



AFRICA SOVEREIGN CLIMATE FACILITY (ASCF)

Annex 21A

Project screening and selection process for financing under Component 2

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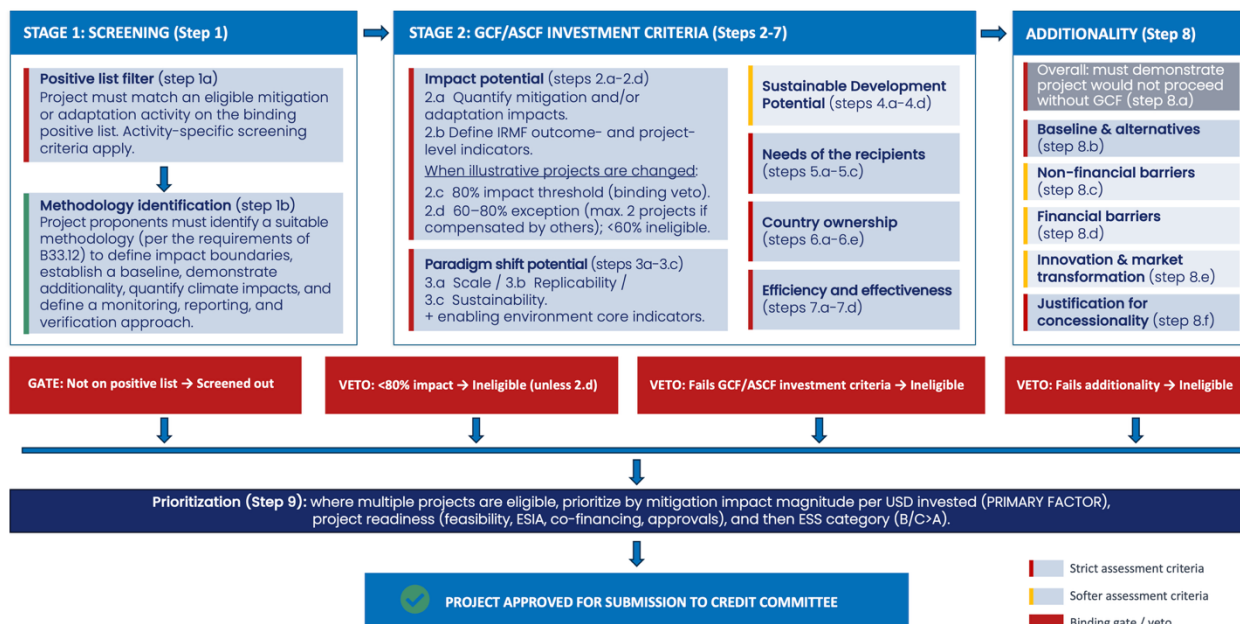
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1. Overview

1.1 Overview of the project screening and selection process

The project screening and selection process is organized into two sequential stages and nine steps, with a series of pass/fail criteria and climate-based vetoes, as shown in the figure below:

ASCFC Screening & Selection Process (Stage 1 and Stage 2 - Steps 1 to 9)



Stage 1 begins with a review of the project documentation and proposed climate impact quantification methodology submitted by the project proponents. Only projects that pass the positive list of eligible activities and satisfy the general eligibility conditions under Step 1.a may advance (see Section 2.1 for details). Projects deemed eligible “in principle” under Step 1.a must then identify a suitable methodology to define impact boundaries, establish a baseline, demonstrate additionality, quantify climate impacts, and define a monitoring, reporting, and verification approach (Step 1.b). Upon review and approval of the proposed methodology by the ASCFC Investment Committee, the project proponents prepare a Stage 1 Investment Memorandum documenting the screening outcomes, which serves as the basis for the Stage 2 eligibility assessment. At this stage, input parameters do not need to be quantified — they must only be fully identified, so that they can be quantified as part of the feasibility study (if not yet complete at Stage 1) and applied in the calculation of climate impacts and outcome- and project-specific indicators during Stage 2.

Stage 2 (steps 2-9) constitutes the project’s selection stage, where eligibility is reviewed in light of the ASCFC investment criteria (which mirror the GCF investment criteria), additionality requirements, and the ASCFC prioritization framework. Please see section 2.2 of this document for a detailed description of the steps and sub-steps that are to be followed under Stage 2. To determine eligibility under the ASCFC programme, every project must individually be assessed for its contribution to the shift to low-emission and/or climate-resilient sustainable development pathways (step 2: impact potential), its potential to catalyse climate resilient development impact beyond a one-off project investment (step 3: paradigm shift), its contribution to environmental, social, economic, and gender-sensitive development (step 4: sustainable development potential), and assessed in light of the needs of the vulnerability and financing needs of the beneficiary country and population (step 5: needs of the recipient). The project proponents must also demonstrate how the targeted host country takes ownership of and implements the funded project (step 6: country ownership), and that the project’s financial structure is adequate and reasonable in order to achieve the project’s objectives (step 7: efficiency and effectiveness). Finally, the project proponents must demonstrate that the project would not have occurred (or would have occurred at a lower scale or standard) in the absence of GCF concessional funding (step 8: additionality). In the case where multiple projects are eligible or compete for a finite financial envelope, projects shall be prioritized (step 9) based on: (i) climate impact magnitude (tCO₂e per \$ invested for mitigation projects or number of beneficiaries reached for adaptation projects), (ii) readiness (stage of project preparation, including availability of feasibility studies, Environmental and Social Impact Assessments, secured co-financing, and regulatory approvals),

and (iii) ESS category (projects with medium or low ESS impacts prioritized over project with high impacts). Under step 9, climate impact is the primary ranking factor.

Projects that fall short in specific areas under Stage 2 may be flagged for revision, with the respective Executing Entities invited to address identified gaps and resubmit.

If the ASCF Investment Committee determines that the project meets the ASCF investment criteria (Steps 1–8) and is prioritized under Step 9, the project proponents prepare a Stage 2 Investment Memorandum, which serves as the basis for the project’s financing and implementation.

Each decision recorded in the Investment Memoranda will be made in line with established evaluation and eligibility guidelines as further defined in section 2 of this manual, subject to review and approval by the ASCF Investment Committee, and in accordance with the Accreditation Master Agreement (AMA) and Funded Activity Agreement (FAA). The GCF Secretariat will be involved in the process to ensure the sign-off on all projects selected. This structured approach ensures that only high-quality, impactful, and bankable projects are advanced for funding and implementation.

1.2 Processes related to financing under Component 2

Once projects are deemed eligible and approved by the ASCF Investment Committee and ready for implementation, the primary Executing Entities (EEs) will enter into Project Subsidiary Agreements (PSAs) with the co-EEs as applicable. The primary EE(s) and/or the co-EE(s) will then enter into Project Contractual Agreements (PCAs) with the relevant providers of goods and services — for example, with Engineering, Procurement and Construction (EPC) companies — that will implement the projects and build the planned infrastructure.

In the procurement of goods and services for Component 2, AFC will not impose its own procurement policies and procedures. AFC’s implementing partners will carry out their own selection and procurement in accordance with their relevant procurement policies and regulations and in consideration of various factors, including project viability, cost, risk allocation, expertise, available funding sources, and policy objectives, to determine the most suitable approach for delivering services. However, AFC may, as part of its services, assess the legal framework (including applicable procurement regulations), provide advice on the structuring and implementation of the procurement process, and develop the relevant documentation and strategy to be consistent with the principles of transparency, objectivity, and competition.

During implementation of the Programme, AFC will follow the Facility’s oversight and reporting requirements as provided for under the FAA and the respective Facility Agreements signed with each country. Debt financing under Component 2 will be repaid from each sovereign’s budgetary allocations or from the funds that will reflow from the individual projects (e.g., in the case of a solar power plant, revenues from the sale of electricity).

Until each country has fully allocated its designated funding under the ASCF to eligible projects (estimated to be a maximum of five and a minimum of two per country), each Ministry of Finance will continue to share projects it considers eligible for funding with AFC. On each occasion a new project is shared, AFC will assess the project’s ability to meet the eligibility criteria. Where multiple projects meet the eligibility criteria, designated ASCF funding per country will be allocated on the basis of project readiness and Environmental and Social Safeguards (ESS) category.

2. Project screening and eligibility criteria

This section sets out the binding project screening and eligibility criteria applicable to all projects considered for financing under the ASCF Programme. The criteria are organized into two stages. Stage 1 (Section 2.1) constitutes the climate screening gate: only projects that pass the positive list filter and satisfy the general eligibility conditions may advance. Stage 2 (Section 2.2) constitutes the project selection stage, covering all GCF investment criteria, additionality requirements, and the ASCF prioritization framework.

The criteria apply to all ASCF-eligible projects, whether classified as climate mitigation or climate adaptation. In the following, where the requirements of project screening differ between the two project types, both mitigation and adaptation approaches are described in turn under each step/sub-step. Where the requirements are substantively identical, this is stated explicitly. Cross-cutting projects (projects including both mitigation and adaptation activities) must meet both the mitigation and the adaptation requirements under each step/sub-step.

2.1 Stage 1: Project screening

Stage 1 is a binding climate eligibility gate. Projects that do not pass both steps below are screened out and may not proceed to Stage 2. No exception or waiver to the Stage 1 gate is permitted.

Step 1: Eligible activities and methodology selection

Step 1.a: List of eligible activities

A binding positive list of eligible climate activities with specific screening criteria and guidance for each activity type is used as the first and primary climate-specific filter to screen projects. To proceed, a project must correspond to an eligible activity on the positive list. Projects not on the positive list are screened out.

For adaptation projects, a project must additionally demonstrate a clear and evidence-based causal link between the proposed intervention and the reduction of climate risk (i.e., reduction in vulnerability, exposure, or climate hazard impact). Projects that do not establish a credible link with climate risk reduction are screened out, even if the activity type appears on the positive list.

GATE: Projects not on the positive list — or, for adaptation projects, projects that do not demonstrate a causal link to climate risk reduction — are screened out and may not proceed to Stage 2.

Eligible mitigation technologies

The following table sets out the binding positive list of eligible climate mitigation activity types. Only activities falling within these categories may be considered for financing under the ASCF mitigation window.

Technology category	Eligible activities / technologies
Renewable Energy Generation (On-grid and Off-grid)	Solar PV (utility-scale, C&I, rooftop, mini-grid, solar home systems); Wind (onshore); Small-scale hydropower (no large reservoir creation); Geothermal; Sustainable bioenergy (subject to safeguards).
Energy Storage	Battery storage (grid-scale or mini-grid); Pumped hydro (no new large reservoirs); Thermal storage; Managed EV charging and Vehicle-to-Grid (V2G) systems.
Transmission & Distribution Infrastructure	Renewable energy evacuation lines; Grid reinforcement to integrate renewables; Loss reduction programmes; Smart grid infrastructure.
Demand-Side Energy Efficiency & Digitalisation	Smart meters (with demand response programme); Demand response systems; Load management systems; Energy management platforms for commercial, industrial or utility users.
Methane Capture and Waste-to-Energy	Landfill methane capture; Agricultural waste methane capture; Wastewater biogas systems.

General eligibility conditions applicable to all mitigation activities:

General eligibility criterion	Screening requirement (Pass/Fail)
Climate Mitigation Objective	The activity's primary objective is GHG emission reduction, renewable energy generation, or measurable fossil fuel displacement.
Quantified GHG Reduction	Ex-ante emission reductions are calculated using a well-established methodology and expressed in tCO ₂ e/year and over project lifetime.
Baseline Definition	A credible baseline scenario is defined (grid emission factor, fossil alternative, business-as-usual technology, etc.).
Minimum Emissions Performance	The activity must demonstrate ≥ 20% lower lifecycle emissions than the baseline (unless zero-carbon technology).
No Fossil Lock-In	The activity does not extend the economic life or increase capacity utilisation of fossil fuel assets.

Paris Alignment	The activity is consistent with national decarbonisation pathways and does not contradict long-term low-emission strategies.
Environmental & Social Pre-Screen	No Category A irreversible impacts without a mitigation plan; no high biodiversity conversion; no involuntary resettlement without an approved framework.

Eligible adaptation technologies

The following table sets out the binding positive list of eligible climate adaptation activity types. Only activities falling within these categories, and that demonstrate a clear causal link to climate risk reduction, may be considered for financing under the ASCF adaptation window.

Technology category	Eligible activities / technologies
Water security	Flood management infrastructure; Drought resilience systems; Urban drainage and stormwater management; Coastal protection and erosion control; Water governance and hydromet systems
Food security	Index-based agricultural insurance; Climate-resilient crop systems; Irrigation modernization; Agroforestry and soil restoration; Agricultural value chain resilience
Infrastructure & built environment	Energy infrastructure with resilience standards; Industrial zones; Public buildings (schools, hospitals)

General eligibility conditions applicable to all adaptation activities:

General eligibility criterion	Screening requirement (pass/fail)
Primary Adaptation Objective	The activity's primary objective is reduction of climate risk, vulnerability, or exposure (not general development).
Climate Hazard Identification	Relevant current and projected climate hazards are identified (historic evidence + forward-looking perspective).
Climate-Sensitive Baseline	A credible 'without project' vulnerability baseline is defined (exposure, sensitivity, coping capacity).
Causal Link to Risk Reduction	Clear and evidence-based link between the intervention and reduction in climate risk.
No Maladaptation / Lock-In	The activity does not increase vulnerability elsewhere or lock-in climate-vulnerable infrastructure.
Paris & NAP Alignment	Consistent with national adaptation priorities (NAP, NDC adaptation component) and Paris Alignment requirements..
Environmental & Social Pre-Screen	No irreversible harm; compliance with ESS safeguards.

Step 1.b: Methodology selection and identification of input parameters

Mitigation projects

If a project is found to qualify in principle under the positive list of eligible mitigation activities, the project proponents are required to propose a suitable mitigation methodology that: (i) defines the project's impact boundaries; (ii) defines the project's baseline; (iii) proposes a methodological approach to demonstrate the project's additionality; (iv) proposes a methodological approach to calculate the project's emissions reductions, avoidance, removals, or sequestration; and (v) proposes a monitoring methodology aligned with the requirements of the GCF Integrated Results Management Framework (IRMF).

For most projects, well-established methodologies (CDM, Verra, Gold Standard, etc.) will be applicable, as determined by the methodology's applicability conditions. If a methodology is not fully applicable or suitable, the project proponents must provide a robust justification for the methodological deviation and a methodological adaptation proposal, demonstrating that the proposed approach still meets the requirements of the Guidance for Establishing the Mitigation Impact of GCF-Funded Activities in Support of Decision B.33/12. Justifications for methodological deviations

must explain how the deviation maintains the integrity, completeness, and consistency of the methodology, ensuring that the mitigation impact will still be credibly demonstrated.

Upon selection or adaptation of a methodological approach, the project proponents are required to provide a list of all input parameters required to apply the methodology. The use of proxies for any input parameters is considered a methodological deviation and must be fully justified, including an explanation of how the proxy maintains the conservativeness and accuracy of the emissions estimate. At the time of project screening, it is not a requirement that all input parameters be quantified; they must only be identified.

Adaptation projects

If a project is found to qualify in principle under the positive list of eligible adaptation activities, project proponents are required to propose a suitable adaptation impact assessment approach that: (i) defines the project's climate impact boundaries (hazards, geographic scope, systems and populations concerned); (ii) defines the project's baseline risk and vulnerability scenario (without the project); (iii) proposes a methodological approach to demonstrate the project's adaptation additionality (i.e., that the reduction in climate vulnerability or risk would not occur in the absence of concessional climate finance); (iv) proposes a methodological approach to quantify the project's adaptation impact, including reduction in vulnerability, reduction in exposure and/or the economic value of climate risk reduced, as applicable; and (v) proposes a monitoring methodology, including indicators aligned with GCF adaptation guidance and relevant IRMF indicators.

For most projects, established analytical approaches (e.g., climate risk assessment methodologies, vulnerability assessment frameworks, disaster risk modelling approaches, economic risk valuation methods, or sector-specific resilience assessment tools) will be applicable, as determined by their applicability conditions. If no fully established methodology is directly applicable, project proponents must provide a robust justification for the proposed methodological approach, demonstrating that it still meets the requirements of the Principles for demonstrating the impact potential of GCF-supported activities (Section II of Annex VI to Decision B.33/12). Justifications must explain how the proposed approach maintains methodological integrity, transparency, completeness, and internal consistency, ensuring that the adaptation impact will still be credibly demonstrated and is directly linked to climate risk reduction.

Upon selection of a methodological approach, project proponents are required to provide a list of all input parameters required to apply the methodology, including climate hazard parameters, exposure data, vulnerability parameters, beneficiary estimates, and economic valuation inputs where applicable. The identification of required input parameters and data gaps must be consistent with the Adaptation Screening Framework and questionnaire adopted by ASCF. The use of proxies is considered a methodological deviation and must be fully justified. At the time of project screening, all input parameters must be clearly identified, along with any data gaps that must be addressed prior to project selection.

2.2 Stage 2: Project selection

Stage 2 constitutes the project selection stage. Projects that have passed the Stage 1 screening gate are assessed against the full set of GCF investment criteria, GCF additionality requirements, and the ASCF prioritization framework. All criteria under Stage 2 must be assessed for a project to be approved for submission to the Credit Committee.

Step 2: Impact potential

Each project must be assessed for its contribution to the shift towards low-emission (mitigation) or climate-resilient (adaptation) sustainable development pathways. Impact potential is assessed across the following steps.

Step 2.a: Emissions reduction / Adaptation impact quantification

Mitigation projects

To assess the mitigation impact potential of the project, proponents must quantify the expected reductions in emissions from the intervention on an annual basis over the full mitigation lifetime – covering both the implementation period and the technical lifetime of the mitigation technology deployed. Proponents must apply the methodology chosen or adapted in Step 1.b, and provide all monitored and non-monitored parameters to be applied, including the values or options to be used for all emission factors and emission reductions calculation equations.

Adaptation projects

To assess the adaptation impact potential of the project, proponents must demonstrate adaptation impacts in line with GCF Board Decision B.33/12 and the four adaptation principles: hazard → risk → vulnerability → causal link. Proponents must identify the relevant climate hazard(s), including historical and projected trends; define the exposed system and vulnerability profile; demonstrate a clear causal link between the proposed intervention and the reduction in climate risk or vulnerability; apply the adaptation methodology defined under Step 1.b; and provide all monitored and non-monitored parameters required to quantify adaptation impact.

Step 2.b: Outcome- and project-level indicators

Mitigation projects

Project proponents must quantify and describe the project's mitigation impact for all relevant outcome- (core and supplementary) and project-level IRMF indicators, as described in Sections E.3 and E.5 of the ASCF Programme Logical Framework (e.g., installed renewable energy capacity in MW, Renewable energy generated in MWh, percentage increase in the number of low emissions power suppliers, km of transmission grids with improved capacity to transmit renewable energy, etc.).

Adaptation projects

Project proponents must quantify and describe the project's adaptation impact for all relevant outcome-level indicators under the ASCF Programme Logical Framework and GCF IRMF adaptation indicators, including the total number of direct and indirect beneficiaries (reduced vulnerability or increased resilience); disaggregation of beneficiaries where feasible (gender, vulnerable groups); share of beneficiaries relative to the defined project impact area population. If relevant this should also include USD value of physical assets made more resilient due to the project intervention and/or USD value of expected losses due to climate extreme events that is reduced due to the project intervention.

Step 2.c: 80% impact threshold (binding climate-based veto)

In the case an illustrative project is changed or replaced by another, the new project shall be eligible if it can be demonstrated that the new project will deliver at least 80% of the climate outputs (per USD invested) targeted for the corresponding type of illustrative project. For mitigation projects, the relevant metric is tCO₂e reduced per USD invested. For adaptation projects, the relevant metrics are the number of direct beneficiaries per USD invested, or the dollar value of the physical assets made more resilient to climate change, or the dollar value of expected losses due to climate events that is reduced due to the project intervention (whichever metric is most relevant to the type of adaptation intervention).

This requirement constitutes a binding quantitative floor and functions as a climate-based veto: projects that cannot meet the 80% threshold are not eligible for selection, unless they qualify under Step 2.d below.

VETO: Projects delivering less than 80% of the targeted climate impact per USD invested are ineligible for selection, unless they qualify under Step 2.d.

Step 2.d: 60–80% impact threshold (exceptional approval pathway)

If a new project's climate impact per USD invested is between 60% and 80% of the impact targeted for its corresponding type of illustrative project, it may be exceptionally approved by the ASCF Credit Committee. Exceptional approval requires a written justification from the Credit Committee demonstrating either: (i) superior co-benefits in the other climate pillar (superior adaptation co-benefits for a mitigation project, or superior mitigation co-benefits for an adaptation project); or (ii) critical paradigm shift features (e.g., local capital mobilisation, replication potential, or market transformation impact). A maximum of 2 projects may qualify under step 2.d, provided that it can also be shown that the impact shortfall can be compensated by other new projects. For example if another project provides 120% of the impact originally targeted by an illustrative project, then the 20% increased impact for that project may be used to justify an exception under this step 2.d. All exceptional approvals under this step must be endorsed by the GCF Secretariat.

Projects that do not meet the 60% minimum threshold are ineligible for selection under the ASCF Programme and may not be submitted to the Credit Committee under any circumstances.

VETO: Projects delivering less than 60% of the targeted climate impact per USD invested are ineligible under any circumstances and may not be submitted to the Credit Committees under Stage 3.

Step 3: Paradigm shift potential

Each project must be assessed for its potential to catalyse impact beyond a one-off project investment. The requirements under Steps 3.a (scale), 3.b (replicability), and 3.c (sustainability) apply equally to both mitigation and adaptation projects. For each dimension, project proponents must demonstrate that the project has potential to improve the baseline described in Section E.2 of the Logical Framework of the ASCF Programme.

Step 3.a: Scale

Project proponents must describe the degree to which the project will contribute to a significant increase in quantifiable results within and beyond the scope of the GCF project or programme. For selection, the project proponents must demonstrate that the project has potential to improve the baseline described in Section E.2 of the Logical Framework of the ASCF Programme (the “scale” assessment dimension).

Step 3.b: Replicability

Project proponents must describe the degree to which key structural elements of the project can be exported elsewhere, within the same sector and/or to other sectors, regions, or countries. For selection, the project proponents must demonstrate that the project has potential to improve the baseline described in Section E.2 of the Logical Framework of the ASCF Programme (the “replicability” assessment dimension).

Step 3.c: Sustainability

Project proponents must describe the degree to which the results of the project will be sustained beyond completion, through the creation of a structural and/or financial base, the potential for knowledge sharing and lesson-learning, or the contribution to improved regulatory frameworks and policies. For selection, project proponents must demonstrate that the project has potential to improve the baseline described in Section E.2 of the Logical Framework of the ASCF Programme (the “sustainability” assessment dimension).

In addition, project proponents must demonstrate how the project will contribute to improving the baseline for at least one of the Enabling Environment Core Indicators of Section E.4 of the Logical Framework of the ASCF Programme, specifically: Core Indicator 5 (Degree to which GCF investments contribute to strengthening institutional and regulatory frameworks for low-emission, climate-resilient development pathways in a country-driven manner); Core Indicator 6 (Degree to which GCF investments contribute to technology deployment, dissemination, development or transfer and innovation); or Core Indicator 8 (Degree to which GCF investments contribute to effective knowledge generation and learning processes, and use of good practices, methodologies, and standards).

Step 4: Sustainable development potential

Each project must be assessed for its potential for environmental co-benefits, social co-benefits, economic co-benefits, and gender-sensitive development impact. Steps 4.a through 4.d apply to both mitigation and adaptation projects. Where the adaptation requirements contain specific additional elements, these are noted below.

Step 4.a: Environmental co-benefits

Mitigation projects

Project proponents should describe, if applicable, the degree to which the project promotes 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.

Adaptation projects

Project proponents should describe, if applicable, the degree to which the project promotes positive environmental impacts directly associated with adaptation outcomes, including in other result areas of the Fund and/or in line with priorities set at national, local, or sectoral levels. This may include ecosystem restoration or conservation; improved water resource management; enhanced soil health and land productivity under climate stress; and biodiversity protection linked to resilience-building measures. Environmental co-benefits must demonstrate a causal link to climate risk reduction. Where feasible, quantified indicators should be provided (e.g., hectares restored, water retention increased, reduction in degraded land exposed to climate hazards).

Step 4.b: Social co-benefits

Mitigation projects

Project proponents should describe, if applicable, the degree to which the project promotes 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, as appropriate.

Adaptation projects

Project proponents should describe, if applicable, the degree to which the project promotes positive social and health impacts that are directly associated with reduced climate vulnerability. This may include improved access to climate-resilient services; reduced exposure of vulnerable communities to climate hazards; improved food or water security under projected climate conditions; and reduced climate-induced displacement or service disruption. Social co-benefits must be clearly linked to reduced vulnerability or enhanced adaptive capacity. Where feasible, quantified indicators should be provided (e.g., number of vulnerable households with improved service reliability under extreme events).

Step 4.c: Economic co-benefits

Mitigation projects

Project proponents should describe, if applicable, the degree to which the project promotes positive economic co-benefits, including in other result areas of the Fund, and/or in line with the priorities set at the national, local, or sectoral levels, as appropriate.

Adaptation projects

Project proponents should describe, if applicable, the degree to which the project promotes positive economic impacts directly associated with adaptation outcomes. This may include stabilised or protected income streams under climate stress; avoided productivity losses due to climate impacts; reduced economic disruption from climate-related events; and strengthened climate-resilient value chains. Economic co-benefits must demonstrate linkage to climate risk reduction rather than general economic growth effects. Where feasible, quantified indicators should be provided (e.g., dollar value of avoided losses, income variability reduced, productivity maintained under projected climate scenarios).

Step 4.d: Gender-sensitive development impact

Mitigation projects

Project proponents should describe, if applicable, the degree to which the project promotes reduced gender inequalities in climate change impacts and/or equal participation by gender groups in contributing to expected outcomes.

Adaptation projects

Project proponents should describe, if applicable, the degree to which the project reduces gender inequalities in climate vulnerability and/or promotes equal participation by gender groups in adaptation outcomes. This includes targeted benefits for women or other disproportionately climate-affected groups; gender-disaggregated beneficiary data; inclusion of women in decision-making, planning, or implementation; and reduction of gender-specific climate risks. Where feasible, gender-disaggregated indicators must be provided.

Step 5: Needs of the recipient

Each project must be assessed in light of the vulnerability and financing needs of the beneficiary country and population. Steps 5.a through 5.c apply to both mitigation and adaptation projects. Where the adaptation requirements contain specific additional elements, these are noted below.

Step 5.a: Economic and social development level

Mitigation projects

Project proponents must describe the social and economic development level (including income level) of the country and of the population affected by the project, in particular, as applicable, that of minorities, persons with disabilities, the elderly, children, female heads of households, and Indigenous peoples.

Adaptation projects

Project proponents must describe the social and economic development level (including income level) of the country and of the population affected by the project, and identify particularly vulnerable groups, such as low-income households, climate-dependent livelihoods, women, rural communities, minorities, the elderly, persons with disabilities, and Indigenous peoples.

Step 5.b: Absence of alternative sources of financing

Mitigation projects

Project proponents must provide an explanation of the existing barriers that create an absence of alternative sources of financing for the project and how those barriers will be addressed as part of the proposed financing structure.

Adaptation projects

Project proponents must provide an explanation of the existing financial and structural barriers that create an absence of alternative sources of financing for climate resilience investments and how these barriers will be addressed as part of the proposed financing structure.

Step 5.c: Need for strengthening institutions and implementation capacity

If applicable, project proponents must describe the opportunities to strengthen institutional and implementation capacity in relevant institutions in the context of the project.

This requirement applies equally to both mitigation and adaptation projects.

Step 6: Country ownership

Project proponents must demonstrate how the targeted host country takes ownership of and is committed to implementing the funded project. Steps 6.a through 6.e apply to both mitigation and adaptation projects. Where the requirements differ, both approaches are described.

Step 6.a: Alignment with national climate strategy and priorities

Mitigation projects

Project proponents must demonstrate that the project is aligned with the country's climate mitigation strategies and priorities, including the mitigation components of Nationally Determined Contributions (NDCs), National Appropriate Mitigation Actions (NAMAs), and Technology Needs Assessments.

Adaptation projects

Project proponents must demonstrate that the project is aligned with the country's adaptation strategies and priorities, including National Adaptation Plans (NAPs) and the adaptation component of NDCs, as well as relevant sectoral adaptation strategies.

Step 6.b: Coherence with existing policies and institutional frameworks

Mitigation projects

Project proponents must demonstrate the degree to which the proposed project is coherent with and supported by existing mitigation-related policies and institutional frameworks.

Adaptation projects

Project proponents must demonstrate the degree to which the proposed project is coherent with and supported by existing adaptation-relevant policies, sectoral resilience standards, and institutional mandates for climate risk management.

Step 6.c: Capacity of executing entities

Mitigation projects

Project proponents must demonstrate that the Executing Entity and co-Executing Entities (as applicable) selected to execute the proposed project have a consistent track record, as well as the experience and expertise required to execute the project.

Adaptation projects

Project proponents must demonstrate that the selected Executing Entity and co-Executing Entities (as applicable) have relevant experience in implementing adaptation or climate-resilient infrastructure projects; possess technical capacity to manage climate risk considerations; and have institutional arrangements in place for the long-term operation and maintenance of resilience outcomes.

Step 6.d: Stakeholder engagement

The requirement under Step 6.d is identical for both mitigation and adaptation projects: Project proponents must demonstrate that the project proposal has been developed in consultation with civil society groups and other relevant stakeholders, and must explain how the proposal provides a specific mechanism for future stakeholder engagement in accordance with the GCF environmental and social safeguards and stakeholder consultation guidelines. Project proponents should also explain how the project places decision-making responsibility related to implementation with in-country institutions and how it uses domestic systems to ensure accountability.

Step 6.e: Ring-fencing and use-of-proceeds traceability

The requirement under Step 6.e is identical for both mitigation and adaptation projects: Project proponents must demonstrate that the use of proceeds will be ring-fenced and traceable. Specifically, all GCF/ASCF proceeds shall be credited to a segregated project account and applied exclusively to eligible expenditures as defined by the ASCF screening framework under Steps 1.a and 1.b, with disbursements made only against verified invoices or certified milestones. Proceeds shall not be commingled with, or substituted for, general budgetary expenditures.

Step 7: Efficiency and effectiveness

Each project must be assessed to demonstrate that its financial structure is adequate and reasonable to achieve the project's objectives. Steps 7.a through 7.d apply to both mitigation and adaptation projects. Where the requirements differ, both approaches are described.

Step 7.a: Cost-effectiveness and efficiency

Mitigation projects

Project proponents must demonstrate that the project's financial structure (funding amount, financial instrument, tenor, and terms) is adequate and reasonable to achieve the proposal's objectives, using only the minimum concessionality required to make the project viable, and avoiding crowding out other investments. Project proponents must also quantify the cost per tonne of CO₂e reduced, avoided, removed, or sequestered.

Adaptation projects

Project proponents must demonstrate the cost-effectiveness of the adaptation investment, including at least one of the following metrics: cost per direct beneficiary reached; cost per dollar of climate risk reduced (e.g., avoided annual losses); or cost per resilience outcome achieved (e.g., disruption days avoided, exposure reduced). Where feasible, project proponents should provide an economic justification including estimated avoided damages, resilience dividend effects, and proxy-based economic valuation where full modelling is not available. The level of concessionality must be limited to the minimum required to make the adaptation investment viable.

Step 7.b: Amount of co-financing

The requirement under Step 7.b is identical for both mitigation and adaptation projects. Project proponents must provide the co-financing ratio (total amount of co-financing divided by the GCF investment) and the expected volume of finance to be leveraged by the proposed intervention and as a result of the GCF financing, disaggregated by public and private sources. Project proponents should also assess the potential of the project to catalyse private and public sector investment, assessed in the context of performance based on industry best practices, and the expected indirect or long-term climate investment mobilised as a result of the project's implementation.

Step 7.c: Project financial viability

Mitigation projects

Project proponents must provide the financial rate of return with and without GCF support, and provide a description of the financial viability of the project in the long term, beyond the GCF intervention (see also requirements under Step 8.f).

Adaptation projects

Project proponents must provide the financial analysis with and without GCF support where applicable; the description of how adaptation benefits will be sustained beyond the GCF intervention; and evidence of operation and maintenance financing arrangements. For public-good adaptation projects, sustainability may be demonstrated through institutional and budgetary commitments rather than commercial returns (see also requirements under Step 8.f).

Step 7.d: Industry best practices

The requirement under Step 7.d is identical for both mitigation and adaptation projects. Project proponents must explain how best available technologies and/or best practices, including those from Indigenous and local knowledge systems if applicable, are considered and applied. If applicable, project proponents should specify the innovations or modifications proposed by the project based on industry best practice.

VETO: Projects that fail to address the GCF investment criteria under Steps 2 to 7 (and corresponding applicable sub-steps) are ineligible for selection under the ASCF Programme.

Step 8: Additionality

All projects must demonstrate GCF additionality, i.e., that the climate outcomes would not have occurred (or would not have occurred at the same scale), in the absence of GCF concessional funding. Additionality is assessed across the six steps below. Steps 8.a through 8.f apply to both mitigation and adaptation projects. Where the requirements differ, both approaches are described.

Step 8.a: Overall additionality requirements

Mitigation projects

Project proponents must demonstrate that the emissions reduction, avoidance, removal, or sequestration would not have occurred in the absence of GCF concessional funding. The demonstration of additionality must comply with the requirements of the mitigation methodology chosen or adapted in Step 1.b, and must cover, as applicable, the dimensions of GCF additionality defined in Steps 8.b through 8.f, consistent with the Guidance for Establishing the Mitigation Impact Potential of GCF-Funded Activities in Support of Board Decision B.33/12.

Adaptation projects

Project proponents must demonstrate that the adaptation outcome — i.e., the reduction in climate vulnerability or risk — would not have occurred in the absence of GCF concessional funding. The demonstration of additionality must cover, as applicable, the dimensions defined in Steps 8.b through 8.f, consistent with the Principles for demonstrating the impact potential of GCF-supported activities (Section II of Annex VI to Decision B.33/12).

Step 8.b: Baseline investment context and alternatives

The requirement under Step 8.b is identical for both mitigation and adaptation projects. Project proponents must: (a) provide a credible baseline scenario with conservative assumptions, supported by historic and forecast investment trends in the relevant sector or country; (b) identify at least one credible counterfactual scenario (an alternative technology, strategy, or measure) and compare it to the baseline; and (c) conduct a Common Practice Analysis — if the proposed activity is already common practice in the sector or country without concessional finance, additional justification is required for GCF support.

Step 8.c: Non-financial barriers

Mitigation projects

Project proponents must, if applicable, identify and provide evidence of non-financial barriers (institutional, regulatory, technical, or socio-cultural) that prevent the mitigation activity from proceeding without GCF support. If the non-financial barrier analysis is applicable, the project must demonstrate how the proposed intervention and GCF financing address the underlying causes of these barriers in order to make the envisioned project possible and/or viable.

Adaptation projects

Project proponents must, if applicable, identify and provide evidence of non-financial barriers that prevent adaptation action or the achievement of the required resilience standard without GCF support. The analysis must address institutional, regulatory, technical, informational, and socio-cultural barriers as relevant. The project must demonstrate how GCF support enables the overcoming of these barriers.

Step 8.d: Financial barriers

Mitigation projects

Project proponents must, if applicable, identify and evidence the financial barriers (e.g., high upfront costs, limited access to long-tenor finance, foreign exchange risk, lack of creditworthy off-takers) that prevent the mitigation activity from proceeding. If the financial barrier test is applicable, the project must demonstrate that the proposed financial structure (funding amount, instrument, tenor, terms) is adequate to address these barriers and that no alternative financial sources are available to fill the gap.

Adaptation projects

Project proponents must, if applicable, identify and evidence financial barriers that prevent the adaptation activity or climate-resilient specification from proceeding. These may include incremental capital and O&M costs of climate-resilient design; lack of monetizable revenue streams for resilience benefits (public-good characteristics); long payback periods; inability to price avoided losses; limited fiscal space or debt constraints; and affordability constraints for end-users. If the financial barrier test applies, the project must demonstrate that the proposed financial structure is adequate to address these barriers, that no alternative financing sources can fill the gap on comparable terms, and that GCF support enables a higher resilience outcome than would otherwise occur.

Step 8.e: Innovation and market transformation

Mitigation projects

Project proponents should demonstrate how the project contributes to market development and transformation, including: (a) whether the technology or approach is first-of-its-kind or innovative in the country context; (b) potential for scaling up, replication, and knowledge transfer; (c) contribution to strengthening regulatory frameworks and enabling environments; and (d) degree of sector-specific additionality, consistent with the Common Practice Analysis conducted under Step 8.b(c), confirming that the degree of sector-specific additionality goes beyond what is already common practice.

Adaptation projects

Project proponents should demonstrate how the project contributes to systemic resilience transformation, including whether the approach is first-of-its-kind or not yet common practice in the country or sector (technical, institutional, regulatory, or financial innovation); potential for scaling, replication, and knowledge transfer; contribution to strengthening climate information systems, planning tools, design standards, or institutional capacity; and degree of sector-specific additionality beyond common practice, consistent with Step 8.b(c).

Step 8.f: Justification for concessionality

Mitigation projects

Project proponents must provide a strong justification for why GCF concessional financing is needed, based on a with-GCF/without-GCF financial and/or economic analysis. The justification must include: (a) the required concessional investment figure for the project to be bankable; (b) evidence that the proposed investment would not be made absent GCF concessional support; and (c) an explanation of how GCF concessionality addresses specific barriers that prevent the project from proceeding on commercial terms. The economic and financial analysis must comply with the GCF's Economic and Financial Analysis (EFA) Guidance and address, as applicable, how the project's cash flows change over

time in the absence of GCF support; whether it is profitable for beneficiaries to invest in mitigation measures without GCF; how GCF support affects the profitability of the project; how long it takes the activities to generate a positive financial return with and without GCF support; and what financial incentives exist for continuing the mitigation activity beyond the GCF funding period.

Adaptation projects

Project proponents must demonstrate that the level of concessionality requested from the GCF is the minimum required to achieve the adaptation outcome. The justification must include a with-GCF/without-GCF comparison covering: (a) the required concessional investment figure or grant element needed to deliver climate-resilient specifications, reach vulnerable groups, or sustain long-term O&M; (b) evidence that the concessional element would not be available absent GCF intervention; and (c) an explanation of how GCF concessionality directly enables enhanced adaptation outcomes (e.g., climate-adjusted safety margins, stress testing against future extremes, adaptive management systems, resilience monitoring, or inclusion measures). Where applicable, the financial and economic analysis should address how project viability changes in the absence of GCF support; whether beneficiaries would invest in resilient measures without GCF; how GCF support alters the level or standard of resilience achieved; and whether resilience outcomes would be sustained beyond the GCF funding period.

VETO: Projects that fail to demonstrate additionality under Section 2.2.7 are ineligible for selection under the ASCF Programme.

Step 9 ASCF prioritization criteria

Step 9.a: ASCF prioritization

Where multiple projects are eligible, or where eligible projects compete for a finite financial envelope, projects shall be ranked and prioritized. Climate impact magnitude is the primary ranking factor. The prioritization framework is set out below.

Mitigation projects — prioritization criteria:

- Climate impact magnitude per USD invested (tCO₂e reduced or absolute mitigation impact) — PRIMARY FACTOR.
- Project readiness: stage of project preparation, including availability of feasibility studies, Environmental and Social Impact Assessments (ESIAs), secured co-financing, and regulatory approvals.
- ESS category: projects in category B or C are preferred over category A, all else being equal.

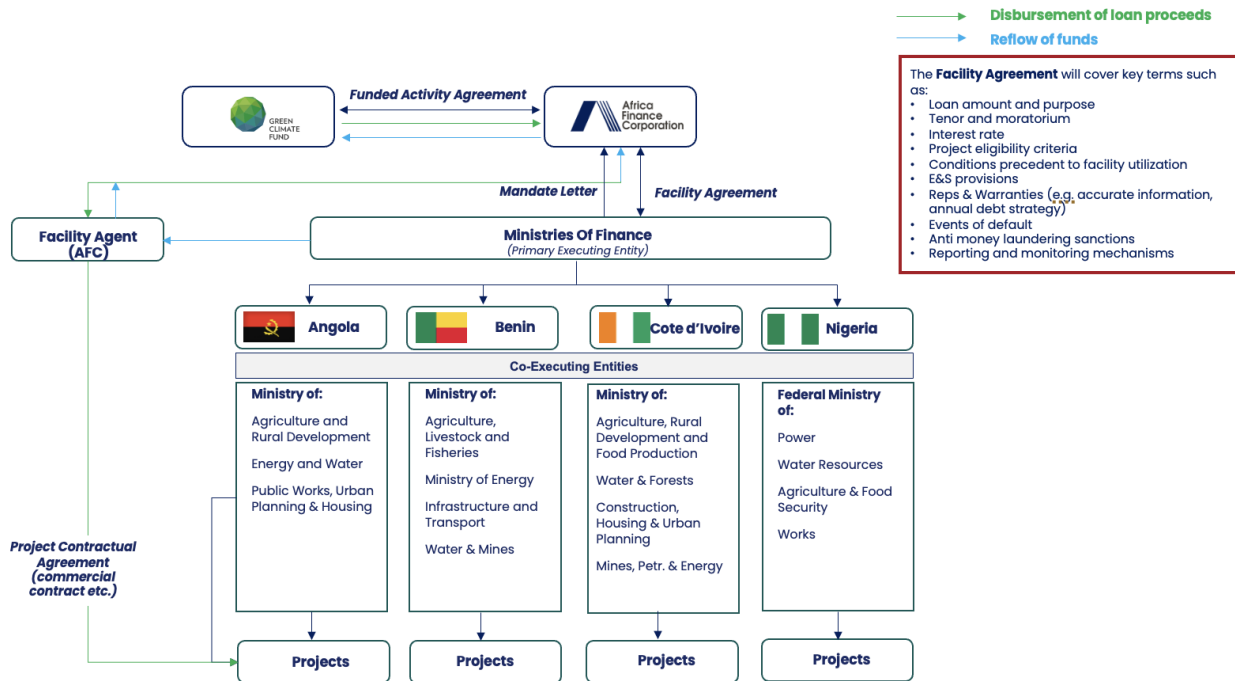
Adaptation projects — prioritization criteria:

- Adaptation impact magnitude per USD invested — PRIMARY FACTOR. This must be assessed using standardised and comparable metrics, including as applicable: total number of direct and indirect adaptation beneficiaries (disaggregated where feasible); expected quantified reduction in vulnerability or increase in resilience; economic value of climate risk reduced (e.g., avoided losses, avoided disruption costs); and cost-effectiveness metrics (beneficiaries per USD invested and/or USD of climate risk reduced per USD invested).
- Project readiness: stage of project preparation, including availability of feasibility studies, climate risk assessments, vulnerability analyses, Environmental and Social Impact Assessments (ESIAs), secured co-financing, and regulatory approvals.
- ESS category: projects in category B or C are preferred over category A, all else being equal.

Projects demonstrating the strongest quantified climate outcomes per USD invested shall be ranked highest, subject to compliance with all minimum eligibility, impact threshold, and additionality requirements under steps 2–8.

3. Flow of funds for Component 2

The ASCF will provide between USD 25 million and USD 75 million in loans to support each eligible selected project. The Facility will offer long-term, affordable concessional financing, enabling sovereign entities to undertake priority climate-focused investments. The key contractual arrangements and the flow of funds mechanism for the concessional facility component (component 2) are indicated in the figure below:



The key contractual arrangements and the flow of funds mechanism for the concessional facility component (Component 2) operate as follows: Initially, AFC will sign individual Mandate Letters with the primary Executing Entities (Ministries of Finance), which will provide AFC with written authorisations to raise blended financing on their behalf. AFC will also enter into Facility Agreements (FAs) with each primary EE, which will then enter into Project Subsidiary Agreements (PSAs) with the co-Executing Entities (line ministries) for each approved project.

The FAs and PSAs will cover the following key terms:

- Loan amount and purpose
- Tenor and moratorium
- Interest rate
- Project eligibility criteria
- Conditions precedent to facility utilisation
- Environmental and social provisions
- Representations and warranties (e.g., accurate information, annual debt strategy)
- Events of default
- Anti-money laundering sanctions
- Reporting and monitoring mechanisms

Under the FAs and PSAs, ASCF financial resources provided by both GCF and AFC will be mobilised and disbursed to finance eligible approved projects. AFC, through its operations department, will act as Facility Agent on behalf of the lenders (GCF and AFC) in connection with the administration, management, and enforcement of the loans provided by the Facility.

For projects with financial reflow, the ASCF Facility Agent will oversee the end-to-end reflow of funds and ensure financial accountability. The role of the Facility Agent will also include: coordinating communications between the borrowers and the lenders; receiving and distributing payments made by the borrower; maintaining records of the loans and disbursements; monitoring compliance by the borrowers with their obligations under the financing agreements; and performing any other duties expressly set out in the agreements.

The Facility Agent will play a critical role in monitoring the performance of each project, including revenue generation, debt service schedules, and compliance with loan terms, thereby facilitating repayments from the Ministries of Finance to AFC, and ultimately to the GCF.