Concept Note
User's Guide

GREEN CLIMATE FUND

Introduction

The objective of this user's guide is to assist Accredited Entities (AEs) and interested National Designated Authorities (NDAs) to develop a concept note to be submitted to the Green Climate Fund.

The concept note presents a summary of a proposed project/programme to the GCF in order to receive feedback from the Secretariat on whether the concept is aligned with the GCF's objectives, policies and investment criteria. The feedback will provide information to further develop and strengthen the project/programme idea.

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

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

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

Kindly note that the feedback provided by the Secretariat does not represent acceptance or commitment to provide financial resources in respect of a specific project/programme. Funding decisions can only be made by the GCF's Board, taking into account various factors, including technical, financial, environmental, social, gender and legal aspects. The GCF Secretariat only submits to the Board for its consideration those funding proposals whose approval has been recommended by both the independent Technical Advisory Panel (iTAP) and the Secretariat.

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

The concept note is not mandatory but strongly encouraged to promote early feedback from the GCF Secretariat, to streamline with the Project Preparation Facility (PPF), and to allow for a faster review process.

Glossary

Accredited entity (AE): An entity that is accredited by the GCF Board in accordance with the Governing Instrument and relevant Board Decisions. Please refer to the *accredited entity directory* to see the full list of AEs.

Accreditation Master Agreement (AMA): an agreement signed between an accredited entity and the GCF that is a pre-requisite for the disbursement of funds for a GCF-approved project. It contains the general terms and conditions applicable to all GCF-funded activities of the AE including conditions precedent to disbursement, fiduciary standards, and privileges and immunities.

Concept note (CN): A document which provides essential information about a proposal to seek feedback on whether the concept is aligned with the objectives, policies and investment criteria of the GCF. The *concept note template* can be downloaded from the GCF website.

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

Entity Work Programme (EWP): a document developed by accredited entities with support from the Country Programming Division of the GCF that provides an overview of the AE's areas of work, priority sectors and experience in implementing projects and programmes across the GCF's eight Strategic Impact Areas. It also summarizes their indicative projects as well as programmes and outlines an action plan for engagement with the GCF.

Executing entity (EE): An entity through which GCF proceeds are channelled for the purposes of a funded activity or part thereof; and/or any entity that executes, carries out or implements a funded activity, or any part thereof. An accredited entity may carry out the functions of an executing entity, though it is preferable if local and national actors execute projects/programmes.

Financial instruments: A total of six financial instruments in the GCF that can be utilized through different modalities and at various stages of the financing cycle: grants, reimbursable grants, senior loans, subordinated loans, guarantees, and equity investments. A project/programme may include one or multiple financial instruments.

Focal point: An individual or authority designated by a developing country party to the United Nations Framework Convention on Climate Change (UNFCCC) to fulfil all functions of a National Designated Authority (NDA) on a temporary basis, until it has designated an NDA.

Funding proposal (FP): A document that is submitted by entities who want to get access to GCF resources for climate change projects and programmes. Funding Proposals can be submitted to the GCF at any time or as a response to a Request for Proposals (RFP). Funding Proposals that are submitted to GCF are subject to a review process, culminating in a decision by the GCF Board as to whether to support the project.

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

Independent Technical Advisory Panel (iTAP): A panel responsible for conducting technical assessments of funding proposals after the internal review of the GCF Secretariat and before submission to the GCF Board.

National Designated Authority (NDA): A core interface and the main point of communication between a country and the GCF. The NDA seeks to ensure that activities supported by the GCF align with strategic national objectives and priorities, and help advance ambitious action on adaptation and mitigation in line with national needs. A key role of NDAs is to provide letters of nomination to direct access entities. Please refer to the *country directory* to see the full list of NDAs.

Project Preparation Facility (PPF): A funding window that supports AEs in project and programme preparation. It covers pre-feasibility and feasibility studies; project design; environmental, social and gender studies; risk assessments; and other project preparation activities, where necessary, provided that sufficient justification is available. The PPF is designed in particular to support Direct Access Entities for projects in the micro-to-small size category. Refer to the *PPF request template* for more information.

Request for Proposals (RFP): On occasion, the GCF Board may call for Requests for Proposals to guide the development of the GCF portfolio in specific areas in accordance with the initial strategic plan. RFPs have specific eligibility standards. Entities that are not yet accredited by the GCF can submit proposals to the Fund as a response to RFPs. It is possible to check ongoing *Request for Proposals* through the GCF website.

Result areas: Eight result/impact areas which will deliver major mitigation and adaptation benefits in the developing world to promote a paradigm shift towards low-emission and climate-resilient development. Mitigation includes four result areas, namely low-emission energy access and power generation; low-emission transport; energy efficient building, cities and industries; and sustainable land use and forest management. Adaptation covers the other four, namely enhanced livelihoods of the most vulnerable people, communities and regions; increased health and well-being, and food and water security; resilient infrastructure and built environment to climate change threats; and resilient ecosystems. All proposals must reflect one or more of the result/impact areas. More on these result areas can be found in this document: *Mitigation and Adaptation Performance Measurement Frameworks*.

Simplified Approval Process (SAP): A process for small-scale low risk proposals which allots less time and effort from both the entity and GCF to go from project conception to implementation. The documentation to be provided is reduced while the review and approval processes are streamlined. The SAP has three main eligibility criteria including a GCF contribution of up to USD 10 million; an ESS category of minimal to none; and a potential for scaling-up, transformation and promotion of a paradigm shift to low-emission and climate-resilient development. Further information on the *Simplified Approval Process*, including a SAP concept note template with an ESS checklist, is available on the GCF website.

User's Guide

Cover Page

The cover page of the concept note displays basic information about the proposed project or programme.

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

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

National designated authority(ies): Insert the name of the National Designated Authority or the focal point as a national-level interface with the GCF.

Accredited entity: Insert the name of the entity that has been accredited by GCF's Board.

Date of first submission: Insert date of the first submission of the concept note to the GCF.

Date of current submission/version number: Insert date of current submission of the concept note to the GCF followed by the version number which pertains to the number of times the concept note has been submitted to GCF.

A. Project/Programme Summary

Section A of the concept note intends to obtain essential information about the proposed project or programme.

A.1. Project or programme: Check appropriate box indicating whether the proposal is associated with a project or a programme. If the proposal refers to a combination of multiple projects, then it is considered a programme.

A.2. Public or private sector: Indicate whether the proposal is associated with an organization from the public sector or the private sector.

A.3. Is the concept note submitted in response to a Request for Proposals (RFP): Indicate whether the proposal was submitted in response to an RFP. If the answer is yes, write the specific RFP which the proposal is responding to (e.g. Micro-, Small-, Medium-sized Enterprises Pilot Programme).

A.4. Confidentiality: Indicate whether the proposal should be kept confidential. Concept notes not marked as confidential will be published in accordance with the GCF's Information Disclosure Policy and Review of the Initial Proposal Approval Process.

A.5. Indicate the result areas for the project/programme: Mark the result areas that are applicable to the proposed project/programme. As shown in the checklist, there are eight result areas: four mitigation and four adaptation. In some cases, proposed projects/ programmes may bring multiple co-benefits and several result areas. For example, efforts to invest in climate-compatible cities may deliver impacts related to emission reductions from low emission transport as well as from buildings, cities, industries and appliances. They may also support adaptation, particularly by helping to strengthen the resilience of the livelihoods of urban people and communities; and to increase the resilience of urban infrastructure. In this case, a total of four boxes can be ticked. If the proposal aims to bring both mitigation and adaptation result areas, then it is considered a cross-cutting project/programme. Refer to the GCF's *Performance Measurement Frameworks*.

A.6. Estimated mitigation impact: Provide an estimate of total tons of CO_2 equivalent to be avoided or reduced per annum. Refer to the GCF *Investment Framework* on how to calculate or measure this . The methodology for measuring the mitigation benefits should be mentioned in the concept note, and elaborated further in the funding proposal.

A.7. Estimated adaptation impact: Provide the expected total number of direct and indirect beneficiaries, and number of beneficiaries relative to total population.

A.8. Indicative total project cost: Specify the estimated total project cost that will cover all expenses for the successful implementation of the project including funding from the GCF and funding that will be co-financed.

A.9. Indicative GCF funding request: Specify the estimated funding to be requested from the GCF.

A.10. Type of financial instrument requested for the GCF funding: Check the appropriate box to indicate which type of financial instrument/s is requested from the GCF. The financial instruments are grants, reimbursable grants, subordinated loans, senior loans, equity and guarantees. The proposal may not be limited to one type of financial instrument.

A.11. Estimated duration of project/programme: Indicate the expected duration of the disbursement period and/or the repayment period for the project/programme.

A.12. Estimated project/programme lifespan: Indicate the expected lifespan of the proposed project/programme in years. This refers to the total period over which the investment (infrastructures or benefits) is effective.

A.13. Is funding from the Project Preparation Facility (PPF) requested: Stipulate whether the project intends to get project preparation support from the GCF's PPF. See *here* for more information on the PPF. Also enumerate other institutions from which financial support was received for project preparation.

A.14. Environmental and social safeguards (ESS) category: Select the ESS category of the project/programme. Refer to the *Interim Environmental and Social Safeguards* of the GCF for more detailed information.

A.15. Is the concept note aligned with your accreditation standard: Indicate whether the concept note is aligned to the Accredited Entity (AE) accreditation standard based on the total project size category in million USD: micro (≤10), small (10<x≤50), medium (50<x≤250), and large (>250). Funding requested for the project/programme must not exceed the limit of the AE standard.

A.16. Has the concept note been shared with the National Development Authority (NDA): Specify whether the concept note has been shared with the NDA based on the location of the project/programme.

A.17. Accreditation Master Agreement (AMA) signed: If the concept note is submitted by an AE, indicate whether the AMA has already been signed. If not, specify the status of AMA negotiations and expected date of signing.

A.18. Is the concept note included in the Entity Work Programme (EWP): If the concept note is submitted by an AE, specify whether the programme/project is included in their Entity Work Programme. The Entity Work Programme is developed in collaboration with the Country Programming Division of the GCF. It is expected that projects/programmes submitted by AEs are aligned with their Entity Work Programmes.

A.19. Project/programmme rational, objectives and approach of project/programme: Brief summary of the problem statement and climate rationale, objective and selected implementation approach, including executing entity(ies) and other implementing partners.

B. Project/Programme Information

Section B intends to collect information to assess the economic and technical viability of the proposed project/programme. Please provide relevant details while adhering to the maximum number of pages. The information will be helpful for the review and assessment of the concept.

B.1. Context and baseline: Describe the climate vulnerabilities and impacts, greenhouse gas emissions profile, and mitigation and adaptation needs that the prospective intervention is expected to address. Indicate how the project is aligned with the country's national priorities and level of ownership the country will take in the implementation of the project/programme. Explain the project/programme's contribution in national climate strategies and other plans such as Nationally Appropriate Mitigation Actions, National Adaptation Plans or equivalent. Describe which priorities identified in these documents the proposed project is aiming to address and/or improve. Describe the main causes and barriers (social, gender, fiscal, regulatory, technological, financial, environmental, institutional, etc.) that need to be addressed. Where relevant, and particularly for private sector proposal, describe the key characteristics and dynamics of the sector or market in which the project/programme will operate.

B.2. Project/programme description (including objectives): Describe the expected set of components/outputs and subcomponents/activities to address the above barriers identified that will lead to the expected outcomes. In terms of rationale, please describe the theory of change and provide information on how it serves to shift the development pathway toward a more low-emissions and/or climate resilient direction, in line with the GCF's goals and objectives. Explain the climate rationale by describing the benefits of the proposed investment relative to the consequences of not making any investments. Describe how activities in the proposal are consistent with national regulatory and legal frameworks, if applicable. Describe in what way the accredited entity(ies) is well placed to undertake the planned activities and what will be the implementation arrangements with the executing entity(ies) and other relevant partners. Provide a brief overview of the key financial and operational risks and any mitigation measures identified at this stage.

B.3. Expected project results aligned with the GCF investment criteria: Provide information that enables an understanding of the project/programme's expected performance against the GCF's investment criteria, namely: impact potential; paradigm shift; sustainable development; needs of recipients; country ownership; and efficiency and effectiveness. Accredited entities should provide a brief description of the expected impacts of the proposed project/programme aligned with these criteria. For example, indicators should have specific values (e.g. 5 million tCO2eq to be reduced or avoided, or 500,000 expected direct beneficiaries) wherever possible. The GCF's Investment Framework also includes activity-specific sub-criteria and indicative assessment factors which may or may not be applicable or relevant for the proposed project/programme. Accredited entities are expected to respond to all six of the investment criteria but only the applicable and relevant sub-criteria and indicative assessment factors.

A detailed explanation of each criteria in the GCF's *Investment Framework* is provided below.

1. Impact potential:

Specify the climate mitigation and/or adaptation impact. The GCF's Investment Framework has four core indicators to which every concept note should respond, two of which are contained within the sub-section of impact potential, including:

- Mitigation core indicator: Total tons of CO_2 eq to be avoided or reduced per annum
- Adaptation core indicator: Expected total number of direct and indirect beneficiaries and number of beneficiaries relative to total population (e.g. total lives to be saved from disruption due to climate-related disasters)

The methodology used for calculating the above indicators and values should be provided. The GCF's *Investment Framework* details possible indicative assessment factors that may help entities to quantify impact potential. For example, a renewable energy project/programme may wish to provide the expected reduction of megawatts as a result of low-emission energy capacity installed, generated and/or rehabilitated. This is consistent with an indicative assessment factor within the Investment Framework, which contains a range of mitigation and adaptation factors to consider.

In addition to the core indicators above, accredited entities are encouraged to provide specific values for other indicators as they see relevant. Accredited entities may also wish to supplement the concept with more qualitative information, such as the degree to which the proposed activity avoids lock-in of long-lived, high-emission infrastructure (mitigation) or long-lived, climate-related infrastructure (adaptation). The accredited entity therefore has significant leeway to respond to quantitative and qualitative factors that will strengthen their concept note.

Finally, the accredited entity should provide a benchmark in a comparable context (e.g. country, sector and/or technology) against which the indicator(s) can be compared.

2. Paradigm shift potential:

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

- <u>Innovation:</u> innovative ideas or elements should be highlighted and described. For example, fostering new market segments, creation of business models and/or the development or adoption of new technologies. Innovation is context-specific, and the concept note should specify the circumstances in which the innovation takes place.
- <u>Potential for scaling-up and replication (e.g. multiples of initial impact size) for both mitigation and adaptation</u>: the concept note should present specific values for scaling-up and replication (e.g. a 30 megawatt hydroelectric power station that can be replicated at four different specific sites in the region). A proposal with a high potential for scaling-up, for example an early warning system for an individual province that can be scaled up to several surrounding provinces, should present a concrete plan to do so. A proposal with high replication potential, for example a hydroelectric power station in a region with several potential sites identified in a supporting technical study, should also present specific replication opportunities that can be explored. Scaling up and replication potential will have a number representing the multiples of initial impact size combined with supporting justification.
- <u>Potential for knowledge and learning</u>: any potential for knowledge sharing or learning at a project or institutional level should be highlighted. For example, if the project/programme will generate useful lessons learned, a plan should be elaborated that specifies how those lessons can then be captured and shared with other individuals, projects or institutions, including through the monitoring and evaluation of the project/programme.
- <u>Contribution to the creation of an enabling environment</u>: the sustainability of outcomes and results beyond the completion of the intervention should be highlighted. The concept note may elaborate on the arrangements that provide for long-term and financially sustainable continuation of key outcomes and activities. In cases where the planned activities do not generate financial reflows, a thorough explanation of long-term financial sustainability is needed. Accredited entities may also wish to highlight the aspects of market development

and transformation in which the project/programme creates new markets and business activities at the local, national or international levels. If the project/programme addresses or eliminates systematic barriers to low-carbon and climate resilient solutions, or changes incentives by reducing costs and risks, these aspects can be highlighted.

- Contribution to the regulatory framework and policies: if the project/programme advances national/local regulatory or legal frameworks and is expected to bring significant benefits in this regard, please elaborate. Of particular interest is the shifting or alignment of incentives to promote investment in low-emission or climate-resilient development, and/or the mainstreaming of climate change considerations into policies and regulatory frameworks at all decision-making levels.
- Overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans: show the degree to which the programme or project reduces proposed risks of investment in technologies and strategies that promote climate resilience in developing countries.

3. Sustainable development potential:

Provide the expected environmental, social and health, and economic co-benefits. Also provide the gender-sensitive development impact, which will aim to reduce gender inequalities in climate change impacts. These co-benefits and wider positive impacts may be drawn from an economic analysis of the proposed activities and can be strengthened with more qualitative factors. As with the impact potential indicators in a previous sub-section, quantitative sustainable development potential indicators are welcome and should be supported by an analysis or study. The calculation methodology should also be provided. Examples of sustainable development indicators include the following:

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

  The proposal should explain how project activities will address the needs of women and men in order to correct the prevailing inequalities. Accredited entities are strongly encouraged to create projects/programmes aligned with the objectives of GCF's *Gender Policy*, which include:

- (a) To achieve greater, more effective, sustainable, and equitable climate change results; and
- (b) To build equally women and men's resilience to and ability to address climate change; and
- (c) To address and mitigate against potential risks for women and men in projects; and
- (d) To help reduce the gender gap of climate change-exacerbated social, economic and environmental vulnerabilities.

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

4. Needs of recipient:

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

- <u>Vulnerability of the country and beneficiary groups (adaptation only)</u>: address the scale and intensity of exposure to climate risks for the beneficiary country and groups, which could include the exposure of people, social or economic assets or capital to risks derived from climate change. Exposure could be expressed in terms of size of population and/or social or economic assets or capital. The proposed activities may support specific beneficiary groups which are identified as particularly vulnerable in national climate or development strategies, which should then be highlighted with relevant sex disaggregation.
- <u>Economic and social development level of the country and affected population</u>: describe the level of social and economic development (including income level) of the country and target population. Examples of the target population may include minorities, disabled, elderly, children, female heads of households, indigenous peoples or others.
- <u>Absence of alternative sources of financing</u>: describe the barriers that have created the lack of alternative funding sources for the project/programme.
- <u>Needs for strengthening institutions and implementation capacity</u>: describe the opportunities to strengthen institutional and implementation capacity in relevant institutions

5. Country ownership:

Country ownership is fundamental to all concept notes submitted to the GCF. Provide details of the below, plus other relevant factors:

- <u>Coherence and alignment with the country's national climate strategy and priorities as well as other existing policies</u>: detail how its objectives are aligned with the priorities in the country's national climate strategy. Accredited entities may reference nationally appropriate mitigation actions (NAMAs), national adaptation plans (NAPs) technology needs assessments (TNAs) or others, as appropriate. Also describe the degree to which the activity is supported by a country's enabling policy and institutional framework, or includes policy or institutional changes.

- Capacity of accredited entities or executing entities to deliver: provide a brief description of accredited or executing entities (e.g. local developers, partners and service providers) and the roles these entities will play, respectively. The track record and relevant experience of the entities in similar or relevant project/programme circumstances can be elaborated.
- Stakeholder engagement process and feedback received from civil society organizations and other relevant stakeholders: emphasize the consultative process in the description of country ownership, both with the relevant national designated authority and with the wider group of stakeholders.

6. Efficiency and effectiveness:

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

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

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

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

- Financial adequacy and appropriateness of concessionality: along with the financial model and analysis, specify how the proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable, and further demonstrates that the structure provides the appropriate concessionality to make the proposal viable.
- Amount of co-financing: the ratio of co-financing (total amount of the GCF's investment as percentage of project) should be provided and detailed. For projects/programmes that may not leverage a significant level of up-front co-financing, the accredited entity may instead demonstrate a significant level of indirect or long-term investment mobilized as a result of the proposed activities.
- Financial viability and other financial indicators: indicators of particular interest include the economic rate of return (with vs. without the project) and the financial rate of return (with and without the GCF's support). Other financial indicators, including the debt service coverage ratio, may be provided as applicable. A description of the financial soundness in the long term beyond the GCF's intervention may also be helpful for the reader.

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

B.4. Engagement among the National Designated Authority, Accredited Entity, and/or other relevant stakeholders in the country: Describe any engagement undertaken among the NDAs, AEs and/or other relevant stakeholders in the country for the creation of the concept. Also detail future engagement that may take place as the concept is developed into a full funding proposal.

C. Indicative Financing/Cost Information

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

C.1. Financing by components: Provide an estimate of the total cost per component and disaggregate the source of financing.

- The '*Indicative total cost*' should be the sum of '*GCF financing*' amount and the '*Co-financing*' amount.
- On the '*GCF financing*', provide a breakdown by component and financial instrument. For each financing instrument, specify the amount. If you select '*senior loans*' and/or '*subordinated loans*', please specify tenor in years and pricing in percentage.
- On the '*Co-financing*' section, specify financial instrument; provide amount and indicate currency; list the name of institutions that provide support for the proposed project/programme.

C.2. Justification of GCF funding request: Explain why the project/programme requires GCF funding, i.e. explaining why this is not financed by the public and/ or private sector(s) of the country. Describe alternative funding options for the same activities being proposed in the concept note, including an analysis of the barriers for the potential beneficiaries to access to finance and the constraints of public and private sources of funding. Justify the rationale of the GCF financial instrument(s) as well as how this will be passed on to the end-users and beneficiaries. Describe in detail the mechanisms that will make this happen. Justify why this is the minimum required to make the investment viable and most efficient considering the incremental cost or risk premium of the project/programme. The justification for grants and reimbursable grants is mandatory. In the case of private sector proposal, concessional terms should be minimized and justified as per the guiding principles applicable to the private sector operations.

The concept note should include strong economic and financial justification for the grant elements and concessionality level that GCF provides. The concept note should describe – to the extent possible – how it will address all the guiding principles listed below:

- Grant elements should be tailored to incremental cost or the risk premium required to make the investment viable, or to cover specific activities such as technical assistance that cannot be financed otherwise.
- Seeking the right level of concessionality, so as not to displace investments that would otherwise have occurred, including for private sector investment and avoid crowding out commercial financing.
- Levels of indebtedness capacity of the recipient should be taken into account so as not to encourage excessive indebtedness.
- Structure terms on a case-by-case basis to address specific barriers.
- Leveraging of other financing, seeking to maximize potential leverage in the case of private financing.
- The grant element of concessional finance will be tailored to provide the appropriate incentive to facilitate the implementation of mitigation and adaptation activities.
- Concessional forms of finance will be designed to minimize market distortions and potential disincentives to private investment.
- The expertise and capacity of financial intermediaries and implementing entities in implementing similar projects successfully.
- The risk sharing between public and private investment, when relevant.
- The subsidy element provided through grants and/or concessional lending will be the minimum amount necessary to make the project or programme viable and help achieve the GCF's paradigm shift objective.
- Proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers.

C.3. Sustainability and replicability of the project: Explain how the project/programme sustainability will be ensured in the long run. Describe how this will be monitored after the project/programme is implemented with support from the GCF and other sources. For example, give a brief explanation of how the proposed activities will be continued after the grant has been fully disbursed. For non-grant instruments, explain how the capital invested will be repaid and over what duration of time. The monitoring procedures should comply with GCF requirements.

D. Supporting documents

Section D includes the documents which can be submitted with the concept note but are optional.

Map indicating the location of the project/programme
Diagram of theory of change
Economic and financial model with key assumptions and potential stressed scenarios
Pre-feasibility study
Evaluation report of previous project/s
Results of environmental and social risk screening