THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

FINAL

GUIDANCE TO ACCESS CLIMATE FUNDS FOR THE NATIONAL WATER SUPPLY AND DRAINAGE BOARD

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Guidance to Access Climate Funds for the National Water Supply and Drainage Board (NWSDB)

Final Report:

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ABBREVIATIONS

ADB	Asian Development Bank
AE	Accredited Entity
AF	Adaptation Fund
BAU	Business As Usual
BIM	Barbados Implementing Modalities
CCRR	Climate Change Resilience Roadmap
CDM	Clean Development Mechanism
CFRR	Carbon Footprint Reduction Roadmap
CI2	Climate Investor 2
CO2	carbon dioxide
DA	Designated Authority
DPP	Detailed Preparation Phase
eBCR	Economic Benefit Cost Ratio
eIRR	Economic Internal Rate of Return
eNPV	Economic Net Present Value
ERD	Department of External Resources (under Ministry of Finance)
ESAP	Environmental and Social Action Plan
ESG	Environmental, Social and Governance
ESS	Environmental and Social Safeguards
fIRR	Financial Internal Rate of Return
FMO	Dutch entrepreneurial development bank
fNPV	Financial Net Present Value
GCF	Green Climate Fund
FRLD	Fund for Responding to Loss and Damage
GAP	Good Agricultural Practices
GESI	Gender Equality and Social Inclusion
GHG	greenhouse gas
GRF	Green Revolving Fund
IFC	International Finance Corporation
IFI	International Financial Institution
IKI	International Climate Initiative
IPCC	Intergovernmental Panel on Climate Change
IRMF	Integrated Results Management Framework
iTAP	independent Technical Advirosy Panel
M&E	monitoring and evaluation
MAF	Mitigation Action Facility
MDB	Multilateral Development Bank
MHCWS	Ministry of Housing, Construction and Water Supply
MIE	Multilateral Implementing Entities
MRV	measurement, reporting & verification, also monitoring, reporting & verification
NAMA	Nationally Appropriate Mitigation Actions
NAP	national adaptation plan
NCA	Natural Capital Accounting
NDA	National Designated Authority
NDB	National Development Bank
NDC	nationally determined contribution
NDC3.0	third NDC
NIE	National Implementing Entities

NPD	Department of National Planning (under the Ministry of Finance)
NWSDB	National Water Supply and Drainage Board
ODA	Official Development Assistance
PAP	standard Project Approval Process
PBL	policy-based loan
PPF	Project Preparation Facility
PPP	Public-Private Partnership
PPRC	Project and Programme Review Committee
RBM	Result-Based Management
RIE	Regional Implementing Entities
RWI	Resilient Water Infrastructure
SAP	Simplified Approval Process
SIDS	Small Island Developing State
SPPG	Strategic Priorities, Policies and Guidelines
SMART	specific, measurable, achievable, relevant, and time-bound
SME	Small- and Medium-sized Enterprise
tCO2e	tons of carbon dioxide equivalent
ToC	Theory of Change
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
VCS	Voluntary Carbon Standard

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I. INTRODUCTION

A. Background

1. The background to the report is provided by the Asian Development Bank (ADB) policy-based loan (PBL) "*Water Supply and Sanitation Reform Program*" [1] to the water sector of Sri Lanka, of which the National Water Supply and Drainage Board (NWSDB) is a key part. The PBL covers two reform areas, one of which is '*Climate-resilient, safe, inclusive, and environmentally sustainable water supply systems management strengthened.*' This reform area covers among others the following policy action in subprogram 2:

- 2.7 Building upon subprogram 1, NWSDB will: (…) (iv) issue overarching guidance with immediate effect for applying to any climate fund.

The current report assists NWSDB in the achievement of the policy actions mentioned in this Paragraph 1 by drafting the Carbon Footprint Reduction Roadmap and drafting the guidance for applying to a climate fund. This report covers the last part, Guidance for Applying to a Climate Fund.

B. Content of the report

2. The guidance for accessing climate funds is a guidance that is relevant to applying to any and all climate funds, instead of guidance for applying to a particular climate fund such as the Green Climate Fund (GCF). This may need to focus on a few common themes that climate funds share, such as the need for a theory of change, barrier analysis, and barrier removal action. The following steps are foreseen: 1) Development of Guidance Framework, 2) design and implementation of a capacity building program, 3) stakeholder engagement, and 4) Finalization and handover. Section II elaborates, but it is important to highlight our assumption that for this part of the assignment, climate finance means both climate change mitigation and adaptation, and that climate fund selection will need to be covered in the guidance.

C. Set-up of the report

3. This report is set up as follows. Section II elaborates the methodology used for the assignment, including the selection of fund for detailed analysis. Section III presents the Climate Finance Strategy of Sri Lanka, which is important as background information. Section IV to Section VIII describe the application process for the selected funds and provide, for each of these, the guidance on how to apply, including the core concepts. Section IX compares the core concepts of each of the funds analyzed, and develops the core framework underpinning climate change mitigation, climate change adaptation, and loss and damage applications. Section X presents a decision framework whether or not to apply for climate finance. Section XI follows with a framework to decide which fund to target, assuming the decision to apply for a climate fund has been made. Sections IX to XI also present key checklists and best practice cases.

This guidance on the one hand wishes to provide information on a variety of the most important climate funds, both on application procedures and on proposal writing. The reader may zoom in on specific sections of the report, and hence, some information is repeated. On the other hand, the more interpretative parts are Sections IX-XI, which provide general guidance on how to

[1] ADB. 2024. Sri Lanka: Water Supply and Sanitation Reform Program. Project Number 56281-001.

prepare different types of proposals (focusing on adaptation, mitigation, and loss and damage), information on how to decide whether or not to prepare a proposal at all, and how to select the most “fitting” fund. For a reader unable to read the whole guidance, Sections IX to XI may be the best to concentrate on. The last section also provides a recommended sequence of actions and decisions under the subsection “practical advice”.

II. METHODOLOGY

4. The preparation of general guidance on applying for climate funds benefits from being grounded in a thorough analysis and presentation on selected climate funds. This is used to arrive at the core logical frameworks that underpin the development of funding proposals for mitigation investments, adaptation investments and loss & damage investments (Section IX), and additionally to create decision frameworks whether or not to apply for climate funds, and if yes, what climate fund to apply for.

5. To select the climate funds, a longlist of climate funds prepared for a previous assignment[2] was used as starting point. Several filters were used to narrow this down: the fund needs to be still active and have resources to invest; the fund must be relevant to NWSDB; and the fund must be well documented with sufficient guidance, to make it possible to analyze and provide guidance. Finally, the three types of climate finance (adaptation, mitigation, and loss & damage) all need to be covered. On the basis of this approach, the following funds were identified for further analysis:

- Green Climate Fund (GCF)
- Green Climate Fund Simplified Approval Process (GCF-SAP)
- Mitigation Action Facility (MAF)
- Adaptation Fund (AF)
- International Climate Initiative (IKI)
- Fund for Responding to Loss and Damage (FRLD)

6. For each fund, an introduction is provided with the main objectives of the fund, a description of the application process, including procedural matters (what organizations can submit proposals, when (call for proposals or a rolling process, one-stage or two-stages), followed by a discussion on how to prepare a successful proposal.

[2] Van der Tak, C. 2022. Support to Vietnam for the Implementation of the Paris Agreement (VN-SIPA): Overview of international climate finance funds available for Vietnam. Final Report. November 2022. Prepared for GIZ.

III. NATIONAL CLIMATE FINANCE STRATEGY

7. The National Climate Finance Strategy of Sri Lanka[3] is an important and unusual document. Compared to similar documents developed by other countries, Sri Lanka's Climate Finance Strategy emphasizes developing financial mechanisms that are domestic and non-concessional. Most developing countries climate finance strategies almost exclusively rely on international finance at highly concessional terms. Sri Lanka's strategy means that funding proposals that pave the way for financial mechanisms such as green bond issuance, Public-Private Partnerships (PPPs) etc are welcome, and specifically those proposals are the ones that international climate funds look at most favorably. For that reason, the main financial solutions proposed in Sri Lanka's National Climate Finance Strategy – comprising the bulk of the strategy – are summarized here[4].

A. Disaster Risk Insurance

8. Disaster risk insurance[5] is a financial mechanism designed to manage the economic consequences of climate-related shocks rather than prevent them. In Sri Lanka, where floods, droughts, and extreme weather events increasingly affect infrastructure, agriculture, and livelihoods, such insurance plays a crucial role in strengthening financial resilience at both national and local levels.

9. A key innovation in climate risk insurance is the use of parametric or weather-indexed products, where payouts are triggered automatically when predefined thresholds – such as rainfall deficits or extreme wind speeds – are exceeded. This approach significantly reduces delays associated with traditional claims assessments and enables faster recovery for affected populations. For example, farmers experiencing drought conditions can receive compensation quickly, allowing them to replant or sustain livelihoods.

10. The strategy also highlights the importance of combining insurance with public support mechanisms. Governments may subsidize premiums for vulnerable populations or partner with private insurers to expand coverage. In addition, regional or international risk pooling arrangements can further spread risk and reduce costs.

11. However, effective implementation requires robust meteorological data, strong institutional coordination, and awareness among users. Without trust in the system, uptake may remain limited. Disaster risk insurance is not a substitute for adaptation measures but complements them by addressing residual risks – those that cannot be fully avoided through prevention.

12. In Sri Lanka, expanding such mechanisms can reduce the fiscal burden of disaster response while enhancing resilience across sectors such as agriculture, fisheries, and infrastructure.

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[3] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030).

[4] Apart from these, the strategy also briefly discusses mechanisms to de-risk climate related finance, including guarantee mechanisms, trade finance, risk-sharing and short-term liquidity facilities, countercyclical approaches, mitigating foreign currency risk, and increasing financial inclusion.

[5] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p. 8-15.

B. Public–Private Partnerships (PPPs) for Climate Action

13. Public–Private Partnerships (PPPs)[6] are collaborative arrangements in which the private sector participates in the financing, development, and operation of infrastructure or services traditionally delivered by the public sector. In the context of climate action, PPPs are particularly valuable for mobilizing large-scale investment in mitigation and adaptation projects.

14. Sri Lanka's climate finance strategy recognizes PPPs as a key mechanism to overcome public financing constraints, especially in sectors such as renewable energy, water supply, wastewater treatment, and urban infrastructure. Through PPPs, governments can leverage private capital and technical expertise while sharing project risks.

15. In a typical PPP structure, the private partner may:
- Design and build infrastructure,
- Operate and maintain assets, and
- Recover costs through user fees or government payments.

16. Climate-related PPPs often require additional support mechanisms to enhance viability. These may include:
- Concessional finance to reduce capital costs,
- Guarantees to mitigate risk, or
- Viability gap funding to ensure financial feasibility.

17. However, PPPs are not without challenges. They require:
- Strong legal and regulatory frameworks,
- Transparent procurement processes, and
- Institutional capacity to negotiate and manage contracts.

18. For Sri Lanka, PPPs represent a strategic opportunity to accelerate climate investments, particularly where projects are too large for public financing alone. When well-designed, they can deliver both climate and development benefits while improving efficiency and innovation.

C. Subsidies for Good Agricultural Practices (GAP)

19. Subsidies for Good Agricultural Practices (GAP)[7] are designed to encourage farmers to adopt more sustainable and climate-resilient farming methods. Agriculture in Sri Lanka is highly vulnerable to climate variability, including changing rainfall patterns, droughts, and floods, making it essential to promote practices that enhance resilience while maintaining productivity.

20. GAP subsidies aim to lower the financial barriers associated with transitioning to improved practices. These may include investments in efficient irrigation systems, adoption of climate-resilient crop varieties, reduction in chemical inputs, and implementation of soil conservation techniques. By reducing upfront costs, subsidies make it easier for farmers – particularly smallholders – to adopt new methods that may otherwise be perceived as risky or unaffordable.

[6] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p.16-20.
[7] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p. 21-26.

21. However, the effectiveness of such subsidies depends on their design. Poorly targeted subsidies can lead to inefficient use of resources or create dependency without delivering lasting benefits. To address this, the strategy emphasizes linking subsidies to measurable outcomes, such as improved water efficiency or reduced environmental impact.

22. In addition, subsidies should be integrated with extension services and capacity-building programs. Farmers need access to knowledge and technical support to implement new practices effectively.

23. For Sri Lanka, GAP subsidies represent a practical tool for aligning agricultural development with climate adaptation. By promoting sustainable practices, they contribute to food security, environmental protection, and resilience to climate shocks, while supporting rural livelihoods.

D. Green, Blue, and Sustainability or Sustainability-Linked Bonds

24. Green, blue, and sustainability or sustainability-linked bonds[8] are financial instruments that enable governments and institutions to raise capital specifically for projects with environmental or climate benefits. These bonds tap into global capital markets, allowing issuers to mobilize large volumes of financing from investors seeking sustainable investment opportunities.

25. Green bonds are typically used to finance projects such as renewable energy, energy efficiency, and sustainable infrastructure. Blue bonds focus on marine and water-related investments, including coastal protection and water resource management. Sustainability-linked bonds differ slightly in that their financial terms – such as interest rates – are tied to the achievement of predefined sustainability targets.

26. For Sri Lanka, these instruments offer a way to diversify financing sources beyond traditional public and concessional funding. By issuing such bonds, the country can attract international investors while signaling its commitment to sustainability and climate action.

27. However, successful issuance requires adherence to international standards, including clear definitions of eligible projects, transparent reporting on the use of proceeds, and independent verification of environmental impacts. Building investor confidence is essential, particularly in emerging markets.

28. Challenges include limited domestic capital market depth and the need for strong institutional capacity to manage bond issuance and reporting requirements. Despite these challenges, sustainable bonds represent a powerful tool for mobilizing large-scale financing for climate projects, particularly in sectors such as water, energy, and coastal management.

E. Green Loans

[8] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030) p. 27-30.

29. Green loans[9] are an important mechanism for directing financial resources from banks and financial institutions toward environmentally sustainable investments. Unlike general-purpose loans, green loans are specifically earmarked for projects that deliver measurable environmental or climate benefits.

30. In Sri Lanka, green loans can support a wide range of activities, including renewable energy installations, energy efficiency improvements, sustainable infrastructure development, and pollution reduction initiatives. They are particularly relevant for private sector actors, including small and medium-sized enterprises (SMEs), as well as public utilities seeking to upgrade infrastructure.

31. The expansion of green lending requires the establishment of clear eligibility criteria and regulatory frameworks aligned with international standards. Financial institutions must be able to assess the environmental impact of projects and monitor outcomes over time.

32. A key challenge is the perception of risk associated with green investments, particularly in newer or less familiar technologies. To address this, the strategy proposes the use of risk-sharing mechanisms, concessional finance, and technical assistance to support both lenders and borrowers.

33. Green loans play a critical role in mobilizing private sector participation in climate finance. By integrating environmental considerations into mainstream financial products, they help scale investment beyond what can be achieved through public funding alone.

F. Increasing Official Development Assistance (ODA)

34. Official Development Assistance (ODA)[10] remains a vital source of climate finance for Sri Lanka, particularly given its fiscal constraints and limited domestic resources. ODA includes grants and concessional loans provided by bilateral donors and multilateral development institutions, often targeted at development and climate-related objectives.

35. The strategy emphasizes that increasing ODA is not solely about securing additional funding, but also about improving the effectiveness and alignment of existing flows. This involves ensuring that ODA-supported projects are closely aligned with national climate priorities and integrated into broader development planning.

36. One of the main challenges in accessing ODA is the complexity of application processes and the stringent requirements for project preparation. Developing high-quality, bankable project proposals requires technical expertise, data, and institutional coordination. Strengthening these capacities is therefore a key priority.

37. In addition, better coordination among donors is needed to reduce fragmentation and ensure that funding is used efficiently. Transparent reporting and monitoring systems are also essential to demonstrate results and maintain trust with development partners.

[9] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p.31-34.
[10] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p.35-38.

38. For Sri Lanka, ODA will continue to play a crucial role in financing adaptation projects, capacity building, and public goods that may not attract private investment. It serves as both a financial resource and a catalyst for broader climate action.

G. Natural Capital Accounting in National Accounts

39. Natural Capital Accounting (NCA)[11] is a transformative approach that integrates environmental assets into national economic accounting systems. By recognizing the economic value of ecosystems, NCA enables policymakers to make more informed decisions about resource use and investment.

40. In Sri Lanka, natural capital – including forests, wetlands, coastal ecosystems, and water resources – plays a critical role in supporting economic activity and resilience. However, traditional accounting systems often overlook these contributions, leading to underinvestment in conservation and sustainable management.

41. NCA addresses this by quantifying ecosystem services such as water regulation, carbon sequestration, and biodiversity support. This allows policymakers to assess the economic implications of environmental degradation and the benefits of protecting natural systems.

42. Implementing NCA requires the development of data systems, valuation methodologies, and institutional coordination. While Sri Lanka is still in the early stages of adoption, the potential benefits are significant. For sectors such as water and agriculture, where ecosystem services are critical, NCA provides a powerful tool for aligning economic and environmental objectives.

43. By incorporating natural capital into decision-making, NCA can:

- Strengthen the case for nature-based solutions,
- Improve planning and investment decisions, and
- Support climate finance mobilization.

H. Promotion of Sustainable Tourism

44. The promotion of sustainable tourism[12] is identified as a strategic financial solution that simultaneously supports economic development, environmental conservation, and climate resilience. Tourism is a major contributor to Sri Lanka's economy, and it is heavily dependent on natural assets such as coastal ecosystems, forests, biodiversity, and cultural landscapes. However, these assets are increasingly threatened by climate change, including coastal erosion, coral bleaching, water scarcity, and extreme weather events.

45. Sustainable tourism aims to address this challenge by shifting the sector toward practices that minimize environmental impact while enhancing long-term resilience. This includes promoting eco-friendly infrastructure, reducing resource consumption (particularly water and energy), managing waste effectively, and protecting natural ecosystems.

[11] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p. 39-43.
[12] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p. 44-47.

46. From a financial perspective, sustainable tourism creates opportunities to mobilize climate finance through:

- Green investments in hotels and tourism facilities,
- Eco-certification schemes that attract premium markets,
- Partnerships with private sector investors focused on sustainability.

47. The strategy emphasizes that sustainable tourism is not only about environmental protection but also about maintaining the economic viability of the sector over time. Degraded ecosystems reduce the attractiveness of tourism destinations, leading to revenue losses.

48. Implementing this approach requires:

- Clear sustainability standards and certification systems,
- Incentives for private sector adoption,
- Integration of climate considerations into tourism planning.

49. For Sri Lanka, sustainable tourism represents a self-reinforcing financing mechanism, where investments in resilience and conservation enhance the long-term profitability and competitiveness of the tourism sector.

I. Entrance Fees

50. Entrance fees[13] to national parks, protected areas, and environmentally sensitive sites are a relatively simple yet effective mechanism for generating dedicated revenue streams for conservation and climate-related activities. In Sri Lanka, where many natural assets are under pressure from both climate change and human activity, entrance fees can play an important role in financing ecosystem protection and maintenance.

51. The principle behind entrance fees is straightforward: users who benefit from access to natural resources contribute financially to their preservation. This creates a direct link between economic activity (such as tourism) and environmental sustainability. Revenue generated from entrance fees can be used to:

- Fund conservation and restoration efforts,
- Support climate adaptation measures (e.g., coastal protection, watershed management),
- Maintain infrastructure within protected areas,
- Finance monitoring and enforcement activities.

52. However, the effectiveness of this mechanism depends on several factors. First, there must be transparent and accountable management of revenues, ensuring that funds are reinvested in conservation rather than absorbed into general budgets. Second, pricing must be carefully calibrated to balance revenue generation with accessibility, particularly for domestic visitors.

53. In addition, entrance fee systems can be enhanced through:

- differentiated pricing (e.g., higher fees for international tourists),
- digital payment systems to improve efficiency and transparency,
- integration with broader tourism strategies.

[13] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p.48-52.

54. For Sri Lanka, entrance fees represent a low-complexity, high-impact financing tool that can generate sustainable funding for climate and environmental objectives while reinforcing the value of natural capital.

J. Green Revolving Fund (GRF)

55. Green Revolving Funds (GRFs)[14] are presented as a practical and scalable financing mechanism that enables continuous investment in climate-related projects without requiring repeated injections of external funding. The core concept is based on reinvesting cost savings generated by efficiency improvements into new projects, thereby creating a self-sustaining cycle.

56. In a typical GRF model, an initial pool of capital is used to finance projects such as:
- Energy efficiency upgrades in buildings,
- Water efficiency improvements,
- Renewable energy installations.

57. These projects generate measurable financial savings, for example through reduced energy or water bills. A portion of these savings is then returned to the fund, which is used to finance additional projects.

58. This approach offers several advantages. First, it reduces long-term reliance on external financing, making it particularly attractive for public institutions with limited budgets. Second, it provides a clear demonstration of financial and environmental benefits, which can help build institutional support for climate investments. Third, it creates a structured mechanism for prioritizing and scaling projects over time. GRFs are particularly valuable because they combine financial sustainability with climate impact, making them a highly practical tool for institutional-level climate action.

K. Environmental, Social and Governance (ESG) Swaps (Nature, Energy, Water, Agriculture)

59. ESG swaps,[15] including debt-for-nature and related mechanisms, represent one of the most innovative financial solutions in Sri Lanka's climate finance strategy. These instruments are particularly relevant in the context of the country's fiscal constraints and high levels of external debt.

60. At their core, ESG swaps involve restructuring or reducing a portion of national debt in exchange for commitments to invest in specific environmental or climate-related activities. This effectively converts debt obligations into domestic investments that support sustainability. Different types of swaps can be tailored to sectoral priorities:
- Debt-for-nature swaps focus on conservation and ecosystem protection,
- Debt-for-energy swaps support renewable energy transitions,
- Debt-for-water and agriculture swaps finance climate-resilient infrastructure and practices.

61. These instruments provide a dual benefit. On one hand, they reduce debt servicing pressure, freeing up fiscal space. On the other hand, they channel resources into priority sectors

[14] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p. 53-57.
[15] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p. 58-61.

that contribute to long-term resilience and sustainability. However, ESG swaps are complex and require:

- Negotiations with creditors,
- Clearly defined investment programs,
- Robust monitoring and reporting systems,
- Strong governance to ensure transparency and accountability.

62. For Sri Lanka, ESG swaps offer a strategic opportunity to align debt management with climate objectives, particularly in sectors such as water, agriculture, and ecosystem management. If successfully implemented, they can unlock significant financing while addressing both fiscal and environmental challenges.

L. Development of a Carbon Market

63. The development of a carbon market[16] is identified as a key mechanism for generating revenue from greenhouse gas emission reductions. By participating in international carbon markets, Sri Lanka can attract investment into mitigation projects while creating a new source of climate finance.

64. Under this approach, projects that reduce or remove emissions – such as renewable energy, energy efficiency, reforestation, or sustainable agriculture – generate carbon credits. These credits can then be sold to international buyers, including governments and companies seeking to meet emission reduction targets.

65. The strategy emphasizes alignment with Article 6 of the Paris Agreement, which provides a framework for international carbon trading. This allows Sri Lanka to participate in both compliance and voluntary carbon markets. However, developing a carbon market requires significant institutional and technical capacity. Key requirements include:

- Establishing a national regulatory framework,
- Developing MRV (monitoring, reporting, verification) systems,
- Creating methodologies for quantifying emission reductions,
- Setting up a national carbon registry, often digitalized.

66. Sri Lanka is currently at an early stage in this process, and capacity building will be essential. This includes training for government agencies, private sector actors, and project developers.

67. If successfully implemented, carbon markets can provide:

- A performance-based revenue stream,
- Incentives for private sector participation, and
- A scalable mechanism for financing mitigation.

68. For sectors such as water and wastewater, where for example energy efficiency and methane reduction offer mitigation potential, carbon markets could become an important complementary financing tool.

[16] Ministry of Finance, Planning and Economic Development. 2025. National Climate Finance Strategy of Sri Lanka (2025-2030), p. 62-65.

M. Financial solutions' relevance to NWSDB

69. The following table contains our view on whether the financial solutions are relevant to NWSDB, in the sense that they could provide mechanisms proposed in climate funding proposals. Of course, this assessment goes beyond the National Climate Finance Strategy, but it can be helpful in thinking about potential funding proposals.

Table 1. Relevance of financial instruments for NWSDB climate fund applications

#	Financial Instrument	Relevance for NWSDB	Reason / Argument
1	Disaster Risk Insurance	Somewhat relevant	Relevant mainly for loss & damage and resilience. NWSDB could incorporate insurance mechanisms for infrastructure (e.g. flood/drought risk), but typically as a complementary component, not core project financing. Strong fit for FRLD-type proposals but less central for GCF/AF. An FRLD-oriented proposal focusing on disaster risk insurance likely would be submitted by a financial sector organization, not by NWSDB. NWSDB might be one of the clients.
2	Public–Private Partnerships (PPPs)	Highly relevant	Very strong relevance for scaling infrastructure investments (water supply, wastewater, desalination, drainage). Can be embedded in climate fund proposals as a financial structuring mechanism to leverage private capital and demonstrate paradigm shift (especially for GCF/MAF).
3	Subsidies for Good Agricultural Practices (GAP)	Not directly relevant	Primarily agriculture-focused. Only indirect relevance through watershed management or water demand reduction, but not central to NWSDB mandate. Unlikely to be a core component of a water-sector climate proposal.
4	Green / Blue / Sustainability Bonds	Highly relevant	Strong potential for scaling large infrastructure financing. NWSDB (or government) could propose bond issuance (especially blue bonds) for water investments. Highly aligned with GCF paradigm shift and financial innovation requirements.
5	Green Loans	Highly relevant	Very relevant for on-lending, utility investments, and private sector engagement. Can be used to finance energy efficiency, wastewater upgrades, and renewable energy in water systems. Fits well in GCF/MAF proposals.
6	Increasing ODA	Somewhat relevant	Important background financing source but not a project-level instrument. Cannot be "designed" within a proposal, but proposals can align with ODA priorities. More of a contextual enabler than a core mechanism.
7	Natural Capital Accounting (NCA)	Somewhat relevant	Useful for justifying investments (e.g. watershed protection, source sustainability), but not a direct financing mechanism. Can strengthen climate rationale, especially for adaptation proposals.

8	Promotion of Sustainable Tourism	Not directly relevant	Outside NWSDB core mandate. Only indirect links (e.g. water services in tourism areas), but not suitable as a financing mechanism within a water-sector proposal.
9	Entrance Fees	Not directly relevant	Relevant for protected areas and conservation, not water utilities. Could indirectly support watershed management, but not a core or scalable mechanism for NWSDB.
10	Green Revolving Fund (GRF)	Highly relevant	Very strong fit for utility-level investments (energy efficiency, leakage reduction, renewable energy). Can be proposed as an institutional mechanism within NWSDB. Strong alignment with GCF/MAF efficiency and sustainability objectives.
11	ESG Swaps (Debt-for-Nature/Energy/Water)	Somewhat relevant (strategic level)	Highly relevant at national level, but NWSDB cannot implement directly. However, water-sector investments could be included in a national ESG swap program, making it relevant for positioning but not as a standalone project component.
12	Carbon Market Development	Somewhat to highly relevant	Relevant for mitigation components (e.g. energy efficiency, methane capture in wastewater). Can be included as a revenue stream or co-benefit but requires strong MRV systems. Suitable for GCF/MAF.

Source: Author's assessments.

IV.GREEN CLIMATE FUND (GCF)

A. GCF application guidance

1) Overview

70. The Green Climate Fund (GCF)[17] is the largest multilateral climate finance mechanism established under the United Nations Framework Convention on Climate Change (UNFCCC). It is specifically designed to support developing countries in responding to climate change through both adaptation (reducing vulnerability to climate impacts) and mitigation (reducing greenhouse gas emissions).[18]

71. For institutions such as the National Water Supply and Drainage Board (NWSDB), the GCF is particularly relevant because it finances large-scale, concessional investments in sectors directly affected by climate change. In the water sector, this includes interventions such as climate-resilient water supply systems, wastewater management, flood protection, drought resilience, and integrated urban water management.

72. What distinguishes the GCF from other funding sources is its focus on transformational impact. Projects are expected not only to address immediate climate risks but also to catalyze systemic change, for example by introducing new approaches, strengthening institutions, or enabling replication at scale.

GCF Financial Instruments
The GCF offers the most diverse range of financial instruments among climate funds. These include:
- Grants, typically used for adaptation, capacity building, or high-risk components;
- Concessional loans, often used for revenue-generating investments;
- Equity, for private sector participation; and
- Guarantees and risk-sharing instruments, to mobilize private finance.

This flexibility allows the GCF to support complex financial structures and large-scale investment programs.

[17] https://www.greenclimate.fund

[18] In comments on the draft version of this report, NWSDB requested more information on GCF standards, and guidelines on how to comply with GCF standards. The following are the key GCF standards:
1. Investment Criteria. See Paragraphs 87-93.
2. Environmental and Social Safeguards. See Paragraphs 169-172.
3. Fiduciary standards. These are standards that ensure executing entities have the financial management, accountability, administrative capacity, and transparency to handle international funds. This is not discussed, because it is outside of the scope of guidance on how to apply to a climate fund, but given the wide involvement of NWSDB in (for example) ADB projects, NWSDB will meet fiduciary standards.
4. Disclosure standards. See GCF. 2026. Information Disclosure. These standards apply to GCF itself and prescribe specific schedules and methods of disclosure for certain types of information.
5. Evaluation standards. See GCF. 2022. Green Climate Fund Evaluation Standards. The standards apply to the GCF itself and support quality monitoring, evaluation and learning.

How to comply with the GCF standards: only some of the standards are relevant to organizations seeking GCF funding, and in practice, in it will be up to the AE to ensure that Investment Criteria and Environmental and Social Safeguard requirements are met.

2) Access Modality: Working through Accredited Entities

73. A critical feature of the GCF is that it does not accept applications directly from implementing agencies such as NWSDB. Instead, all proposals must be submitted through Accredited Entities (AEs). The AE normally prepares the funding proposal and interim products such as the concept note (see below). Therefore, the first task of NWSDB, if it wishes to obtain funding from GCF, is to **identify an AE willing to develop an initial NWSDB project or program idea into a full-fledged proposal**. This means that it is necessary to find an AE for which the idea fits the AE's strategic priorities. This can be done by preparing a concept according to the guidelines in this document and discussing this with the targeted AE. The process is summarized in Paragraph 730.

74. Accredited Entities are institutions that have been formally approved by the GCF to develop and implement projects. These include multilateral development banks (such as the World Bank and Asian Development Bank), United Nations agencies (such as UNDP), and selected national or regional institutions that have undergone accreditation.[19]

75. In addition, every proposal must be endorsed by the country's National Designated Authority (NDA). The NDA is responsible for ensuring that proposed projects are aligned with national climate priorities and strategies. In Sri Lanka, this role is fulfilled by the Ministry of Environment.[20] This means that any institution seeking GCF funding must first:

- Identify and partner with an appropriate Accredited Entity; and
- Engage early with the NDA (Ministry of Environment) to secure alignment and, ultimately, a formal No Objection Letter.
- NWSDB falls under the responsibility of MHCWS and must also coordinate with this Ministry. See the summary in Paragraph 730.
- Finally, under Sri Lanka's procedures, projects seeking international support need to coordinate with the Department of National Planning (NPD) and the Department of External Resources (ERD) under the Ministry of Finance. NPD and ERD are critical bodies that manage and approve investment projects reliant on international financial support (loans and grants).

76. The choice of Accredited Entity is strategic. Large infrastructure projects typically require an AE with strong technical, financial, and safeguards capacity, while smaller or more innovative projects may be developed with national or specialized entities.

3) GCF Project Cycle

77. The GCF application process follows a structured, multi-stage project cycle designed to ensure quality, alignment, and impact.

78. **Step 1: Project identification and early engagement**. The process begins with identifying a project concept that is clearly aligned with national climate priorities (e.g. National Adaptation Plan, Nationally Determined Contribution), and the GCF's investment criteria. At this stage, it is essential to engage both the Accredited Entity and the NDA. Early discussions help

[19] For an up to date list, see https://www.greenclimate.fund/about/partners/ae. Sri Lanka has one national AE (Direct Access Entity), DFCC Bank PLC. See https://www.greenclimate.fund/ae/dfccbank
[20] For current information, see https://www.greenclimate.fund/countries/sri-lanka#contact.

refine the concept, confirm strategic alignment, and avoid investing resources in proposals that are unlikely to be supported.

79. **Step 2: Concept Note**. Although optional, the submission of a Concept Note is strongly recommended, particularly for first-time applicants. This step significantly reduces risk by ensuring that only viable concepts proceed to full development. A Concept Note is a concise document outlining the climate problem being addressed; the proposed intervention; expected climate impacts; and indicative financing structure.

80. The purpose of the Concept Note is to obtain early feedback from the GCF Secretariat on whether the proposed project is aligned with the Fund's priorities and criteria. Based on this review, the Secretariat may:

- Encourage the applicant to proceed to a full proposal;
- Request revisions; or
- Advise that the concept is not suitable for GCF funding.

81. **Step 3: Project preparation**. Developing a full GCF proposal can require substantial technical and analytical work, including feasibility studies, climate risk assessments, environmental and social impact assessments, and financial modelling. To support this, the GCF provides a Project Preparation Facility (PPF), which can finance preparatory activities (not an obligation). This is particularly useful for complex infrastructure projects where significant upfront work is needed.

82. **Step 4: Full Funding Proposal**. The Funding Proposal is the central application document[21] and must be submitted by the Accredited Entity. When submitted, it must be accompanied by a No Objection Letter from the NDA, confirming national endorsement. The Funding Proposal is a comprehensive document that demonstrates:

- A clear and evidence-based climate rationale
- Detailed project design and implementation arrangements
- Financial structure, including co-financing
- Expected results and indicators
- Environmental and social safeguards
- Gender considerations
- Risk assessment and mitigation measures

83. **Step 5: Secretariat review**. Once submitted, the proposal undergoes a detailed technical review by the GCF Secretariat. This includes assessing alignment with GCF policies and criteria; evaluating technical and financial robustness; reviewing safeguards and risk management. The Secretariat may request clarifications or revisions during this stage.

84. **Step 6: Independent Technical Advisory Panel (iTAP) review**. In parallel or after initial Secretariat Review, the proposal is reviewed by the Independent Technical Advisory Panel (iTAP)[22] which directly advises the GCF Board. This panel provides an objective assessment of the proposal's climate impact; innovation and transformational potential; and technical quality. The iTAP review is a critical step in ensuring the credibility and integrity of GCF investments.

[21] Accompanied by several annexes, into the funding proposal package.
[22] GCF. 2021. Updated independent Technical Advisory Panel review procedure. March 2021

85. **Step 7: Board approval**. The final decision is made by the GCF Board, which meets several times per year. The Board considers the Secretariat's assessment; the iTAP recommendation; and the overall portfolio balance in coming to its decision. The Board may approve the proposal, reject it, or request further revisions.

86. **Step 8: Legal agreements and implementation**. Following approval, a Funded Activity Agreement is signed between the GCF and the Accredited Entity. Once this is in place, funds can be disbursed and implementation begins. Projects are subject to ongoing monitoring, reporting, and evaluation to ensure compliance and performance.

4) Investment Criteria

87. All funding proposals submitted to the Green Climate Fund are assessed against six core investment criteria defined in the GCF Investment Framework.[23] These criteria provide the analytical backbone for proposal development and should be explicitly addressed throughout the Funding Proposal.

88. **Impact potential** refers to the expected contribution of the project to the GCF's climate objectives. For mitigation projects, this is typically expressed in terms of greenhouse gas emissions reduced or avoided. For adaptation projects – particularly relevant to the water sector – it involves quantifiable improvements in resilience, such as increased water availability, reduced flood risk, or enhanced adaptive capacity of vulnerable populations. Proposals must clearly define baseline conditions, expected outcomes, and measurable indicators aligned with the GCF Results Management Framework.[24]

89. **Paradigm shift potential** is a defining feature of GCF financing and requires applicants to demonstrate how the project contributes to systemic change. This goes beyond delivering direct outputs and instead focuses on how the intervention can catalyze broader transformation. Examples include scaling up climate-resilient infrastructure approaches, embedding climate risk into sector planning, introducing innovative financing mechanisms, or enabling replication across regions. The GCF expects a clear theory of change showing how project activities lead to long-term structural impact.

90. **Sustainable development potential** captures the wider economic, social, and environmental co-benefits generated by the project. These may include improved public health outcomes, job creation, strengthened ecosystems, gender equality, and enhanced livelihoods. The GCF places strong emphasis on integrated development benefits, and proposals should provide both qualitative and quantitative evidence of these co-benefits.

91. **Country ownership** is a fundamental requirement and reflects the extent to which the project is embedded within national priorities and stakeholder processes. Proposals must demonstrate alignment with national policies such as Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and sector strategies. In addition, meaningful stakeholder engagement – including with local communities, government agencies, and civil society – must be documented. The No Objection Letter issued by the National Designated Authority (NDA) is a formal requirement confirming national endorsement.

[23] GCF. 2023. Investment Framework. October 2023.
[24] GCF. 2021. Integrated results management framework. June-July 2021.

GCF Co-Financing Expectations
The GCF places strong emphasis on:
- Co-financing; and
- Mobilization of additional resources.

While there is no fixed minimum ratio, proposals are expected to demonstrate that GCF funding catalyzes additional investment; is used efficiently; and fills a specific financing gap. This is closely linked to the concept of "least concessionality required", meaning that GCF resources should only be used where necessary.

92. **Efficiency and effectiveness** relates to the financial and economic soundness of the proposal. This includes demonstrating cost-effectiveness, appropriate use of concessional finance, and strong value for money. The GCF also assesses the level of co-financing and whether GCF resources are being used to address specific barriers that prevent investment from occurring otherwise. Financial structuring, including grants, loans, and blended finance approaches, should be clearly justified.

93. **Needs of the recipient** considers the vulnerability of the country, region, or targeted population, as well as barriers to accessing finance. Projects that address the needs of highly climate-vulnerable groups or least developed regions are prioritized. This includes consideration of institutional capacity constraints, financial limitations, and exposure to climate risks. Proposals must provide evidence supporting the urgency and importance of the intervention.

5) Application Tracks

94. The GCF offers two primary approval pathways, each designed to accommodate different types and scales of projects. The Standard Proposal Approval Process (PAP)[25] is the main pathway used for medium to large-scale projects and programs. This process involves the submission of a full Funding Proposal and requires comprehensive documentation across all aspects of project design, including climate rationale, technical feasibility, financial structuring, environmental and social safeguards, and gender considerations. Most infrastructure projects – such as climate-resilient water supply and wastewater systems – fall under this category due to their scale, complexity, and risk profile.

95. The Simplified Approval Process (SAP)[26] is designed for smaller-scale, low-risk projects. To qualify, projects must typically have a total GCF funding request below USD 25 million, minimal to no environmental and social risks (Category C or I-3), and limited technical complexity. The SAP provides a streamlined application template[27] and an accelerated review process, reducing the time and effort required for approval. While this pathway is generally not suitable for large infrastructure investments, it may be appropriate for pilot initiatives, capacity-building programs, or targeted interventions in the water sector (e.g. community-based adaptation or digital monitoring systems).

[25] GCF. 2022. Funding Proposal Template. January 2022.
[26] https://www.greenclimate.fund/projects/sap last accessed 1 April 2026.
[27] https://www.greenclimate.fund/projects/sap/resources last accessed 1 April 2026 and GCF. 2022. Simplified Approval Process Funding Proposal.

96. Applicants should carefully assess which track is most appropriate based on project size, risk, and complexity. In some cases, SAP projects can serve as entry points or pilots that later scale into full Funding Proposals under the standard process.

6) Key Templates and Guidance

97. The GCF provides a comprehensive and structured set of templates and guidance materials that must be used when preparing Concept Notes and Funding Proposals. These documents are not optional – compliance with the prescribed templates and formats is required for submission. Review is difficult, because GCF has digitized its processes, which restricts the ability of independent parties – not GCF Board, AE, NDA or Focal Point staff – to access templates and related guidance. Additionally, the status of documents that are available online is not very clear.

98. Additionally, as mentioned on the GCF website,[28] "*We have removed some outdated guidance materials from the website as we move to simplify and streamline our processes. The sectoral guides, the GCF Programming Manual, the Appraisal Guidance and some of its annexes, as well as the Concept Note user guide and checklist have been removed from circulation. Updated guidance on Concept Notes and Funding Proposals is currently under development and will be provided when complete.*" Even the templates are currently not accessible to anyone except the GCF itself, NDAs and Focal Point staff, and AEs. Below, we provide some working links to useful materials.

- GCF. 2022. Sustainability guidance note: Designing and ensuring meaningful stakeholder engagement on GCF-financed projects.
- GCF. 2022. Guidance note to support the completion of the IRMF elements of the revised funding proposal template for PAP and SAP.
- GCF. 2022. Integrated Results Management Framework: Results Handbook.
- GCF. 2022. GCF Handbook: Decisions, policies, and frameworks. As agreed by the Board of the Green Climate Fund from B.01 to B.30.

7) Key Success Factors

99. Experience from approved GCF projects shows that successful proposals consistently demonstrate a combination of strong technical justification, strategic alignment, and clear transformational impact.

100. A clear and evidence-based climate rationale is fundamental. This involves demonstrating, using credible data and analysis, how climate change is affecting the sector and the specific system targeted by the project. For water-sector projects, this may include trends in rainfall variability, drought frequency, flooding patterns, or salinity intrusion. The proposal must clearly distinguish between climate-related and non-climate-related drivers and justify why GCF support is required.

101. Equally important is the articulation of a transformational vision. The GCF prioritizes projects that move beyond business-as-usual investments and instead contribute to long-term systemic change. This requires a well-defined theory of change that explains how project activities will lead to broader impacts, such as policy reform, institutional strengthening, replication, or scaling of innovative approaches.

[28] https://www.greenclimate.fund/projects/access-funding

102. Strong alignment with national priorities is another critical factor. Successful proposals clearly link to national climate strategies, sector plans, and development priorities. This alignment should be explicitly demonstrated throughout the proposal, rather than treated as a standalone requirement. Early and continuous engagement with the NDA is essential in this regard.

103. Effective partnerships and institutional arrangements also play a key role. The collaboration between the Accredited Entity, executing entities (such as NWSDB), government agencies, and other stakeholders must be clearly defined. Roles and responsibilities should be transparent, and implementation capacity must be convincingly demonstrated.

104. Finally, successful proposals are underpinned by robust technical, financial, and safeguards analysis. This includes detailed feasibility studies, realistic cost estimates, sound financial structuring, and comprehensive environmental and social assessments. Weaknesses in these areas are among the most common reasons for delays during the GCF review process.

8) Implications for Water-Sector Institutions

105. For water-sector institutions such as NWSDB, accessing the Green Climate Fund represents a significant opportunity to finance large-scale investments. However, it also requires a fundamental shift in how projects are conceptualized, designed, and presented.

106. Traditionally, water infrastructure projects are framed around service delivery objectives such as expanding coverage, improving reliability, or upgrading aging systems. While these objectives remain important, GCF proposals must go further by clearly articulating the climate rationale underpinning the investment. This means demonstrating, with evidence, how climate change is already affecting water systems and how these impacts are expected to intensify over time.

107. For Sri Lanka, this may include increasing variability in rainfall patterns, more frequent and severe droughts, heightened flood risks, and issues such as salinity intrusion in coastal aquifers. Proposals must explicitly link these climate risks to operational challenges faced by the water sector – for example, reduced raw water availability, damage to infrastructure, declining water quality, or increased costs of service provision.

108. Building on this, projects must clearly demonstrate how the proposed interventions contribute to climate resilience. This involves going beyond standard infrastructure upgrades and showing how investments are specifically designed to withstand or adapt to climate variability and extremes. Examples may include diversifying water sources, integrating climate-resilient design standards, strengthening drainage systems to manage extreme rainfall, or introducing advanced monitoring and forecasting systems.

109. GCF expects projects to contribute to systemic or transformational change, rather than isolated improvements. For water-sector institutions, this often means adopting a programmatic approach that combines multiple, mutually reinforcing components. For example, a strong GCF proposal may integrate:

- Climate-resilient infrastructure investments (e.g. water supply, wastewater, drainage systems),
- Institutional strengthening (e.g. integrating climate risk into planning and operations),
- Policy or regulatory improvements,

- Digital systems for monitoring and decision-making, and
- Community engagement and capacity-building initiatives.

Such integrated approaches help demonstrate paradigm shift potential and increase the likelihood of approval.

110. Another key implication is the need to strengthen data, analysis, and evidence. GCF proposals require robust climate risk assessments, hydrological modelling, and vulnerability analyses. This may necessitate collaboration with technical partners, research institutions, or the Accredited Entity to ensure that the analytical basis of the proposal meets GCF standards. In addition, water-sector institutions must be prepared to engage in more complex financial structuring than is typical for conventional public investments. GCF projects often involve blended finance, combining grants, concessional loans, and co-financing from development partners or national sources. Demonstrating financial viability, cost-effectiveness, and appropriate use of concessionality is essential.

111. The GCF also places strong emphasis on environmental and social safeguards (ESS)[29] and gender considerations. This requires integrating safeguard assessments and gender-responsive approaches from the earliest stages of project design. For water projects, this may include ensuring equitable access to services, addressing impacts on vulnerable communities, and incorporating gender-sensitive planning and implementation measures.

112. Institutionally, accessing the GCF requires close and sustained coordination with both the Accredited Entity and the National Designated Authority (NDA). Water utilities are typically not accredited themselves and therefore act as executing entities within a broader project structure. This means that project development is inherently collaborative and may require alignment of multiple stakeholders with different mandates and procedures.

113. Finally, it is important to recognize that GCF projects are subject to stringent monitoring, reporting, and evaluation requirements. Institutions must be prepared to track climate results, financial performance, safeguards compliance, and broader impacts over the lifetime of the project. This may require strengthening internal systems and capacities.

114. In summary, while the GCF offers access to substantial concessional finance, it also demands a more strategic, evidence-based, and integrated approach to project development. For institutions such as NWSDB, this represents not only a funding opportunity, but also a pathway to modernize planning, strengthen resilience, and position the water sector for long-term climate challenges.

B. Preparing a strong GCF funding proposal (normal procedure)

1) Introduction

115. Preparing a successful proposal for the Green Climate Fund (GCF) requires more than presenting a technically sound investment. It involves developing a coherent, evidence-based narrative that clearly explains why a project is needed, how it will address climate change, and why GCF financing is justified compared to alternative funding sources.

[29] GCF. 2021. Revised Environmental and Social Policy. September 2021, and GCF. 2018. Indigenous Peoples Policy. March 2018.

116. As the world's largest dedicated climate fund, the GCF was established to support developing countries in achieving low-emission and climate-resilient development pathways. Its mandate explicitly covers both climate change mitigation (reducing or avoiding greenhouse gas emissions) and adaptation (reducing vulnerability and enhancing resilience to climate impacts). Many successful proposals also demonstrate integrated approaches, where mitigation and adaptation benefits are pursued together in a single intervention.

117. GCF proposals are assessed through a structured investment framework that evaluates projects against a set of core investment criteria, including impact potential, paradigm shift potential, sustainable development benefits, needs of the recipient, country ownership, and efficiency and effectiveness. These criteria apply across both mitigation and adaptation projects, although the specific evidence and metrics required differ depending on the nature of the intervention.

118. To meet these expectations, applicants must articulate a set of interrelated analytical concepts that together form the backbone of a strong proposal. Whether the project focuses on mitigation, adaptation, or a combination of both, it must demonstrate:

- A clear climate rationale, grounded in scientific evidence, showing how climate change is driving the problem the project seeks to address;
- A credible theory of change, explaining how proposed activities will lead to measurable climate outcomes (e.g. emissions reductions, increased resilience of populations, ecosystems, or infrastructure);
- A well-justified case for GCF concessionality, demonstrating why the project cannot proceed at the required scale or speed without GCF support.

119. These concepts can be broadly grouped into three categories:

- Strategic justification, which explains why the project is needed in the context of climate change (for both mitigation and/or adaptation);
- Intervention logic, which explains how the project will deliver climate impact and contribute to a paradigm shift toward low-emission and/or climate-resilient development;
- Operational and financial credibility, which demonstrates that the project is feasible, sustainable, and designed in line with GCF standards and safeguards.

120. The sections below explain each of these elements in detail and provide guidance on how to approach them in practice, with attention to the specific requirements for both mitigation and adaptation-focused proposals.

2) Strategic Justification: Defining the Climate Problem

Climate or Mitigation Rationale

121. The climate rationale is a fundamental element of any GCF proposal and serves to justify why the proposed intervention is necessary from a climate perspective. According to GCF guidance, this section must clearly demonstrate the link between the identified problem and climate change, using credible data, scientific evidence, and context-specific analysis.

122. For adaptation projects, the climate rationale should present a structured analysis of climate hazards, exposure, and vulnerability. This involves identifying specific climate stressors – such as increased frequency and intensity of droughts, floods, salinity intrusion, or temperature extremes – and explaining how these hazards affect physical systems (e.g. water infrastructure,

ecosystems) and socio-economic systems (e.g. service delivery, livelihoods, public health). The analysis should be grounded in historical climate data as well as future climate projections, ideally drawing on national climate scenarios, IPCC reports, or peer-reviewed studies. The causal chain should be explicit: from climate change to physical impacts to socio-economic consequences to development challenges.

123. For mitigation projects, the rationale focuses instead on greenhouse gas (GHG) emissions and their drivers. Applicants must identify the main sources of emissions within the system under consideration (e.g. energy consumption in water supply systems, wastewater treatment processes, transport, or industrial activities) and explain the structural, technological, or behavioral factors that lead to these emissions. A robust mitigation rationale requires quantification of emissions, typically expressed in tons of CO_2 equivalent (tCO_2e), and should include a breakdown by source where possible. It should also explain expected future trends, including whether emissions are likely to increase due to factors such as population growth, urbanization, or rising service demand.

124. In both adaptation and mitigation contexts, the climate rationale must go beyond general statements and provide clear, evidence-based justification. For mitigation projects in particular, GCF places strong emphasis on quantification, methodological transparency, and forward-looking analysis, including the use of recognized emission factors and methodologies.

Baseline Scenario

125. The baseline scenario defines what would happen in the absence of the proposed project and provides the reference point against which climate impact is assessed. GCF guidance stresses that the baseline must be realistic, evidence-based, and clearly documented.

126. In adaptation projects, the baseline should describe current levels of vulnerability and how these are expected to evolve under future climate conditions. This includes assessing existing infrastructure performance, institutional capacity, and coping mechanisms, as well as identifying gaps in resilience. The analysis should consider how climate risks are projected to intensify over time and how existing systems are likely to respond without additional intervention. Where possible, the baseline should include quantitative indicators (e.g. frequency of service disruptions, population exposed to climate risks).

127. In mitigation projects, the baseline must include a business-as-usual (BAU) emissions trajectory. This requires establishing current emissions using reliable and verifiable data; defining key assumptions about future activity levels (e.g. water demand growth, energy consumption trends); accounting for existing and planned policies, investments, or technologies.

128. The emissions trajectory should be presented over the lifetime of the project and, where relevant, beyond. GCF expects applicants to clearly explain all assumptions and methodologies used, including emission factors and calculation approaches. The baseline should be conservative and credible – inflated baselines intended to exaggerate emission reductions can undermine the integrity of the proposal.

Barrier Analysis

129. Barrier analysis explains why the identified climate problem is not being addressed under current conditions and why external support – such as GCF financing – is required. This section

should provide a structured assessment of the specific obstacles that prevent the adoption of climate-resilient or low-carbon solutions. For **adaptation projects**, common barriers include:

- Limited institutional or technical capacity to integrate climate risk into planning;
- Insufficient access to climate data and information;
- Weak coordination between agencies;
- Budgetary constraints that prioritize short-term needs over long-term resilience.

130. For mitigation projects, barriers are often more strongly linked to market and financial constraints, such as:

- High upfront capital costs of low-carbon technologies;
- Limited access to affordable financing;
- Regulatory or policy gaps that fail to incentivize emissions reduction;
- Perceived technological or performance risks.

131. A strong barrier analysis should be context-specific and evidence-based, avoiding generic statements. Each identified barrier should be clearly linked to a corresponding project intervention, demonstrating how the project directly addresses and overcomes these constraints. This logical linkage is critical for demonstrating the necessity and effectiveness of the proposed activities.

Additionality

132. Additionality refers to the extent to which the project delivers climate benefits that would not occur in the absence of GCF support. This is a core requirement of GCF and must be demonstrated clearly. Applicants should provide clear evidence, such as financial analysis, investment comparisons, or stakeholder feedback, to support claims of additionality.

133. In adaptation projects, additionality often relates to the implementation of resilience measures that go beyond standard development practices. Applicants must show that, without GCF support, these measures would either not be implemented at all or would be implemented at a significantly reduced scale or effectiveness.

134. In mitigation projects, additionality is typically demonstrated through:

- Financial additionality: showing that low-carbon options are not financially viable without concessional support;
- Technological additionality: demonstrating that cleaner technologies would not be adopted under current conditions;
- Emissions additionality: quantifying the difference in emissions between the baseline and the project scenario.

Reason for GCF Support

135. This section must explain why the Green Climate Fund is the appropriate source of financing and what unique role it plays in enabling the project. GCF expects proposals to clearly articulate:

- Why the project cannot proceed with commercial or domestic public financing alone;
- How GCF funding addresses specific barriers (e.g. through concessional finance, risk mitigation, or technical assistance);
- What makes GCF support catalytic, including its role in mobilizing additional public or private finance.

136. For mitigation projects, this often involves demonstrating that:

- Expected returns are insufficient to attract private investment without concessional terms;
- Risks are too high for commercial lenders;
- Blended finance structures are required to make the project viable.

The proposal should also explain how GCF support contributes to broader objectives, such as market development, innovation, or scaling up climate solutions.

3) Intervention Logic: Delivering Climate Impact

Theory of Change

137. The theory of change (ToC) is a central component of a GCF proposal and plays a critical role in demonstrating how the project will deliver climate impact. According to GCF guidance and evaluation practices, the ToC is not simply a linear results chain, but a comprehensive, systems-based explanation of how and why change is expected to occur.

138. The ToC starts with the long-term climate objective – such as enhanced resilience or reduced greenhouse gas emissions – and works backwards to identify the necessary preconditions, intermediate outcomes, outputs, and activities required to achieve that objective. This backward mapping approach ensures that all project components are logically connected and aligned with the intended climate results.

139. For adaptation projects, the ToC should explain how project interventions reduce vulnerability and increase resilience. This typically involves linking activities (e.g. infrastructure upgrades, capacity building, improved planning systems) to outcomes such as improved service reliability, reduced exposure to climate hazards, or enhanced adaptive capacity.

140. For mitigation projects, the ToC must clearly demonstrate how project activities lead to measurable emissions reductions. This includes explaining the causal pathway from interventions – such as energy efficiency improvements, renewable energy deployment, or process optimization – to reduced energy consumption or lower emissions intensity, and ultimately to quantified greenhouse gas reductions.

141. A strong ToC should also explicitly identify:

- Key assumptions, including external conditions necessary for success (e.g. policy stability, user adoption, institutional capacity);
- Risks and uncertainties, particularly those related to climate variability, market conditions, or behavioral responses;
- Stakeholder roles and dynamics, reflecting GCF's emphasis on country ownership and participatory design.

142. GCF expects the ToC to go beyond a simple results chain and to demonstrate transformational logic, including how the project contributes to broader systemic change. This includes feedback loops, scaling mechanisms, and interactions with policies or markets. In practice, the ToC is often presented both as:

- A narrative explanation, describing how change happens; and
- A diagram, visually mapping the relationships between activities, outputs, outcomes, and impacts.

Results Framework

143. The results framework translates the theory of change into a structured set of measurable indicators, targets, and monitoring arrangements. It is a mandatory component of GCF proposals and must align with the Fund's Integrated Results Management Framework (IRMF), which provides the overarching structure for measuring and reporting results. The results framework typically includes:

- Impact-level indicators, aligned with GCF's strategic objectives (e.g. reduced emissions, increased resilience);
- Outcome-level indicators, reflecting the direct effects of the project;
- Output-level indicators, measuring the delivery of project activities;
- Baselines and targets, providing reference points for performance assessment.

144. For adaptation projects, indicators often focus on:

- Number of beneficiaries with increased resilience;
- Reduced exposure to climate risks;
- Improved reliability or climate-proofing of infrastructure.

145. For mitigation projects, the results framework must include:

- Quantified greenhouse gas emissions reductions (tCO_2e);
- Energy savings or renewable energy generation;
- Emission intensity improvements.

146. A key requirement – particularly for mitigation – is the establishment of a robust Monitoring, Reporting, and Verification (MRV) system, which ensures that emissions reductions are calculated using recognized methodologies and can be independently verified over time.

147. GCF places strong emphasis on consistency, transparency, and methodological rigor in the results framework. Indicators must be clearly defined, measurable, and aligned with GCF result areas, which span both adaptation and mitigation domains.

148. The results framework should also demonstrate how project-level results contribute to:

- National climate goals (e.g. NDCs);
- Sectoral transformation; and
- GCF's broader objective of paradigm shift.

Paradigm Shift Potential

149. Paradigm shift potential is one of the core investment criteria used by GCF to assess funding proposals. It refers to the extent to which a project contributes to transformational change toward low-emission and climate-resilient development pathways.

150. Unlike direct project outputs or outcomes, paradigm shift potential focuses on long-term, systemic impact beyond the immediate scope of the project. Applicants must therefore demonstrate how the proposed intervention creates lasting change at scale. Key dimensions of paradigm shift potential include:

a) **Scale and Replicability**. The project should demonstrate the potential to be scaled up or replicated in other locations, sectors, or contexts. This may involve:
   - Standardizing approaches or technologies;
   - Creating models that can be adopted by other institutions;

- Leveraging additional financing for expansion.

b) **Market Transformation**. Projects should contribute to shifts in market behavior, such as:
   - Increasing adoption of low-carbon technologies;
   - Reducing costs through learning and economies of scale;
   - Changing investment patterns in favor of climate-resilient or low-emission solutions.

c) **Policy and Institutional Impact**. GCF places strong emphasis on enabling environments. Projects should:
   - Influence policies, regulations, or standards;
   - Strengthen institutional capacity;
   - Integrate climate considerations into planning and decision-making processes.

d) **Innovation**. Innovation may be technological, financial, institutional, or social. Projects should demonstrate how they introduce new approaches that can unlock further climate action.

e) **Sustainability and Longevity**. The project should ensure that benefits continue beyond the funding period. This includes:
   - Financial sustainability (e.g. viable business models);
   - Institutional ownership;
   - Long-term operation and maintenance arrangements.

151. GCF explicitly aims to support projects that contribute to a paradigm shift, meaning a fundamental change in how systems operate rather than incremental improvements. Applicants must therefore articulate not only what the project delivers, but how it changes the broader system – whether through scaling, replication, policy influence, or behavioral change.

4) Operational and Financial Credibility

Financial and Economic Analysis

152. Financial and economic analysis is a core requirement of all GCF funding proposals and plays a decisive role in assessing the feasibility, efficiency, and value for money of the proposed intervention. GCF requires applicants to demonstrate not only that a project delivers climate impact, but also that it represents an efficient and economically justified use of concessional public finance. According to GCF guidance, proposals must include a clear distinction between financial analysis and economic analysis.

153. **Financial analysis** assesses the viability of the project from the perspective of the implementing entity or investors. This includes evaluating capital and operating costs, expected revenues (if any), cash flows, and key financial indicators such as financial internal rate of return (fIRR), financial net present value (fNPV), and payback periods.

154. **Economic analysis**, by contrast, assesses the broader societal benefits and costs, including non-market impacts such as avoided climate damages, improved resilience, or environmental co-benefits. It avoids inclusion of within country transfer payments (taxes and subsidies, which transfer benefits and costs within the society without affecting total benefits and costs). Economic analysis employs economic cost-benefit analysis techniques[30] and focuses on key economic indicators such as economic internal rate of return (eIRR), financial net present value (eNPV), and economic benefit to cost rations (eBCR).

[30] The key publications are Little, Ian Malcolm David, and Mirrlees, James A. 1974. Project appraisal and planning for developing countries, London, Heinemann Educational and Squire, Lyn and Van der Tak, Herman G. 1975. Economic Analysis of Projects. The John Hopkins University Press.

155. For **mitigation projects**, financial analysis is particularly important because interventions often involve revenue-generating or cost-saving investments (e.g. energy efficiency, renewable energy systems). Applicants are expected to demonstrate:

- The cost-effectiveness of emissions reductions (e.g. cost per ton of CO_2 avoided);
- The financial attractiveness (or lack thereof) of low-carbon alternatives compared to baseline options; and
- The impact of concessional finance on improving project viability.

156. For **adaptation projects**, where direct revenue streams may be limited, economic analysis becomes more prominent. Applicants should quantify, where possible, the economic value of avoided losses, improved service reliability, or enhanced resilience. This may involve cost-benefit analysis, cost-effectiveness analysis, or multi-criteria approaches.

157. Across both types of projects, GCF expects transparent assumptions and methodologies; sensitivity analysis to test robustness under different scenarios; and clear justification of costs in relation to expected climate benefits.

Least Concessionality Required

158. The principle of least concessionality is a fundamental requirement of GCF financing. It reflects the need to ensure that scarce public climate finance is used efficiently and does not displace or crowd out commercial investment.

159. GCF defines concessional finance as funding provided on terms more favorable than market conditions (e.g. lower interest rates, longer tenors, or grant elements). Applicants must demonstrate that the level of concessionality requested is just sufficient to make the project viable; and not greater than necessary, in order to avoid over-subsidization.

160. This requires a clear justification of why the project cannot proceed under purely commercial terms; what specific barriers (financial, market, or risk-related) necessitate concessional support; how the proposed financial structure addresses these barriers.

161. GCF policy further emphasizes that concessionality should be tailored to the incremental cost or risk premium associated with climate-friendly alternatives; be determined case-by-case, based on project characteristics and country context; avoid crowding out private sector investment; and promote long-term financial sustainability.

162. Applicants are also expected to demonstrate efforts to leverage co-financing, including both public and private sources; structure blended finance solutions where appropriate; and align financing terms with the recipient's debt sustainability. In practice, this means that proposals must include a clear explanation of the chosen financial instruments (e.g. grants, concessional loans, equity, guarantees) and justify their use in relation to the project's risk profile and expected returns.

MRV (Measurement, Reporting, and Verification)

163. Measurement, Reporting, and Verification (MRV) is a critical component of GCF project design and is essential for ensuring accountability, transparency, and credibility of reported results. MRV is closely linked to the GCF's broader results management architecture and is

essential for demonstrating both project-level performance and contribution to GCF's strategic objectives. GCF requires all projects to establish systems for: measuring results using defined methodologies and indicators; reporting results regularly through progress and annual reports; and verifying results, particularly where quantification is central (e.g. emissions reductions).

164. For mitigation projects, MRV is especially rigorous. This aligns with GCF's emphasis on robust results management and the need for credible, auditable emissions data. Applicants must define methodologies for calculating greenhouse gas emissions reductions; specify data sources, emission factors, and calculation approaches; and ensure that results can be independently verified over time.

165. For adaptation projects, MRV focuses more on tracking resilience outcomes, which may be harder to quantify. In these cases, applicants should use a combination of quantitative and qualitative indicators; define clear methodologies for assessing changes in vulnerability or adaptive capacity; and ensure consistency with GCF's results frameworks and reporting requirements.

166. Across all projects, MRV systems should be proportionate to project scale and complexity; integrated into project implementation arrangements; and aligned with national systems where possible, supporting country ownership.

Stakeholder Engagement and Country Ownership

167. Country ownership is a central principle of the GCF and extends beyond formal endorsement by the National Designated Authority. It involves ensuring that the project is aligned with national priorities and supported by relevant stakeholders. This requires meaningful engagement with government agencies, local authorities, communities, and other actors and clear alignment with and contribution to Sri Lanka's key climate and sector policies.

168. In the approval process, strong stakeholder engagement is seen as an indicator of project relevance and feasibility. It also helps reduce risks during implementation. In practice, engagement should begin early and continue throughout the project cycle. It should be documented clearly and demonstrate how stakeholder input has influenced project design.

Environmental and Social Safeguards (ESS)

169. Environmental and Social Safeguards[31] are designed to ensure that projects do not cause harm and that risks are properly managed. This involves identifying potential environmental and social impacts and developing measures to avoid, minimize, or mitigate them. Projects are classified according to their level of risk, and higher-risk projects require more detailed assessments.

170. In the approval process, compliance with safeguards is mandatory. Proposals that fail to adequately address risks are unlikely to be approved. In practice, safeguards should be integrated into project design from the outset rather than treated as an afterthought.

Gender and Social Inclusion

[31] GCF. 2021. Revised Environmental and Social Policy. September 2021.

171. The GCF places strong emphasis on gender equality and social inclusion,[32] recognizing that climate change affects different groups in different ways. Proposals must include an analysis of gender and social dynamics and demonstrate how the project will ensure equitable access to benefits. This is typically supported by a Gender Action Plan.

172. In the approval process, gender considerations are assessed as part of both sustainable development potential and safeguards compliance. In practice, this requires going beyond general statements and identifying specific actions and indicators that promote inclusion.

5) Integrating the Concepts into a Coherent Proposal

173. A successful GCF proposal integrates all of the above elements into a single, coherent narrative. Rather than treating them as separate requirements, applicants should ensure that each concept builds on the others and contributes to a clear and convincing overall story. The proposal should answer a sequence of fundamental questions:

- What is the climate problem?
- What happens without intervention?
- Why does the problem persist?
- What difference will the project make?
- Why is GCF needed?
- How will the project deliver results?
- How will success be measured?
- Will it create lasting change?
- Is it implementable and supported?
- Is it financially sound?

6) Conclusion

174. Preparing a GCF proposal is a complex but structured process that requires both strategic insight and technical rigor. Successful proposals are those that:

- Present a clear and evidence-based climate rationale;
- Demonstrate strong additionality and justification for support;
- Articulate a convincing theory of change;
- Show potential for systemic transformation; and
- Are operationally and financially robust.

When these elements are effectively combined, the proposal provides a compelling case for investment and stands a strong chance of approval.

C. Preparing a strong GCF-SAP funding proposal

1) Introduction

175. The Green Climate Fund (GCF) Simplified Approval Process (SAP)[33] has been established to facilitate faster and more efficient access to climate finance for smaller-scale projects and programs. The SAP is designed to reduce the administrative and technical burden

[32] GCF. 2018. Indigenous Peoples Policy. March 2018, and GCF. 2019. Gender Policy. November 2019.
[33]

associated with full GCF funding proposals while maintaining alignment with the Fund's investment framework and standards.

176. Under the SAP modality, projects must meet specific eligibility criteria on top on those for the "normal" GCF projects (PAP). These include a maximum GCF funding request of up to USD 25 million, classification as low or moderate environmental and social risk (Category C or B / I-3 or I-2), and relatively straightforward implementation arrangements.

177. While the SAP simplifies documentation and review processes, it does not lower the core requirements for project quality. Proposals must still demonstrate a strong climate rationale, alignment with national priorities, measurable climate impacts, and consistency with the GCF investment criteria. The simplification lies primarily in the level of detail and complexity expected, not in the robustness of the underlying logic.

178. The SAP funding proposal follows a structured format covering:
- Project/program description and context;
- Financing information;
- Logic framework and results; and
- Performance against GCF investment criteria.

179. In practice, this means that successful SAP proposals are those that communicate clearly and concisely. Rather than extensive technical modelling or lengthy documentation, emphasis is placed on presenting a coherent, evidence-based narrative that demonstrates how the proposed intervention will deliver climate benefits efficiently and effectively.

SAP Financing Instruments and Co-Financing Expectations
SAP follows the normal GCF funding proposals framework, but compared to normal scale GCF funding proposals, SAP has simpler structures, relies more on grant financing, and has a lower co-financing expectation.

2) Strategic Justification: Defining the Climate Problem

Climate Adaptation or Mitigation Rationale

180. A central requirement of any SAP proposal is the articulation of a clear climate rationale. This involves demonstrating that the proposed intervention directly addresses climate change impacts (adaptation) or contributes to greenhouse gas (GHG) emission reductions (mitigation), in line with GCF objectives.

181. For adaptation projects, applicants are expected to identify relevant climate hazards – such as droughts, floods, or changing rainfall patterns – and explain how these hazards affect specific populations, ecosystems, or infrastructure systems. The proposal should then establish how these impacts translate into vulnerability, taking into account exposure and sensitivity.

182. For mitigation projects, the focus shifts to identifying sources of emissions, understanding the drivers behind those emissions, and explaining how the proposed intervention will reduce or avoid them. This may include energy efficiency improvements, renewable energy deployment, or other low-emission technologies.

183. GCF guidance emphasizes that the climate rationale must be credible, evidence-based, and clearly linked to the proposed activities. However, under SAP, this rationale can be presented in a concise manner, provided that the causal relationships are logically explained and supported by appropriate data or references.

Baseline Scenario

184. The baseline scenario describes the situation that would occur in the absence of the proposed project. It provides the reference point against which the project's added value is assessed. According to GCF SAP guidance, the baseline should distinguish between:

- The current situation (e.g. existing infrastructure, practices, or vulnerabilities); and
- Expected future developments under climate change or business-as-usual conditions.

185. For adaptation projects, the baseline focuses on existing levels of vulnerability and exposure to climate risks, and how these are expected to evolve. For mitigation projects, it includes an estimate of current and future emissions under a business-as-usual scenario.

186. The SAP approach prioritizes clarity and proportionality. Applicants are not expected to develop highly complex models; instead, the baseline should be sufficiently robust to demonstrate the need for intervention and to quantify expected benefits where possible.

Barrier Analysis

187. Barrier analysis is used to explain why the identified climate problem is not already being addressed. It highlights the constraints that prevent stakeholders from implementing the proposed solution without external support. Typical barriers include:

- Financial constraints, such as lack of access to capital or high upfront investment costs;
- Institutional or regulatory limitations, including weak governance structures or policy gaps; and
- Technical or knowledge barriers, such as limited expertise or lack of appropriate technologies.

188. GCF guidance indicates that, under SAP, barrier analysis should be focused and proportionate. Rather than providing an exhaustive assessment, applicants should identify the most critical barriers and demonstrate clearly how the proposed project will overcome them. This analysis is essential for establishing the necessity of GCF support and for justifying the design of project components.

Additionality and Justification for GCF Support

189. A key requirement of the GCF is that funded projects deliver outcomes that would not occur without its support. This principle of additionality must be clearly demonstrated in SAP proposals. Applicants should explain why the project cannot be implemented using domestic resources or conventional financing alone. This may involve highlighting financial constraints, risks that deter private investment, or the absence of enabling conditions.

190. In addition, proposals should describe how GCF funding contributes to overcoming these challenges – for example, by providing concessional finance, reducing investment risks, or enabling innovative approaches. While SAP proposals allow for simplified financial analysis, the justification for GCF support must remain credible and logically argued. The emphasis is on clearly demonstrating the role of GCF finance in enabling or accelerating climate action.

3) Intervention Logic: Delivering Climate Impact

Intervention Logic (Theory of Change)

191. The intervention logic, or theory of change, explains how the project's activities will lead to tangible climate outcomes and impacts. It is a core element of the SAP proposal and forms the basis for the project's results framework. GCF guidance recommends structuring this logic as a clear causal chain linking **activities to outputs to outcomes to impacts**.

192. For adaptation projects, the theory of change should demonstrate how project activities reduce vulnerability and enhance resilience. For mitigation projects, it should show how activities lead to measurable reductions in greenhouse gas emissions. Under SAP, the emphasis is on simplicity and clarity. The intervention logic should be intuitive and easy to follow, avoiding unnecessary complexity while still demonstrating a credible pathway to climate impact.

Results Framework

193. The results framework translates the intervention logic into measurable indicators and targets. It aligns the project with the GCF Integrated Results Management Framework (IRMF), which defines standard indicators for adaptation and mitigation outcomes. The simplified nature of SAP allows for a more streamlined results framework, but it must still provide a robust basis for monitoring, reporting, and evaluation. In SAP proposals, the results framework should:

- Include a limited number of key indicators;
- Ensure that indicators are specific, measurable, achievable, relevant, and time-bound (SMART); and
- Clearly link indicators to project outputs and outcomes.

194. For adaptation projects, indicators may include the number of beneficiaries with increased resilience or improved access to climate-resilient services. For mitigation projects, indicators typically include tons of CO_2 equivalent reduced or avoided.

Paradigm Shift Potential (Scaled Appropriately)

195. Paradigm shift potential is one of the GCF's core investment criteria. It refers to the extent to which a project contributes to broader systemic change toward low-emission and climate-resilient development. Under the SAP modality, this criterion is applied in a scaled and proportionate manner. Projects are not expected to achieve large-scale transformation on their own. Instead, they should demonstrate how they contribute to wider change processes. GCF guidance emphasizes that even small projects can contribute meaningfully to paradigm shift when they are designed with scalability and learning in mind. This may include:

- Potential for replication or scaling up in other regions or sectors;
- Alignment with national policies or strategies;
- Introduction of innovative approaches or technologies; or
- Capacity-building that enables future climate action.

4) Operational and Financial Credibility

Financial and Economic Analysis

196. Under SAP, projects are still required to demonstrate financial and economic soundness, although the level of detail is proportionate to project size, complexity, and risk. The purpose of the financial and/or economic analysis is to support the GCF's assessment of efficiency and effectiveness under its investment criteria.

197. According to GCF guidance, Accredited Entities may be required to submit financial and/or economic analyses depending on the nature of the project. These analyses should provide sufficient evidence that the proposed intervention represents a cost-effective use of resources and delivers value for money.

198. For projects with financial models, applicants should clearly explain key assumptions, methodologies, and expected financial flows, including revenues (if applicable), costs, and funding structure. For projects without complex financial models – such as many adaptation-focused SAP projects – a simpler cost-effectiveness or cost-benefit rationale may be sufficient. The emphasis under SAP is not on complex modelling but on demonstrating that:

- Costs are reasonable and justified;
- The proposed intervention is financially viable within its context; and
- GCF resources are used efficiently to achieve climate outcomes.

Least Concessionality Required

199. The GCF applies the principle of "least concessionality" to ensure that its financial support is appropriately calibrated and does not displace other sources of finance. Concessionality refers to the provision of financing on terms more favourable than market conditions, such as lower interest rates or longer repayment periods. The GCF assesses concessionality to ensure that funding addresses specific barriers – such as high risk or insufficient returns – without crowding out private or public investment.

200. While SAP allows for a more simplified presentation compared to full proposals, the core principle remains that GCF funding should only cover the incremental costs or risks necessary to make the project viable. In SAP proposals, applicants are therefore expected to justify the level and type of GCF financial support requested (e.g. grants, concessional loans). This justification should explain:

- Why concessional finance is required;
- How it addresses identified barriers; and
- How it enables or accelerates implementation.

Environmental and Social Safeguards

201. All GCF-funded activities, including SAP projects, must comply with GCF's Environmental and Social Safeguards (ESS). These safeguards are designed to ensure that projects avoid, minimize, and mitigate potential adverse impacts while enhancing environmental and social benefits.

202. The GCF's ESS framework requires that projects identify potential environmental and social risks; assess the significance of these risks; and implement appropriate mitigation and management measures.

203. Under the SAP modality, only projects classified as low or moderate risk (Category C or B) are eligible. This simplifies the level of analysis required but does not remove the obligation to assess and manage risks.

204. Applicants are typically required to prepare an Environmental and Social Action Plan (ESAP), using the SAP template, which outlines mitigation measures, responsibilities, and monitoring arrangements. The objective is to ensure that projects deliver positive climate outcomes without causing unintended harm to communities or ecosystems.

Gender and Social Inclusion

205. Gender equality and social inclusion are core requirements of the GCF and must be integrated throughout the project design. All SAP proposals must include a gender assessment and a corresponding Gender Action Plan. The gender assessment should analyze gender roles, inequalities, and vulnerabilities within the project context, using both qualitative and sex-disaggregated data. The Gender Action Plan should then define concrete actions to:

- Ensure equitable participation of women and men;
- Address identified gender gaps; and
- Promote inclusive access to project benefits.

206. GCF guidance emphasizes that gender considerations should be integrated early in the project development process, rather than treated as an add-on. These requirements are grounded in the GCF Gender Policy,[34] which aims to ensure that climate investments contribute to gender equality and deliver broader social benefits.

Implementation Arrangements

207. Clear and realistic implementation arrangements are essential to demonstrate project feasibility and readiness. SAP proposals must therefore define:

- The roles and responsibilities of implementing entities and partners;
- Governance and coordination structures; and
- Implementation timelines and milestones.

208. Given the smaller scale of SAP projects, the GCF expects implementation arrangements to be straightforward and proportionate. Overly complex institutional structures should be avoided. Applicants are also required to provide supporting annexes, including a timetable for implementation; procurement plans; and risk management frameworks. These elements collectively demonstrate that the project can be implemented effectively within the proposed timeframe and institutional context.

5) Integrating the Concepts into a Coherent Proposal

209. A strong SAP proposal brings together all components – strategic justification, intervention logic, financial credibility, and safeguards – into a coherent and well-structured narrative. According to GCF guidance, the SAP funding proposal is organized into key sections covering project description, financing, results framework, and performance against investment criteria. The proposal should clearly articulate:

- The climate problem being addressed;

[34] GCF. 2019. Gender Policy. November 2019.

- The baseline scenario and barriers;
- The proposed solution and its implementation; and
- The expected climate impacts and how they will be measured.

210. A key principle of SAP is proportionality. Applicants should provide sufficient detail to demonstrate credibility and compliance with GCF requirements, while avoiding unnecessary complexity. The overall narrative should be internally consistent, with clear linkages between problem definition, project design, and expected outcomes.

6) Key Differences Compared to Full GCF Proposals

211. While SAP proposals follow the same investment framework as full GCF funding proposals, several important differences exist. The SAP modality is designed to reduce documentation requirements and proposal length; simplify analytical requirements; accelerate review and approval timelines; and facilitate access for smaller-scale projects.

212. Despite these simplifications, SAP proposals are still assessed against the GCF investment criteria, including impact potential, paradigm shift potential, sustainable development benefits, efficiency and effectiveness, and country ownership. The key distinction is that expectations are scaled to the size and complexity of the project. This allows applicants to focus on clarity, feasibility, and impact without the need for extensive technical documentation.

7) Conclusion

213. The Simplified Approval Process represents an important opportunity for countries and institutions to access climate finance for targeted, well-defined interventions. Successful SAP proposals are those that clearly define a climate problem and its context; present a practical and implementable solution; demonstrate measurable climate benefits; ensure compliance with GCF policies and safeguards; and maintain clarity and proportionality throughout the proposal. SAP should be understood not as a reduced standard, but as a streamlined modality that retains the core principles of the GCF while making them more accessible and efficient to apply in practice.

V. MITIGATION ACTION FACILITY (MAF)

A. MAF application guidance

1) Overview

214. The Mitigation Action Facility (MAF), formerly known as the NAMA Facility, is a multi-donor climate finance program that supports developing countries in implementing ambitious greenhouse gas mitigation initiatives. It operates within the broader context of the Paris Agreement and is explicitly designed to help countries achieve their Nationally Determined Contributions (NDCs).

215. Unlike broader climate funds such as the Green Climate Fund (GCF), which support both adaptation and mitigation, the Mitigation Action Facility has a narrow and focused mandate: it finances interventions that directly reduce greenhouse gas emissions. As a result, projects must demonstrate clear, measurable mitigation outcomes.

216. A defining feature of the Facility is its emphasis on transformational change at the sector level.[35] Rather than funding individual infrastructure investments, it seeks to support programs that remove systemic barriers to decarbonization. This typically involves combining financial instruments (such as concessional finance, guarantees, or incentive schemes), and enabling measures (such as policy reform, regulatory adjustments, or institutional strengthening).[36]

217. For organizations such as NWSDB, this means that potential projects must be framed as part of a broader utility or sector-wide decarbonization strategy. Examples might include programs to reduce energy consumption across water systems, introduce renewable energy generation at scale, or develop financing mechanisms that enable ongoing investment in energy-efficient technologies.

MAF Financial Instruments
The MAF primarily provides grants, used to support mitigation programs. However, these grants are typically designed to enable financial mechanisms, such as subsidies, incentives, or revolving funds; and mobilize private or public investment. While MAF funding itself is grant-based, it is often embedded in broader financial structures.

2) Access Modality: Competitive Calls for Projects

218. The Mitigation Action Facility differs significantly from many other climate funds in that it does not accept applications on a continuous basis. Instead, it operates through periodic Calls for Projects, which are competitive funding rounds.[37]

219. During each call, a fixed amount of funding is made available, and applicants are invited to submit proposals within a defined timeframe. This introduces a competitive dynamic, as

[35] Mitigation Action Facility. 2025. When climate action catalyses change: What we learn from tracking transformation, and Mitigation Action Facility. 2025. Guidance Note: Transformational Change Measurement Framework.
[36] Mitigation Action Facility. 2026. The Mitigation Action Facility's Theory of Change.
[37] Mitigation Action Facility. 2025. Call for Projects 2026 of the Mitigation Action Facility. (Project Concept template for the Call for Projects 2026).

projects are assessed not only on their individual merits but also in comparison with other proposals submitted in the same round.

220. Each call typically specifies key parameters, including:
- The total funding envelope available;
- The size range of individual projects (often in the range of EUR 5–25 million);
- Priority sectors or thematic areas; and
- Deadlines and procedural requirements.

221. For applicants, this means that project preparation must be carefully timed. Institutions must be ready to respond when a call is announced, with sufficiently developed concepts that can be quickly translated into strong applications.

3) Application Process

222. The application process for the Mitigation Action Facility is structured as a multi-stage progression, designed to gradually refine project ideas and assess their quality.[38]

223. **Step 1: Project Concept Submission**. The process begins with the submission of a Project Concept through the Facility's online application platform. At this stage, applicants are required to present a concise overview of the proposed intervention. The concept stage is deliberately designed to be accessible, requiring relatively limited documentation. This allows applicants to test ideas without committing extensive resources to full proposal development. The concept includes:
- A description of the mitigation challenge being addressed;
- The proposed solution and how it reduces emissions;
- The expected scale of impact;
- The intended financing approach; and
- The key institutions involved.

224. **Step 2: Screening and Shortlisting**. Once submitted, all project concepts undergo an initial screening process. The first step is an eligibility check, which verifies that the proposal meets basic requirements, such as country eligibility, sector focus, and funding size. Proposals that do not meet these criteria are not considered further. Eligible proposals are then evaluated against two key dimensions:
- Ambition, which reflects the scale and transformational potential of the mitigation impact; and
- Feasibility, which reflects the likelihood that the project can be successfully implemented.

Based on this assessment, a subset of the strongest proposals is shortlisted for the next stage.

225. **Step 3: Pitch Stage**. Shortlisted applicants are invited to participate in a Pitch stage, which provides an opportunity to present their project concept in more detail. During this stage, applicants typically:
- Present their project to the Facility's Technical Support Unit and external experts;
- Respond to questions and feedback; and
- Demonstrate the strength of their approach and the capacity of their team.

The pitch stage allows for a more nuanced assessment of proposals and enables the evaluators to explore issues that may not be fully captured in written submissions.

[38] Mitigation Action Facility. 2025. General Information Document. Call for Projects 2026 of the Mitigation Action Facility.

226. **Step 4: Detailed Preparation Phase (DPP)**. Projects that successfully pass the pitch stage enter the Detailed Preparation Phase (DPP). This phase is a distinctive feature of the Mitigation Action Facility and represents a significant advantage for applicants. During the DPP:

- Applicants receive technical and financial support to further develop their proposals;
- Detailed analyses are conducted, including feasibility studies, financial modelling, and stakeholder consultations; and
- The project design is refined to meet the Facility's requirements.

The DPP typically lasts several months and ensures that proposals submitted for final approval are of high quality and well-developed.

227. **Step 5: Full Project Proposal**. At the end of the DPP, applicants submit a Full Project Proposal. This is a comprehensive document that provides detailed information on all aspects of the project, including:

- Technical design and implementation arrangements;
- Mitigation rationale and emissions reduction estimates;
- Financial mechanisms and funding structure;
- Institutional roles and responsibilities; and
- Monitoring and evaluation systems.

At this stage, the proposal must demonstrate both high ambition and strong feasibility, supported by robust evidence and analysis.

228. **Step 6: Final Assessment and Approval**. The full proposal undergoes a detailed technical review, including assessment by external experts. Based on this review, the Mitigation Action Facility Board makes a final decision on whether to approve the project. The Board considers both the quality of the proposal and the availability of funding. Approved projects proceed to the implementation phase, while others may be rejected or returned for revision.

229. **Step 7: Implementation Phase**. Once approved, projects enter the implementation phase. During this phase, funding is disbursed through a designated Grant Agent; project activities are implemented over a multi-year period (typically three to five years); and progress is monitored against agreed indicators. The implementation phase focuses not only on delivering immediate results but also on ensuring that the project contributes to long-term, sustainable change.

4) Approval Criteria

230. The Mitigation Action Facility applies a structured and rigorous assessment framework to all proposals, based on three overarching categories: eligibility, ambition, and feasibility. These criteria are applied progressively throughout the selection process, with increasing depth as proposals advance from concept stage to full proposal.

231. **Eligibility**. Eligibility criteria represent the minimum threshold requirements that all applications must satisfy in order to be considered. These criteria are clearly defined in each Call for Projects and are non-negotiable. At a minimum, proposals must:

- Be submitted by or in partnership with eligible countries as defined by the Facility;
- Align with the thematic and sectoral scope of the specific Call;
- Fall within the specified funding size range;
- Demonstrate consistency with national climate strategies, particularly Nationally Determined Contributions (NDCs); and

- Comply with basic administrative and procedural requirements.

Any failure to meet these criteria results in automatic exclusion from further consideration. Therefore, applicants are strongly advised to **carefully review the eligibility requirements** in the Call documentation before investing effort in proposal preparation.

232. **Ambition**. Ambition is a central pillar of the Mitigation Action Facility's mandate and reflects its objective of supporting transformational mitigation action rather than incremental improvements. In assessing ambition, the Facility considers:

- Magnitude of greenhouse gas emissions reductions, both in absolute terms and relative to sectoral baselines;
- Contribution to long-term decarbonization pathways, including alignment with national and international climate targets;
- Transformational impact, meaning the extent to which the intervention addresses systemic barriers and catalyses structural change;
- Replication and scaling potential, including whether the approach can be expanded geographically or sectorally; and
- Innovation, particularly in financing mechanisms, policy design, or technology deployment.

Ambition is not assessed solely based on emission reduction volumes. Equal emphasis is placed on the ability of the intervention to unlock broader change within the sector or market. Proposals are therefore expected to demonstrate how they will **shift underlying systems, rather than deliver isolated results**.

233. **Feasibility**. Feasibility assesses whether the proposed intervention is credible, well-designed, and implementable within the proposed timeframe and context. Key dimensions of feasibility include:

- Technical feasibility, including the appropriateness and maturity of proposed technologies and approaches;
- Institutional capacity, including the roles, experience, and coordination mechanisms of implementing entities;
- Financial viability, including the robustness of the financial model and sustainability beyond the funding period;
- Implementation readiness, including the status of preparatory work, stakeholder engagement, and regulatory conditions; and
- Risk management, including identification and mitigation of key technical, financial, and political risks.

As proposals progress through the application stages, the level of detail and evidence required to demonstrate feasibility increases significantly. By the Full Proposal stage, applicants are expected to provide robust, data-driven justification across all feasibility dimensions.

5) Key Design Requirements

234. Beyond the formal evaluation criteria, the Mitigation Action Facility places strong emphasis on a set of core design principles that underpin all supported projects. These principles reflect the Facility's focus on enabling systemic change and ensuring long-term sustainability.

235. **Country Ownership and Alignment**. Projects must be firmly embedded within national contexts and demonstrate clear alignment with government priorities and policies. Strong country ownership is essential not only for approval but also for long-term sustainability and scalability. This includes:

- Consistency with national climate strategies (e.g. NDCs, long-term strategies);

- Alignment with sectoral policies and plans; and
- Active involvement and endorsement from relevant government institutions.

236. **Combination of Financial Mechanisms and Enabling Measures**. A defining feature of the Mitigation Action Facility is its requirement that projects combine financial instruments (e.g. concessional loans, guarantees, results-based payments); and enabling measures (e.g. policy reforms, regulatory adjustments, capacity building). This dual approach is intended to address both financial and non-financial barriers to investment. Projects that focus solely on financing or solely on technical assistance are unlikely to meet the Facility's expectations.

237. **Mobilization of Additional Finance**. Projects are expected to leverage funding from other sources, particularly private sector investment. This includes demonstrating how MAF funding will catalyze additional finance; structuring financial mechanisms to crowd in private capital; and creating conditions for sustained investment beyond the project lifetime. MAF places strong emphasis on financial leverage and market transformation, rather than one-off funding.

MAF Co-Financing Expectations
MAF places strong emphasis on leverage. Proposals are expected to demonstrate:
- Mobilization of additional finance;
- Use of public or private co-financing; and
- Scaling potential.

In many cases, MAF funding acts as a catalyst for much larger investments.

238. **Sustainability and Long-Term Impact**. Projects must demonstrate how impacts will be sustained after the end of MAF support. This includes institutionalization of policies and mechanisms; financial sustainability of instruments introduced; and continued operation and scaling of interventions.

239. **Gender Equality and Social Inclusion**. MAF requires integration of gender considerations and broader social inclusion throughout project design and implementation.[39] This involves identifying differential impacts on women and men; ensuring equitable access to benefits; promoting participation of underrepresented groups; and monitoring gender-related outcomes. Gender responsiveness is not treated as an add-on but as an integral component of project quality.

6) Key Success Factors

240. Successful proposals to MAF consistently demonstrate a combination of strong strategic justification, robust design, and clear potential for transformational impact. While each project is assessed on its individual merits, experience from past Calls for Projects and guidance materials indicates several recurring characteristics of high-quality proposals.

241. First, successful proposals present a clear and credible mitigation case. This includes a well-defined emissions baseline, transparent and robust methodologies for estimating emissions reductions, and a strong link between proposed activities and measurable mitigation outcomes.

[39] Mitigation Action Facility. 2025. Gender Equality and Social Inclusion in Climate Mitigation: Trends, Needs, and Opportunities.

The mitigation rationale must be grounded in reliable data and aligned with recognized methodologies, ensuring that projected impacts are both realistic and verifiable.

242. Second, successful proposals demonstrate a high level of ambition, particularly in terms of transformational change. This means going beyond incremental efficiency improvements and instead addressing systemic barriers that prevent widespread adoption of low-carbon solutions. Projects are expected to show how they will influence markets, policies, or institutional frameworks in ways that enable long-term decarbonization. The Mitigation Action Facility explicitly prioritizes interventions that create conditions for replication and scaling, thereby amplifying impact beyond the initial project scope.

243. Third, successful proposals effectively combine financial mechanisms with enabling measures. Rather than focusing solely on financing investments, they integrate policy support, regulatory reform, and capacity building to address both financial and non-financial barriers. This integrated approach is central to the Facility's model and is a key factor in achieving sustainable results.

244. Fourth, a strong degree of feasibility and readiness is essential. This includes clearly defined implementation arrangements, experienced and capable partners, and evidence that key preparatory steps, such as stakeholder engagement and preliminary analysis, have already been undertaken. While the DPP provides support for further development, proposals must still demonstrate a solid foundation at the concept stage.

245. Fifth, successful proposals demonstrate the ability to mobilize additional finance and create leverage. This involves structuring interventions in a way that attracts public and private investment, thereby maximizing the impact of limited grant resources. The Facility places particular emphasis on catalytic use of funds, meaning that MAF support should unlock larger flows of investment rather than substitute for them.

246. Finally, high-quality proposals show a clear pathway to long-term sustainability, including institutionalization of mechanisms, continued operation of financial instruments, and alignment with national strategies. This ensures that the benefits of the project extend beyond the lifetime of MAF funding.

7) Implications for Water Sector Institutions

247. For sectoral institutions such as the National Water Supply and Drainage Board (NWSDB), the MAF offers significant opportunities to support decarbonization efforts. However, accessing this funding requires a shift in how projects are conceptualized and designed. A key implication is that proposals must be framed as programmatic, sector-wide interventions, rather than isolated infrastructure projects. The Facility is not designed to fund standalone investments, even if they deliver emissions reductions. Instead, it seeks to support initiatives that address systemic barriers and enable large-scale transformation across a sector.

248. For water utilities, this means that potential interventions should be structured around broader objectives. Individual infrastructure components (e.g. pumps, treatment upgrades, solar installations) should be positioned as part of a larger program supported by financial and policy mechanisms targeting objectives such as:

- Reducing energy consumption across entire water supply and wastewater systems;
- Scaling up renewable energy generation within utility operations;

- Introducing standardized energy efficiency measures across multiple facilities; or
- Establishing financing mechanisms that enable continuous investment in low-carbon technologies.

249. Another key implication is the need to develop innovative financial structures. Water utilities often face constraints related to capital availability, tariff structures, and borrowing capacity. MAF proposals can address these challenges by introducing mechanisms such as concessional financing schemes, guarantees, or performance-based incentives that improve affordability and reduce risks.

250. In addition, sectoral applicants must pay close attention to policy and regulatory frameworks. Many barriers to decarbonization in the water sector are linked to regulatory constraints, institutional fragmentation, or lack of incentives. Proposals should therefore include enabling measures that address these issues, such as regulatory reforms, standards, or capacity-building initiatives.

251. Stakeholder engagement is particularly important in sectoral contexts, where multiple actors, including ministries, regulators, utilities, and financial institutions, must be aligned. Strong coordination mechanisms and clear institutional roles are essential for ensuring feasibility and long-term sustainability.

252. Finally, sectoral applicants should emphasize the replication and scaling potential of their interventions. For example, a program developed for one utility or region should be designed in a way that allows it to be expanded nationally or adapted to other contexts. This aligns with the Facility's focus on transformational change and maximizing impact.

B. Preparing a strong MAF funding proposal

1) Introduction

253. Preparing a successful proposal for MAF requires a clear shift in perspective compared to broader climate funds such as the Green Climate Fund. While many of the underlying analytical principles are similar, MAF proposals must be explicitly framed around greenhouse gas mitigation, sector transformation, and investment mobilization.

254. MAF is designed to support ambitious, programmatic interventions that contribute to long-term decarbonization. As such, proposals must go beyond individual projects and instead demonstrate how they will address systemic barriers, enable large-scale change, and mobilize additional investment. To meet these expectations, applicants must develop a proposal that combines:

- A strong mitigation case (why emissions reductions are needed and achievable);
- A credible intervention logic (how the project will deliver these reductions); and
- Robust operational and financial design (how the project will be implemented and sustained).

2) Strategic Justification: Defining the Mitigation Problem and Need for Support

Mitigation Rationale and Mitigation Potential

255. The mitigation rationale forms the foundation of a MAF proposal. It explains where greenhouse gas emissions occur within the relevant sector and how the proposed intervention will reduce those emissions.

256. A strong mitigation rationale begins with a clear analysis of current emissions. This involves identifying the main sources of emissions and quantifying them using reliable data. In the context of a water utility, for example, emissions are often associated with electricity consumption in pumping and treatment processes, as well as potential methane emissions from wastewater.

257. The proposal must then explain how emissions are expected to evolve over time in the absence of intervention. This establishes the baseline against which reductions can be measured.

258. The final step is to demonstrate how the proposed project will reduce emissions. This requires quantitative estimates of emissions reductions, typically expressed in tonnes of carbon dioxide equivalent per year. These estimates must be supported by credible methodologies and clearly linked to specific project activities.

259. In the MAF approval process, mitigation potential is a central element of the ambition criterion. Projects that demonstrate large-scale, measurable, and credible emissions reductions are more likely to be selected.

Baseline Emissions Scenario

260. The baseline emissions scenario describes the level of emissions that would occur without the project. It provides a reference point for assessing the impact of the intervention. A well-developed baseline includes:

- Current emissions levels;
- Expected trends based on existing policies and investments; and
- Any planned developments that would proceed without MAF support.

261. The baseline must be realistic and evidence-based. Overestimating emissions to make reductions appear larger can undermine the credibility of the proposal. In the approval process, the baseline is essential for verifying mitigation impact. It ensures that emissions reductions are genuinely attributable to the project.

Barrier Analysis

262. Barrier analysis is a central component of MAF proposals. It explains why mitigation actions are not already being implemented, despite being technically feasible. Barriers may include:

- Financial constraints, such as high upfront costs or lack of access to capital;
- Institutional limitations, such as weak coordination or capacity;
- Technical challenges, such as lack of expertise or data; and
- Regulatory issues, such as insufficient incentives or outdated policies.

The purpose of this analysis is to demonstrate that the project addresses systemic constraints rather than isolated problems. Proposals should directly link each identified barrier to a project component designed to overcome it. This ensures that the project is both relevant and effective.

Additionality

263. Additionality is a core concept in the Mitigation Action Facility's assessment framework and plays a critical role in justifying the use of concessional climate finance. It refers to the extent to which the proposed intervention delivers outcomes – particularly greenhouse gas emissions reductions – that would not occur in the absence of MAF support.[40]

264. Applicants must demonstrate a clear counterfactual scenario, showing that without MAF funding the proposed intervention would not take place at all; or it would be implemented at a significantly smaller scale; or it would occur at a later stage and therefore deliver delayed mitigation impact; or key transformative components (e.g. policy reform, innovative financing mechanisms) would not be realized.

265. The concept of additionality is closely linked to the barrier analysis. Where credible barriers – financial, regulatory, institutional, or technical – prevent investments in mitigation, MAF support can be justified as a means of overcoming these constraints. For example, high upfront capital costs, perceived technology risks, or lack of access to affordable financing may deter investment in energy-efficient infrastructure. In such cases, MAF funding can enable investments that would otherwise not materialize.

266. Additionality must be demonstrated not only at the level of individual investments but also at the level of systemic change. The Facility places particular emphasis on whether its support enables interventions that shift markets, policies, or investment patterns. Applicants are therefore expected to:

- Clearly articulate the barriers that prevent implementation without support;
- Explain how MAF funding directly addresses these barriers; and
- Provide evidence (qualitative and, where possible, quantitative) that alternative funding sources are insufficient or unavailable.

Justification for MAF Support

267. Closely related to additionality is the justification for why the Mitigation Action Facility is the appropriate source of funding for the proposed intervention.[41] This goes beyond demonstrating that the project needs support; it requires a clear explanation of why MAF support is specifically suitable and necessary.

268. Applicants must demonstrate that conventional financing sources – such as commercial lending, domestic public budgets, or other development finance – are either unavailable, insufficient in scale, inappropriate in terms of risk tolerance, or unable to support the specific combination of financial and enabling measures required.

269. MAF funding is typically justified by its ability to absorb or reduce risks that deter private or public investment; improve financial viability through concessional terms or incentives; support

[40] Mitigation Action Facility. 2025. General Information Document. Call for Projects 2026 of the Mitigation Action Facility; Mitigation Action Facility. 2025. When climate action catalyses change: What we learn from tracking transformation; Mitigation Action Facility. 2025. Guidance Note: Transformational Change Measurement Framework.

[41] Mitigation Action Facility. 2025. General Information Document. Call for Projects 2026 of the Mitigation Action Facility, Mitigation Action Facility. 2025. Call for Projects 2026 of the Mitigation Action Facility. (Project Concept template for the Call for Projects 2026).

innovative mechanisms that are not yet commercially proven; and finance enabling measures, such as policy reforms or capacity building, which are essential for unlocking investment but do not generate direct financial returns.

270. A strong justification clearly defines the role of MAF funding within the overall financing structure. This includes explaining which components are financed by MAF and why; how MAF funding interacts with other sources of finance; and how it contributes to achieving transformational impact. The Facility explicitly seeks to avoid substituting for existing funding sources. Therefore, proposals must demonstrate that MAF funding is catalytic rather than substitutive, meaning it enables or accelerates investment rather than replacing it.

3) Intervention Logic: Explaining How the Project Delivers Mitigation Impact

Intervention Logic (Theory of Change)

271. The intervention logic or Theory of Change is a central element of a MAF proposal. It explains how the proposed activities lead to outputs, outcomes, and ultimately measurable greenhouse gas emissions reductions. In the context of the Mitigation Action Facility, a robust intervention logic typically combines **financial mechanisms**, which enable or incentivize investment in mitigation measures; and **enabling measures**, which address non-financial barriers such as regulatory constraints, capacity gaps, or market failures.

272. The intervention logic must clearly articulate causal pathways, showing how each component contributes to the overall objective. For example:

- Financial support enables investment in energy-efficient technologies;
- These investments reduce energy consumption;
- Reduced energy consumption leads to lower emissions; and
- Enabling measures ensure that these investments can be scaled and sustained.

273. In addition, the intervention logic should identify key assumptions (e.g. continued policy support, market uptake); highlight dependencies between components; and analyze risks that could disrupt the causal chain. The Facility expects proposals to go beyond simple linear descriptions and demonstrate a system-level understanding of how change occurs. This includes showing how interventions influence markets, institutions, and behaviors over time. A well-developed intervention logic strengthens both the ambition and feasibility of the proposal by demonstrating coherence, credibility, and strategic design.

Monitoring, Reporting, and Verification (MRV)

274. Monitoring, Reporting, and Verification (MRV) systems are essential for ensuring that the mitigation impacts of a project are measurable, transparent, and credible. Within the Mitigation Action Facility, MRV is a key requirement for both accountability and performance assessment.

275. An effective MRV framework must define clear indicators, including greenhouse gas emissions reductions and relevant intermediate results; methodologies for calculating emissions reductions, consistent with recognized standards; data collection processes, including sources, frequency, and responsibilities; and reporting procedures, ensuring that results are communicated accurately and regularly.

276. A critical component of MRV is the ability to track emissions reductions against the baseline scenario. This requires robust methodologies that can attribute observed changes directly to project interventions. In addition to mitigation outcomes, MRV systems may also track:

- Financial performance (e.g. funds disbursed, investments mobilized);
- Progress of enabling measures (e.g. policies adopted); and
- Social and gender-related indicators.

277. The Facility expects MRV systems to be proportionate but rigorous. While overly complex systems are discouraged, insufficiently developed MRV frameworks can undermine the credibility of the proposal. Applicants should ensure that MRV responsibilities are clearly assigned and that sufficient capacity exists to implement the system effectively.

Transformational Change

278. Transformational change is a defining concept of the Mitigation Action Facility and a central element of its ambition criterion. It refers to the ability of a project to contribute to long-term, systemic decarbonization, rather than delivering isolated or short-term mitigation outcomes.

279. The Facility defines transformational change in terms of its impact on markets (e.g. creating demand for low-carbon technologies); policies and regulations (e.g. introducing or reforming frameworks that enable mitigation); institutions (e.g. strengthening capacity and governance structures); and investment flows (e.g. mobilizing sustained financing for mitigation activities).

280. Projects are expected to demonstrate how they address structural barriers that prevent widespread adoption of mitigation solutions; create conditions for replication and scaling; influence behavior and decision-making beyond the immediate project scope; and contribute to long-term sectoral transformation.

281. Transformational change is often achieved through the introduction of innovative financial mechanisms, policy reforms, or new business models that can be sustained and expanded after the project ends. Applicants must provide a clear and credible pathway to scale, explaining how the intervention can grow over time or be replicated in other contexts. This includes identifying potential sources of future financing, institutional arrangements, and policy support. The Facility places strong emphasis on the durability of impact. Therefore, proposals must demonstrate not only initial results but also how these results will lead to lasting change in the sector or market.

4) Operational and Financial Credibility

Stakeholder Engagement and Country Ownership

282. Strong stakeholder engagement and clear country ownership are fundamental requirements for Mitigation Action Facility proposals. The Facility explicitly emphasizes that projects must be country-driven, meaning they are aligned with national priorities and supported by relevant government institutions. In practice, this requires demonstrating alignment with national climate strategies, particularly Nationally Determined Contributions (NDCs); consistency with sectoral policies and regulatory frameworks; and formal or informal endorsement from key public institutions.

283. Beyond government alignment, proposals must show meaningful engagement with a broad range of stakeholders, including implementing entities and delivery partners; financial institutions; private sector actors; and end-users or beneficiaries.

284. Effective stakeholder engagement is not limited to consultation at the proposal stage. Rather, it should be structured as an ongoing process throughout project design and implementation, ensuring that stakeholder perspectives inform key decisions and that risks are identified early.

285. Evidence of stakeholder engagement – such as documented consultations, partnerships, or letters of support – strengthens the credibility of the proposal and demonstrates readiness for implementation. The Facility's learning materials also highlight that close collaboration with stakeholders contributes to realistic project design and improved feasibility.

Environmental and Social Safeguards

286. Environmental and social safeguards are an important component of MAF proposals, ensuring that mitigation interventions do not cause unintended harm and that risks are appropriately managed. Applicants are expected to:

- Identify potential environmental and social risks associated with project activities;
- Assess the likelihood and severity of these risks; and
- Define mitigation measures to address them.

287. While the Mitigation Action Facility does not impose the same level of safeguard requirements as some larger climate funds, it still requires a structured and systematic approach to risk management. The MAF Monitoring and Evaluation framework includes tools such as risk identification, risk matrices, and mitigation action planning, which support applicants in managing potential impacts.

288. Environmental and social considerations should be integrated into project design from the outset, rather than treated as a separate compliance exercise. This includes ensuring that interventions do not negatively affect vulnerable groups; managing environmental risks related to infrastructure or technology deployment; and incorporating sustainability considerations into implementation planning. A well-developed safeguards approach enhances the feasibility and credibility of the proposal, particularly at later stages of the application process.

Gender and Social Inclusion

289. Gender equality and social inclusion (GESI) are integral components of the Mitigation Action Facility's approach to climate mitigation.[42] The Facility has adopted a gender-responsive and increasingly gender-transformative approach, recognizing that inclusive projects are more effective, equitable, and sustainable. Applicants are expected to integrate gender considerations throughout the project lifecycle, including:

- Conducting gender analyses to identify differentiated impacts;
- Ensuring equitable access to project benefits;
- Promoting participation of women and underrepresented groups in decision-making; and

[42] Mitigation Action Facility. 2025. Gender Equality and Social Inclusion in Climate Mitigation: Trends, Needs, and Opportunities.

- Defining indicators to track gender-related outcomes.

290. The Facility goes beyond acknowledging inequalities and requires concrete actions and measures to address them. This includes embedding gender considerations into project design; implementation arrangements; and monitoring systems.

291. MAF guidance emphasizes that integrating gender and social inclusion improves project quality, enhances effectiveness, and contributes to long-term sustainability. Applicants should also consider broader dimensions of social inclusion, including impacts on vulnerable or marginalized groups, and ensure that interventions do not exacerbate existing inequalities.

Financial and Economic Analysis

292. A robust financial and economic analysis is essential for demonstrating the viability and sustainability of a Mitigation Action Facility project. Given the Facility's emphasis on mobilizing investment and leveraging finance, this component is particularly important. Applicants must clearly present:

- Total project costs and financing requirements;
- Sources of funding, including MAF contributions and co-financing;
- Expected financial flows, including revenues or cost savings; and
- Key assumptions underpinning the financial model.

293. The analysis should also consider financial risks and uncertainties; sensitivity to changes in key parameters; and long-term sustainability beyond the funding period. The financial analysis must be consistent with the barrier analysis and additionality argument, demonstrating that financial constraints justify MAF support. The Facility's learning materials emphasize the importance of realistic financial structuring and detailed feasibility assessments, which are further developed during DPP.

Financial Mechanism Design

294. The design of the financial mechanism is a defining feature of Mitigation Action Facility projects and a key determinant of their transformational potential. Rather than simply financing investments, MAF projects are expected to establish financial structures that address market barriers and enable ongoing mitigation investments. These may include:

- Concessional lending facilities;
- Guarantee schemes;
- Results-based financing mechanisms; or
- Blended finance structures.

295. The purpose of these mechanisms is to reduce investment risks; improve affordability for end-users; and incentivize adoption of low-carbon technologies. Crucially, financial mechanisms must be directly linked to the barriers identified in the proposal. For example, if high upfront costs are a key barrier, the mechanism should explicitly address this constraint.

296. The Facility's knowledge materials highlight that well-designed financial mechanisms are central to translating NDC ambitions into concrete climate action and enabling sector-wide transformation.

Leverage of Finance

297. Leverage refers to the extent to which MAF funding mobilizes additional financial resources from other sources, particularly the private sector. It is a key indicator of the efficiency and impact of the Facility's investments. Applicants must demonstrate:

- The amount of co-financing expected from public and private sources;
- How MAF funding will catalyze additional investment; and
- The mechanisms through which leverage will be achieved.

298. This may involve reducing risks to attract private investors; improving project bankability; or creating financial incentives for participation. Evidence from the Facility's portfolio shows that both public and private leverage are important performance indicators, and increasing leverage is a key objective of funded projects.

Sustainability and Exit Strategy

299. Sustainability is a central requirement of MAF projects and reflects the Facility's focus on long-term transformation rather than short-term results. Applicants must clearly explain how project activities and impacts will continue after MAF funding ends; how financial mechanisms will remain operational; and how institutional and policy changes will be sustained.

300. An effective exit strategy typically includes transition plans for financial instruments (e.g. shifting to commercial financing); institutional arrangements to maintain project outcomes; and continued engagement of stakeholders.

Implementation Structure

301. The implementation structure defines how the project will be managed, coordinated, and delivered. It is a critical component of feasibility and must demonstrate that the project is operationally credible. Applicants must clearly identify the Implementing Organization (IO) and its responsibilities; key partners and their roles; and governance and coordination arrangements.

302. The structure should also include decision-making processes; reporting lines; and mechanisms for coordination among stakeholders. A strong implementation structure is characterized by clearly defined roles and responsibilities; experienced and capable institutions; and effective coordination mechanisms.

5) Integrating the Concepts into a Coherent Proposal

303. A Mitigation Action Facility proposal is not assessed as a collection of separate sections, but as a coherent, internally consistent narrative that demonstrates both ambition and feasibility. According to MAF guidance, proposals are evaluated holistically against two overarching criteria – ambition and feasibility – which cut across all sections of the application. This means that each analytical component – mitigation rationale, baseline, barriers, financial mechanism, and implementation structure – must be clearly interlinked and mutually reinforcing.

Ensuring Logical Consistency Across Sections

304. The proposal should demonstrate a clear line of reasoning from problem to solution to impact:

- The mitigation rationale defines the emissions problem and quantifies its scale.
- The baseline scenario establishes what would happen without intervention.
- The barrier analysis explains why mitigation is not already occurring.
- The intervention logic shows how the project overcomes these barriers.
- The financial mechanism operationalizes this intervention.
- The MRV system ensures that results can be tracked and verified.

305. In well-prepared proposals, these elements are not presented in isolation. For example, barriers identified earlier must be directly addressed by specific components of the financial and technical assistance package. Similarly, assumptions used in mitigation calculations must align with the intervention design and financial model (as required in the mitigation annex and M&E framework).

Alignment with MAF Assessment Criteria

306. The MAF places equal emphasis on ambition and feasibility during evaluation. **Ambition** is demonstrated through high and credible mitigation potential; clear contribution to transformational change; and strong leverage of additional finance. **Feasibility** is demonstrated through robust implementation arrangements; realistic financial structuring; and credible stakeholder engagement and country ownership.

307. A coherent proposal ensures that ambition is not presented independently of feasibility. For instance, high mitigation potential must be supported by a realistic delivery mechanism, and claims of transformational change must be backed by concrete pathways (e.g. policy reform, market development, or financial structuring).

Integration of Financial and Technical Components

308. A defining feature of MAF projects is the combination of financial cooperation and technical assistance. To present a coherent proposal, applicants must clearly explain how technical assistance supports the functioning of the financial mechanism (e.g. capacity building, policy reform, pipeline development); how financial instruments (e.g. credit lines, guarantees, incentives) directly enable mitigation investments; and how both components together address the identified barriers.

309. The proposal should avoid treating these components as parallel workstreams. Instead, they must be presented as integrated elements of a single intervention strategy with both parts strongly supporting the other.

Coherence Between Narrative and Annexes

310. MAF proposals require multiple annexes (e.g. mitigation calculations, financial models, safeguards screening). These are not supplementary but form an integral part of the proposal. Applicants should therefore ensure cross-referencing and internal consistency across all documents. For example:

- The GHG mitigation annex must be consistent with the intervention logic and assumptions presented in the main text.
- The financial model must align with the described financial mechanism and expected leverage.
- The logframe and M&E framework must reflect the results chain described in the narrative.

Addressing the Key Questions Explicitly

311. The proposal should systematically answer the core questions that underpin MAF evaluation. The following questions should not be treated as a checklist, but as a narrative backbone that guides the structure of the proposal:

- What is the scale and source of emissions in the sector?
- What is the credible baseline scenario?
- What systemic barriers prevent mitigation?
- How does the project address these barriers?
- Why is MAF support necessary?
- How will emissions reductions be achieved and measured?
- What makes the intervention transformational?
- How will the project mobilize additional finance?
- Is the implementation structure credible and supported?

6) Conclusion

312. Preparing a successful proposal for the Mitigation Action Facility requires a disciplined and evidence-based approach that combines technical analysis, financial structuring, and strategic positioning. The MAF is designed to support ambitious, sector-transforming mitigation actions that go beyond individual investments and contribute to long-term decarbonization pathways.

Key Characteristics of Successful Proposals

313. Based on official guidance and evaluation criteria, successful proposals typically demonstrate the following characteristics:

- **Clear and Credible Mitigation Impact**. They present robust estimates of greenhouse gas emissions reductions, grounded in realistic baselines and transparent methodologies.
- **Strong Additionality and Justification**. They clearly demonstrate why the proposed activities would not occur without MAF support, and how funding addresses specific barriers.
- **Coherent Intervention Design**. They articulate a convincing theory of change linking activities, outputs, and long-term outcomes, supported by integrated financial and technical components.
- **Transformational Potential**. They go beyond project-level impacts to show how the intervention contributes to systemic change – through market development, policy influence, or replication potential.
- **Robust Financial Structuring and Leverage**. They demonstrate how grant funding will mobilize additional public and private investment and lead to sustainable financing models over time.
- **Operational Readiness and Country Ownership**. They show strong alignment with national policies, involvement of key stakeholders, and a credible implementation structure.

Importance of Early Preparation and Iteration

314. MAF proposals are developed through a multi-stage process, including the Concept Phase and Detailed Preparation Phase (DPP), during which proposals are refined with support from the Technical Support Unit. Iterative refinement – particularly during the DPP – is essential

to strengthen feasibility and address feedback. Given this process, early preparation should focus on:

- Developing a strong initial concept aligned with MAF priorities;
- Ensuring data availability for mitigation and financial analysis;
- Engaging key stakeholders and partners;
- Identifying potential financial structures and investment partners.

VI.ADAPTATION FUND (AF)

A. AF application guidance

1) Overview

315. The Adaptation Fund (AF) was established under the Kyoto Protocol with the specific mandate to finance concrete adaptation projects and programs in developing countries that are particularly vulnerable to the adverse effects of climate change. The Fund's core objective is to support practical, on-the-ground interventions that directly reduce vulnerability and strengthen resilience, rather than focusing primarily on upstream policy development or systemic transformation.[43]

316. A defining characteristic of the Adaptation Fund is its emphasis on tangible adaptation outcomes. Projects are expected to demonstrate clear, measurable benefits for affected populations, ecosystems, or infrastructure systems. This includes, for example, reducing exposure to climate hazards such as floods, droughts, or extreme weather events, and improving the adaptive capacity of communities and institutions. The Fund prioritizes:

- Direct adaptation benefits for vulnerable populations, particularly those most exposed to climate risks;
- Concrete outputs and outcomes, with clear links between project activities and resilience improvements; and
- Feasible and implementable project designs, avoiding unnecessary complexity.

Adaptation Fund Financial Instruments and Co-financing Expectations
The Adaptation Fund operates almost exclusively through grants. These grants are used to finance concrete adaptation projects; infrastructure; and community-level interventions. Co-financing is encouraged but not mandatory. Projects can be fully grant-funded if justified. However, additional contributions can strengthen proposals and cost-effectiveness remains important.

Another key feature is the Direct Access modality, which enables eligible developing countries to access funding through accredited national institutions. This strengthens country ownership, builds institutional capacity, and ensures that projects are closely aligned with national priorities and contexts.

2) Access Modality

Accredited Implementing Entities

317. All Adaptation Fund proposals must be submitted through an accredited Implementing Entity (IE).[44] These entities serve as the formal interface between the project proponents and the Adaptation Fund Board and Secretariat. The Implementing Entity assumes full responsibility for

[43] AF. 2022. Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, and AF. 2022. Strategic Priorities, Policies, and Guidelines of the Adaptation Fund (SPPG). Annex 1 to the OPG.
[44] AF. 2026. Project Funding. Last accessed 1 April 2026, and AF. 2022. Strategic Priorities, Policies, and Guidelines of the Adaptation Fund (SPPG). Annex 1 to the OPG.

submitting the proposal to the Adaptation Fund, managing funds and ensuring fiduciary standards, overseeing project implementation, and reporting on progress, results, and compliance. There are three types of Implementing Entities:

- National Implementing Entities (NIEs) – national institutions accredited to directly access AF resources;
- Regional Implementing Entities (RIEs) – regional organizations supporting multiple countries; and
- Multilateral Implementing Entities (MIEs) – international organizations such as UN agencies or development banks.

318. For sectoral institutions such as the National Water Supply and Drainage Board (NWSDB), this means that proposals cannot be submitted independently. Instead, they must be developed in close collaboration with an accredited entity, which will act as the official proponent and fiduciary manager of the project.

Government Endorsement

319. In addition to submission through an accredited entity, all proposals must receive formal endorsement from the country's Designated Authority (DA) for the Adaptation Fund.[45] This endorsement is a mandatory requirement and must be included at the time of submission. Without it, proposals will not be considered by the Fund. The DA is typically a government body responsible for climate finance coordination. The endorsement letter confirms that:

- The proposed project is consistent with national climate and development priorities;
- It aligns with relevant policies, plans, or strategies (e.g. National Adaptation Plans); and
- The government supports the proposed Implementing Entity and project activities.

3) Application Process

320. The Adaptation Fund offers a flexible and relatively accessible application process, designed to accommodate a wide range of project sizes and institutional capacities. Compared to many other climate funds, the process is less rigid and allows applicants to progress at their own pace.

Rolling Submission

321. The Adaptation Fund operates on a rolling basis, meaning that proposals can be submitted at any time during the year. There are no fixed call deadlines. This allows proponents to:

- Develop proposals thoroughly without time pressure;
- Align submission with internal planning cycles; and
- Incorporate stakeholder feedback and technical refinement before submission.

One-Step and Two-Step Approaches

322. Applicants can choose between two submission pathways. Under the **one-step approach**, a fully developed project proposal is submitted directly. This is suitable for projects that are already well-defined, with completed technical design, stakeholder consultations, and feasibility analysis.

[45] In Sri Lanka's case, the Ministry of Environment, with the primary contact the Secretary.

323. The two-step approach involves submission of a concept note; review and feedback from the Adaptation Fund; and submission of a fully developed proposal, incorporating the feedback received. The two-step approach is particularly useful when the project concept is still being refined; additional technical work or stakeholder engagement is required; or early feedback is needed to improve alignment with AF criteria.

Submission Requirements

324. All proposals must comply with the Adaptation Fund's formal submission requirements. Strict adherence to templates and guidance is essential, as incomplete or non-compliant submissions may be returned without review. Specifically, they must:

- Be prepared using official templates provided by the Fund;
- Be submitted by an accredited Implementing Entity;
- Include a government endorsement letter from the Designated Authority; and
- Be formally transmitted to the Adaptation Fund Secretariat.

4) Approval Process

325. The Adaptation Fund follows a structured, multi-stage review process designed to ensure that proposals meet its technical, strategic, and fiduciary standards, while maintaining a relatively efficient timeline.

Secretariat Technical Review

326. Once a proposal is submitted, the Adaptation Fund Secretariat conducts an initial review to verify completeness and compliance with submission requirements; assess technical quality and clarity; and identify any gaps or areas requiring clarification. The Secretariat typically provides written feedback within a few weeks, allowing proponents to revise and resubmit the proposal if needed. This iterative process helps improve proposal quality before formal consideration.

Project and Programme Review Committee (PPRC)

327. Following the Secretariat review, proposals are assessed by the Project and Programme Review Committee (PPRC), a technical body of the Adaptation Fund Board. The PPRC evaluates the proposal against the Fund's approval criteria; assesses technical soundness, feasibility, and expected results; and formulates recommendations for the Board.

Adaptation Fund Board Decision

328. The final decision is made by the Adaptation Fund Board, which meets at least twice per year. Board decisions are based on the PPRC recommendations and overall alignment with the Fund's objectives and criteria. Possible outcomes include **approval** – the project is accepted for funding; **conditional approval** – approval subject to specific revisions; or **rejection** – the proposal does not meet required standards.

Implementation Phase

329. Once approved, funds are disbursed through the Implementing Entity; project implementation begins in accordance with the approved design; and the Implementing Entity is

responsible for monitoring, reporting, and compliance with AF requirements. Projects must report on progress, results, and financial management throughout implementation.

5) Approval Criteria

330. The Adaptation Fund evaluates proposals based on criteria defined in its Operational Policies and Guidelines, ensuring that funded projects deliver meaningful and sustainable adaptation benefits.[46]

Strategic Criteria

331. At a strategic level, proposals are assessed based on:

- The degree of vulnerability of the target population or system;
- The urgency and immediacy of adaptation needs;
- Alignment with national policies and priorities;
- Potential for learning, replication, or scaling up; and
- Contribution to multi-sectoral or cross-cutting benefits.

Projects must clearly demonstrate why the proposed intervention is needed and how it responds to identified climate risks.

Technical and Design Criteria

332. From a technical perspective, proposals must demonstrate:

- A clear and evidence-based adaptation rationale, linking climate risks to proposed actions;
- Technical feasibility, supported by appropriate analysis and design;
- Cost-effectiveness, ensuring efficient use of resources;
- Sustainability, including long-term viability beyond project completion; and
- Strong stakeholder engagement, reflecting local needs and priorities.

Safeguards and Gender

333. All proposals must comply with the Adaptation Fund's policies on Environmental and Social Safeguards (ESS) and Gender equality and women's empowerment. Compliance with these requirements is mandatory and assessed during the review process. It includes identifying and managing environmental and social risks; ensuring inclusive participation; and integrating gender considerations throughout project design and implementation.

6) Proposal Development Requirements

Adaptation Rationale

334. A core requirement of any Adaptation Fund proposal is a clearly articulated adaptation rationale, which explains why the proposed intervention is necessary in the context of climate change. According to the Fund's Operational Policies and Guidelines, projects must explicitly aim to address the adverse impacts and risks posed by climate change and demonstrate how they contribute to increased resilience.

[46] AF. 2017. OPG Annex 5: Project Review Criteria and Project Proposal Template.

335. This requires a structured analysis that identifies the relevant climate hazards (e.g. flooding, droughts, salinity intrusion, extreme rainfall); describes the exposure of populations, infrastructure, or ecosystems; and demonstrates the vulnerability of the target system, including socio-economic and environmental dimensions.

336. Proposals must clearly show the causal link between climate risks and project activities, explaining how the intervention will reduce vulnerability or enhance adaptive capacity. This justification should be based on credible sources such as national climate assessments, IPCC reports, or sector-specific studies, as encouraged in AF guidance.

Focus on Concrete Adaptation

337. A defining principle of the Adaptation Fund is its exclusive focus on "concrete adaptation", meaning that funded activities must result in tangible, on-the-ground outcomes that directly address climate impacts. The Fund defines adaptation projects as "a set of activities aimed at addressing the adverse impacts of climate change… with concrete outcomes and outputs". This implies that:

- Projects must go beyond planning or analysis and include implementation of physical or operational measures;
- Activities should generate direct and measurable resilience benefits; and
- Interventions must be clearly linked to reducing climate-related risks.

338. Typical eligible activities include climate-resilient infrastructure (e.g. flood protection, water supply systems); improved water resource management; ecosystem-based adaptation measures; and community-level adaptation interventions. Purely analytical studies, policy development, or capacity-building without direct application are generally not prioritized unless clearly linked to concrete outcomes.

Results Framework

339. All proposals must include a results framework (logframe) aligned with the Adaptation Fund's Results-Based Management (RBM) system. The Fund has developed a Strategic Results Framework that defines goals, outcomes, outputs, and indicators to measure adaptation results. At the project level, the results framework must:

- Define outputs and outcomes clearly linked to adaptation objectives;
- Include measurable indicators, including those aligned with AF core indicators;
- Establish baselines and targets; and
- Provide a clear structure for monitoring and reporting.

340. The official Results Framework and Baseline Guidance explains how proponents should design indicators and align them with the Fund's framework, including data collection and reporting requirements. The emphasis is on demonstrating real, observable adaptation benefits, rather than only outputs or activities.

Stakeholder Engagement

341. Strong stakeholder engagement is a mandatory requirement for Adaptation Fund proposals. Projects must demonstrate that they are country-driven and based on the needs and priorities of affected communities, as stated in the Fund's strategic principles. This includes:

- Conducting meaningful consultations with stakeholders, including local communities, government agencies, and sector actors;
- Incorporating community knowledge and perspectives into project design; • Ensuring participation in implementation and monitoring; and
- Demonstrating how stakeholder inputs have influenced project decisions.

342. Review criteria explicitly assess whether proposals incorporate community views and stakeholder consultation processes, as well as whether they contribute to social, economic, and environmental benefits.

Financial Structure

343. Compared to other climate funds, the Adaptation Fund requires a relatively straightforward financial structure. Funding is provided on the basis of the full cost of adaptation, meaning that the Fund finances the incremental costs necessary to address climate change impacts. Proposals must present a clear and justified budget linked to project activities and outputs; demonstrate cost-effectiveness; and ensure that resources are used efficiently to deliver adaptation benefits.

344. There is no requirement for complex financial instruments or leveraging mechanisms. However, proposals should still demonstrate sound financial planning, transparency, and alignment with fiduciary standards.

7) Key Success Factors

345. Successful Adaptation Fund proposals consistently demonstrate several critical characteristics:

1. **Strong Adaptation Rationale**: Projects clearly establish the link between climate risks, vulnerability, and proposed interventions, supported by evidence and analysis.
2. **Concrete and Practical Interventions**: Proposals focus on implementation-ready solutions that deliver measurable adaptation benefits, consistent with the Fund's mandate to finance concrete adaptation.
3. **Focus on Vulnerable Populations**: Projects prioritize communities and systems that are most exposed to climate risks, in line with the Fund's emphasis on supporting the most vulnerable.
4. **Simplicity and Clarity**: Well-structured proposals with clear logic, feasible design, and realistic implementation arrangements are more likely to succeed.
5. **Strong Country Ownership**: Alignment with national strategies and active involvement of national institutions and stakeholders is essential, particularly under the Direct Access modality.

8) Implications for Sectoral Applicants

346. For sectoral institutions such as NWSDB, the Adaptation Fund represents a highly relevant funding opportunity, particularly given its focus on practical adaptation measures. The Fund is well suited to projects that:

- Enhance climate resilience of water supply infrastructure;
- Improve flood and drought management systems;
- Strengthen urban and rural drainage systems; and
- Support community-based water resource management.

347. However, proposals must ensure that activities are clearly framed as adaptation interventions, not general development; benefits are direct, measurable, and climate-related; and the project contributes to reducing vulnerability to identified climate hazards. Sectoral applicants should also ensure close coordination with national climate policies and plans; and accredited Implementing Entities responsible for submission and oversight.

B. Preparing a strong AF funding proposal

1) Introduction

348. Preparing a successful proposal for the AF requires a clear understanding of both its purpose and its distinctive approach to climate finance. Unlike broader funds such as the GCF, or mitigation-focused programs such as MAF, the Adaptation Fund has a single, focused objective: to support concrete actions that reduce vulnerability to climate change.

349. This focus shapes the entire proposal development process. The Adaptation Fund does not prioritize large-scale transformation, complex financial engineering, or policy reform in isolation. Instead, it seeks projects that deliver practical, tangible improvements in resilience, particularly for vulnerable populations.[47]

350. As a result, strong Adaptation Fund proposals are characterized by:
- A clear and evidence-based understanding of climate risks;
- A strong focus on vulnerable populations and systems;
- Interventions that translate directly into reduced vulnerability; and
- Simple, well-structured designs that can be implemented effectively.

351. While many of the analytical concepts used in GCF proposals are still relevant, the Adaptation Fund applies them with a more pragmatic and implementation-oriented perspective. The emphasis is on demonstrating that the project will work in practice and deliver measurable benefits on the ground.

2) Strategic Justification: Defining Vulnerability and Adaptation Needs

Adaptation Rationale

352. The adaptation rationale is the foundation of the proposal and provides the core justification for the project. It explains how climate change is affecting a specific system, sector, or population, and why intervention is necessary.

353. A strong adaptation rationale begins by identifying the relevant climate hazards, such as changes in rainfall patterns, increasing temperatures, more frequent droughts, or intensified flooding. However, simply describing these hazards is not sufficient. The proposal must go further and explain how these changes translate into specific impacts.

354. For example, increased rainfall variability may lead to reduced reliability of water supply systems, greater pressure on infrastructure, and heightened risks for communities that depend on stable water access. These impacts must be clearly linked to climate change rather than general development challenges.

[47] AF. 2026. Project Proposal Materials. Last accessed 1 April 2026.

355. In the approval process, the Adaptation Fund places strong emphasis on this causal chain. Proposals must demonstrate that the problem being addressed is climate-driven, and that the intervention is therefore genuinely an adaptation measure.

356. In practice, effective adaptation rationales combine scientific evidence with sector-specific analysis. They present a clear and compelling narrative that links climate change to real-world consequences and establishes the need for action.

Vulnerability and Exposure

357. Closely linked to the adaptation rationale is the concept of vulnerability and exposure. This concept focuses on identifying who is affected by climate change, how severely they are affected, and why they are particularly at risk.

358. Vulnerability is not determined solely by exposure to climate hazards. It is also shaped by underlying socio-economic and institutional factors. For example, communities with limited access to infrastructure, financial resources, or institutional support are often less able to cope with climate impacts.

359. The Adaptation Fund places particular emphasis on supporting the most vulnerable populations. As a result, proposals must provide a clear and detailed analysis of vulnerability, demonstrating which groups are affected; the nature and extent of their exposure; and the factors that limit their adaptive capacity.

360. Practically, this often involves combining climate data with socio-economic information, such as income levels, access to services, or geographic isolation. Proposals should not only show that climate risks exist, but also that the targeted beneficiaries are particularly in need of support.

Baseline Scenario

361. The baseline scenario describes the situation that would exist in the absence of the project. It provides a reference point against which the project's impact can be assessed. In Adaptation Fund proposals, the baseline focuses on current levels of vulnerability; existing coping mechanisms or adaptation measures; and how climate impacts are expected to evolve over time.

362. The purpose of the baseline is to demonstrate that, without intervention, vulnerability will persist or worsen. This helps to establish both the need for the project and the value of the proposed intervention.

363. A strong baseline is realistic and evidence-based. It should clearly distinguish between what is already happening; and what will change as a result of the project. A common weakness in proposals is failing to clearly differentiate between these two scenarios. To avoid this, the baseline should be presented as a clear and coherent narrative that sets the stage for the intervention.

Additionality

364. While the Adaptation Fund does not always explicitly frame its requirements in terms of "additionality," the concept is clearly embedded in its project review criteria and proposal structure. In practice, all proposals must demonstrate that the project delivers adaptation benefits that would not occur under a business-as-usual scenario.

365. To demonstrate this effectively, proposals must:

- Clearly describe the baseline situation, including existing investments, policies, and coping mechanisms;
- Identify gaps or limitations in current systems that prevent effective adaptation;
- Show how climate change introduces new or intensified risks that are not addressed by existing measures; and
- Explain how the proposed intervention directly responds to these climate-specific challenges.

366. Additionality is therefore not presented as a standalone section, but rather emerges from the combination of a strong adaptation rationale, a well-defined baseline, and a clear intervention logic. Together, these elements demonstrate that the project is both necessary and uniquely targeted at climate-related risks.

3) Intervention Logic: Delivering Concrete Adaptation

Concrete Adaptation

367. A central requirement of the Adaptation Fund is that all supported projects must deliver what it defines as "concrete adaptation", meaning interventions that result in tangible, on-the-ground improvements in resilience to climate change. This principle is explicitly stated in the Fund's Operational Policies and Guidelines, which emphasize that projects must directly address the adverse effects of climate change through practical actions rather than abstract planning or policy formulation.

368. In practical terms, this means that a proposal must clearly demonstrate how the project will lead to real, observable changes in the way climate risks are managed. For example, in the context of water supply and drainage, this could include infrastructure upgrades that reduce flood risk, systems that improve water storage during drought periods, or operational changes that enhance the reliability of water delivery under climate stress.

369. It is important to note that while enabling activities such as capacity building, institutional strengthening, or data collection can be included, they are only considered eligible if they are clearly linked to the delivery of concrete adaptation outcomes. Projects that focus primarily on studies, plans, or policy frameworks without a clear pathway to implementation are unlikely to meet the Fund's requirements.

370. The proposals should therefore not simply list activities, but instead provide a clear explanation of how each component contributes to reducing climate vulnerability. The emphasis is on demonstrating that the project will produce practical benefits that can be experienced by affected populations or systems, and that these benefits are directly attributable to the intervention.

Intervention Logic (Theory of Change)

371. Although the Adaptation Fund does not require a formal “theory of change” document, it does require that proposals present a clear and internally consistent logic explaining how the project will achieve its intended results. This expectation is embedded in the proposal template and in the Fund’s results-based management approach.

372. At its core, the intervention logic should describe a causal chain that links project activities to outputs, outputs to outcomes, and outcomes to longer-term impacts. This chain must be both plausible and well substantiated. For example, if a project proposes to upgrade drainage infrastructure, the proposal should explain how this activity will lead to increased drainage capacity (output), how that increased capacity will reduce flooding (outcome), and how reduced flooding will ultimately decrease vulnerability for affected communities (impact).

373. The Adaptation Fund places particular importance on ensuring that this logic is not only conceptually sound but also practically achievable. This means that the proposal must avoid overly complex or speculative assumptions and instead focus on interventions that have a clear and demonstrable pathway to results.

374. In developing this logic, it is essential to ensure consistency across the proposal. The adaptation rationale, baseline scenario, and identified vulnerabilities should all align with the proposed intervention. Similarly, the expected results described in the narrative should match those presented in the results framework. Any disconnect between these elements can weaken the credibility of the proposal.

375. A well-articulated intervention logic serves multiple purposes. It helps reviewers understand how the project will work in practice, provides a foundation for monitoring and evaluation, and demonstrates that the project design is both coherent and feasible.

Results Framework

376. The results framework is the mechanism through which the intervention logic is translated into a structured and measurable set of expected results. It is a mandatory component of Adaptation Fund proposals and is closely aligned with the Fund’s Strategic Results Framework and core indicators.

377. Rather than being treated as a purely technical annex, the results framework should be understood as a central element of the proposal, reflecting how the project’s success will be defined and measured. It requires the applicant to specify what the project will deliver (outputs), what changes will result from these outputs (outcomes), and how these changes will be tracked through indicators.

378. The Adaptation Fund expects that indicators are specific, measurable, and directly linked to adaptation outcomes. For example, instead of simply stating that resilience will be improved, the proposal should define how this improvement will be measured, such as through the number of beneficiaries with increased access to climate-resilient water systems or the reduction in flood-related disruptions.

379. In addition, the framework must include baselines and targets, providing a clear point of comparison to assess progress over time. This requirement reflects the Fund’s emphasis on results-based management and accountability.

380. The Fund provides detailed guidance on how to develop the results framework, including how to align project-level indicators with its core indicators. Proposals that demonstrate a clear understanding of these requirements and present a coherent and realistic set of indicators are more likely to be viewed as credible and well-prepared.

4) Operational and Financial Credibility

Cost-Effectiveness

381. Cost-effectiveness is an important consideration in the Adaptation Fund's assessment of proposals, reflecting the need to ensure that limited financial resources are used efficiently to generate meaningful adaptation benefits. While the Fund does not prescribe a single method for assessing cost-effectiveness, it expects proposals to provide a clear and reasoned justification of how project costs relate to expected outcomes.

382. In the context of adaptation, benefits are often not easily expressed in monetary terms. As a result, proposals typically rely on qualitative and quantitative proxies to demonstrate value for money. These may include the number of beneficiaries reached, the scale of infrastructure protected or improved, or the extent to which climate risks are reduced.

383. What is most important is that the proposal demonstrates a logical relationship between investment and impact. This includes explaining why the chosen approach represents the most appropriate and efficient way to address the identified climate risks, and how alternative options were considered.

384. A strong cost-effectiveness argument does not require complex economic modelling, but it does require clarity and transparency. Reviewers should be able to understand how resources are allocated and why those allocations are justified in relation to the expected adaptation benefits.

Sustainability

385. Sustainability is a critical requirement for Adaptation Fund projects, as the Fund seeks to ensure that the benefits of its investments continue beyond the duration of project funding. Proposals must therefore provide a clear explanation of how project outcomes will be maintained and sustained over time.

386. This involves considering multiple dimensions of sustainability. Institutional sustainability relates to whether the organizations responsible for implementation have the capacity and mandate to continue managing project outputs. Financial sustainability concerns the availability of resources to support ongoing operation and maintenance. Technical sustainability refers to the appropriateness and durability of technologies or infrastructure, while social sustainability involves continued stakeholder support and engagement.

387. Rather than addressing these aspects in isolation, a successful proposal presents sustainability as an integrated concept, showing how different elements reinforce each other. For example, infrastructure investments may be supported by capacity-building activities that ensure local institutions can manage and maintain them effectively.

388. The Adaptation Fund expects that sustainability is considered from the outset of project design, rather than treated as an afterthought. Proposals that clearly demonstrate how long-term benefits will be secured are more likely to be viewed as robust and credible.

Stakeholder Engagement and Country Ownership

389. Country ownership is a foundational principle of the Adaptation Fund, and it is operationalized through both formal and substantive requirements. Formally, all proposals must be endorsed by the country's Designated Authority, confirming alignment with national priorities. Substantively, proposals must demonstrate that the project is grounded in stakeholder needs and supported by relevant institutions.

390. Stakeholder engagement is therefore not simply a procedural requirement, but a key determinant of project relevance and effectiveness. The Adaptation Fund expects that stakeholders, including affected communities, local authorities, and sector institutions, are actively involved in the design of the project.

391. This involvement should be clearly documented in the proposal, including how consultations were conducted, what inputs were received, and how those inputs influenced project design. Engagement should also extend beyond the design phase, with mechanisms in place to ensure continued participation during implementation and monitoring.

392. Strong stakeholder engagement contributes to better project outcomes by ensuring that interventions are context-appropriate, socially accepted, and responsive to local needs. It also enhances sustainability by fostering a sense of ownership among beneficiaries and implementing partners.

Environmental and Social Safeguards

393. The Adaptation Fund requires all projects to comply with its Environmental and Social Policy,[48] which is designed to ensure that funded activities do not cause unintended harm and that risks are appropriately managed.

394. As part of the proposal, applicants must conduct a screening of environmental and social risks, identifying potential negative impacts associated with project activities. These risks may relate to issues such as ecosystem disturbance, land use, or impacts on vulnerable groups. Where risks are identified, the proposal must include specific mitigation measures to address them. This demonstrates that the project has been designed with due consideration of its broader impacts and that appropriate safeguards are in place. Compliance with environmental and social safeguards is not optional. It is a mandatory requirement that is assessed during the review process, and insufficient attention to these issues can lead to delays or rejection.

Gender Responsiveness

395. Gender equality and responsiveness are integral to the Adaptation Fund's approach and are governed by its Gender Policy and Action Plan. Proposals must demonstrate that gender considerations have been systematically integrated into project design.

[48] AF. 2016. OPG Annex 3: Environmental and Social Policy.

396. This begins with an analysis of how climate change affects different groups, recognizing that women and men may experience vulnerabilities in different ways. The proposal must then explain how the project will address these differences, ensuring that benefits are distributed equitably and that barriers to participation are reduced.

397. Gender responsiveness must be reflected not only in narrative sections but also in project activities and indicators. This includes defining actions that promote inclusion and establishing indicators that track gender-related outcomes. The Fund expects that gender is treated as a cross-cutting issue, integrated throughout the proposal rather than confined to a single section.

Implementation Arrangements

398. A credible implementation plan is essential for demonstrating that the project can be delivered effectively. The Adaptation Fund requires proposals to clearly define the institutional arrangements that will govern project execution.

399. This includes identifying the Implementing Entity and any executing partners, as well as describing their respective roles and responsibilities. The proposal should also outline how coordination will be managed, particularly in projects involving multiple stakeholders or sectors. In addition, implementation arrangements must address key operational aspects such as financial management, procurement, monitoring, and reporting. These systems must be consistent with the fiduciary standards of the Adaptation Fund and the requirements of the accredited Implementing Entity. A well-developed implementation plan provides assurance that the project is not only well designed but also practically feasible and institutionally supported.

5) Integrating the Concepts into a Coherent Proposal

400. A strong Adaptation Fund proposal is not simply a collection of individual sections that meet formal requirements; rather, it is a coherent and internally consistent narrative that demonstrates a clear and logical progression from problem identification to solution and results.

401. The Fund's review process places significant emphasis on this internal consistency, as it provides assurance that the project has been carefully designed and is capable of delivering its intended outcomes.

402. At the core of this coherence is the relationship between the adaptation rationale, the baseline scenario, the identified vulnerabilities, and the proposed intervention. These elements must align closely with one another. The climate risks described in the adaptation rationale should directly correspond to the vulnerabilities identified in the target population or system. In turn, the baseline scenario should clearly illustrate how these vulnerabilities manifest under current conditions and how they are expected to evolve in the absence of the project. The proposed intervention must then respond directly to these conditions, addressing the specific risks and vulnerabilities identified earlier in the proposal.

403. This alignment must also extend to the intervention logic and results framework. The activities described in the project design should lead logically to the outputs defined in the results framework, which in turn should contribute to clearly articulated outcomes and impacts. Any disconnect between these elements – such as outputs that do not clearly support the stated outcomes – can undermine the credibility of the proposal.

404. Equally important is the consistency between the technical narrative and the financial structure. The budget should reflect the activities described in the project design, and the allocation of resources should be justified in terms of the expected results. Reviewers should be able to trace how financial inputs are translated into concrete adaptation benefits.

405. Another critical aspect of coherence is the integration of cross-cutting requirements, such as stakeholder engagement, environmental and social safeguards, and gender responsiveness. These should not be treated as isolated compliance sections but rather embedded throughout the proposal. For example, stakeholder consultations should inform the identification of vulnerabilities and the design of interventions, while gender considerations should be reflected in both activities and indicators.

406. A well-integrated proposal ultimately tells a clear and convincing story. It explains not only what the project will do, but also why it is needed, how it will work in practice, and how its success will be measured. This clarity is essential for facilitating the review process and increasing the likelihood of approval.

6) Conclusion

407. Preparing a successful Adaptation Fund proposal requires a disciplined focus on practical impact, clarity of design, and implementation readiness. The Fund's mandate to support concrete adaptation means that proposals must go beyond general descriptions of climate challenges and instead present a well-developed case for specific, actionable interventions.

408. Centerpoint of a strong proposal is a clear and evidence-based understanding of climate risk. This involves not only identifying relevant hazards but also demonstrating how these hazards translate into real-world impacts on systems, infrastructure, and communities. The proposal must then establish that these impacts disproportionately affect vulnerable populations, thereby justifying the need for targeted intervention.

409. Equally important is the ability to translate this analysis into a set of concrete actions that directly reduce vulnerability. The Adaptation Fund places particular emphasis on interventions that can be implemented effectively and that produce measurable results. This requires careful attention to project design, ensuring that activities are technically feasible, logically connected, and capable of delivering the intended outcomes.

410. Operational credibility is another essential element. Proposals must demonstrate that the project can be implemented successfully within the proposed timeframe and budget, and that the institutions involved have the capacity to manage and sustain the results. This includes clear implementation arrangements, realistic cost estimates, and a well-considered approach to long-term sustainability.

411. In addition, proposals must reflect the Fund's broader principles, including country ownership, stakeholder engagement, environmental and social responsibility, and gender responsiveness. These elements are not merely procedural requirements but are integral to the effectiveness and legitimacy of the project.

412. A successful Adaptation Fund proposal presents a compelling and coherent case that the proposed intervention is necessary, feasible, and capable of delivering meaningful adaptation benefits. By clearly linking climate risks to practical solutions and demonstrating how those

solutions will improve resilience for vulnerable populations, the proposal aligns with the Fund's objectives and stands a strong chance of approval.

VII. FUND FOR RESPONDING TO LOSS AND DAMAGE (FRLD)

A. FRLD Application Guidance

1) Overview

413. The Fund for Responding to Loss and Damage (FRLD) represents a significant evolution in the international climate finance architecture. Established to address a long-recognized gap, the Fund is specifically designed to support developing countries in responding to loss and damage caused by climate change – that is, impacts that cannot be avoided through mitigation or adaptation. This includes both:

- Sudden-onset events, such as floods, storms, and cyclones; and
- Slow-onset processes, such as sea-level rise, desertification, and salinization.

414. The key distinction between FRLD and other climate funds lies in its focus. While the Adaptation Fund seeks to reduce future vulnerability, and the GCF supports both adaptation and mitigation investments, the FRLD is concerned with addressing impacts that are already occurring or are unavoidable. This includes recovery, rehabilitation, and in some cases, longer-term responses such as relocation or restoration of livelihoods.

415. Another defining feature of the FRLD is its emphasis on country ownership, urgency, and responsiveness. The Fund is designed to enable countries to access finance quickly and flexibly in response to climate-related impacts, reflecting the reality that loss and damage often requires immediate action.

416. However, as a newly operational fund, the FRLD is still in a start-up and learning phase, with the first call for proposals just recently having been launched and still open till 15 June 2026.[49] This means that its procedures, templates, and operational modalities are still evolving,[50] and applicants must be prepared to engage with a system that is less standardized than more mature funds such as GCF or AF. Specifically, the FRLD is now implementing a $250 million pilot, under the Barbados Implementing Modalities (BIM).

FRLD Financial Instruments and Co-Financing Expectations
The FRLD is expected to operate primarily through grants. This reflects its purpose of addressing urgent needs; recovery and response; and situations where repayment is not feasible. At present, co-financing expectations are limited or minimal. The focus is on needs-based financing; rapid response; and support for vulnerable countries.

2) Access modality

Country-Led Approach

[49] https://www.frld.org/nodebim

[50] For the current call: FRLD. 2026. BIM Information Session: Funding Request Template, FRLD. 2026. Overview of the Barbados Implementation Modalities, FRLD. 2025. BIM Call for Funding Requests: Informational Session, FRLD. 2025. Funding cycle for the Barbados Implementation Modalities. Last consulted on 2 April 2026, FRLD. 2025. Funding Criteria for the Barbados Implementation Modalities, and FRLD. 2025. Access modalities for the Barbados Implementation Modalities.

417. The FRLD is built on a strong principle of country ownership. This means that funding requests are expected to be driven by national priorities and reflect country-specific needs and circumstances. This approach is intended to ensure that funding is both relevant and effective, responding directly to the needs of affected populations. In practice, this implies that:

- Countries identify their own loss and damage priorities;
- Proposals are aligned with national policies and systems; and
- National institutions play a central role in the design and implementation of projects.

Implementing modalities

418. The Fund is expected to operate through a combination of access channels, including:

- Direct access through national institutions; and
- Indirect access through international or regional organizations, such as multilateral development banks or UN agencies.

419. During the current start-up phase, the FRLD is actively testing and refining these modalities. As a result, the precise mechanisms for accessing funding may vary across funding rounds. For applicants, this means that it is essential to early engage with:

- National authorities; and
- Potential implementing partners

3) Application Process

Call-Based Funding Model

420. The FRLD is expected to operate through a call-based funding model, rather than accepting proposals on a continuous rolling basis. This reflects the Fund's early-stage operational approach and allows it to prioritize resources according to evolving strategic needs.

421. Each funding call is likely to define specific parameters, including thematic priorities, eligibility criteria, funding envelopes, and submission requirements. These calls may also reflect emerging priorities identified by the Board, such as particular types of climate impacts, geographic regions, or vulnerable population groups.

422. As a result, the preparation of proposals must be closely aligned with the requirements of each individual call. Applicants cannot rely on a standardized submission format across funding windows but instead must carefully review and respond to the specific guidance provided.

423. The call-based model also introduces a competitive dimension, as proposals will be assessed relative to others submitted under the same call. This increases the importance of presenting a clear, well-justified, and strongly evidenced case for funding.

Proposal Development

424. Although the FRLD does not yet provide fully standardized proposal templates, the expected structure of proposals can be inferred from official documentation and early operational guidance.

425. A central component of any proposal is a clear and evidence-based description of the loss and damage context. This includes identifying the climate-related events or processes – such as

floods, droughts, or sea-level rise – that have led to impacts. Proposals must go beyond describing hazards and instead demonstrate how these hazards have resulted in concrete losses and damages.

426. The proposal must then identify the affected populations, systems, and assets, and describe the scale and nature of impacts. This should include both economic losses, such as damage to infrastructure or loss of income, and non-economic losses, such as displacement, loss of cultural heritage, or ecosystem degradation.

427. Building on this analysis, the proposal should present a set of response measures designed to address the identified impacts. These measures must be clearly linked to the loss and damage rationale and should focus on recovery, rehabilitation, and restoration, rather than prevention.

428. Finally, proposals must include a description of implementation arrangements, financing requirements, and expected results. While these elements are common across climate funds, the key distinction in the FRLD context is that they must be explicitly framed around responding to impacts that are already occurring or unavoidable.

Flexibility in the Start-Up Phase

429. A defining feature of the FRLD is the intentional flexibility of its procedures during the start-up phase. This reflects the Fund's mandate to evolve over time based on experience and lessons learned. During this start-up phase, the Fund is expected to test different operational modalities, refine its application processes, and develop more standardized guidance. As a result, applicants should anticipate a degree of uncertainty and variability in requirements.

430. Practically, this means that proposal development may involve iterative engagement with the Fund's Secretariat, including requests for clarification or additional information. Applicants may also encounter changes in guidance between funding calls.

431. This flexible and learning-based approach places a premium on adaptability and proactive engagement. Early communication with national authorities and potential implementing partners can help applicants navigate evolving requirements and strengthen the quality of submissions.

4) Approval Process

Technical Review

432. Following submission, proposals are expected to undergo a technical review by the Fund's Secretariat. This stage focuses on assessing whether the proposal meets basic requirements and is technically sound.

433. The review typically considers the completeness of the proposal, its alignment with eligibility criteria, and the coherence of the proposed intervention. Particular attention is likely to be given to the strength of the loss and damage rationale, the clarity of the response measures, and the feasibility of implementation.

434. Given the evolving nature of the Fund, this stage may involve dialogue between applicants and the Secretariat. This can provide an opportunity to clarify aspects of the proposal, address gaps, and strengthen the overall submission.

Board Review and Decision

435. After technical review, proposals are submitted to the FRLD Board for final consideration. The Board is responsible for evaluating proposals against the Fund's objectives and making funding decisions. In this process, the Board assesses the extent to which proposals address loss and damage, align with strategic priorities, and demonstrate clear need and urgency. The Board also considers issues such as country ownership, complementarity with other funding sources, and the credibility of implementation arrangements.

436. Decisions may take several forms, including full approval, conditional approval subject to revisions, or rejection. Conditional approvals are likely to be a common feature during the Fund's early phase, reflecting its iterative approach.

Iterative and Learning-Based Decision-Making

437. The FRLD approval process is expected to be adaptive and learning-oriented, particularly during its initial years of operation. This means that proposals may be refined through feedback loops, and that evaluation criteria may evolve over time. The Fund is designed not only to finance projects, but also to build an evidence base on effective responses to loss and damage. As a result, applicants should view the process as collaborative rather than purely transactional, with opportunities to improve proposals through engagement with the Fund.

5) Approval Criteria

Addressing Loss and Damage

438. The primary criterion for FRLD funding is whether a proposal clearly addresses loss and damage associated with climate change. Applicants must demonstrate that the impacts described are directly linked to climate-related events or processes, and that they represent losses that cannot be fully avoided through mitigation or adaptation. This distinction is critical, as it defines the scope of the Fund.

439. Both economic and non-economic losses are considered relevant. However, proposals must clearly articulate how these losses manifest in practice and how they affect communities and systems.

Vulnerability and Needs-Based Approach

440. The FRLD is explicitly designed to support particularly vulnerable countries and populations. Proposals must therefore demonstrate the severity of impacts and the extent to which affected populations lack the capacity to respond without external support. This requires a clear presentation of needs, supported by both quantitative data and qualitative analysis. Proposals should highlight disparities in vulnerability and explain why certain groups are disproportionately affected.

Country Ownership

441. Country ownership is a central requirement of the FRLD. Proposals must be clearly aligned with national priorities and supported by relevant government institutions. This includes demonstrating consistency with national policies and strategies, as well as evidence of institutional endorsement. Where possible, projects should be integrated into existing national systems and frameworks.

Urgency and Responsiveness

442. Urgency is a defining feature of FRLD interventions. Proposals must demonstrate that the identified impacts require immediate or near-term action, and that delays would exacerbate loss and damage. In addition, proposals must show that the proposed response can be implemented quickly and effectively. This includes evidence of readiness, such as established institutional arrangements and realistic implementation timelines.

Complementarity

443. The FRLD is intended to complement existing climate finance mechanisms, rather than duplicate them. Proposals must therefore clearly explain how they fill a gap in the current funding landscape. This includes distinguishing proposed activities from those typically supported by the Adaptation Fund, Green Climate Fund, or other sources.

6) Templates and Guidance Materials

444. At present, the FRLD does not yet provide a fully standardized set of application templates comparable to those of more established climate funds. Instead, applicants must rely on a combination of official decisions, technical documents, and guidance associated with individual funding calls. The most relevant official sources include:

445. At this stage, no official standalone proposal template (e.g. Word/Excel forms) has been publicly released. Instead, application formats are expected to be defined within specific funding calls. Applicants must therefore carefully review the documentation associated with each call and adapt their proposals accordingly.

7) Anticipated Key Success Factors

446. Although the FRLD is still evolving, it is possible to anticipate several key success factors based on FRLD's design and early guidance. However, compared to other funding sources, the statement of success factors can only be done with less certainty.

447. Successful proposals likely are those that present a clear and well-evidenced loss and damage rationale, demonstrating a direct link between climate impacts and identified needs. They also show a strong sense of urgency, making it clear why immediate action is required.

448. In addition, effective proposals likely focus on practical and actionable response measures, rather than broad or strategic plans. They demonstrate strong country ownership, ensuring alignment with national priorities and institutional frameworks.

449. Finally, in all likelihood, successful proposals clearly articulate how the proposed activities complement other funding sources, ensuring that FRLD resources are used to address gaps rather than duplicate existing efforts.

8) Implications for Sectoral Applicants (e.g. Water Sector)

450. For sectoral institutions such as NWSDB, the FRLD provides an opportunity to address direct impacts of climate change on water systems and services. This may include damage to infrastructure caused by floods or storms, reduced water availability due to drought, salinization of water sources, or disruptions caused by displacement of communities.

451. However, it is essential that proposals clearly demonstrate that these impacts represent loss and damage that is already occurring or unavoidable. Projects focused primarily on strengthening systems to withstand future impacts are more appropriately aligned with adaptation-focused funds.

B. Preparing a strong FRLD funding proposal

1) Introduction

452. FRLD represents a significant evolution in international climate finance. It has been established to address a long-recognized gap: providing financial support to developing countries facing losses and damages caused by climate change that cannot be prevented through mitigation or adaptation.

453. This unique mandate fundamentally shapes how proposals must be developed. Unlike the GCF, which supports strategic investments to reduce emissions or enhance resilience, or the AF, which focuses on reducing future vulnerability, the FRLD is concerned with responding to impacts that are already occurring or are unavoidable. As a result, preparing a strong FRLD proposal requires a different mindset. Rather than focusing on preventing future risks, applicants must demonstrate how their project will address real and tangible impacts that have already materialized or are inevitable. This includes restoring damaged systems, supporting affected communities, and enabling recovery in the aftermath of climate-related events.

454. The Fund is still in an early operational phase, and its procedures and templates are evolving. However, its core logic is already clear. Successful proposals are those that combine:

- A compelling and well-evidenced description of loss and damage;
- A clear identification of affected populations and needs;
- Practical and timely response measures; and
- Strong alignment with national priorities and systems.

2) Strategic Justification: Defining Loss and Damage and Needs

Loss and Damage Rationale

455. The loss and damage rationale forms the foundation of any FRLD proposal and is the most critical element in the application. It explains what has happened, who has been affected, and why the impacts are attributable to climate change.

456. A strong rationale begins by identifying the relevant climate-related events or processes, such as extreme floods, prolonged droughts, or gradual sea-level rise. However, the proposal must go beyond simply describing these events. It must clearly explain how they have translated into specific and tangible losses and damages.

457. For example, rather than stating that flooding has increased, a proposal should explain how flooding has damaged water infrastructure, disrupted service delivery, and affected communities' access to safe water. This level of specificity is essential to demonstrate that the project is addressing real and concrete impacts.

458. Loss and damage includes both economic and non-economic dimensions. Economic losses may include physical damage to infrastructure or loss of income, while non-economic losses may include displacement, loss of cultural heritage, or environmental degradation. Both types of loss are relevant and should be clearly articulated.

459. In the approval process, this rationale serves as the primary eligibility criterion. If the proposal does not clearly demonstrate that it addresses climate-related loss and damage, it is unlikely to proceed.

Unavoidability and Residual Impacts

460. A defining feature of the FRLD is its focus on impacts that are unavoidable or residual. This concept distinguishes it from other climate funds and is essential for determining whether a project is eligible. Residual impacts are those that persist despite efforts to mitigate climate change or adapt to its effects. These may arise because:

- Adaptation measures are insufficient to fully address the risk;
- There are limits to what adaptation can achieve; or
- The scale or intensity of impacts exceeds the capacity of affected systems or communities.

461. In practical terms, this means that FRLD proposals must demonstrate that the impacts being addressed are not simply the result of inadequate planning or investment, but are inherent to the changing climate and cannot reasonably be prevented.

462. In the approval process, this concept helps ensure that the Fund's resources are used appropriately and do not overlap with other funding mechanisms. It reinforces the principle that FRLD should be used for response and recovery, rather than prevention. Proposals should clearly explain the limits of adaptation and provide a convincing argument for why additional response measures are necessary.

Impact and Needs Assessment

463. The impact and needs assessment builds on the loss and damage rationale by providing a detailed and structured analysis of who is affected; what has been lost or damaged; and what support is required.

464. This involves identifying the scale, severity, and distribution of impacts. For example, a drought may affect an entire region, but its impacts may be particularly severe for certain communities, such as those with limited access to alternative water sources.

465. The assessment should consider both immediate impacts, such as infrastructure damage or service disruption, and longer-term consequences, such as loss of livelihoods or increased vulnerability.

466. In the approval process, this concept is critical for prioritization. The FRLD is designed to support the most vulnerable countries and populations, and proposals must therefore clearly demonstrate the urgency and magnitude of need. Proposals should combine quantitative data (where available) with qualitative analysis, providing a comprehensive picture of the impacts and needs.

Additionality and Complementarity

467. The FRLD is intended to complement existing climate finance mechanisms, rather than duplicate them. As such, proposals must demonstrate that they fill a specific gap in the current funding landscape. This requires applicants to clearly explain why the proposed activities are not covered by other funds, and how the project complements existing adaptation or development efforts.

468. For example, a project focused on rebuilding infrastructure after a climate-related disaster may be appropriate for FRLD, whereas a project aimed at strengthening infrastructure to withstand future events may be better suited to the Adaptation Fund or GCF. In the approval process, this concept ensures that FRLD resources are used efficiently and strategically. Successful proposals explicitly distinguish their activities from those of other funds and clearly articulate the added value of FRLD support.

3) Intervention Logic: Responding to Loss and Damage

Response Logic (Post-Impact Intervention)

469. The defining feature of an FRLD proposal is its focus on responding to loss and damage that has already occurred or is unavoidable, rather than preventing future risks. This requires a fundamentally different intervention logic compared to other climate finance mechanisms.

470. In practical terms, the proposal must clearly articulate how the project will address the consequences of climate impacts and support recovery, rehabilitation, or restoration. This involves moving beyond general descriptions of climate hazards and instead demonstrating a direct and causal link between:

- The climate-related event or process;
- The resulting losses and damages; and
- The proposed response measures.

471. For example, where extreme flooding has damaged water supply systems, the proposal should not only describe the flood event but also explain how this has disrupted service delivery, increased health risks, and affected specific communities. The proposed intervention – such as repairing infrastructure or restoring water access – must then be explicitly framed as a response to these impacts.

472. Typical response measures supported under the FRLD include the reconstruction or rehabilitation of damaged infrastructure, restoration of essential public services, recovery of livelihoods, and support to displaced or affected populations. However, what distinguishes these

activities in the FRLD context is not the type of intervention itself, but the fact that they are undertaken in response to loss and damage that cannot be avoided through mitigation or adaptation.

473. The proposal should therefore present a clear results chain, showing how each intervention contributes directly to alleviating the identified impacts. This narrative should demonstrate that the project is not forward-looking in a preventative sense, but rather impact-driven and needs-based, grounded in real and current conditions on the ground.

Urgency and Timeliness

474. Urgency is a central consideration in FRLD programming. Loss and damage often creates immediate and compounding challenges, and delayed responses can significantly worsen outcomes for affected populations.

475. For instance, prolonged disruption of water supply systems following a climate-related disaster can lead to cascading effects, including public health risks, economic losses, and increased vulnerability of already affected communities. In this context, timely intervention is not only desirable but essential.

476. Proposals must therefore clearly demonstrate both the urgency of the needs identified and the readiness of the project to respond. This involves providing evidence that:

- The impacts are recent, ongoing, or expected to intensify without immediate action;
- Delays in intervention would lead to further deterioration of conditions; and
- The proposed activities can be initiated within a short timeframe.

477. In addition, the proposal should demonstrate that the necessary institutional, technical, and operational arrangements are already in place or can be rapidly mobilized. This includes clarity on implementing entities, procurement readiness, and coordination mechanisms.

478. A credible implementation timeline is particularly important. Rather than presenting overly ambitious or long-term plans, realistic proposals outline phased and realistic timelines, prioritizing activities that can deliver immediate relief and stabilization, while also enabling longer-term recovery where appropriate.

479. In the approval process, this emphasis on urgency helps ensure that FRLD resources are directed toward situations where timely intervention can meaningfully reduce the severity and duration of loss and damage impacts.

Results and Outcomes

480. The results framework for an FRLD proposal differs significantly from those used in mitigation or adaptation funds. Instead of focusing on emissions reductions or long-term resilience-building, FRLD results are centered on tangible improvements in conditions following climate-related impacts.

481. Results should therefore be defined in terms of restoration, recovery, and improved well-being of affected populations. Examples include the number of households regaining access to safe water, the restoration of critical infrastructure to operational status, or the recovery of livelihoods disrupted by climate events.

482. These results should be directly attributable to the proposed interventions and closely aligned with the loss and damage rationale. Each expected outcome should clearly demonstrate how it contributes to addressing the specific impacts identified in the proposal.

483. Given the nature of FRLD interventions, results frameworks should remain practical and streamlined, avoiding unnecessary complexity. Indicators should be measurable and observable within the project timeframe, and where possible, based on existing national monitoring systems.

484. In developing the results framework, it is also important to consider both immediate outputs (such as infrastructure repaired) and short- to medium-term outcomes (such as restored service delivery or improved living conditions). This helps demonstrate that the project not only delivers activities, but also achieves meaningful recovery for affected populations.

4) Operational and Institutional Credibility

Country Ownership and Alignment

485. Country ownership is a foundational principle of the FRLD and reflects broader international commitments under the UNFCCC. Proposals must therefore demonstrate that they are firmly grounded in national priorities, policies, and institutional frameworks.

486. This requires clear alignment with relevant national strategies, such as climate change policies, disaster risk management plans, and sectoral strategies (e.g. water, agriculture, or urban development). The proposal should explicitly reference these frameworks and explain how the proposed activities contribute to their implementation.

487. Equally important is the involvement of relevant government institutions, including both national and sub-national entities. This ensures that the project is not only technically sound, but also politically supported and institutionally embedded.

488. Convincing proposals also demonstrate how the intervention will be integrated into existing national systems, rather than operating as a standalone initiative. This enhances sustainability and facilitates coordination with other ongoing efforts.

Stakeholder Engagement

489. Given that FRLD interventions are inherently focused on affected populations, meaningful stakeholder engagement is essential. Proposals must demonstrate that the needs and perspectives of those directly impacted by loss and damage have been adequately considered.

490. This includes evidence of consultations with affected communities, local authorities, and relevant civil society organizations. These consultations should inform both the identification of needs and the design of response measures.

491. Beyond initial consultations, proposals should outline mechanisms for ongoing participation and feedback, ensuring that stakeholders remain engaged throughout implementation. This may include community monitoring, grievance redress mechanisms, or participatory decision-making processes. Effective stakeholder engagement not only improves

the relevance and effectiveness of the project, but also enhances its legitimacy and acceptance among beneficiaries.

Implementation Arrangements

492. Clear and credible implementation arrangements are particularly important in the FRLD context, where timely delivery is critical. The proposal must clearly define the roles and responsibilities of all implementing entities, including lead agencies, executing partners, and supporting organizations. Coordination mechanisms should also be described, particularly where multiple actors are involved.

493. Given the emphasis on urgency, implementation structures should be as simple and efficient as possible, avoiding unnecessary complexity or duplication. Where possible, proposals should build on existing institutional arrangements and capacities. In addition, the proposal should demonstrate that implementing entities have the technical expertise and operational capacity required to deliver the proposed activities within the specified timeframe.

Financial Structure

494. The financial structure of FRLD proposals reflects the Fund's needs-based and grant-oriented approach. Unlike other climate finance mechanisms, there is limited emphasis on leveraging private finance or developing complex financial instruments.

495. Instead, proposals must focus on clearly articulating the funding required to address identified loss and damage, ensuring that all costs are justified and directly linked to project activities.

496. Budgets should be transparent and realistic, with a clear breakdown of costs and a strong rationale for each budget item. Efficiency and value for money are important considerations, but should not come at the expense of adequately addressing needs.

497. Where co-financing is included, it should be clearly explained, but it is not expected to be a central feature of FRLD proposals.

Inclusiveness and Equity

498. Equity and inclusiveness are central to the mandate of the FRLD, reflecting broader principles of climate justice. Proposals must therefore clearly demonstrate who benefits from the project and how vulnerable groups are prioritized.

499. This includes identifying populations that are disproportionately affected by loss and damage, such as low-income communities, women, children, the elderly, and marginalized groups. The proposal should explain how these groups have been considered in the design of interventions and how equitable access to benefits will be ensured. Pratically, this may involve targeted measures, differentiated support, or specific outreach strategies to ensure that no groups are excluded.

Environmental and Social Considerations

500. Although the FRLD is still developing its operational policies, proposals are expected to consider potential environmental and social risks associated with project activities. This involves identifying any potential negative impacts and outlining measures to avoid, minimize, or manage them. Where possible, proposals should also highlight opportunities to generate additional environmental or social co-benefits. Addressing these considerations helps ensure that response measures do not inadvertently create new risks or exacerbate existing vulnerabilities.

5) Integrating the Concepts into a Coherent Proposal

501. A strong FRLD proposal brings together all of the above elements into a clear, consistent, and logically structured narrative. At its core, the proposal should tell a coherent story that begins with the identification of climate-related loss and damage, moves through an analysis of impacts and needs, and culminates in a set of targeted and timely response measures.

502. Rather than presenting these elements in isolation, the proposal should demonstrate how they are interconnected. The loss and damage rationale should underpin the needs assessment, which in turn should directly inform the design of interventions and expected results. In this way, the proposal provides a compelling and evidence-based case for funding, demonstrating both relevance (why the project is needed) and feasibility (how it will be implemented effectively).

6) Conclusion

503. Preparing a strong FRLD proposal requires a clear shift in perspective from prevention to response. The most successful proposals are those that are firmly grounded in real-world impacts, clearly demonstrate the urgency and scale of needs, and propose practical and effective measures to address them. Equally important is the ability to align these interventions with national priorities, ensure inclusiveness and equity, and present credible implementation arrangements. When these elements are combined into a coherent and well-evidenced narrative, the proposal provides a strong basis for accessing FRLD support.

VIII. INTERNATIONAL CLIMATE INITIATIVE (IKI)

A. IKI Application Guidance

1) Overview

504. The International Climate Initiative (IKI)[51] is one of the largest bilateral climate finance programs globally,[52] funded by the German Government. It plays a distinctive role within the climate finance landscape by focusing not only on project-level implementation, but also on transformational change at the policy, institutional, and systemic level.

505. IKI supports a broad range of thematic areas, including climate change mitigation, adaptation, biodiversity conservation, and the protection of natural carbon sinks. However, what differentiates IKI from many multilateral funds is its strong emphasis on linking practical interventions with policy impact and long-term structural change.

506. In practice, this means that IKI-funded projects are expected to go beyond isolated pilot activities. Instead, they should contribute to broader transitions, such as improving governance frameworks, strengthening institutions, influencing markets, or enabling countries to meet international commitments such as their Nationally Determined Contributions (NDCs) or National Adaptation Plans (NAPs).

507. Another defining feature of IKI is its competitive, call-based funding model. Rather than accepting proposals on a rolling basis, IKI periodically launches calls for proposals with specific thematic priorities. Applicants must therefore design their projects in close alignment with these priorities, making responsiveness to the call a critical success factor.

IKI Financial Instruments and Co-Financing Expectations
IKI funding is primarily provided as grants. These grants support technical assistance; policy development; institutional strengthening; and pilot & demonstration projects. Co-financing is encouraged but not always required. In many cases own contributions or partner funding strengthen proposals. The emphasis is placed on value for money rather than leverage ratios.

2) Access Modality

Competitive Calls for Proposals

508. The primary entry point to IKI funding is through competitive calls for proposals. Each call is designed around a set of strategic priorities defined by the German Government, often reflecting emerging global or regional climate policy needs. These calls specify:

- Thematic focus areas (e.g. energy transition, climate-resilient infrastructure, ecosystem protection);
- Geographic priorities (specific countries or regions);
- Eligibility criteria; and
- Expected types of interventions.

[51] https://www.international-climate-initiative.com/en/about-iki/. Last accessed 2 April 2026.
[52] According to its website, IKI has, since its start in 2008, supported over 1100 climate and biodiversity projects in approximately 150 partner countries with a total of almost 8 billion euros.

509. This structure means that applicants cannot simply submit project ideas at any time. Instead, they must carefully monitor upcoming calls and ensure that their proposals are closely aligned with the stated objectives and priorities. In practice, successful applications demonstrate not only a strong project concept, but also a clear understanding of how the proposal contributes to the strategic goals of the specific funding call.

Eligible Applicants and Partnerships

510. IKI funding is open to a wide range of organizations, including international and national non-governmental organizations, research institutions, private sector entities, and multilateral organizations. However, eligibility requirements vary depending on the specific funding window.

511. A defining feature of IKI projects is the emphasis on partnerships and consortia. Most projects are implemented by a consortium of organizations, typically including:

- A lead implementing organization;
- National or local partners in the target country; and
- Technical or research partners.

512. This structure reflects IKI's strong focus on local ownership and capacity building. Projects are expected to involve local stakeholders not only as beneficiaries, but as active partners in design and implementation. Therefore, successful proposals must demonstrate:

- Strong and credible partnerships;
- Clear roles and responsibilities among partners; and
- Meaningful involvement of local institutions.

3) Application Process

Two-Stage Application Procedure

513. The IKI application process is structured as a two-stage procedure,[53] which is a key characteristic distinguishing it from many other climate funds.

Stage 1: Project Outline

514. In the first stage, applicants are required to submit a project outline. This is a relatively concise document that presents the core idea of the project. This stage is highly competitive, as only a limited number of outlines are selected for further development. As a result, clarity, relevance, and strategic alignment are critical. Therefore, the outline must:

- Clearly describe the problem being addressed;
- Demonstrate alignment with the call priorities;
- Outline the proposed approach and expected impacts; and
- Provide an initial indication of the consortium and budget.

Stage 2: Full Project Proposal

515. Applicants whose outlines are shortlisted are invited to submit a full project proposal. At this stage, applicants may engage with the IKI Office for clarification and guidance, allowing for

[53] IKI. 2026. Manage Project. Last Accessed 2 April 2026.

refinement of the proposal. This involves a much more detailed and comprehensive submission, including:

- A full technical design;
- Detailed implementation arrangements;
- A results framework with indicators and targets;
- A detailed budget; and
- Supporting annexes.

Preparation Phase

516. A distinctive feature of IKI is the possibility (not an obligation) of a preparation phase, which may be supported by funding. This preparation phase approach recognizes that high-quality, transformational projects often require significant preparation and alignment with local contexts. The phase allows applicants to:

- Refine project design;
- Conduct consultations with stakeholders;
- Undertake feasibility assessments; and
- Strengthen partnerships.

Submission and Formal Requirements

517. All applications must be submitted electronically through the IKI platform and must comply strictly with the requirements outlined in the call documentation.[54] Failure to comply with these requirements can result in rejection at an early stage. The requirements include:

- Using the correct templates;
- Adhering to page limits and formatting requirements; and
- Submitting all required annexes.

4) Approval Process

Technical Review

518. All project outlines and full proposals submitted under the International Climate Initiative (IKI) are subject to a structured technical review process coordinated by the IKI Office, in consultation with the German Federal Ministry for Economic Affairs and Climate Action and, where relevant, the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection.

519. At both stages of the application process, the review focuses on the overall quality, consistency, and strategic relevance of the proposal. This includes an assessment of whether the problem analysis is clearly defined and supported by evidence, and whether the proposed intervention logically addresses the identified challenges.

520. Reviewers examine the coherence of the project design, including the alignment between objectives, outputs, activities, and expected outcomes. The technical soundness of the proposed approach is assessed, including the appropriateness of methodologies, the feasibility of implementation arrangements, and the capacity of the implementing organizations.

[54] IKI. 2026. IKI documents for download. Last accessed 2 April 2026.

521. In addition, the review considers the extent to which the proposal aligns with the thematic priorities defined in the specific call for proposals, as well as with IKI's broader strategic objectives related to climate mitigation, adaptation, biodiversity conservation, and sustainable development.

Shortlisting and Evaluation

522. At the outline stage, all submissions are screened against the eligibility and assessment criteria defined in the call documentation. Given the competitive nature of IKI funding, only a limited number of project outlines are selected for further development.

523. Shortlisting is based on a comparative assessment of proposals. This means that applications are not evaluated in isolation, but in relation to other submissions received under the same call. As a result, proposals must demonstrate not only compliance with the requirements, but also a clear added value and strategic relevance.

524. Applicants whose outlines are shortlisted are invited to submit a full proposal. At this stage, a more detailed evaluation is conducted, which includes an in-depth assessment of the technical design, implementation arrangements, results framework, and budget.

525. The evaluation process may involve input from external experts and thematic specialists. It also allows for clarification and refinement of the proposal through interaction between the applicant and the IKI Office, in line with standard IKI procedures.

Final Decision

526. Final funding decisions are taken by the responsible German federal ministry, based on the outcome of the technical evaluation and strategic considerations. These decisions take into account not only the quality of individual proposals, but also the overall balance of the funding portfolio and its alignment with policy priorities.

527. Following approval, successful applicants enter into a contracting phase. During this phase, the project design may be further refined, and formal agreements are established regarding implementation arrangements, reporting requirements, and financial management.

528. This structured approval process reflects IKI's emphasis on both technical rigor and strategic alignment, ensuring that funded projects contribute meaningfully to international climate and biodiversity objectives.

5) Approval Criteria

Strategic Relevance and Alignment

529. The central requirement for IKI funding is strong alignment with the priorities defined in the specific call for proposals. Each call is designed to address particular thematic and strategic objectives, and proposals must clearly demonstrate how they contribute to these priorities.

530. In addition, IKI places significant emphasis on alignment with international and national policy frameworks. Projects are expected to support partner countries in implementing their commitments under the Paris Agreement, as well as relevant biodiversity frameworks. This includes demonstrating clear links to national strategies such as Nationally Determined

Contributions (NDCs), National Adaptation Plans (NAPs), and sector-specific policies. Proposals should explicitly reference these frameworks and explain how the project contributes to their implementation.

Transformational Impact

531. Transformational impact is a defining feature of IKI-funded projects. Rather than supporting isolated or short-term interventions, IKI seeks to promote systemic change that extends beyond the immediate scope of the project.

532. According to IKI guidance, this may involve strengthening policy and regulatory frameworks, enhancing institutional capacities, influencing markets, or enabling the large-scale uptake of climate and biodiversity solutions.

533. Proposals are therefore expected to articulate a clear theory of change that explains how project activities will lead to broader, long-term impacts. This includes identifying pathways for scaling, replication, and integration into national systems.

Innovation and Replicability

534. IKI encourages innovative approaches that go beyond established practices. Innovation in this context does not necessarily imply entirely new technologies, but can include new combinations of approaches, application of existing solutions in new contexts, or improvements in governance and financing mechanisms.

535. At the same time, IKI places strong emphasis on the potential for replication and scaling. Projects should demonstrate how successful approaches can be expanded within the country or adapted for use in other contexts. This reflects IKI's role in generating knowledge and enabling broader transformation across sectors and regions.

Technical Quality and Feasibility

536. All proposals must demonstrate a high level of technical quality and feasibility. This includes a clear and logical project design, supported by a well-defined results framework with measurable indicators and realistic targets.

537. Implementation arrangements must be clearly described, including the roles and responsibilities of all consortium partners. The capacity and experience of the implementing organizations are key considerations in the assessment. Feasibility is also evaluated in terms of the realism of the proposed timeline, the adequacy of risk management measures, and the overall practicality of implementation in the target context.

Cost-Effectiveness and Efficiency

538. IKI assesses whether proposed projects represent efficient use of resources. This involves evaluating the relationship between the financial inputs and the expected results, as well as the overall allocation of resources across activities.

539. Budgets must be transparent, detailed, and justified. Costs should be aligned with planned activities and reflect realistic assumptions. While IKI does not apply a purely cost-minimization

approach, proposals are expected to demonstrate that resources are used in a cost-effective manner.

Co-Financing and Leverage

540. Many IKI funding calls encourage the mobilization of co-financing, although requirements vary depending on the specific call. Contributions from other sources can strengthen a proposal by demonstrating commitment and increasing the overall scale of impact.

541. Co-financing may include financial contributions, in-kind support, or parallel funding arrangements. Proposals should clearly describe the nature and source of any co-financing and explain how it complements IKI funding. In addition, the potential to leverage further investment or influence additional funding flows is considered a positive factor.

Safeguards, Gender, and Social Inclusion

542. IKI requires all projects to integrate environmental and social safeguards, as well as gender equality and social inclusion considerations. These requirements are reflected in the application templates and must be addressed in a structured manner.

543. Proposals should identify potential environmental and social risks and describe measures to mitigate these risks. A gender-sensitive approach is required, including analysis of gender-specific impacts and measures to promote equitable participation and benefits. These considerations are expected to be integrated throughout the project design and implementation, rather than treated as standalone components.

Local Ownership and Capacity Building

544. Local ownership is a key principle of IKI. Projects are expected to involve national and local stakeholders in a meaningful way, including government institutions, sector agencies, research organizations, and civil society. Proposals should demonstrate how local partners are engaged in project design and implementation, and how their capacities will be strengthened over time.

545. Capacity development is considered essential for ensuring the sustainability of project results beyond the funding period. This includes institutional strengthening, knowledge transfer, and integration of project outcomes into national systems and processes.

6) Templates and Guidance Materials

546. As mentioned, IKI provides standardized templates and detailed guidance documents for both the project outline and full proposal stages.[55] These materials define the structure and content of submissions and must be used without modification.

547. The templates cover all key components of the proposal, including the technical description, results framework, budget, and implementation arrangements. They are accompanied by guidance notes that explain the expectations for each section.

[55] IKI. 2026. Proposal phase for IKI projects of Thematic and Country Calls. Last Accessed 2 April 2026.

548. Compliance with these templates and instructions is mandatory. Failure to follow the required format or to provide all requested information may result in disqualification. As templates and requirements may vary between calls, applicants must ensure that they are using the correct documentation for the specific funding opportunity.

7) Key Success Factors

549. Based on IKI's selection approach and previous calls, successful proposals typically demonstrate a strong alignment with call priorities and a clear understanding of the strategic context. They present a well-defined and credible pathway to transformational impact, supported by a coherent theory of change. Strong partnerships, particularly with national and local actors, are essential for both implementation and sustainability.

550. Successful proposals are also closely linked to national policies and international commitments, ensuring relevance and uptake. In addition, they highlight the potential for replication and scaling, positioning the project as a contribution to broader systemic change.

8) Implications for Sectoral Applicants (e.g. Water Sector)

551. For sectoral institutions such as the National Water Supply and Drainage Board (NWSDB), IKI offers opportunities for projects that combine technical solutions with institutional and policy-level interventions.

552. In the water sector, this may include initiatives that strengthen climate-resilient planning, improve governance and regulatory frameworks, or integrate climate considerations into water management practices.

553. Projects that focus solely on infrastructure are generally less aligned with IKI priorities unless they are embedded within a broader framework of systemic change. This may involve linking infrastructure investments to policy reform, capacity development, or innovative approaches that can be replicated at scale. As such, NWSDB-led proposals should emphasize their contribution to sector transformation, rather than focusing only on service delivery.

554. To round off, it may be useful to emphasize IKI's unique positioning. Where GCF focuses on large scale investments, MAF on mitigation and financial mechanisms, Adaptation Fund on concrete adaptation, and FRLD on the response to impacts, IKI concentrates on policy-driven, transformational programs.

B. Preparing a strong IKI funding proposal

1) Introduction

555. The International Climate Initiative (IKI) occupies a distinctive position within the climate finance landscape. Unlike many multilateral funds that focus primarily on financing discrete projects or delivering measurable outputs such as emissions reductions or improved resilience, IKI is fundamentally oriented towards enabling long-term, systemic change. Its core objective is not only to support climate action, but to catalyze transformations in policies, institutions, markets, and practices that will sustain climate outcomes well beyond the lifetime of individual projects. IKI supports both mitigation and adaptation (and biodiversity), with a strong emphasis on systemic transformation rather than direct investment financing.

556. This orientation has important implications for proposal development. Applicants must go beyond demonstrating that their project will deliver outputs – such as infrastructure investments, technical tools, or training programs. Instead, they must clearly articulate how these outputs will contribute to broader structural change, such as strengthening governance systems, influencing policy frameworks, or enabling the scaling of climate solutions.

557. At the same time, IKI operates through a competitive, call-based funding model, which means that proposals are assessed not only on their intrinsic quality but also on how well they align with the specific priorities of each funding call. This requires a careful and strategic approach to proposal development, ensuring that the project is both technically strong and closely aligned with the expectations of the call.

558. In practice, successful IKI proposals are those that combine:
- A strong and explicit alignment with call priorities and policy frameworks;
- A clear and credible pathway to transformational change;
- Robust and well-structured partnerships; and
- Practical mechanisms for scaling, replication, and long-term sustainability.

2) Strategic Framing: Aligning with Policy and Call Priorities

Alignment with IKI Call Priorities

559. The first and most fundamental step in developing an IKI proposal is ensuring that the project is fully aligned with the priorities of the specific funding call. Each call sets out detailed expectations regarding thematic focus, geographic scope, and the types of interventions that are sought.

560. Alignment with these priorities is not simply a formal requirement – it is a decisive factor in whether a proposal is shortlisted at the concept stage. Reviewers will assess, often very quickly, whether the proposal directly addresses the objectives of the call. Proposals that do not demonstrate this alignment clearly and convincingly are unlikely to progress, regardless of their technical merit.

561. A convincing proposal therefore goes beyond general statements of relevance. It explicitly identifies the priorities of the call and explains how the proposed project responds to them. This includes showing:
- How the project addresses the specific challenges identified in the call;
- How its activities contribute to the desired outcomes; and
- Why the proposed approach is particularly suitable in the context of the call.

This level of specificity is essential to demonstrate that the project is not only relevant, but also strategically positioned within the funding opportunity.

Alignment with National and International Frameworks

562. In addition to aligning with the funding call, IKI proposals must be firmly embedded within broader policy frameworks at both national and international levels. At the national level, this typically involves alignment with:

- Nationally Determined Contributions (NDCs);[56]
- National Adaptation Plans (NAPs);[57]
- Sectoral policies and strategies.[58]

563. At the international level, alignment with agreements such as the UNFCCC, the Paris Agreement or biodiversity conventions strengthens the strategic relevance of the proposal. This alignment serves several purposes. It ensures that the project contributes to country-owned priorities, enhances the likelihood of government support, and increases the potential for long-term sustainability and scaling.

564. In practice, successful proposals explicitly reference relevant national and international policies and demonstrate how specific project activities contribute to their implementation. This creates a clear and credible link between the project and broader policy objectives.

3) Intervention Logic: Delivering Transformational Change

Defining the Transformational Objective

565. At the heart of every IKI proposal is a clearly defined transformational objective. This refers to the system or set of conditions that the project seeks to change. This could include, for example:
- Improving governance of the water sector;
- Strengthening institutional capacity for climate planning;
- Enabling market uptake of climate technologies; or
- Enhancing coordination between agencies.

The key point is that the project must target a system, not just a set of activities. It must clearly articulate what is expected to change and why that change matters.

566. In the approval process, reviewers will assess whether the proposed change is meaningful, relevant, and achievable. Projects that focus only on delivering outputs without addressing underlying systems are unlikely to be competitive. This means that in practice, applicants should clearly define:
- The system being targeted;
- The current challenges within that system; and
- The desired change.

Developing a Strong Theory of Change

[56] Government of Sri Lanka. 2025. Nationally Determined Contributions 3.0 (2026-2035). Government of Sri Lanka, 22 September 2025, and Ministry of Environment. 2021. Updated Nationally Determined Contributions. Amended version of September 2021.
[57] Climate Change Secretariat. 2016. National Adaptation Plan for Climate Change Impacts in Sri Lanka. Climate Change Secretariat, Ministry of Mahaweli Development and Environment, Sri Lanka, and Ministry of Environment (2025). National Adaptation Plan for Climate Change Impacts in Sri Lanka (2026-2035). Colombo: Climate Change Secretariat, Ministry of Environment, Sri Lanka. [Draft; pending Cabinet approval].
[58] Examples relevant for NWSDB: National Water Resources Policy (focused on state ownership and efficiency), the National Drinking Water Policy, and the National Policy on Water Safety.

567. The theory of change provides the logical framework that connects project activities to transformational outcomes. It explains how the project will move from actions to results, and ultimately to systemic change. Therefore, a strong theory of change should:

- Clearly link activities to outputs and outcomes;
- Explain how these outcomes contribute to broader change;
- Identify key assumptions and risks; and
- Demonstrate a coherent and plausible pathway to impact.

568. Given the complexity of the systems involved, clarity is essential. The theory of change should be understandable and logically structured, allowing reviewers to easily follow the reasoning. This means that in practice, successful proposals avoid overly complex or abstract formulations. Instead, they present a clear and structured narrative that explains how change will occur and why it is likely to succeed.

Innovation as a Driver of Change

569. Innovation plays an important role in IKI proposals, particularly in demonstrating added value and differentiation in a competitive funding environment. However, innovation should not be understood narrowly as the development of entirely new technologies. It may involve:

- Adapting existing solutions to new contexts, including to new sectors or subsectors, or introduction of approaches that have already been tested elsewhere to the applicant country (here: Sri Lanka);
- Integrating approaches across sectors;
- Introducing new policy instruments; or
- Developing new institutional arrangements.

570. The key requirement is that the project offers something meaningfully different or improved to Sri Lanka, and that this innovation contributes to achieving transformational change. In practice, applicants should clearly explain what is, for Sri Lanka, innovative about their approach, how it differs from existing practices, and why it is likely to be effective.

Replication and Scaling Pathways

571. A defining feature of strong IKI proposals is their ability to demonstrate how project results can be replicated or scaled up. This ensures that the project contributes not only to immediate outcomes, but also to broader change processes. Demonstrating the potential for replication and scaling up requires identifying:

- Where and how the approach could be replicated;
- What conditions are needed for scaling; and
- How knowledge and lessons will be shared.

572. In the approval process, reviewers will assess whether the proposal includes credible and well-defined pathways for scaling and replication. In practice, applicants should be specific and realistic, identifying concrete opportunities and mechanisms rather than relying on general statements. Quantification of the likely replication and scaling up will strengthen the proposal, provided it is supported with evidence and a reasonable quantification logic.

4) Operational Design: Ensuring Feasibility and Credibility

Building Strong Partnerships

573. Partnerships are central to the success of IKI projects. Most projects are implemented through consortia that bring together different types of expertise and perspectives. Successful proposals demonstrate not only the presence of partners, but also the value they bring and the strength of their collaboration. The proposal therefore must clearly define:

- The roles and responsibilities of each partner;
- How partners complement each other; and
- How the consortium as a whole contributes to project objectives.

Stakeholder Engagement and Local Ownership

574. Effective stakeholder engagement is essential for ensuring that the project is grounded in local realities and supported by those it aims to benefit. Strong stakeholder engagement enhances both the relevance and sustainability of the project. This involves:

- Consulting stakeholders during project design;
- Involving them in implementation;
- Establishing mechanisms for ongoing participation.

Capacity Building and Knowledge Transfer

575. Capacity building and knowledge transfer are key components of IKI projects, reflecting the emphasis on long-term sustainability. This ensures that the benefits of the project extend beyond its duration. Proposals should clearly describe:

- How capacity will be strengthened;
- What knowledge will be generated;
- How this knowledge will be disseminated and used.

Implementation Arrangements

576. A strong IKI proposal must present clear, credible, and well-structured implementation arrangements. Given that IKI projects often involve multiple partners, operate across institutional boundaries, and aim to influence systems rather than deliver isolated outputs, the feasibility of implementation is a critical assessment criterion.

577. At a minimum, the proposal should clearly describe the governance structure of the project. This includes identifying the lead implementing organization, the roles of consortium partners, and the mechanisms through which decisions will be made. It is important to demonstrate that responsibilities are clearly allocated and that coordination between partners is both structured and realistic. In addition, the proposal should explain how day-to-day project management will be carried out. This typically involves outlining:

- Management structures,
- Reporting lines,
- Coordination mechanisms (e.g. steering committees or technical working groups).

578. For complex projects, it is particularly important to show how coordination challenges will be managed, especially when multiple institutions or countries are involved. Timelines and sequencing of activities should also be presented in a coherent manner. Rather than simply listing

activities, the proposal should demonstrate how they build on each other over time, contributing to the overall theory of change.

5) Results and Impact Measurement

Results Framework

579. The results framework is a central element of an IKI proposal, as it provides the structure through which project performance and impact will be assessed. Unlike purely output-focused projects, IKI requires a results framework that captures not only immediate deliverables, but also contributions to longer-term systemic change. A well-developed results framework clearly distinguishes between:

- Outputs (what the project produces),
- Outcomes (what changes as a result), and,
- Where possible: higher-level impacts.

For example, outputs might include training programs or policy tools, while outcomes could involve improved institutional capacity or adoption of new practices.

580. Crucially, the framework must demonstrate how these outputs and outcomes contribute to the transformational objective defined earlier in the proposal. This requires a logical and consistent alignment between the theory of change and the results framework. This is reflected in indicators and targets: the indicators should be specific, measurable, and clearly linked to the intended outcomes, and the targets corresponding to the indicators should be challenging yet realistically achievable.

Monitoring, Learning, and Knowledge Management

581. Monitoring and learning are particularly important in IKI projects, given their emphasis on innovation, policy influence, and systemic change. Unlike traditional projects that focus primarily on delivering outputs, IKI places strong value on generating knowledge and using it to inform future action. Proposals should therefore include a clear approach to monitoring progress, not only in terms of indicators, but also in terms of understanding how and why change is occurring. This may involve:

- Regular progress reviews,
- Adaptive management processes,
- Mechanisms for identifying and addressing challenges.

582. In addition, knowledge management should be treated as a core component of the project rather than an afterthought, so that knowledge dissemination can be linked to and reflected in the project's scaling and replication strategy. The objective is not only to generate knowledge, but to ensure that it is used by others. This includes:

- Documenting lessons learned,
- Producing knowledge products (e.g. reports, toolkits),
- Disseminating findings to relevant stakeholders, especially those engaged in replication and scaling up.

6) Financial and Economic Considerations

Budget and Cost-Effectiveness

583. Although IKI is not primarily an investment fund, the financial structure of the proposal remains an important consideration. The budget must be realistic, transparent, and clearly aligned with the proposed activities.

584. A sound proposal explains not only what resources are required, but also why they are necessary. Each major cost category should be justified in relation to the activities it supports, ensuring that there is a clear link between expenditure and expected outcomes.

585. Cost-effectiveness is assessed in terms of whether the project delivers value for money. This does not necessarily mean minimizing costs, but rather ensuring that resources are used efficiently to achieve meaningful results. In the context of IKI, this often involves demonstrating that the project's contributions to systemic change justify the level of investment. In practice, reviewers will look for:

- Consistency between activities and budget,
- Reasonable cost assumptions, and
- Efficient allocation of resources across components.

Co-Financing and Leverage

586. While co-financing is not always mandatory, it can significantly strengthen an IKI proposal by demonstrating broader support and increasing the scale of impact. A convincing proposal demonstrates that IKI funding acts as a catalyst, enabling broader financial flows and long-term impact. Co-financing may come from:

- National governments,
- Development partners,
- Private sector actors, or
- Implementing organizations themselves.

587. The proposal should clearly indicate:

- The sources of co-financing,
- The amounts involved, and
- How these resources complement IKI funding.

588. In addition, applicants should consider the concept of leverage – how the project can mobilize additional resources beyond its direct budget. This may include:

- Influencing public spending,
- Enabling private investment, or
- Supporting policy changes that unlock further funding.

7) Cross-Cutting Requirements

Environmental and Social Safeguards

589. IKI proposals must demonstrate that potential environmental and social risks have been carefully considered and appropriately managed. This includes identifying any negative impacts that could arise from project activities and outlining measures to mitigate them. Rather than treating safeguards as a compliance exercise, proposals should integrate them into project design. This ensures that activities are not only effective, but also socially and environmentally responsible.

Gender and Social Inclusion

590. Gender equality and social inclusion are mandatory components of IKI proposals and are closely scrutinized during the evaluation process. A strong and inclusive proposal goes beyond general statements and demonstrates how gender considerations are integrated throughout the project. In practice, this requires both analysis and concrete measures, ensuring that the project contributes to broader social objectives. This includes:

- Identifying gender-specific challenges and opportunities,
- Ensuring equitable participation, and
- Designing activities that contribute to inclusive outcomes.

8) Integrating the Proposal

591. A strong IKI proposal is more than the sum of its parts. It must present a coherent and compelling narrative in which all components – strategic alignment, intervention logic, partnerships, implementation arrangements, and financial structure – are clearly connected. Reviewers assess proposals holistically. Even technically strong components may not be sufficient if they are not well integrated. The proposal should therefore consistently reinforce its central message: what change it seeks to achieve, how it will achieve it, and why it matters. Clarity, coherence, and consistency are critical. The proposal should guide the reader logically through the argument, ensuring that each section builds on the previous one.

9) Conclusion

592. Preparing a strong IKI proposal requires a clear shift in perspective compared to many other climate funds. Rather than focusing primarily on delivering outputs or financing infrastructure, IKI places emphasis on enabling long-term, systemic change. Ultimately, the strength of an IKI proposal lies in its ability to show that the project will not only deliver results, but will contribute to lasting change in the systems that shape climate action. Successful proposals are therefore those that:

- Align closely with funding priorities and policy frameworks,
- Define a clear and meaningful transformational objective,
- Present a credible and well-structured theory of change,
- Combine innovation with practical implementation, and
- Demonstrate strong partnerships and pathways for scaling.

IX.CORE FRAMEWORKS FOR CLIMATE FINANCE PROPOSALS

A. Introduction

593. Across the wide range of climate funds and financing instruments – such as GCF, MAF, Adaptation Fund, FRLD, and IKI – there is a striking commonality: All successful proposals are built around one of three fundamental climate finance logics: mitigation, adaptation, or loss and damage.

594. Although each fund uses its own terminology and evaluation criteria, the underlying conceptual structures are highly consistent within each category. This means that, regardless of the specific fund being targeted, a proposal must follow a recognizable core analytical framework that aligns with one of these three logics.

595. Understanding these frameworks is essential for three reasons. First, it allows project developers to structure proposals in a way that meets the expectations of funders. Second, it helps ensure that projects are framed correctly from the outset, avoiding the common problem of misalignment between project design and funding requirements. Third, it helps in creating a narrative that can be used to pitch a project or program to a potential AE.

596. This chapter therefore offers three core frameworks, each representing a distinct way of understanding climate problems and structuring solutions:

- The Mitigation Core Framework,
- The Adaptation Core Framework, and
- The Loss and Damage Core Framework.

597. For both the Mitigation Core Framework and the Adaptation Core Framework, we also offer two best practice cases that show how the frameworks are reflected in approved funding proposals. For the Loss and Damage Framework, we cannot do so, because not sufficient experience exists.

B. Adaptation core framework

1) Conceptual Foundation

598. Adaptation finance is fundamentally concerned with reducing vulnerability to climate change and strengthening the resilience of people, systems, and institutions in the face of current and future climate impacts. Unlike mitigation, which focuses on reducing greenhouse gas emissions, adaptation addresses the consequences of climate change as they manifest in real-world systems.

599. At the heart of every adaptation proposal lies a central question: **How does this intervention reduce vulnerability to climate risks and enhance long-term resilience**?

600. This question defines the structure and logic of the proposal. It requires a clear understanding not only of climate hazards, but also of how those hazards affect specific systems and populations. Adaptation is therefore inherently context-specific: what constitutes an effective intervention depends on local climate conditions, socio-economic characteristics, institutional capacity, and sectoral dynamics. Adaptation proposals typically follow a structured logic that links:

- Climate risks;
- Vulnerability and exposure;
- Targeted interventions; and
- Resilience outcomes.

601. A sound proposal demonstrates a clear causal chain between these elements. It explains not only what the problem is, but why it exists, who is affected, and how the proposed intervention will reduce vulnerability in a meaningful and lasting way.

2) Climate Risk and Hazard Analysis

602. The first step in developing an adaptation proposal is to identify and analyze the relevant climate risks and hazards. This step establishes the climate rationale of the project and demonstrates that the problem being addressed is genuinely linked to climate change.

603. Climate hazards may include a wide range of phenomena, such as increased frequency and intensity of droughts, floods, storms, sea-level rise, temperature increases, or changing rainfall patterns. However, the proposal should go beyond simply listing these hazards. It explains how they have evolved over time and how they are expected to change in the future. This typically involves drawing on:

- Historical climate data;
- Scientific studies; and
- Climate projections specific to the project area.

604. Equally important is the localization of climate risks. Adaptation proposals must demonstrate that hazards are relevant to the specific geographic and sectoral context. For example, increasing rainfall variability may have different implications for an urban water system than for an agricultural region.

605. The purpose of this step is to provide a clear and evidence-based narrative that connects climate change to real-world impacts. It should convincingly demonstrate that **the challenges being addressed are driven or exacerbated by climate change and are expected to intensify over time**.

3) Vulnerability and Exposure Analysis

606. Following the identification of climate hazards, the proposal must analyse vulnerability and exposure. This step is central to adaptation, as it shifts the focus from climate hazards themselves to their impacts on people, systems, and assets. Vulnerability is typically understood as a combination of:

- Exposure to climate hazards;
- Sensitivity to those hazards; and
- The capacity to cope with or adapt to their impacts.

607. The proposal should clearly identify who or what is exposed to climate risks and explain why they are vulnerable. This may include:

- Physical infrastructure (e.g. water systems located in flood-prone areas);
- Economic activities (e.g. agriculture dependent on rainfall); or
- Specific population groups (e.g. low-income households with limited coping capacity).

608. Vulnerability is not determined solely by physical factors. Socio-economic and institutional conditions play a critical role. For example, two communities exposed to the same hazard may experience very different impacts depending on their access to resources, services, and institutional support.

609. A robust vulnerability analysis therefore considers:

- Social and economic characteristics;
- Institutional capacity and governance; and
- Inequalities that may increase exposure or reduce adaptive capacity.

This analysis is essential because it defines the need for intervention. It ensures that the project targets the most relevant vulnerabilities and avoids generic or poorly targeted solutions.

4) Baseline Scenario (Without Project)

610. The baseline scenario describes what is expected to happen in the absence of the proposed intervention. In adaptation, this is rarely a static situation. Instead, it typically represents a trajectory of increasing risk and worsening impacts. A strong baseline scenario demonstrates that:

- Climate hazards are intensifying over time;
- Existing systems are unable to cope with these changes; and
- The consequences of inaction will become increasingly severe.

611. For example, in the water sector, the baseline might involve increasing frequency of droughts leading to water shortages, or more frequent flooding causing damage to infrastructure and service disruptions.

612. The baseline should be forward-looking and grounded in evidence. It should incorporate climate projections and clearly explain how risks are expected to evolve. Generic statements such as “climate change will have negative impacts” are insufficient. Instead, the proposal should provide a specific and credible narrative of future conditions.

613. This step is critical because it establishes both the urgency and the relevance of the intervention. It demonstrates that, without action, vulnerability will increase and resilience will decline.

5) Designing the Adaptation Intervention

614. The core of the proposal is the adaptation intervention itself. This consists of the measures that directly address the identified climate risks and vulnerabilities. Adaptation interventions can take many forms, including infrastructure investments (e.g. climate-resilient water systems); management and planning systems (e.g. early warning systems, resource allocation mechanisms); policy and regulatory changes; or capacity-building and behavioral interventions.

615. However, the most important requirement is not the type of intervention, but the strength of the link between the intervention and the identified vulnerabilities. Convincing proposals demonstrate that:

- Each intervention is clearly justified by the vulnerability analysis;
- The design is appropriate for the specific context; and
- The intervention directly reduces exposure, sensitivity, or vulnerability.

616. This requires a clear intervention logic, often expressed as a theory of change. The proposal should explain how activities lead to outputs, how these outputs reduce vulnerability, and how this contributes to improved resilience. The coherence of this logic is essential. Weak proposals often fail because they include a collection of activities that are not clearly linked to the identified risks.

6) Demonstrating Adaptation Effectiveness

617. Adaptation effectiveness refers to the extent to which the project reduces vulnerability or climate risk. It is the adaptation equivalent of "impact" in mitigation proposals. The proposal should clearly explain how the intervention will lead to tangible improvements. This may include:

- Increased reliability of water supply during droughts;
- Reduced damage from flooding;
- Improved capacity of institutions to manage climate risks; or
- Enhanced resilience of communities and livelihoods.

618. The emphasis is on practical, real-world outcomes. While quantitative indicators are useful, adaptation effectiveness is often best demonstrated through a combination of qualitative and quantitative evidence. This ensures that the expected benefits are credible and can be monitored over time. The proposal should explain:

- How results will be measured;
- What indicators will be used; and
- What assumptions underlie the expected outcomes.

7) Additionality in Adaptation

619. Although often less explicitly articulated than in mitigation proposals, additionality remains an important concept in adaptation finance. Adaptation additionality refers to the requirement that the proposed intervention would not occur, or would be significantly less effective, without climate finance support. This may be due to:

- Financial constraints that prevent investment in resilience;
- Institutional limitations, such as lack of capacity or coordination; or
- Competing priorities that lead to underinvestment in adaptation.

620. A successful proposal demonstrates additionality by clearly describing the "without-project" scenario and explaining why existing funding sources or institutional arrangements are insufficient to address the identified risks. This step is particularly important for funds such as the GCF, which require clear justification for the use of concessional finance. Even when adaptation needs are evident, proposals must still demonstrate that climate finance plays a distinct and necessary role.

8) Sustainability and Long-Term Resilience

621. Adaptation is inherently a long-term challenge, and proposals must therefore demonstrate that the benefits of the intervention will be sustained beyond the project period. This involves addressing several dimensions of sustainability. First, infrastructure investments must be designed in a way that ensures they can be operated and maintained over time. Second, institutional capacity must be strengthened to ensure that systems can continue to function effectively under changing climate conditions.

622. In addition, the proposal should demonstrate how adaptation measures will be integrated into broader systems, such as policies, planning processes, and regulatory frameworks. This helps ensure that adaptation is not treated as a one-off intervention, but as an ongoing process. A realistic proposal recognizes that resilience is dynamic. Climate risks will continue to evolve, and systems must be able to adapt accordingly. This requires mechanisms for learning, adjustment, and continuous improvement.

9) Summary of Adaptation Core Framework

623. In summary, the adaptation core framework follows a clear and structured logic **from climate risk to vulnerability to baseline (without project) to intervention to reduced vulnerability to long-term resilience**. This framework ensures that adaptation proposals are:

- Grounded in climate science;
- Focused on real vulnerabilities; and
- Designed to deliver tangible and lasting improvements in resilience.

Key Takeaway: A strong adaptation proposal succeeds when it clearly demonstrates how climate risks translate into system vulnerabilities, and how targeted, context-specific interventions reduce those vulnerabilities in a way that delivers practical, sustainable, and measurable resilience outcomes.

10) Adaptation Core Framework Checklist

624. The following table provides a checklist for the adaptation core framework. This is especially relevant when the adaptation framework is applied to prepare a concept to decide on whether or not to apply to a climate fund, or to attract MDBs, IFIs and NDBs to either develop a funding proposal (as Accredited Entity) or to provide funding to the proposed project (as provider of climate finance). In a final version of a funding proposal, no score of “weak” is allowed, and for each section, the number of “strong” scores need to at least equal the number of “adequate” scores. When approaching MDBs, IFIs and NDBs, some gaps are acceptable, but the framework average should be more than adequate.

Table 2. Adaptation core framework checklist

Checklist item	Strong	Adequate	Weak
Climate Risk Analysis			
Are key climate hazards clearly identified (e.g. drought, floods)?			
Are risks supported by data and projections?			
Is the analysis location-specific?			
Vulnerability Assessment			
Are vulnerable populations/systems clearly identified?			
Are exposure, sensitivity, and adaptive capacity analyzed?			
Are vulnerable groups (e.g. low-income, rural) explicitly considered?			
Baseline Scenario			
Is the “without-project” situation clearly described?			
Does it show worsening risks or impacts?			
Adaptation Rationale			
Is there a clear link between climate risks and proposed interventions?			
Does the project directly address identified vulnerabilities?			
Adaptation Intervention			

Checklist item	Strong	Adequate	Weak
Are measures clearly defined and practical?			
Are they appropriate to the identified risks?			
Adaptation Effectiveness			
Are expected outcomes clearly defined (e.g. reduced disruptions)?			
Are indicators measurable and realistic?			
Are benefits tangible and concrete?			
Additionality			
Why would adaptation not occur without climate finance?			
Are financial or institutional barriers identified?			
Sustainability and Resilience			
Will benefits continue after project completion?			
Is institutional capacity addressed?			
Are maintenance and long-term operation considered?			
Stakeholder Engagement			
Have affected communities been consulted?			
Are stakeholders involved in implementation?			

11) Best Practice Cases

Box 1. Best Practice Case – Harnessing the water-energy-food nexus to address and adapt to climate change impacts in Tawi-Tawi
Fund: Adaptation Fund
Implementing Entity: UNIDO
Focus: Climate-resilient drinking water systems and community resilience

1. Introduction

This is a strong publicly available example of the adaptation core framework in the drinking water and sanitation sector. It is a water-management project in the Philippines approved by the Adaptation Fund, with a grant amount of just under USD 10 million, and it is explicitly focused on securing climate-resilient water access in vulnerable island communities in Tawi-Tawi. The project page shows the proposal was approved in November 2025 and is now under implementation.

2. Overview and Strategic Context

The Adaptation Fund project in Tawi-Tawi, Philippines, provides a particularly strong and instructive example of how to structure a high-quality adaptation proposal in the water sector, especially in contexts characterized by high vulnerability and limited infrastructure.

Tawi-Tawi is an island province where communities depend heavily on fragile water sources, including rainwater harvesting and shallow groundwater. These systems are highly sensitive to climate variability. Over time, climate change has begun to alter rainfall patterns, increase the frequency of extreme weather events, and contribute to sea-level rise. Together, these changes have led to a combination of water scarcity, declining water quality, and unreliable supply.

What distinguishes this proposal is that it does not start with infrastructure needs. Instead, it begins with a careful analysis of how climate change affects water systems and communities. The project is therefore framed not as a general water supply intervention, but as a targeted effort to reduce vulnerability to climate risks.

This approach is particularly relevant for institutions such as NWSDB, where there is often a tendency to prioritize infrastructure solutions without first fully articulating the climate-driven nature of the problem.

3. Application of the Adaptation Core Framework

Establishing Climate Risks and Hazards

The proposal begins by identifying the key climate hazards affecting the region. These include:

- Increasing variability in rainfall patterns;
- More frequent and prolonged droughts;
- Sea-level rise leading to saltwater intrusion; and
- Exposure to extreme weather events.

Rather than listing these hazards in isolation, the proposal carefully explains how they interact with local conditions. For example, reduced rainfall directly affects rainwater harvesting systems, while sea-level rise contaminates groundwater sources. These processes are not abstract; they have immediate and tangible consequences for water availability and quality.

Analyzing Vulnerability in Detail

A major strength of the Tawi-Tawi proposal is its detailed analysis of vulnerability. The proposal recognizes that climate risks do not affect all populations equally. Instead, vulnerability is shaped by a combination of exposure to hazards; dependence on climate-sensitive resources; and limited capacity to respond.

In Tawi-Tawi, communities are highly exposed because they rely on local water sources that are directly affected by climate variability. At the same time, adaptive capacity is low due to limited infrastructure; low income levels; and restricted access to alternative water sources.

The proposal also highlights important social dimensions of vulnerability, including gender. It explains how water scarcity increases the burden on women, who are often responsible for water collection and household management.

Defining the Baseline Scenario

The proposal clearly articulates what would happen in the absence of the project. This “without-project” scenario is not presented as a static condition, but as a worsening trajectory. Without intervention water scarcity is expected to intensify; water quality will continue to decline due to salinization; communities will face increasing difficulty in securing reliable water supplies; and livelihood impacts will become more severe. This forward-looking baseline is particularly important in adaptation proposals, as it demonstrates that the project is not only addressing current challenges, but also preventing future deterioration.

Designing Targeted Adaptation Interventions

The project’s interventions are carefully designed to respond directly to the identified risks and vulnerabilities. These include development of climate-resilient water supply systems; improved rainwater harvesting and storage; strengthened local water management systems; and capacity building for communities and institutions.

What makes these interventions effective is that they are not presented as isolated activities. Each intervention is explicitly linked to a specific climate risk and vulnerability. For example improved storage addresses rainfall variability; alternative water sources reduce dependence on vulnerable systems; and management systems enhance long-term resilience. This creates a clear and logical chain: climate risk → vulnerability → targeted intervention.

Demonstrating Adaptation Effectiveness

A common weakness in adaptation proposals is the lack of clarity about outcomes. The Tawi-Tawi project avoids this by clearly defining how the interventions will reduce vulnerability. Expected outcomes include: increased reliability of water supply during dry periods; improved water quality; reduced exposure to climate-related disruptions; and enhanced resilience of communities and livelihoods.

In should be emphasized that these outcomes are framed in practical, tangible terms. They describe real improvements in people's lives, rather than abstract indicators. This is particularly important for the Adaptation Fund, which places strong emphasis on concrete adaptation benefits.

Ensuring Sustainability and Long-Term Resilience

The proposal recognizes that adaptation is not a one-off intervention, but a long-term process. As such, it includes measures to ensure that benefits are sustained over time. These include strengthening institutional capacity for water management; training communities in operation and maintenance; and integrating adaptation into local planning processes.

4. Why This Case Represents Best Practice

The Tawi-Tawi project is considered best practice because it clearly and consistently follows the adaptation logic from start to finish. It begins with a detailed understanding of climate risks and vulnerabilities, and then builds a set of interventions that directly respond to those conditions. The proposal does not rely on generic arguments or standard solutions. Instead, it demonstrates a deep understanding of how climate change affects water systems in a specific context.

Another key strength is its emphasis on people and vulnerability, rather than infrastructure alone. By identifying who is affected and why, the proposal ensures that the interventions are both relevant and effective.

Finally, the project succeeds in translating complex climate dynamics into a clear and compelling narrative, which is essential for securing funding.

5. Key Lessons for NWSDB

For NWSDB, the Tawi-Tawi case offers several important lessons.

- First, it highlights the importance of starting with climate risks and vulnerability, rather than infrastructure needs. This ensures that projects are clearly positioned as adaptation interventions.
- Second, it demonstrates the value of linking every intervention to a specific risk. This creates a strong and defensible adaptation rationale.
- Third, it shows that social and institutional factors are as important as technical solutions. Addressing vulnerability requires understanding how people interact with water systems.

- Finally, it emphasizes the need to define clear and tangible outcomes, which demonstrate how the project improves resilience in practice.

Box 2. Best Practice Case – Fiji Urban Water Supply and Wastewater Management Project
Fund: Green Climate Fund
Implementing Entity: ADB
Focus: Climate-resilient urban water supply and wastewater systems

1. Introduction

The Fiji Urban Water Supply and Wastewater Management Project is a good case illustrating the core adaptation framework, focusing on a small island developing countries (formally recognized as a SIDS) and on water utility level adaptation actions. These features make it a good illustration, and one that is particularly relevant to NWSDB. The project combines a $31 million GCF grant with a $ 374 million in co-financing from, among others, ADB.

2. Overview and Strategic Context

The Fiji Urban Water Supply and Wastewater Management Project offers a particularly clear and practical illustration of how climate adaptation can be embedded within the planning and upgrading of urban water infrastructure. The project focuses on the Greater Suva Area, which represents the country's most densely populated and economically significant urban region. In this context, the reliability of water supply and wastewater services is critical not only for public health, but also for economic stability and urban development.

Fiji, as a small island developing state, is highly exposed to climate variability and extreme weather events. The project documentation makes clear that climate change is already altering rainfall patterns and increasing the intensity and frequency of extreme precipitation events. These changes have direct consequences for urban water systems. Infrastructure that was designed under historical climate assumptions is increasingly unable to cope with current conditions, leading to system failures, service disruptions, and increased maintenance costs.

What distinguishes this project is that it does not treat these challenges as isolated technical problems. Instead, it explicitly frames them as the result of climate-induced stress on urban water systems. This framing is important because it shifts the focus from routine infrastructure upgrading to a more strategic objective: ensuring that water and wastewater systems remain functional and reliable under changing climatic conditions.

The project therefore represents a transition from conventional infrastructure investment to climate-resilient system design, where adaptation considerations are integrated into both the technical and institutional dimensions of service delivery.

3. Application of the Adaptation Core Framework

Identifying Climate Hazards and Risks

A fundamental strength of the proposal lies in its clear identification of the climate hazards affecting the project area. The documentation highlights that Fiji is experiencing more intense rainfall events and an increased frequency of flooding, both of which are expected to intensify under future climate scenarios. These hazards are not described in abstract terms; instead, the

proposal explains how they manifest in the urban environment and how they affect water and wastewater systems.

Heavy rainfall events can exceed the design capacity of drainage and wastewater systems, leading to overflow and contamination. Flooding can damage critical infrastructure, disrupt operations, and compromise water quality. In addition, extreme weather events can interrupt power supply and access to facilities, further affecting system performance.

By explicitly linking climate hazards to operational impacts, the proposal establishes a strong and credible climate rationale. It demonstrates that the risks faced by the water sector are not simply a matter of ageing infrastructure, but are driven by changing climatic conditions that require a different approach to system design and management.

Analyzing Vulnerability

The proposal goes beyond hazard identification by providing a detailed analysis of vulnerability. It recognizes that vulnerability arises not only from exposure to climate hazards, but also from the characteristics of the existing system. In the Greater Suva Area, many components of the water supply and wastewater systems are ageing, undersized, or located in areas that are highly exposed to flooding.

This creates a situation in which even moderate climate events can have disproportionate impacts. For example, infrastructure that is already operating near capacity may fail when subjected to increased rainfall, while facilities located in flood-prone areas may experience repeated damage.

The proposal also acknowledges the social dimension of vulnerability. Urban populations depend heavily on reliable water and sanitation services, and disruptions can have immediate consequences for health, hygiene, and economic activity. Vulnerable groups, including low-income households, are particularly affected because they often lack alternative sources of water or the means to cope with service interruptions.

Defining the Baseline Scenario

A key element of the adaptation framework is the definition of the baseline, or “without-project,” scenario. The proposal presents this scenario not as a static condition, but as a trajectory of increasing risk. Without intervention, climate change is expected to exacerbate existing weaknesses in the water and wastewater systems.

The proposal explains that continued exposure to flooding and extreme weather events will lead to more frequent infrastructure damage and service disruptions. Water quality is likely to deteriorate due to contamination during flood events, while operational costs are expected to increase as systems require more frequent repairs and maintenance.

The baseline scenario highlights that the consequences of inaction are cumulative. Over time, repeated climate impacts can erode system performance, reduce reliability, and increase the overall vulnerability of urban populations. This forward-looking perspective strengthens the case for intervention by demonstrating that adaptation is necessary not only to address current challenges, but also to prevent future deterioration.

Designing Adaptation Interventions

The project's interventions are designed to respond directly to the identified risks and vulnerabilities. These interventions focus on upgrading and rehabilitating water supply and wastewater infrastructure to ensure that systems can withstand current and future climate conditions.

A key aspect of the design is the emphasis on increasing system capacity and robustness. By enhancing the capacity of infrastructure, the project enables systems to handle more intense rainfall events without failure. Strengthening physical structures reduces the likelihood of damage during floods and extreme weather.

In addition to physical upgrades, the project includes measures to improve system management and planning. This reflects an understanding that infrastructure alone is not sufficient for effective adaptation. Institutions must also have the capacity to manage systems under changing conditions, respond to emergencies, and integrate climate considerations into long-term planning.

The proposal therefore adopts a dual approach, combining technical improvements with institutional strengthening. This ensures that the interventions are not only effective in the short term, but also sustainable over time.

Demonstrating Adaptation Effectiveness

The proposal provides a clear explanation of how the interventions will lead to improved resilience. By upgrading infrastructure and increasing system capacity, the project reduces the likelihood that climate events will disrupt services. This leads to more reliable water supply and wastewater management, even under adverse conditions.

Improved wastewater systems reduce the risk of contamination during flooding, which is particularly important for protecting public health. Enhanced water supply systems ensure that communities continue to have access to safe water, even during extreme weather events.

These outcomes are described in practical terms, focusing on the real-world benefits of the project. Rather than relying on abstract indicators, the proposal emphasizes improvements in system performance, service reliability, and user well-being. This approach strengthens the credibility of the adaptation case by demonstrating that the project delivers tangible and meaningful benefits.

Ensuring Sustainability and Long-Term Resilience

The project recognizes that adaptation is not a one-time intervention, but an ongoing process. To ensure that the benefits of the project are sustained, it includes measures aimed at strengthening institutional capacity and improving system management.

This includes enhancing the ability of utilities and relevant authorities to operate and maintain infrastructure, as well as integrating climate considerations into planning and decision-making processes. By building institutional capacity, the project ensures that systems can continue to function effectively under changing conditions.

The proposal also implicitly recognizes that climate risks will continue to evolve. By focusing on both infrastructure and institutional systems, it creates a foundation for adaptive management, allowing the system to respond to future challenges.

4. Why This Case Represents Best Practice

The Fiji project represents best practice because it applies the adaptation framework in a consistent and coherent manner. It begins with a clear identification of climate hazards and links these hazards to specific vulnerabilities within the water system. It then designs interventions that directly address these vulnerabilities and explains how they will reduce risk and improve resilience.

A key strength of the proposal is its integration of physical and institutional measures. By recognizing that adaptation requires both infrastructure and governance, it avoids the common pitfall of focusing solely on technical solutions.

In addition, the proposal presents a clear and logical narrative that connects climate risks, system vulnerabilities, and project interventions. This coherence makes the adaptation case both credible and compelling.

5. Key Lessons for NWSDB

For NWSDB, the Fiji project provides several important lessons:

- It demonstrates the importance of explicitly linking water sector challenges to climate risks, ensuring that projects are framed as adaptation interventions rather than general infrastructure upgrades.
- It also highlights the need for a comprehensive vulnerability analysis that considers both technical and social factors. Understanding who is affected and why is essential for designing effective interventions.
- Finally, the project shows that strengthening institutional capacity is critical for sustaining adaptation outcomes. Infrastructure investments must be supported by systems and processes that enable effective management over time.

C. Mitigation core framework

1) Conceptual Foundation

625. Mitigation finance is concerned with reducing greenhouse gas (GHG) emissions or enhancing carbon sinks in order to limit the magnitude of climate change. It represents the most direct response to the root cause of climate change, focusing on transforming systems that generate emissions across sectors such as energy, transport, industry, agriculture, and water.

626. At the core of every mitigation proposal lies a defining question: **How does this intervention lead to measurable, additional, and sustained reductions in greenhouse gas emissions?**

627. This question shapes the entire structure of the proposal. Unlike adaptation and loss and damage, mitigation proposals are typically evaluated against a quantifiable global metric, namely tons of CO2 equivalent (tCO2e) reduced or avoided. This makes mitigation conceptually more standardized, but also more demanding in terms of analytical rigor. Mitigation proposals therefore follow a structured logic that connects:

- An emissions baseline;
- A defined mitigation intervention;

- Quantified emission reductions; and
- Broader transformational change.

628. A strong mitigation proposal does not simply present a technical solution. It demonstrates how that solution contributes to a broader transition toward low-carbon development, and why this transition would not occur at the same scale or speed without climate finance.

2) Emissions Baseline and Climate Rationale

629. The starting point of any mitigation proposal is the establishment of a clear emissions baseline. This baseline describes the current or projected level of greenhouse gas emissions in the absence of the proposed intervention. It provides the reference point against which emission reductions are calculated. A robust baseline is grounded in:

- Sector-specific data (e.g. energy consumption, fuel use, process emissions);
- Established methodologies (e.g. IPCC guidelines); and
- Realistic assumptions about future trends.

630. For example, in the water sector, the baseline may include emissions from electricity consumption for pumping and treatment, as well as methane emissions from wastewater systems. In energy systems, it may involve emissions from fossil fuel-based power generation. The climate rationale builds on this baseline by explaining why these emissions are significant and why intervention is needed. It should demonstrate that:

- Emissions are substantial and relevant at the sectoral or national level;
- They are expected to increase or remain high without intervention; and
- Reducing them contributes meaningfully to climate mitigation goals.

631. Convincing proposals connect the emissions baseline to broader climate objectives, such as national climate commitments (e.g. NDCs) or sectoral decarbonization pathways. This ensures that the project is positioned not as an isolated intervention, but as part of a larger mitigation effort.

3) Quantifying Mitigation Potential

632. Once the baseline is established, the proposal must quantify the expected mitigation impact (emission reductions) of the intervention. This is one of the most critical components of a mitigation proposal, as it provides the basis for assessing effectiveness and cost-efficiency. Emission reductions are typically expressed in tons of CO2 equivalent over a defined period, such as the project lifetime. The calculation should be based on:

- The difference between baseline emissions and project emissions;
- Clearly defined assumptions about technology performance and utilization; and
- Recognized methodologies for emission accounting.

633. For example, a renewable energy project reduces emissions by replacing fossil fuel-based electricity generation, while an energy efficiency project reduces emissions by lowering energy consumption. In wastewater systems, improved treatment can reduce methane emissions. For all these, methodologies[59] exist that can be used to quantify emission reductions.

[59] Usually, the first place to check are the CDM methodologies, both large-scale and small-scale, providing a well-structed calculation methodology. See https://cdm.unfccc.int/methodologies/index.html. Last accessed 6 April 2026. Alternatives include other carbon standards (Gold Standard, VERRA/VCS, Global Carbon Council).

634. A successful proposal does not simply present a number. It explains how the reductions are calculated; what assumptions are used; and what factors may influence the results. This transparency is essential for credibility. It allows reviewers to assess whether the mitigation impact is realistic and whether it can be verified over time.

4) Barrier Analysis and Additionality

635. A central requirement of mitigation finance is demonstrating additionality. This means showing that the proposed emission reductions would not occur, or would occur at a much smaller scale or slower pace, without climate finance. To establish additionality, the proposal must identify and analyze the barriers that prevent the mitigation intervention from being implemented under current conditions. These barriers may include:

- Financial barriers, such as high upfront costs or limited access to capital;
- Technical barriers, such as lack of technology or expertise;
- Regulatory or policy barriers; or
- Market barriers, such as lack of incentives or demand.

636. The proposal must then explain how climate finance addresses these barriers. For example, concessional funding may reduce investment costs, de-risk projects, or enable technologies that are not yet commercially viable.

637. A **strong additionality argument demonstrates that climate finance is necessary to unlock the mitigation potential and that, without it, the project would not proceed in its current form**. This is one of the most scrutinized aspects of mitigation proposals, particularly for funds like the GCF.

5) Designing the Mitigation Intervention

638. The mitigation intervention refers to the set of activities and technologies that directly reduce emissions. This may include:

- Deployment of renewable energy;
- Energy efficiency improvements;
- Fuel switching; or
- Process optimization.

639. However, the strength of the intervention lies not only in the technology, but in how well it is integrated into the broader system. A strong proposal demonstrates that the chosen intervention is appropriate for the context; it directly addresses the emissions identified in the baseline; and it is technically and operationally feasible.

640. The proposal should clearly explain how the intervention works and how it leads to emission reductions. This often involves a theory of change linking **baseline emissions to intervention to reduced emissions**. In addition, the proposal should consider implementation aspects, such as institutional arrangements, operational capacity, and maintenance requirements. This ensures that the intervention is not only effective in theory, but also practical in implementation.

6) Demonstrating Mitigation Effectiveness

641. Mitigation effectiveness refers to the extent to which the project delivers its expected emission reductions. The proposal should demonstrate this through clear and robust emission reduction estimates; credible methodologies; and transparent assumptions. In addition, the proposal should outline how emission reductions will be monitored, reported, and verified. This includes:

- Defining indicators;
- Establishing data collection systems; and
- Ensuring that results can be independently verified if required.

642. Mitigation effectiveness is closely linked to cost-effectiveness. While not always explicitly required, proposals are often assessed based on the cost per ton of CO2 reduced. This provides a basis for comparing different mitigation options. Ultimately, a sound proposal demonstrates that **the intervention delivers meaningful, measurable, and verifiable emission reductions.**

7) Financial Structure and Least Concessionality

643. The financial structure of a mitigation proposal is critical, particularly for funds that aim to use public finance to mobilize private investment. A key principle is that of least concessionality, which means that climate finance should be used only to the extent necessary to make the project viable. The proposal must therefore justify:

- The type and level of financial support requested;
- Why this support is necessary; and
- How it relates to the identified barriers.

644. This often involves demonstrating that the project is not financially viable under commercial conditions; concessional finance improves its risk-return profile; and private investment is mobilized as a result. The proposal should demonstrate that climate finance plays a catalytic role, enabling investments that would otherwise not occur, while minimizing the use of concessional resources.

8) Transformational Change and Paradigm Shift

645. Beyond immediate emission reductions, mitigation proposals are expected to contribute to broader transformational change. This refers to the ability of the project to influence systems, markets, or policies in a way that leads to sustained and scaled-up mitigation. Transformational change may involve:

- Creating new markets for low-carbon technologies;
- Demonstrating innovative business models;
- Influencing policy and regulatory frameworks; or
- Enabling replication and scaling of interventions.

646. A strong proposal explains how the project contributes to such changes. It shows that the impact extends beyond the project itself and supports a transition toward low-carbon development. This is often referred to as a paradigm shift, and it is a key criterion for many climate funds, particularly the GCF.

9) Sustainability and Long-Term Impact

647. Mitigation projects must demonstrate that their impact will be sustained over time. This includes ensuring that:

- Technologies continue to operate effectively;
- Institutions have the capacity to manage and maintain systems; and
- Financial models are viable in the long term.

648. Sustainability also involves considering how the project fits into broader systems, such as national policies, sectoral strategies, and market dynamics. A realistic proposal recognizes that mitigation is an ongoing process. It therefore includes measures to ensure that emission reductions continue beyond the project lifetime and that the intervention contributes to long-term decarbonization.

10) Summary of Mitigation Core Framework

649. In summary, the mitigation core framework follows a clear and structured logic **from emissions baseline to mitigation intervention to emission reductions to additionality to transformational change**. This framework ensures that mitigation proposals are:

- Grounded in credible emissions analysis;
- Supported by robust financial and technical justification; and
- Designed to deliver measurable and lasting climate impact.

Key Takeaway: A mitigation proposal succeeds when it clearly demonstrates how a well-defined intervention reduces emissions relative to a credible baseline, overcomes barriers through targeted financial support, and contributes to long-term, system-wide transformation toward low-carbon development.

11) Mitigation Core Framework Checklist

650. The following table provides a checklist for the mitigation core framework. This is especially relevant when the mitigation framework is applied to prepare a concept to decide on whether or not to apply to a climate fund, or to attract MDBs, IFIs and NDBs to either develop a funding proposal (as Accredited Entity) or to provide funding to the proposed project (as provider of climate finance). In a final version of a funding proposal, no score of “weak” is allowed, and for each section, the number of “strong” scores need to at least equal the number of “adequate” scores. When approaching MDBs, IFIs and NDBs, some gaps are acceptable, but the framework average should be more than adequate.

Table 3. Mitigation core framework checklist

Checklist item	Strong	Adequate	Weak
Baseline Emissions			
Is the baseline scenario clearly defined?			
Are system boundaries clearly specified?			
Are data sources and assumptions credible and transparent?			
Emission Reduction Potential			
Are expected emission reductions quantified (tCO_2e)?			
Is the methodology clearly explained?			
Are key assumptions and uncertainties identified?			
Mitigation Rationale			
Is there a clear explanation of how the project reduces emissions?			
Is the causal chain from activity to reduction logically sound?			
Barrier Analysis			
Are barriers preventing mitigation without support clearly identified?			

Checklist item	Strong	Adequate	Weak
Are barriers specific (financial, regulatory, technical, institutional)?			
Is there evidence supporting the existence of these barriers?			
Additionality			
Would emission reductions occur without the project?			
Is the "without-project" scenario clearly described?			
Is the role of the Climate Fund in overcoming barriers clearly explained?			
Intervention Logic (Theory of Change)			
Are activities clearly linked to outputs and emission reductions?			
Are assumptions and risks identified?			
Is the logic simple and coherent?			
Transformational Change			
Does the project contribute to systemic change (policy, market, sector)?			
Are scaling or replication pathways clearly identified?			
Is there potential for long-term impact beyond the project?			
Financial Logic			
Is cost-effectiveness demonstrated (e.g. cost per tCO2e)?			
Is co-financing clearly identified?			
Is the use of concessional finance justified?			
MRV (Monitoring, Reporting, Verification)			
Are indicators for emissions reductions defined?			
Is there a system for monitoring and reporting?			

12) Best Practice Cases

Box 3. Best Practice Case: GCF-IFC Scaling Resilient Water Infrastructure (RWI) Facility
Fund: Green Climate Fund (GCF)
Accredited Entity: International Finance Corporation (IFC)
Focus: Climate-resilient and low-carbon water and sanitation infrastructure

1. Introduction

This is one of the strongest publicly available examples for the mitigation core framework in the drinking water and sanitation sector, even though it is a hybrid mitigation-adaptation program rather than a mitigation-only project. The proposal was approved by the GCF Board in November 2024. It requested USD 258 million from GCF using a blended structure of USD 8 million grant plus USD 250 million loan, alongside total financing of USD 1.262 billion. It explicitly targets both mitigation and adaptation outcomes, including an estimated 3.64 million tCO2e reduced over the facility's life, and it includes sanitation and wastewater investments as a major focus area.

2. Overview and Strategic Context

The GCF–IFC Resilient Water Infrastructure (RWI) Facility represents one of the most comprehensive and sophisticated examples of how climate finance can be used to transform the water and sanitation sector. Rather than focusing on a single project or location, the facility is designed as a large-scale investment platform that supports multiple subprojects across different countries.

This program addresses a fundamental challenge: while investment needs in water and sanitation infrastructure are rapidly increasing, much of this infrastructure is both climate-vulnerable and carbon-intensive. Wastewater systems, in particular, can generate significant methane emissions

when treatment is inadequate, while water supply systems often rely on energy-intensive pumping and treatment processes.

The RWI Facility reframes this challenge by positioning water infrastructure not only as a development priority, but also as a critical climate mitigation opportunity. By doing so, it elevates the sector into a space that is often dominated by energy and transport projects in climate finance discussions.

What makes this project particularly relevant for institutions such as NWSDB is that it demonstrates how core utility investments – such as wastewater treatment and water supply – can be structured as high-quality climate mitigation interventions, provided that the proposal clearly articulates the emissions problem, the barriers to investment, and the systemic impact of the intervention.

3. Application of the Mitigation Core Framework

Defining the Emissions Problem in the Water Sector

A defining strength of the RWI Facility is the way it establishes a clear and credible baseline emissions scenario. Rather than relying on abstract or generic statements about emissions, the proposal identifies specific sources of greenhouse gases within water and sanitation systems.

It highlights that untreated or poorly treated wastewater often leads to anaerobic decomposition, which generates methane – a greenhouse gas with significantly higher global warming potential than carbon dioxide. At the same time, water supply systems are typically energy-intensive, requiring electricity for pumping, treatment, and distribution. In many countries, this electricity is still partially derived from fossil fuels.

The proposal therefore demonstrates that, without intervention, emissions from the water sector are likely to increase due to:

- Urbanization and population growth,
- Expanding service coverage, and
- Continued reliance on inefficient technologies.

By grounding the emissions baseline in real sector dynamics, the proposal creates a strong foundation for the mitigation argument. This is critical, because mitigation proposals are often weakened by vague or poorly substantiated baselines.

Quantifying Mitigation Potential

Building on this baseline, the proposal presents a quantified estimate of mitigation impact, projecting approximately 3.6 million tons of CO_2 equivalent emissions reductions over the lifetime of the program.

These reductions are not presented as abstract figures. Instead, they are directly linked to specific interventions, including:

- Improved wastewater treatment processes,
- Methane capture and utilization,
- Energy efficiency improvements, and
- Integration of renewable energy solutions.

This creates a clear and traceable chain between the project activities and the expected emissions reductions. It is important that the proposal also explains the assumptions and methodologies underlying these estimates, which enhances credibility.

Explaining Why the Mitigation Is Not Already Happening

One of the most compelling aspects of the RWI Facility is its treatment of barriers and additionality. The proposal recognizes that, in principle, many of the technologies and solutions it promotes are already available. The question, therefore, is not whether mitigation is technically possible, but why it is not happening at scale. The proposal identifies several interrelated barriers:

- High upfront investment costs for advanced treatment technologies;
- Weak financial positions of many water utilities, limiting their borrowing capacity;
- Perceived risks by private investors;
- Limited availability of long-term financing for infrastructure projects.

These barriers are not described in isolation. The proposal explicitly links them to the absence of investment in low-carbon water infrastructure. It then explains how GCF financing addresses these barriers by providing concessional capital that:

- Reduces financial risk;
- Improves project bankability; and
- Enables participation from private investors.

Constructing a Coherent Intervention Logic

The intervention logic of the RWI Facility is both clear and strategically structured. It begins with the provision of concessional finance and technical support, which enables investment in climate-resilient and low-carbon water infrastructure. These investments lead to:

- improved efficiency and performance of water systems;
- Reduced energy consumption and emissions;
- Increased reliability and resilience of services.

However, the proposal does not stop at these direct outcomes. It extends the logic to include broader systemic effects, such as:

- The development of a pipeline of bankable water projects,
- Strengthened financial performance of utilities,
- Increased confidence among investors.

Demonstrating Transformational Change

A key requirement of the GCF is that projects contribute to paradigm shift, and this is where many proposals fall short. The RWI Facility, however, provides a strong and credible transformation narrative. It argues that the program will:

- Expand access to financing for water infrastructure;
- Introduce new financial models and partnerships;
- Improve the creditworthiness of utilities;
- Catalyze private sector participation.

In doing so, it positions itself not merely as a financing mechanism, but as a catalyst for structural change in the sector. This is particularly important because it shows that the project is not limited to delivering outputs, but is capable of influencing how the sector operates over the long term.

Aligning Financial Structure with Mitigation Objectives

The financial structure of the RWI Facility is closely aligned with its mitigation objectives. It combines a small grant component; a large concessional loan; and significant co-financing from other sources. This blended finance approach is designed to reduce risk for investors; mobilize additional capital; and maximize the impact of GCF resources. The proposal clearly explains the role of each financing component and how they interact. This level of transparency is essential in GCF proposals, where financial structuring is a key evaluation criterion.

4. Why This Case Represents Best Practice

The RWI Facility stands out as a best-practice case because it successfully integrates all elements of the mitigation framework into a coherent and compelling narrative. It does not treat mitigation as an add-on, but as a central organizing principle. It demonstrates:

- A clearly defined emissions problem;
- A robust and quantified mitigation impact;
- A convincing explanation of barriers and additionality;
- A well-structured intervention logic; and
- A credible pathway to transformational change.

Equally important, it shows how a sector that is not traditionally associated with mitigation – water and sanitation – can be positioned as a high-impact mitigation opportunity when the proposal is structured correctly.

5. Key Lessons for NWSDB

For NWSDB, the RWI Facility provides several important lessons.

- First, it highlights the importance of reframing the water sector as part of the climate solution. By identifying emissions sources within water systems – particularly wastewater and energy use – utilities can position their investments within a mitigation framework.
- Second, it underscores the need for strong analytical foundations, including emissions baselines; quantification of mitigation potential; and clear identification of barriers.
- Third, it demonstrates the value of thinking beyond individual projects. By designing programs that can be scaled and replicated, utilities can strengthen their case for climate finance.
- Finally, it shows that financial structuring is not separate from technical design, but an integral part of the mitigation logic.

Box 4. Best Practice Case: Climate Investor Two (CI2)
Fund: Green Climate Fund (GCF)
Accredited Entity: Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO)
Focus: Climate-resilient and low-carbon infrastructure in water, sanitation, and oceans

1. Introduction

Climate Investor Two (CI2) shows how mitigation in the water sector can be framed at portfolio or facility scale, not only at single-project scale. The proposal does not treat mitigation as an add-

on. Instead, it starts from the proposition that the water cycle itself is climate-relevant, that wastewater mismanagement causes emissions, and that investment is not happening fast enough because the sector usually does not attract enough private capital. The GCF intervention is therefore justified not only on climate grounds, but also on the basis of financial additionality: GCF's reimbursable grant capital is meant to scale the fund and crowd in private sector participation. This is also reflected in the financial structure: a $145 million GCF grant, combined with $ 735 million in co-financing.

2. Overview and Strategic Context

The CI2 program provides a particularly strong and instructive example of how mitigation can be embedded in the water and sanitation sector through a program-based financing approach. Unlike traditional infrastructure projects that focus on individual investments, CI2 is structured as a multi-country blended finance facility designed to mobilize capital at scale. Its objective is not only to finance specific projects, but to catalyze a broader shift in how water, sanitation, and waste infrastructure is financed and delivered.

A central premise of the program is that the water and sanitation sector is both climate-relevant and underfinanced. The proposal explicitly recognizes that inadequate wastewater treatment and waste management systems contribute significantly to greenhouse gas emissions, particularly through methane emissions generated by anaerobic decomposition. At the same time, the sector has historically struggled to attract sufficient private investment, due to perceived risks, long payback periods, and institutional weaknesses.

The CI2 program addresses this dual challenge by combining climate rationale with financial innovation. It positions investment in water and sanitation infrastructure as a mitigation opportunity while simultaneously addressing the structural barriers that limit investment in the sector. In doing so, it reframes the sector from being primarily a development concern to being a strategic entry point for climate mitigation at scale.

3. Application of the Mitigation Core Framework

Defining the Emissions Problem in the Water and Waste Sector

A defining strength of the CI2 proposal is the clarity with which it establishes the emissions baseline. Rather than relying on general statements about climate change, the proposal identifies specific sources of greenhouse gas emissions within the water and waste sectors. In particular, it highlights that untreated or poorly treated wastewater leads to anaerobic decomposition, which produces methane – a greenhouse gas with a significantly higher warming potential than carbon dioxide.

This emissions profile is not static. The proposal explains that, in the absence of intervention, emissions are likely to increase as demand for water and sanitation services grows. Urbanization, population growth, and expanding service coverage will place additional pressure on already inadequate systems. Without investment in improved infrastructure, these systems will continue to generate emissions while failing to deliver adequate services.

By grounding the mitigation argument in sector-specific processes, the proposal establishes a strong and credible baseline. It makes clear that the water and sanitation sector is not only vulnerable to climate change, but also a contributor to emissions, thereby justifying the need for mitigation-focused interventions.

Quantifying Mitigation Potential

Building on this baseline, the proposal provides a quantified estimate of the program's mitigation impact. It states that CI2 is expected to deliver approximately 44.65 million tons of CO_2 equivalent emission reductions over a 20-year period. This figure is not presented in isolation, but is directly linked to the types of investments the program will support.

The mitigation potential arises primarily from improvements in wastewater and waste management systems. By investing in modern treatment infrastructure, the program reduces methane emissions that would otherwise be generated by untreated waste. In addition, improved systems can enable resource recovery and reuse, further enhancing efficiency and reducing environmental impact.

The proposal's strength lies in its ability to connect these technical interventions to quantified outcomes. It demonstrates that mitigation is not an abstract concept, but a measurable result of specific infrastructure investments. This level of clarity is critical in climate finance proposals, as it provides confidence that the expected impacts are both realistic and verifiable.

Barrier Analysis and Additionality

The proposal goes beyond identifying the mitigation opportunity by explaining why it is not being realized under current conditions. It recognizes that, although the technologies and solutions required to reduce emissions in the water and waste sectors are well understood, investment in these areas remains insufficient.

Several barriers are identified. These include the limited availability of long-term financing for infrastructure projects, the perceived risks associated with water and sanitation investments, and the lack of sufficient private sector engagement. These factors combine to create a financing gap that prevents projects from being developed and implemented at scale.

The proposal then explains how GCF support addresses these barriers. By providing concessional capital, the GCF reduces the risk profile of investments and improves their financial viability. This, in turn, enables the mobilization of private capital that would otherwise not be available.

This creates a strong additionality argument. The proposal demonstrates that the mitigation outcomes are contingent on the availability of concessional finance. Without such support, the scale and speed of investment – and therefore the associated emissions reductions – would be significantly lower.

Intervention Logic (Theory of Change)

The intervention logic of the CI2 program is structured around a clear and coherent theory of change. It begins with the provision of concessional finance and the establishment of an investment platform capable of mobilizing private capital. This financial structure enables the development and implementation of infrastructure projects in the water, waste, and ocean sectors.

These investments lead to improved treatment and management systems, which in turn reduce greenhouse gas emissions and enhance resource efficiency. However, the proposal does not stop at project-level outcomes. It explicitly links these investments to broader system-level

changes, including increased investor confidence, improved market conditions, and the development of new financing models.

This layered logic is particularly effective because it connects immediate actions to long-term outcomes. It shows how individual investments contribute to a broader transformation of the sector, reinforcing the program's strategic relevance.

Transformational Change

Transformational change is a central concept in the CI2 proposal, and it is addressed in a clear and credible manner. The program aims to shift the way water and sanitation infrastructure is financed by demonstrating that these sectors can attract private investment when supported by appropriate financial structures.

By creating a blended finance facility, the program introduces new investment models that can be replicated and scaled. It seeks to change market perceptions, reduce barriers to entry, and build a track record of successful investments. Over time, this is expected to increase the flow of capital into the sector, enabling further climate-relevant investments without continued reliance on concessional finance.

This approach reflects a broader understanding of transformation. Rather than focusing solely on delivering outputs, the program aims to influence the underlying systems that determine how investments are made. This makes it a strong example of how mitigation can be pursued through market and financial transformation, rather than through isolated interventions.

Financial Structure and Alignment with Mitigation Objectives

The financial structure of CI2 is closely aligned with its mitigation objectives. The program uses a blended finance approach that combines GCF concessional capital with private sector investment and other co-financing sources. This structure is designed to address the specific barriers identified in the proposal.

The concessional component plays a catalytic role by absorbing part of the investment risk and improving the overall financial attractiveness of projects. This enables private investors to participate in sectors that they might otherwise consider too risky. As a result, the program is able to mobilize significantly more capital than would be possible through public funding alone.

The proposal clearly explains how each component of the financial structure contributes to achieving mitigation outcomes. It demonstrates that financial design is not separate from technical intervention, but an integral part of the overall strategy.

4. Why This Case Represents Best Practice

The CI2 program represents best practice because it integrates all elements of the mitigation framework into a coherent and scalable model. It begins with a clearly defined emissions problem, provides quantified mitigation outcomes, and offers a robust explanation of why these outcomes are not being achieved under current conditions.

It then presents a well-structured intervention logic that connects financial inputs to systemic change, supported by a credible pathway for scaling and replication. The CI2 program then demonstrates that mitigation in the water and sanitation sector can be achieved not only through

technological improvements, but also through innovative financial structures that enable investment at scale.

5. Key Lessons for NWSDB

For NWSDB, the CI2 program offers several important insights:

- It highlights the importance of framing wastewater and sanitation as sectors with significant mitigation potential, particularly by emphasizing methane emissions and treatment processes.
- It also demonstrates that financial structuring is critical for unlocking investment, and that concessional finance can play a catalytic role in attracting private capital.
- In addition, the program illustrates the value of program-based approaches that aggregate multiple investments into a coherent strategy. This allows for greater scale and impact than isolated projects.
- Finally, it underscores the importance of aligning technical solutions with financial mechanisms to achieve sustainable and scalable outcomes.

D. Loss and damage core framework

1) Conceptual Foundation

651. Loss and damage finance represents the third pillar of climate action, complementing mitigation and adaptation but addressing a fundamentally different dimension of the climate challenge. While mitigation seeks to prevent climate change and adaptation aims to reduce vulnerability to its impacts, loss and damage focuses on the consequences that remain despite these efforts. These are the impacts that have already occurred or that cannot be avoided, even with effective adaptation measures.

652. At the center of every loss and damage proposal lies a defining question: **How does this intervention respond to and address climate-induced losses and damages that cannot be prevented or adequately managed through mitigation and adaptation?**

653. This question shifts the focus of the proposal from prevention to response and recovery. Loss and damage proposals are therefore concerned with the real-world impacts of climate change as they manifest in damaged infrastructure, disrupted livelihoods, displaced populations, and degraded ecosystems.

654. The conceptual structure of such proposals follows a clear progression. It begins with the identification of climate impacts and the resulting losses and damages. It then examines the limits of adaptation and the reasons why these impacts could not be avoided. This is followed by an assessment of needs and the design of interventions that address these needs in a timely and equitable manner. Finally, the framework considers how these interventions contribute to recovery and, where possible, to reducing future vulnerability.

655. A key characteristic of loss and damage is that it is often time-sensitive and impact-driven. Unlike mitigation and adaptation, which can be planned over longer time horizons, loss and damage interventions frequently respond to urgent situations where delays can exacerbate harm. This makes clarity, readiness, and responsiveness critical elements of proposal design.

2) Establishing the Loss and Damage Rationale

656. The starting point for any loss and damage proposal is a clear and well-substantiated rationale that demonstrates the existence of climate-induced losses and damages. This involves identifying specific climate events or processes and showing how they have resulted in tangible impacts.

657. These impacts may include damage to infrastructure such as water systems, roads, or housing; loss of livelihoods in sectors such as agriculture or fisheries; displacement of communities due to flooding or sea-level rise; or degradation of ecosystems that support economic and social activities. In addition to these economic losses, proposals may also address non-economic losses, including impacts on cultural heritage, social cohesion, and mental well-being.

658. A successful proposal does not rely on general statements about climate vulnerability. Instead, it provides location-specific and evidence-based descriptions of impacts. This may include data on past events, documented damages, and, where possible, quantitative estimates of losses. The objective is to demonstrate clearly that the impacts are real, significant, and attributable to climate change.

659. The proposal must distinguish between general development challenges and climate-induced losses and damages. While these may overlap, loss and damage finance is specifically intended to address impacts that are directly linked to climate change. A convincing rationale therefore explicitly connects observed damages to climate hazards such as extreme weather events or long-term climatic changes.

3) Unavoidability and Limits to Adaptation

660. A defining feature of loss and damage is the concept of unavoidability. This refers to situations where climate impacts cannot be prevented, even with well-designed adaptation measures. Demonstrating this is essential, as it distinguishes loss and damage from adaptation.

661. The proposal should explain why existing adaptation measures have been insufficient to prevent the identified impacts. This may involve showing that climate events exceed the design limits of infrastructure, that the costs of adaptation are prohibitively high, or that certain impacts – such as loss of cultural heritage – cannot be avoided through technical measures.

662. In many cases, proposals will need to demonstrate that adaptation efforts have already been undertaken but have not been sufficient to prevent residual impacts. This helps to establish that the intervention is addressing a genuine gap rather than duplicating adaptation efforts.

663. The concept of limits to adaptation is particularly important. These limits may be:

- Technical, where existing technologies cannot fully prevent impacts;
- Financial, where resources are insufficient to implement necessary measures; or
- Institutional, where governance or capacity constraints limit effective action.

664. By clearly articulating these limits, the proposal establishes that the losses and damages are not simply the result of inadequate planning, but reflect the inherent constraints of adaptation in the face of escalating climate risks.

4) Impact and Needs Assessment

665. Once losses and damages have been established, the proposal must assess the resulting needs. This involves moving from identifying what has been lost to understanding what is required to respond effectively. A robust needs assessment examines who is affected, how they are affected, and what types of support are required to address the impacts. This includes both immediate needs, such as restoring access to water or repairing infrastructure, and longer-term needs, such as rebuilding livelihoods or supporting displaced populations.

666. The assessment should consider both economic and non-economic dimensions. While economic losses can often be quantified, non-economic losses – such as displacement, cultural disruption, or psychological stress – are equally important and should be acknowledged in the proposal.

667. The needs assessment also plays a critical role in prioritization. Resources are typically limited, and the proposal must demonstrate that interventions are targeted at the most urgent and significant needs. This requires a clear and transparent methodology for identifying and prioritizing affected groups and sectors.

5) Designing Response Interventions

668. The core of a loss and damage proposal lies in the design of response interventions. These interventions are intended to address the identified losses and damages and to support recovery. Response interventions may include the reconstruction of damaged infrastructure, the restoration of essential services, the rehabilitation of ecosystems, and the provision of support to affected populations. In some cases, interventions may also involve relocation or resettlement where impacts are irreversible.

669. A key requirement is that each intervention is clearly linked to the losses and needs identified earlier in the proposal. This creates a coherent response logic, where interventions are not generic but are directly targeted at specific impacts.

670. The design of interventions must also consider feasibility and appropriateness. This includes assessing whether the proposed measures are suitable for the local context, whether they can be implemented within the required timeframe, and whether the necessary institutional capacity exists.

671. The proposal should demonstrate that interventions are not only technically sound, but also socially acceptable and aligned with local priorities. This often involves consultation with affected communities and stakeholders.

6) Urgency and Readiness

672. Loss and damage interventions are often characterized by urgency. Climate impacts can create immediate and severe disruptions, and delays in response can lead to further losses and increased recovery costs. Proposals must therefore demonstrate a clear understanding of the time-sensitive nature of the intervention. This includes explaining why action is required urgently and what the consequences of delay would be.

673. In addition, proposals must demonstrate readiness. This involves showing that the project is prepared for implementation, with clear institutional arrangements; defined roles and responsibilities; and sufficient planning and data to support rapid deployment. Readiness is

particularly important for funds such as the FRLD, which prioritize timely and effective responses. A proposal should convey confidence that the intervention can be implemented quickly and effectively, without unnecessary delays.

7) Additionality and Complementarity

674. Additionality in the context of loss and damage refers to the requirement that the proposed intervention addresses needs that cannot be met through existing funding sources. This includes both development finance and adaptation finance.

675. A proposal should explain why the identified needs are not being addressed through current programs or resources. This may be due to funding gaps, limitations in existing instruments, or the nature of the impacts themselves.

676. Closely related is the concept of complementarity. Loss and damage interventions should complement, rather than duplicate, other forms of climate finance. This requires a **clear distinction between adaptation measures, which aim to reduce future risks, and loss and damage measures, which address residual impacts that remain despite adaptation**. The proposal should clearly articulate this distinction and demonstrate how the intervention fills a specific gap in the broader climate finance landscape.

8) Equity and Vulnerability

677. Equity is a central principle in loss and damage finance, reflecting the fact that climate impacts disproportionately affect the most vulnerable populations. Proposals must therefore demonstrate that interventions are designed to prioritize those who are most affected and least able to cope.

678. This involves identifying vulnerable groups and ensuring that their needs are addressed in a targeted and inclusive manner. It also requires consideration of factors such as gender, income, and social marginalization, which can influence vulnerability. Equity considerations should be integrated throughout the proposal, from needs assessment to intervention design and implementation. This ensures that the benefits of the project are distributed fairly and that no groups are excluded.

9) From Response to Recovery and Resilience

679. While loss and damage finance is primarily focused on responding to impacts, strong proposals also consider the broader trajectory from response to recovery and, where possible, to enhanced resilience.

680. This involves designing interventions that not only restore what has been lost, but also reduce the risk of future losses. For example, rebuilding infrastructure in a more resilient manner can help prevent repeated damage, while restoring livelihoods can enhance long-term stability. Although the primary objective is to address existing impacts, integrating recovery with forward-looking considerations can strengthen the overall effectiveness and sustainability of the intervention.

10) Summary of Loss & Damage Core Framework

681. In summary, the loss and damage core framework follows a clear and structured logic **from climate impact to loss and damage to unavoidability to needs to response to recovery**. This framework ensures that proposals are grounded in real impacts, clearly distinguish loss and damage from adaptation, and provide targeted, timely, and equitable responses to affected populations.

Key Takeaway: A loss and damage proposal succeeds when it clearly demonstrates that climate impacts have resulted in unavoidable losses, identifies the resulting needs, and delivers timely, targeted, and equitable interventions that support recovery and reduce the risk of further harm.

682. The following table provides a checklist for the loss & damage core framework. This is especially relevant when the loss & damage framework is applied to prepare a concept to decide on whether or not to apply to a climate fund, or to attract MDBs, IFIs and NDBs to either develop a funding proposal (as Accredited Entity) or to provide funding to the proposed project (as provider of climate finance). In a final version of a funding proposal, no score of "weak" is allowed, and for each section, the number of "strong" scores need to at least equal the number of "adequate" scores. When approaching MDBs, IFIs and NDBs, some gaps are acceptable, but the framework average should be more than adequate.

Table 4. Loss & damage core framework checklist

Checklist item	Strong	Adequate	Weak
Loss & Damage Identification			
Are climate-related losses and damages clearly described?			
Are impacts documented with evidence (data, reports)?			
Are both economic and non-economic losses considered?			
Climate Attribution			
Is there a clear link between climate change and the impacts?			
Are extreme events or trends documented?			
Unavoidability			
Is it explained why these impacts could not be prevented?			
Are limits of adaptation clearly described?			
Is there no overlap with adaptation framing?			
Impact and Needs Assessment			
Who is affected and how?			
What are the priority needs?			
Are vulnerable groups identified?			
Response Logic			
Does the project directly address the identified losses/damages?			
Are interventions practical and targeted?			
Is there a clear recovery or rehabilitation pathway?			
Urgency			
Is there a clear need for immediate or near-term action?			
Is the project ready for rapid implementation?			
Equity and Inclusion			
Are vulnerable populations prioritized?			
Is access to benefits equitable?			
Complementarity			
Why can this not be funded through adaptation or development finance?			
Is duplication avoided?			

E. Comparison of the core frameworks

683. All applications to climate funds must follow one of three core logics: reducing emissions, reducing vulnerability, or responding to unavoidable impacts – and each requires a distinct core framework representing its logic. **The most common reason proposals fail is not weak technical design, but misalignment with the core logic of the funding window.** The following table summarizes how the three core frameworks compare on key dimensions. This can be a useful summary to understand how these frameworks differ, but also how they embody comparable logics.

Table 5. Summary of the core frameworks

Dimension	Mitigation	Adaptation	Loss & Damage
Core question	How to reduce emissions?	How to reduce vulnerability?	How to respond to impacts?
Starting point	Emissions baseline	Climate risk & vulnerability	Loss & damage
Key driver	Efficiency and transformation	Risk reduction	Urgent response
Central metric	tCO_2e reduced	Reduced vulnerability	Restored systems / needs met
Time horizon	Medium–long term	Medium–long term	Immediate–short term
Core logic	Reduce future emissions	Reduce future risks	Address current impacts

X. DECIDING TO APPLY FOR FINANCING FROM A CLIMATE FUND

A. Introduction

684. Before selecting a specific climate fund or investing significant effort in preparing an application, it is essential to determine whether a project is actually suitable for climate funds in the first place. This step is often overlooked, yet it is one of the most important determinants of success.

685. Many projects in sectors such as water, energy, or infrastructure are assumed to be "climate-relevant" simply because they operate in climate-sensitive areas. However, climate funds are not designed to finance general development needs. They are intended to support specific types of interventions that directly address climate change, either by reducing emissions, reducing vulnerability, or responding to climate impacts.

686. As a result, a large proportion of proposals fail not because they are poorly designed, but because they do not clearly demonstrate a strong and credible climate rationale. Attempting to force a project into a climate finance framework without this foundation often leads to rejection by the climate fund and wasted effort.

687. This chapter provides a structured framework to help answer a fundamental question: Is this project suitable for climate funds, or should it be financed through other sources? It first discusses this as a narrative argument and then translates the narrative into a checklist that can easily be applied.

B. Understanding the Purpose of Climate Funds

688. To determine whether a project or program is a good candidate for climate fund financing, it is important to recall what climate funds are intended to achieve. As previously elaborated, **climate funds exist to address problems that arise specifically because of climate change.** These problems fall into three broad categories:

- Mitigation: reducing greenhouse gas emissions or enhancing carbon sinks;
- Adaptation: reducing vulnerability to climate risks; and
- Loss and damage: responding to climate impacts that cannot be avoided.

689. This means that climate funds are not simply alternative sources of funding for infrastructure or development projects. Rather, it is targeted at interventions where climate change is a central driver of the problem and the solution. A project that improves water supply, for example, is not automatically a good candidate for climate fund financing. It only becomes so if the project is explicitly designed to address climate-related risks, such as drought, flooding, or variability in water availability.

C. A Structured Decision Logic

1) Step 1: Identifying a Clear Climate Problem

690. The first and most fundamental step is to determine whether the project addresses a clearly defined climate-related problem. This requires identifying a direct link between climate change and the issue the project seeks to address. This link may take different forms. In the case

of adaptation, the problem may be increasing climate risks, such as more frequent droughts or floods. In mitigation, the problem is excessive greenhouse gas emissions. In the case of loss and damage, the problem is the occurrence of climate-related impacts that have already caused harm.

691. What is important is that the problem is not merely associated with climate change, but driven by it. For example, a water supply shortage caused by population growth is a development issue. A shortage caused by prolonged drought linked to climate change is a climate issue.

692. If the project does not deal with such a climate-driven problem, or if this cannot be clearly substantiated, the project is unlikely to be suitable for climate funds. However, in such cases it may still be attractive for MDBs and other financiers, because they may be able to claim to provide climate finance.[60]

2) Step 2: Distinguishing Climate-Specific Benefits from General Development Benefits

693. Even when a climate problem exists, it is essential to distinguish between climate-specific benefits and general development benefits. Climate funds require that the project delivers benefits that are directly linked to climate change. This means that the climate dimension must be integral to the project, not incidental.

694. For example, replacing ageing infrastructure may improve efficiency and service delivery, but this is primarily a development benefit. By contrast, upgrading infrastructure to withstand increased flooding or extreme weather events directly addresses climate risks and therefore constitutes a climate benefit.

695. This distinction is often subtle but critical. Proposals that fail to clearly separate climate-specific benefits from broader development outcomes are frequently rejected by climate funds, but may still be welcome with MDBs, NDBs and IFIs, although with less concessional terms than would have been available at the climate funds.

3) Step 3: Establishing a Clear Climate Rationale

696. A strong climate rationale is at the heart of any successful climate finance application. It provides a clear and evidence-based explanation how climate change is affecting the system in question; why this creates a problem that needs to be addressed; and how the proposed intervention responds to this problem.

697. This requires more than general statements about climate change. It involves presenting specific evidence, such as observed trends, projections, or documented impacts. For example, rather than stating that climate change may affect water supply, the proposal would explain how rainfall patterns are changing, how this affects water availability, and why this creates a need for specific interventions.

698. In the approval process, this rationale is often one of the most heavily scrutinized elements of a proposal. Weak or generic climate arguments are a common cause of rejection. Instead, use available reports, and complement these with results from downscaled climate models and risk

[60] This is outside of the scope of this note, but MDBs have committed to providing significant amounts of climate finance. Usually, MDBs have targets that are expressed as a percentage of total finance. MDBs and other international financial institutions (IFIs) and national development banks (NDBs) have agreed to quite stringent guidelines what can be counted as climate funds. These guidelines are difficult to meet, and therefore, MDBs, NDBs and IFIs welcome opportunities that may enable them to claim climate finance.

maps (for adaptation projects) and GHG inventories developed according to the best available methodological guidance.

4) Step 4: Demonstrating the Need for Climate Finance

699. Another critical requirement is demonstrating that finance from climate funds is necessary to enable the project. Climate funds are not intended to replace conventional funding sources, but to support projects that would not otherwise be implemented, or that require additional resources due to their climate-related components. This may be the case if climate-resilient design increases costs; financial or institutional barriers prevent implementation; or the project involves risks that private or public investors are unwilling to take.

700. In practice, this means that applicants must explain why the project cannot proceed under "business-as-usual" conditions, and how climate finance helps overcome these constraints. If the project would be implemented anyway, without financing from climate funds, it is unlikely to meet this criterion, but may nevertheless be of interest to MDBs, NDBs and IFIs.

5) Step 5: Assessing Scale and Strategic Relevance

701. Climate funds typically prioritize projects that have sufficient scale, impact, or strategic relevance. Very small or routine projects may not justify the effort required for application, particularly given the complexity of climate finance processes. Similarly, projects that are purely local and not scalable may be less competitive in some funding windows.

702. This does not mean that smaller projects are excluded, but they must still demonstrate clear climate relevance; meaningful impact; and potential for replication or scaling (where relevant). Applicants should therefore consider whether the project is sufficiently significant to warrant applying to a climate fund.

6) Step 6: Evaluating Institutional Capacity and Readiness

703. Applying to a climate fund for finance requires a significant investment of time and resources. It involves detailed technical analysis; preparation of complex documentation; and coordination among multiple stakeholders. Institutions must therefore assess whether they have the capacity to undertake this process.

704. If capacity is limited, it may be necessary to partner with experienced organizations; engage accredited entities or consultants; or delay application until sufficient preparation has been undertaken. Failure to adequately assess and address potential capacity limits can result in incomplete or weak proposals.

7) Step 7: Recognizing Red Flags

705. In addition to identifying suitable projects, it is equally important to recognize when a project is not suitable for financing through climate funds. Common warning signs include:

- A weak or unclear climate rationale;
- Benefits that are primarily developmental rather than climate-specific;
- Projects that represent routine or business-as-usual activities;
- Lack of justification for concessional or climate-specific funding; and
- Very small or fragmented projects with limited impact.

In such cases, pursuing finance from climate funds may not be the most effective use of resources, and alternative funding sources should be considered.

D. Practical Checklist

706. Based on the narrative in the preceding sections, the following table provides a practical checklist that can serve as a screening tool to assess. For preparation of a proposal to a climate fund to be successful, most of the checklist items need to be "strongly addressed", for the others, the minimum is adequate. Hence:

- If less than 50% of the items on the list scores strongly addressed, either improve some of the other items to strongly address or stop the climate fund process. Approaching MDBs, IFIs and NDBs for financing remains an option.
- If any of the items has an assessment of "weak, lost cause", meaning that it is weak and cannot reasonably be improved, the project is unsuitable for climate funds. Approaching MDBs, IFIs and NDBs for financing remains an option.
- If any items has a "weak, recoverable" assessment, it means it is weak but can be improved. The logical next step is to improve it before making the final decision to proceed.

Table 6. Practical checklist to decide whether to apply for finance from a climate fund

Item	Strongly addressed	Adequate	Weak, recoverable	Weak, lost cause
Climate Relevance				
Does the project address a clearly defined climate risk, emissions issue, or climate impact?				
Is there credible evidence supporting this, such as data, studies, or observed trends?				
Climate-Specific Benefits				
Are the project's benefits directly linked to climate change?				
Would the project still be necessary in the absence of climate change?				
Climate Rationale				
Is there a clear explanation of how climate change causes the problem?				
Is there a clear explanation of how the project addresses this problem?				
Need for Finance from Climate Funds				
Would the project be implemented without financing from the climate fund?				
Does the financing from the climate fund address a specific barrier or cost gap?				
Strategic Fit				
Does the project align with national climate strategies (e.g. NDCs, NAPs)?				
Can it be clearly linked to the conceptual logic of a specific climate fund?				
Scale and ambition				
Is the project of sufficient scale or importance?				
Does the project go beyond routine or business-as-usual activities?				
Implementation Readiness				
Are key stakeholders identified and engaged?				

Item	Strongly addressed	Adequate	Weak, recoverable	Weak, lost cause
Is there sufficient institutional capacity or access to partners?				

XI. SELECTING THE CLIMATE FUND

A. Introduction

707. Selecting the most appropriate climate fund is one of the most critical early decisions in the preparation of a funding proposal. While many climate funds support similar sectors – such as water, energy, or infrastructure – they differ fundamentally in terms of their conceptual focus, objectives, and approval criteria.

708. A common mistake is to begin with a predefined project idea and attempt to "fit" it into a particular fund. In practice, successful applications take the opposite approach: they start by identifying the nature of the problem being addressed, and then select the fund whose conceptual framework best matches that problem.

709. Each of the funds considered in this guidance document – GCF, GCF-SAP, MAF, AF, FRLD, and IKI – serves a distinct role within the climate finance landscape:

- Some funds focus on reducing emissions (e.g. MAF);
- Others focus on reducing vulnerability to climate change (e.g. AF);
- Some are designed to support large-scale climate investments (e.g. GCF);
- Others support smaller, scalable interventions (e.g. GCF-SAP);
- The FRLD addresses loss and damage that cannot be avoided;
- IKI focuses on policy, institutional, and system-level transformation.

710. Understanding these distinctions is essential. The same project – such as improving water supply systems – can be framed in very different ways depending on the fund being targeted. The decision framework below provides a structured approach to making this choice.

B. A Step-by-Step Decision Logic

1) Step 1: Identifying Loss and Damage

711. The first question to consider is whether the project is addressing loss and damage caused by climate change that is already occurring or cannot be avoided. This includes situations where climate impacts have already materialized and require response or recovery. Examples include:

- Reconstruction of water infrastructure after flooding;
- Emergency water supply following drought; and
- Rehabilitation of systems damaged by extreme events.

712. If the core purpose of the project is to respond to such impacts, then the appropriate funding window is clearly the FRLD. This is the only fund among those considered that is specifically designed to address post-impact response, rather than prevention or risk reduction. Projects that focus primarily on recovery or rehabilitation are unlikely to fit well within other funds, which tend to prioritize forward-looking interventions.

713. If the project primarily addresses loss and damage, FRLD is the only applicable fund, and the search can stop after the first step. If the project does not fall into the loss and damage category, the next step is to consider whether it is primarily focused on GHG mitigation.

2) Step 2: Identifying Mitigation-Focused Projects

714. If the project is primarily aimed at reducing greenhouse gas emissions, it falls within the domain of mitigation finance. Typical examples in the water sector include improving energy efficiency in water pumping or treatment systems; integrating renewable energy into water infrastructure; and reducing methane emissions from wastewater systems.

715. Within the mitigation category, an important distinction must be made between projects that are primarily technical investments and those that are designed to achieve sector-wide transformation, e.g. through introduction of new policies, new financial mechanisms or market transformation.

716. If the project combines technical measures with policy reform; financial mechanisms; and/or market transformation, with the emphasis on non-technical measures, then it is likely to be a strong candidate for MAF. MAF specifically targets programs that address systemic barriers and enable large-scale emissions reductions. For programs that are very large, or with large technical measures next to non-technical measures, GCF will be indicated.

717. If the project is more focused on implementing infrastructure or technology without a strong financial or policy component, then GCF or SAP may be more appropriate. In this case, the choice between GCF and SAP depends largely on the scale and complexity of the project. Larger, more complex, and more transformative projects are suited to GCF full proposals, while smaller and lower-risk projects are better suited to GCF-SAP.

3) Step 3: Identifying Adaptation-Focused Projects

718. If the project is not primarily focused on mitigation, the next step is to determine whether it is aimed at reducing vulnerability to climate change, which is the domain of adaptation. Water sector adaptation projects typically address risks such as:

- Water scarcity due to drought;
- Flooding and damage to infrastructure; and
- Increased variability in water availability.

719. Within adaptation, a key distinction is between practical, local interventions and larger or more strategic programs. Projects that **focus on practical local interventions** such as delivering direct benefits to communities; improving resilience at the local level; and implementing concrete measures such as infrastructure upgrades or service improvements, are generally well suited to the AF. The AF is specifically designed to support concrete adaptation actions with tangible and immediate benefits.

720. If the project has a broader, **more strategic scope** – for example, if it aims to scale up solutions across regions; influence sector-wide practices; or integrate adaptation into national systems, then the GCF or GCF-SAP may be more appropriate. As with mitigation projects, the choice between GCF full proposals and SAP depends on the scale, complexity, and risk level of the project.

4) Step 4: Identifying Policy and System Transformation Projects

721. Some projects are not primarily about delivering infrastructure or direct services, but about enabling systemic change. These may include:

- Strengthening governance frameworks;
- Developing policies or regulatory systems;
- Building institutional capacity; and
- Improving coordination across sectors.

722. Projects focused on enabling systemic change are particularly well suited to IKI, with alternative options GCF and MAF. IKI focuses on policy-driven and institutional transformation, and is designed to support projects that create enabling conditions for climate action. It is particularly appropriate for projects that:

- Support implementation of national strategies;
- Strengthen institutions; and
- Facilitate scaling of climate solutions.

723. In practice, IKI projects often combine technical elements with strong policy and institutional components. Projects that are purely infrastructure-focused are less likely to be competitive unless they are embedded within a broader framework of system change.

C. Integrating Scale and Ambition

724. In addition to the type of problem being addressed, the scale and ambition of the project play an important role in fund selection. Smaller, lower-risk projects are generally better suited to GCF-SAP; Adaptation Fund; or smaller IKI funding windows.

725. Larger and more complex projects, particularly those with transformational ambitions, are better suited to GCF (full proposals); MAF; or larger IKI programs.

726. The level of ambition is also important. Projects that aim to achieve system-level change are more likely to align with GCF (paradigm shift); MAF (sector transformation); IKI (policy and institutional transformation). By contrast, projects focused on direct and immediate benefits are more aligned with Adaptation Fund; or GCF-SAP.

D. Applying the Framework in Practice

727. The decision framework can be summarized through a set of guiding questions that, if systematically answered, will guide the applicant to the fund that the best matches the nature of the problem and the characteristics and scale of the project

- Is the project responding to climate impacts that have already occurred? If yes, the FRLD is the most appropriate option.
- Is the project primarily focused on reducing emissions? If yes, consider MAF (for transformational programs) or GCF including SAP (for investment projects).
- Is the project focused on reducing vulnerability to climate change? If yes, consider AF (for practical interventions) or GCF/SAP (for larger or scalable programs).
- Is the project focused on policy, institutional, or system-level change? If yes, IKI is likely the most appropriate fund.
- What is the scale and complexity of the project? In the case of smaller projects, SAP or AF are indicated, in the case of larger projects, GCF, MAF, or IKI.

E. Implications for NWSDB

728. The framework presented can be applied to the different types of projects that NWSDB may be considering in the CCRR and Carbon Footprint Reduction Roadmap (CFRR). Doing so provides the following insights:

- Projects focused on infrastructure resilience, such as climate-proofing water supply systems, are typically well suited to the Adaptation Fund or GCF, depending on their scale.
- Projects aimed at reducing energy use or integrating renewable energy into water systems may be suitable for MAF (if they include financial and policy components) or GCF.
- Projects focused on sector reform, governance, or planning are particularly well aligned with IKI.
- Projects that address damage caused by extreme events, such as rebuilding infrastructure after floods or droughts, are best suited to the FRLD.

729. One feature that complicates the picture is that an organization like NWSDB may have many projects that qualify for and need climate finance. In practice, making several applications to the same climate fund will be impossible for the water sector of Sri Lanka, let alone for an organization like NWSDB. This means that NWSDB needs to be practical and strategic in applying this framework. Similar themed projects need to be grouped into a limited number of aggregated programs, and the limited programs need to be fit with the funds that bring the most benefits to NWSDB or Sri Lanka, considering the whole portfolio. Typically this means a large adaptation program targeting GCF, and a large mitigation program targeting MAF or IKI, if it cannot be combined with the adaptation program into one. This is also a topic where MDBs and other development partners may be able to provide advice.

F. Practical advice to NWSDB

730. Pulling all materials together, the following describes a practical approach to NWSDB to consider climate finance, building on this guidance, the Climate Change Resilience Roadmap (CCRR), and the Carbon Footprint Reductions Roadmap (CFRR):

- Consider the full set of actions recommended in the CCRR and CFRR;
- For each action, apply the checklist in Section X.D to determine whether it makes sense to apply for a climate fund, assuming that each action would be developed to a project in the best possible manner.
- For each action that satisfies this screening, apply the decision logic and Checklist of Section XI to determine what climate fund would be the best fit, and what would be the second- and third-best fit.
- Determine whether the recommendations from the last steps would lead to multiple applications to the same climate fund, and whether this could be avoided by selecting second- and third-best fits.
- If the previous step results in unavoidable multiple applications to the same fund, consider how funds could be aggregated in a manner that results in the minimum number of internally coherent programs. If there are still several programs that would target the same climate fund, determine priorities, again considering second- and third-best fits. Discuss this with MHCWS and the Ministry of Environment, and seek their confirmation of the next steps.[61]
- Use the core frameworks of Section IX to develop each of the programs retained to 5-page concepts. Apply the core framework checklists to check for completeness.

[61] One reason for this consultation is that MHCWS may also seek climate fund financing for the whole water sector. Coordination is therefore important. If a sectoral climate fund approach is considered, NWSDB may take the following steps in cooperation with other sector organizations, perhaps playing a leading role in the sectoral application process.

- Reapply the checklist of Section X.D to confirm that the program is suitable for climate funds and the framework and checklist of Section XI to confirm the targeted climate fund.
- After confirmation, discuss the concept notes developed according to the core frameworks with trusted development partners and MDBs. NWSDB will need these organizations in many cases anyway to be able to access climate funds, these organizations may develop the full proposals, and these organizations will be able to advise on alternative sources of funding and changes in priorities and requirements of various climate funds.
- If the development partner or MDB is interested, work with the development partner and MDB in finalizing and submitting the funding proposal(s).

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