four core indicators to which every proposal note should respond. These core indicators should be based on supporting evidence for the project/programme, if possible from evidence gathered from pre-feasibility or feasibility studies.

The two core indicators for impact potential are:

- **mitigation core indicator:** total t CO_2eq to be avoided or reduced per annum
- **adaptation core indicator:** expected total number of direct and indirect beneficiaries and number of beneficiaries relative to total population (e.g. total lives to be saved from disruption due to climate-related disasters).

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Figure 15. GCF investment criteria and their definitions

Impact potential	Does the programme/project contribute to the achievement of the Fund's objectives and result areas?
Paradigm shift potential	To what degree can the proposed programme/project catalyse impact beyond project investment?
Sustainable development potential	What are the programme/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 project/programme? Does it have capacity – including policies, climate strategies and institutions – to implement a funded project/programme?
Efficiency and effectiveness	Is the project/programme economically and financially sound? In cases of mitigation-specific projects/programmes, are they cost effective and is co-financing available?

In addition to the core indicators above, specific values for other indicators may be provided by the project proponent as necessary. Examples of qualitative indicators include the degree to which the proposed activity avoids lock-in of long-lived, high-emission infrastructure (mitigation) or long-lived, climate-vulnerable infrastructure (adaptation).

4.6.2 Investment criterion 2: Paradigm shift potential

To demonstrate the paradigm shift potential of the project or programme, the proposal should demonstrate the extent to which the proposed activity can catalyse impact beyond a one-off project/programme investment, by emphasising and providing evidence for as many as possible of the following paradigm shift factors.

- **Potential for scaling-up and replication (e.g. multiples of initial impact size) for both mitigation and adaptation.** Present specific values for scaling-up and replication (e.g. a local private sector bank able to promote mitigation measures by offering soft loans

Figure 16. Elements of the mitigation core indicators

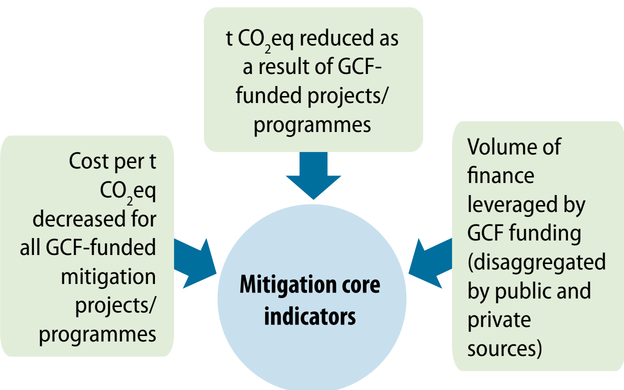
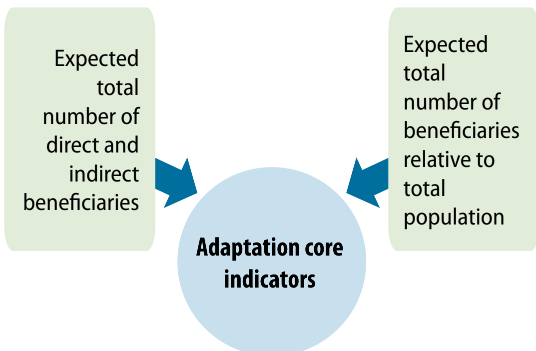


Figure 17. Elements of the adaptation core indicators



to women-led SMEs to make their businesses energy efficient or to generate clean energy from renewable sources). A proposal with a high potential for scaling-up, for example an early warning system for an individual province that can be scaled up to several surrounding provinces, should present a concrete plan to do so. A proposal with high replication potential, for example a hydroelectric power station in a region with several potential sites identified in a supporting technical study, should also present specific replication opportunities that can be explored.

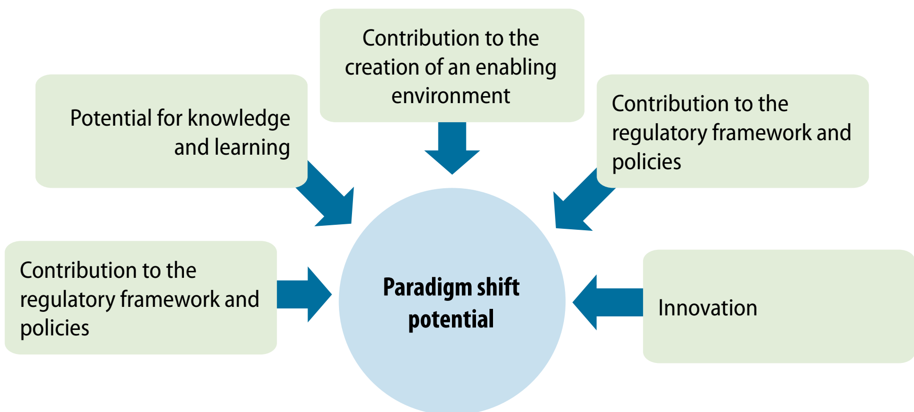
- **Potential for knowledge and learning.** Highlight any potential for knowledge sharing or learning at project or institution level. For example, if the project or programme will generate useful lessons learned, a plan should be elaborated that specifies how those lessons can then be captured and shared with other individuals, projects or institutions, including through the monitoring and evaluation of the project/programme.

- **Contribution to the creation of an enabling environment.** Provide the arrangements that ensure long-term and financially sustainable continuation of key outcomes and activities. In cases where the planned activities do not generate financial reflows, a thorough explanation of long-term financial sustainability is needed. Project proponents can also highlight the aspects of market development and transformation in which the project/programme creates new markets and business activities at the local, national or international levels. If the project or programme addresses or eliminates systematic barriers to low-carbon and climate-resilient solutions, or changes incentives by reducing costs and risks, these aspects may be highlighted.

- **Contribution to the regulatory framework and policies.** If the project or programme advances national/local regulatory or legal frameworks and is expected to bring significant benefits in this regard, please elaborate. Of particular interest is the shifting or alignment of incentives to promote investment in low-emission or climate-resilient development, and/or the mainstreaming of climate change considerations into policies and regulatory frameworks at all decision-making levels.

- **Innovation.** Describe any innovative ideas or elements, such as fostering new market segments, creation of business models and/or the development or adoption of new technologies. As innovation is context-specific, the proposal should specify the circumstances in which the innovation takes place.

Figure 18. Elements of the paradigm shift potential criterion



4.6.3 Investment criterion 3: Sustainable development potential

To demonstrate the sustainable development potential of the proposed project or programme, the project proponent should describe the expected environmental, social and health, and economic co-benefits, as well as 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. Examples of sustainable development indicators are presented in Table 18.

Table 18. Examples of sustainable development indicators

Economic co-benefits	Social co-benefits	Environmental co-benefits	Gender-sensitive development impact
• Total number of jobs created • Amount of foreign currency savings • Amount of government's budget deficits reduced	• Improved access to education • Improved regulation of cultural preservation • Improved health and safety	• Improved air quality • Improved soil quality • Improved biodiversity	• Proportion of men and women in jobs created • Reduction of gender gap in salaries • Increased number of women in leadership positions

4.6.4 Investment criterion 4: Needs of the recipient

To demonstrate the needs of the recipient, the project proponent should describe the scale and intensity of vulnerability to climate change within the country and beneficiary groups, and elaborate on how the project/programme addresses the needs identified. Examples include the following.

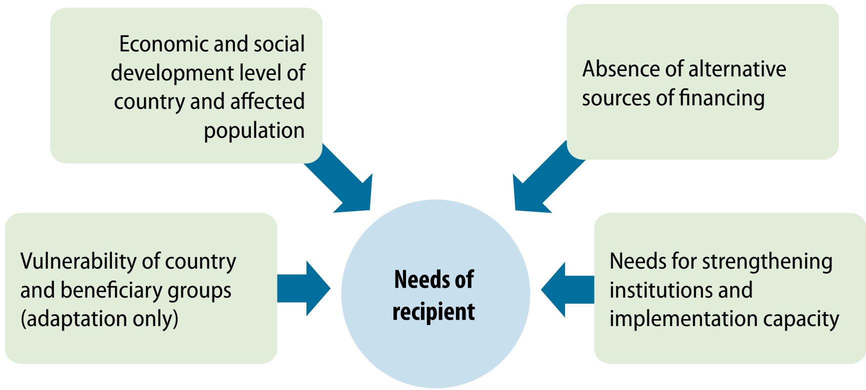
- **Vulnerability of the country and beneficiary groups (adaptation only).** Describe the scale and intensity of exposure to climate risks for the beneficiary country and groups, which could include the exposure of people, social or economic assets, or capital to risks derived from climate change. Exposure could be expressed in terms of population size and/or social or economic assets or capital, including relevant gender-disaggregation indicators.

- **Economic and social development level of the country and affected 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.

- **Absence of alternative sources of financing.** Describe the barriers that have created the lack of alternative funding sources for the project/programme.

- **Need for strengthening institutions and implementation capacity.** Describe the opportunities to strengthen institutional and implementation capacity in relevant institutions.

Figure 19. Elements of the recipients' needs criterion



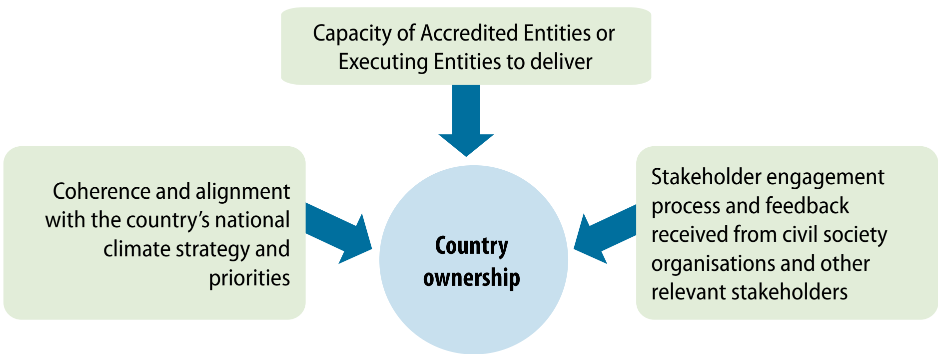
4.6.5 Investment criterion 5: Country ownership

To demonstrate country ownership of the proposed project or programme, 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 national climate strategy and action plan**, and how its objectives are aligned with the priorities identified in national climate policies and action plans.

Under this investment criterion, project proponents should also provide the following.

- A brief description of the **capacity of the AEs or EEs to deliver** the project. This should include a detailed overview of the AE or EE and the respective roles these entities will play. The track record and relevant experience of the entities in similar or relevant project/programme circumstances should be provided.
- A description of a **stakeholder engagement process** including feedback received from all relevant stakeholders.

Figure 20. Elements of the country ownership criterion



4.6.6 Investment criterion 6: Efficiency and effectiveness

To demonstrate efficiency and effectiveness of the proposed project/programme, the project proponent should conduct an economic and financial analysis making the case for strong cost effectiveness and financial soundness (i.e. value for money). Project proponents should demonstrate the following as relevant.

- **Cost-effectiveness and efficiency.** How the proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable in order to achieve the project/programme's objectives, including addressing existing bottlenecks and/or barriers. How the structure provides the appropriate concessionality to make the proposal viable, without crowding out private and other public investment.

- **Co-financing, leveraging and mobilised long-term investments (*mitigation only*).** For mitigation projects/programmes, the co-financing ratio (total amount of the Fund's investment as percentage of total project costs) should be provided. For projects/ programmes that may not leverage a significant level of up-front co-financing, the project proponents may instead demonstrate a significant level of indirect or long-term low-emission investment mobilised as a result of the proposed activities.

- **Financial viability.** The economic and financial rate of return (with and without the Fund's support). Other financial indicators, including the debt service coverage ratio, may be provided as applicable. A description of the financial soundness in the long term beyond the Fund's intervention, as well as the Fund's financial exit strategy in case of private sector operations, should also be included.

- **Application of best practices.** How the best available technologies and/or best practices are considered and applied, including if applicable any innovations, modifications or adjustments that are made based on industry best practices.

- **Key efficiency and effectiveness indicators (mitigation only).**

    - Estimated cost per t CO_2eq to total investment cost divided by the expected lifetime of emission reductions.

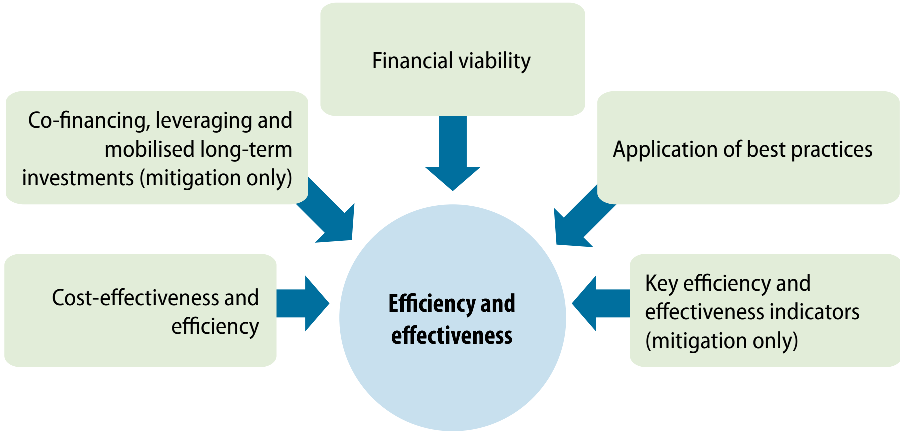
    - Expected volume of finance to be leveraged by the proposed project/programme and as a result of the Fund's financing, disaggregated by public and private sources.

The information provided under this section will inform **Section E** of the GCF Funding Proposal – **Expected Performance against the Investment Criteria**. Step 7 provides guidance on how to identify the rationale for GCF involvement and demonstrate the long-term sustainability of the proposed project.

4.7 Step 7. How to identify the rationale for GCF involvement?

This step describes how to justify the rationale for GCF involvement in a project or programme. Project proponents are required to explain why the Fund's support is critical for the project/ programme, in consideration of other funding alternatives and barriers. In addition, the funding proposal should demonstrate how the project/programme's sustainability (exit strategy) will be ensured in the long run, after the project/programme is implemented with support from the GCF and other sources.

Figure 21. Elements of the efficiency and effectiveness criterion



4.7.1 Value added for GCF involvement

The value added for the GCF's involvement corresponds to how the GCF's support enables the project/programme to promote a transformational change by removing the barriers that normally hinder the achievement of lasting impacts in the target country and population. Project proponents are required to provide a justification for the funding requested, and the financial instrument(s) proposed, in order to close the funding gap and bring the project/programme to completion. In the case of grant funding without repayment contingency, financial and/or economic arguments should be provided to ensure that the GCF would maximise its use of resources.

Project proponents can demonstrate the following as relevant.

- **Absence of alternative sources of financing.** Describe the barriers that have created the lack of alternative funding sources for the project/programme.
- **Potential for crowding-in alternative sources of financing.** Describe how GCF funding can help leverage domestic funding, in particular private finance, by improving the real and/or perceived risk and reward profile of climate investments.
- **High potential for replication and scaling-up.** Describe how GCF funding can help scale up past and/or existing investments with a high potential for scaling-up or replication.
- **Target highly vulnerable populations (*for adaptation projects*).** Describe how GCF funding will support activities that will remain unfunded through mainstream financial channels and targeting highly vulnerable populations, including minorities, disabled, elderly, children, female head of households, indigenous people and others.

4.7.2 Exit strategy

Project proponents are required to explain how the sustainability of a programme or project will be ensured in the long run, after the project/programme is implemented and the GCF and co-financier funding runs out, taking into consideration its long-term financial viability (as demonstrated in section 4.6).

The exit strategy is closely linked to the justification of the value added for GCF involvement, as the removal of policy, legal, institutional, capacity and financial barriers will enable a programme or project to be sustainable in the long term. 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 funded by the GCF and other co-financers will decrease over time and will be supported by domestic financing after the project/programme completion. 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 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.

- **Phasing over.** The transfer of project/programme 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/programme ends.

The information in this section will inform **Section D** of the GCF funding proposal template – **Rationale for GCF involvement**. Step 8 provides an overview of the monitoring, evaluation and reporting requirements for the project/programme.

4.8 Step 8. How to monitor, evaluate and report on a project?

This step provides an overview of the M&E and reporting responsibilities to the GCF. The AEs are primarily responsible for the M&E of their funded projects or programmes, and will report accordingly to the Fund.

Monitoring and evaluation requirements for the project or programme include:

- log frame and identification of indicators in the funding proposal
- annual performance reports from the project or programme
- interim and final evaluations at the project or programme level.

At the project funding proposal stage, the project proponent should indicate the activities, outputs, outcomes and results to be achieved in relation to the results areas of the RMF and the mitigation and adaptation PMFs. The AE should provide indicators at activity and output levels and report on the PMF indicators at outcome and impact levels (see section 4.5) The GCF

Secretariat will undertake second-level monitoring by requesting the AEs to report regularly on the indicators mentioned above and other relevant project performance indicators. In addition, during the mid-term reviews it will be verified that the AE has performed the required oversight on activities under the monitoring plans of projects financed by the Fund. These include, among other things, periodic supervision missions, audit reviews and multi-stakeholder engagement.

Reporting requirements for the project implementation and post-implementation period are presented in Table 19.

Beyond the standard reporting requirements for a stand-alone project, a programme should also include additional programme-level reporting. For example, the AE may report on experience gained and lessons learned from the design and implementation of the programme and how well the programme is achieving added value beyond what a collection of stand-alone projects would have achieved.

The information provided under this section will inform **Section H.2** of the GCF funding proposal template – **Arrangements for Monitoring, Reporting and Evaluation**. Step 9 provides an overview of the budget sections of the GCF proposal, helping project proponents to estimate the total budget of their project and fill in the relevant sections of the funding proposal template.

Table 19. GCF reporting requirements

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

Source: GCF (2015b)[20]

4.9 Step 9. How to prepare a budget for your project?

This step helps project proponents put together the total budget for their proposed project or programme. The key elements to estimate the total budget are presented in Figure 22.

The project proponent should present a financial analysis or integrated financial model that includes projection covering the period from financial closing through 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 (see Step 10). As part of this analysis, it is also important to identify and asses the social and economic cost–benefits of the project or programme – to conduct an economic analysis. Although there is no specific guidance available from GCF on discounting and other approaches, best practice project financial and economic analysis procedures should be followed. A sensitivity analysis of critical elements (including discount rate) and other cost parameters should be performed.

In addition, two summary budget breakdowns are required: first, at the output level; and second, by major cost category, including project staff and consultants, travel, goods, works, services, etc. To prepare the summary breakdown at the output level, a project proponent must specify the local and foreign currencies (US dollars or euros) used, including a currency-hedging mechanism. Data from the detailed project (activity level) budget can be used to aggregate the cost of delivering project outputs (corresponding to sub-component and component, respectively, in Table 20).

Figure 22. How to estimate the total budget

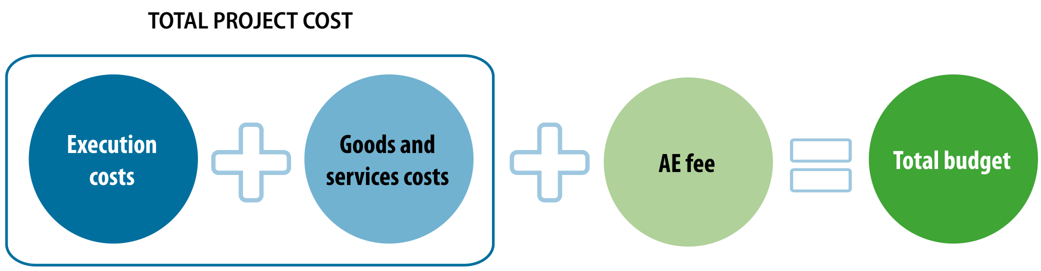


Table 20. Table for presenting the breakdown of cost estimates

Component	**Sub-component** (if applicable)	**Amount for entire project** (includes co-financing)	**Currency**	**Amount for entire project**	**Local currency**	**GCF funding amount**	**Currency of disbursement to recipient**
Component 1	Sub-component 1.1	………	Options	………		………	
	Sub-component 1.2	………	Options	………		………	
Component 2	Sub-component 2.1	………	Options	………		………	
Total project financing							

Source: GCF funding proposal template version 1.1

The sum of the estimated total cost of all the outputs will provide the project proponent with an estimate of the total GCF funding amount. Project proponents can then prepare a breakdown of cost estimates for total project costs and GCF financing by sub-component.

4.9.1 Fee arrangements

Project proponents should specify the fee arrangement between the Fund and the AE, in case it is project/programme specific. In this case, the fee arrangement for the proposed project/programme is aligned with the GCF interim policy on fees for AEs. Table 21 presents the fees structure for AEs. The percentages shown represent the maximum administration fees that can be charged by AEs for different project size categories.

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

Project/programme size	Fee cap (% of GCF funding, on grant)
Micro (<US$10 million)	10
Small (US$10–50 million)	9
Medium (US$50–250 million)	8
Large (>US$250 million)	7

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. The fees cap on readiness grants will be 10%. In addition, the financial terms and conditions for non-grant instruments to the public sector, other than concessional loans, will be established on a case-by-case basis. Similarly, the 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 or programme implementation and supervision (including consultancies and other procurement)
- project or programme completion and evaluations
- monitoring and reporting
- material and equipment (including renting of meetings/workshops venues)
- 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.

A 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.

The information provided in this section will inform **Sections B1 and F4** of the GCF funding proposal template – **Description of Financial Elements of the Project/Programme and**

Financial Management and Procurement. Step 10 provides guidance on how to justify the level of concessionality of a project and estimate the amount of financing that the project proponent intends to request to the GCF.

4.10 Step 10. How to justify the level of concessionality of a project?

Once a project proponent has estimated the project's total budget, they need to identify to the GCF the amount of financing they want to request, and provide further information to justify the level of concessionality, the financial instruments used and the up-front co-financing provided. The level of concessionality refers to a measure of the 'softness' of a credit reflecting the benefit to the borrower compared with a loan at market rate. Technically, it is calculated as the difference between the nominal value of a Tied Aid Credit 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.

4.10.1 Justification of the level of concessionality

The GCF applies a 'least concessional' approach whereby it will seek to provide the least possible concessional funding that makes the proposed project or programme 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 level of the proposal'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
- expected loss norms
- market comparability
- the reputation, capacity and expertise of the AE channelling agency.

The project proponent should also explain how market price or expected commercial rate return was 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 to finance the proposed project/programme. To support this, an overview of market rates (i.e. 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.

Figure 23. How to calculate the amount of GCF financing required

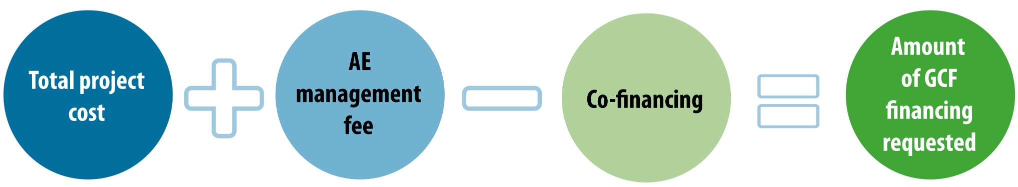


Table 22. Illustrative example: Financial market overview from XacBank's approved proposal: 'Business loan program for GHG emission reduction'

B.3. Financial Markets Overview (if applicable)

Financial barriers are one of the primary reasons for the Mongolian market to not adopt new, energy efficient or renewable energy solutions. Currently, many Mongolian businesses or individuals operate heavily under the short-term cost savings method, and as such, usually opt to purchase/ implement the cheapest possible solution, while not giving much thought to the long-term cost potential of these cheaper, sub-par products or the cost saving potential of high quality, energy efficiency or renewable energy solutions. To compound this problem, the Mongolian market has extremely high financing costs, which come with relatively short loan tenors, and other mitigating factors such as grace periods, guarantees, and equity investments are not adequately available. The lack of available and accessible commercial finance on offer by local banks impedes the ability of MSMEs to invest in energy efficiency and renewable energy solutions.

Overview of available market rates

Typically, most commercial banks in Mongolia offer loans in the local currency, Mongolian National Tugrik (MNT) as well as U.S. Dollars (US $), however, as the Mongolian economy has been in recession since early 2015, and the foreign exchange risk continues to rise due to the depreciation of the MNT, most banks, including XacBank, have opted to offer loans in MNT only since late 2015. As XacBank plans to disburse the loans in this program in MNTs, the below information of available market rates only take into consideration the available MNT loans to the consumers of Mongolia.

The low-interest rate government loans are distributed through commercial banks. The market interest rates for obtaining a loan vary widely, from low to extremely high. Loan rates typically available to the average MSME looking to implement EE/RE solutions tend to land on the high side, which is the biggest barrier for most of them, followed by general awareness of the possibility of such a solution's availableness. As such, the program aims to offer rates on the lower side of the spectrum of available, non-government subsidised rates to promote and catalyse EE/RE projects and awareness in the market. Doing so will not cause a disruption in the market, but rather will incentivise many MSMEs to pursue EE/RE solutions from both the market and demand side.

XacBank's own EE/RE business loan program offers rates between 18.0% and 19.2% per annum in MNT. These rates are comparably lower than the average business loan, which are usually above 20.2%. The reason that XacBank has been able to offer lower than market rates on these types of loans is that we are constantly looking for ways to offer more competitive products by finding concessional sources of funding from outside of Mongolia in order to offer better interest rates and longer loan tenors. In the past, we have worked with international partners such as the European Bank for Reconstruction and Development (EBRD) and the Global Climate Partnership Fund (GCPF) to implement programs aimed at EE/RE solutions.

However, even with these partners, XacBank haven't been able to meet the market demand for the ideal EE/RE product that sufficiently incentivises a critical mass of Mongolian MSMEs to adopt environmentally friendly and energy efficient solutions into their everyday business as of yet. XacBank received US$20 million from the GCPF in 2013 and also US$15 million from the EBRD (MonSEFF) in 2014 to establish its own Business Loan Program for GHG Emission Reductions (to which this GCF program will be an extension of). Still, as can be seen, the interest rate and loan tenor for both these products are not a marked improvement over other loans available on the Mongolian commercial banking market due to the fact that these funds were given to XacBank at relatively high costs, the breakdown of which can be found in the financial model included in annex 2 of Xacbank's funding proposal.

Chapter 4

4.10.2 Financial instruments

The project proponent should summarise the financial instrument(s) to be used in support of the proposed project or programme, and how the choice of financial instrument(s) will overcome barriers and leverage additional public and/or private finance to achieve project objectives.

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 Fund itself on a particular project, or a Fund instrument or instruments being combined with instruments from other sources of financiers.

Table 23. GCF financial instruments

Financial instrument	Definition
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. 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.
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.
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.
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).
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.

Source: GCF (2013)[21]

4.10.3 Identifying co-financing

While the GCF has no clear requirements in terms of co-financing ratio required in a project or programme, securing co-financing is highly recommended to encourage crowding in, that is, stimulating long-term investments beyond the GCF resources and up-front commitments.

The GCF welcomes the opportunity of co-financing project/programmes with other climate funds or multilateral development banks, particularly in the early stages of operation as a way to quickly scale up, capitalise on and learn from the knowledge and experience of these institutions. 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/programmes 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".

4.10.4 Project financing information

Project proponents are requested to provide a breakdown of estimated costs according to the financing instrument and co-financing information. In addition, a description is required of how the choice of financial instrument(s) will overcome barriers, achieve project/programme objectives and leverage public and/or private finance.

The following information should be provided in the funding proposal template.

- **Total project financing.** Requested GCF amount + co-financing amount.
- **GCF financing to recipient.** The proposal should include economic and financial justification for the concessionality that GCF is expected to provide, particularly in the case of grants. If the project proponent requests a loan, the proposal should also specify the difference in the loan tenor and loan price between GCF financing and that of the AE (taking into account that the level of concessionality should correspond to the level of the project/programme's expected performance against the investment criteria – efficiency and effectiveness).
- **Co-financing to recipient.** In terms of co-financing, the project proponent should present the financial instrument(s), amount, currency, name of institution, tenor, pricing and seniority of the co-financing arrangements.

Table 24. Financial instruments and relevant terminology

Term	Explanation
Financial instruments	Include loans, equity, guarantees and grants (see Table 23 for definitions)
Currencies accepted	Euros (€) and US dollars (US$)
Loan tenor	The length of time (years) during which payments are made; may be expressed in years, months or days
Loan pricing (for loans only)	Determining the interest rate for granting loans to creditors
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 25 for explanation of these terms).

Table 25. Debt seniority

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 project proponent should provide a **confirmation letter** or **letter of commitment** issued by the co-financing institution.

- **Financial terms between GCF and AE (if applicable).** In cases where the AE deploys the GCF financing directly to the recipient (i.e. the GCF financing passes directly from the GCF further to the recipient through the AE), or if the AE is the recipient itself, in the proposed financial instrument and terms as described in part 'b) GCF financing to recipient', this subsection can be skipped. If there is a financial arrangement between the GCF and the AE, which entails a financial instrument and/or financial terms separate from the ones described in part 'b) GCF financing to recipient', the proposal should include a table specifying the proposed instrument and terms between the GCF and the AE. In this table, project proponents should provide the following information: financial instrument, amount, currency, tenor and pricing. In addition, they should provide justification for the difference in the financial instrument and/or terms between what is provided by the AE to the recipient and what is requested from the GCF to the AE.

The project proponent should finally submit a **term sheet** as an annex of the funding proposal – agreed by all parties but subject to final internal approvals – setting out, in summary form, the key terms and conditions relating to the proposed project or programme (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).

The information provided will help project proponents to complete **Section B2** of the GCF funding proposal template – **Financing/Cost information**.

5. The GCF project cycle

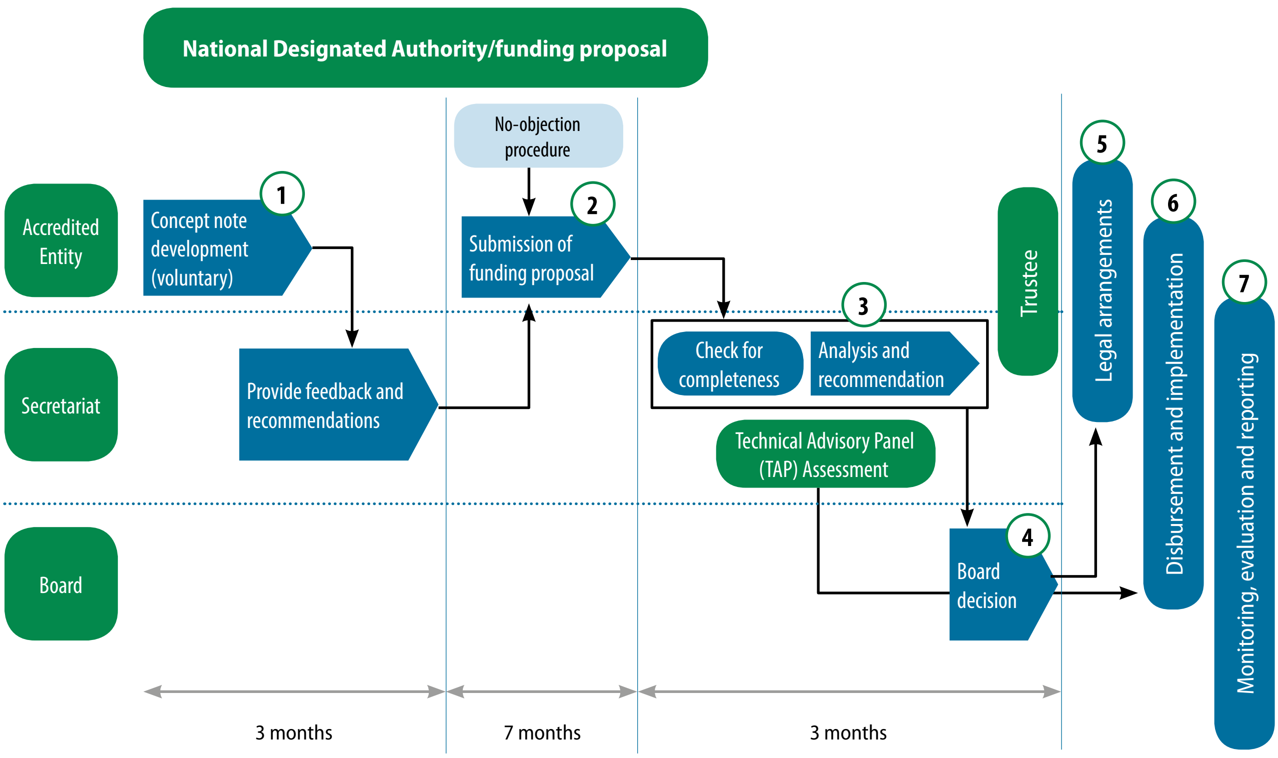
Project proponents can submit funding proposals to the GCF through an AE. They can submit spontaneously on an ongoing basis, or by responding to a request for proposals published by the GCF, NDA/Focal Point or AE. The NDA/Focal Point and AE can also conduct multi-stakeholder workshops to generate proposal ideas aligned with the national climate change strategy, Nationally Determined Contribution and other national plans.

Table 26. The phases of the GCF project cycle

1. Concept note (voluntary)	The project proponent may submit – through an AE – a concept note 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 review 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.
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. Analysis and recommendation	The GCF will carry out a desktop review that includes i) review of the expected performance of the project against each of its six investment criteria and the activity-specific sub-criteria of the fund; and ii) a review of consistency with its interim ESS, gender policy and other policy guidelines. Once the proposal has passed this initial review stage, the Secretariat provides the proposal, supporting documentation and the preliminary outcome of the review to the Fund's ITAP. The ITAP provides an independent assessment regarding the expected performance of the project or programme against the activity-specific criteria. A funding proposal may require additional clarifications from the AE based on assessment by the ITAP and the Secretariat, which the AE is expected to clarify. After the ITAP assessment, the Secretariat compiles the funding proposal package including i) the funding proposal; ii) the no-objection letter issued by the NDA; iii) the outcome of the Secretariat's review; and iv) the outcome of the independent assessment. The funding package is then submitted to the GCF Board for consideration no later than three months before the Board Meeting where the funding proposal will be considered.

4. Board decision	Based on the funding package provided by the Secretariat, the GCF Board will then make one of the following decisions by consensus: • approve funding • approve funding with the conditions and recommendations that modifications are made to the funding proposal • reject the funding proposal. GCF sends a notification to the AE, interim trustee and NDA about the funding decision.
5. Legal arrangements	Following the approval of funding for the proposal, an FAA is negotiated and signed between the AE and the GCF.
6. Disbursement and Implementation	The project then enters into the Fund's portfolio, moving 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 conditions. The Fund's fiduciary standards and ESS are applied, and an external audit report is submitted.
7. M&E and reporting	Following these steps, the project becomes effective and the process of M&E and reporting commences and continues until the project or programme closes and exits the Fund's portfolio.

Figure 24. Overview of the GCF project cycle and different actors involved at each stage



Source: adapted from GCF Process Flow Chart[22]

6. How to get started?

Resources

GCF (2015a) Concept Note User Guide.
www.greenclimate.fund/ventures/portfolio/fine-print

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, developing a concept note is highly recommended as experience has shown that it leads to better proposals.[23] 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. The template, with guidance on how to complete it, is available on the GCF website: www.greenclimate.fund/library.

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.
- ☐ 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 Fund'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, if an adaptation project; national greenhouse gas inventories if a mitigation project
    - 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, etc.), government staff from different ministries or departments, other relevant organisations, and sector experts. The concept note should reflect and harmonise stakeholders' 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 preliminary social and environmental screening and provide a clear indication of what must be covered in the full ESIA during proposal development.

- ☐ 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)
  - develop the project description, objective, outputs (expected results), activities, sub-activities, inputs and indicators (at output level)
  - determine the project's system boundaries and scope
  - 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)
  - define the paradigm shift potential, sustainable development potential, coherence with country's needs, how country ownership will be ensured (in project design and implementation), and efficiency and effectiveness of the proposed project
  - identify indicative co-financing and baseline investments
  - draft likely implementation arrangements.

- ☐ Provide relevant documentation:

  - ☐ map indicating the location of the project/programme
  - ☐ financial model
  - ☐ pre-feasibility study or brief feasibility study
  - ☐ ESIA (if applicable)
  - ☐ evaluation report (if applicable).

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 direct access entities submitting projects under the micro- to small-size categories (up to US$10 million).[24]

The PPF can support the following activities:

- pre-feasibility and feasibility studies and project design
- environmental, social and gender studies
- risk assessments
- identifying programme- and project-level indicators
- pre-contract services including revision of tender documents
- advisory services and/or other services to financially structure a proposed activity
- other project preparation activities.

Requests for PPF support 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 US$1.5 million.

Applications must be submitted by the AE. The applicant must justify how the proposed project or programme 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.

Resources

The application template is available on the GCF website: www.greenclimate.fund/documents/20182/104167/Project_Preparation_Funding_Application_Template.docx/65e91043-7122-4479-8778-b563b8ee3ee2

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Annex 1. **Illustrative example:** Log frame from XacBank's approved proposal

Source: GCF (2016)[25]

H.1.1. Paradigm shift objectives and impacts at the Fund level

Paradigm shift objectives	
Shift to low-emission sustainable development pathways	*The MSME program will mainstream energy efficiency and renewable energy investments in the Mongolian private sector. It will do so by developing market conditions conducive to renewable energy (RE) and energy efficiency (EE) investment, allowing it to compete alongside the traditionally cheaper, conventional, high-emission alternatives. The program will access all sectors of the RE and EE supply chain, from producers to traders to installers to end-users, in order to significantly shift the needle on the green sector in Mongolia and allow the significant benefits of such investment to trickle down to the consumer level as well. In making capital available, capacity building and robust knowledge sharing between these sectors, the program will lessen the perceived and the actual barriers to investment in EE and RE.*

Expected result	Indicator	Means of verification (MoV)	Baseline	Target		Assumptions
				Mid-term (2021)	Final (2025)	
Fund-level impacts						
M1.0 Reduced emissions through increased low-emission energy access and power generation	Tonnes of carbon dioxide equivalent (t CO_2eq) reduced or avoided	XacBank program monitoring reports	0	262,564.49 tCO_2	525,128.98 tCO_2	Majority of the emission reduction is likely to be achieved from energy efficiency projects
M3.0 Reduced emissions from buildings, cities, industries and appliances	Tonnes of carbon dioxide equivalent (t CO_2eq) reduced or avoided	XacBank program monitoring reports	0	334,597 tCO_2	669,195 tCO_2	Emission reduction will be achieved mostly from building sector as it is the majority of the emissions[a]
			Sum	597,161.49 tCO_2eq	1,194,323.98 million tCO_2eq	

a. Emission reduction for cities, industries and appliances are not specified in our calculation, but included as the bulk of "other".

H.1.2. Outcomes, Outputs, Activities and Inputs at Project/Program level

Expected result	Indicator	Means of verification (MoV)	Baseline	Target		Assumptions
				Mid-term (2021)	Final (2025)	
Project/program outcomes			**Outcomes that contribute to Fund-level impacts**			
M6.0 Increased number of small, medium and large low-emission power suppliers	**6.3** MWs of low emission energy capacity installed, generated or rehabilitated	XacBank program monitoring reports	0		60 MW	As this calculation is based on the minimum capacity factor of 20% for a technology to be adopted, this indicator is most conservative, and can increase for technologies with higher capacity factor.
M7.0 Lower energy intensity of buildings, cities, industries and appliances	**7.1** Energy intensity/ improved efficiency of buildings, cities, industries and appliances	XacBank program monitoring reports	0	51,564 MWh/year	103,309 MWh/year	Same as assumption in M3.0
Project/program outputs	**Outputs that contribute to outcomes**					
1. Commercially viable EE and RE projects are identified, financed and implemented	Volume of financing	XacBank program monitoring reports	0	US $ 30 million	US $ 60 million	n/a
2. Sustainable energy project identification awareness capacity increased across local institutions	Number of loan officers are trained to offer Eco Products Number of SMEs who reach out to XacBank about participating	XacBank program monitoring reports	0	240 loan officers (60 per year for first 4 years)	400 loan officers	n/a

H.1.2. Outcomes, Outputs, Activities and Inputs at Project/Program level

Expected result	Indicator	Means of verification (MoV)	Baseline	Target		Assumptions
				Mid-term (2021)	Final (2025)	
3. Increased awareness of benefits of EE and RE projects	Number of contacts made through various marketing events	XacBank program monitoring reports	0	900 MSMEs (25% of active MSMEs)	1,700 MSMEs (50% of active MSMEs)	Based on existing data of active MSMEs that XacBank worked with
	Number of unique page views on Eco Banking program website		479 (from Jan–Oct 2016)	2400	4800	Based on most up to date analytics data on existing EE program website
	Number of loan inquiries (regardless of ultimate acceptance)		3 loan inquiries per week (144 per year)	576 loan inquiries	1,152 loan inquiries	Based on current experience with existing EE loan program
	Number of case studies published		0	16 case studies published (4/year with emphasis on showcasing women-led MSMEs)	32 case studies published (4/year)	

Activities	Description	Inputs	Description
1. Financing of projects which increase the generation of renewable energy, the efficient use of resources of MSMEs		**Financial resources and technical expertise deployed to develop, assess, finance and report on projects**	
1.1. Financing of MSMEs	Checking and financing of MSME-sized, standardised investments following credit analysis and eligibility assessment based on pre-established list of BATs with the aid of technical advisory	Internal financial, technical, environmental and IT experts; External experts to be contracted when necessary	• Financial, technical and environmental experts required for customised investment plan formulation and assessment, including for on-site visits to clients' facilities; • Financial, technical and IT experts required for the compilation of pre-assessed standardised BAT measures, to be used by XacBank to verify eligibility of smaller-scale investments; • Financial resources, on commercial and/or concessional terms, deployed to support the implementation of the eligible projects.
1.2. Reporting	Estimating and reporting the level of enhancement of resource use efficiency and/or climate resilience at the Program levels	Internal expertise to aggregate database, webpage; Use verification methods	• Dedicated expertise required for the aggregation and maintenance of results tracking databases and webpages with the estimated impact of the financed projects and measures; • Verification methods required to verify the physical implementation of projects (on a sample basis for the smaller scale projects).
1.3. Financing women-led MSMEs	Finance 50% women-led MSMEs fund-wide	Same as 1.1.	Same as 1.1.
2. Capacity building of financial institutions in originating, assessing, financing and tracking sustainable energy and climate resilience projects		**Expertise and skills transfer for capacity enhancement**	
2.1. Internal Training	Training of Business Banking department staff and retail staff to market the benefits of EE and RE projects, and training of client relationship managers to recognize clients with investment potential	Conduct internal training every first quarter of the year.	Training experts complemented by financial and technical experts, required to develop training materials and deliver targeted training sessions for a range of XacBank staff: sales, client relationship managers, credit experts, lender's engineers (the latter applies to 2.2 as well).

Activities	Description	Inputs	Description
2.2. Customer Training	Development of MSME training programs to teach basic ability to identify potential projects from MSME leaders	Conduct minimum 1 training per year	Training offered to Mongolian MSMEs about how to identify potentially fruitful projects in their own business venture, opening up the pipeline of eligible projects and increasing capacity of local businesses to access climate finance.
3. Awareness raising among MSMEs and individual clients		**Experience and skills transfer for marketing and awareness raising**	
3.1. Development of Marketing Strategy	Development of marketing strategies for XacBank catered to the offerings of this specific program. Create specific marketing tools (such as brochures etc.) to market XacBank's capacity to finance RE and EE projects	Use internal experts on marketing and design works	Marketing and design experts from XacBank's marketing team to complement implementing financial experts, so as to develop marketing tools, and program website;
3.2. Marketing events	Engagement of XacBank's existing and prospective clients on MSME and individual levels via targeted marketing events	Organize minimum 1 marketing event per year using internal and external resources, including the engagement of clients	Same as 3.1, plus marketing experts and event organizing resources for client events, including access to civil organizations, and women in business organizations
3.3. Website update	Development of a program-specific content on XacBank's website to market the facility and to report on the progress of the program	Make website update as necessary	Same as 3.1.
3.4. Awareness raising	Ensure additional effort is put forth for awareness raising within women's spaces and businesswomen communities	Same as 3.2.	Same as 3.2.

Annex 2. Performance Management Framework for mitigation

Source: GCF, 2015d[26]

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Paradigm shift objective							
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	Beginning and end of an investment	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 investment	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	EEs	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
9.0 Stabilisation 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. Performance Management Framework for adaptation

Source: GCF, 2015d[27]

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
Paradigm shift objective							
Increased climate-resilient sustainable development							
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 investment	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 investment	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 investment	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 disaggregated by sex (aid agency records)	Mid-term and end of investment; and continuing (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 investment	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 infrastructure estimated to have been saved from weather events (weather intensity factored in)	Mid-term and end of investment	IEs	Must ensure that inflated property values not included in these calculations
	3.2 Number 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 investment	IEs	Replication of Adaptation Fund Indicator 4.1.2
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 investment with climate-related damage to the project area continued to be monitored 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.

Expected results	Indicators (indicative)	Baseline data	Targets	Data sources and collection methods	Frequency	Responsibility	Assumptions/notes
4.0 Improved resilience of ecosystems (continued)	**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 investment	IEs	From GCF IR8
Project/programme outcomes (country-driven)							
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.]

Annex 4. Performance Management Framework for REDD+ activities

Source: GCF (2015d)[28]

Expected results	Indicators	Reporting responsibility/ frequency	Assumptions/notes
Paradigm shift objective			
Shift to low-emission sustainable development pathways	As per the general mitigation PMF	Secretariat/annual	Derived from mitigation PMF
Impacts (Fund level)			
4.0 Reduced emissions from land use, deforestation, forest degradation, sustainable management of forests and conservation, and enhancement of forest carbon stocks	Tonnes of carbon dioxide equivalent (t CO_2eq) reduced (including increased removals) from REDD+ activities	Secretariat based on aggregate reporting and analysis across Fund/ annual	Derived from mitigation PMF
Programme outcomes (national or sub-national)[29]			
A. Reduced emissions (t CO_2eq) from deforestation	Reduced emissions (t CO_2eq)	Executing Entities (EEs)/biennial or otherwise defined	The Fund will disburse results-based payments in accordance with the guidance in decision 9/CP.19 which requires, inter alia: • results in t CO_2eq that have undergone technical analysis referred to in 14/CP.19 • a reference emission level/reference level that has undergone technical assessment referred to in 13/CP.19 • the most recent summary of information showing how all the safeguards referred to in 1/CP.16 have been addressed and respected, consistent with 1/CP.16, 12/CP.17, 9/CP.19 and 12/CP.19 • a national strategy or action plan as referred to in 1/CP.16 • information on the national forest monitoring system as referred to in 14/CP.19 The source for the above information will be the UNFCCC REDD+ information hub.

Expected results	Indicators	Reporting responsibility/ frequency	Assumptions/notes
B. Reduced emissions (t CO_2eq) from forest degradation	Reduced emissions (t CO_2eq)	EEs/biennial or otherwise defined	
C. Reduced emissions and increased removals (t CO_2eq) through the conservation of forest carbon stocks	Reduced emissions and increased removals (t CO_2eq)	EEs/biennial or otherwise defined	
D. Reduced emissions and increased removals (t CO_2eq) through the sustainable management of forests	Reduced emissions and increased removals (t CO_2eq)	EEs/biennial or otherwise defined	
E. Increased removals (t CO_2eq) through the enhancement of forest carbon stocks	Increased removals (t CO_2eq)	EEs/biennial or otherwise defined	

Remarks: REDD+ programmes supported by the Fund through REDD+ result-based payments are envisaged to use relevant indicators in this PMF and can identify additional indicators that are relevant and compelling in light of specific circumstances on a case-by-case basis. The Fund is a continuously learning institution. The PMF results, indicators and associated methodologies will be refined and adapted as needed based on the experience gained and lessons learned from the implementation.

Annex 5. Indicative indicators to select for each of the six GCF investment criteria

Source: GCF (2015d)[30]

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)
Impact potential	Potential of the project/programme to contribute to the achievement of the Fund's objectives and result areas	Mitigation impact	Contribution to the shift to low-emission sustainable development pathways	• Expected tonnes of carbon dioxide equivalent (t CO_2eq) to be reduced or avoided (PMF-M Core 1)[31] • Degree to which activity avoids lock-in of long-lived, high-emission infrastructure • Expected increase in the number of households with access to low-emission energy • Degree to which the project/programme supports the scaling up of low-emission energy in the affected region by addressing key barriers • Expected number of MW of low-emission energy capacity installed, generated and/or rehabilitated • Expected increase in the number of small, medium and large low-emission power suppliers (PMF-M 6.0 and related indicator/s), and installed effective capacity • Expected decrease in energy intensity of buildings, cities, industries and appliances (PMF-M 7.0 and related indicator/s) • Expected increase in the use of low-carbon transport (PMF-M 8.0 and related indicator/s) • Expected improvement in the management of land or forest areas • Contributing to emission reductions • (PMF-M 9.0 and related indicator/s) • Expected improvement in waste management contributing to emission reductions (e.g. the change in the share of waste managed using low-carbon strategies and/or the change in the share of waste that is recovered through recycling and composting) and/or • Other relevant indicative assessment factors, taking into account the Fund's objectives, priorities and result areas, as appropriate on a case-by-case basis

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)
Impact potential (continued)	Potential of the project/programme to contribute to the achievement of the Fund's objectives and result areas (continued)	Adaptation impact	Contribution to increased climate-resilient sustainable development	• Expected total number of direct and indirect beneficiaries, (reduced vulnerability or increased resilience); number of beneficiaries relative to total population (PMF-A Core 1), particularly the most vulnerable groups • Degree to which the activity avoids lock-in of long-lived, climate-vulnerable infrastructure • Expected reduction in vulnerability by enhancing adaptive capacity and resilience for populations affected by the proposed activity, focusing particularly on the most vulnerable population groups and applying a gender-sensitive approach • Expected strengthening of institutional and regulatory systems for climate-responsive planning and development (PMF-A 5.0 and related indicator/s) • Expected increase in generation and use of climate information in decision-making (PMF-A 6.0 and related indicator/s) • Expected strengthening of adaptive capacity and reduced exposure to climate risks (PMF-A 7.0 and related indicator/s) • Expected strengthening of awareness of climate threats and risk reduction processes (PMF-A 8.0 and related indicator/s) and/or • Other relevant indicative assessment factors, taking into account the Fund's objectives, priorities and result areas, as appropriate on a case-by-case basis

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)

Paradigm shift potential	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment	Potential for scaling up and replication, and its overall contribution to global low-carbon development pathways being consistent with a temperature increase of less than 2°C (mitigation only)	Innovation
			Level of contributions to global low-carbon development pathways, consistent with a temperature increase of less than 2°C
			Potential for expanding the scale and impact of the proposed programme or project (scalability)
			Potential for exporting key structural elements of the proposed programme or project elsewhere within the same sector, as well as to other sectors, regions or countries (replicability)
				• Opportunities for targeting innovative solutions, new market segments, developing or adopting new technologies, business models, modal shifts and/or processes
				• Expected contributions to global low-carbon development pathways consistent with a temperature increase of less than 2°C as demonstrated through:
				  • a theory of change for scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation
				  • a theory of change for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries

		Potential for knowledge and learning	Contribution to the creation or strengthening of knowledge, collective learning processes or institutions	• Existence of a monitoring and evaluation plan and a plan for sharing lessons learned so that they can be incorporated within other projects
		Contribution to the creation of an enabling environment	Sustainability of outcomes and results beyond completion of the intervention Market development and transformation	• Arrangements that provide for long-term and financially sustainable continuation of relevant outcomes and key relevant activities derived from the project/programme beyond the completion of the intervention • Extent to which the project/programme creates new markets and business activities at the local, national or international level • Degree to which the activity will change incentives for market participants by reducing costs and risks, eliminating barriers to the deployment of low-carbon and climate-resilient solutions • Degree to which the proposed activities help to overcome systematic barriers to low-carbon development to catalyse impact beyond the scope of the project or programme

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)
Paradigm shift potential (continued)	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment (continued)	Contribution to the regulatory framework and policies	Potential for strengthened regulatory frameworks and policies to drive investment in low-emission technologies and activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development	• Degree to which the project or programme advances the national/local regulatory or legal frameworks to systemically promote investment in low-emission or climate-resilient development • Degree to which the activity shifts incentives in favour of low-carbon and/or climate-resilient development or promotes mainstreaming of climate change considerations into policies and regulatory frameworks and decision-making processes at national, regional and local levels, including private-sector decision-making
		Overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans (adaptation only)	Potential for expanding the proposal's impact without equally increasing its cost base (scalability) Potential for exporting key structural elements of the proposal to other sectors, regions or countries (replicability)	• Scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation • A theory of change for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries • Degree to which the programme or project reduces proposed risks of investment in technologies and strategies that promote climate resilience in developing countries
Sustainable development potential	Wider benefits and priorities	Environmental co-benefits	Expected positive environmental impacts, including in other result areas of the Fund and/or in line with the priorities set at the national, local or sectoral level, as appropriate	• Degree to which the project or programme promotes positive environmental externalities such as air quality, soil quality, conservation, biodiversity, etc.
	Social co-benefits	Expected positive social and health impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral levels, as appropriate	Potential for externalities in the form of expected improvements, for women and men as relevant, in areas such as health and safety, access to education, improved regulation and/or cultural preservation	• Social co-benefits

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)
Sustainable development potential (continued)	Economic co-benefits	Expected positive economic impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Potential for externalities in the form of expected improvements in areas such as expanded and enhanced job markets, job creation and poverty alleviation for women and men, increased and/or expanded involvement of local industries; increased collaboration between industry and academia; growth of private funds attracted; contribution to an increase in productivity and competitive capacity; improved sector income-generating capacity; contribution to an increase in energy security; change in water supply and agricultural productivity in targeted areas, etc.	• Economic co-benefits
	Gender-sensitive development impact	Potential for reduced gender inequalities in climate change impacts and/or equal participation by gender groups in contributing to expected outcomes	Explanation of how the project activities will address the needs of women and men in order to correct prevailing inequalities in climate change vulnerability and risks	• Gender-sensitive development impact

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)
Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population	Vulnerability of the country (adaptation only)	Scale and intensity of exposure of people, and/or social or economic assets or capital, to risks derived from climate change	• Intensity of exposure to climate risks and the degree of vulnerability, including exposure to slow-onset events • Size of population and/or social or economic assets or capital of the country exposed to climate change risks and impacts
		Vulnerable groups and gender aspects (adaptation only)	Comparably high vulnerability of the beneficiary groups	• Proposed project/programme supports groups that are identified as particularly vulnerable in national climate or development strategies, with relevant sex disaggregation
	Vulnerability and financing needs of the beneficiary country and population (continued)	Economic and social development level of the country and the affected population	Level of social and economic development of the country and target population	• Level of social and economic development (including income level) of the country and target population (e.g. minorities, disabled, elderly, children, female heads of households, indigenous peoples, etc.)
		Absence of alternative sources of financing	Opportunities for the Fund to overcome specific barriers to financing	• Explanation of the existing barriers that create absence of alternative sources of financing and how they will be addressed
		Need for strengthening institutions and implementation capacity	Opportunities to strengthen institutional and implementation capacity in relevant institutions in the context of the proposal	• Potential of the proposed programme or project to strengthen institutional and implementation capacity

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)
Country ownership	Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)	Existence of a national climate strategy Coherence with existing policies	Objectives are in line with priorities in the country's national climate strategy Proposed activity is designed in cognisance of other country policies	• Programme or project contributes to country's priorities for low-emission and climate-resilient development as identified in national climate strategies or plans, such as Nationally Appropriate Mitigation Actions, National Adaptation Plans or equivalent, and demonstrates alignment with technology needs assessments, as appropriate • Degree to which the activity is supported by a country's enabling policy and institutional framework, or includes policy or institutional changes
		Capacity of AEs or EEs to deliver	Experience and track record of the AEs or EEs in key elements of the proposed activity	• Proponent demonstrates a consistent track record and relevant experience and expertise in similar or relevant circumstances as described in the proposed project/programme (e.g. sector, type of intervention, technology)
		Engagement with civil society organisations and other relevant stakeholders	Stakeholder consultations and engagement	• Proposal has been developed in consultation with civil society groups and other relevant stakeholders, with particular attention being paid to gender equality, and provides a specific mechanism for their future engagement in accordance with the Fund's Environmental and Social Safeguards and stakeholder consultation guidelines. The proposal places decision-making responsibility with in-country institutions and uses domestic systems to ensure accountability
Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the project/ programme	Cost-effectiveness and efficiency regarding financial and non-financial aspects	Financial adequacy and appropriateness of concessionality	• Proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers • Demonstration that the proposed financial structure provides the least concessionality needed to make the proposal viable
			Cost-effectiveness (mitigation only)	• Demonstration that the Fund's support for the project/programme will not crowd out private and other public investment • Estimated cost per t CO_2eq (PMF-M Core 2) as defined as total investment cost/expected lifetime emission reductions, and relative to comparable opportunities

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative indicators (or assessment factors)
Efficiency and effectiveness (continued)	Economic and, if appropriate, financial soundness of the project/programme (continued)	Amount of co-financing	Potential to catalyse and/or leverage investment (mitigation only)	• Expected volume of finance to be leveraged by the proposed project/programme and as a result of the Fund's financing, disaggregated by public and private sources (PMF-M Core 3) • Co-financing ratio (total amount of co-financing divided by the Fund's investment in the project/programme) • Potential to catalyse private- and public-sector investment, assessed in the context of performance on industry best practices • Expected indirect/long-term low-emission investment mobilised as a result of the implementation of activity
		Programme/project financial viability and other financial indicators	Expected economic and financial internal rate of return Financial viability in the long run	• Economic and financial rate of return with and without the Fund's support (i.e. hurdle rate of return or other appropriate/relevant thresholds) • Description of financial soundness in the long term (beyond the Fund's intervention)
		Industry best practices	Application of best practices and degree of innovation	• Explanations of how best available technologies and/or best practices, including those of indigenous peoples and local communities, are considered and applied • If applicable, the proposal specifies the innovations or modifications/adjustments made based on industry best practices

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12. An example of an Indigenous People Planning Framework can be found in RF008 'Fiji Urban Water Supply and Wastewater Management Project'. Available at: www.adb.org/sites/default/files/linked-documents/49001-002-ippfab.pdf
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14. GCF (2014b) Op. cit.
15. "People requiring immediate assistance during a period of emergency, i.e. requiring basic survival needs such as food, water, shelter, sanitation and immediate medical assistance." "Appearance of a significant number of cases of an infectious disease introduced in a region or a population that is usually free from that disease." CRED, EM-DAT: The international disaster database. Available at www.emdat.be/explanatory-notes
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23. Eco Ltd conducted a survey in May–June 2016 to understand what is working – and not working – in GCF project development. GCF stakeholders, including NDAs, AEs, project developers and other key stakeholders, were asked to give their views on the key issues facing GCF project development. Respondents mostly agreed that, while a voluntary step, submitting a concept note helped them design a better GCF project. Concept notes are seen as an opportunity to obtain technical inputs, as a tool to communicate more easily with other stakeholders, and to help ensure a project's alignment with ongoing country processes. However, some respondents noted that this voluntary step would not save them time over the longer term. www.ecoltdgroup.com/wp-content/uploads/2016/11/GCF-insight-June-2016.pdf
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26. GCF (2015d) Op. cit.
27. GCF (2015d) Op. cit.
28. GCF (2015d) Op. cit.
29. Countries may report on the outcomes (t CO_2eq) of each REDD+ activity (A.–E.) separately or in a combined manner.
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31. PMF-M Core 1 refers to a linkage with the first core indicator in the mitigation Performance Measurement Framework, as contained in document GCF/B.08/07. PMF-A 5.0 refers to a linkage with the indicator 5.0 in the adaptation Performance Measurement Framework, and so on.

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