

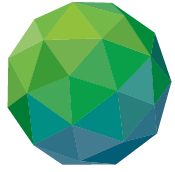
GREEN
CLIMATE
FUND

GCF REGIONAL DIALOGUE

with MIDDLE EAST & NORTH AFRICA

Rabat, Kingdom of Morocco
24–28 June 2024





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Aligning the project GCF with Investment Criteria:

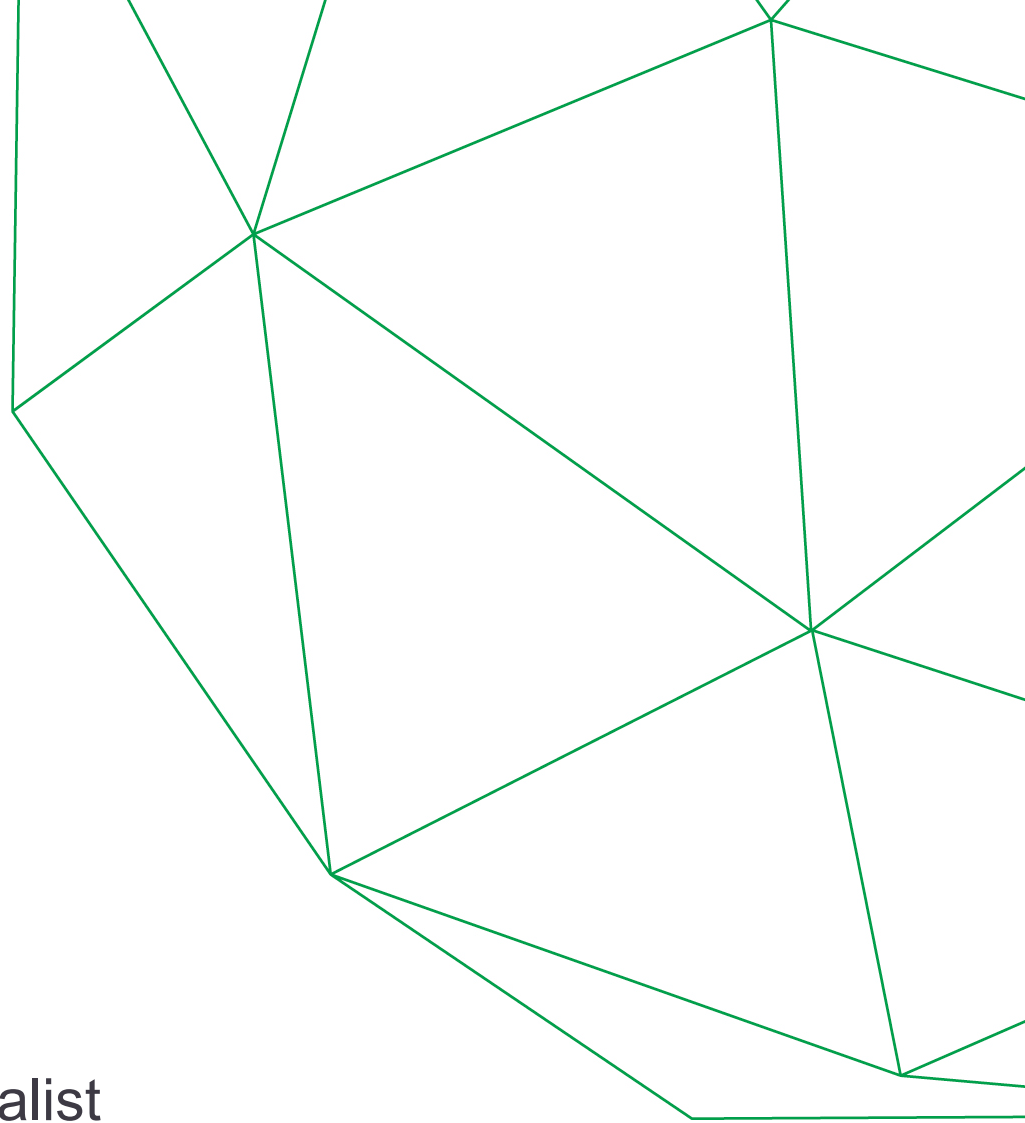
Paradigm Shift | Innovation | Additionality

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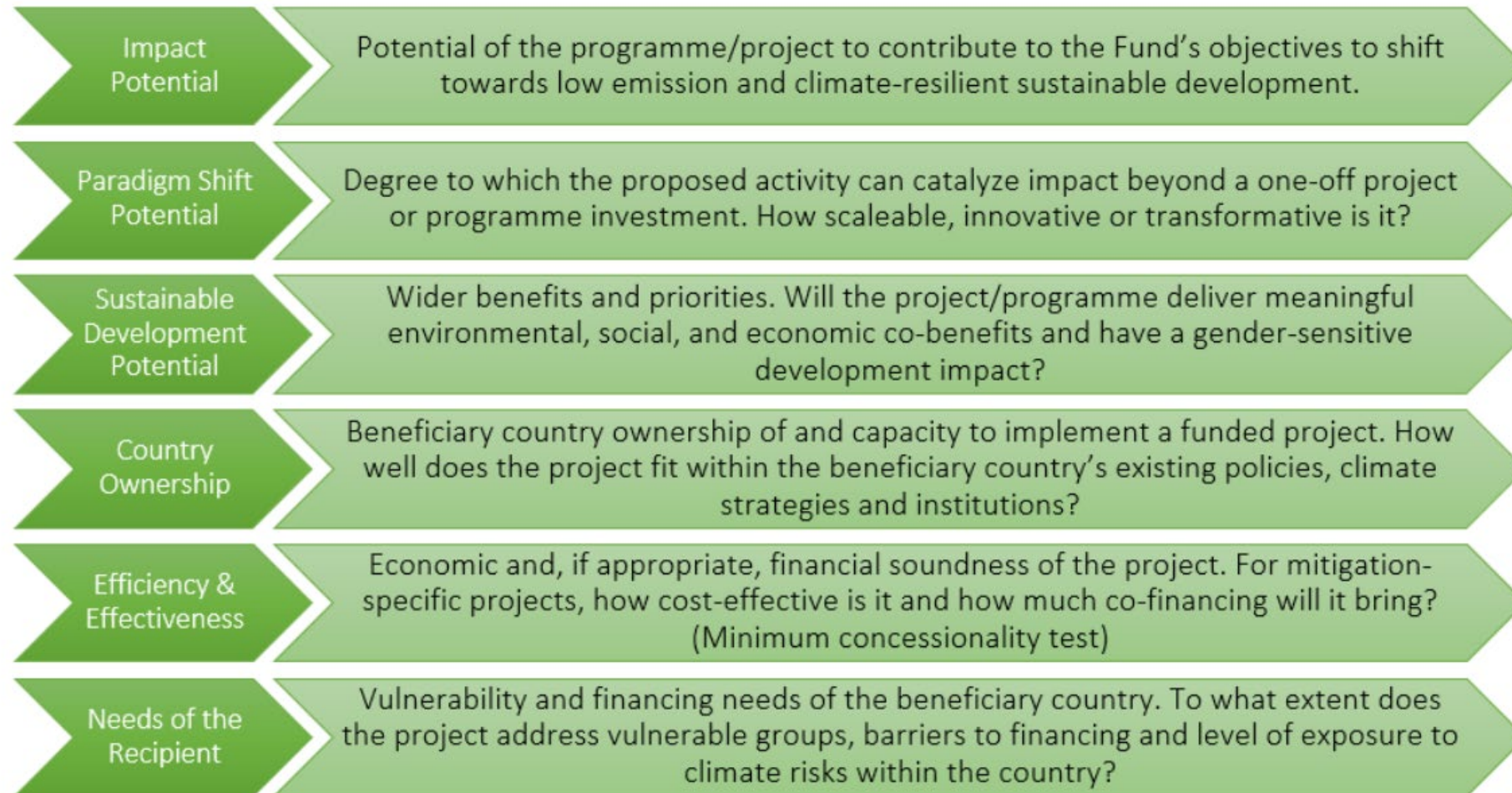
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GCF Investment Criteria



Any investment that leads to a paradigm shift and is truly transformative would need to be additional



GCF Appraisal Areas



APPRAISAL AREAS



1. Climate impact



2. Additionality



3. Innovation



4. Scalability



5. Sustainability



6. Financial
Structuring



7. Concessionality



8. Development
co-benefits



9. Risk and
Compliance



10. Technical
Soundness

Investment Criteria and Appraisal Area Interlinkages



Paradigm Shift



- Grasping the concept of **paradigm shift** prior to executing the details of your project design can be very beneficial when planning your project.
- The GCF definition is “*the degree to which the proposed activity can catalyse impact beyond a one-off investment and results in medium to long term change*”.
- The GCF wants to see projects that are designed in a way that the project won’t just be a one-off investment, but rather will catalyse broader sectoral change.



Additionality



A project or programme is considered additional if it would not have occurred in the absence of GCF funding.

It requires:

- Identification of both financial and non-financial barriers,
- Identification of alternatives to the intervention and the rationale for the proposed intervention to be preferred.
- analysis of regulatory/policy barriers in the case of technical, financial or business innovation.

Additionality is closely linked to the appraisal areas of innovation, scalability, sustainability and concessionally.

Innovation



A new technical or business innovations, governance, legislative or planning systems created and/or adopted through the proposed intervention, or the scaling up, adaptation or replication of existing tools, systems or approaches in ways that are specifically prompted by the climate context and the needs of the countries.

- **Technical innovation or improvements:** Example, adoption of *new technologies*, new *processes*, or *modal shifts* in the context of the country, region or sector concerned.
- **Business innovation or improvements:** Example, adoption of new financial instruments, financial mechanisms, financial processes or new business models that address existing investment gaps or barriers in the *market that have not yet been addressed*, or that address investment gaps or barriers for *a new area of demand*, or for *a new class of investors*.
- Innovation also has links to the appraisal areas technical soundness and financial structuring, as well as concessionality, additionality, and climate impact.

Innovation and Additionality Tool (IAT)



- ✓ GCF's Additionality is different from others.
- ✓ IAT enable a comprehensive assessment of additionality.
- ✓ How IAT help us?
 - Improve the overall quality of funding proposals
 - Provide a transparent and consistent approach to the assessment of proposals
 - Support decision-making processes for both the AEs and the GCF Secretariat.
- ✓ Access IAT here: [Innovation and Additionality Tool](#)

#	ATTRIBUTE OF ADDITIONALITY	UNFCCC CDM	UNFCCC JI	IFIS	MDBS	GEF	GCF
1	Project activity (technology) is first of its kind	X	X			X	X
2	Define alternatives to the project activity	X	X				X
3	Project activity faces barriers that prevent it from happening without concessional support	X	X	X	X	X	X
4	Project activity is not regarded as " common practice " [includes elements of (1)]	X	X			X	X
5	Investment baseline identified on the basis of conservative assumptions	X	X				X
6	Project activity in lower income country			X			X
7	Project activity includes knowledge transfer that enables development outcomes			X	X	X	X
8	Project activity involves innovative financing structures				X		X
9	Project activity enables resource mobilization				X	X	
10	Project activity enables regulatory change				X	X	
11	Project activity promotes adoption of higher environmental and social standards				X	X	

How to establish Additionality 1/4



1: BASELINE INVESTMENT CONTEXT AND ALTERNATIVES TO PROJECT ACTIVITY

✓ **Baseline investment context:**

- detail the current trajectory of investment in the relevant sector(s) (past and future)
- detail the existing institutional framework and capacities, and regulatory frameworks in the relevant sector(s)
- evidence backing up a realistic and credible baseline scenario (qualitative and quantitative)

✓ **Alternative project activities:**

- demonstrate at least one viable alternative (technologies, strategies, policies and measures) to the project activities (counterfactual/distinct from baseline, compare with baseline scenario, and review compliance with regulatory/policy framework)
- review past initiatives and explain how they differ from the proposed initiative.

✓ **Additionality of concessional finance**

- explain why the proposed activity will not happen in the absence of GCF concessional financing (justify concessionality to achieve bankability and its amount)

How to establish Additionality 2/4



2: NON-FINANCIAL BARRIERS IN THE COUNTRY

- ✓ **Opportunities for the Fund to overcome specific barriers to financing**
 - explain to what extent each barrier is hampering investment, and how is it addressed by the project/program (provide evidence)
 - highlight effectiveness of proposed activities in addressing non-financial barriers to project implementation
 - explain to what extent risks relevant to each barrier a threat to the success of the project/program?
- ✓ **Level of socio-economic development (vulnerability and need of recipients)**
 - highlight the level of socio-economic development of the country and target population

How to establish Additionality 3/4



3: FINANCIAL BARRIERS IN THE COUNTRY

✓ Opportunities for the Fund to overcome specific barriers to financing

- explain to what extent each barrier is hampering investment, and how is it addressed by the project/program (provide evidence)
- effectiveness of proposed activities in addressing financial barriers to project implementation
- explain to what extent risks relevant to each barrier a threat to the success of the project/program?

✓ Financial needs of the country

- Government's fiscal position and ability to invest with public resources (IMF Debt Sustainability Report).
- Ease of access to finance (average of "Ease of access to loans" and "Ability to raise equity locally" WEF Global Competitiveness Index).
- Actual (normalized) level of investment (incoming FDI as percentage of GDP, World Bank)

How to establish Additionality 4/4



4: INNOVATION AND SECOND ORDER EFFECTS OF THE INTERVENTION

✓ Market development and transformation (paradigm shift criteria)

- evidence that skills are introduced in the job market.
- evidence of the creation of new business activities previously not existing in the market

✓ Innovation

- evidence that the proposed project/program introduce a technical innovation that did not previously exist in the market of reference.
- justification the proposed technical innovation addresses mitigation/adaptation needs that can't be met, or are less effectively met, by alternative available options at similar costs.
- evidence that the proposed project/program introduces a business innovation that did not previously exist in the market of reference

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

✓ Application of best practices/best technologies (international or of indigenous population) and degree of adoption to meet local needs.



Thank you