GCF Investment Criteria: Proposal evaluation criteria

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Background

• The Investment Criteria adopted by the Board in 2015 – Decision B.09/05
• Purpose: **To guide Evaluation and Selection of Project/ Programme proposals**
• Consist of:
  • 6 Investment Evaluation Criteria
  • Several Activity-specific sub-criteria
  • Several Indicative Assessment Factors under each sub-criteria

Funding proposals to **take due consideration of the investment criteria and the applicable and relevant activity-specific sub-criteria and indicative assessment factors**
1. Impact Potential

**Definition:** Potential of the programme/project to contribute to the achievement of the Fund’s objectives and result areas

- Impact coverage areas:
  - Mitigation Impact
  - Adaptation Impact
1.1. Mitigation Impact Criteria and Indicators (C&Is)

- Contribution to the shift to low-emission sustainable development pathways

- Expected Tons of Carbon Dioxide equivalent (tCO2eq) to be reduced or avoided

- Degree to which activity avoids lock-in of long-lived, high-emission infrastructure

- Expected increase in the number of households with access to low emission energy

- Degree to which project supports scaling up of low-emission energy in a region/area by addressing key barriers

- Expected number of MW of low-emission energy capacity installed, generated and/or rehabilitated

- Expected increase in the number of small, medium and large low emission power suppliers and installed effective capacity

- Expected decrease in energy intensity of buildings, cities, industries and appliances

- Expected increase in the use of low-carbon transport

- Expected improvement in the management of land or forest areas contributing to emission reductions

- Expected improvement in waste management contributing to emission reductions – e.g. change in share of waste managed using low-carbon strategies and change in share of waste that is recovered through recycling/composting
1.2. Adaptation Impact Criteria and Indicators (C&Is)

- Contribution to increased climate-resilient sustainable development

- Expected total number of direct and indirect beneficiaries (reduced vulnerability or increased resilience); number of beneficiaries relative to total population, particularly the most vulnerable groups

- Degree to which the activity avoids lock-in of long-lived, climate vulnerable infrastructure

- Expected reduction in vulnerability by enhancing adaptive capacity and resilience for populations affected by the proposed activity, focusing particularly on the most vulnerable population groups and applying a gender-sensitive approach

- Expected strengthening of institutional and regulatory systems for climate-responsive planning and development

- Expected increase in generation and use of climate information in decision-making

- Expected strengthening of adaptive capacity and reduced exposure to climate risks

- Expected strengthening of awareness of climate threats and risk reduction processes
2. Paradigm Shift Potential

**Definition:** Degree to which the proposed activity can catalyze impact beyond a one-off project or programme investment

**Coverage area:**
- Potential for scaling up and replication, and its overall contribution to global low-carbon development pathways (Mitigation)
- Potential for knowledge and learning
- Contribution to the creation of an enabling environment
- Contribution to the regulatory framework and policies
- Overall contribution to climate-resilient development pathways consistent with a country’s climate change adaptation strategies and plans (Adaptation)
2.1. Scalability and Replicability C&Is

• Innovation

• Level of contributions to global low-carbon development pathways

• Potential for expanding scale and impact of programme or project (scalability)

• Potential for exporting key structural elements of programme/project (replicability)

• Opportunities for targeting innovative solutions, new market segments, developing or adopting new technologies, business models, modal shifts and/or processes

• Expected contributions to global low-carbon development pathways as demonstrated through:

• A theory of change for scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation

• A theory of change for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries
2.2. Knowledge Sharing and Learning C&Is

- Contribution to the creation or strengthening of knowledge, collective learning processes, or institutions

- **Existence of a monitoring and evaluation plan** and a **plan for sharing lessons learned** so that they can be incorporated within other projects
2.3. Enabling Environment C&Is

• Sustainability of outcomes and results beyond completion of the intervention

• Market development and transformation

• Arrangements that provide for long-term and financially sustainable continuation of relevant outcomes and key relevant activities derived from the project/programme beyond the completion of the intervention

• Extent to which the project/programme creates new markets and business activities at the local, national or international levels

• Degree to which the activity will change incentives for market participants by reducing costs and risks, eliminating barriers to the deployment of low-carbon and climate-resilient solutions

• Degree to which the proposed activities help to overcome systematic barriers to low-carbon development to catalyse impact beyond the scope of the project or programme
2.4. Regulatory Framework and Policies C&Is

• Potential for strengthened regulatory frameworks and policies to drive investment in low-emission technologies and activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development

• Degree to which the project or programme advances the national/local regulatory or legal frameworks to systemically promote investment in low-emission or climate-resilient development

• Degree to which the activity shifts incentives in favor of low-carbon and/or climate-resilient development or promotes mainstreaming of climate change considerations into policies and regulatory frameworks and decision-making processes at national,
2.5. Contribution to Climate-Resilient Dev. C&Is

• Potential for expanding the proposal’s impact without equally increasing its cost base (scalability)

• Potential for exporting key structural elements of the proposal to other sectors, regions or countries (replicability)

• **Scaling up the scope and impact of the intended project/programme** without equally increasing the total costs of implementation

• A **theory of change for replication of the proposed activities in the project/programme in other** sectors, institutions, geographical areas or regions, communities or countries

• Degree to which the **programme or project reduces proposed risks of investment in technologies and strategies** that promote climate resilience in developing countries
3. Sustainable Development Potential

**Definition:** Wider benefits and priorities – i.e. co-benefits

- Benefits can be:
  - Environmental co-benefits
  - Social co-benefits
  - Economic co-benefits
  - Gender-sensitive development impacts
3.1. Environmental Co-benefits C&Is

• Expected positive environmental impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate

• Degree to which the project or programme **promotes positive environmental externalities** such as:
  • **Air quality; Soil quality**
  • Conservation; **Biodiversity**, etc.
3.2. Social Co-benefits C&Is

- Expected **positive social and health impacts**, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral levels

- Potential for **externalities in the form of expected improvements**, for women and men as relevant, in areas such as:
  - Health and safety
  - Access to education
  - Improved regulation and/or cultural preservation
3.3. Economic Co-benefits C&Is

• Expected positive economic impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level.

• Potential for externalities in the form of expected improvements in areas such as:
  • Expanded and enhanced job markets, job creation and poverty alleviation for women and men, increased and/or expanded involvement of local industries;
  • Increased collaboration between industry and academia;
  • Growth of private funds attracted;
  • Contribution to an increase in productivity and competitive capacity;
  • Improved sector income-generating capacity;
  • Contribution to an increase in energy security;
  • Change in water supply and agricultural productivity in targeted areas, etc.
3.4. Gender-sensitive Development Co-benefits C&Is

• Potential for reduced gender inequalities in climate change impacts and/or equal participation by gender groups in contributing to expected outcomes

• Explanation of how the project activities will address the needs of women and men in order to correct prevailing inequalities in climate change vulnerability and risks

• Explanation of how the project will include and improve living conditions and standards on Vulnerable and Marginalized Groups (Youth, PWD, Elderly, etc.) – Indigenous Communities
4. Needs of Recipient County

**Definition:** Vulnerability and financing needs of the beneficiary country and population

- Demonstrable through:
  - Vulnerability of the country (Adaptation)
  - Vulnerable groups and gender aspects (Adaptation)
  - Economic and social development level of the country and the affected population
  - Absence of alternative sources of financing
  - Need for strengthening institutions and implementation capacity
4.1. Vulnerability of Country C&Is

- Scale and intensity of exposure of people, and/or social or economic assets or capital, to risks derived from climate change

- **Intensity of exposure to climate risks and the degree of vulnerability**, including exposure to slow onset events

- **Size of population and/or social or economic assets or capital of the country exposed to climate change risks and impacts**
4.2. Vulnerability of Groups and Gender C&Is

• Comparably high vulnerability of the beneficiary groups

• Proposed project/programme supports groups that are identified as particularly vulnerable in national climate or development strategies, with relevant sex disaggregation
4.3. Economic and Social Development C&Is

- Level of social and economic development of the country and target population
- Level of social and economic development (including income level) of the country
- Level of social and economic development of target population (e.g. minorities, disabled, elderly, children, female heads of households, indigenous peoples, etc.)
4.4. Absence of Alternative Financing C&Is

- Opportunities for the Fund to overcome specific barriers to financing
- Explanation of the existing barriers that create absence of alternative sources of financing
- Explanation of how the programme or project will address those barriers
4.5. Need for Strengthening Institutions C&Is

• Opportunities to **strengthen institutional and implementation capacity** in relevant institutions in the context of the proposal

• Potential of the proposed programme or project to **strengthen institutional capacity**

• Potential of the proposed programme or project to **strengthen implementation capacity**
5. County Ownership

• **Definition:** Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)

• Demonstrable through:
  • Existence of a national climate strategy
  • Coherence with existing policies
  • Capacity of accredited entities or executing entities to deliver
  • Engagement with civil society organizations and other relevant stakeholders
5.1. Existence of National Strategies C&Is

- The county has national policies and strategies (NCs, NAMAs, NAPAs, etc.)
- Objectives of project align with priorities in the country’s national climate strategy

- Programme or project contributes to country’s priorities for low emission and climate-resilient development as identified in national climate strategies or plans
- Such plans can be Nationally Appropriate Mitigation Actions (NAMAs), National Adaptation Plans (NAPs), INDCs, National Communication (NCs), Climate Change Strategy/ Action Plans, or equivalents, and
- Demonstrates alignment with Technology Needs Assessments (TNAs)
5.2. Coherence with Existing Policies C&Is

• Proposed activity is designed in cognizance of other country policies

• Degree to which the activity is supported by a country’s enabling policy and institutional framework, or

• Includes policy or institutional changes
5.3. Capacity of AE and EE to Deliver C&Is

• Experience and track record of the Accredited Entity or executing entities in key elements of the proposed activity

• Proponent demonstrates a consistent track record and relevant experience and expertise in similar or relevant circumstances as described in the proposed project/programme (e.g. sector, type of intervention, technology, etc.)
5.4. Engagement of CSOs C&Is

• Stakeholder consultations and engagement

• Proposal developed in consultation with civil society groups and other relevant stakeholders,

• ... with particular attention being paid to gender equality, and provides a specific mechanism for their future engagement in accordance with the Fund’s environmental and social safeguards and stakeholder consultation guidelines.

• The proposal places decision-making responsibility with in-country institutions and uses domestic systems to ensure accountability
6. Efficiency and Effectiveness

**Definition:** Economic and, if appropriate, financial soundness of the programme/project

- Demonstrable through:
  - Cost-effectiveness and efficiency regarding financial and non-financial aspects
  - Amount of co-financing
  - Programme/project financial viability and other financial indicators
  - Industry best practices
6.1. Cost-Effectiveness and Efficiency C&Is

- Financial adequacy and appropriateness of concessionality
- Cost-effectiveness (Mitigation)

- Proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable in order to achieve proposal’s objectives, including addressing existing bottlenecks/ barriers
- Demonstration that the proposed financial structure provides the least concessionality needed to make the proposal viable
- Demonstration that the Fund’s support for the programme/project will not crowd out private and other public investment
- Estimated cost per tCO2eq as defined as total investment cost/expected lifetime emission reductions, and relative to comparable opportunities
6.2. Amount of Co-financing C&Is

- Potential to catalyze and/or leverage investment (Mitigation)

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

- Co-financing ratio: total amount of co-financing divided by the Fund’s investment

- Potential to catalyze private- and public-sector investment, assessed in the context of performance on industry best practices

- Expected indirect/long-term low-emission investment mobilized as a result of the implementation of activity
6.3. Financial Viability C&Is

- Expected economic and financial internal rate of return
- Financial viability in the long run

- Economic / financial rate of return with and without the Fund’s support (i.e. hurdle rate of return or other appropriate/relevant thresholds)
- Description of financial soundness in the long term (beyond the Fund’s intervention)
5.4. Industry Best Practices C&Is

- Application of **best practices and degree of innovation**

- Explanations of **how best available technologies and/or best practices, including those of indigenous peoples and local communities, are considered and applied**

- If applicable, the **proposal specifies the innovations or modifications/ adjustments made based on industry best practices**
References

• GCF. (2015) Initial investment framework: activity-specific sub-criteria and indicative assessment factors. GCF/B.09/07

Thank You...
Questions, Comments, Experiences and Perspectives

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