Project Preparation Facility Guidelines
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1. OVERVIEW

As mandated by Board Decision B.13/21, the Project Preparation Facility (PPF) provides financial support to Accredited Entities (AE) to prepare funding proposals for submission to the Green Climate Fund (GCF). The PPF supports AEs in preparing full Funding Proposals for consideration by the Board, based on a Concept Note that has been cleared for project preparation support vis-à-vis GCF investment criteria. The PPF support includes feasibility studies, gender assessment, and environment and social assessments, among other inputs required for submission of a Funding Proposal to the GCF.

The PPF is designed especially to support Direct Access Entities (DAE) for projects in the micro (<USD 10 million) to small (USD 10-50 million) size category, with a view to enhancing the balance and diversity of the GCF project portfolio. However, all AEs (direct access and international) are eligible to apply.1 Financial support for Project Preparation Facility will be in the form of grants and repayable grants, and equity may also be considered for private sector projects. Please note that seeking PPF support is voluntary, and Concept Notes accompanying PPF applications are strengthened when consistent with priorities articulated in Nationally Determined Contributions and GCF Country Programmes.

The PPF can provide up to USD 1.5 million per project or programme request by an Accredited Entity to the Fund. On average, the requested value of PPF support is approximately USD 600,000. All Accredited Entities are encouraged to articulate counterpart financial support for project preparation within their application for support from the PPF.

Please note that PPF support is intended to facilitate submission of a corresponding funding proposal within two years. As such, the AE is required to submit a Funding Proposal to the GCF that is supported by the PPF resources as detailed in the PPF application within two years of approval of a PPF application unless sufficient justification for an extension is provided, as per GCF Board Decision B.13/21. Consistent with GCF Investment Criteria, any Funding Proposal resulting from project preparation support will only be considered for approval by the GCF Board if it has a strong case demonstrating the climate rationale and a clear indication of how this project will be implemented in a complementary manner with other ongoing climate related projects in the country, including with financing from the GCF.

1 Note: Accredited Entities can submit a PPF application before the signing of the Accreditation Master Agreement (AMA), but the PPF application can only be approved upon signature of AMA.
The Green Climate Fund (GCF) offers a range of support programming options, starting from Country Programming that articulate country visions for accessing the GCF, to Direct Access Accreditation and capacity development, Adaptation Planning and other specialized assessments and services. This support is delivered under two complementary, but distinct, programmes:

1. Readiness and Preparatory Support Programme (Readiness Programme)
2. Project Preparation Facility (PPF)

A shared objective of both the Readiness Programme and the PPF is to support NDAs and Accredited Entities in ensuring a strong pipeline of Funding Proposals with the GCF. The programmes differ, however, in four key ways:

1. **Objective**: The Readiness Programme provides relatively early stage support to enable countries to access the GCF and other sources of climate finance. In contrast, the PPF is focused later in the process, to help AEs and NDAs prepare funding proposals for submission to the GCF based on project/programme Concept Notes that have been defined to have sufficient potential vis-à-vis GCF Investment Criteria.

2. **Substantive focus**: The Readiness Programme supports a range of human and institutional capacity building activities and outputs that are key building blocks for accessing climate finance in general, including the formulation of adaptation planning processes. In contrast, the PPF support studies and design of funding proposals only to access GCF resources.

3. **Who applies**: The Readiness Programme offers financial support for a range of outcomes and outputs at the request of the country’s NDA. In contrast, the PPF is accessible only to Accredited Entities for targeted technical support to prepare specific projects and programmes into Funding Proposals that are already at the Concept Note stage.

4. **Who implements**: Readiness proposals are implemented by “Delivery Partners”, who can be the NDA itself or any other organisation nominated by the NDA to implement the readiness activities. NDAs can nominate AEs as Delivery Partners to implement readiness activities. Please note that the PPF must be presented and implemented by the AE, with a Letter of No-Objection of the NDA.
2. ELIGIBLE PPF ACTIVITIES

The PPF can support one or more of the following activities. Please note that activities eligible for GCF’s PPF support need to contribute directly to the development of one particular project and will need to be submitted as part of the Funding Proposal package.

1. Pre-feasibility and feasibility studies, as well as project design

In particular, studies should compare scenarios with and without the project under a projection of climate change and against a baseline situation, and compare those scenarios to each other to determine the impact of the project. This would include data collection, research, site specific technical appraisals, and cost benefit analysis, as well as market research and estimated GHG reduction calculations.

Other examples could include studies on specific technological solutions proposed, such as a pre-feasibility study or feasibility study for scaling up deployment of a specific climate solution (e.g. solar photovoltaic, or specific climate resilient crops, etc.)

2. Environmental, social and gender studies

As articulated in the Environmental and Social Safeguard Policy, GCF requires that due diligence is exercised in the projects and programmes such that all measures are undertaken to identify, assess and manage the environmental and social risks and impacts. The exercise of environmental and social due diligence shall follow good international industry practices (GIIP) and based on established relevant guidance.

For example:

a. Environmental and Social Impact Assessment (ESIA)
   - Strategic Environmental and Social Assessment (SESA)
   - Regional ESA
   - Sectoral ESA
b. Environmental and social audits and risk assessment (for brownfield projects or programmes)
c. Environmental and Social Management Framework (ESMF), or project- or programme-level Environmental and Social Management System (ESMS), for intermediated projects or programmes or when the locations of activities have not been defined
d. Environmental and Social Management Plan (ESMP)

Additional requirements depending on the type of environmental and social risks and impacts and may be required to meet the GCF ESS:
   i. Resettlement Action Plan (RAP), Abbreviated Resettlement Action Plan (ARAP), Land

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2 Examples of guidance documents on ESS:
(a) IFC Guidance Notes: Performance Standards on Environmental and Social Sustainability
(b) World Bank Group Environmental, Health, and Safety Guidelines
(c) Other relevant guidance from international and country institutions pertaining to conduct of environmental and social assessments, stakeholder consultations and free, prior and informed consent.
Acquisition Plan, Livelihood Restoration Plan, Resettlement Policy Framework and other associated process frameworks

ii. Livelihoods Restoration Plan

iii. Biodiversity Management Plan

iv. Indigenous Peoples Plan (IPP) or Community Development Plan

e. Stakeholder engagement consultations attendant to the process for assessing and managing environmental and social risks and impacts, including obtaining free, prior and informed consent (FPIC) where projects require such under the GCF Indigenous Peoples Policy and the GCF ESS Policy for Indigenous Peoples.

f. Stakeholder Engagement Plan and Project-Level Grievance Redress Mechanism

g. Other additional due diligence as required by GCF

<table>
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<tr>
<th>Category C</th>
<th>Category B</th>
<th>Category A</th>
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</thead>
<tbody>
<tr>
<td>Minimum E&amp;S documents</td>
<td>• E&amp;S risk screening</td>
<td>• ESIA (fit for purpose)</td>
</tr>
<tr>
<td></td>
<td>• Stakeholder Engagement Plan and Project-Level Grievance Redress Mechanism</td>
<td>• ESMP (with limited focus as may be appropriate)</td>
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<tr>
<td></td>
<td></td>
<td>• Stakeholder Engagement Plan and Project-Level Grievance Redress Mechanism</td>
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The table below can be referred to as the minimum documentation for each category of project. Additional due diligence may be required based on the complexity of the project.

Gender studies, may include

a. Gender Assessment, including an assessment of the baseline situation

b. (Program/project level) Gender Action Plan,

c. Incorporation of gender-responsive indicators and targets with baseline, in the logic framework of the funding proposal

3. Risk Assessments

For example:

- Analysis on risk mitigation instruments
- Site-specific hazard assessments, including identifying hazards and determining hazard mitigations

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3 Sustainability Guidance Note – Designing and ensuring meaningful stakeholder engagement on GCF-supported projects (soon to be published)
4 Guidance on Mainstreaming Gender can be found:
- Gender Assessment and Action Plan Template
- GCF Toolkit Mainstreaming Gender
- Leveraging Co-Benefits between Gender and Climate Action
- Risk analysis as part of the pre-feasibility and detailed feasibility studies
- Development of sensitivities and case scenarios as part of the financial analysis (for example: macroeconomic: currency value fluctuations, inflation and interest rate fluctuations and risk mitigants or project related: costs overrun, potential decrease in project revenues).
- Identification and assessment of potential executing entities in the Funding Proposal to the GCF

4. **Identification of programme and project level indicators and methods to monitor them** *(if not already included in the feasibility study)*

   For example:
   - Logical frameworks, including GCF relevant indicators, and project indicators, their baselines and targets
   - Assessment of the project/programme against the GCF Investment Criteria
   - Market assessment and recommendations
   - Economic analysis and recommendations, including cost benefit analysis
   - Financial analysis and recommendations

5. **Pre-contract services, including the revision of tender documents**

   For example:
   - Terms of Reference (TOR),
   - Bidding Documents,
   - Procurement Packages,
   - Request for Proposals,
   - Expression of Interests,
   - Prequalification criteria

6. **Advisory services and/or other services to financially structure a proposed project/programme**

   For example:
   - Advisory services for costing and budgeting according to GCF standards, including the costing in relation to incremental cost for adaptation, in case the project/programme targets adaptation or cross-cutting results
   - Advice on legal, financial, tax, regulatory and governance matters, to help structure the investments (can also be a part of feasibility studies)

7. **Other project preparation activities, where necessary, and with sufficient justification**

   For example:
   - Workshops and consultations
   - Translation of documents

**Expenditures that are not eligible for PPF support include:**

- Costs associated with the normal responsibilities of AE and/or government staff beyond specific project preparation activities for the project in question;
• Project start-up costs, demonstration and pilot projects;
• Capital goods other than those directly required for project preparation, such as computers, hardware and mechanical equipment;
• Country level inventories, policies, studies, and general capacity building activities that can be supported by the GCF Readiness Programme; and
• Purchase of vehicles.

3. APPLICATION AND APPROVAL PROCESS

Entities accredited to the GCF are eligible to apply for PPF support. Accredited Entities submit a project/programme Concept Note either prior to, or together with, a PPF application. The objective of a PPF application is to finance the preparation of a Funding Proposal package based on the Concept Note. All PPF applications must be submitted in Word format, provide sufficient justification of the AEs need for project preparation funding from the GCF, as well as detailed budget breakdown. Once a Concept Note is cleared for PPF support vis-à-vis GCF Investment Criteria, the estimated timeframe for initial feedback from the Secretariat is within 1 month. In total, the average time for approval of a PPF request once the associated Concept Note has been cleared for PPF support is 2-3 months. However, experience shows the overall time required depends significantly on the level of completeness and detail provided in the original PPF application. Please refer to the PPF Application User’s Guide from page 14 for tips.

During any stage of the reviewing process, the AE and the NDA of the project country can withdraw the application with an email request to ppf@gcfund.org.

Step 1: Submission of PPF application package

AEs submit completed PPF applications to the GCF at ppf@gcfund.org, with the respective country NDA(s) or Focal Point(s) in copy. A complete PPF application package includes:

• Project Concept Note
• PPF Application Form
• PPF No-Objection Letter from NDA/Focal Point

Alternatively...

Concept notes can also be submitted prior to the PPF application. Accredited Entities can submit Concept Notes for feedback first and, based on the comments, design and then submit a PPF application. Accredited Entities that submit Concept Notes to the GCF through the regular concept note cycle, comments shared with the AE may include a suggestion to proceed with the PPF application.
Step 2: Secretariat Review and AE Revisions

PPF applications are reviewed and approved for funding by the GCF Secretariat. There are two parts:

1. Review of the underlying project/programme Concept Note

The Concept Note of the underlying project/programme seeking project preparation support is firstly reviewed by the designated sectoral specialist. The review is done vis-à-vis the Fund's objectives and policies. Following elements are considered when providing comments on the Concept note:

- Alignment with the GCF results areas in accordance with the GCF Results Management Framework;
- Alignment with the GCF investment criteria in accordance with the GCF investment Framework;
- Objective of the project/programme, the context and baseline, including climate rationale;
- Justification for the GCF’s support for the proposed project/programme;
- Sustainability and replicability of the proposed project/programme.

In the case of private sector project Concept Notes, special attention will be given to the proposed financial sources and structure to ensure the potential of a viable Funding Proposal. For more information on how to prepare a concept note, please refer to the Concept Note User’s Guide.

Furthermore, the sustainability aspects of the project concept are also reviewed and commented on consistent with relevant GCF policies such as Gender, Environment and Social Safeguards and Indigenous Peoples. The review result of the Concept Note will inform the next step of the PPF package review.

Three types of review feedback are provided on a Concept Note associated with a PPF application:

a. Concept Note has sufficient potential to receive PPF support: If the Concept Note meets the basic GCF Investment Criteria requirements, it will automatically trigger the review of the PPF application. In this case, the AE will receive feedback from the GCF Secretariat on both the Concept Note and the PPF application. Comments on the Concept Note are for consideration at the project preparation stage, but no action is required before the approval of the PPF application. Comments for the PPF application will need to be addressed in the resubmission. Please note that the clearance of the Concept Note for seeking PPF support does not have any bearing on potential approval of the future Funding Proposal.
b. Concept Note resubmission is needed: In case there are substantive comments on the concept note and there are certain elements of the Concept Note that need to be addressed to gain clearance for project preparation support, the Accredited Entity will receive comments from the GCF secretariat only on the Concept Note. In this case, the Accredited Entity will need to address the comments on the Concept Note first with a resubmission. The PPF application review will only be triggered once the Concept Note has been cleared.

(OR)

c. Concept Note is not recommended for further development: In the event that the Secretariat assessment of the underlying Concept suggests that it does not seem to be a strategic fit in terms of GCF’s investment criteria, the climate rationale, technical merit, and/or the AE’s accreditation status, the Secretariat will advise the Accredited Entity not to proceed with the PPF request. The Accredited Entity can resubmit the Concept Note if the project is redesigned as suggested by the comments provided.

Additional Assistance for Direct Access Entities

For Direct Access Accredited Entities (DAEs) who need additional support in strengthening the Concept Note, Technical Assistance (TA) can be provided. The cost of the TA support is paid by the GCF.

Objectives: To provide sectoral support and guidance in the technical design and revision of Concept Notes, as well as support in formulating PPF applications.

Scope: One technical advisor (based on the sector of the underlying project) will be assigned to a DAE to provide guidance and support in revising and redesign of the Concept Notes. Support will also be provided in the design and revision for a PPF application. Approximately 15 days will be allocated to one assignment, which may involve one in-country mission and remote support.

Criteria: The DAEs have a draft Concept Note, or a project idea, that has potential vis-à-vis GCF Investment Criteria to merit upstream technical support.

How to request: The DAE can send an email request to ppf@gcfund.org for TA support, with the NDA of the underlying project country(ies) in copy. If neither PPF application nor Concept Note has been officially submitted to the GCF yet, an evidence for the NDA(s)’ support will need to be submitted too. An email support from the NDA is sufficient.
2. Review of the PPF Application

Once the Concept Note is cleared as sufficiently advanced for applying for PPF support, the review of the PPF application starts. Below are the criteria against which the PPF application form is reviewed:

i. Articulation of how the PPF activities will produce the documents that make up a Funding Proposal
ii. Justification of the Accredited Entity’s need for project preparation support
iii. Clear and efficient implementation arrangements
iv. Efficient use of GCF resources for project preparation
v. Clear disbursement and reporting schedule
vi. Counterpart financial support for project preparation as encouraged

In certain cases, GCF may seek repayable grant and equity as the PPF financial support depending on the nature of the resultant private sector project/programme.

Step 3: PPF application Endorsement and Approval

The PPF application will be discussed at an interdivisional group of the Secretariat for consideration of endorsement once all comments provided by the GCF Secretariat have been addressed by the Accredited Entity. This inter-divisional group includes substantive expertise related to legal, finance, portfolio management, risk and compliance functions within the Secretariat, as well as the Executive Director’s office. Based on the group’s assessment, the application could be endorsed with or without further comments for approval. In case further conditions are required to be addressed, the PPF team will communicate these to the Accredited Entity and relevant NDA(s) for a final resubmission. Once all conditions have been addressed, the PPF application package (including Concept Note and associated PPF application) will be sent to the GCF approving authority for approval. In the cases that the group does not recommend for endorsement of the PPF application package, the PPF team will communicate comments received from the discussion with the Accredited Entity and NDA(s) for a resubmission and re-discussion at the group for consideration. Each approved PPF application package will be disclosed on the GCF website.

Step 4: Legal Agreement

Subsequent to PPF funding approval, a Notification of Approval for the PPF application package will be sent to the NDA of the project country with the Accredited Entity in copy. For Accredited Entities who have a Readiness and Preparatory Support Framework Agreement ("Readiness Framework Agreement") with the GCF, a disbursement request could be submitted to the GCF upon the Notification of Approval. For Accredited Entities who do not have a Readiness Framework Agreement, a legal agreement for the approved PPF application will need to be signed before disbursement. The GCF has engaged the United Nations Office for Project Services (UNOPS) for grant management support to the Readiness Programme and PPF, including the establishment of a grant agreement, performance monitoring and disbursements under the agreement. In these cases, UNOPS will directly engage with the Accredited Entity concerning the execution of the agreement as well as monitoring and payment activities.
4. IMPLEMENTATION, MONITORING AND REPORTING

The implementation of PPF activities begins following the Notification of Approval of the PPF application by the GCF. Please be aware of the monitoring and reporting plan proposed in the PPF application and provide necessary documents to the GCF Secretariat.

Deviation in Implementation plan and Budget

Once a PPF grant enters implementation, and if a revision or adjustment to the original plan is required due to unforeseen events or change of circumstances, the AE should notify and seek guidance from the GCF as soon as the AE become aware of any revisions are required to the approved implementation plan.

Considering the legal requirements stipulated in the agreements as well as the Fund’s internal policy and procedure, below is a guideline for AEs on how to address some of the most common issues encountered during implementation of activities.

- **Extension**: AEs must submit a written request for extension to the GCF Secretariat together with a justification for the extension including the need for continuing the activities and a demonstration that sufficient funds remain to cover the extended period. The request must be received at least 60 days prior to the end of the implementation period.

- **Restructuring**: AEs must submit an official signed written request to the GCF Secretariat by providing a comparison between the original and requested revisions to the outcomes, outputs and activities with corresponding budget modification, together with a justification for the proposed changes. A tabular summary of the changes proposed is encouraged. For example in the form of a change-frame, showing summary descriptions and reasons for the proposed changes, and the effect on expected outputs and budget.

- **Budget issues**: During the project implementation, AEs might encounter situations where changes from the initial budget plan or financing schedule might be warranted. Below is a set of guidelines that will be applied to the activities funded under the PPF that are under implementation.

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<thead>
<tr>
<th>Event</th>
<th>Procedure</th>
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<tbody>
<tr>
<td>Unplanned/unsolicited activities and budget</td>
<td>For any unplanned/unsolicited activities and/or budget the AE must seek prior approval from the GCF Secretariat in writing providing sufficient justification acceptable to the GCF.</td>
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</tbody>
</table>
**Budget reallocation**
For any reallocation of approved budget among the budget categories resulting in a variation of more than 20%, the AE must seek prior approval from the GCF secretariat in writing. This method may not be used to increase the project management costs.

**Subsequent disbursement threshold**
For disbursements subsequent to the first disbursement, evidence should be provided in progress reports and/or financial reports that at least 70% of the total funds previously disbursed has been committed.

**Retroactive financing**
For disbursements subsequent to the first disbursement, evidence should be provided in progress reports and/or financial reports that at least 70% of the total funds previously disbursed has been committed.

**Use of contingency**
Any use of contingency must be reported to and agreed by the GCF Secretariat in writing (email is sufficient) in advance, and AEs should provide justifications that are acceptable to the GCF.

**Monitoring and Reporting**
Once the first disbursement of funds is made and the activities enter into implementation phase, the AEs are required to report to the GCF Secretariat on the progress made at the end of the reporting period. Please note the following points regarding the reporting:

- PPF activities are implemented according to the specifications of the agreed work plan (including deliverables and timeline) and budget.
- A financial management system should be maintained, with separate accounts (i.e. bank account or ledger) and records for project.
- The AE reports to GCF, utilizing the Progress Report template, on an agreed schedule, against the work plan, budget, and agreed targets; and proposes potential revisions or adaptations, as required, to future implementation plans.
• Financial statements should be prepared in accordance with consistently applied accounting standards, audited on an annual basis by reputable independent auditors, and furnished to the GCF Secretariat in accordance with the reporting requirements set in the proposal and/or grant agreement.

• Reports submitted to the GCF Secretariat will be disclosed on the GCF website in accordance with the GCF Information Disclosure Policy.

• The GCF is able to request, audit and verify documents / reports and data related to the project execution upon request to the extent defined in the Grant Agreement or Readiness Framework Agreement.

• Towards the end of the project preparation implementation period, the AE will prepare the Completion Report and submit it to the GCF Secretariat.

5. COMPLETION

The full Funding Proposal supported by a PPF application should be submitted within two years after the PPF application was approved, unless sufficient justification for an extension is provided. If a delay is anticipated, the Accredited Entity is expected to inform the GCF Secretariat as soon as possible with justification and adjusted plans for completion.
PPF support for the Simplified Approval Process (SAP)?

What is Simplified Approval Process?
SAP provides access to GCF finance to support small-scale activities. It is currently in its pilot scheme phase. To be eligible for SAP, projects and programmes need to meet the following three criteria: 1) be ready for scaling up, promoting a paradigm shift to low-emission and climate-resilient development; 2) GCF requested funding up to USD 10 million; and 3) the activities proposed can entail only minimal to no environmental and social risks.

PPF support for SAP?
As is the case for all types GCF projects, AEs, particularly direct access entities, may seek PPF financial resources to technical assistance to prepare a SAP funding proposal, based on a high potential Concept Note. This includes preparation of pre-feasibility study, Environmental and Social Action Plan, stakeholder consultation, and any other appraisals and technical studies needed to prepare a funding proposal package.

AEs should note that the aim of the SAP is to enable simpler and faster access to GCF funding. Therefore, AEs may find that the same level of complexity of background studies and feasibility documents may not be required, compared to a standard funding proposal package. In particular, given SAP proposals are for projects with minimal or no environmental and social risks, in-depth safeguard studies are not required. Furthermore, a SAP proposal can build upon a recently implemented project that has already identified the appropriate technologies and solutions with positive climate change mitigation and/or adaptation results. In such cases, the AE can use the technical studies, evaluation reports and stakeholders’ consultations already performed during the implementation of these previous interventions to partially substitute the pre-feasibility study needed for the SAP funding proposal submission.

For more information on SAP, please visit the SAP webpage.

Useful links for PPF Applications

- GCF project or programme Concept Note [here](#)
- List of NDAs/FPs [here](#)
- Examples of approved PPF applications [here](#)
- No-Objection Letter Template for PPF [here](#)
- PPF Application [here](#)
- GCF investment criteria [here](#)
- Concept Note User’s Guide [here](#)
GCF PPF Application User’s Guide

The following guidance corresponds to the five main sections of the PPF Application Form:

A. Executive Summary
B. Description of Project Preparation Activities
C. Justification of the Project Preparation Request
D. Implementation Arrangements
E. Budget Details and Disbursement Schedule

Additional sections provide guidance on PPF related monitoring and reporting and legal guidance.

A. EXECUTIVE SUMMARY

The Executive Summary should feature a clear and comprehensive overview of the Project Preparation activities to develop the Concept Note into a full Funding Proposal. The summary should focus on the PPF request and activities, and not information describing the underlying project in the Concept Note. The summary must clearly articulate the linkages between the underlying project and PPF application, highlighting related national priorities of beneficiary countries to ensure both relevance and full country ownership.

Tips

- **Be concise.** As indication, the summary should be approximately 200 words.

- **Indicate PPF activity duration in months.** For “Anticipated Duration” indicate only the total calendar months, excluding the exact month and year from the application as this is frequently subject to change during the application review process. Since a Funding Proposal supported by a PPF application will need to be submitted within 2 years after PPF approval, the maximum duration for a PPF application is 24 months.

- **Accreditation Master Agreement (AMA).** An AE can submit a PPF application before the signing of the AMA. However, the PPF application can only be approved upon signing of the AMA.
B. DESCRIPTION OF PROJECT PREPARATION ACTIVITIES

Elaborating on the Executive Summary, the description of requested PPF activities should present a strong and strategic approach for planned project or programme preparation activities and related deliverables in a tabular format. The logic and rationale should make clear how the activities and deliverables ultimately contribute to formulation of a full package of documents that make up a Funding Proposal. Please provide a concise description of proposed activities and what specific deliverable/s are associated with it. Moreover, activities should be organized by deliverables (i.e. outputs). For example: Activity 1: Conduct feasibility study, Activity 2: Carry out gender assessment, Activity 3: Undertake financial analysis, etc.

Tips

- **Streamline project activities/deliverables with ToRs.** In cases in which technical assistance is to be procured with the PPF funds, please ensure that activities listed in Section B are streamlined and consistent with corresponding Terms of Reference (ToRs) required for submission under Implementation Arrangements (Section D), and vice versa.

- **PPF resources cannot be used for general “capacity building” or training activities.** These are more appropriate for Readiness Programme support or during implementation of a project, if the proposed capacity building activities are contributing to the overall objectives of the Funding Proposal. Such activities may include strengthening DAEs project development or management functions, or skills and capacities of NDAs or project stakeholders. Consult the Readiness Guidebook for more information.

- **While DAEs are eligible for PPF support for drafting Funding Proposals,** International AEs are expected to support this type of project preparation work independent of GCF PPF support.

- **If seeking support for undertaking environmental and social due diligence,** the Project Concept Note shall be accompanied with the result of the project environmental and social screening. The screening shall form the basis of the proposed environmental and social risk category of the project (the environmental and social risk category should be included in the concept note and the rationale for assign the category) and the corresponding scope of assessment and mitigation measures that will be developed.¹

- **On the basis of the environmental and social risk categories** as defined in the GCF Environmental and Social Policy, environmental and social due diligence for projects that

¹ The environmental and social screening of the project should be undertaken by the AE with the AE’s template and procedures. GCF PPF resources cannot be used to undertake of environmental and social screening of the proposed project.
are considered to have moderate to high environmental and social risk (Categories B and A) or considered as medium- to high-level intermediation (I-2 and I-1) will be considered for support. Request for support for such due diligence activities, it is a good practice to include a Terms of Reference specific to the due diligence activities or studies.

- If seeking support for undertaking gender assessment and development of gender action plan, it is a good practice to include a Terms of Reference specific to the study.

C. JUSTIFICATION OF THE PROJECT PREPARATION REQUEST

Building on the Executive Summary (Section A) and description of requested PPF activities (Section B), Section C provides an opportunity for AEs to elaborate on why the project would not otherwise be able to progress from Concept Note to a full Funding Proposal without PPF support. This includes contextual considerations such as certain limitations or needs the AE has in bringing the project forward, as well as accompanying financial or economic circumstances that justify PPF support.

Tip

- Justify needs of international AE. Given the PPF is especially to support DAEs and micro-to-small size category projects, justification of the need for PPF support must be extensively elaborated by international AEs.

D. IMPLEMENTATION ARRANGEMENTS

Accredited Entities are solely responsible for PPF activities, including implementation, monitoring, reporting, financial management and related processes (procurement, audits, etc.). In cases in which the AE is working with one or more organizations for implementation of PPF activities, the AE can:

- procure services of such other organizations/consultants (service providers) in accordance with the procurement rules, policies and procedures of the AE. Note that different service providers can be used for different activities based on required skills and expertise; or

- implement the PPF activities through other entities as “sub-grantees”, if approved by the GCF and according to the terms and conditions of the agreement between the GCF and the AEs.
• **Ensure a qualified audit firm to perform an audited financial report.** The AE is responsible of selecting a well-recognized and registered audit firm compliant with international standards for auditing acceptable to the GCF to conduct financial audit for GCF PPF resources.

• **Reporting requirements.** Reporting is required during the implementation of PPF and the AE is responsible for this. A reporting plan should be included in Section E together with disbursement plan (see Section E below for more guidance). When submitting the interim progress report and completion report, please ensure all completed technical deliverables are also submitted.

• **Progress Reporting Frequency:** A reporting plan against key deliverables should be provided in Section E of the application together with disbursement plan. While reporting frequency might vary depending on the nature and duration of PPF support, in general the following reporting schedule is required:
  
  - Projects less than 6 months: 1 completion report
  - Projects greater than 6 months: 1 interim progress report and 1 completion report

• **Reporting templates:** The GCF provides interim progress report and final reporting templates for implementation reporting (please see annex I for information). Note that PPF applications are not required to perform internal or external evaluation. However, the GCF reserves the right to independently evaluate on an ad-hoc basis.

• **Implementation map:** We encouraged providing a simple diagram or brief text description of key institutional actors and their respective roles in the implementation of PPF activities. This should include the organizations involved in the PPF activities (AE, and other actors), the legal relationships between them, their different roles and responsibilities, as well as the flow of funds and information within the PPF activities.

• **Proving the commitment to apply AML/CFT measures:** The AE is responsible for protecting the PPF funds from being used for money laundering and/or financing of terrorism. Please include the following standard paragraph regarding AE’s responsibilities on Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT)’s due diligence:

  *Risks concerning AML/CFT were properly identified and mechanisms and controls put in place to mitigate those risks within the project preparation facility cycle, according to our obligations to the GCF under legal agreements and GCF AML/CFT Policy [yes ☐, no ☐, unsure ☐]. If the answer is “no” or “unsure”, please explain further.*
E. BUDGET DETAILS AND DISBURSEMENT SCHEDULE

PPF funds are to be used efficiently and effectively to ensure high-quality and good value for money. Therefore, please provide detailed budget using the template in the PPF application form (see an example in Annex I.). Activity-based budget should be provided consistent with the activities proposed in Section B of the application. Please ensure to provide “Sub-total” information for each activity and use cost categories, e.g. Consultants, Travel, Equipment, Training and Workshops, Others).

To ensure increased ownership of project preparation activities, the GCF encourages voluntary cost-sharing or co-financing with AEs and other partners to the extent possible.

Tips

• **Provide detailed and moderate budget in PPF application form.** To expedite the PPF review, it is recommended to provide detailed and moderate budget breakdown information. Feel free to use footnotes for clarification and explanation. Ensure the indicated quantity, unit cost, duration and overall total costs for PPF funded activities and deliverables are proposed accordingly, and appropriate to the local context.

• **Round-up budget numbers**, including consultancy rates and the overall budget.

• **Justify & rationalize travel related costs.** Consider opportunities to moderate travel related costs and provide sufficient details and justification for the needs of the amount of travelling. If trips are related to different activities, please separately list the travel under different activities.

• **Contextualize consultancy rates.** Please indicate whether national or international consultants are to be recruited and ensure proposed consultancy rates are appropriate in the context of local and international standards, account appropriately for junior/mid-level/senior levels and are in line with AEs internal procurement policies.

• **Justify & rationalize stakeholder consultations/workshops.** Ensure a detailed cost breakdown is provided for stakeholder engagement events including workshops, e.g. estimated number of participants, facility and travel considerations. A strategic approach to stakeholder consultations is encouraged to ensure a rationalized approach and efficient budgeting, avoiding excessing costs and “stakeholder fatigue”, and consolidating engagement events where possible.

• **Budget for external financial audit/s.** One financial audit in the form of either an audited financial report or audited certified financial report is required every 12 months for PPF and should be budgeted for accordingly. For PPFs with a duration equal or less than 18-month period, one audit report must be submitted. For PPFs with a duration of
more than 18-month period, two audit reports must be submitted. Correspondently, the audit cost shall be allocated and budgeted accordingly under PMC.

• **Permitted Reallocation.** Any reallocation of the GCF Proceeds among the PPF budget category resulting in a variation of more than (twenty per cent (20%)) of the previously agreed budget for the category from which the funds are to be reallocated must be approved in writing by the GCF in advance.

• **Contingency.** Up to 5 per cent of total activity budget (excluding PMC and AE fee). The contingency budget must be used for any unforeseen programme (output level) cost, such as FX gain and loss, courier service etc., which is unrelated to implementation/service fee. Any use of contingency budget must be reported in the financial report and must be agreed by the GCF Secretariat in writing (email is sufficient) in advance, and AEs should provide justifications that are acceptable to the GCF. Moreover, any unspent contingency budget cannot be reprogrammed into additional activities or purchase of additional equipment.

• **Project Management Cost.** These are the direct administrative costs incurred to execute a project. They should cover only incremental costs incurred due to the GCF contribution. In most cases, these costs are directly related to the support of a dedicated project management unit (PMU) which manages the day to day execution related activities of the project. The general principles of PMC include:
  - The percentage of PMC financed by GCF should not be more than the percentage share of the overall budget financed by GCF;
  - PMC budget threshold is up to 7.5 percent of total activity budget and contingency;
  - PMC exceeding 7.5 percent for the PPF application will require detailed documentation and justification supporting the entire PMC budget; and
  - The PMC should be shown as a separate component in the project budget. A detailed breakdown of PMC should be provided.

  **Indicative list of eligible costs under PMC:**
  - Project staff and consultants such as project manager, project assistant, procurement personnel, and finance and admin personnel;
  - Other direct cost such as office equipment, mission related travel cost for PMU, project management systems and information technology, office supply, and audit cost.

  **Indicative list of ineligible costs under PMC:**
  - Cost of salaries and benefits of seconded staff from the EEs, unless preapproved by GCF;
  - Cost of salaries and fees for the AE staff or consultants, unless these have been pre-approved by GCF;
  - Any budget costs indicated as contingent costs;
  - Costs under general classifications such as miscellaneous/unspecific;
• Monitoring of project indicators and periodic monitoring reports (these are budgeted under the measurement and evaluation budget and is a separate line of the project costs).

• **AE fee.** Up to 8.5 per cent. This should be calculated on the total budget (i.e. Total Activity+ PMC + Contingency).
  
  - Purpose and intended use: The use of AE fee will be subject to reporting and certification. It is intended that fees are used to support the implementation of GCF projects and other eligible GCF-related activities.
  
  - Economies of Scale: AEs managing more than five GCF projects, readiness projects or PPF applications, respectively, are expected to explore synergies in the management of projects in their GCF portfolio, which should result in cost savings across the portfolio of projects under management, which is to be reflected in the fee request.
  
  - Indicative list of eligible costs under AE fee:
    - Project implementation and supervision
    - Project reporting and evaluation

• **Develop disbursement plans around GCF reporting requirements.** Disbursement plans should be included in Section E of the PPF application. Disbursements of PPF funds will be made directly from the GCF to AEs only. For PPF applications of 12 months or less, 70% of the overall budget can be disbursed upon effectiveness of the funding agreement, with a 30% final disbursement upon submission of the completion report and final audited financial report satisfactory to the GCF. For PPF applications over 12 months, 40% of the total project value will be disbursed upon effectiveness of the funding agreement, 30% upon submission of the first progress report satisfactory to the GCF and over 70% of the fund previously disbursed has been committed; and 30% upon submission of the completion report and final audited financial report satisfactory to the GCF. Below is an example of standard disbursement and reporting plans. For PPF application of **12 months or less**, below standard language on disbursement can be used:

  - 1st Tranche: 70% of total grant, which equates to USD ............(............... US Dollars) only will be disbursed upon or after effectiveness of the Grant Agreement and also upon fulfilment of the disbursement conditions specified in the Grant Agreement and Standard Conditions.
  
  - Final Tranche: 30% of total grant, which equates to USD ................ (.............. US Dollars) only, will be transferred upon submission of a project completion report and final Audit Report. Submission of a completion and audit report will be furnished no later than three (3) months after the completion of the PPF Support.
For PPF application **over 12 months**, below standard language on disbursement can be used:

- **1st Tranche**: 40% of total grant, which equates to USD ................. ( ............... US Dollars) only will be disbursed upon or after effectiveness of the Grant Agreement and also upon fulfilment of the disbursement conditions specified in the Grant Agreement and Standard Conditions.

- **2nd Tranche**: 30% of total grant, which equates to USD ................. ( ............... US Dollars) only, will be transferred (provided that at least 70% of the 1st Tranche has been incurred) upon submission of an interim progress report and Certified Financial Report and also upon fulfilment of the disbursement conditions specified in the Grant Agreement and Standard Conditions.

- **Final Tranche**: 30% of total grant, which equates to USD ................. ( ............... US Dollars) only, will be transferred upon submission of a project completion report and final Audit Report. Submission of a completion and audit report will be furnished no later than three (3) months after the completion of the PPF Support.

**Useful links**

- GCF Concept Note template [here](#)
- Approved PPF applications [here](#)
- No-Objection Letter Template for PPF [here](#)
- PPF Application Template [here](#)
- List of countries’ National Designated Authority (NDA) or Focal Point [here](#)
- GCF’s Gender Mainstreaming Toolkit [here](#)
- ESS related guidance on the GCF website [here](#)
- Indigenous Peoples Policy [here](#)
### Annex 1: Sample PPF Budget

#### E. Budget Details and Disbursement Schedule

<table>
<thead>
<tr>
<th>Outputs and Activities</th>
<th>Quantity</th>
<th>Unit cost (e.g. rate)</th>
<th>Duration (e.g. days)</th>
<th>Total cost (USD)</th>
<th>Amount provided by AE (USD)</th>
<th>Amount requested from GCF (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity 1: Complete GCF Feasibility Study Report (Financial/Institutional Model)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Consultant – Team Leader</td>
<td>01</td>
<td>US$ XXX</td>
<td>50</td>
<td>USD XXX</td>
<td>US$ XXX</td>
<td>US$ XXX</td>
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<tr>
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<td>USD XXX</td>
<td>US$ XXX</td>
<td>US$ XXX</td>
</tr>
<tr>
<td>Travel – Local²</td>
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<td>US$ XXX</td>
<td>-</td>
<td>USD XXX</td>
<td>US$ XXX</td>
<td>US$ XXX</td>
</tr>
<tr>
<td>Travel – International³</td>
<td>2 Trips</td>
<td>US$ XXX</td>
<td>-</td>
<td>USD XXX</td>
<td>US$ XXX</td>
<td>US$ XXX</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
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<td></td>
<td></td>
<td><strong>US$ XXX</strong></td>
<td><strong>US$ XXX</strong></td>
<td><strong>US$ XXX</strong></td>
</tr>
</tbody>
</table>

| **Activity 2: Complete mandatory gender and ESS studies** | | | | | | |
| Local Consultant – Gender | 01 | US$ XXX | 75 | USD XXX | | US$ XXX |
| Local Consultant - ESS | 01 | US$ XXX | 30 | USD XXX | | US$ XXX |
| Workshop⁴ | 02 | US$ XXX | 2 | USD XXX | | US$ XXX |
| **Sub-total** | | | | **US$ XXX** | | **US$ XXX** |

| **Activity 3: Development of the GCF project application** | | | | | | |
| Local Consultant – Legal | 01 | US$ XXX | 12 | USD XXX | | US$ XXX |
| Professional Service – company/firm² | 01 | Lump sum | - | USD XXX | US$ XXX | US$ XXX |
| **Sub-total** | | | | **US$ XXX** | **US$ XXX** | **US$ XXX** |

| **Grand total of operation costs** | | | | **US$ XXX** | **US$ XXX** | **US$ XXX** |

| **Audit Cost** | | | | US$ XXX | | |
| **Contingency (up to 5%)** | | | | US$ XXX | | |
| **Other costs, if applicable (AE fee 8.5%)** | | | | US$ XXX | | |

**Grand total**

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1. Procurement of a local consulting firm for preparing pre-feasibility study
2. Local Travel cost for National and International consultant for work supervision and data collection
3. Mission Travel cost international consultant.
4. Workshop costs (venue, food etc.) for 2 events (35 participants for each event) for two days for each event @ US$ XXX per event.
5. Detailed tasks include writing the GCF project application and subsequent updates based on comments from various stakeholders.