

Toolkit to Enhance Access to Climate Finance

A Commonwealth Practical Guide



The Commonwealth



Commonwealth
**CLIMATE FINANCE
ACCESS HUB**

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Printed and published by the Commonwealth Secretariat.

Acknowledgments

This Toolkit has been developed by the Climate Change Section of the Commonwealth Secretariat following a series of document reviews and consultations with Commonwealth National Climate Finance Advisers. The lead authors are Unnikrishnan Nair, Head of Climate Change Section and Jevanic Henry, Assistant Research Officer-Climate Change Section, supported by the Senior Director's office of the Economic, Youth and Sustainable Development Directorate, advisers of the Commonwealth Climate Finance Access Hub (CCFAH) and wider staff of the Climate Section.

We note with thanks the contributions and guidance provided by Dr Ruth Kattumuri, Uzoamaka Nwamarah, Alexander Lee-Emery, Samuel Ogallah, Othniel Yila, Martin Barriteau, Jeesha Kamulsing, Bilal Anwar and Katherine Blackman.

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Acronyms and abbreviations

AF	Adaptation Fund
CBIT	Capacity-Building Initiative for Transparency
CEO	chief executive officer
CIF	Climate Investment Funds
COP	Conference of the Parties
CSO	civil society organisation
ESS	environmental and social safeguards
FAO	Food and Agriculture Organization of the United Nations
FSP	full-sized project
GCF	Green Climate Fund
GEF	Global Environment Facility
GESI	gender equity and social inclusion
GHG	greenhouse gas
IFAD	International Fund for Agricultural Development
ITAP	Independent Technical Advisory Panel
LDCs	Least Developed Countries
LDCF	Least Developed Countries Fund
M&E	monitoring and evaluation
MDB	multilateral development bank
MRV	monitoring, reporting and verification
MSP	medium-sized project
NAP	national adaptation plan
NDA	national designated authority
NDC	nationally determined contribution
NGO	non-governmental organisation
PIF	project identification form
PPRC	Project and Programme Review Committee
ODA	official development assistance
SCCF	Special Climate Change Fund

SIDS	Small Island Developing States
UN	United Nations
UNDP	United Nations Development Programme
UNEP	UN Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollars

Glossary

Term	Description
Accredited entity	A national, regional or multilateral institution that meets a particular fund's standards and demonstrated capacity to undertake projects or programmes of different financial instruments and environmental and social risk categories. Entities can become accredited as implementing, delivery or executing entities.
Adaptation	An adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects that moderates harm or exploits beneficial opportunities.
Bilateral aid	Flows from official (government) sources directly to official sources in the recipient country.
Climate finance provider	A provider of climate finance, which can be an international or domestic and public and/or private source.
Climate finance readiness	A country's capacity to plan for, access and deliver international and domestic climate finance, as well as monitor and report on expenditures.
Co-finance	A practice whereby several entities finance a project together or provide funds to a company thereby dividing the full cost.
Debt swap	An arrangement whereby a country's sovereign debt is transferred to a particular organisation/ country in return for that country committing itself to specific conservation measures.
Dedicated climate change fund	A fund focused on financing climate change activities, such as the Green Climate Fund (GCF), Adaptation Fund (AF) and Climate Investment Funds (CIF).
Development finance	All financial flows that are, or could be, spent in developing countries, including public, private, domestic and external sources.
Direct access	A mechanism through which national accredited entities of developing countries gain direct access to GCF funds to implement their selected projects and/or programmes. These entities may wish to choose other executing entities to carry out the work. ¹
Environmental and social safeguards (ESS)	A reference point for identifying, measuring and managing environmental and social risks; its purpose is to determine the potential environmental and social risks that may arise and need to be addressed.
Financial instruments	Monetary assets that can be traded between accredited entities and the GCF to deploy the Fund's resources to undertake mitigation and adaptation activities. The GCF uses various financial instruments such as grants, concessional loans, guarantees and equity investments.
Gender mainstreaming	The process of assessing and responding to the differentiated implications for women and men of any planned climate action including policy and programmes.
Green bonds	Bonds raised specifically for new and/or existing projects that deliver environmental benefits and progress towards a more sustainable economy.
International organisation	For the purposes of this Toolkit, an international organisation is an inter-governmental agency that provides climate finance.

1 Urban LEDES et al. (2019) 'Climate Finance Glossary'. <https://e-lib.iclei.org/wp-content/uploads/2019/12/Climate%20finance%20glossary.pdf>

Term	Description
Logical framework	A planning tool that consists of a matrix providing an overview of a project's goal, activities and anticipated results.
Mitigation	In the context of climate change, refers to interventions that aim to reduce the emission of greenhouse gases (GHG) and/or enhance carbon sinks.
Monitoring, reporting and verification (MRV)	All measures countries take to collect data on emission, mitigation actions and support.
Multilateral development bank (MDB)	An institution created by a group of countries that provides financing and professional advice for development purposes. MDBs finance projects in the form of long-term loans at market and concessional rates and through grants. Examples include the Asian Development Bank, European Investment Bank and World Bank.
National adaptation plans (NAP)	Established under the Cancun Adaptation Framework, a means of identifying medium- and long-term adaptation needs and developing and implementing strategies and programmes to address them. It builds on experience in preparing and implementing national adaptation programmes of action.
National designated authority (NDA)	Government institutions that serve as the interface between the country and the specific climate fund.
Nationally determined contribution (NDC)	The term used under the United Nations Framework Convention on Climate Change (UNFCCC) to refer to actions designed to combat climate change, especially for the reduction of GHG emissions by all the countries that are party to the UNFCCC. NDCs are the basis of post-2020 global emissions reduction commitments. Many developing countries have also included other actions related to adaptation, technology and finance in their NDCs.
National focal point	Each country has identified a focal department or ministry that is in charge of issues related to climate change adaptation and mitigation. This agency is usually the operational/ political focal point for key climate change funds.
Project cycle	A process of planning, organising, coordinating and implementing a project through phases. Different climate finance providers have specific project cycles, which are elaborated in this Toolkit.
Proponent	A stakeholder engaged in advancing climate action, particularly through proposing, designing and implementing a project. A proponent can be from the private or public sector.
REDD+	A framework created by the UNFCCC Conference of the Parties to guide activities in the forest sector that reduce emissions from deforestation and forest degradation, as well as the sustainable management of forests and the conservation and enhancement of forest carbon stocks in developing countries.
Technical assistance	Provision of technical services and/or funds (usually grants) for technical services, e.g., feasibility studies for projects or capacity building of local actors.

Executive Summary

Developing countries continue to grapple with challenges in effectively accessing climate finance to support resilience efforts in meeting their targets for nationally determined contributions (NDCs), implementing national adaptation plans (NAPs) and addressing loss and damage due to climate change. Whilst the 2021 United Nations Climate Change Conference (COP26) saw progress made towards delivering the USD 100 billion climate finance goal by 2023 at latest, and countries agreed on a way forward for the new post-2025 climate finance goal,² this remains inadequate as annual adaptation costs in developing economies are estimated to reach between USD 155 to USD 330 billion by 2030.³

A key objective of the Commonwealth Climate Change Programme is to ensure that finance and investment are available and accessible for Commonwealth member countries to realise their NDCs. The Commonwealth Climate Finance Access Hub (CCFAH) is the flagship initiative of the Commonwealth Secretariat that provides technical support and capacity building for member countries to enhance their access to international climate finance. The CCFAH was established to meet countries' ongoing requirements for tools that help them effectively navigate and maximise their access to available opportunities in the global finance landscape.

The CCFAH works closely with governments across the five regions of the Commonwealth on developing project proposals and meeting application requirements for relevant climate finance funds, strengthening climate change policy and frameworks for enhancing access and

mobilisation of climate finance to the beneficiary countries and promoting South-South cooperation, knowledge exchange, mutual learning and capacity building. This Toolkit draws on the Hub's experiences to provide a practical guide to enhance access to climate finance from dedicated climate change funds and multilateral organisations.

The Toolkit offers an overview of the key dedicated international climate funding opportunities, as well as the associated procedures, policies and requirements of the various climate funds. It provides experiences, best practices and lessons learnt through the work of the CCFAH in the following six areas:

1. Climate change project development, particularly the various steps required for accessing the main climate funding sources
2. Achieving climate finance readiness and understanding the associated support mechanisms
3. Accreditation support for successfully undertaking this process
4. Human and institutional capacity development initiatives to support mobilisation of climate finance
5. Climate policy support for effective implementation of national climate financing frameworks
6. Knowledge management and sharing across countries and regions for enhanced access to climate finance.

Whilst the methodologies and tools in this Toolkit offer useful technical solutions, the available resources are not limited to these nor is the document prescriptive in nature. It should be used in combination with the various reference materials associated with the key funding facilities. A detailed list of these are included in Annex 1.

2 United Nations Climate Change and UK Government (2021) 'COP26: The Glasgow Climate Pact'. <https://ukcop26.org/wp-content/uploads/2021/11/COP26-Presidency-Outcomes-The-Climate-Pact.pdf>

3 United Nations Environment Programme (2021) *UNEP Adaptation Gap Report: The Gathering Storm – Adapting to Climate Change in a Post-Pandemic World*. Nairobi: UNEP. <https://www.unep.org/resources/adaptation-gap-report-2021>

Chapter 1. Introduction

1.1 Rationale and purpose of the Toolkit

The Commonwealth family comprises 54 diverse member countries, including 32 small states of which 25 are Small Islands Developing States (SIDS).⁴ The vulnerabilities and challenges faced by small states is a key focus within the programming of the Commonwealth Secretariat.

Least Developed Countries (LDCs), SIDS and other vulnerable countries are disproportionately impacted by climate change. This poses major risks to their development, including reversing progress on livelihood security, poverty alleviation, public health, infrastructure and other socio-economic indicators. The COVID-19 pandemic has further exacerbated the inability of countries to independently resolve their climate vulnerabilities, with many experiencing unprecedented declines in gross domestic product (GDP) and surging debt levels. Amidst these global challenges, the existing capacity constraints that hinder developing countries' efforts to access the required climate finance to support resilience efforts have been further exacerbated.

Recognising the importance of addressing these dynamic access-to-finance challenges, the Commonwealth Heads of Government Meeting (CHOGM) in 2015 mandated the establishment of the Commonwealth Climate Finance Access Hub (CCFAH).⁵ The Hub seeks to build the capacity of Commonwealth small and otherwise climate-vulnerable states in unlocking climate finance and provide support towards achieving national climate priorities. This initiative was commended at the subsequent CHOGM 2018 for its work in supporting resilience efforts.⁶

As part of the CCFAH's efforts around climate finance project development, policy support and human and institutional capacity building, this Toolkit has been developed as a practical resource to enhance the capabilities of member countries to access climate finance. With knowledge sharing being a fundamental pillar of the CCFAH, the Toolkit consolidates the in-country experiences and examples from the Hub in supporting climate finance mobilisation for member countries. This can serve as a guide for other member countries where the CCFAH is yet to have a presence.

1.2 Intended users and beneficiaries

This Toolkit is intended to benefit the following stakeholders:

Commonwealth member countries (government agencies): Climate change and environment ministries and other project-executing entities can utilise this Toolkit to assist efforts to develop climate finance strategies and other policy frameworks around accessing finance. The Toolkit provides guidance for member countries who are seeking accreditation to the various funding lines; for existing national designated authorities (NDAs) in accelerating development of bankable projects; and for government entities looking to develop and/or operationalise national climate funds.

Development cooperation partners: The Toolkit aims to benefit development partners — including multilateral development banks, private sector entities and international climate funds — in shaping their frameworks for delivery of technical and financial support for climate action. It provides useful inputs for improving access, delivery and effective use of climate finance by recipient countries.

Civil society organisations: These entities play a meaningful role in building community resilience and making progress towards national climate objectives. This Toolkit can support the efforts of such organisations when developing project proposals and identifying the most suitable funding lines and innovative financing approaches.

4 United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (2021) 'List of SIDS'. <https://www.un.org/ohrls/content/list-sids>

5 Commonwealth Secretariat (2015) 'Commonwealth Heads of Government Communiqué'. CHOGM, Malta. <https://thecommonwealth.org/sites/default/files/news-items/documents/CHOGM%202015%20Communique.pdf>

6 Commonwealth Secretariat (2018) 'Commonwealth Heads of Government Communiqué: "Towards a Common Future"'. CHOGM, London. <https://www.chogm2018.org.uk/sites/default/files/CHOGM%202018%20Communique.pdf>

Commonwealth Climate Finance Access Hub:

The consolidated learnings, experiences and recommendations contained within this Toolkit will further enhance and accelerate the ability of the CCFAH to deliver technical support towards unlocking climate finance in member countries. The Climate Change Section of the Commonwealth Secretariat, through the CCFAH, will be in a better position to provide short-term technical support to member countries that are utilising this guidance document for any of the specific areas outlined. The Toolkit can be used as a training resource to help enhance the knowledge and capacities of officials in member countries.

1.3 Climate finance barriers

Effectively improving access to climate finance requires a thorough understanding of the access challenges currently faced by countries. Whilst the challenges will vary depending on the country circumstances and the funding source, a few main hindrances and appropriate Commonwealth Secretariat interventions can be broadly outlined as follows:

- **Deficit in access to development finance**
For developing countries, in particular SIDS and LDCs that are the most vulnerable to climate change, issues around access to concessional financing remains a global challenge. Although climate and economic vulnerability have increased their needs, rules regarding income graduation, official development assistance (ODA), etc. exclude many SIDS from accessing affordable finance, making it increasingly difficult to enable critical resilience efforts in the developing world.
- **Limited human and institutional capacity**
A common constraint in many developing countries is the limited availability of human resources and technical capacities to identify available funding lines and to design, develop and advance project proposals through the various stages and processes required. This limited capacity to effectively present comprehensive activities, outputs and impacts of project concepts in each fund's logical framework hinders the ability of countries to fully access diverse sources of finance. There also exist capacity constraints on the implementation side of climate finance projects, leading in some cases to significant

under-spending and poor or delayed progress of approved projects. This also extends to the monitoring, reporting and verification (MRV) aspect of climate finance.

- **Meeting procedures and standards required by global funds**

The multi-step accreditation processes associated with multilateral funds often include demanding criteria and process inconsistency across funding lines. This presents a significant challenge, particularly for the developing countries most in need of financial support. Strong national institutions that can meet the robust fiduciary standards necessary for direct access are in many cases not available. Many recipient countries experience difficulties in finding or developing organisations that meet the required staffing, expertise, experience and internal controls to become an implementing entity.⁷

- **Limited availability of data required to support project proposals**

The most climate-vulnerable countries are often burdened with data gaps, including inadequate historical climate data and socio-economic statistics for future projections. This is often due to the absence of climate models and systems that can gather and store such data as well as limited technical expertise for their interpretation and can further limit countries' ability to provide accurate justification in developing financing proposals.

- **Regulatory frameworks for attracting private and public finance**

Private sector finance can substantially supplement ODA and other external multilateral climate funding lines to develop climate resilient economies. In developing countries, there is often a misalignment of policy, legal and regulatory frameworks that do not create an enabling environment for private sector engagement. Moreover, inefficient monitoring of public climate finance flows can further inhibit private sector involvement as well as access to other funding sources.

⁷ Green Climate Fund (2014) 'The Green Climate Fund Information Pack'. Incheon, Republic of Korea: GCF. <http://www.gcfund.org/readiness/updates.html>

- **Limited resources for the development of national climate policies**

Many member countries have limited capacity to establish broad, effective national climate policies that can support access and utilisation of climate finance across various sectors and stakeholders. This can impose significant constraints, delaying the flow of in-country finance and the rate of project implementation.

supports the countries of the Commonwealth to deal with the long-term and adverse impacts of climate change via capacity building, institutional strengthening and improving access to climate finance.

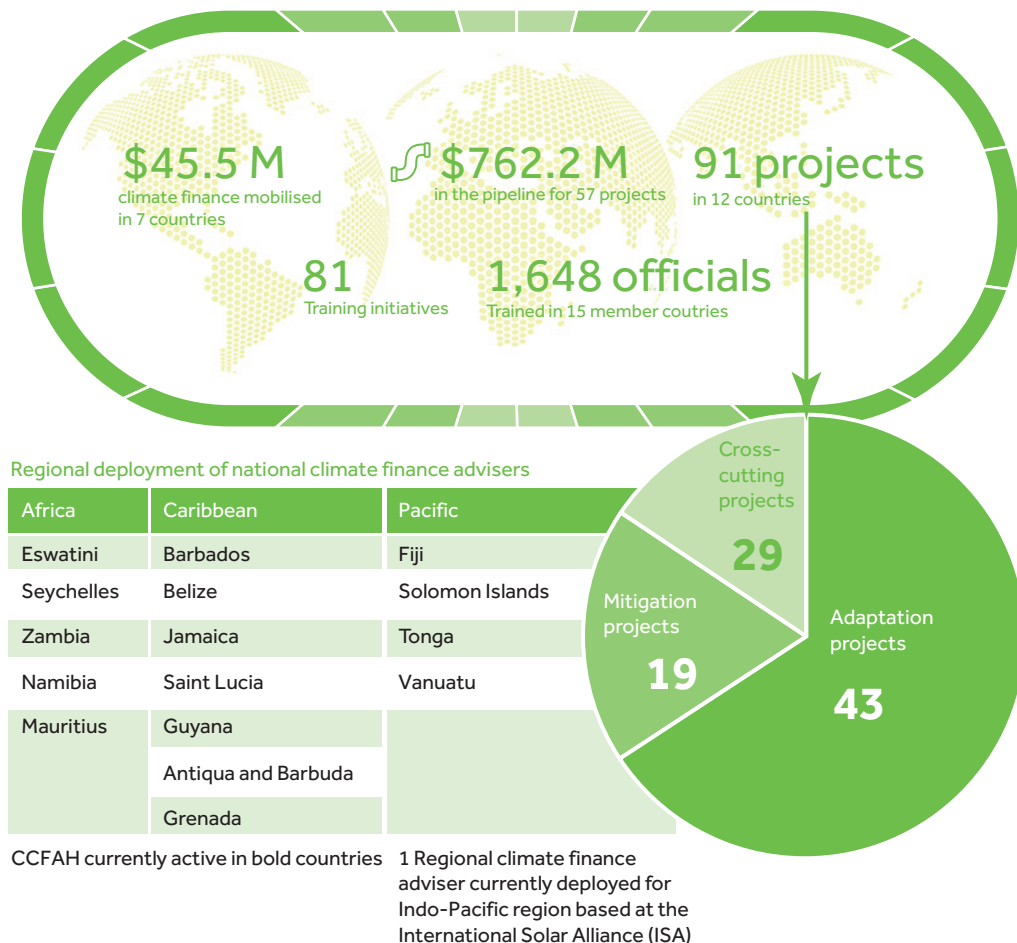
The initiative is implemented by embedding Commonwealth national/ regional climate finance advisers within government ministries. These advisers provide technical support by developing project proposals that meet the application requirements for relevant climate finance funds, strengthen and review local climate change policy and frameworks towards enhancing access and mobilisation of climate finance to beneficiary countries and promote South-South cooperation, knowledge exchange and learning.

The long-term assistance provided by these advisers allows for member country engagement throughout the project development and implementation cycle. The hub-and-spokes approach used by the CCFAH builds the on-the-

1.4 Commonwealth Climate Finance Access Hub overview

The Commonwealth Climate Finance Access Hub (CCFAH) was established by Commonwealth Heads of Government in 2015 in response to the increasing threat of climate change to the most vulnerable member countries. With 32 of the 54 member countries falling within the small states category, most of which are highly vulnerable to climate change, this demand-driven initiative

Figure 1. CCFAH overview as of December 2021



ground capacity of member countries to access climate finance and spurs the accumulation and transfer of knowledge across regions for the replication of innovative and successful climate action projects. These initiatives will help countries reduce emissions and address the effects of climate change on their people and ecosystems, thus acting as a major platform for enhancing climate action in vulnerable states.

As of December 2021, CCFAH has provided support to 16 countries with in-country climate finance advisers alongside a regional climate finance adviser for the Indo-Pacific region, with regional advisers for Africa and the Caribbean to join shortly. Since becoming operational in 2016, advisers have supported the mobilisation of approximately USD 45.5 million of climate finance in 7 countries covering 34 approved projects (13 adaptation, 3 mitigation and 18 cross-cutting), with a further USD 762.2 million in the pipeline covering 57 projects. Additionally, 81 training initiatives have been conducted with approximately 1,648 individuals trained across these countries.

1.5 CCFAH interventions

The CCFAH works in partnership with other development partners, including the NDC Partnership, International Solar Alliance (ISA), UNITAR, African Development Bank and UK Space Agency, and donor member countries including Australia, Mauritius, Norway and the United Kingdom. In addition to supporting the development of project proposals, the CCFAH conducts both human and institutional in-country capacity building. This includes efforts towards establishing a Project Development Unit (PDU) in the Ministry of Economy, Fiji; establishment of national climate funds in Antigua and Barbuda; and establishing a Climate Finance Unit in Belize.

The CCFAH is actively engaged in providing technical assistance for in-country readiness programmes, NDA strengthening and GCF country programme development, as requested by member states:

- In 2021, the Commonwealth Secretariat conducted an assessment of the socio-economic and financial implications of climate change in Jamaica, providing key recommendations based on development of past and projected climate expenditure modelling and analysis.
- Under the CommonSensing Project, the Secretariat is working with Fiji, the Solomon Islands and Vanuatu together with a consortium of partners to build climate resilience and enhance decision-making through satellite remote sensing technology, providing additional data for climate finance proposals.
- In Eswatini, the Secretariat has supported the development of a strategy to enhance private sector engagement in the country's NDC actions. This sets the foundation for private sector involvement in financing and implementing technically sound and financially viable climate mitigation and adaptation measures to contribute to achievement of the country's NDCs.
- Simultaneously, a Climate Public Expenditure and Institutional Review (CPEIR) was conducted for the Government of Eswatini. This study created a framework to review how climate-related spending is included in the national budgeting process. The findings are assisting the country's evidence-based decision-making and integration of climate change into the national budgeting process.

Chapter 2. Climate Change Project Development

Climate finance, according to the United Nations Framework Convention on Climate Change (UNFCCC), refers to local, national or transnational financing drawn from public, private and alternative sources that seeks to support mitigation and adaptation actions to address climate change.

Total global climate finance flows reached USD 632 billion in 2019/2020, though increasing at a declining rate in recent years.⁸ This is a cause for concern given the full impact of the COVID-19 pandemic is yet to be fully experienced and potential further decline in finance flows. An increase of at least 590 per cent in annual climate finance is required to meet internationally agreed climate objectives by 2030 and avoid the most dangerous impacts of climate change.

Article 9 of the Paris Agreement stipulates that developed countries are required to provide financial resources to assist developing countries in their mitigation and adaptation efforts. Efforts under the Agreement are guided by the aim of making finance flows consistent and accessible to enable a pathway towards low greenhouse gas (GHG) emissions and climate resilient development.

There are numerous climate-funding sources available for developing countries in this regard. The Toolkit provides a summary in Annex 1 of the main funding facilities and their associated application processes and requirements.

2.1 Steps in the development of climate finance proposals

a. Climate finance screening

A first step in the project development process involves determining whether a project or programme is eligible for climate finance. This means assessing whether the initiative has a

measurable adaptation and/or mitigation focus as well as determining its sectoral impacts. Generally, there are two type of projects: those that are wholly concerned with adaptation or mitigation; and those that integrate adaptation and mitigation elements into ongoing projects or programmes such as climate proofing of sectoral schemes.

Conducting climate vulnerability assessments in national and sub-national plans can assist in the climate finance screening process. An existing detailed framework, developed by the German Agency for International Cooperation (GIZ) for conducting such vulnerability assessments, is available here.

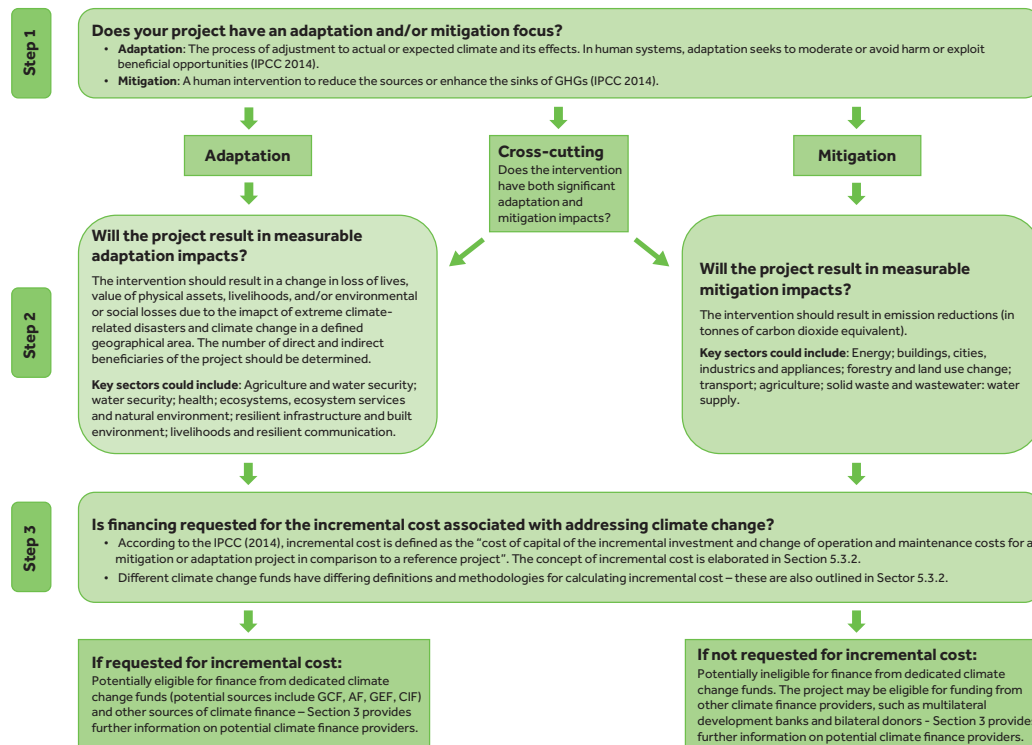
The next component of this phase involves establishing whether the financing requested is equivalent to the 'incremental cost' associated with addressing climate change. The Green Climate Fund (GCF) refers to this as the additional project expenses incurred for any added mitigation and adaptation components relative to a hypothetical baseline project. Conducting a barrier assessment is also a useful activity to understand the feasibility and viability of a project. Figure 2 provides a broad overview of the three main steps in the screening process.

2.2 Identification and selection of relevant financing sources

Whilst there are increasing numbers of climate funding sources available, this does not directly translate into easier access for developing countries. Analysis of available funding sources, their requirements and the situational context of recipient countries is critical to ensure governments can identify the right sources of climate finance. For instance, whilst the direct access modality could maximise use by national institutions, it may not be feasible for some LDCs and SIDS in the short term to put in place the national organisations or necessary local frameworks to meet accredited

⁸ Climate Policy Initiative (2021) *Global Landscape of Climate Finance 2021*. CPI, December. <https://www.climatepolicyinitiative.org/wp-content/uploads/2021/10/Full-report-Global-Landscape-of-Climate-Finance-2021.pdf>

Figure 2. Three steps for determining whether an intervention is climate-change relevant⁹



fiduciary or other environmental and social standards.¹⁰ This funding source identification process can be grouped into a three-part process (see Table 1).

An additional benefit in obtaining a clear understanding of the country's climate finance context is that it provides a basis for identifying innovative financing instruments — including blended finance facilities, debt-for-nature swaps and equity funds — that may be applicable to the country's climate financing landscape.

2.3 Climate change fund requirements

2.3.1 Global Environment Facility

The Global Environmental Facility (GEF) administers several funds, including the GEF Trust Fund, the

Least Developed Countries Fund (LDCF), the Special Climate Change Fund (SCCF) and the Capacity-Building Initiative for Transparency (CBIT).¹¹

- **The GEF Trust Fund** supports the implementation of multilateral environmental agreements and serves as a financial mechanism of the UNFCCC.¹² It has multiple, focused initiatives, including the Small Grants Programme, which promotes community-based innovation, capacity development and the empowerment of local communities and civil society organisations.
- **The LDCF** plays a role in reducing vulnerability to climate impacts in areas that are crucial for development and livelihoods.¹³ This includes the sectors of agriculture and food security, water, health, disaster risk management

9 Intergovernmental Panel on Climate Change (IPCC) (2014) *Climate Change 2014: AR5 Synthesis Report*. Geneva: IPCC. <https://www.ipcc.ch/report/ar5/syr/>

10 ato, T et al. (2014) 'Scaling Up and Replicating Effective Climate Finance Interventions'. Organisation for Economic Co-operation and Development (OECD)/International Energy Agency (IEA) Climate Change Expert Group Papers, No. 2014/01. Paris: OECD Publishing. https://read.oecd-ilibrary.org/environment/scaling-up-and-replicating-effective-climate-finance-interventions_5js1qffvmnhk-en#page1

11 The GEF project database can be found at: <https://www.thegef.org/projects>

12 An overview of the GEF Trust Fund is provided at: <https://www.thegef.org/about/funding>

13 Global Environment Facility (GEF) Secretariat (2011) *Accessing Resources Under the Least Developed Countries Fund*. https://www.thegef.org/sites/default/files/publications/23469_LDCF_1.pdf

Table 1. Process for identifying and selecting suitable climate finance sources¹⁴

Develop a clear understanding of country needs and context	<ul style="list-style-type: none"> – Assess domestic institutions' roles and capacities in accessing and channelling climate finance. – Have clear mitigation and/or adaptation needs outlined in policy, including NDC and national adaptation priorities, sectoral actions and consideration of relevant stakeholders. – Analyse national climate budgeting systems to ensure they meet the required standards of climate funds.
Obtain a clear understanding on relevant financing sources	<ul style="list-style-type: none"> – Compile and assess detailed information on the potential finance sources available at the bilateral, multilateral and private sector levels. – Compile a national inventory of relevant climate funds, including details of funding windows, standards and allocation limits. A sample global inventory can be accessed here.
Select suitable financing channels	<ul style="list-style-type: none"> – Compare access modalities (direct and/or international) for climate funds to existing national structures and systems, ensuring compatible fiduciary, environmental and social standards – Based on this assessment, select the type of access modality that is most relevant to the country's context.

and prevention, infrastructure and fragile ecosystems. All LDCs are eligible to accessing funding from the LCDF.

- **The SCCF** funds national and regional projects.¹⁵ As a global fund, it can be accessed by all developing countries to help address climate change. While adaptation so far has been the key priority, the following sectors are eligible for funding:
 - Technology transfer and capacity building
 - Mitigation in selected sectors, including energy, transport, industry, agriculture, forestry and waste management
 - Economic diversification.
- **The CBIT** helps strengthen institutional and technical capacities countries to meet the enhanced transparency requirements defined

in Article 13 of the Paris Agreement.¹⁶ It has three aims:

- Strengthen national institutions for transparency-related activities in line with national priorities
- Provide relevant tools, training and assistance for meeting the provisions stipulated in Article 13 of the Paris Agreement
- Assist in the improvement of transparency over time.

CCFAH supported the Government of Jamaica in accessing a USD 1.3 million grant from the CBIT facility towards strengthening and enhancing the country's institutional arrangements for long-term planning and timely reporting of transparency-related activities.

14 Organisation for Economic Co-operation and Development (OECD) and Global Environment Facility (GEF) (2015) 'Toolkit to Enhance Access to Adaptation Finance'. Report to the G20 Climate Finance Group. <https://www.oecd.org/environment/cc/Toolkit%20to%20Enhance%20Access%20to%20Adaptation%20Finance.pdf>

15 Global Environment Facility (GEF) Secretariat (2011) *Accessing Resources Under the Special Climate Change Fund*. <https://www.thegef.org/publications/accessing-resources-under-sccf>

A country is eligible to receive GEF grants through an appointed national focal point, provided it is also eligible to borrow from the World Bank (the financial trustee of the GEF). GEF financing is intended

16 Further information on the CBIT can be found at: <https://www.thegef.org/topics/capacity-building-initiative-transparency-cbit>

to cover the incremental costs of a measure to address environmental issues such as climate change, relative to a business-as-usual baseline. The co-financing conditions mean that GEF-funded projects need to be matched by finances provided by the grant-seeker.

In most cases, partner agencies (GEF implementing agencies) are the only institutions that can access GEF funding directly.¹⁷ However, countries can access direct funding for some enabling activities such as completing biennial update reports and national communications. GEF partner agencies need to comply with its fiduciary standards and environment and social safeguard (ESS) policies. There are currently 18 GEF agencies, including UN agencies, multilateral development banks, international financial institutions and non-governmental organisations (NGOs).¹⁸

The GEF provides funding through four modalities: full-sized projects, medium-sized projects, enabling activities and programmatic approaches. The selected modality should be the one that best supports the project objectives. Each modality requires completion of a different template.¹⁹

- **Medium-sized project (MSP):** GEF project financing of less than or equivalent to USD 2 million.
- **Full-sized project (FSP):** GEF project financing of more than USD 2 million. The FSP undergoes a full review process and takes longer to process applications in comparison to an MSP. The latter is directly approved and endorsed by the GEF chief executive officer (CEO).
- **Enabling activity:** a project for the preparation of a plan, strategy or report to fulfil commitments under a Convention.
- **Programme:** a longer-term and strategic arrangement of individual yet interlinked projects that aim to achieve large-scale impacts on the global environment.

17 Global Environment Facility (GEF) (2011) 'Draft Procedures Manual for the Accreditation of GEF Project Agencies'. GEF Council Meeting, 24-26 May, Washington, DC. <https://www.thegef.org/council-meeting-documents/draft-procedures-manual-accreditation-gef-project-agencies>

18 The list of GEF agencies can be found at: <https://www.thegef.org/partners/gef-agencies>

19 GEF templates are available at: <https://www.thegef.org/documents/templates>

The project cycles and approval processes for MSPs and FSPs are summarised below:

- The GEF process has a pre-selection process that aims to identify and prioritise suitable projects for admission to the formal project cycle.
- For some projects, a project identification form (PIF) is developed by a government with the assistance of one of the GEF agencies. This is then submitted to the GEF for approval.
- For some projects, a project preparation grant (PPG) can be requested to support the development of a full project document.
- A full project document is developed and submitted to the GEF for endorsement to trigger the disbursement of the requested support for implementation.
- Proposals submitted for funding are reviewed considering agreed project criteria, including country ownership, programme and policy conformity, financing, institutional coordination and support, and monitoring and evaluation.

Country-level approval process

The GEF operational focal point endorses and approves the proposal ahead of submission.

The project cycles for medium sized projects (MSPs) and full sized projects (FSPs) are shown below

GEF project cycle for medium-sized projects (below USD 2 million)

1. One-step approval/ no project identification form (PIF) required:
 - The partner agency sets out a medium-sized project (MSP) approval request and the respective GEF operational focal point endorses the request:
 - MSP approval requests are submitted to the GEF Secretariat for review on a rolling basis.
 - Upon review, if the MSP approval request does not meet the conditions for approval, the

Secretariat either rejects it or requests additional information:

- The agency then responds to any comments and submits a revised MSP approval request.
 - The GEF Secretariat provides further comments if, in its view, the agency's response to the issues identified by the Secretariat is not adequate.
- Once the GEF Secretariat determines that the project proposal meets the conditions for approval, the GEF CEO decides whether to approve it.
2. Two-step approval:
- The partner agency prepares a PIF at the request of and in consultation with relevant country institutions:
 - The respective GEF operational focal point endorses the PIF.
 - The agency may request a project preparation grant.
 - The GEF Secretariat reviews the PIF and sends back comments. If it does not meet the conditions for approval, the Secretariat either rejects it or requests additional information:
 - The agency then responds to any comments and submits a revised PIF.
 - Once the GEF Secretariat determines that the project proposal meets the conditions for approval, the CEO decides whether or not to approve the PIF.
 - After PIF approval, the agency prepares and submits an MSP approval request and a project document to the GEF Secretariat.
 - The GEF Secretariat reviews the MSP approval request for consistency with the approved PIF:
 - The agency responds to any comments, etc., and submits a revised MSP approval request.
 - Once approved by the GEF Secretariat, the request is sent to the CEO for approval.

GEF project cycle for full-sized projects (over USD 2 million)

1. The partner agency prepares a project concept at the request of and in consultation with the relevant country institutions and other partners and submits it to the GEF Secretariat through the project identification form (PIF).
 - The respective GEF operational focal point endorses the PIF.
2. The GEF Secretariat reviews each eligible PIF, taking into consideration relevant GEF strategies, policies and guidelines, including provisions set forth in a review sheet, and provides comments to the agency:
 - If the PIF does not meet the conditions for approval, the Secretariat either rejects it or requests additional information.
3. The agency then responds to any of the comments from the GEF Secretariat and submits a revised PIF, if necessary:
 - The Secretariat provides further comments if, in its view, the agency's response to the set of issues is not adequate, or if the revised PIF introduces new design elements that require clarification or further improvement.
4. Once the project proposal is approved by the GEF Secretariat, the CEO decides whether to include it in a work programme, which is then subject to GEF Council review:
 - The GEF Council reviews and provides comments on the work programme prior to, during and within two weeks of each Council meeting.
 - The GEF Council decides whether to approve the entire work programme or to exclude any PIF from the proposal.
5. After PIF approval and before the deadline for submission of a complete endorsement request, the agency submits to the GEF Secretariat a CEO endorsement request and project document that is in a form as

submitted to the agency's internal approving authorities:

- Included in the CEO endorsement request is a description of how the GEF Council members' comments have been taken into account.
 - The GEF Secretariat reviews the CEO endorsement request and project document for consistency with the approved PIF, taking into consideration the relevant GEF strategies, policies and guidelines, including provisions set forth in a review sheet; and to ensure that any comments provided by the GEF Council, the Scientific and Technical Advisory Panel, Convention secretariats and other agencies have been adequately addressed.
6. The GEF Secretariat may ask for revisions if the proposal is not in compliance with the specified conditions for endorsement:
 - The agency then responds to and revises the comments and submits a revised CEO endorsement request and project document.
 7. Once the GEF Secretariat determines that a project proposal meets the conditions for endorsement, the CEO endorses the project.
 8. After CEO endorsement, the agency approves the project following its own internal procedures and begins implementation.

2.3.2 Green Climate Fund

The Green Climate Fund (GCF) offers a range of financing instruments to both the public and private sectors in implementing projects that are related to climate change adaptation and/or mitigation. Over time, it aims for a 50:50 balance between adaptation and mitigation. It has made several windows available for financing and technical support taking a programmatic approach implementing climate actions. These include: (i) funding for mitigation and adaptation; (ii) the Private Sector Facility, which includes pilot programmes for mobilizing resources at scale and support to

micro, small and medium sized enterprises; (iii) the Readiness and Preparatory Support Programme (which includes a Project Preparation Facility and a programme for national adaptation planning); (iv) a REDD+ results-based payment programme; and (v) an Enhanced Direct Access Programme designed to strengthen access by sub-national, national and regional, public and private entities. There are broadly five GCF funding modalities:

- **Readiness and Preparatory Support Programme:** The 'Readiness Programme' is designed to assist developing countries to address the weaknesses, challenges and gaps in institutional capacities, governance mechanisms and planning and programming frameworks so that they can effectively engage the GCF and make a meaningful contribution towards building climate resilience. This is explored further in Chapter 3.
- **Project Preparation Facility (PPF):** This facility assists accredited entities, especially those in developing countries, with technical and financial resources for developing project and/or programme funding proposals, including the simplified approval process (SAP). It is geared towards providing support for access to funds within the micro to small size categories. Accredited entities are able to access up to a maximum of USD 1.5 million upon the approval of their PPF application, with financing made via grants and repayable loans.
- **Funding proposals:** This modality enables national, regional and international accredited entities to directly access financing from the GCF for climate change projects and programmes. Accredited entities can submit their proposal to the GCF at any time or when the GCF sends out a request for proposals. Funding proposals are partially financed by the GCF; therefore, proposals are required to strongly demonstrate a co-financing facility from a partner organisation in the public or private sector.
- **Simplified approval process (SAP):** The SAP offers a less rigid application process. The required documents are

straightforward, the proposal should not exceed 20 pages or 10,000 words and questions on the documents have been simplified for concise answers. SAP financing is for small-scale projects or programmes developed to build on existing projects that have identified technologies and solutions requiring financial contributions by the GCF not exceeding USD 10 million and projects with minimal environmental and social risks and impacts.

- **Enhanced direct access (EDA):** The EDA is a pilot programme designed by the GCF to assist direct access entities with the necessary resources required to strengthen country ownership over projects and programmes. Funding decisions and project oversight occur at national or regional levels, often by establishing a facility that deals specifically with the financing of small-scale projects. EDA is available only for accredited direct access entities since they often provide grant awards or other financial functions such as on-lending or blended funds.

There are two options when developing a project (or programme) proposal for the GCF.²⁰ The first is a one-step process where an applicant directly develops the full funding proposal and submits it to the GCF for consideration. The second is a two-step process, where a concept note is developed and submitted for feedback before a full funding proposal is produced.

A Project Implementation Manual was a key communication tool supported by CCFAH for the GCF Eastern Caribbean Enhanced Direct Access Project led by the Department of Environment of Antigua & Barbuda. Such manuals, which help reflect the funding proposal, can be used to guide and manage project execution in an efficient manner.

While a concept note is voluntary, most accredited entities follow the two-step process as is it generally recommended, and the feedback received helps

20 The use of 'project' in this Toolkit hereafter is intended to include both projects and programmes.

increase the chances of approval. Accredited entities, potentially together with the designated executing entity, can develop a project or programme idea to voluntarily submit as a concept note to the GCF secretariat.

The NDA or focal point should be consulted at this stage for its endorsement and approval of the concept note. NDAs or focal points can also submit their own concept notes without the involvement of an accredited entity. Following the submission, the GCF Secretariat conducts a first review and can either endorse the concept note, return it with feedback or reject it.

If the concept note is endorsed, the project or programme idea can be developed into a full and detailed funding proposal. This proposal is then submitted to the GCF Secretariat along with a no-objection letter from the respective NDA or focal point.

The GCF project activity cycle, as approved by the Board, consists of the following key stages (illustrated in Figure 3):²¹

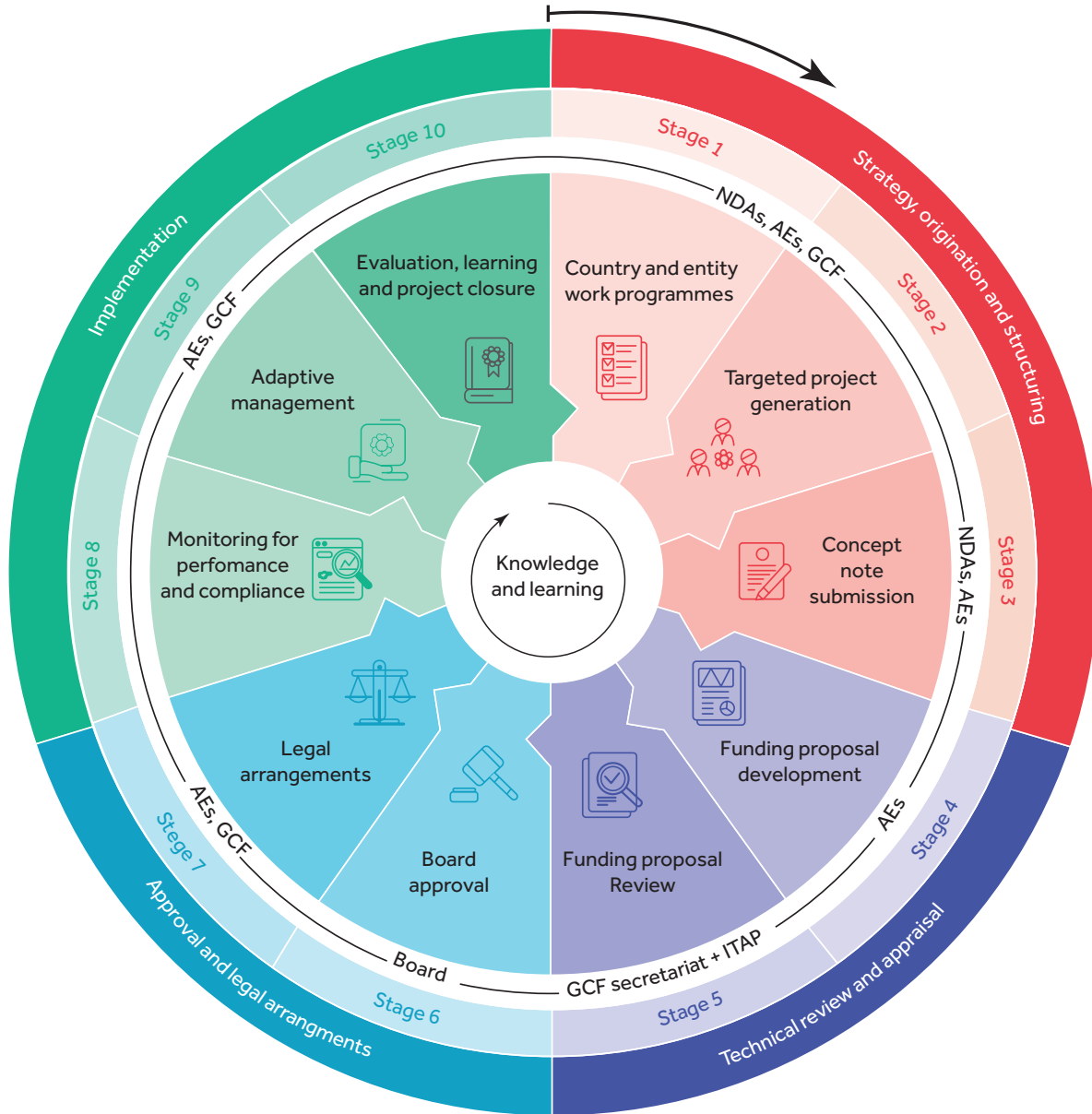
1. Country and accredited entity work programmes
2. Targeted generation of projects
3. Concept note submission
4. Funding proposal development
5. Funding proposal review
6. Board approval
7. Legal arrangements

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

8. Monitoring for performance and compliance
9. Adaptive management
10. Evaluation, learning and project closure.

21 Green Climate Fund (GCF) (2020) 'GCF Programming Manual: An Introduction to the Green Climate Fund Project Cycle and Project Development Tools for Full-Sized Project'. Incheon, Republic of Korea: GCF https://www.greenclimate.fund/sites/default/files/document/gcf-programming-manual_0.pdf

Figure 3. GCF project/programme activity cycle²²



Abbreviations: AE = accredited entity, NDA = national designated authority
TAP = Technical advisory panel

22 Ibid

Detailed GCF project cycle²³

1. Project idea is approved via a domestic screening process.
2. GCF concept note is developed and submitted to the GCF for review (the development of a concept note is optional but recommended).
3. Full funding proposal is developed by the accredited entity.²⁴
4. Full funding proposal is approved via a domestic no-objection procedure. At this step, indicative co-financing should also be approved (including from the domestic budget if needed).
5. Following the submission of the funding proposal by the accredited entity with associated documents including the no-objection letter, the GCF Secretariat will conduct a review of the proposal.²⁵ The review process culminates in a decision by the GCF Board.
6. The GCF approval process is as follows:
 - The GCF Secretariat will complete an initial assessment of the submitted proposal and the technical specifications alongside the required documents (including an impact assessment to ensure it meets GCF's project standards).²⁶
 - The GCF Secretariat will undertake a detailed assessment of the project proposal, including assessing compliance with GCF investment criteria and policies. It will then pass its assessment along with the proposal and supporting documents to the Independent Technical Advisory Panel (ITAP).²⁷
 - The ITAP will assess the proposal against GCF investment criteria and may add conditions or recommendations.
 - If the GCF Secretariat and/or ITAP decides modifications are necessary, the accredited entity and national designated authority will meet to amend the funding proposal to reflect feedback.
 - The GCF Secretariat then submits the funding proposal package to the GCF Board. The accredited entity may be requested to provide additional clarification based on GCF and ITAP assessments.
 - The GCF Board, which typically meets three times a year, considers the proposal and can choose one of three decisions: (i) approve funding; (ii) approve funding with conditions and/or requests for modifications; or (iii) reject the proposal.

23 Green Climate Fund (GCF) (2022) 'Project Preparation Process'. <https://www.greenclimate.fund/projects/process>

24 A list of GCF accredited entities can be found at: <https://www.greenclimate.fund/about/partners/ae>

25 It is standard practice for accredited entities to submit funding proposals to GCF. In some cases, however, GCF may issue a request for proposals allowing submission by entities not yet accredited. In these cases, the accreditation application of the entity will be considered alongside the funding proposal.

26 The proposal must also include a no-objection letter signed by a national designated authority. The no-objection letter should be submitted within 30 days of the proposal itself but can be separate from the proposal.

27 The ITAP is an independent panel of six international experts: three from developing countries and three from developed countries.

Country-level approval process

The approval of a GCF funding proposal requires a no-objection letter, which is issued by the relevant country focal point (the GCF national designated authority). Each country is responsible for developing a no-objection procedure, which ensures that:

- The government has no objection to the funding proposal
- The submitted funding proposal conforms with the country's national priorities, strategies and plans
- The submitted funding proposal conforms with relevant national laws and regulations, in accordance with the GCF's environmental and social safeguards policy.

2.3.3 Adaptation Fund

The Adaptation Fund (AF) process has innovative elements compared to other financing mechanisms, including a mandate to prioritise the needs of particularly vulnerable communities, the option for direct access to funds and a relatively streamlined project cycle.

The AF finances concrete adaptation projects and programmes in developing countries, with the following focus:

- Implementing adaptation activities in the areas of water resource management, land management, agriculture, health, infrastructure development, fragile ecosystems, mountainous ecosystems and integrated coastal zone management
- Improving the monitoring of diseases and vectors affected by climate change, including related forecasting and early-warning systems
- Supporting capacity building, including institutional capacity for preventative measures, planning, preparedness and management of disasters related to climate change, including contingency planning, particularly for droughts, floods and extreme weather events
- Strengthening existing and establishing new national and regional centres and informational networks to coordinate rapid responses to extreme weather events, utilizing information technology as much as possible.

Projects and programmes must be submitted via implementing entities accredited by the AF Accreditation Panel, and finance can be accessed via an accredited national implementing entity or a multilateral implementing entity.²⁸ To become accredited, entities are required to meet the legal and fiduciary standards as listed in the AF operational guidelines. While applicants to the AF are usually national government agencies, civil society organisations can also be included in project implementation.²⁹

An overview of the AF project cycle is provided below and on the Fund's website.

Adaptation Fund project cycle

1. The proponent submits a concept or fully developed project document based on the template as approved by the Board of the AF:
 - A disbursement schedule with time-bound milestones will be submitted together with the fully developed project document.
 - Proposals are submitted to the Board, nine weeks before each Board meeting, through the AF Secretariat.
2. The AF Secretariat will screen all proposals for consistency and provide a technical review based on the criteria approved by the Board:
 - Proposals and technical reviews are then sent to the Project and Programme Review Committee (PPRC) for review.
 - The AF Secretariat will forward comments on the project proposals and requests for clarification or further information to the implementing entities.
 - Inputs received and the conclusions of the technical review by the AF Secretariat will be incorporated into the review template.

²⁸ A list of AF multilateral implementing entities can be found at: <https://www.adaptation-fund.org/entity-type/multilateral-implementing-entity-mie/>

²⁹ The AF website contains additional information on approved projects, project performance reports and projects in the pipeline, which may help applicants to draft successful project applications. See: <https://www.adaptation-fund.org/projects-programmes/active-pipeline/>

3. The AF Secretariat will send all project proposals with technical reviews to the PPRC:
 - The PPRC will review the proposals and provide its recommendation to the Board for a decision at the meeting and, if needed, the PPRC can consult independent adaptation experts.
 - In the case of concepts, the Board can endorse, not endorse or reject a proposal with a clear explanation to the implementing entities.
 - In the case of fully developed proposals, the Board can approve, not approve or reject a proposal with a clear explanation:
 - Rejected proposals cannot be resubmitted.

Country-level approval process

Countries nominate 'designated authorities', which are government officials who act as points of contact for the AF. On behalf of their national governments, the designated authorities endorse proposals by national, regional or multilateral implementing entities for adaptation projects and programmes in the country.

2.3.4 Climate Investment Funds

Within the wider Climate Investment Funds (CIF), there are two multi-donor trust funds: (i) the Clean Technology Fund (CTF) and (ii) the Strategic Climate Fund (SCF).

The CTF provides emerging economies with scaled-up financing for the demonstration, deployment and transfer of low-carbon technologies with significant potential for long-term GHG emission savings. It has a focus on larger emerging economies, and at present no Pacific Island countries have accessed finance from this fund.

The SCF serves as an overarching framework to support three targeted programmes with dedicated funding and to pilot new approaches with potential for transformational action aimed at a specific climate change challenge or sector. Targeted programmes under the SCF are:

- The Forest Investment Program (FIP), which aims to support developing countries' efforts to reduce emissions from deforestation and forest degradation. It provides scaled-up financing for programmatic efforts (both public and private) to address the underlying causes of deforestation and forest degradation and to overcome the barriers that have hindered past efforts.
- The Pilot Program for Climate Resilience (PPCR) was the first programme under the SCF to become operational. Its objective is to integrate climate risk and resilience into core development planning while complementing other ongoing country activities.
- The Scaling-Up Renewable Energy Program in Low Income Countries (SREP) is aimed at demonstrating the social, economic and environmental viability of low carbon development pathways in the energy sector. It seeks to create new economic opportunities and increase energy access through the production and use of renewable energy.

Country-level approval process

Countries nominate CIF focal points, and they may differ based on the fund. The role of the focal point is to review and endorse CIF investment plans. There is no accreditation process as only multilateral development banks (MDBs) can access CIF funding.

An overview of the CIF project cycle is provided in below and more detailed information on the Fund's website.

Climate Investment Funds project cycle

1. Endorsement of investment plans by the Trust Fund Committee:
 - Investment plans are recommended by the Administrative Unit and the MDB Committee.
2. Funding approval for projects by the Trust Fund Committee as submitted by the MDBs
3. MDB approval of projects/ subprojects:

- Once a project has reached the MDB Board approval stage, the subsequent processes follow the applicable MDB procedures and standards.

2.4 Operationalising national climate funds

With billions of dollars from the public and private sectors expected to be channelled towards climate activities in coming years, countries now have new and expanded opportunities to enhance their climate change action. To take advantage of these opportunities, the right institutional and financial mechanisms must be in place so that resources are efficiently allocated toward national climate and development priorities. An important tool to manage climate finance is a national climate fund (NCF). NCFs are nationally led and owned funds that help countries accumulate, coordinate and blend climate finance and accounts from a variety of sources at the scale required for transformational impact. In this way, countries can make informed choices on how to direct resources and deliver results on the ground.

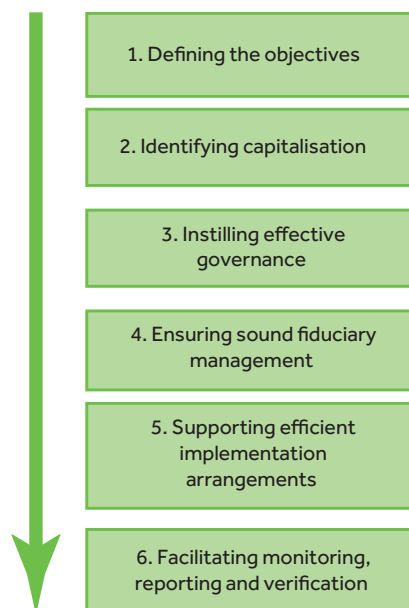
Designing an NCF requires the careful consideration of a country's national objectives and then crafting a structure tailored to support them. Although many NCFs deliver a common set of services, the exact components and processes vary greatly according to national context and priorities. Figure 4 provides an indication of the six main steps to establish an NCF.

Step 1: Defining the objectives

A country must first identify its national strategic goals on climate change and the purpose behind developing an NCF. The NCF may serve the country by directing resources to national climate activities such as mitigation, adaptation, reducing deforestation, capacity building, technology transfer or other priorities. An NCF's objectives may also include attracting private sector investment or formalizing a system of 'polluter pays' policies that collect revenues from industry.

When setting its objectives, a country should account for both national climate and development

Figure 4. Six steps for designing and establishing a national climate fund



strategies and other policies such as any national communications plans, national adaptation programmes of action (NAPAs), national adaptation plans (NAPs) and nationally appropriate mitigation actions (NAMAs). These analyses can bring together current thinking on climate change and focus the NCF on priority issues and sectors.

Designing an NCF's objectives must also consider timelines. If a national strategy or other funding mechanism is time-bound, this may affect the NCF. This will be especially important as countries consider their options under the UNFCCC process.

The CCFAH supported the operationalising of the Antigua and Barbuda Sustainable Island Resource Framework (SIRF) Fund and is currently replicating such experiences for the Tonga Climate Change Trust Fund. A key element in designing these funds is the inclusion of sub-national components that allow for rapid channelling of finance to local community-led projects. Policy frameworks such as the Tonga Climate Change Bill are useful in strengthening the setup of such trust funds and ensuring local inputs and representation.

Questions to consider:³⁰

1. What are the national priorities on climate change? Are there short-, medium- or long-term strategies that the NCF should support (including national strategies, NAMAs, etc.)?
2. Will the fund focus on thematic priorities (e.g., renewable energy) or support broader objectives?
3. How will the objectives of the fund relate to the objectives of other international and domestic funds?
4. What timeframe is most appropriate? Should the NCF be time-bound?
5. What are the expected financial flows to the fund? Have funds already been pledged? Have these funds been earmarked toward a special activity that should be acknowledged?
6. Are there stakeholders that must be acknowledged in the objectives (e.g., those associated with a specific industry)?
7. Should the objectives acknowledge a relationship with an entity or programme (e.g., the Clean Development Mechanism)?

Step 2: Identifying capitalisation

Building on the fund's objectives, a country should consider the best types of resources to capitalise it. Indeed, deciding where the funds will come from is one of the most important choices that will shape the NCF. Many sources of finance — including international, national, public and private — can be delivered through an NCF, but they must build on existing frameworks and be supported by appropriate structures to access and channel funding efficiently.

Questions to consider:

1. Based on the objectives of the fund, what kinds of sources will be blended to capitalise the NCF?
2. Will the fund utilize innovative sources, such as levies?

3. Will donor funds be allocated to specific activities (e.g., capacity building, institutional strengthening, investment)?
4. Are there any existing sources that could readily feed into an NCF?
5. Will the size and sources of capitalisation impact the size, governance or implementing arrangements of the fund?
6. Are there specific structures needed to support the fund's capitalization (e.g., laws or policies, partnership agreements)?
7. Will there be a regular process or cycle for raising funds? How will additional sources be attracted?

Step 3: Instilling effective governance

Building on the objectives and capitalisation of the NCF, countries must identify the appropriate governance system that will optimise the fund's performance. Establishing governing bodies, decision-making processes and oversight can facilitate efficient management of the fund in order to drive resources toward implementation

Questions to consider:

1. What governing bodies are necessary to ensure efficient operations of the fund? What are their roles, responsibilities and reporting structures?
2. How will any existing inter-ministerial or other high-level national body relate to the fund?
3. Who will be represented in the governing bodies (e.g., government, private sector, civil society, United Nations, development banks, donors, other development partners)?
4. What decision-making processes will be put in place for the governing bodies?
5. Who can submit project proposals? To whom do they submit them?
6. What is the project proposal approval process?
7. What environmental and social governance standards will be adopted? What safeguards need to be put in place to increase effectiveness and efficiency?
8. What body has ultimate oversight over the activities of the NCF? What individual person will lead this body?

30 United Nations Development Programme (UNDP) (2011) *Blending Climate Finance Through National Climate Funds: A Guidebook for the Design and Establishment of National Funds to Achieve Climate Change Priorities*. New York: UNDP.

9. In the case where there is more than one national environment/ climate fund in a country, how do the governing bodies of these funds relate to one another?
10. What integrity measures or whistleblower mechanisms need to be put in place?

Step 4: Ensuring sound fiduciary management

Sound fiduciary management provides the foundation for the efficient movement and tracking of funds flowing to and from the NCF. As the number of sources in the climate finance landscape continues to expand, an NCF must have a system of fiduciary management that accommodates the multiple standards, project cycles and scale of risks of various climate change projects.

Questions to consider:

1. How will the trustee be identified? Can a government entity serve as the trustee? Is an external development partner required?
2. Other than acting as a trustee, how will the government or domestic financial institution engage with the financial management of the fund?
3. What services will the trustee provide (e.g., fund management, legal, reporting)?
4. How can conflicts of interest between the trustee and implementers be avoided?
5. What is the relationship between the trustee and the governing/ implementing bodies?
6. What fees will the trustee require and how will these be sourced?
7. If the trustee will transition to another agent in the future, what capacity development activities should be undertaken?

Step 5: Supporting efficient implementation arrangements

Implementation arrangements — the processes and agents set in place to implement climate change programming — must support the objectives of the NCF and align closely with the other key design decisions.

Questions to consider:

1. What kinds of programmatic instruments will be used (e.g., grants, loans)?

2. Can the fund capitalise lending institutions to support implementation? What does this mean for financial management and fiduciary standards? What does this mean for risk and profit sharing?
3. How will the implementing entities be identified? What criteria are necessary?
4. What is the relationship between the fund and the implementers?
5. How will the fund engage with the private sector to encourage innovative investment opportunities?
6. How can efficient delivery of funds be supported?
7. Who has oversight and legal responsibility over implementation?
8. How will the implementing arrangements relate to those of other domestic and international funds?
9. What fees will implementing entities require and how will these be sourced?

Step 6: Facilitating effective monitoring, reporting and verification

Monitoring, reporting and verification (MRV) is a critical component of an NCF. It enables the NCF to ensure that results are being delivered and to collect lessons learned from implementation that will further renew and improve NCF operations.

The NCF should have unambiguous appraisal and performance criteria. Each stakeholder responsible for providing information on the activities of the NCF must have clear guidelines and standards. Public information systems can often support the dissemination of information.

Questions to consider:

1. Can the NCF MRV system be built upon any existing systems (e.g., MRV for NAMAs)?
2. What type of programmatic or financial information should be reported? How often should information be reported and to whom should the reports be sent?
3. How should MRV results be linked to project effectiveness (e.g., pay-for-performance options)?

4. Will audits be undertaken? By whom?
5. Who will oversee the entire MRV process?
6. What types of guidance materials are available or need to be created? What MRV capacity-building activities should be undertaken?

A key aspect in developing the Tonga Climate Change Trust Fund (TCCTF) is that it adopts a participatory approach to identify community challenges. The most effective interventions demonstrate the validity of empowering citizens to take action on climate change. The community mobilisation and civic awareness derived from the adopted participatory approaches show how climate finance can achieve more than just traditional project funding modalities.

The community grants approach of the TCCTF has empowered local communities to act collectively in response to a new threat to their community and livelihoods by generating their own proposals. Community members demonstrate what they can do to address issues of climate change. For example, a grant of T\$25,000 (approximately USD 12,500) to the Vaini Community Development in Vava'u island is restoring the coast that had been depleted by erosion. The grant enabled members of the community to plant mangroves, increasing coastal protection and local fishing potential. This example, together with other community grants, puts decision-making directly into the hands of citizens.

2.5 Key tools and methodologies for project development

Climate finance should be used to deliver transformational change by supporting climate change projects and programme – this is identified in the theory of change and translated into the logical framework. To deliver the theory of change, the project should:

- a. Have a clear, logical design that achieves its intended outcomes
- b. Ensure the project focuses on the root cause of the problem and not on the symptoms
- c. Clearly articulate what needs to happen and put in place a monitoring system to ensure that it does
- d. Make explicit assumptions about how results will be achieved from an established baseline and support the identification of potential risks and measures to reduce them.

2.5.1 Developing a theory of change

A theory of change pathway is depicted in Figure 5. The project delivers activities, which produce outputs, which result in outcomes to meet a broader climate objective/ impact. Showing the climate change impact is crucial to securing finance for a project. The theory of change is about the clear articulation of intended results and the changes necessary to achieve them.

Moreover, Figure 5 shows an 'if ... then...' pathway' in its theory of change. The project should articulate a clear, plausible 'story': if I do this ... then this is what I expect to achieve. The project proponent must check that the proposed activities will result in the

Figure 5. A theory of change pathway from project activities to impact

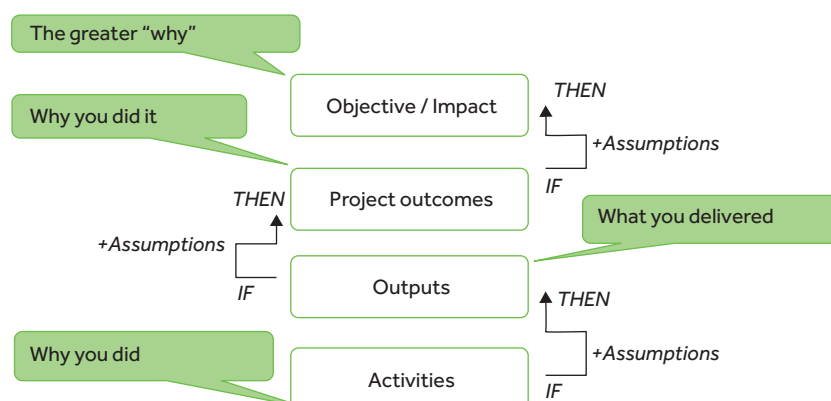
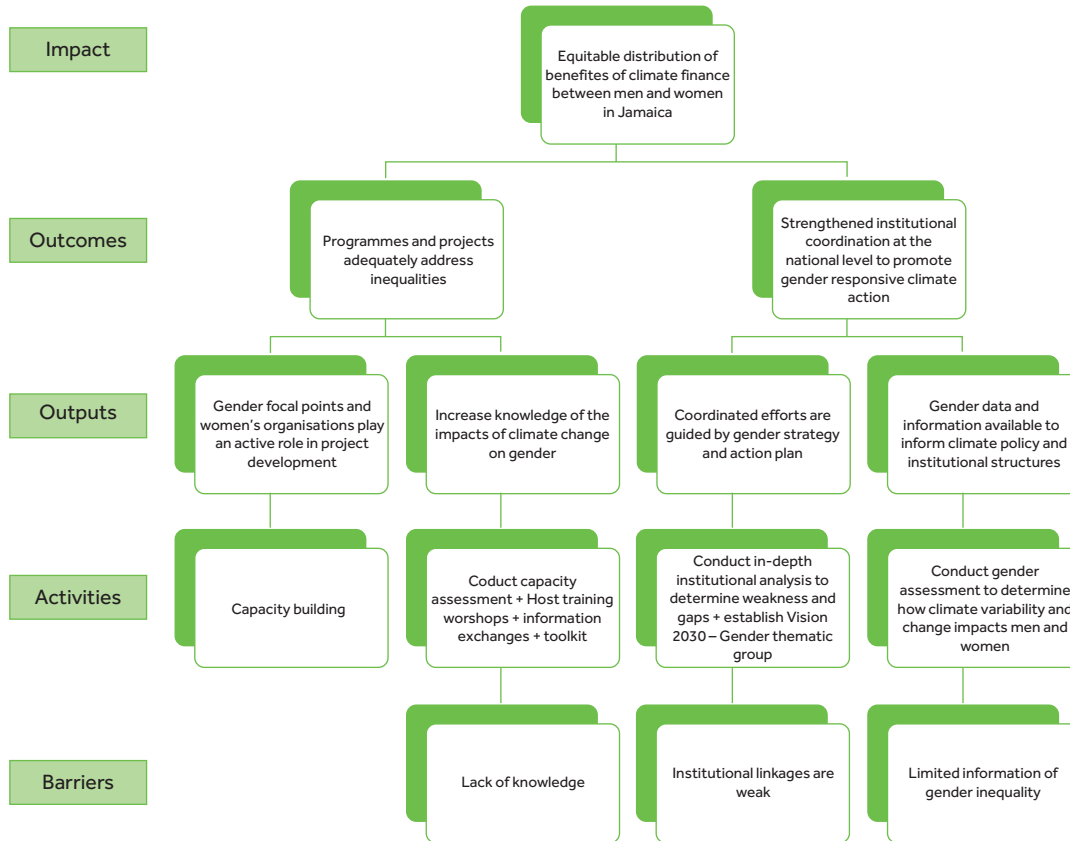


Figure 6. Sample theory of change (Jamaica)³¹



intended outputs and ask questions such as: “How will the proposed outputs result in the intended outcomes?” and “How will the proposed activities, outputs and outcomes address the underlying problem (core objective)?”

Figure 6 shows a sample theory of change from the CCFAH-supported gender-responsive readiness project in Jamaica

2.5.2 Developing a logical framework

The logical framework (or logframe) is a method used during project development to design and cost proposed interventions. It is designed based on the desired outcomes and objective of a project (its ‘theory of change’, as articulated above in Figure 6).

A logframe systematically presents information about key project components, including how inputs and activities are converted into the desired changes at project, country and paradigm shift levels. It also captures basic monitoring and evaluation requirements, which are essential to climate finance proposals.

A logframe is critical to determine activity level costs, the overall budget and the appropriate timelines and key milestones required by proposal templates. The logic of the model can be verified by working from the baseline, up through the activities and onwards to the objective. The sequential process to develop the project description for the logical frame is represented in Figure 7.

The structure of a logframe is further explained in Figure 8. In every project, resources are put in to carry out a planned activity. If the planned activity is accomplished, then the output is achieved. And, if the output is achieved, the planned outcome from the intervention will be achieved if the assumptions are met (e.g., a policy is endorsed).

31 Green Climate Fund (GCF) with the Ministry of Economic Growth and Job Creation of Jamaica (2019) 'Readiness Proposal'. 19 September. <https://www.greenclimate.fund/sites/default/files/document/facilitating-gender-responsive-approach-climate-change-adaptation-and-mitigation-jamaica.pdf>

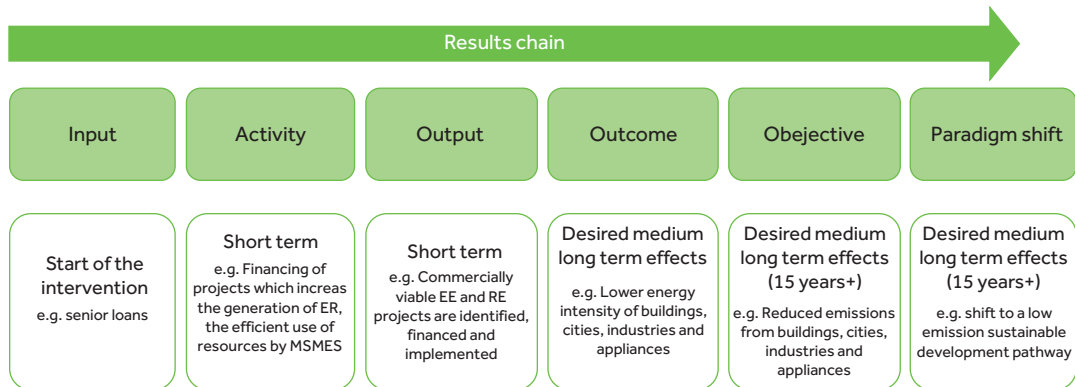
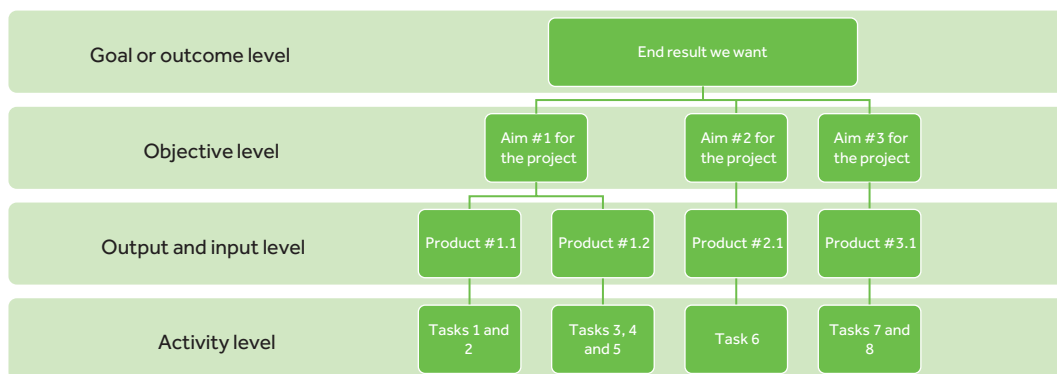
Figure 7. The results chain³²

Figure 8. Overview of a logical framework



There are several ways to develop a logframe, including using problem and objective analysis and backcasting. These methods are described in Figures 9–11.

Problem analysis can be used to analyse the problems the proposed project will address. Figure 9 shows a detailed problem tree with 'causes and effects' of the core problem: low private sector investment in renewable energy is contributing to carbon emissions, negative air quality and health effects, and limited growth in new jobs.

In the objective analysis the negative statements of the problem analysis become positive statements as the intended project outcomes, outputs and activities (Figure 10).

There is also the backcasting approach, which is the opposite of forecasting. This planning process starts with the desired future (climate mitigation/ adaptation objective) and works backwards to identify the outcomes needed to connect the future and the present (baseline) situation. The sequential process to develop the logframe using backcasting is represented in Figure 11.

Assigning indicators

A range of indicators can be used to monitor a funding proposal's progress during implementation. Several funds and other toolkits provide guidance on selecting and designing indicators to monitor projects:

- GCF Investment Criteria Indicators
- Green Climate Fund Proposal Toolkit
- Accessing Climate Finance: A Step-by-Step Approach for Practitioners

³² Climate and Development Knowledge Network (CDKN) (2017) 'Approach Paper on Investment and Logical Framework'.

Figure 9. Example of problem analysis³³

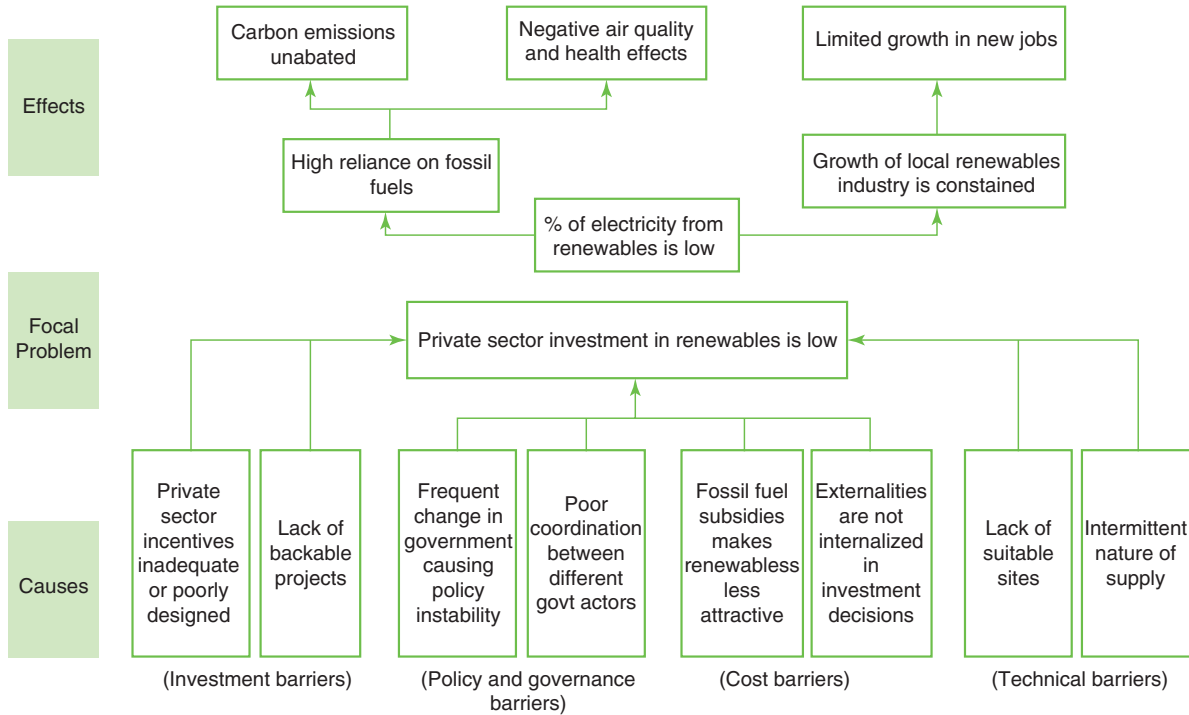
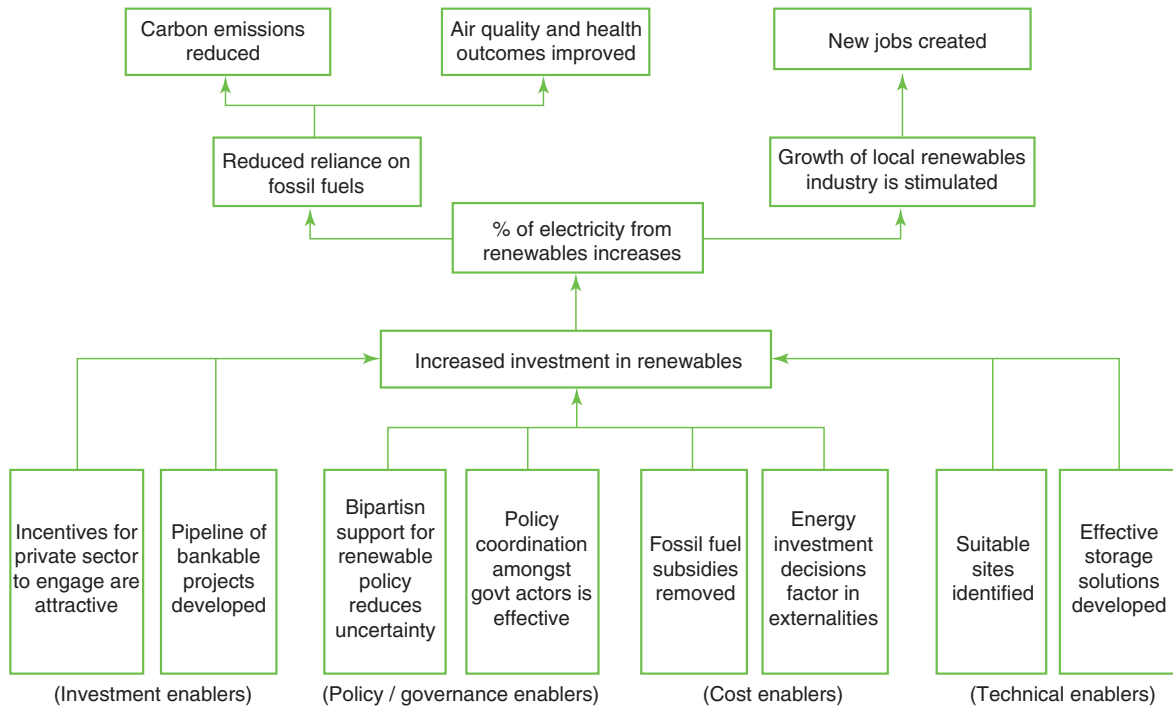
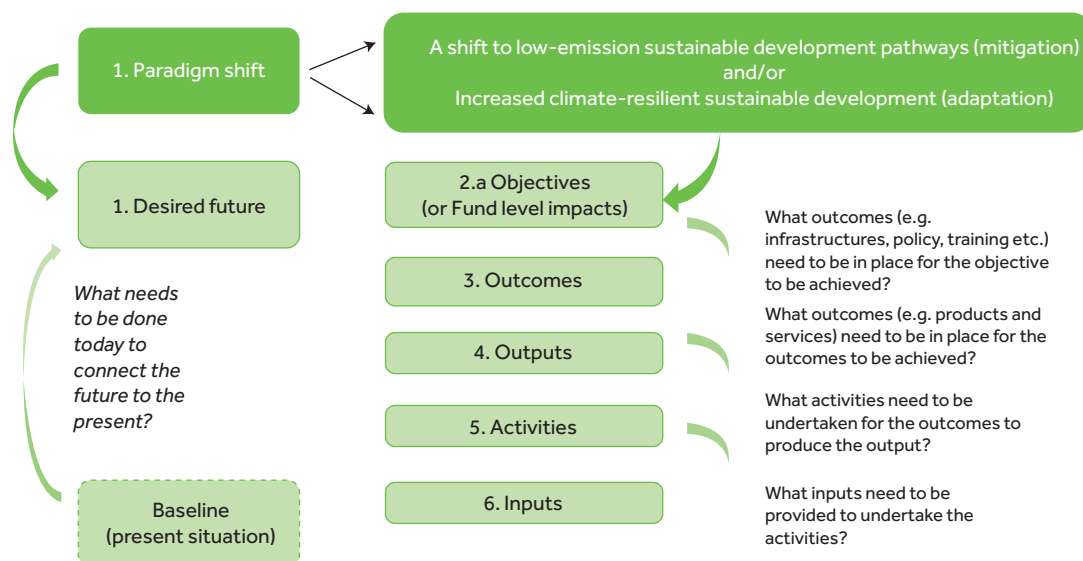


Figure 10. Example of objective analysis³⁴



33 Syngellakis, K (2018) 'Introduction to Project and Program Development Principles'. GGGI Project Development Note.

34 Fayolle, V and S Odianose (2017) *Green Climate Fund Proposal Toolkit 2017: Toolkit to Develop a Project Proposal for the GCF*. London: Acclimatise and Climate and Development Knowledge Network (CDKN). <https://cdkn.org/wp-content/uploads/2017/06/GCF-project-development-manual.pdf>

Figure 11. Backcasting approach for developing a logframe³⁵

2.5.3 Meeting investment criteria

While the investment criteria outlined in this section are based on those of the GCF, which a GCF proposal must deliver against, accessing any form of public climate finance usually requires meeting similar standards.³⁶ Climate change activities that utilise private investment should ideally also deliver against these criteria. Specific project and programme deliverables will often depend on the sectoral and national context.

Paradigm shift potential

Paradigm shift potential refers to whether the proposed activity can catalyse impact beyond a one-off project or programme investment. A number of funds and donors prioritise projects that have a high potential of achieving a paradigm shift towards a low-carbon climate resilient pathway. The proposal could consider addressing the following criteria:

- **Potential for replication and scaling up:** Proposals should demonstrate the potential for scaling-up and replication in a cost-effective manner. Indicators could include the potential number of follow-on projects that could result from the intervention and the potential size of the impact.

- **Innovative outcomes:** Projects should, where possible, foster new business models and new technologies or use innovative co-financing. This is dependent on the project context and should be outlined in the proposal.³⁷
- **Knowledge sharing and learning:** Proposals should capture past lessons and include provisions to share knowledge. They should demonstrate processes for ensuring stakeholder capacity development, engagement with key stakeholders and a long-term knowledge contribution beyond implementation.
- **Enabling environment:** The proposal should demonstrate how finance will be used to build an enabling environment (i.e., achieving systemic change across a sector) beyond the planned implementation period for the project. Project proponents should consider how the proposal will result in long-term sustainable outcomes, including overcoming barriers to and incentivising low-emission climate-resilient development and creating new markets and business opportunities.
- **National policy and regulatory frameworks:** Proponents should describe how the project will advance national and subnational policy

³⁵ Ibid.

³⁶ Green Climate Fund (GCF) (undated) 'Project Review'. <https://www.greenclimate.fund/projects/criteria>

³⁷ Climate Analytics (2020) 'Addressing the GCF Investment Criteria'. March. <https://climateanalytics.org/publications/2020/addressing-the-gcf-investment-criteria/>

Table 2 Examples of sustainable development indicators³⁸

Economic co-benefits	Social co-benefits	Environmental co-benefits	Gender-sensitive development impact
<ul style="list-style-type: none"> • Total number of jobs created • Poverty alleviation • Income enhancement, especially for women 	<ul style="list-style-type: none"> • Improved access to education • Improved cultural preservation • Improvements in health and safety • Improved sanitation facilities 	<ul style="list-style-type: none"> • Increased air, water and soil quality • Biodiversity conservation 	<ul style="list-style-type: none"> • How the project will reduce gender inequalities – e.g., number of women and girls benefiting from intervention

and regulatory frameworks on climate change. The proposal should also articulate how climate change can be mainstreamed within existing policies and regulatory frameworks.

Sustainable development potential

The proposal should provide information on how the project aligns with the Sustainable Development Goals (SDGs), especially those that are a priority for the country. Further, the proposal should describe and include quantitative and qualitative information on the expected environmental, social, health, economic and gender-sensitive benefits and co-benefits from the specified activities (examples of indicators are provided in Table 7).

Meeting the needs of the recipients

To address the needs of the recipients, the project proponent should describe the vulnerability of the country/ target area/ population/ beneficiary groups, outline the financing needs and elaborate on how the project addresses these needs. Examples of how to address this are elaborated below.

- **Vulnerability of the country and beneficiary groups (for adaptation-focused projects):** The proposal should describe the scale and intensity of exposure to climate risks (including slow onset events such as sea level rise) for recipient groups. This should include quantitative and qualitative information on the level of vulnerability of target populations. Exposure could be expressed in terms of population size and/or social or economic assets, including relevant gender-

disaggregated indicators. A variety of tools (e.g., vulnerability studies/ assessments and financial analyses) can be used for assessing vulnerabilities, including consideration of climate change risks, impact projections and potential costs. Furthermore, the proposal should demonstrate how vulnerability will be reduced (from a baseline and in future projections) and how the project will promote social and economic development to meet the needs of the recipients.

- **Economic and social development:** Describe how the proposed project will promote social and economic development and/ or sustain/ enhance the livelihoods of the targeted population. The proposal should also describe the level of relevant social and economic development context of the country and target population. The latter may include minorities, people with disabilities, the elderly, children, female heads of households, indigenous peoples or others.
- **Financing gaps:** For both mitigation and adaptation proposals, the existing financing gaps should be identified to justify an intervention. The proposal should demonstrate how the project would not be viable without funding from the climate fund, and how barriers that have created the lack of alternative funding sources for the project will be addressed.
- **Institutional capacity building:** The proposal should highlight how institutional and implementation capacity will be strengthened. Opportunities to build capacity in relevant institutions should be described alongside how this could result in improved planning outcomes.

³⁸ Adopted from the GCF investment criteria indicators.

Multisectoral projects are a common feature within the CCFAH-supported portfolio for creating wider socio-economic benefit. The Barbados Roofs to Reefs Programme is an example of a national resilience programme that focuses on housing, water, energy, waste, land use and ecosystems management, all in line with NDC priorities, whilst also adopting a community-based approach.

Country ownership

Meeting the criterion of country ownership requires demonstrating that the project aligns with and advances strategic national climate objectives, adaptation and mitigation priorities, and policies and regulatory frameworks. In particular, the proposal must describe how the project is aligned with the NDC and NAP and how it will make progress against specific targets within these frameworks.

Project proponents should provide the following details in the proposal to address this criterion:

- **Demonstration of the capacity of the project proponent/ implementing entity to fulfil the project:** This should include a detailed overview of the project proponent/ implementing entity and the respective roles these will play in implementation. The experience and expertise of the entities in conducting similar project activities should be provided, which could include previous experience of the sector, type of intervention and/or the particular country/ region.
- **Description of a stakeholder engagement/ consultation process:** This should include a description of how stakeholders were engaged in proposal development and how consultations will take place during and after implementation. The feedback received from relevant stakeholders through the proposal development process should also be provided.
- **Government endorsement:** Evidence should be provided of strong engagement with the focal point of the climate fund in the development of the proposal.

Economic and financial requirements

The proposal must demonstrate the financial and economic efficiency, effectiveness and rationale of the project. The project proponent should conduct

an economic and financial analysis to demonstrate the project is financially viable, cost-effective and efficient. Specific tools to complete financial and economic analysis are provided in Annex 2 of this Toolkit.

Project proponents should demonstrate the following in the proposal:

- **Cost-effectiveness and efficiency:** The proposed financial structure (funding amount, financial instrument, tenor and term) should be adequate and reasonable. It should correspond to the project objectives, including addressing existing bottlenecks and/or barriers. The proposal should also demonstrate that the financial structure provides the least concessionality needed to make the proposal viable and not crowd out private and other public investment. The level of concessionality should also be tailored to the incremental costs or the risk premium to make the project viable.
- **Co-financing:** Proposals should depict the amount of co-financing and the co-financing ratio (total amount of co-financing divided by the fund's investment in the proposal).
- **Financial viability:** The proposal should demonstrate that the project is economically and financially viable, including that the benefits are higher than the costs. As required, sensitivity analysis should be completed to confirm the project remains economically robust under several scenarios including increases in investment costs, increases in operating and maintenance costs and declining benefits. Other financial indicators, including the debt service coverage ratio, may be provided where applicable. A description of the financial soundness in the long term beyond the intervention, as well as the financial exit strategy in the case of private sector operations, should also be included as applicable.
- **Application of best practices:** Evidence should be presented on how best practices or technologies are implemented in the proposal, taking national circumstances into consideration (including those of indigenous peoples and local communities), as well as a plan for the use of revenues generated in the case of projects that produce revenues.

- **The following factors could also be considered:** (i) estimated cost per carbon dioxide equivalence (tCO₂eq) defined as total investment cost/ expected lifetime emission reductions (for mitigation projects); (ii) expected volume of finance to be leveraged by the proposed project, disaggregated by public and private sources; (iii) potential to catalyse private and public sector investment, assessed in the context of performance on performance industry best practices and (iv) completion of market analysis, including demonstrated user demand for goods and services provided by the project.

For private sector-financed activities, comprehensive financial analysis is particularly important to determine economic and financial benefits. As appropriate, projects should provide an estimate of the expected economic internal rate of return and/or financial internal rate of return. Sensitivity analysis should be completed as required to confirm the project remains economically robust under several scenarios, including increases in investment costs.

The incremental cost of climate change projects

Different approaches have been used to define the concept of incremental costs associated with projects to address climate change adaptation and mitigation.

In economics and cost accounting, the incremental cost refers to the additional expenses incurred with respect to a baseline to produce a new output or an equivalent output in a different manner. The definition of incremental cost highlights two key concepts: the cost of the baseline or business-as-usual project/ scenario; and the cost of the alternative or counterfactual project/ scenario with which the baseline is being compared. Following this definition, total cost in the alternative scenario refers to the baseline plus the incremental costs.

The International Panel on Climate Change (IPCC) defines incremental cost as "the cost of capital of the incremental investment and the change of operating and maintenance costs for a mitigation or adaptation project in comparison to a reference project. It can be calculated as the difference of the net present values of the two projects".³⁹

39 Intergovernmental Panel on Climate Change (IPCC) (2014) *Climate Change 2014: Mitigation of Climate Change – Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*. Cambridge: Cambridge University Press, p. 106.

Different climate finance sources take different approaches to servicing incremental costs. The GCF, for example, funds the whole or part of the incremental costs of a funded activity, while other costs must be co-financed by other sources. It seeks to attain adequate levels of co-finance to achieve the highest possible impact and ambition, strengthen climate action through both public and private sector contributions, strengthen country ownership and provide the necessary resources for the long-term sustainability of climate actions.⁴⁰

Annex 3 provides guidance on how to calculate the incremental costs for a mitigation and adaptation project.

Preparing a budget

Project budgets can be prepared at the output level (linked to the logframe) and by major cost category, including project staff and consultants, travel, goods, works and service. The budget requirements for the particular fund/ financing source can be found on their website or proposal template or by contacting the fund provider. For example, further information on preparing a budget for a GCF project is provided in the Green Climate Fund Proposal Toolkit.⁴¹

2.5.4 Implementation of the project

This section outlines the implementation and management requirements for a project.

Selecting implementing partners

If climate finance is provided via an intermediary, the selection of implementing partners is a crucial element for developing a high-quality proposal and project. The project proponent in government (e.g., climate change department/ ministry and/or sectoral line ministry) should select implementing partners that have a relevant track record, capacity and a strong sectoral

40 Green Climate Fund (GCF) (2018) 'Incremental Cost Methodology: Potential Approaches for the Green Climate Fund'. Meeting of the Board, 27 February – 1 March, Incheon, Republic of Korea. <https://www.greenclimate.fund/document/gcf-b19-34>

41 Fayolle, V and M Dhanjal (2020) *Green Climate Fund Proposal Toolkit 2020*. London: Acclimatise and Climate and Development Knowledge Network (CDKN). <https://reliefweb.int/report/world/green-climate-fund-proposal-toolkit-2020-toolkit-develop-project-proposal-gcf-june-2020>

understanding. Specifically, the following criteria should be taken into consideration when selecting an implementing partner:

- Track record on delivering projects in the country
- Comparative advantage in the proposal sector(s)
- Capacity and skills (including technical skills and project management skills)
- Whether it meets the requirements for accessing finance (e.g. whether it is a GCF accredited entity).

The selection of implementing partners should also be consultative and led by the climate change department/ ministry and other relevant project proponents and stakeholders. It is important that the former is involved in the selection of the implementing partner as it plays vital roles in the coordination of climate change processes and can provide guidance to project proponents.

For the GCF, in particular, a key part of the proposal development process is selecting an appropriate accredited entity, which will oversee the work done by project implementing partners (including executing entities), such as government ministries, provincial and local governments and civil society organisations.⁴² Accredited entities are also expected to manage environmental and social risks that may arise and ensure the project is aligned with the GCF's Gender Policy.

Mitigating risk

All projects and programmes involve certain risks in implementation. In the proposal, the project proponent should identify any substantial technical, operational, financial, social and environmental risks and propose respective risk mitigation measures.

Risks can be addressed by developing a risk management plan to identify foreseeable risks, estimate impacts and define responses to potential issues. The 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.

For environmental and social risks that may arise, the project proponent will need to ensure that required environmental and social safeguards (ESS) are in place in line with the requirements of the funds/ climate finance providers. The project proponent should also contact the specific climate finance provider for further information on ESS requirements.

Monitoring and evaluation and reporting framework

Monitoring and evaluation (M&E) is integral to the implementation of the project. The M&E framework should be developed at the proposal stage to ensure a baseline is established and indicators and data sources are identified.

An M&E framework will serve the following purposes:

- Monitor progress towards project objectives
- Strengthen performance and management by providing feedback on implementation
- Provide a baseline for reporting and technical and financial accountability.

M&E requirements for the project or programme should include:

- A logframe and identification of indicators. The project proponent should indicate the activities, outputs, outcomes and results to be achieved in relation to the logframe. Good practice is to provide indicators at the activity and output levels and report on indicators at outcome and impact levels.
- Regular performance reports from the project.
- Evaluations of the project (an evaluation is usually required at the end of a project but may also be required at other stages).

Specific funds and climate finance providers may have particular M&E requirements – the requirements for the GCF, for example, are outlined in the GCF Funding Proposal template and the Green Climate Fund Proposal Toolkit.⁴³

42 While it is standard practice for accredited entities to submit funding proposals to GCF, in some cases GCF may issue a request for proposals allowing submission by entities that are not yet accredited. In these cases, the accreditation application of the entity will be considered alongside the funding proposal.

43 Fayolle and Dhanjal 2020, op. cit.

Exit strategy

Development of an exit strategy is essential for many donor-funded projects, such as the GCF, GEF and AF.⁴⁴ A sound exit strategy will help to sustain the benefits of an intervention, and including one is recommended for all projects.

To develop an exit strategy, proponents should consider how to achieve the long-term sustainability of a project after the action is implemented and financing has stopped. It is important to take into consideration the long-term financial viability of the intervention, which is linked to the removal of policy, legal, institutional, capacity and financial barriers.

An exit strategy may be designed using one or more of the following approaches:⁴⁵

- **Phasing down:** A planned gradual reduction of project activities, utilising local organisations to sustain project benefits while financiers deploy fewer resources, which is often a preliminary stage to phasing out and/or phasing over.
- **Phasing out:** A withdrawal of involvement in a project without turning it over to another institution for continued implementation. Funding can support activities to develop an improved enabling environment and strengthened institutions, thus eliminating the need for additional external support. A strengthened enabling environment, for example, could allow for future public-private partnerships (PPPs) in climate change investments and the increased mobilisation of private finance.
- **Phasing over:** The project activities are transferred to local institutions and/or communities. Provision of learning and knowledge management components can help capture and disseminate lessons learnt and support knowledge and skill transfer to build local institutional capacity. Training of

trainers is a possible approach to ensure that adequate capacity to train new employees is developed in the local institutions and enable the replication of best practices after the project ends.

Further information on developing an exit strategy is provided in the Green Climate Fund Proposal Toolkit and on the websites of climate funds and donors.

2.5.5 Environmental and social safeguard requirements

ESS screening should be undertaken at the early stages of project development. It is considered a starting point in the environmental and social due diligence of activities and typically developed during the preparation of proposals for climate change funds and donors.

Climate finance providers have adopted environmental and social safeguard (ESS) policies to enhance sustainable development benefits and avoid unnecessary harm to the environment and affected communities. These policies allow institutions to identify and manage the environmental and social risks of their activities by assessing potential harms and then identifying and implementing steps to avoid, minimise or mitigate these.

The ESS requirements will differ depending on the funding source and compliance must be demonstrated. Details on the requirements of major climate funds in this regard can be found in Annex 1.

ESS is also a tool to ensure that gender, indigenous peoples and other environmental and social sustainability issues are considered in the design and throughout the life of the activities. Screening assists the government, climate finance providers and other stakeholders to anticipate the risks and impacts of a project, outline how these will be addressed and ensure the ESS requirements are met.

44 The development of an exit strategy is most relevant to climate action financed by public sector sources – such as dedicated climate funds, MDBs and bilateral donors.

45 Fayolle and Dhanjal 2020, op. cit.

2.6 Gender inclusivity

CCFAH supported the Government of Jamaica in the development of a readiness proposal to the GCF with the primary objective of strengthening institutional coordination at the national level to promote gender-responsive climate action and ensure policies, programmes and projects adequately address gender inequalities. See the proposal document here.

In the absence of strong policy responses, climate change will have critical impacts on vulnerable people and communities, gender equality and human rights. The integration of gender equity and social inclusion outcomes (GESI) is a priority for climate change projects and a precondition for accessing finance for many climate funds, as outlined below.

2.6.1 Gender equity and social inclusion tools for project integration

Climate finance proposals should clearly demonstrate how they are going to integrate GESI outcomes. There are a number of toolkits that can support proponents to integrate gender into programmes and projects, such as:

- Secretariat for the Pacific Community et al.: *The Pacific Gender and Climate Change Toolkit: Tools for Practitioners*⁴⁶
- GCF: *Mainstreaming Gender in Green Climate Fund Projects*⁴⁷
- FAO: *How to Integrate Gender Issues in Climate-Smart Agriculture Projects*⁴⁸

Mainstreaming GESI aims to systematically integrate gender into every step of project design

CCFAH supported the Government of St Lucia in securing technical assistance to develop a framework and conduct gender assessments in the sectors prioritised under the country's NAP process. This creates a gender-responsive framework for future funding proposals (including the GEF and Adaptation Fund) in terms of providing data and information relevant to ensuring the climate funding proposal is climate and gender responsive.

and implementation. Key methods for achieving strong GESI outcomes include:⁴⁹

- Defining the GESI context and challenges and identifying potential solutions in project design
- Prioritising GESI in the design of stakeholder engagement and analysis, including the choice of partners
- Raising awareness of GESI solutions and building the capacity of stakeholders
- Integrating GESI in the methodology and approach to implementing the project, including reflecting GESI considerations in the results framework and budget
- Ensuring there is an equal representation of women in the project design, implementation and management teams
- Undertaking monitoring and evaluation of GESI relevant outcomes.

A CCFAH-supported readiness proposal in the Kingdom of Tonga submitted to the GCF, which looks at strengthening access of disabled peoples organisations (DPOs) in Tonga to climate finance towards building climate resilience of people with disabilities (PWD), mainstreams gender aspects as well as disability and human rights in line with national policies such as the Joint National Plan on Climate Change and Disaster Risk Management 2 (JNAP2). A gender and social inclusion specialist to facilitate training and consultations is a notable inclusion within the proposal to support this gender integration.

46 Secretariat for the Pacific Community et al. (2015) *Pacific Gender and Climate Change Toolkit: Tools for Practitioners*. <https://www.unwomen.org/en/digital-library/publications/2015/9/pacific-gender-and-climate-change-toolkit>

47 Green Climate Fund (GCF) and United Nations Entity for Gender Equality and Women's Empowerment (UN Women) (2017) *Mainstreaming Gender in Green Climate Fund Projects*. Incheon, Republic of Korea: GCF. https://www.greenclimate.fund/sites/default/files/document/guidelines-gcf-toolkit-mainstreaming-gender_0.pdf

48 The Food and Agriculture Organization of the United Nations (FAO) and The World Bank (2017) *How to Integrate Gender Issues in Climate-Smart Agriculture Projects*. Rome: FAO and World Bank. <http://www.fao.org/3/a-i6097e.pdf>

49 Secretariat for the Pacific Community et al. 2015. op. cit.

Chapter 3. Climate Finance Readiness

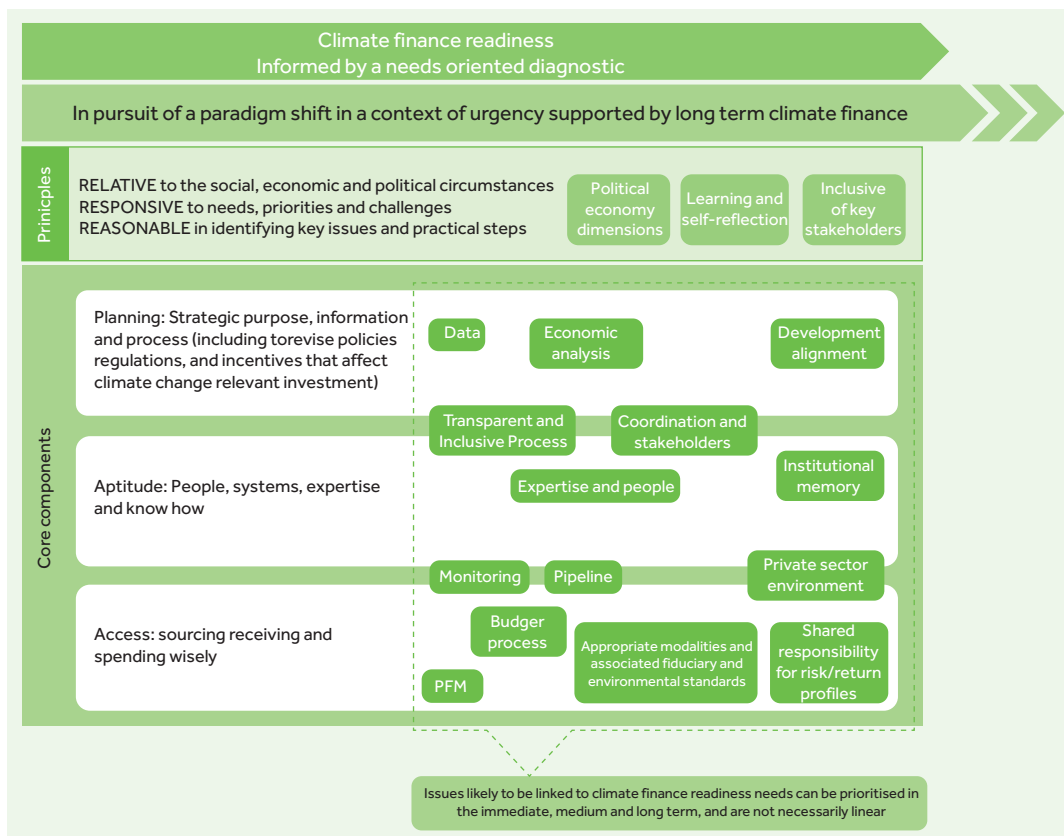
Climate finance readiness activities refer to processes that can enhance the capacity of developing countries to access, allocate and spend climate finance and also monitor and report on the impacts of such activities. Readiness is shaped by national context and circumstances. A conceptual framework for understanding climate finance readiness is shown in Figure 12. Countries can secure technical assistance from climate finance providers for climate readiness activities. Some areas to improve climate readiness are:

- **Strengthening institutions and governance mechanisms:** Includes activities to strengthen the capacity of government stakeholders, such as climate change departments and subnational governments, as well as domestic private

sector stakeholders and non-governmental and civil society organisations. Also includes supporting engagement processes for national stakeholder consultation in climate finance processes.

- **Policy environment:** Includes the national policy regimes, long-term strategies (e.g., NDCs and NAPs) and measures to overcome market, technology, regulatory and other barriers.
- **Pipeline development:** Includes investment prioritisation methods, de-risking tools and methods, development of proposals for submission to climate funds and the identification and assessment of pilot projects.

Figure 12. A framework for understanding climate finance readiness⁵⁰



50 Nakhouda, S and R Calland (2012) 'Climate Finance Readiness: Preliminary Approach and Insights from Efforts in Southern Africa'. London: Overseas Development Institute (ODI). <https://www.giz.de/expertise/downloads/giz2012-en-climate-finance-readiness-preliminary-approach.pdf>

- **Information, data and knowledge:** Includes assessments of the national climate change context; capturing, storing and sharing climate-relevant information; establishment of monitoring, reporting, verification and evaluation systems; and ensuring planning and decision-making processes are informed by data and knowledge.
- What support would be required to prepare a long-term climate strategy?
- What data and knowledge gaps exist nationally?
- What support is needed to implement priorities identified in the NDC, NAP and other national climate-change strategies?

A detailed list of good practice for achieving climate readiness is provided in Annex 4.

3.1 GCF Readiness and Preparatory Support Programme

The GCF provides finance to enhance country ownership and build the capacity of national entities. The Readiness and Preparatory Support Programme provides GCF resources for strengthening institutional capacities, governance mechanisms and planning and programming frameworks to identify and implement a transformational long-term climate action agenda.

Readiness support to a country is capped at USD 1 million per calendar year. Of this amount, the country's NDA (the GCF focal point) may request up to USD 300,000 per year to strengthen the capacity and deliver on the GCF's requirements. There is an additional USD 3 million available per country for developing a NAP and other adaptation processes.

Within these funding caps, multiple proposals can be submitted over multiple years, as readiness needs change over time. In addition, multiple readiness proposals for all activities (including adaptation planning) can be implemented by GCF accredited entities and/or delivery partners, which can allow for tailored support based on their comparative advantage.

The Readiness and Preparatory Programme is designed to be a flexible tool to support countries based on their particular needs and context. The GCF can request readiness support to take a comprehensive long-term view while also seeking support to address near and medium-term capacity and technical gaps.⁵¹ The NDA should strategically determine the readiness and preparatory requirements of the country, which includes asking questions such as:

- What barriers exist to accessing scaled-up finance across priority sectors, especially regarding leveraging private sector investment and technology deployment?
- How can national and subnational institutions be strengthened to deliver on mitigation and adaptation priorities, including through achieving direct access to the GCF and utilising new and innovative financial mechanisms?
- How can the country increase: (a) the complementarity of climate action funded through multiple financial streams; and (b) the coherence of programming processes to drive long-term low-emission and climate-resilient development?

Readiness and preparatory support can be provided to government through an intermediary (such as an international entity) or through a domestic government agency (if a domestic entity is a delivery partner or accredited entity). Delivery partners must meet the financial management capacities and requirements of the GCF. Delivery partners who are not accredited entities must undertake a financial management capacity assessment to be approved to implement readiness support.⁵²

In addition, as discussed earlier, the GCF has a Project Preparation Facility (PPF) that provides support to turn a concept note into a full funding proposal. The Facility is available to all accredited entities, with preference given to direct access entities submitting projects under the micro- to small-size categories (up to USD 10 million). Further information on the Facility is provided on the GCF website and in the Green Climate Fund Proposal Toolkit.⁵³

51 A detailed overview of readiness proposal development is provided by the Readiness and Preparatory Support Guidebook, available at: <https://www.greenclimate.fund/node/5716>

52 The financial management capacity assessment template is available at: <https://www.greenclimate.fund/document/financial-management-capacity-assessment-template>

53 Fayolle and Dhanjal 2020, op. cit.

Table 3. Sample theory of change for readiness proposals⁵⁴

Goal	The goal is an impact-level change that the grant activities will contribute to achieving. In the context of the Readiness Programme, it is important to always consider how the goal is aligned with the five Readiness Programme objectives.
Goal Statement	The goal statement is structured in the "IF ... THEN ... BECAUSE..." format and explains the causal linkages between the outcomes, outputs and the goal that the grant will help achieve (e.g., "IF the [country] builds enabling institutional, planning and programming environments for adaptation at the national and subnational level, THEN the [Country] will be able to identify, design and implement adaptation investments in line with national priorities BECAUSE knowledge on key vulnerabilities will be generated and shared feeding into effective coordination mechanisms and investment plans for resilience.")
Outcomes	An outcome statement describes longer-term and specific changes in conditions, policies, or organizational structure and are measured a year or several years after project completion
Outputs	An output statement highlights what the readiness proposal intends to achieve in the short-term due to activities. Develop outputs that, taken together, can lead to the desired outcomes
Inputs	Inputs refer to the national climate priorities (e.g., NDC, Country Programme), deliverables of previous grants, and other information (e.g., needs assessments) that will contribute to the effective implementation of grant activities
Barriers	Proposals should indicate the perceived and potential barriers that have stymied progress or advancement against the stated outcomes of the intended activities
Assumptions & Risk	Assumptions are the necessary conditions (e.g., inter-ministerial buy-in) to be in place or complementary actions (e.g. successful recruitment of consultants) to ensure that the proposed activities are successfully implemented in order to achieve the stated outcomes Risks are the potential or perceived events that will prohibit the efficient and effective implementation of proposed activities (e.g., natural disaster risks disrupting implementation)

Table 3 below provides information on the theory of change that describes how the proposed intervention will shift the development pathway towards low-emission and/or climate-resilient development. NDAs and DPs are requested to provide a diagram and a narrative description of the theory of change as part of the readiness proposal template.

Annex 5 provides a checklist of guiding questions that informs the initial review by the GCF Secretariat on official submission of a readiness proposal. These questions are provided for illustration purposes only; the checklist is not a scorecard but rather a tool to inform the technical review process and to identify the areas of a proposal that may require improvement prior to approval. The checklist is not an exhaustive description of

all the elements an approved proposal ought to contain, but it does provide guidance for NDAs and delivery partners to prepare and submit high-quality proposals.

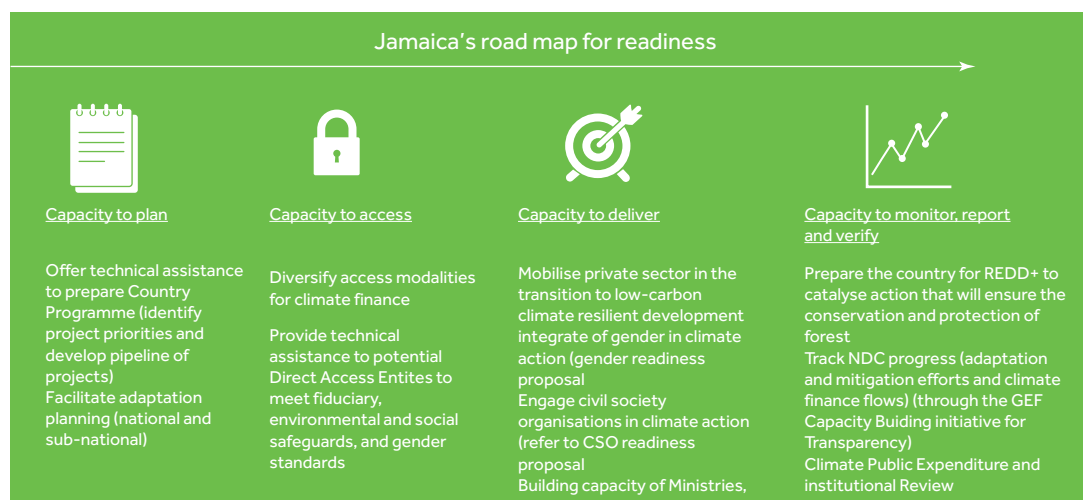
The Commonwealth Climate Finance Access Hub supported the Government of the Jamaica in the country's readiness process including for REDD+ Readiness Preparation (see the roadmap in Figure 13).

3.2 Formulating the national adaptation plan

With countries encouraged under article 7 of the Paris Agreement to engage in adaptation planning processes, including the formulation and implementation of national adaptation plans (NAPs), readiness support in this regard is a key component for developing countries. In addition

⁵⁴ GCF (2020). Readiness and Preparatory Support Programme Guidebook. <https://www.greenclimate.fund/sites/default/files/document/readiness-guidebook.pdf>

Figure 13. Sample roadmap to readiness (Jamaica)



to that provided under the GCF Readiness and Preparatory Support Programme as outlined in section 3.1, the NAP Global Network also serves as a useful technical support mechanism during the NAP process or its implementation in a country.

Four broad steps that can be used to guide the formulation of NAPs are described below.⁵⁵ It is important to note that the NAP process is designed to be flexible and thus the specific approach adopted would depend on the country context.

Step 1: Lay the groundwork and address gaps

- Initiating and launching of the NAP process
- Stocktaking: identifying available information on climate change impacts, vulnerability and adaptation and assessing gaps and needs of the enabling environment for the NAP process
- Addressing capacity gaps and weaknesses in undertaking the NAP process
- Comprehensively and iteratively assessing development needs and climate vulnerabilities

Step 2: Preparatory elements

- Analysing current climate and future climate change scenarios

- Assessing climate vulnerabilities and identifying adaptation options at the sector, subnational, national and other appropriate levels
- Reviewing and appraising adaptation options
- Compiling and communicating NAPs
- Integrating climate change adaptation into national and subnational development and sectoral planning

Step 3: Implementation strategies

- Prioritising climate change adaptation in national planning
- Developing a (long-term) national adaptation implementation strategy
- Enhancing capacity for planning and implementation of adaptation
- Promoting coordination and synergy at the regional level and with other multilateral environmental agreements

Step 4: Reporting, monitoring and review

- Monitoring the NAP process
- Reviewing the NAP process to assess progress, effectiveness and gaps
- Iteratively updating the NAP
- Outreach on the NAP process and reporting on progress and effectiveness.

55 United Nations Framework Convention on Climate Change (UNFCCC) (2012) 'National Adaptation Plans: Technical Guidelines for the National Adaptation Plan Process'. LDC Expert Group, December. https://unfccc.int/files/adaptation/cancun_adaptation_framework/application/pdf/naptechguidelines_eng_high__res.pdf

Chapter 4. Accreditation Support

4.1 Overview

Funds finance projects and programmes through a wide range of institutions. To access funding, these institutions go through a process of 'accreditation', designed to assess whether they are capable of strong financial management and of safeguarding funded projects and programmes.

It is advisable to have a dedicated team working on the accreditation process, with at least two to three persons exclusively for this task, and with the support of other internal and external experts such as the CCFAH.

Organisations seen to have specialised capacities in driving climate action may apply to become fund-accredited entities. They can be private, public, non-governmental, sub-national, national, regional or international bodies. They should have clear, detailed and actionable climate change projects for progressing mitigation and adaptation. They must also meet the fund's financial, environmental, social and gender standards.

It is important to have buy-in from the senior management of the organisation seeking accreditation. They will need to deliver a presentation to GCF on the type of projects for which funds are sought and pitch why they should be accredited. It is critical to have an accreditation support team within the nominated agency to help advance the work — with wide internal representation from, for instance, procurement and legal advisory teams.

In Jamaica, where CCFAH supported the accreditation process, three entities undertook the accreditation process. These were selected based on their experience and track record: the Development Bank of Jamaica would support the private sector; the Planning Institute of Jamaica was fast tracked as it was accredited under the Adaptation Fund; and the Jamaica Social Investment Fund would support local communities and CSOs.

The accredited entities developing funding proposals usually also oversee, supervise, manage and monitor their respective approved projects and programmes.

4.2 GCF accreditation process

Accreditation standards

The Green Climate Fund (GCF) accreditation process is designed to assess whether applicant entities have the ability to effectively manage resources in line with the Fund's fiduciary standards for the scale and type of funding sought, and whether they have the ability to manage the environmental and social risks that may arise at the project level. Entities seeking accreditation will be assessed against the Fund's gender policy, as well as other GCF policies and standards, including:

- Initial fiduciary principles and standards of the Fund
- Policy on the protection of whistleblowers and witnesses
- Policy on prohibited practices
- Anti-money laundering and countering the financing of terrorism policy
- Environmental and social policy
- Interim environmental and social safeguards of the Fund (performance standards of the International Finance Corporation)
- Information disclosure policy
- Gender policy

Accreditation types

There are two types of GCF accredited entities based on access modalities: direct access entities and international access entities.

- **Direct access entities** These are sub-national, national or regional organisations that need to be nominated by NDAs or focal points. Nominated organisations may then be eligible to receive GCF readiness

support. This funding is designed to help organisations in developing countries prepare to become accredited entities, as well as helping those that have already been accredited to strengthen their organisational capacities.

The enhanced direct access mechanism facilitates a quicker process and ensures non-accredited entities can also receive climate financing.

This was the approach taken in Antigua and Barbuda, where the CCFAH supported working with Dominica and Grenada. The financing is shared equally, whilst Dominica and Grenada are required to set up all oversight and mechanisms to use GCF funding whilst also building their capacity to become an accredited entity.

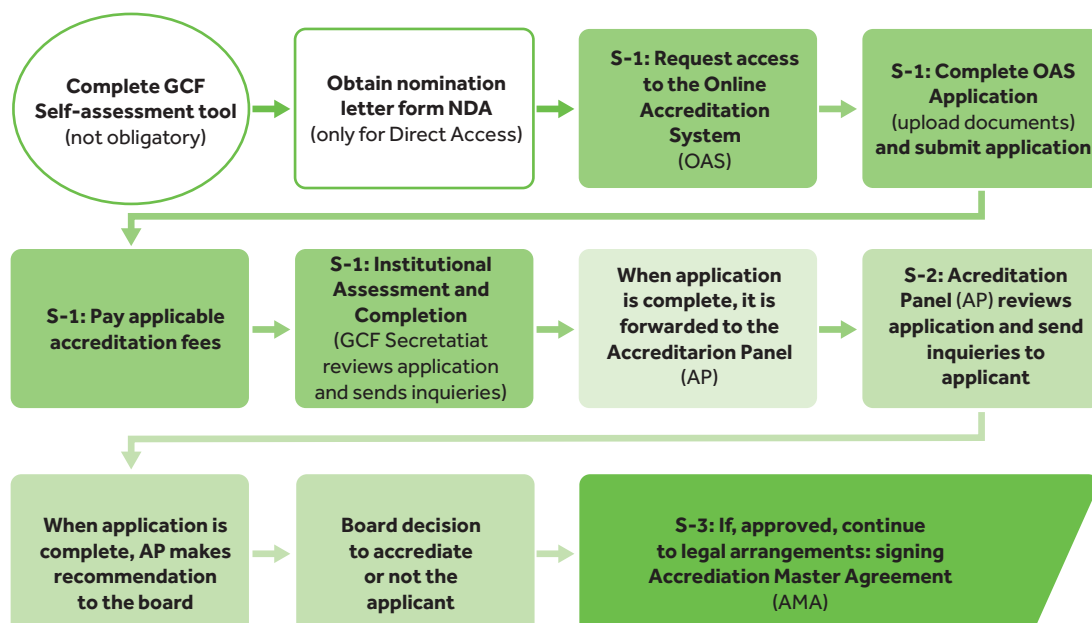
A regional approach towards accreditation is good practice, particularly for small island states that can often obtain support from existing accredited regional entities. For instance, Antigua and Barbuda utilised the accredited Organisation of Eastern Caribbean States (OECS) Commission as an independent body to conduct the project monitoring and evaluation components.

- **International access entities** These can include United Nations agencies, multilateral development banks, international financial institutions and regional institutions. GCF considers these organisations to have the wide reach and expertise to handle a variety of climate change issues, including ones that cross borders and thematic areas. International access entities do not need to be nominated by NDAs/ focal points.

The GCF accreditation application process is as follows (see summary steps in Figure 14):

- **Stage 1 (S-1) 'Completeness check':** The applicant requests access to the GCF online accreditation system (OAS), completes the accreditation application form (uploading the supporting documents) and submits the application so that the GCF Secretariat can review all the documentation and confirm that the information is complete. Through the OAS, the Secretariat could ask the applicant to provide additional information or explanations regarding the application forms and answers provided. Once the application is complete Stage 2 can commence.
- **Stage 2 (S-2) 'Review and decision':** The Accreditation Panel (AP) reviews the application and information provided during S-1. The AP can request clarifications/

Figure 14. Summary steps in the GCF accreditation process



further information from the applicant, which should be prepared to quickly respond to inquiries. Once the AP is satisfied with the application, it provides the documentation and final recommendation to the Board. The Board reviews the recommendation of the AP and decides whether or not to approve the application and accredit the entity.

- **Stage 3 (S-3) 'Legal arrangements':** If the application is approved by the Board, legal arrangements between the prospective accredited entity and the GCF are negotiated and the accreditation master agreement (AMA) is signed.

4.3 Adaptation Fund accreditation process

The accreditation process of the Adaptation Fund (AF) aims to ensure that the entity will follow the Fund's fiduciary and safeguard standards. During the accreditation process, the applicant will undergo an assessment to make sure it adheres to sound accreditation standards and implements effective social and environmental safeguards and risk management to improve the effectiveness and sustainability of results.

For SIDS, obtaining accreditation first through the Adaptation Fund is advisable, ahead of the GCF process, which usually spans a longer time period. Accreditation through the AF allows finance to be accessed more quickly while building human and institutional capacity. Meeting the relevant AF standards and procedures would then support any future GCF application.

The process consists of the following steps:

1. **Nomination:** An entity that meets the accreditation standards is identified and nominated as an implementing entity by a designated authority. A national implementing entity (NIE) must be nominated by their respective government prior to applying for accreditation; a regional implementing entity (RIE) must receive a letter of support from at least two of the countries in which they operate; and multilateral implementing entities (MIEs) are invited by the Board to apply for accreditation

and do not require an endorsement letter to submit an application.

2. **Application:** The nominated entity submits an accreditation application and supporting documentation through the AF's accreditation workflow online system (access is granted once a nomination letter is received).
3. **Screening by the AF Board Secretariat:** The Board Secretariat screens the application for completeness and requests any missing information before forwarding the application to the Accreditation Panel for review.
4. **Review by the Accreditation Panel:** The Panel identifies any questions or potential gaps and communicates directly with the applicant until it is ready to make a final assessment. It then makes its recommendation to the Board as to whether the application should be approved.
5. **Accreditation Board approval:** The Board either approves the accreditation or asks for more information before making its decision. All accreditation or non-accreditation decisions are ultimately made by the Board based on the Panel's assessment and recommendation.⁵⁶

Re-accreditation process

Accreditation with the Adaptation Fund is valid for five years. Accredited entities are requested to submit an online re-accreditation application through the accreditation workflow online system at least nine months prior to the expiry date. Once the accreditation expires, an implementing entity is not eligible to submit further project proposals until it is re-accredited.

The renewal of accreditation focuses on the following aspects: (1) continued compliance with the Fund's fiduciary standards; (2) the ability to comply with the environmental and social policy (ESP) and the gender policy; and (3) the results of the implementing entity's performance assessment regarding quality at entry (an important indicator of successful outcomes) and project implementation results.

⁵⁶ Adaptation Fund (2015) 'NIE Accreditation Toolkit'. <https://www.adaptation-fund.org/wp-content/uploads/2015/07/Accreditation-Toolkit-English-14.pdf>

Chapter 5. Human and Institutional Capacity Building

5.1 Assessing member country capacity-building needs

A key value of the CCFAH model of operations is that it is demand driven. Technical support is provided upon the request of member countries and gives rise to the development of work plans by the Commonwealth national/ regional climate finance experts that are fully aligned with national development priorities. These advisers are embedded in government ministries and so able to identify existing capacity gaps and develop targeted interventions, whilst also leveraging the wider technical expertise of the CCFAH to meet country needs.

The long-term deployment of advisers in member states allows the completion of detailed country needs assessments and the development of solutions that can be replicated and sustained beyond the adviser's tenure. As seen in Figure 1, CCFAH is continually working to strengthen in-country capacity, having already conducted 81 training initiatives and reached approximately 1,648 individuals across 15 countries. These span various climate finance areas, including accreditation and project development, and policy areas such as climate budget tagging and using earth observation data to enhance decision-making.

Developing a knowledge base within the national designated authority (NDA) on national priorities, strategies and plans for climate policies is a useful primary step. Alongside strengthened internal capacity, it allows the NDA to facilitate training of other national stakeholders where required.

Conducting a detailed institutional capacity assessment should consider the following five key areas:

- Governance: Is there a clear mandate, mission and commitment to address climate change?
- Information, data and analysis: Is there capacity to collect, generate and monitor quality information as well as access to ensure its use?
- Planning: What existing processes, procedures and tools are in place to integrate climate change into planning?
- Resources: What is the level of budgetary, human resources and infrastructure available for addressing climate change issues?
- Implementation, monitoring and evaluation and knowledge management: How are climate change actions monitored, feedback gathered from stakeholders and systems evaluated for further improvement?

5.2 CCFAH delivery of training and capacity enhancement

WriteShop trainings

The technical content of specific modules/ sessions is selected based on pre-identified challenging areas within GCF proposals, e.g., paradigm shift/theory of change and transformation and question of attribution. This approach provides a direct dual benefit to country participants.

CCFAH training initiatives make sure to incorporate practical elements to facilitate learning by member countries. In the Pacific, for instance, under the CommonSensing initiative in Fiji, Solomon Islands and Vanuatu, a 'WriteShop' training model has been adopted.

The Writeshop format seeks to use actual concept notes to demonstrate the practical application of data and information from the CommonSensing platform to enhance the evidence base and climate rationale in developing bankable concepts and proposals for potential funding. Such trainings demonstrate the CCFAH's model of not only delivering tools to enhance access to finance but also of working alongside government ministries to equip in-country users with the requisite skills and experiences to develop effective applications. They strengthen climate finance skills already obtained in previous trainings.

In addition to the practical use of the CommonSensing platform and decision-support tool to utilise earth observation and geospatial data in proposal development, the training also covers key concepts in climate finance proposal development, including gender and climate finance, climate strategies and policies, project pipeline development, stakeholders and institutions, good financial governance, private sector engagement and the international climate finance landscape.

Validation Workshops

CCFAH delivers further climate finance training to member countries through Validation Workshops. These workshops are effective

The Validation Workshop for Belize presented findings of the Climate Finance Landscape Study and obtained the views of stakeholders, particularly around identifying potential engagements and partnerships for implementing the national Climate Finance Strategy.

In Eswatini, the Validation Workshop reviewed the country's Climate Public Expenditure and Institutional Review (CPEIR) conducted by CCFAH. Inputs were considered from a wide range of stakeholders and incorporated in the final report. The report contains a policy analysis, an institutional assessment, a climate expenditure review and an overview of climate finance flows in the country.

In Jamaica, the Validation Workshop was an opportunity to share two models — the Jamaica macroeconomic climate model and the macro-fiscal climate model — with in-country stakeholders. These formed part of a study conducted on the socio-economic and financial implications of climate change. This study, and complementary climate expenditure analysis and modelling, supports the introduction of climate change budgeting in the country to help determine, map and integrate climate-related expenditures into national budgetary processes.

In Zambia, the Validation Workshop involved sharing outcomes of the climate finance

mapping and the monitoring, verification and reporting (MRV) of climate finance, conducted for the country by CCFAH. In addition to obtaining additional feedback from stakeholders, the session served as a foundation for identifying potential engagement and partnerships in implementing the recommendations of the MRV report.

platforms that allow climate finance models and tools to be assessed, gaps identified and project proposals and institutional capacity to be subsequently enhanced in a cost effective and timely manner. They draw inputs from users and project developers for delivery of improved results during implementation.

Under the NDC Partnership's Climate Action Enhancement Package (CAEP), CCFAH is working alongside the Governments of Belize, Eswatini, Jamaica and Zambia to conduct sessions for country stakeholders. The Commonwealth national climate finance adviser remains in-country to support member states in taking forward the resultant outputs and recommendations of these sessions, alongside the continued development of bankable climate change project proposals.

These reports can be readily accessed via the Commonwealth Climate Change Programme website.

CCFAH's portfolio of capacity enhancement also looks at specific cross-cutting areas informed by gaps identified by baseline research, such as on integrating gender in NDC implementation and improving access to finance for young people in green entrepreneurship. Workshops around effective ways to integrate climate financing in national processes whilst incorporating the private sector and NGOs are a common practice within the operations of CCFAH.

Chapter 6. Climate Policy Support

6.1 Rationale and need for support

The ability of member states to effectively meet their mitigation and adaptation targets is heavily influenced by the various domestic climate policies and frameworks. Beyond simply enabling access to climate finance, technical assistance for the development and implementation of climate-related policies is crucial to ensure and safeguard sustainable long-term climate action.

Many developing countries possess very limited in-country technical capacity to develop the necessary climate policies and mechanisms required to meet national development agendas and climate targets. The Commonwealth Secretariat recognises this critical need and, in response to requests from member countries, has provisioned a wide range of policy support. This includes national climate policy and planning documents, roadmaps and project pipelines, and climate action plans under the CCFAH.

6.2 CCFAH-supported case studies

6.2.1 Joint National Action Plan on Climate Change and Disaster Risk Management (JNAP2) — Tonga

The JNAP2, officially launched in August 2018, sets out a strategy with regards to implementation of the country's national climate change priorities across all sectors and serves as an entry point for climate-related assistance to the country. The CCFAH provided inputs towards the development of this strategy and notes the following key lessons learnt:

- A well-established institutional framework should be in place or created to support effective coordination of a country's implementation strategy. This includes establishment of a dedicated climate change committee and/or secretariat to provide oversight and coordinate activities among relevant stakeholders.

- Establishment of a national climate change fund can aid in the delivery of finance at a quicker rate to meet community adaptation needs. The JNAP Secretariat established a Tonga Climate Change Trust Fund as a funding modality to support this strategy.
- Establishing and maintaining a climate change portal and database management system is a useful mechanism to support decision-making. This repository can provide the necessary data to enhance justifications in the development of climate finance proposals.

6.2.2 Climate Finance Strategy — Belize

As referenced in Section 5.2, under the NDC Partnership's Climate Action Enhancement Package (CAEP), the CCFAH supported a Climate Finance Landscape Study and subsequent Climate Finance Strategy for Belize. This provides the overall guidance and framework to organise and implement national finance-related actions. Key learnings from this process include:

- A climate finance landscape study should be conducted as a primary step to establish a clear understanding of a country's internal and external climate financing environment and inform effective development of a financing strategy.
- The financing strategy must be seen as a nationally determined contribution (NDC) implementation support tool and be clearly aligned with the country's NDC implementation plan.
- A regular monitoring process is essential to developing financing strategies as it facilitates the provision of readily available updates on climate finance access initiatives to national stakeholders. It is also recommended that financing strategies be updated on a rolling basis and in line with NDC revision cycles.

6.2.3 Private Sector Engagement Strategy — Eswatini

The revised submission of Eswatini's NDC provided an opportunity for the Government to work closely with the private sector to address cross-cutting, sectoral challenges and boost green investments and job creation. The private sector plays a crucial role in the response to climate change by mobilising investment and implementing mitigation and adaptation actions. Key learnings from this strategy include:

- To strengthen private sector contributions to NDC implementation, governments should recognise green investment opportunities and risks from a business perspective.
- Conducting private sector mapping and the identification of key private sector actors was an effective first step to understand which stakeholders could be engaged to advance NDC implementation. Priority should be given to private sector actors operating in the country's main socio-economic and/or highly climate-sensitive sectors (e.g., energy firms that are large contributors to national GHG emissions).
- Beyond the engagement strategy, countries can then develop a joint NDC investment plan for the private sector. This would set out the programme of investments required to meet each priority under the NDC and present a strategy to meet these financing needs.

Chapter 7. Knowledge Management

7.1 CCFAH knowledge exchange model

Knowledge management and sharing are key priority areas within the Commonwealth Climate Finance Access Hub (CCFAH) model. The CCFAH enables a greater level of cross-regional knowledge exchange for scaling-up, replicating and enhancing climate action initiatives across the Commonwealth. With climate finance advisers deployed in 15 member countries as of December 2021, along with the growing pool of climate experts, there is a wealth of knowledge and experience available for the benefit of member countries.

Notable evidence of the replication potential of CCFAH includes the successful transfer of knowledge and best practices from the development of Jamaica's National Private Sector Readiness Proposal in 2017 to the subsequent submission of a Private Sector Readiness Proposal by Tonga in 2020. This initiative and knowledge sharing was made possible by the in-country National Commonwealth Climate Finance Adviser.

The transfer of climate finance advisers between countries on the successful completion of projects through CCFAH allows advisers build on their previous experiences and lessons learnt to the benefit of other member countries.

Further knowledge and experience exchanges are facilitated in a number of other ways, including webinars, technical reviews and the Bitrix online system (see below).

Organised webinars

With the diverse and new areas of work explored under the Commonwealth Climate Change Programme, there is a frequent need for familiarising internal staff and relevant stakeholders on these work streams. Webinars bring together stakeholders from across the Commonwealth in a cost-effective manner.

For instance, the Commonwealth Secretariat in collaboration with the NDC Partnership undertook a climate public expenditures and institutional review (CPEIR) process for Eswatini and Jamaica. At the commencement of this initiative, a technical session was conducted to provide a common understanding of the process, familiarising Commonwealth national climate finance advisers with the requisite steps for undertaking a nationally appropriate CPEIR.

An added component of these webinars is the inclusion of practical experience sharing between countries that have undertaken similar processes. This helps strengthen implementation in countries that are new to the work.

Technical review sessions

The hosting of technical review sessions in line with the relevant work programmes of the Climate Change Programme is a central component of the CCFAH model. This supports the replication potential of initiatives and builds on the wealth of internal experience for more effective delivery in member countries.

For instance, in developing the Climate Finance Strategy for Belize, such review sessions were hosted to facilitate discussion aimed at identifying strengths and gaps, which contributed to the development of a more comprehensive strategy for the Government.

Similar technical review sessions have been hosted around the Commonwealth Call to Action on Living Lands (CALL), thereby utilising the knowledge of the CCFAH across regions in shaping the programme development and implementation plan in a manner that meets the needs of a wider cross-section of member countries.

Bitrix online platform

Bitrix is a centralised, easily accessible communication system for information storage and sharing. It is a useful tool, particularly for multilateral entities to coordinate day-to-day operations. The

Commonwealth Climate Change Programme uses a Bitrix Online Platform to serve as a data repository for project documentation, events and experiences.

This supports Commonwealth climate finance advisers by making it easy to retrieve useful materials such as project information notes (PIFs) and previous project proposals. In addition, instant feedback and communication through this platform allow for timely synchronised responses across the entire Hub.

Given the continuous growth of the CCFAH with new advisers, the virtual platform serves as a

useful starting point to support the rapid rollout of in-country work.

CCFAH as a collective is well positioned to be a primary technical advisory tool for member countries for delivery of training services, development of policies and frameworks and the accumulation of climate finance experiences and best practices across regions. CCFAH resources to support member country efforts are publicly available on the programme's website.

Annex 1. Dedicated Climate Funds and Requirements

Global Environment Facility (GEF)	Summary	The GEF aims to help developing countries and economies in transition contribute to the overall objective of the UNFCCC to mitigate climate change, while enabling sustainable economic development. The GEF is intended to cover the incremental costs of measures to address environmental issues such as climate change relative to a business-as-usual baseline.
	Focus	Mitigation, adaptation and cross-cutting activities
	Activities supported	Agriculture, ecosystem adaptation, education, energy efficiency, forestry and land-use, industry and infrastructure, renewable energy, rural transportation, urban waste management, oceans and coastal resources, disaster risk reduction, health, gender, jobs and livelihoods, poverty, water
	Financing instruments	Grants, concessional loans, equity, guarantees
	Co-financing requirements	The GEF has co-financing requirements as per its co-financing policy. ⁵⁷ Sources of co-financing could include domestic and international public and private sources.
	ESS requirements	See Global Environment Facility.
	Eligibility criteria	A country is an eligible recipient of GEF grants if it is eligible to receive World Bank — International Bank for Reconstruction and Development (IBRD) and/or International Development Association (IDA) —financing if it is an eligible recipient of United Nations Development Fund (UNDP) technical assistance through its target for resource assignments from the core (specifically TRAC-1 and/or TRAC-2). All developing country Parties (non-Annex I Parties) to the UNFCCC as well as certain countries with economies in transition are eligible for GEF financing. (See also GEF Instrument for more information.)
	Accessing the Fund	Funds: GEF Trust Fund, GEF Small Grants Program, Least Developed Countries Fund, Special Climate Change Fund Modalities: Full-sized projects, medium-sized projects, enabling activities, national portfolio formulation exercises and convention reports, programmatic approaches GEF resources can be accessed through accredited GEF agencies or, in the case of certain enabling activities, through a direct access modality. The GEF project and programmatic approach cycles are described in detail on the GEF website. The GEF country support programme assists member countries in programming and accessing GEF resources.
	Website	https://www.thegef.org/
Links to additional resources	<ul style="list-style-type: none"> • Toolkit to Enhance Access to Adaptation Finance • Country Support Programme Toolkit • Accessing GEF Funding 	

⁵⁷ See: <https://www.thegef.org/documents/co-financing>

Green Climate Fund (GCF)	Summary	The mandate of the GCF is to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their GHG emissions and adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.
	Focus	Mitigation, adaptation and cross-cutting activities
	Activities supported	Energy generation and access; transport; forests and land use; buildings, cities, industries and appliances; health, food and water security; livelihoods of people and communities; infrastructure and built environment; ecosystems and ecosystem services
	Financing instruments	Grants, concessional loans, equity, guarantees
	Co-financing requirements	Co-financing is not required for GCF projects — the GCF can pay the entire cost of a project if it deems that to be justified. However, it does consider the amount of co-financing available when assessing the potential efficiency and effectiveness of a proposed project and, in practice, projects greater than USD 10 million are usually co-financed. Moreover, private sector actors in particular can expect to be required to show that they will utilise GCF finance to mobilise additional resources.
	ESS requirements	See: Green Climate Fund
	Eligibility criteria	All developing country Parties to the UNFCCC are eligible to receive resources from the GCF. The Fund finances the agreed full and agreed incremental costs of activities to enable and support enhanced action on adaptation, mitigation (including REDD+), technology development and transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries.
	Accessing the Fund	Funding windows: Mitigation and adaptation projects, private sector facility, REDD+ results-based payment programme, project preparation facility and Readiness Program. Modalities: GCF resources can be accessed via direct access entities (regional or national entities) or indirectly through international accredited entities. Finance can also be accessed via the simplified approval process and enhanced direct access modalities.
	Website	https://www.greenclimate.fund/
	Links to additional resources	<ul style="list-style-type: none"> • GCF Programming Manual: An Introduction to the Green Climate Fund Project Cycle and Project Development Tools for Full-Size Projects • GCF Handbook: Decisions, Policies and Frameworks • Green Climate Fund Proposal Toolkit 2020: Toolkit to Develop a Project Proposal for the GCF

Adaptation Fund (AF)	Summary	The AF was established to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change. It predominantly supports food security, agriculture, water management and disaster risk reduction projects for the promotion of community resilience.
	Focus	Adaptation
	Activities supported	Water resource management, land management, agriculture, health, infrastructure development, fragile ecosystems, integrated coastal zone management, climate forecasting and early warning systems and supporting capacity building, including institutional capacity for preventative measures, planning, preparedness and management of disasters related to climate change
	Financing instruments	Grants
	Co-financing requirements	The AF does not require co-financing for the projects it funds. The principal and explicit aim of the project should be to adapt and to increase the resilience of a specific system or communities to the adverse effects of climate change and variability.
	ESS requirements	See: Adaptation Fund
	Eligibility criteria	Eligible countries are developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change, including low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.
	Accessing the Fund	Modalities: Enhanced direct access, large grants, micro-grants
	Website	https://www.adaptation-fund.org/
	Links to additional resources	<ul style="list-style-type: none"> • Accessing Resources from the Adaptation Fund Handbook • National Implementing Entity Accreditation Toolkit

Climate Investment Funds (CIF)	Summary	<p>The CIF is comprised of two multi-donor trust funds: (i) the Clean Technology Fund (CTF); and (ii) the Strategic Climate Fund (SCF). The CTF provides emerging economies with scaled-up financing for the demonstration, deployment and transfer of low-carbon technologies with a significant potential for long-term GHG emission savings.</p> <p>CIF's resources are disbursed through MDBs to recipient countries in two ways: as technical assistance and advisory services for public and private sector operations, often through non-reimbursable grants; and as investments, deployed through a variety of instruments such as senior concessional loans, subordinated loans/ mezzanine instruments, equity, convertible grants and contingent recovery grants, investment grants and guarantees.</p>
	Focus	Mitigation, adaptation and cross-cutting activities
	Activities supported	Clean technologies, energy access, climate resilience, sustainable forests, the transition from coal, climate-smart cities, nature-based solutions, industry decarbonisation and renewable energy integration
	Financing instruments	Grants, contingent grants, concessional loans, market-rate loans, equity, guarantees
	Co-financing requirements	<p>Investments should leverage additional financial resources, including from the private sector where feasible.</p> <p>Co-financing from the CIF may be provided through a variety of financing instruments utilised by MDBs for investment and development policy lending.</p>
	Accessing the Fund	Funding windows: Scaling Up Renewable Energy in Low Income Countries Program (SREP), Clean Technology Fund (CTF), Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR)
	Website	https://www.climateinvestmentfunds.org/
	Links to additional resources	<ul style="list-style-type: none"> • CIF Forest Investment Program Monitoring & Review Toolkit • SREP Monitoring and Reporting Toolkit • PPCR Monitoring and Reporting Toolkit • CTF Monitoring and Reporting Toolkit • Designing for Transformation: Toolkit

Adaptation for Smallholder Agriculture Programme (ASAP)⁵⁸	Summary	This is main programme of the International Fund for Agricultural Development (IFAD) for channelling climate and environmental finance to smallholder farmers so they can access the information tools and technologies that help build their resilience to climate change.
	Focus	Mitigation, adaptation and cross-cutting activities
	Financing instruments	ASAP provides only grant financing via two types: <ul style="list-style-type: none"> • Global and regional grants driven by thematic and regional corporate level strategic priorities; • Grants for activities implemented in specific countries (focus on strengthening institutional, implementation and policy capacities on innovating in thematic areas)
	Accessing the Fund	ASAP grants are joined with IFAD baseline investments, which are implemented by government entities. The programming of ASAP funds follows the IFAD project design cycle and is fully aligned with regular IFAD procedures and safeguards. Therefore, ASAP does not employ specific application procedures like other funds such as issuing calls for proposals. There is no formal accrediting process for ASAP implementing partners.
	Website	https://www.ifad.org/en/asap-enhanced

In addition to these major funds, several multilateral development banks (MDBs) and agencies also provide various climate change-related funding windows to support a wide range of activities across all sectors.

Agency	Website
World Bank	https://www.worldbank.org/
African Development Bank (AfDB)	https://www.afdb.org/en
Asian Development Bank (ADB)	https://www.adb.org/
International Finance Corporation (IFC)	https://www.ifc.org
United Nations Development Programme (UNDP)	https://www.undp.org/
Food and Agriculture Organization of the United Nations (FAO)	http://www.fao.org/home/en/
International Fund for Agricultural Development (IFAD)	https://www.ifad.org/en/
World Meteorological Organization (WMO)	https://public.wmo.int/en
Global Green Growth Institute (GGGI)	https://gggi.org/
International Renewable Energy Agency (IRENA)	https://www.irena.org/

⁵⁸ An Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) to apply lessons learned from the first two ASAP phases has been proposed from 2021 with a finance mobilisation target of USD 500 million. See: <https://www.ifad.org/en/asap-enhanced>

Annex 2. Tools for Determining Project Economic and Financial Viability

Different funds and climate finance providers will have specific requirements, which should be determined prior to analysis.

Economic analysis⁵⁹

Economic analysis is carried out from the perspective of the entire economy and assesses the overall impact of a project on the welfare of all the citizens of the country. Its purpose is to assess whether a project is economically viable for the country.

a. Demand analysis

As part of the project preparation or feasibility study, demand analysis establishes the existing and future consumer demand for goods and services to be produced by a project and provides a basis for estimating the economic benefits. A project that fails to attract an adequate level of demand for its output, at an appropriate price, will not operate efficiently and will be a misuse of scarce resources. Market research and user surveys can be undertaken to estimate demand at different price levels. Project demand should also be assessed in the context of the likely total future demand for and supply of the product to establish how far it will take market share from existing producers and whether its output will have an impact on the market price. Decisions on project scale should allow for the impact of proposed tariffs on the level and timing of project demand.

b. Alternative analysis

Economic efficiency requires that the proposed project represent the most efficient option among available feasible alternatives for addressing the identified problem. In many cases, this means that it

should have the lowest discounted cost per unit of output or outcome. However, when project alternatives have very different benefit flows — for example, because of quality differences — alternative analysis cannot be based on the cost comparison alone, and the most efficient project option is the one with the highest expected net present value (ENPV), provided that its investment is within budget. Alternative analysis should be carried out as part of the project preparation. In some cases, it may be supplemented by multi-criteria analysis, depending on the data available.

c. Multi-criteria analysis

Multi-criteria analysis (MCA) is used to assess the different investment alternatives available to achieve a given set of outcomes. Typically, the appraiser would have a predefined set of criteria that are aligned to the intended outcomes of the proposed investment, with weights assigned to each criterion. In cases where standard cost–benefit analysis or cost–effectiveness analysis is not possible or inadequate, MCA helps to decide the most preferred option among investment alternatives with clearly laid-out criteria and transparency.

d. Cost–benefit analysis

Estimating economic benefits and costs associated with the proposed project requires establishing the 'with project' and 'without project' scenarios and comparing the two. The without project scenario is not necessarily the business-as-usual case, as there may be instances where the current position is untenable and some steps toward mitigation are needed even without the proposed project. Monetary values of project benefits and costs associated with outputs and inputs must be identified in the years in which they arise. Any external influences affecting the rest of the economy but not reflected in market transactions by the project itself —

59 Asian Development Bank (ADB) (2017) *Guidelines for the Economic Analysis of Projects*. Manila, Philippines: ADB. <https://www.adb.org/sites/default/files/institutional-document/32256/economic-analysis-projects.pdf>

such as adverse or beneficial environmental impacts where they can be identified — must also be included.

Economic valuation of project benefits and costs involves converting their financial values into economic values, also known as 'shadow pricing'. This conversion requires the economic prices of project outputs and inputs to be estimated.

The calculation of benefits differs between sectors, and there are established methodologies for estimating economic benefits. For climate change projects, a value can be placed on GHG emissions, either as benefits where a project reduces emissions or costs where it increases them.

The ENPV and the economic internal rate of return (EIRR) should be calculated for all projects in which benefits can be valued. The general criterion for accepting a project is achieving a positive ENPV discounted at the minimum required EIRR or achieving the minimum required EIRR. The fund may have requirements of the EIRR. Where a project's benefits cannot be adequately quantified in monetary terms, its cost-effectiveness must be demonstrated as part of alternative analysis.

e. **Risk and sensitivity analysis**

Project economic analysis should highlight the factors that are important to the success of the project but subject to risk, the sources of risk and possible mitigating measures. Sensitivity analysis must assess the impact of changing values of the different parameters on project outcome. Switching values — showing the change in a parameter required for the project decision to shift from acceptance to rejection — should be presented for key parameters. Project economic analysis may draw on ex-post evaluation results for similar projects to assess the likelihood of these switching values actually occurring. For projects that involve large investment, a quantitative risk analysis applying a probability distribution to key variables can be applied.

Financial analysis

These analyses help establish whether a project is intrinsically viable — this is can the project generate sufficient internal cash resources to fully cover all

costs, including debt service. Projects that are not intrinsically viable will need external support for operations and maintenance and/or debt servicing to be sustainable. The extent and nature of the analysis varies with the financing modality and nature of the project.

a. **Incremental recurrent cost analysis and financial statement analysis**

There are two broad methods for conducting financial analysis: (i) incremental recurrent cost analysis; and (ii) financial statement analysis. Where the implementing entity is a government agency, the financial analysis involves assessing whether it will have adequate cash resources to finance incremental recurrent costs. Where the implementing entity is a public corporation, or a private sector or other non-governmental entity, the financial analysis is based on an analysis of historical and projected financial statements.

b. **Financial cost-benefit analysis**

Where a project is intended to recover all costs without external support, financial evaluation is required to assess the financial viability of the project. Cost recovery should not be dependent on any unpredictable subsidy or external support. The project must recover costs through user charges, improved efficiency leading to lower costs or other predictable revenue sources (e.g., earmarked taxes and feed-in tariffs).

This can be broken down into the following steps:⁶⁰

- i. Preparation of project cost estimates
- ii. Forecasting incremental project net cash flows
- iii. Determining the appropriate discount rate, usually the weighted average cost of capital (WACC)
- iv. Calculating the financial net present value (FNPV) at the WACC and the Financial Internal Rate of Return, the discount rate at which FNPV is equal to zero
- v. Undertaking risk and sensitivity analysis.

⁶⁰ These steps are outlined in detail in Asian Development Bank (ADB) (2019) *Financial Analysis and Evaluation: Technical Guidance Note*. Manila, Philippines: ADB. <https://www.adb.org/sites/default/files/institutional-document/535126/financial-analysis-evaluation-guidance-note.pdf>

Annex 3. Tools for Calculating the Incremental Cost of a Project

The use of incremental costs, and the need to compare the proposed intervention to a baseline project scenario, provide a clear and transparent framework to directly link the proposed activities with climate change.

Qualitative methodology

Proposals should include:

- A detailed description of the baseline project scenario, assessing ongoing and planned activities and identifying differences in lifecycle costs between the proposed project and the baseline project
- A clear identification of project components and associated costs that are directly related to climate change
- An explanation of how the proposed incremental investments will achieve mitigation or adaptation results or reduce barriers to climate change-related activities.

Qualitative approaches connected to a strong theory of change should, at a minimum, be used for proposals, while quantitative approaches should be used when sufficient data are available. These approaches should use baseline scenarios to quantify the incremental costs of the supported interventions. Such data are likely to be available for mitigation projects. However, it may not be feasible for innovative, transformational projects that rely on policy changes to achieve a paradigm shift.

Quantitative methodology

When sufficient data and capacity are available, quantitative estimates of incremental costs should be developed in concert with the economic analysis, which forecasts the costs and benefits of the proposed project over its estimated economic lifetime. Each economic analysis will forecast three scenarios:

- The counterfactual scenario that would exist without the project
- The project scenario, in which the project is implemented with climate considerations
- The baseline project scenario, in which a similar project is implemented without climate considerations.

The incremental costs would be calculated as the costs in the project scenario minus the costs in the baseline project scenario. In some cases, the baseline project scenario would be identical to the counterfactual scenario, effectively making all costs incremental and eligible for funding on the basis of both full and incremental costs.

These calculations can be submitted in a spreadsheet with underlying assumptions, based on the specific climate fund requirements.

Annex 4. Good Practices to Strengthen Climate Readiness

Category	Good practices
Country ownership	<ul style="list-style-type: none"> • Elaborating how the support will respond to and advance NDCs, NAPs and national development plans • Articulating the focus of the proposal based on specified gaps in information and planning, including based on stocktaking and situational analysis where relevant • Deepening sectoral, geographic or impact-specific planning (including sectoral and local-level planning) within the context of a broader national vision to produce precise and implementation-ready planning • Building on and strengthening current policy and institutional frameworks that will support implementation of projects and programmes
Theory of change	<ul style="list-style-type: none"> • Strong logical framework with clear causal link between outcomes, outputs and activities • Illustrating how each outcome and its outputs and activities will achieve the stated objectives, ideally using a simple graphic • Articulating how the proposed activities will address priorities identified in the NDC, NAP and national and sectoral plans and strategies • Defining how the support requested will contribute to strengthening durable institutional capacities to implement programmes and projects
Avoidance of duplication of effort	<ul style="list-style-type: none"> • Starting where other readiness, NAP and/or other adaptation planning processes left off and clarifying how the proposal adds to these in addition to the approved grants to the country • Focusing any new assessments and methodologies on critical information gaps and institutionalising these approaches • Prioritising the use of existing information to communicate and engage with private and public decision-makers at different levels • Articulating how new proposals for readiness support will build on and link with previous, existing national and sub-national planning processes • Articulating how the readiness activities will build on and further catalyse ongoing awareness-building activities for mitigation and adaptation investment • Describing whether the country has already assessed capacity and information needs at the national and sub-national levels

Category	Good practices
Gender considerations	<ul style="list-style-type: none"> • Building social dimensions, including differences based on gender, into proposed activities • Articulating how social dimensions, including differences based on gender, will be integrated into the proposed activities, including communication materials • Collecting and managing sex-disaggregated information to inform planning and programming processes
Private sector investment strategy	<ul style="list-style-type: none"> • Producing the evidence base that supports the business case for private investment in low-emission and climate-resilient development • Defining a sustainable finance sector investment strategy • Communicating tailored climate information to attract private sector investment for adaptation and raise awareness on resilience building • Engaging with the finance sector to develop new financial products, blended finance approaches and/or service markets that accelerate uptake of climate technologies • Catalysing private-public partnerships for adaptation action
Monitoring and evaluation	<ul style="list-style-type: none"> • Designing a results-based framework supported by quantitative indicators to track and monitor progress and evaluate performance against specified targets over time, across sectors and scales • Developing capacity to access and utilise data to conduct monitoring and evaluation • Establishing a mechanism for operationalising impact measures and evaluation across different sectors, agencies and levels of government • Integrating planning measures and evaluation within existing mechanisms • Defining a contingency plan for monitoring risks that can affect implementation of mitigation and adaptation efforts • Strengthening approaches to learning and iterative management-based adaptation measures and evaluation
Complementarity and coherence between funds	<ul style="list-style-type: none"> • Indicating the financial support that has been received or is foreseen for readiness-type activities, including the development of a NAP or other national adaptation planning processes • Identifying how climate finance is complementary to other sources of funding • Enhancing channels for communication between different focal points for different climate funds • Developing investment plans, such as the GCF Country Programme, to utilise opportunities across the climate finance landscape.

Category	Good practices
Stakeholder engagement	<ul style="list-style-type: none"> • Clearly defining the beneficiaries of the proposed intervention • Defining a clear mechanism for stakeholder engagement and coordination, including for the iterative adaptation planning process, including a focus on private sector, sub-national governments and civil society organisations • Communicating climate mitigation potentials, climate impacts, risks and vulnerability information to key stakeholders, including the private sector, in compelling and easy-to-use formats • Establishing and/or strengthening existing institutional arrangements to increase the effectiveness of mitigation and adaptation implementation, including at the local level, and to reduce transaction costs and barriers for private sector investment • Integrating stakeholder engagement processes within existing broader development planning and coordination mechanisms • Integrating stakeholders through a new or existing broader structured communication strategy showcasing resilience-building actions • Ensuring that engagement of stakeholders is sensitive to gender issues and representation and social inclusiveness and considers vulnerable groups and/or communities
Plan to address specific vulnerabilities and climate impacts	<ul style="list-style-type: none"> • Designing activities to address specific climate impacts and vulnerabilities based on localised climate risk mapping and assessment • Conducting localised analysis of climate impacts as well as the vulnerability of specific economic activities and populations to these impacts • Analysing the barriers to addressing identified vulnerabilities and the actions needed to address them • Prioritising adaptation actions as well as explicit programmes and project ideas to address the specified impacts and vulnerabilities, including consideration of financial costs and climate impacts of different options • Engaging private sector and public decision-makers, including at local levels, in planning based on accessible climate impact and vulnerability information

Category	Good practices
Adaptation financing strategy	<ul style="list-style-type: none"> • Developing a strategy that defines high potential funding sources for specified areas of adaptation action, including private and public, domestic and international sources • Developing a prioritised pipeline of adaptation programmes and project ideas, as well as concept notes for submission to climate finance providers, using relevant prioritisation criteria as needed from existing methodologies • Prioritising projects through a broad consultation process with relevant stakeholders, under the leadership of the climate change department and relevant government stakeholders • Considering a combination of funding options from taxes (public resources), tariffs (private payments) and transfers (international cooperation) as well as financing of up-front capital to be repaid over a period of time • Making use of financial instruments such as loans, bonds, equity and others • Exploring blended finance options to use development finance or philanthropy to mobilise private financing for adaptation • Defining an adaptation planning sustainability strategy regarding how relevant adaptation planning activities will be sustained after climate funds are spent, including the updating of datasets, retention of knowledge, complementarity with existing web-based platforms and actors trained through the process
Budget and procurement	<ul style="list-style-type: none"> • Ensuring the efficient use of resources that will deliver the outcomes with the highest value for money, including by building on existing initiatives and partnering with complementary projects and programmes • Benchmarking proposed costs for project-specific items (consultant fees, workshop costs, etc.) against relevant national costs • Submitting proposals with complete budget notes and procurement plans that reflect the implementation schedule of proposed activities
Results-based management	<ul style="list-style-type: none"> • Planning deliverables per each outcome that clearly evidence the achievement of proposed targets • Grounding baselines and targets as well as the nature and type of deliverables that can speak to the impact resulting from the proposed activities in tangible terms (e.g., a survey, testimony or regular follow-ups with the stakeholders are preferable to the meeting minutes of stakeholder engagement workshops) • Incorporating measures for the generation of knowledge through the implementation of the activities and ensuring it is captured, shared and used to inform and improve the capacity and technical skills of stakeholders • Building into project activities a framework for the sustainability of support beyond the life of the proposed readiness/ adaptation planning intervention.

Annex 5. Readiness Proposal Quality Assurance Checklist⁶¹

SECTION 1 – Summary		Yes/No
1	Is the objective of the proposed support clearly described?	
2	Have the gaps and challenges been identified and mitigation measures included in the proposal?	
3	Is there a clear statement defining the intended beneficiaries of the proposal?	
SECTION 2 – Situation analysis		
4	Is the institutional, policy and programming context of the project described?	
5	Does the section contain a clear definition of the problem(s) to be addressed by readiness support?	
6	Does the section include a description of how the proposed support will be delivered in complementarity with other readiness support, including support from other development partners?	
SECTION 3 – Logical framework		
7	Are the outcomes drawn directly from the Board-approved list of outcomes?	
8	Are the outputs clearly specified and linked to the relevant outcome?	
9	Are the baseline and targets set with clarity and are they measurable?	
10	Do the planned activities have a clear linkage to the relevant output?	
11	Are the activities accompanied by specific and tangible deliverables?	
SECTION 4 – Theory of change		
12	Does the proposal contain both a theory of change diagram and a narrative?	
13	Is the theory of change in an acceptable format and does it contain necessary elements as described in template/ guidebook?	
SECTION 5 – Budget, procurement, implementation and disbursement		
14	Is the budget prepared as per the template?	
15	Is the delivery partner fee budgeted within the approved fee cap (8.5 per cent)?	
16	Is the project management cost budgeted within the approved cap with detailed cost breakdown (7.5 per cent)?	
17	Is the budget plan in sync with the implementation schedule and activities proposed?	
18	Is the procurement plan prepared as per the recommended template?	
19	Are consultant positions stated in the procurement plan accompanied by number of working days and daily rate?	
20	Has the implementation period been clearly spelled out in the proposal?	
21	Has an implementation schedule with activities, milestones, deliverables and timelines been provided?	
22	Is the disbursement schedule in sync with the implementation schedule?	

61 Green Climate Fund (GCF) (2020) 'Readiness and Preparatory Support Programme Guidebook'. Incheon, Republic of Korea: GCF. <https://www.greenclimate.fund/sites/default/files/document/readiness-guidebook.pdf>

SECTION 1 – Summary		Yes/No
SECTION 6 – Implementation arrangements and other information		
6.1 – Implementation arrangements		
23	Is the implementation arrangement clearly spelled out with clear roles and responsibilities of all stakeholders involved?	
24	Does the implementation arrangement outline the role of NDA/ focal point?	
25	Is there a graphic mapping the organisations involved, the flow of funds and the flow of information between the parties involved?	
6.2 – Implementation and execution roles and responsibilities		
26	Is there a clear distinction between entities/ individuals involved in implementation and those involved in execution?	
27	Is there an explanation of the roles and qualifications of technical staff and consultants to be procured for completion of activities, such as terms of reference?	
6.3 – Risks and mitigation measures		
28	Does the proposal describe the information on any prior relationship between the delivery partner and the NDA?	
29	Will any existing operating manuals or similar documents of the NDA and/or delivery partner be used as part of the implementation arrangements?	
6.4 – Monitoring		
30	Are the monitoring and reporting requirements and the responsible party clearly spelled out?	
31	Does the proposal contain a mechanism for monitoring and evaluation?	
6.5 – Other relevant information		
32	Is there a sustainability/ exit plan in place to capture lessons learned and knowledge?	
33	Does the proposal provide a mechanism to transfer skills and knowledge to the NDA or other relevant national stakeholders?	

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