GREEN
CLIMATE
FUND

Concept Note User's Guide

The Green Climate Fund (GCF) is seeking high-quality projects or programmes.

Accredited entities may choose to submit a concpet note, in consultation with the relevant national designated authority, to present the proposed project or programme idea in order to receive early feedback and recommendation.

Glossary

Access modality: Modes of access for national, regional and international implementing entities for accreditation to gain access to Fund resources. The Fund uses two modes of access: 'direct' and 'international'. Under the 'direct access', recipient countries can nominate competent subnational, national and regional implementing entities for accreditation to receive funding. Under the 'international access', recipient countries can access the Fund through accredited international entities, including United Nations agencies, multilateral development banks, international financial institutions and regional institutions. Recipient countries can determine the mode of access and both modalities can be used simultaneously.

Accredited entity: An entity that is accredited by the Board in accordance with the Governing Instrument and relevant Board Decisions.

Concept note: A project or programme concept document which 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.

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. The main purpose of the ESS is to determine the key environmental and social risks the accredited entity intends to address in the conceptualization, preparation and implementation of funding proposals, and to provide guidance on how these risks are to be managed. ESS is based on the eight performance standards (PS) of the International Finance Corporation. Please refer to the *Interim Environmental and Social Safeguards* of the Fund for more detailed information about the performance standards.

Executing entity: An entity through which GCF proceeds are channelled or used for the purposes of a funded activity or part thereof, and/or any entity that executes, carries out or implements a funded activity, or any part thereof. For the avoidance of doubt, an accredited entity may also carry out the functions of an executing entity.

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

Financial instruments: There are four financial instruments that can be utilized by the Fund through different modalities and at various stages of the financing cycle: grants, concessional loans, guarantees and equity investments. These options are not mutually exclusive.

Focal Point: An individual or authority designated by a developing country party to the Convention to fulfil all functions of an NDA on a temporary basis, until it has designated an NDA.

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

National Designated Authority (NDA): A core interface and the main point of communication between a country and the Fund. 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 letters of nomination to direct access entities.

Introduction

The objective of this user's guide is to assist accredited entities to develop a concept note (CN) to be submitted to the Green Climate Fund ("Fund").

As a voluntary step, accredited entities may use the concept note to present a summary of a proposed project/programme to the Fund in order to receive feedback and recommendations from the Secretariat on whether the concept is broadly aligned with the Fund's objectives. The recommendation will clarify whether the concept is endorsed, not endorsed with a possibility of resubmission, or rejected.

Prior to the submission of the concept note, if applicable, but no later than submission of a funding proposal to the Secretariat, the accredited entity shall:

a. Inform the NDA or, if applicable, the focal point about the proposed activity to be implemented in their country and commence consultations with a view to confirming it is in accordance with the country's strategic framework and priorities; and

b. Inform the Secretariat that it has commenced consultations with the NDA or, if applicable, the focal point.

Kindly note that the feedback provided by the Secretariat does not represent acceptance or commitment to provide financial resources in respect of a specific project/programme. Funding decisions can only be made by the Fund's Board, taking into account various factors, including technical, financial, environmental, social, gender and legal aspects.

Any feedback or recommendations are intended to provide non-binding guidance to enable the accredited entity to initiate the next phase, the preparation and submission of the full funding proposal.

User's Guide

I. Project/Programme Description

Section I of the concept note intends to obtain basic information about the proposed project or programme.

1.1. Project/Programme title: Provide the full title of the proposed project/programme.

1.2. Project or programme: Select from the drop-down menu indicating whether the proposal is associated with a project or a programme.

1.3. Country (ies)/region: Enter the country (or countries) or region in which the proposed project/programme will be implemented.

1.4. National designated authority(s): Insert the name of the national designated authority (NDA) or focal point as a national-level interface with the Fund.

1.5. Accredited entity: Insert the name of an entity that has been accredited by the Board.

1.6. Executing entity: Insert the name of the executing entity (ies) who will channel funds, execute, carry out or implement the funded activity under the overall management and supervision of the accredited entity.

1.7. Access modality: Indicate which mode of access the entity is using to access the Fund's resources by checking one of the two boxes: direct or international.

1.8. Project size category: Indicate the scale of intended activities for the proposed project/programme, by selecting one of the four project size categories: micro, small, medium and large.

1.9. Mitigation/adaptation focus: Check appropriate box indicating whether the proposed project/programme targets mitigation, adaptation or cross-cutting (both mitigation and adaptation).

1.10. Public of private: Select from the drop-down menu indicating whether the proposal is associated with public, private or public-private partnership (PPP) project/programme.

1.11. Results areas: Mark the results areas of the Fund's *Initial Results Management Framework* that are applicable to the proposed programme/project. As shown in the checklist, there are eight results areas, four mitigation and four adaptation. Mark multiple options as applicable. In some cases, proposed projects may bring multiple co-benefits clustering the result areas. For example, efforts to invest in climate-compatible cities may deliver impacts related to emission reductions from low emission transport as well as from buildings, cities, industries and appliances. They may also support adaptation, particularly by helping to strengthen the resilience of the livelihoods of urban people and communities; and to increase the resilience of urban infrastructure. In this case, a total of four boxes can be ticked.

1.12. **Project/programme lifespan**: Specify the expected lifespan of the proposed project/programme in years.

1.13. **Estimated implementation start and end date**: Enter the estimated implementation start date and end date.

II. Project/Programme Details

Section II requests the information to assess the economic and technical viability of the proposed project/programme. Please fill out applicable sub-sections and provide additional information as necessary, as these requirements may vary depending on the nature of the project/programme.

2.1. **Project/programme description (including objectives)**: Briefly describe the main activities and the planned measures of the intervention. Also describe the main objectives and anticipated outcomes of the project/programme.

2.2. **Background information on project/programme sponsor**: This sub-section aims to obtain background information of project/programme sponsor. Describe the project/programme sponsor's operating experience in the host country or other developing countries; financial status; and how the sponsor will support the project/programme in terms of equity, management, operations, production and marketing.

2.3. **Market Overview**: Describe the market for the product(s) or services including the historical data and forecasts. If applicable, provide the key competitors with market shares and customer base. Also provide, if any, pricing structures, price controls, subsidies available and government involvement.

2.4. **Regulation, taxation and insurance**: Provide details of government licenses 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 provide details on insurance policies related to project/programme.

2.5. **Implementation arrangements**: This sub-section aims to identify institutional and implementation arrangements. Please describe construction and supervision methodology with key contractual agreements; and operational arrangements with key contractual agreements following the completion of construction. Provide a timetable showing major scheduled achievements and completion for each of the major components of the project/programme.

III. Financing / Cost Information

Section III provides an overview of the financing/cost information for both the requested GCF amount and co-financing. The Fund uses four financial instruments: concessional loans, equity, grants and guarantees. Provide a breakdown of estimated costs according to the financing instrument, and specify co-financing information.

3.1. Description of Financial Elements of the Project/Programme: Please provide a breakdown of cost estimates analyzed 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. Also, briefly summarize 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.

3.2. 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 (i.e. a=b+c).

- On the '*Requested GCF Amount*', provide a breakdown by financial instrument. For each financing instrument, specify the amount and choose appropriate currency in millions. If you select '*senior loans*' and/or '*subordinated loans*', please specify tenor in years and pricing in percentage. Please 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.

- On the '*Co-financing*' section, specify financial instrument; provide amount and indicate currency; list the name of institutions that provide support for the proposed project/programme; choose appropriate seniority from 'pari passu', 'senior' and 'junior; and specify the lead financing institution.

- In sub-section (d) '*Covenants*', provide legal covenant information specific to the proposed project/programme.

- In sub-section (e) '*Conditions precedent to disbursement*', list all the conditions that should be satisfied before the Fund disburses any funds to the accredited entity for its funded activity.

IV. Expected Performance against Investment Criteria

The concept note must provide information that enables an understanding of the project/programme's expected performance against the Fund's investment criteria. As accredited entities respond to this section, they should refer to this guidance and the Fund's *Investment Framework*. This guidance aims to provide a detailed explanation of the six investment criteria, activity-specific sub-criteria and indicative assessment factors in the Fund's Investment Framework.

Each of the Fund's six investment criteria are listed below. Accredited entities should provide a brief description of the expected performance of the proposed project/programme against these investment criteria. In general, quantitative indicators present a stronger case, especially when combined with brief narrative that gives broader context. Indicators should have specific values (e.g. 5 million tCO_2eq to be reduced or avoided, or 15,000 expected direct beneficiaries) wherever possible.

Please note that not all activity-specific sub-criteria and indicative assessment factors will be applicable or relevant for the proposed project or programme. Accredited entities are expected to respond to all six of the investment criteria but only the applicable and relevant sub-criteria and indicative assessment factors.

4.1 Impact potential:

Specify the climate mitigation and/or adaptation impact. The Fund's Investment Framework has four core indicators to which every concept note should respond, two of which are contained within this sub-section. These core indicators should be based on supporting evidence for the project/programme, possibly including pre-feasibility studies or feasibility studies. The methodology used for calculating the values should also be provided so that the values and underlying assumptions may be validated during the review process. Finally, the accredited entity should provide a benchmark in a comparable context (e.g. country, sector and/or technology) against which the indicator(s) can be compared.

The two core indicators for impact potential are shown below.

- Mitigation core indicator: Total tons of CO_2 eq 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)

In addition to the core indicators above, accredited entities are encouraged to provide specific values for other indicators as they see fit. As with the core indicators, the methodology used for calculating the indicators and values should be provided. The Fund's *Investment Framework* details possible 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. This is consistent with an indicative assessment factor within the Investment Framework, which contains a range of mitigation and adaptation factors to consider.

Along with quantitative indicators, accredited entities may wish to supplement with to more qualitative information, such as the degree to which the proposed activity avoids lock-in of long-lived, high-emission infrastructure (mitigation) or long-lived, climate-vulnerable infrastructure (adaptation). The accredited entity therefore has significant leeway to respond to quantitative and qualitative factors that will strengthen their concept note.

4.2 Paradigm shift potential:

In terms of paradigm shift, the concept note may emphasize one or multiple factors below. Provide the estimates and details of the below and specify other relevant factors.

- Innovation: innovative ideas or elements should be highlighted and described. For example, fostering new market segments, creation of business models and/or the development or adoption of new technologies. Innovation is context-specific, and the concept note should specify the circumstances in which the innovation takes place.

- Potential for scaling-up and replication (e.g. multiples of initial impact size) for both mitigation and adaptation: the concept note should present specific values for scaling-up and replication (e.g. a 30 MW hydroelectric power station that can be replicated at 4 different specific sites in the region). 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. Scaling up and replication potential will have a number representing the multiples of initial impact size combined with supporting justification.

- Potential for knowledge and learning: any potential for knowledge sharing or learning at a project or institutional level should be highlighted. For example, if the project/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: the sustainability of outcomes and results beyond the completion of the intervention should be highlighted. The concept note may elaborate on the arrangements that provide for 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. Accredited entities may also wish to 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/programme addresses or eliminates systematic barriers to low-carbon and climate resilient solutions, or changes incentives by reducing costs and risks, these aspects can be highlighted.

- Contribution to the regulatory framework and policies: if the project/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.

4.3 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. As with the impact potential indicators in a previous sub-section, quantitative sustainable development potential indicators are welcome and should be supported by an analysis or study. The calculation methodology should also be provided. Examples of sustainable development indicators include the following:

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

Accredited entities may propose their own indicators that highlight the sustainable development potential of the project/programme. In addition to the indicators above and any other indicators an accredited entity may wish to include, a strong narrative of the expected co-benefits may also supplement and further contextualize the concept note.

4.4 Needs of recipient:

Describe the scale and intensity of vulnerability of the country and beneficiary groups and elaborate how the project/programme addresses the identified needs. Examples include the following:

- Vulnerability of the country and beneficiary groups (adaptation only): the concept note may address 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 size of population and/or social or economic assets or capital. The proposed activities may support specific beneficiary groups which are identified as particularly vulnerable in national climate or development strategies, which should then be highlighted with relevant sex disaggregation.

- 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: accredited entities may describe the barriers that have created the lack of alternative funding sources for the project/programme.

- Needs for strengthening institutions and implementation capacity: the concept note may describe the opportunities to strengthen institutional and implementation capacity in relevant institutions

4.5 Country ownership:

Country ownership is critical to the success of the concept note. Provide details of the below, plus other relevant factors:

- Coherence and alignment with the country's national climate strategy and priorities: the concept note should detail how its objectives are aligned with the priorities in the country's national climate strategy. Accredited entities may reference nationally appropriate mitigation actions (NAMAs), national adaptation plans (NAPs) technology needs assessments (TNAs) or others, as appropriate.

- Capacity of accredited entities or executing entities to deliver: a brief description of accredited or executing entities (e.g. local developers, partners and service providers) and the roles these entities will play, respectively. The track record and relevant experience of the entities in similar or relevant project/programme circumstances can be elaborated.

- Stakeholder engagement process and feedback received from civil society organizations and other relevant stakeholders: the consultative process must be emphasized in the description of country ownership, both with the relevant national designated authority and with the wider group of stakeholders.

4.6 Efficiency and effectiveness:

Economic and financial analysis primarily drives the efficiency and effectiveness criterion, and the concept note should make the case for strong cost effectiveness and financial soundness. The efficiency and effectiveness of the proposed financial structure is particularly important, as the requested funding should be the appropriate amount necessary, and in the proper form (i.e. proposed financial instrument) to make the project/programme viable, but not more.

Efficiency and effectiveness includes two core mitigation indicators. Provide values and supporting justification, including the calculation methodology and citations of relevant studies, for these core indicators (if applicable):

- Estimated cost per tCO_2 eq. (total investment cost/expected lifetime emission reductions)
- Expected volume of finance to be leveraged as a result of the Fund's financing, disaggregated by public and private sources

In general, the economic and financial analysis, including the financial model if applicable, should guide the preparation of the response to this criterion. Accredited entities may specify the following factors as relevant, including:

- Financial adequacy and appropriateness of concessionality: along with the financial model and analysis, accredited entities may also specify how the proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable, and further demonstrates that the structure provides the appropriate concessionality to make the proposal viable.

- Amount of co-financing: for mitigation projects/programmes, the co-financing ratio (total amount of the Fund's investment as percentage of project) should generally be provided and detailed. For projects/programmes that may not leverage a significant level of up-front co-financing, the accredited entity may instead demonstrate a significant level of indirect or long-term investment mobilized as a result of the proposed activities.

- Financial viability and other financial indicators: indicators of particular interest include 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 may also be helpful for the reader.

- Application of best practices and degree of innovation: an explanation of how the best available technologies and/or best practices are considered and applied. Best practices may also take the form of indigenous knowledge.

Brief Rationale for GCF Involvement and Exit Strategy

The focus of the section V is on the value added by the Fund's support and the project/programme's long-term sustainability after the Fund intervention. Specify why the potential Fund contribution is critical for the proposed project/programme, and how the Fund will add value to the project/programme financing. A strong concept note will make clear the 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, the concept note should present a convincing financial and/or economic argument to ensure that the Fund maximizes its use of resources.

Additionally, 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. Please note that the Fund's resources are expected to be deployed in a catalytic way. The concept note should be able to address questions about project/programme sustainability, for example how the proposed activities will be continued after the grant has been fully disbursed.

V. Risk Analysis

In section VI, the accredited entity is 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 environmental and social safeguards risks, please refer to the *Interim Environmental and Social Safeguards* of the Fund, which outlines the eight Performance Standards (PS) and their objectives.

VI. Multi-Stakeholder Engagement

Section VII aims to identify how the relevant stakeholders are engaged with the project/programme design, and how the consultations will be carried out during the project/programme implementation. Please list key stakeholders who will be consulted and describe how the consultation will be conducted. Projects/programmes should demonstrate relevant stakeholder consultation, with particular attention to vulnerable groups within the civil society, as outlined in the Fund's initial investment framework.

VII. Status of Project/Programme

In Section VIII, specify the current status of the proposed project/programme, and the progress made so far in the project development process. The section includes:

1) Pre-feasibility Study: Provide the pre-feasibility report as an attachment in Annex II.
2) Feasibility Study: Indicate whether a feasibility study has been conducted for the proposed project/programme, by marking either 'yes' or 'no' in the respective box. If 'yes' is selected, please provide in Annex II.
3) Project/Programme Nature: Specify if the proposed project/programme is to be developed as an extension of a previous project (e.g. subsequent phase), or based on a previous project/programme (e.g. scale up or replication). In answering the question, check either 'yes' or 'no' box. If you select 'yes', provide more details in Annex II.

VIII. Remarks

Please provide additional information or remarks regarding the proposed project/programme that are not covered in the concept note.

Annex I.

Please insert a map indicating the location of the project/programme.

Annex II.

Please provide the pre-feasibility study report for the project/programme. If available, provide the feasibility study report, environmental and social impact assessment, and/or evaluation report.

GREEN
CLIMATE
FUND