

Short Course 5: *Developing Concept Notes and Funding Proposals for Existing Climate Finance Mechanisms*

Get Started



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The ***Developing Concept Notes and Funding Proposals for Existing Climate Finance Mechanisms*** course provides a practical approach that equips participants with the tools and essential knowledge needed to develop concept notes and understand how those processes feed into proposals. It examines the project preparation process, access to the major climate funds under the UNFCCC in terms of investment areas, investment criteria and financial instruments, with a focus on the the Green Climate Fund.

Short course outline

Session 1



Preliminaries for developing
concept notes and
adaptation finance
proposals

Session 2



The Green Climate Fund
(GCF) adaptation
proposals development

Session 3



Practical session



Session one: Preliminaries for developing concept notes and climate finance proposals

Brainstorming exercise

Questions

What is the difference between climate project and classic development project?

What are the most vulnerable sectors in which adaptation projects can be developed in your country?

Where can I get the idea for my adaptation project from?

Who are the stakeholders to involve in the adaptation project (Concept Note) development?

What reassures me that my project will be accepted by the GCF before even going to its analysis?

Where can I get data to develop my concept note? climate rationale? ToC? Etc.

Are there facilities/funding to support GCF project development?

What makes a project good/bankable in the case of the GCF?

Definition of concepts

1

Concept Note: Is a concise and focused document that outlines a project or research idea. It serves as a preliminary overview, providing key details to potential stakeholders or funders.

2

Funding Proposal: Is a formal document submitted to a potential funder to request financial support for a specific project or initiative. It outlines the project's goals, objectives, methodology, budget, and expected outcomes, providing a compelling case for why the funding is necessary and how it will be used effectively.

3

Project: In a context of climate change, it is an initiative designed to address climate change by reducing greenhouse gas emissions, increasing carbon sequestration, or building resilience to climate impacts. They can range from large-scale infrastructure developments to community-based initiatives.

4

Programme: It is a group of related projects, sub-programs, and program management activities managed in a coordinated manner to achieve strategic objectives and benefits. It is a larger, ongoing effort with multiple components.

Concept Note vs. Funding Proposal

	Concept Note	Funding Proposal
Purpose	To generate interest in a project idea, secure preliminary support, and obtain feedback.	To provide a comprehensive and detailed plan for the project to secure funding or approval.
Content	Brief overview of the project, including its objectives, target beneficiaries, expected outcomes, and a rough budget.	In-depth description of the project, including, implementation plan, monitoring and evaluation, and sustainability plan.
Length	Typically short	Typically long
Use	To explore potential funding opportunities, gather input from stakeholders, and secure initial approval.	To convince funders or decision-makers of the project's feasibility, impact, and value.

Adaptation project & characteristics

A climate adaptation project is an initiative designed to reduce the negative impacts of climate change or to take advantage of new opportunities that arise.

It involves implementing strategies to help communities, ecosystems, and economies become more resilient to climate-related hazards such as floods, droughts, heatwaves, and sea-level rise.

Key characteristics of Climate Adaptation Projects:

- ❖ **Focus on impacts:** Aims to address the consequences of climate change rather than its causes.
- ❖ **Resilience building:** Enhances the capacity of systems to withstand and recover from climate shocks.
- ❖ **Risk management:** Identifies and reduces vulnerabilities to climate-related risks.
- ❖ **Community-centered:** Often involves local participation and ownership.
- ❖ **Long-term perspective:** Considers the evolving nature of climate change.

Examples of climate adaptation projects

Infrastructure

- Building sea walls, improving drainage systems, constructing early warning systems.

Agriculture

- Developing drought-resistant crops, implementing sustainable farming practices, promoting agroforestry.

Water management

- Improving water storage, investing in water-efficient technologies, protecting water resources.

Ecosystem-based adaptation

- Restoring wetlands, protecting mangroves, reforestation.

Social protection

- Providing early warning systems, developing disaster preparedness plans, strengthening social safety nets.

Preliminaries for developing a robust climate adaptation project (1/2)

Developing a robust climate adaptation project requires careful planning and consideration. Key preliminaries:

Vulnerability Assessment

Identify the specific climate-related hazards the community faces (e.g., floods, droughts, heatwaves).

Assess the community's sensitivity and exposure to these hazards.

Determine the community's capacity to cope with and adapt to these impacts.

Adaptation Project Prioritizing

Based on the vulnerability assessment, and the specific climate-related risks identified, brainstorm a wide range of potential adaptation actions to address these risks. Consider options that are both structural (e.g., building seawalls) and non-structural (e.g., early warning systems).

Develop clear and measurable criteria to evaluate adaptation options. These criteria should align with the overall goals of the adaptation strategy. Common criteria include **Cost-effectiveness, Potential impact on vulnerability reduction, Feasibility of implementation, Alignment with broader development goals, Contribution to climate resilience, Equity and social justice considerations etc.**

Preliminaries for developing a robust climate adaptation project (2/2)

Stakeholder Engagement

Involve a wide range of stakeholders in the prioritization process, including community members, government officials, experts, and other relevant parties in vulnerability assessments in in adaptation options prioritization.

Build trust and partnerships through open communication and collaboration.

Conduct workshops, focus groups, or surveys to gather input on the importance of different criteria and the desirability of various adaptation options.

Project cycle, investment criteria and priorities

The project cycle of a climate funder typically involves several distinct phases. Some funds are open continuously while for others calls for proposals are launched periodically.

The specific steps may vary between funders, as well as their priorities, funding instruments used, their investment criteria and their concept note or funding proposal templates; all need to be considered.

Session two: The Green Climate Fund (GCF) adaptation proposals development

INTRODUCING THE GCF

Short Course 1: Basics of Climate Finance

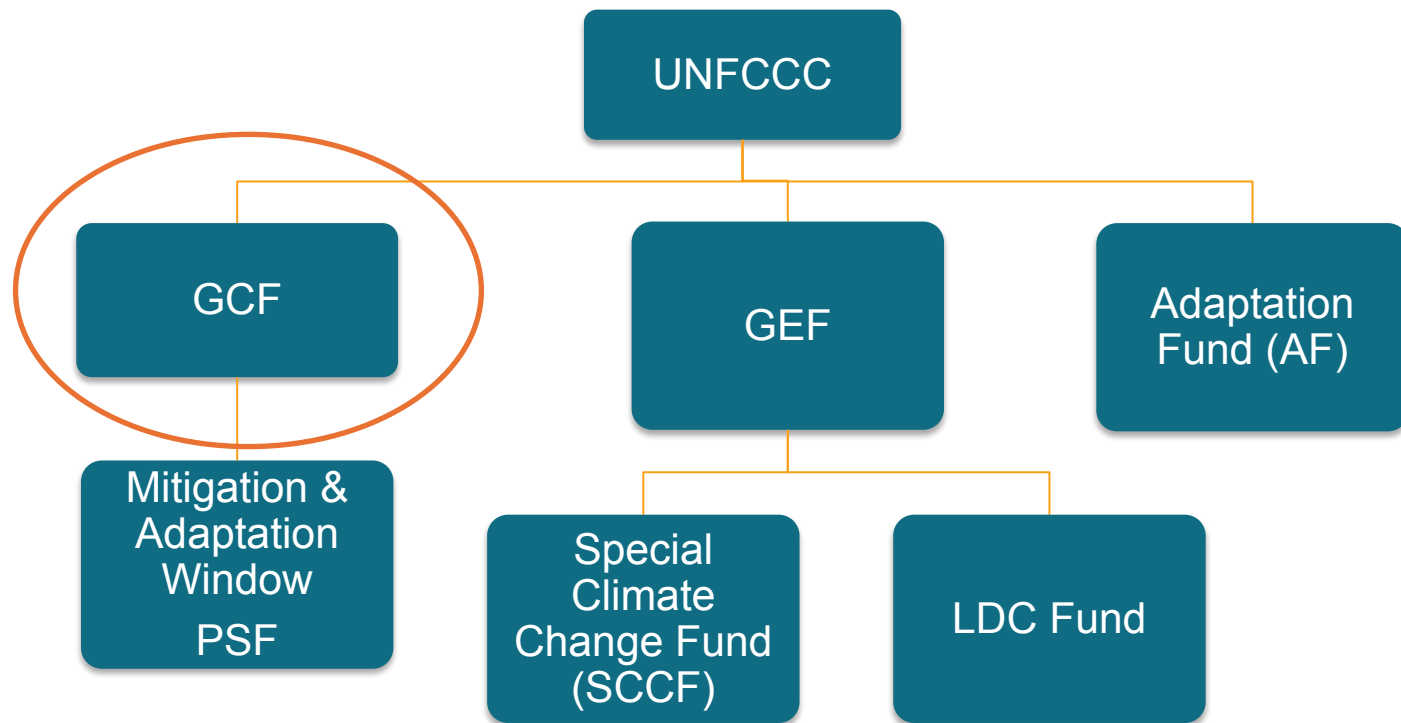
Get Started



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Please note that the Short course 1 provides details on the Basics of Climate Finance including information's on the Green Climate Fund (GCF)!

GCF and funds available under the UNFCCC



The GCF's Mission

As an operating entity of the UNFCCC financial mechanism



Helping developing countries adopt a paradigm shift towards low-emission, climate-resilient development



By catalyzing innovation and reducing investment risks.

GCF'S Investment criteria

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

What does the GCF support?

Strategic impacts of Mitigation

Reduced Emissions From:



Energy
generation
and access



Transport



Buildings, cities,
industries and
appliances



Forests and
land use

Increased Resilience of:



Livelihoods of
people and
communities



Health, food
and water
security



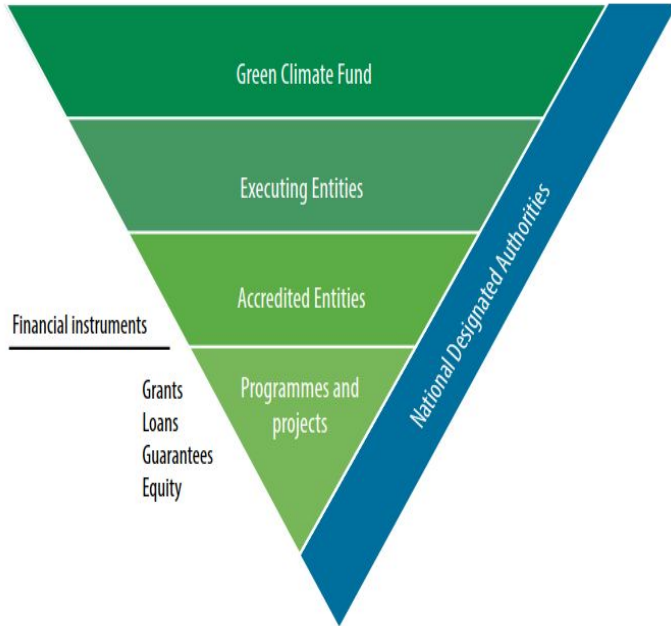
Infrastructure and
the built
environment



Ecosystems and
ecosystem
services

Strategic impacts of Adaptation

Who are the main actors of the GCF institutional architecture?



- **National Designated Authorities (NDAs):** they serve as the core interface between their country and the GCF and play an important role in coordinating GCF activities. They provide a "no objection" letter.
- **Accredited Entities (AEs):** the Fund is accessed through AEs (national regional and international) that have been approved/accredited by the GCF Board.
- **Executing Entities (EEs):** these are entities through which funds are channeled for the purpose of a funded activity; and/or any entity that executes or implements a funded activity, or part thereof.

OVERVIEW OF THE GCF PROJECT CYCLE

GCF project cycle

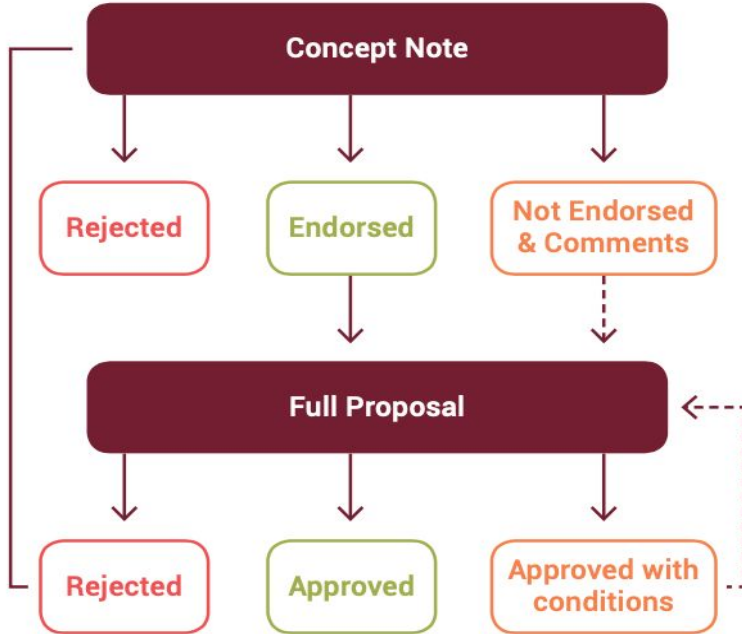


According to GCF procedures, there are two independent cycles for the submission of funding proposals:

- **The short cycle** occurs when a full project proposal is directly submitted to the GCF.
- **The long cycle** occurs when a project concept note is first submitted to the GCF for its review and endorsement before moving on to the full proposal stage. This is the cycle recommended by the GCF.

Project approval process (1/2)

Two-step approval process

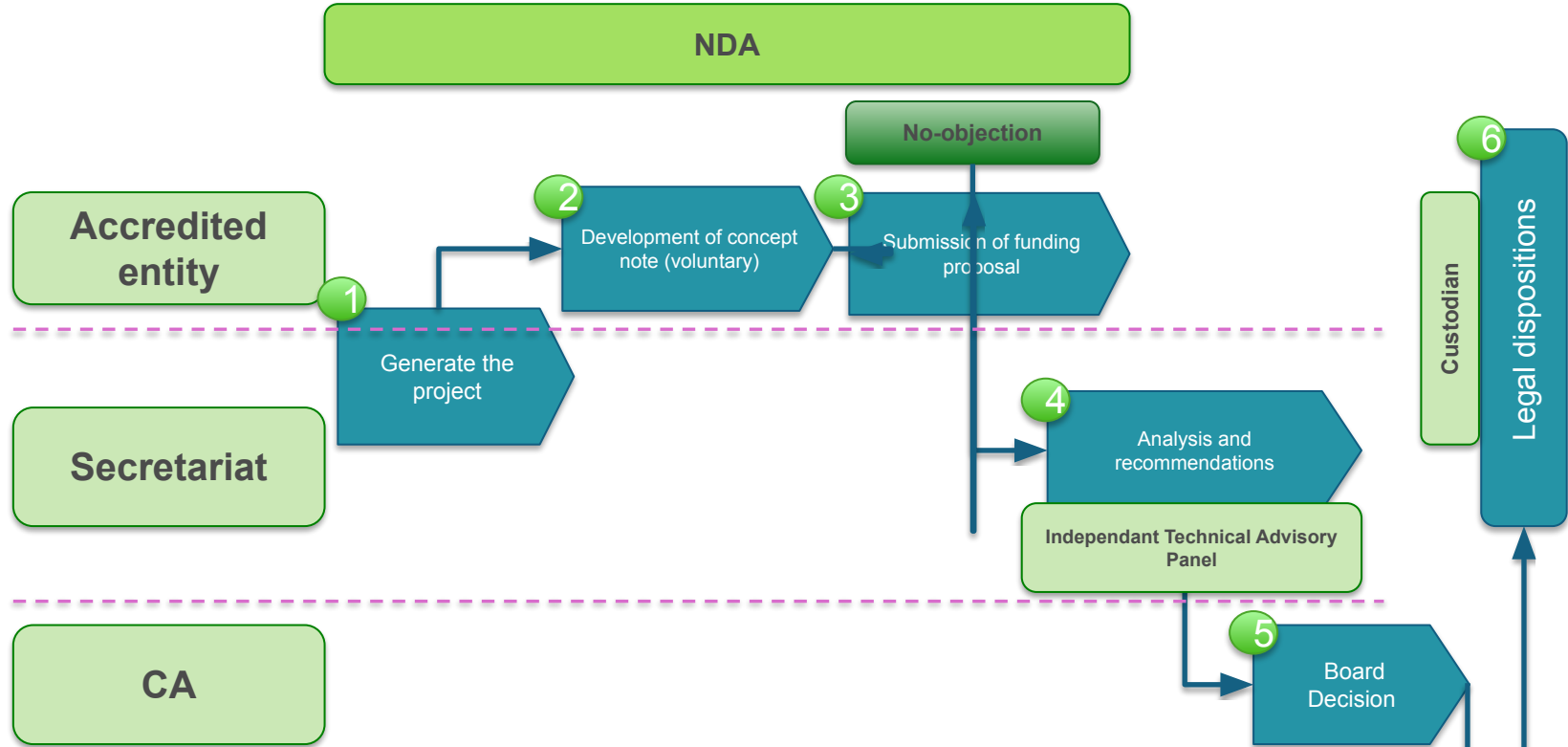


One-step approval process



Source: adapted from GCF infographics.

Project approval process (2/2)



The Concept Note



The Concept Note (CN) provides a summary description of the project proposal and addresses the necessary rationale justifying the project's relevance to the country's mitigation and/or adaptation objectives, and to the GCF's eligibility criteria.



The CN is the first step in **the long-cycle** process of submitting a project to the GCF.



It's a **twelve-page document (12)** that summarizes the project.



This stage ensures the project's positioning in the current application flow and its compatibility with the updated objectives of the fund and the country.

Different sections of the GCF concept note

GCF DOCUMENTATION

PROJECTS

Concept Note

Note conceptuelle

Titre du projet/programme : _____

Pays(s) : _____

Autorité(s) nationale(s) désignée(s) (NDA) : _____

Entité(s) accréditée(s) (AE) : _____

Date de première soumission/numéro de version : /AAAA-MM-JJ IV Q/

Date de soumission actuelle/numéro de version : /AAAA-MM-JJ IV Q/



Veuillez envoyer le formulaire dûment rempli à l'adressefundinoproposals@gcfund.org, en utilisant la convention de nom suivante dans la ligne d'objet et le nom de fichier : "CN-[Entité accréditée ou pays]-AAAA-MM-JJ"



A. Project/program summary



B. Project/program information



C. Indicative financing/cost information



D. Supporting/additional documents submitted (Optional)

Concept Note - Standard project

Concept Note (version 2.2 March 2016)

A. Project/Program summary (1 page)

B. Project/Program Information (8 pages)

- B1. Background and baseline (2 pages)
- B2. Project/program description (3 pages)
- B3. Expected performance against GCF investment criteria (3 pages)
- B4. Stakeholder consultation and engagement (1/2 page)

C. Indicative financial information (3 pages)

- C1. Financing by component (1/2 page)
- C2. Justification of funding request (1 page)
- C3. Sustainability and reproducibility (1 page)

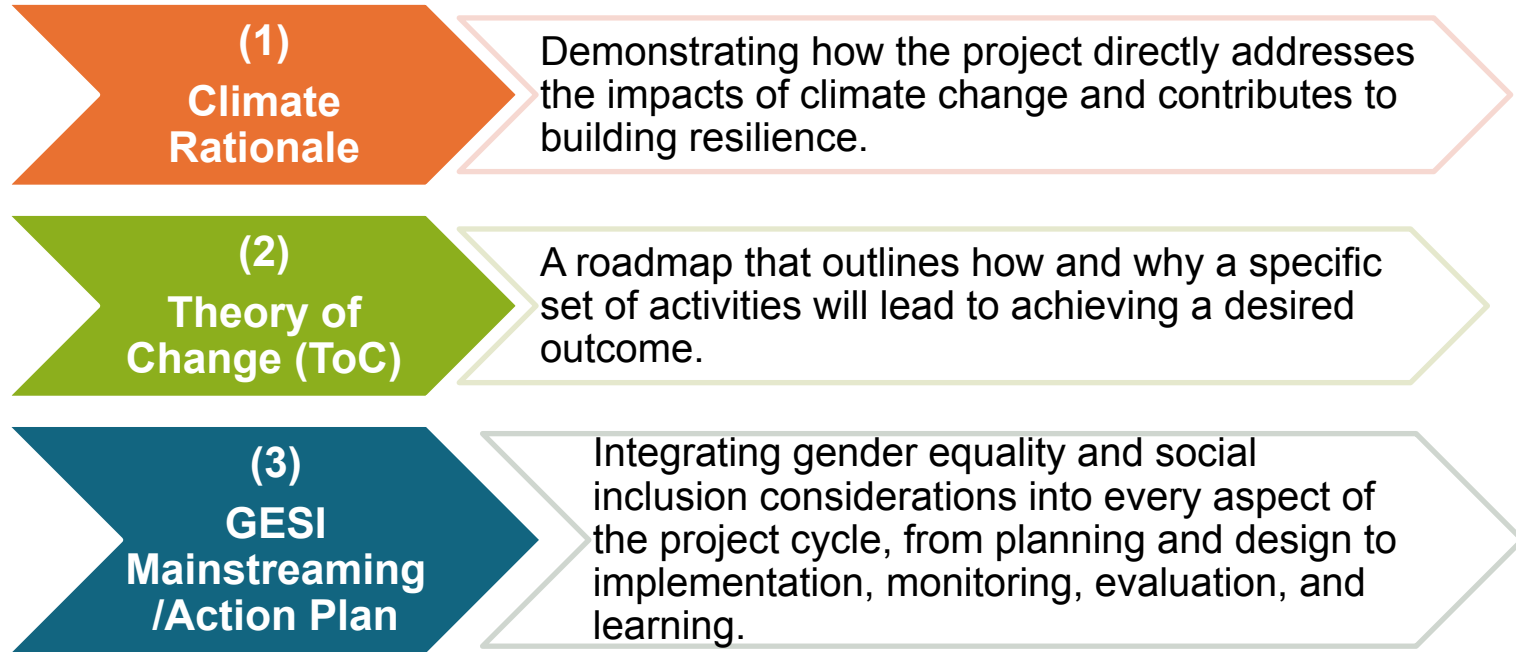
12 pages excluding appendices

D. Appendices

- Location map
- Theory of Change diagram
- Economic and financial model with key assumptions and potential stress scenarios
- Pre-feasibility study
- Evaluation report on other projects
- Results of environmental and social risk screening

No specific templates for
appendices

Key elements to master when preparing a GCF concept note



CLIMATE RATIONALE

Short Course 4: Fundamentals of Developing a Climate Rationale

Get Started



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Please note that the Short course 4 provides details on the climate rationale development and supporting tools

Climate rationale

The climate rationale of a project or programme provides the basis for ensuring that the project responds specifically to the challenges of climate change.



A project's climate rationale describes its essential contribution to avoiding dangerous climate change and how this will last over time

What is a project's climate rationale?



Climate rationale is the basis on which an investment decision can be made, to show that a particular intervention goes beyond a country's development imperative and demonstrates that the proposed investment is truly a necessary intervention due to a country's evolving climate situation.

See short course 4

Importance of climate rationale in adaptation project design

Provides **convincing** scientific evidence of the **project/program's climatic orientations**, making it easy to understand the nature or climatic characteristics of the project/program

Promotes or facilitates the decision to finance the activities included in the project/program, as they are **"climatically"** justified and well-founded

Ensures that all cause-and-effect **links between climate and climate impacts/hazards and societal actions and benefits** are fully based on the best available climate data and science concerning the most relevant climate

The risk of **"maladaptation"** and demonstrates that proposed interventions enhance national priorities related to climate change mitigation and/or adaptation

Climate rationale and its implications for project proposals

Phases

Steps

Define the elements of climate rationale

1

Establish the climate situation

Use reliable, relevant climate information to present the climate aspects of the problem (vulnerability, impact assessment, future projections, etc.).

2

Develop the intervention

Demonstrate evidence of the climate investments required and ensure the transformational value of the proposed action (to provide a long-term solution to the climate-induced problem with other co-benefits)

Problem definition

Identifying the scientific basis of the climate problem

Interpreting data analysis

Selecting the best adaptation options

Assessment of the effectiveness of adaptation options

In summary, to develop a climate rationale you should have:

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

THEORY OF CHANGE (ToC) INTRO

Theory Of Change (ToC)



- A ToC represents the narrative/graphical statement that logically links activities of a project with the outcomes that need to be achieved to satisfy the project's long-term vision or goal.
- For the GCF, the ToC justifies the rationale of the project and provides information on how it serves to shift the development pathway towards low-carbon and/or climate resilient development, in line with its goals and objectives.

One question to start: **How do I make change happen?**

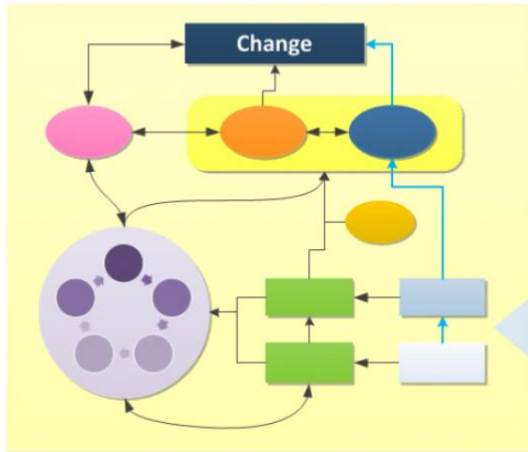


This can be answered through the development of a theory of change (ToC).

ToC vs. Logical Frameworks

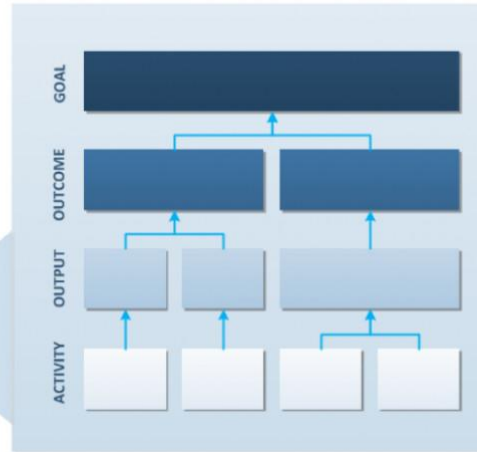
Theory of Change

Shows the big picture with all possible pathways – messy and complex



Logical Framework

Shows just the pathway that your program deals with – neat and tidy



Difference #1:

The ToC gives the ‘big picture’ and summarises work at a **strategic level**, while a logical framework illustrate a **programme (implementation) level** understanding of the change process. In other words, the Logical Framework is like a microscopic lens that zooms in on a specific pathway within the TOC.

ToC vs. Logical Frameworks

Difference #2:

The ToC gives focus to the complex social, economic, political and institutional processes that underlie societal change. It also shows all the different pathways that might lead to change, even if those pathways are not related to your program. This is why many ToCs end up looking like artwork that take on a variety of shapes and forms.

The Logical Framework on the other hand, true to its name, presents the intervention in a 'logical', sequential way. Neat, clean and tidy where 'X leads to Y'. With the Logical Framework, only components directly connected to the programme is depicted. It is linear which means that all activities lead to outputs which lead to outcomes and the goal – there are no cyclical processes or feedback loops

ToC vs. Logical Frameworks

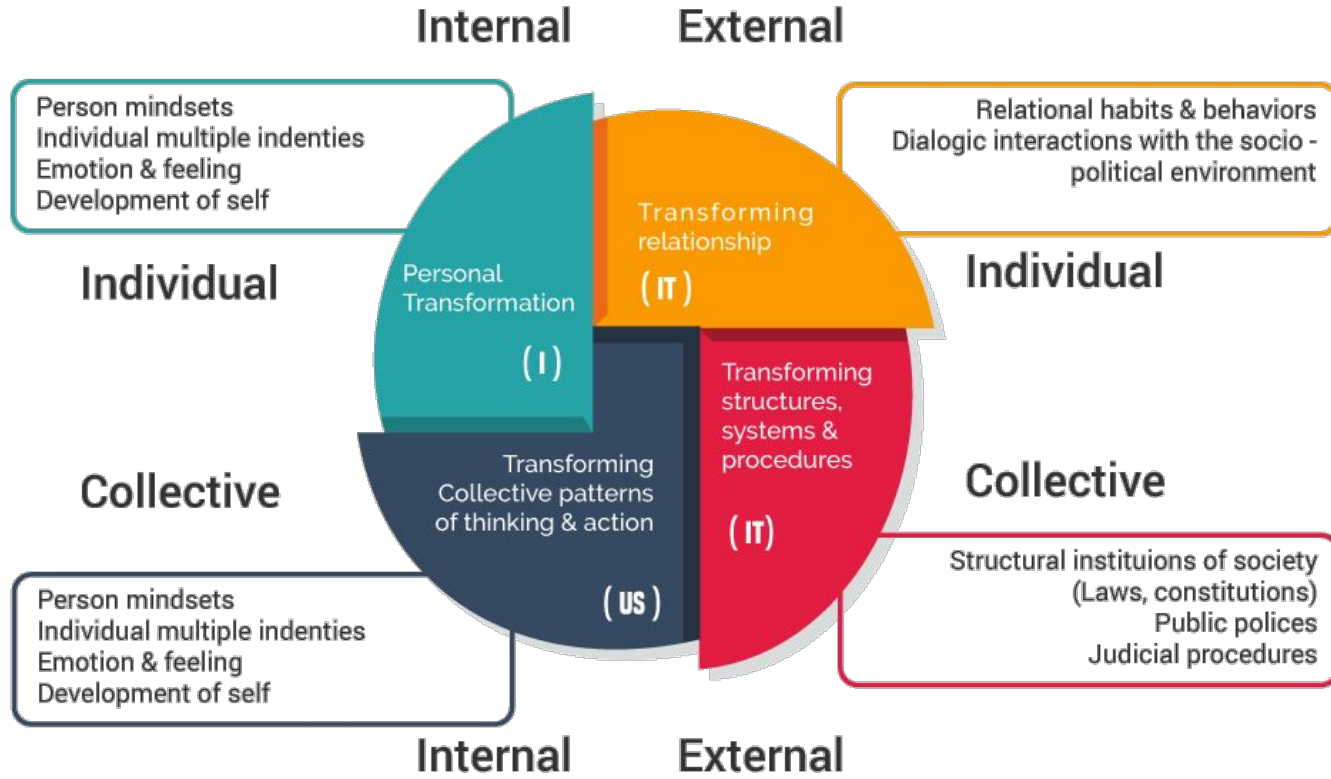
Difference #3:

The development of a ToC usually begins from the 'top', with the identification of a 'Big Hairy Audacious Goal (BHAG)' and then working backwards to map the outcome pathways. In developing the ToC, the question that is asked is '***if we do X then Y will change because...***'

In other words, the ***Logical Framework usually does not start with the BHAG***, but starts at the 'bottom', depicting the inputs, activities, outputs etc., that lead to the goal. The question that would be asked in developing a Logical Framework is '***If we plan to do X, then this will give Y result***'

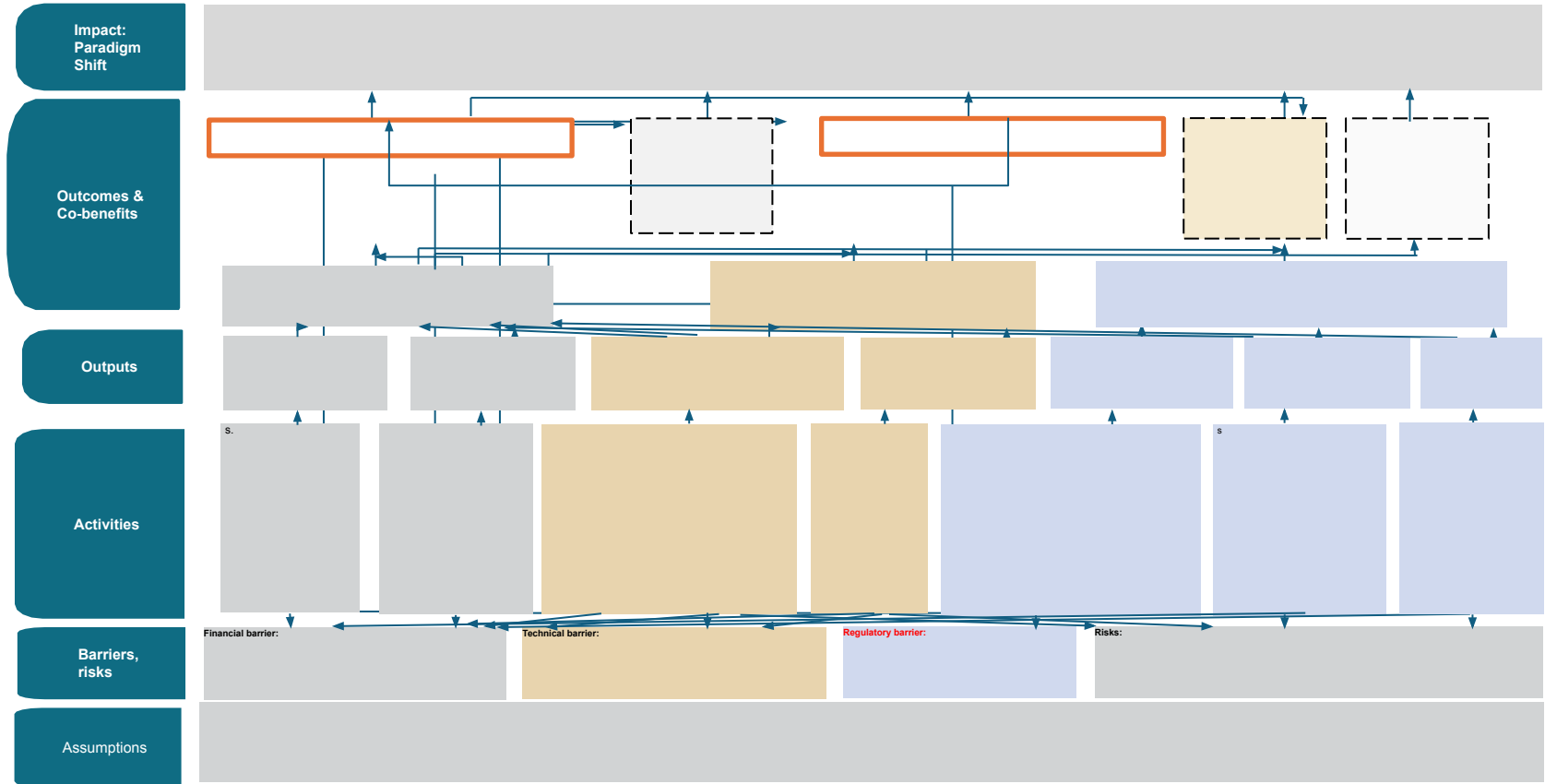


ToC: The dimensions of change

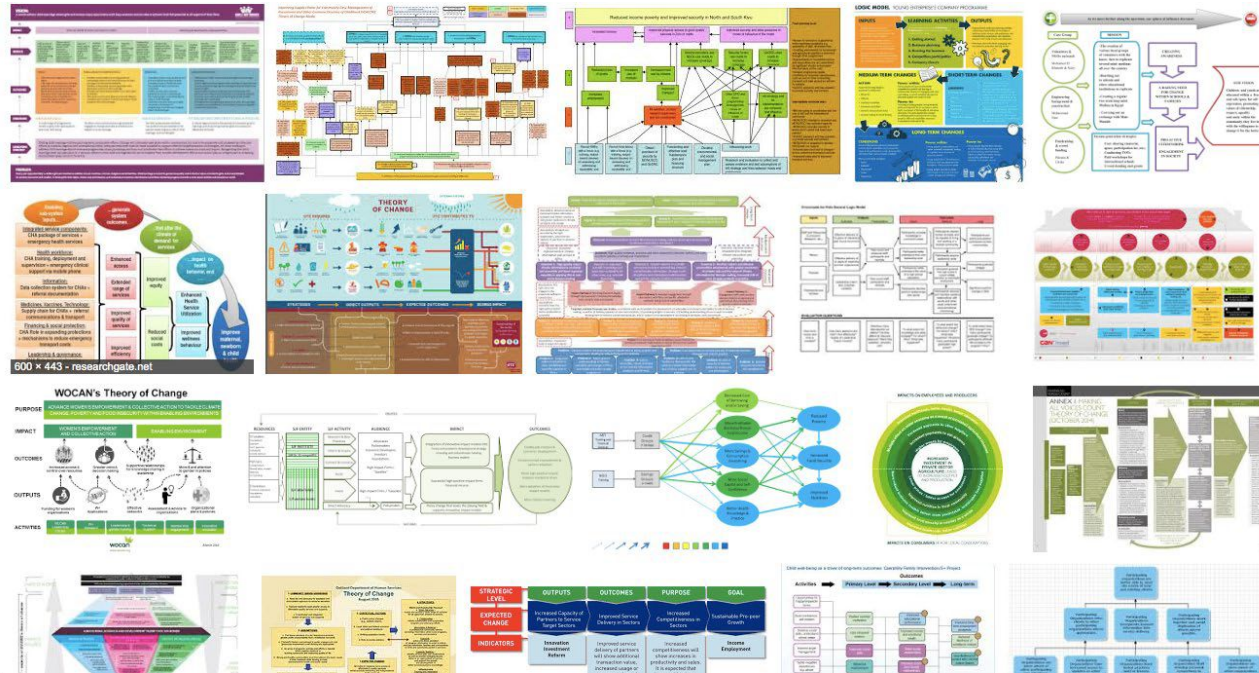


Adapted from Retaloza2008

GCF ToC Template

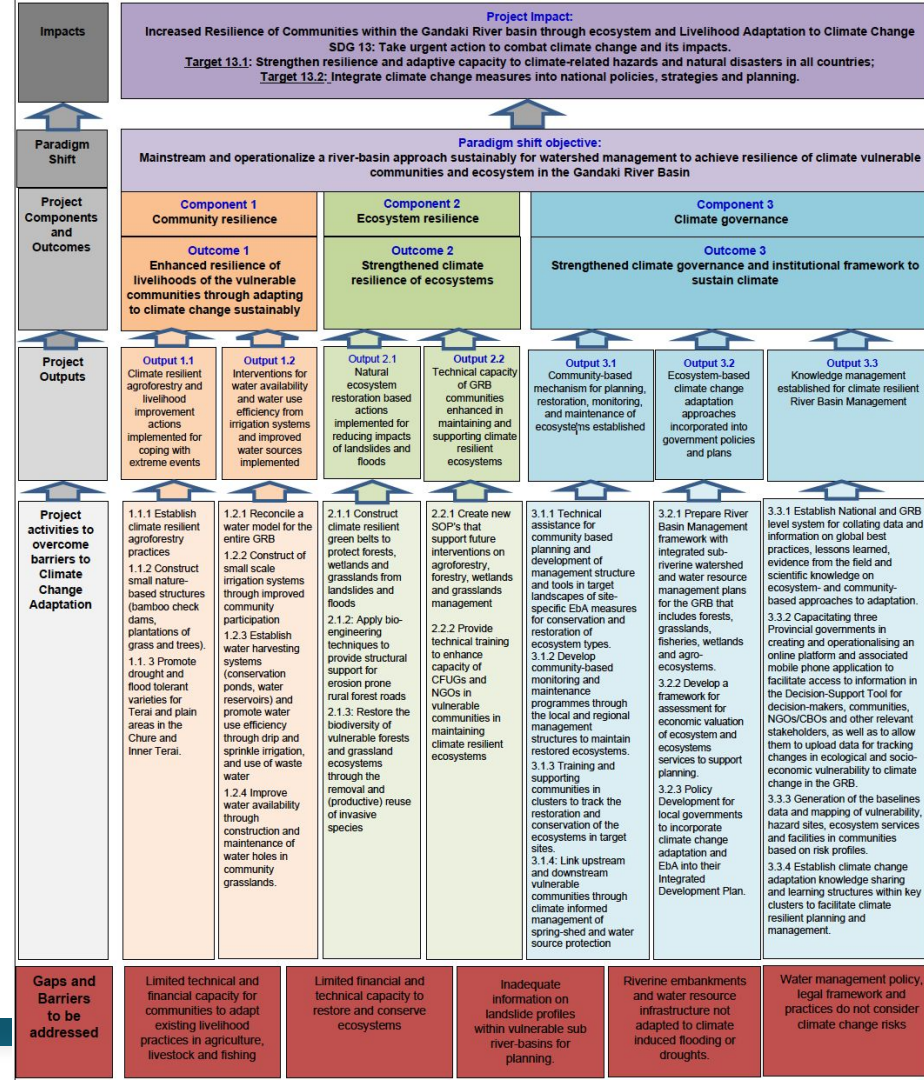


Different ways in which ToCs are understood and presented



Practical Application #1

GCF FP131: Improving Climate Resilience of Vulnerable Communities and Ecosystems in the Gandaki River Basin, Nepal



Practical Application #2

F058: Responding to the Increasing Risk of Drought: Building Gender- responsive Resilience c the Most Vulnerable Communities.

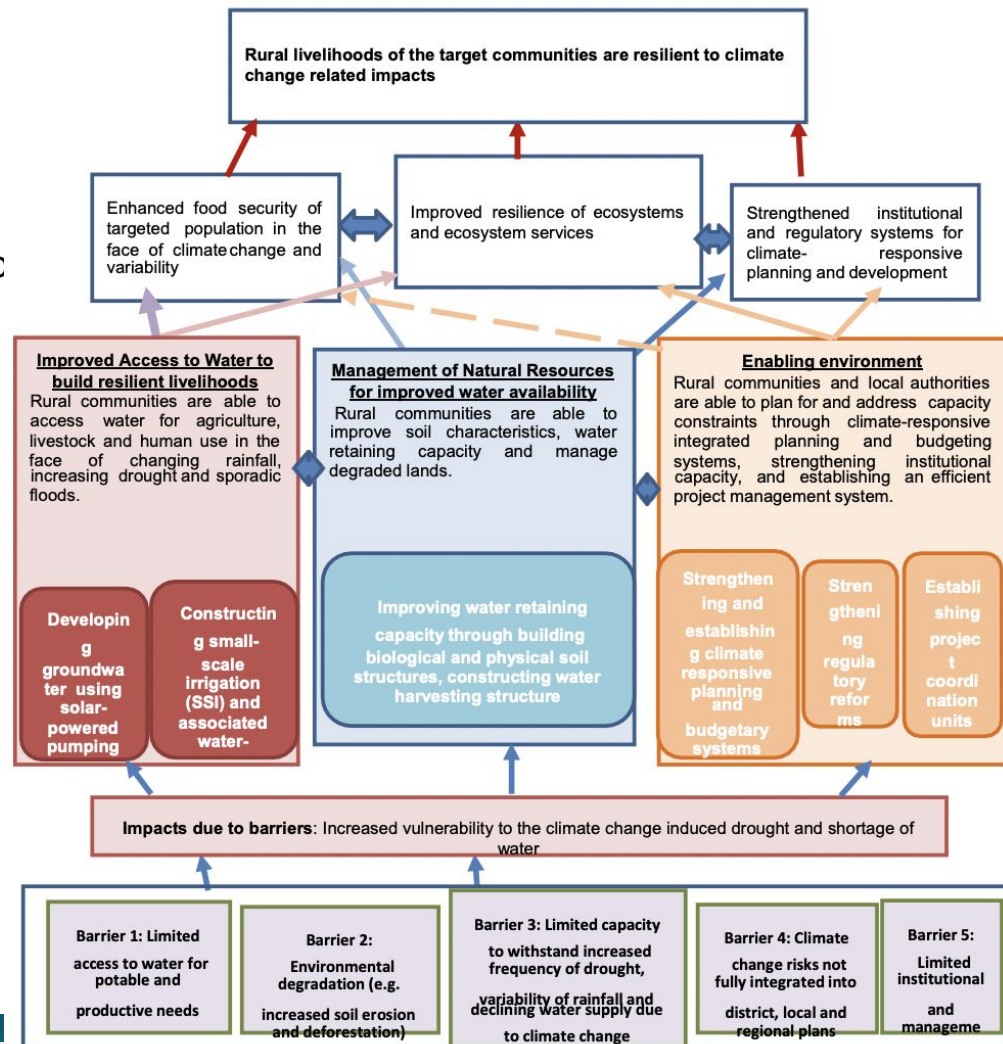
GCF DOCUMENTATION
PROJECTS

Funding Proposal

FP058: Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities

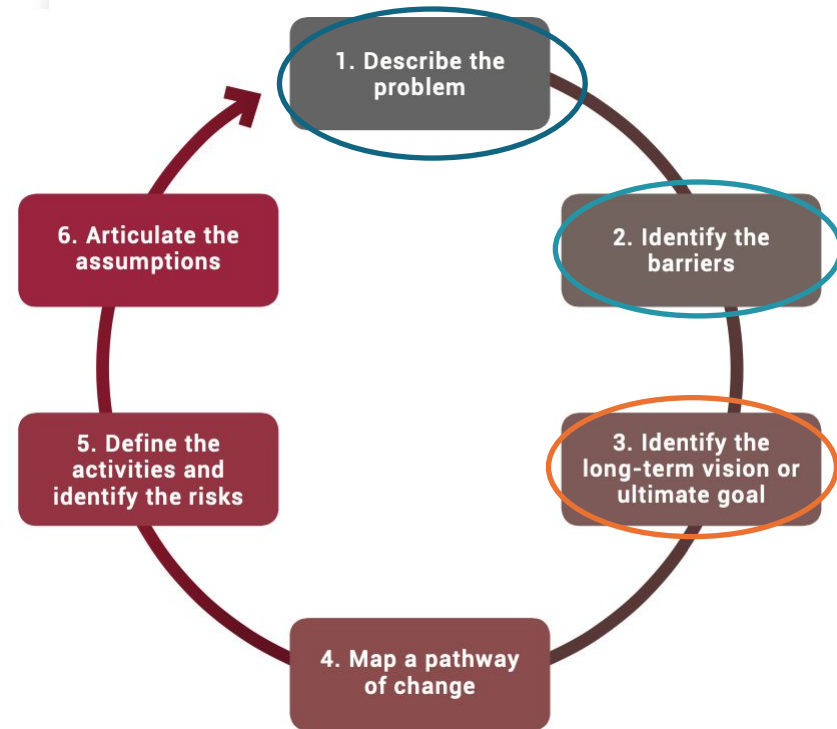
Ethiopia | MINISTRY OF FINANCE AND ECONOMIC COOPERATION OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (MoFEC) | Decision B.18/08

2 November 2017

DESIGNING A THEORY OF CHANGE (ToC)

Steps-based approach (1/4)



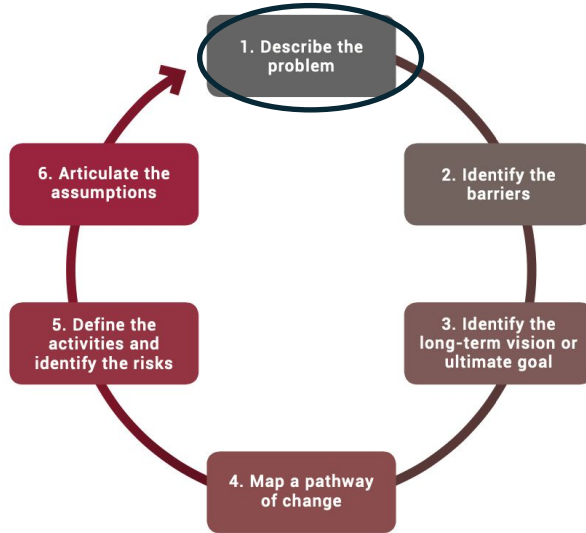
Step 1: What is the climate-induced problem that my project aims to address?

Step 2: What barriers prevent my climate-induced problem to get solved without additional intervention?

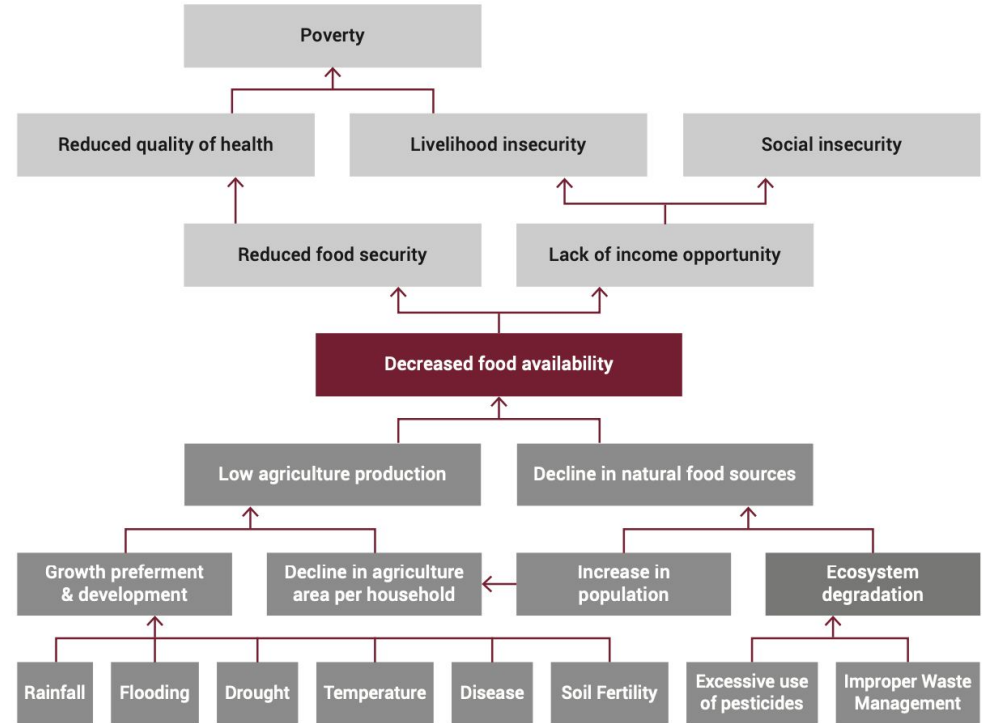
Step 3: What is the long-term vision that my project aims to achieve?

Informed by the barriers, this is where you give an explanation of how your project will contribute to a shift towards a low carbon (mitigation-related) and/or a climate-resilient (adaptation-related) development pathway. It is imperative that the ultimate project goal is aligned with national goals.

Steps-based approach (2/4)



For the step 1, use
the **problem tree**

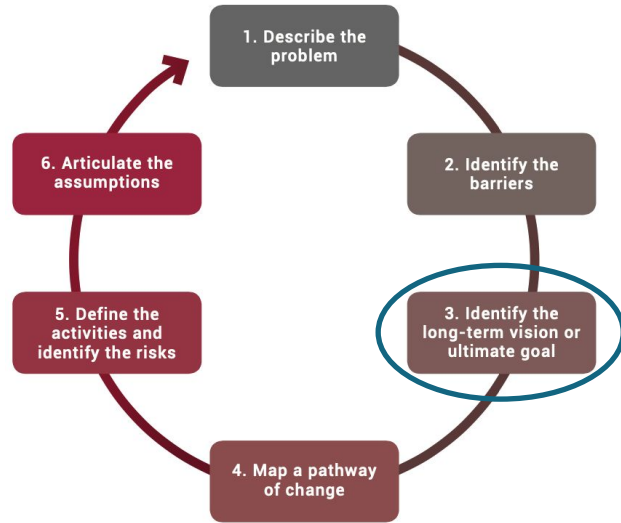


Example of problem tree

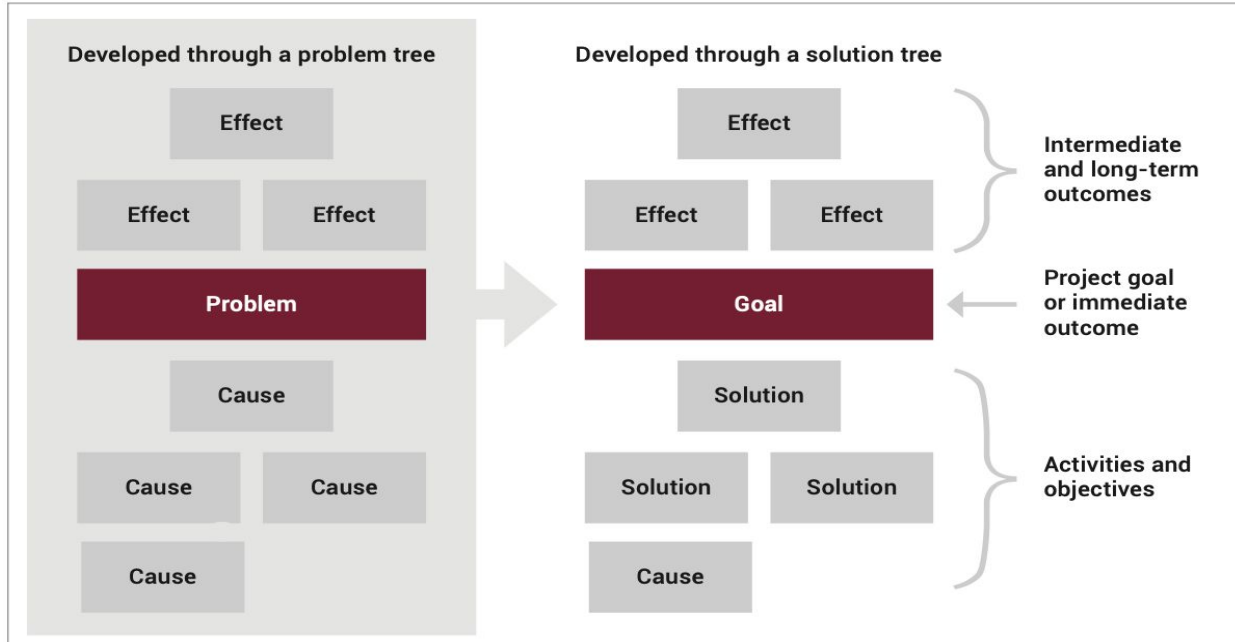
Source: adapted from WeAdapt (2020)

Steps-based approach (3/4)

Transitioning from problem tree, to solution tree, to developing a Theory of Change



For the step 3, use
the **solution tree**

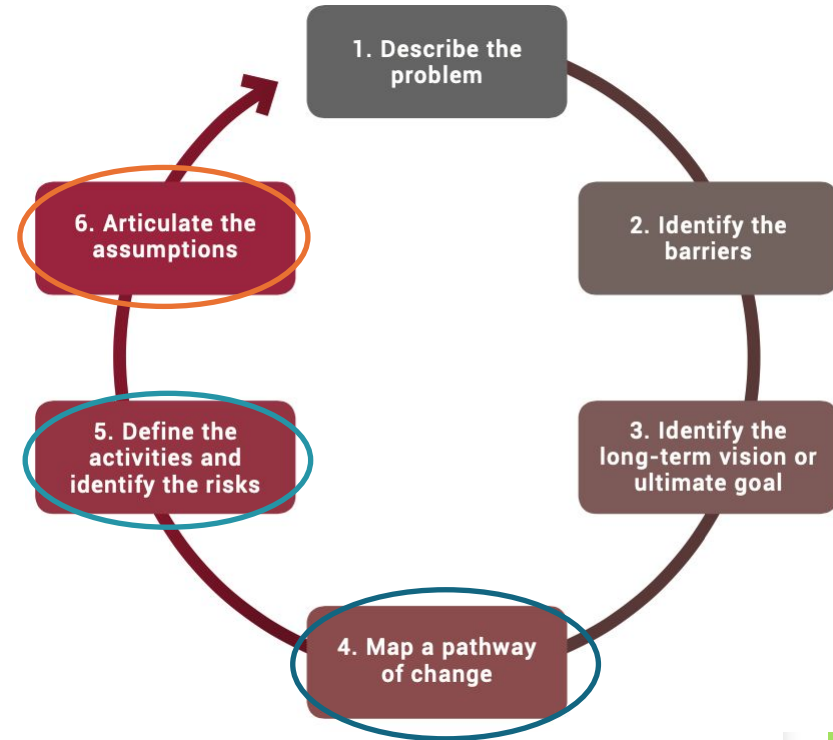


Steps-based approach (4/4)

Step 6: What assumptions am I making about the change pathway that would allow for the activities to successfully result into outcomes which will feed into achieving the long-term vision?

Step 5: What activities do I need to undertake so that each condition is set up for success to achieve the outcome I want from this project? what potential risks may threaten the successful achievement of the proposed activities?

Step 4: For my long-term vision to happen, what outcomes need to be in place? Map a pathway of change that will illustrate the cause-and-effect relationships between the long-term vision, and outcomes.



GCF PROJECT PREPARATION FACILITIES & BEST PRACTICES

Available support facilities at the GCF level

Item	Readiness programme (RP)	Project Preparation Facility (PPF)
Objective	The RP Provides support at a relatively early stage to enable countries to access not only the GCF but also other sources of financing to address climate change.	The PPF focuses on a later stage of the process, to help AEs and NDAs prepare funding proposals to submit to the GCF based on successful project/program concept notes.
Key targeting	The RP is intended to support a series of human and institutional capacity building activities and deliverables constituting essential blocks for accessing financing for climate actions in general, including the formulation of a planning process of adaptation.	The PPF is intended to support studies and design of proposals seeking funding from the GCF.
Entity that can make the request	At the request of the NDA of a country.	The PPF is only accessible to the AE.
Entity which can implement (Implementation entity)	The RP is implemented by “implementation partners”, which may be the NDA itself or any other organization designated by the NDA to participate in these activities.	The PPF can only be presented and implemented by the AE and must be accompanied by a letter of no objection from the NDA.

Some essential points that make a good GCF project

Does the project contribute to achieving a paradigm shift towards the low-emission or/and climate-resilient development path?



Long-term vision through a theory of short-, medium- and long-term change

Promoting national ownership by institutions and communities

Long-term sustainability in project design to ensure that its impacts will be maintained after GCF financial support runs out.

Demonstrate financial viability and stimulate long-term investment beyond Green Fund resources

Some lessons learned: success factors in GCF project design

- **Focus on climate change**, emphasizing the project's climate context in terms of emissions mitigation and/or adaptation to climate change.
- **Identify opportunities for innovative long-term benefits that enable a paradigm shift:** sharing knowledge, communicating lessons learned, creating an enabling environment and contributions to the existing regulatory framework will add significantly to your GCF proposal and increase its potential for replicability.
- **Demonstrate how activities are expected to achieve outcomes and impacts**, contributing to GCF objectives, with a convincing logical framework.
- Pay particular attention to **stakeholder engagement during project development and implementation**, as it underlines country ownership and could contribute to replicability.
- Emphasize that the proposed **activities are in line with national priorities and existing strategies and policy frameworks** (e.g. your country's NDC), demonstrating country ownership of a funding proposal.

Justification for GCF intervention

The justification for the GCF's intervention is fundamental to the approval of the financing proposal by the GCF. Intervention and investment criteria are two of the most important elements. The proposal must demonstrate that without GCF intervention the proposed activities could not be implemented, and the vulnerabilities would increase further with reference to climate projections. Analysis of the funding proposals highlighted the following points:

The proposals demonstrate that the beneficiary country is an LDC, vulnerable to climate change and has a budget deficit or lacks the capital to finance the project on its own. They have also demonstrated that the beneficiaries (in the case of an adaptation project for which a grant is requested) lack the means not only to strengthen their resilience but also to take out a loan from a bank or the GCF. Some proposals demonstrate that the activities for which GCF funding is requested are not income-generating activities;

The proposals establish a clear link between the proposed activities, climate change and the GCF's funding objectives.

Most of the proposals present the weaknesses of the capital market, the high lending rates applied by banks, and the high level of risk argued by national banks when it comes to financing climate activities.

Proposals demonstrate that the activities for which funding is sought contribute to building the resilience of vulnerable communities and the cause of vulnerability is related to climate change, or the proposed activities contribute to a verifiable reduction in GHG emissions;

Financial package

- ❖ The GCF has several financial instruments at its disposal, which project sponsors can choose from if they can provide convincing justification. **The four main financial instruments are: grants, loans, guarantees and equity.**
- ❖ Adaptation projects are more likely to use grants, while mitigation projects are more likely to use loans, guarantees or equity. Overall, the following elements are key points in the approval of financing proposals by the GCF:
 - The financing instrument chosen is in line with the types of activities proposed. It is desirable to apply for grants for activities that do not generate income but are related to climate change. More than one financial instrument may be chosen in a project proposal, provided that this is clearly distinguished and justified;
 - The proposal provides a clear justification for the choice of instrument, considering the capital market and the country's financial capacity.
 - The project includes (unconditional) co-financing to comply with the conditional and unconditional financing quota determined by the NDC in the project sector.
 - The proposal has obtained a co-financing guarantee through a letter of co-financing signed by the co-financier's CEO.
 - the beneficiary country is contributing to the financing of the project in addition to tax exemptions
 - The proposal has prepared a budget in GCF format.
 - The proposal has prepared a budget note with detailed data.

GESI ACTION PLAN

Mainstreaming GESI in Climate Finance and Climate Adaptation Activities: Guidelines for Proposal Developers

Get Started



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Please note that the Short course 3
provides details on the GESI
mainstreaming in climate finance and
climate adaptation

PRACTICAL SESSION

Option 1:

Exercise on the drafting of CR, ToC and GESI Action Plan

Practical session 1 : Climate Rationale Adaptation Project

For your Adaptation project ideas:

Draft a half page description of your climate rationale base on collected data/evidences



i. Identify the potential exposure, climate impacts, vulnerability and adaptation needs to which the proposed intervention should respond.



ii. Identify how the causes of the identified problem are linked to climate change, demonstrating how climate change is exacerbating the problem.



iii. Identify sources of data to support your answer.

Project idea:	
Description of your climate rationale	

Practical session 2 : ToC development

Step 1: Problem analysis (Having identified the various problems resulting from climate change, list their underlying causes, which need to be addressed). **Develop your problem tree!**

Step 2: Formulate objectives and activities: Transform the problem tree (problem-causes) into an objective tree with concrete activities (objective-activities).

Step 3: Review your project idea and link it to the results chain (Identify the expected results and ensure that the activities can help achieve them).

Step 4: Identification of risks, barriers and assumptions (what could prevent the project from being implemented, the results from being achieved, and what are the optimum conditions for the project's success?)

Step 5: Design your Theory of Change (ToC) diagram

Practical session 3 : GESI Action Plan



Activities	Indicators and Targets	Timeline	Responsibilities	Costs
Impact Statement:				
Output(s) Statement:				
(This is the place where the project/program team inserts a brief list of activities. Activities are those that tell us what the project/program will do; sometimes referred to as interventions.	Outline the indicators and targets here (Note: A good indicator should be able to measure the quantity, quality and timeliness of products (goods or services) that are the result of an activity, project or program. On the other hand, a target should – in the case of the GAP – be disaggregated by sex. Targets, disaggregated by sex, is an effective way to measure quantifiable [and differential] results for women, men, girls and boys.	(This is the place where the project/program team inserts the timeline for each of the indicators/targets.	(Highlight here which party/organization /entity/partner will be responsible for ensuring the achievement of targets, as outlined in the indicator and targets column.	(This is the column to insert the approximate budgetary allocation for undertaking each activity.
...
...

Option 2:

Drafting of GCF Concept Note

Guide the participants in drafting a GCF Concept Note

Concept Note (version 2.2 March 2016)

A. Project/Program summary (1 page)

B. Project/Program Information (8 pages)

- B1. Background and baseline (2 pages)
- B2. Project/program description (3 pages)
- B3. Expected performance against GCF investment criteria (3 pages)
- B4. Stakeholder consultation and engagement (1/2 page)

C. Indicative financial information (3 pages)

- C1. Financing by component (1/2 page)
- C2. Justification of funding request (1 page)
- C3. Sustainability and reproducibility (1 page)

12 pages excluding appendices

D. Appendices

- Location map
- Theory of Change diagram
- Economic and financial model with key assumptions and potential stress scenarios
- Pre-feasibility study
- Evaluation report on other projects
- Results of environmental and social risk screening

**No specific templates for
appendices**

THANK YOU !
