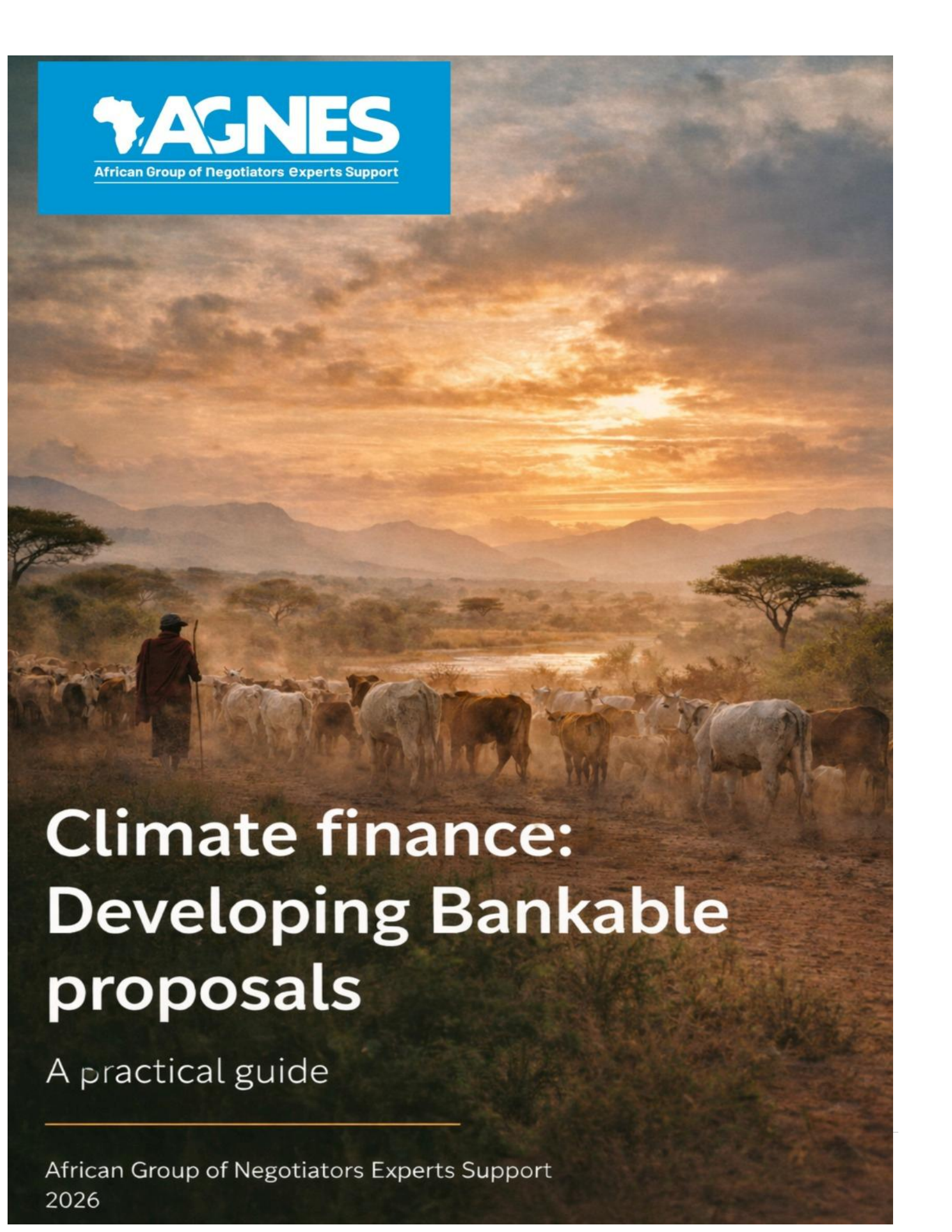




African Group of Negotiators Experts Support

A full-page background image showing a pastoralist in a red robe and hat herding a large group of cattle across a savanna landscape at sunset. The sun is low on the horizon, casting a warm orange glow over the scene, with mountains visible in the distance.

Climate finance: Developing Bankable proposals

A practical guide

African Group of Negotiators Experts Support
2026

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1.0 INTRODUCTION

1.1 Background

Africa faces acute climate vulnerabilities yet holds immense potential for climate action in adaptation and mitigation. The continent is uniquely positioned to realise sustainable development due to its endowment with vast renewable energy potential, rich natural resources, and a youthful, innovative workforce. The continent could leapfrog to low-emission, climate-resilient development while realizing its adaptation and mitigation goals. One of the main barriers to this is the access to climate finance, where the continent only receives between 3-4% of the global climate finance. Within this wider challenge, the livestock sector tends to receive even less climate finance, despite its importance for livelihoods and economic development. **Climate finance flows remain skewed away from livestock, and the sector is often viewed mainly through its emissions profile, making climate-rationale development more complex, particularly where projects must demonstrate both adaptation and mitigation benefits.** At the same time, crowding-in private investment remains limited, and many stakeholders need practical skills to move from “understanding climate finance” to actually accessing it by building bankable proposals and credible business cases, grounded in and aligned with policy priorities.

1.2 Learning Objectives

The overall goal of the course is to strengthen the capacity of participants to develop bankable proposal for increased investment in climate-resilient livestock systems. By the end of the course, participants will be able to:

- Explain the climate finance architecture and landscape and identify opportunities for potential livestock-related investments.
- Diagnose livestock sector challenges and barriers using various analytical tools that help to translate national priorities into fundable solutions.
- Develop the building blocks of a bankable proposal and innovative business solutions that integrate public, private and other sources of climate finance

1.3 Structure

The course is structured into **four units**.

- Understanding Climate Finance Architecture and Landscape
- Policy Alignment and entry points
- Practical approach through a Step-by-Step process to develop bankable proposals
- Accessing bankability of proposals

The course reinforces cumulative learning while gradually increasing the level of complexity and practical engagement including group exercises, write shop sessions, peer exchange, and expert feedback.

1.4 Participant's Profile

This course is intended for

- Policymakers and government technocrats (relevant ministries/agencies)
- Private sector actors, including banks/accredited entities and umbrella organizations
- Civil society organizations (CSOs)
- Research and Academia

1.5 Mode of Delivery

The course is delivered using a practice oriented and application focused approach, combining structured instruction with hands on proposal development. Interactive lectures are used to introduce key concepts, frameworks, and tools which are complemented by case studies drawn from approved climate finance projects. A central feature of the course is the use of writing session, where participants work individually and in groups to apply concepts directly to the development of climate finance proposals. Through guided exercises, participants will develop problem trees, climate rationales, theories of change, logical frameworks, and budgets aligned with climate finance requirements. This will be complemented by feedback sessions with experts and the group to enhance peer learning and further refinement of the proposals. Participants will engage with practical decision support tools.

1.6 Certification

Participants who successfully complete and meet requirements of the course will receive a Certificate of Completion. Certification will be based on active engagement in the course sessions.

2.0 UNIT 1: CLIMATE FINANCE ARCHITECTURE AND LANDSCAPE

2.1 Overview

This unit introduces the foundations of climate finance and provides participants with a clear **understanding of how climate finance systems are structured, how they function, and why they matter for climate action and development**. It is designed to build the baseline knowledge required to engage with climate finance processes, whether in policy, project development, or investment contexts. Participants will be guided through the key concepts, principles, and frameworks that shape climate finance, including how financial resources are mobilized, governed, and delivered across global and national systems. The unit also unpacks the different sources of climate finance, the roles of various institutions involved in climate finance (such as Accredited entities etc), and the range of financial instruments used to support climate adaptation and mitigation (such as grants, loans, equity, guarantees etc). In addition, the unit discusses climate finance flows across regions and sectors, highlighting current financing gaps and the implications for Africa.

2.2 Learning objectives

By the end of this unit, participants will be able to:

- Explain the key concepts and importance of climate finance in supporting climate action.
- Describe the climate finance architecture, including key actors, sources, and financial instruments.
- Identify climate finance flows, gaps and opportunities.

2.3. Introduction to Climate Finance

2.3.1 What is Climate Finance?

According to the United Nations Framework Convention on Climate Change, climate finance refers to “*local, national or transnational financing drawn from public, private and alternative sources of financing that seeks to support mitigation and adaptation actions that will address climate change*”.

The Intergovernmental Panel on Climate Change defines climate finance as the “*financial resources devoted to addressing climate change by all public and private actors from global to local scales, including international financial flows to developing countries to assist them in addressing climate change*” (IPCC, 2022).

The Standing Committee on Finance definition Climate finance aims at “*reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts*” (Standing Committee on Finance, 2023)

Notwithstanding all these definitions there is no agreed definition of climate finance and this is one of the outstanding issues in the climate finance negotiations.

2.3.2 Why Climate Finance?

Climate finance can play a crucial role in addressing the climate crisis in the context of countries’ quest towards achieving sustainable development and poverty eradication. Africa is one of the most highly vulnerable continents to climate change impacts and requires significant financial support to mitigate and adapt to these impacts. Although Africa contributes about 4% of the global GHG emissions, climate finance can assist countries to transition to low carbon development pathways and avoid an increasing absolute emission from the continent.

2.3.3 Key Concepts in Climate Finance

i. Sustainable finance

According to European Union and Organization for Economic Co-operation and Development (OECD), sustainable finance is *the integration of environmental, social, and governance (ESG) factors into financial decisions*. This approach encourages investment in projects that aim for long-term sustainability by balancing financial returns with positive environmental and social impacts. Climate finance is a part of sustainable finance.

ii. **Green finance**

Green financing as an approach that seeks to “*increase level of financial flows from public, private, and not-for-profit actors “to sustainable development priorities”* (United Nations Environment Programme [UNEP], 2018). In practical terms, green finance refers to financing directed toward environmentally beneficial to promote environmentally sustainable outcomes, particularly mitigation and adaptation projects related to climate change.

iii. **Climate Rationale**

The Green Climate Finance (GCF) defines climate rationale as an “*overarching narrative of a proposal which ensures that it addresses climate change and thus contributes to the criteria of the GCF Investment Framework*” (GCF, 2022). A climate rationale demonstrates the need for a particular intervention as a result of a country’s changing climate context. It justifies why the project is necessary beyond the country’s development goals and aligns it with climate impacts.

iv. **Paradigm Shift**

The GCF defines paradigm shift potential as the “*degree to which the proposed activity can catalyze impact beyond a one-off project or programme investment*” (GCF, 2020/2022). It outlines how the project can shift development pathways towards low-emission and climate-resilient growth, thus creating long-term impacts.

v. **Sustainability**

A widely used foundational definition comes from the Brundtland Commission, which describes sustainable development as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (World Commission on Environment and Development, 1987, as cited by the United Nations). The sustainability of a project focuses on how it will continue to thrive after the initial support ends. Projects should have a long-term sustainability and an exit strategy to ensure they remain impactful beyond the initial investment.

vi. **Additionality**

The Green Climate Fund (GCF) defines additionality as “*the requirement that a proposed project or activity provides “extra” climate benefits specifically, greenhouse gas (GHG) emission reductions that would not have occurred without the financial contribution, technical support, or influence of the GCF, ensuring the project goes beyond “business-as-usual” scenarios*” (GCF, 2022). Additionality ensures that climate finance is needed for the project to proceed. It demonstrates that the project would not happen under business-as-usual conditions without the financial support provided by climate finance.

vii. **Carbon markets and carbon credits**

Carbon markets are mechanisms through which greenhouse gas emission reductions or removals can be traded to generate financial value for climate mitigation. They operate under both compliance and voluntary frameworks, with carbon credits serving as the tradable unit issued for verified mitigation outcomes (UNEP, 2024; World Bank Group & IMF, 2023). One carbon credit typically represents one metric ton of carbon dioxide equivalent (tCO₂e) reduced or removed (World Bank Group & International Monetary Fund, 2023; World Bank, 2025). In climate finance, carbon markets are important because they can mobilize additional resources for mitigation activities and are increasingly relevant as regulatory frameworks evolve and private sector participation expands (UNEP, 2024; World Bank, 2025). They also create opportunities to finance interventions in land use, agriculture, and livestock systems, including methane reduction, rangeland restoration, and sustainable land management, thereby linking climate mitigation with biodiversity and land-related outcomes (FAO, 2013; World Bank, 2024).

viii. **Debt-for-climate swaps**

Debt-for-climate swaps are arrangements in which a country’s debt obligations are restructured,

reduced, or exchanged in return for commitments to invest in climate-related actions such as mitigation, adaptation, or resilience. They are generally understood as part of the wider family of debt-for-development swaps, where debt service is redirected toward agreed development or environmental purposes. In climate finance, debt-for-climate swaps are relevant because they can create fiscal space for climate action while reducing debt pressure (UNEP, 2023; World Bank, 2024).

ix. **Debt-for-nature swaps**

Debt-for-nature swaps are arrangements in which a country's external debt is restructured, reduced, or exchanged in return for commitments to support conservation, ecosystem protection, or other nature-related priorities. They form part of the broader family of debt-for-development swaps, in which debt service is redirected toward agreed environmental or development objectives. In climate and environmental finance, they are relevant because they can help create fiscal space while channeling resources toward nature and sustainability goals (Occhiolini, 1990; United Nations Development Programme, 2023; World Bank, 2024).

x. **Biodiversity credits**

Biodiversity credits are emerging market instruments designed to finance actions that deliver measurable positive outcomes for nature and biodiversity. The World Economic Forum describes them as financial or economic instruments that can help channel finance toward activities resulting in positive biodiversity outcomes, while emphasizing the importance of high integrity, credible metrics, and strong governance in the development of the market (World Economic Forum, 2024, 2025). In the context of climate and environmental finance, biodiversity credits are relevant because they can help mobilize additional resources for ecosystem restoration, conservation, and nature-positive development.

2.3.3 Key Principles of Climate Finance

i. **Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC)**

CBDR-RC is a principle under the UNFCCC that recognizes that while all countries are responsible for addressing climate change, developed countries bear greater responsibility due to their historical emissions. Therefore, they are expected to provide financial support to developing countries to help them mitigate and adapt to the effects of climate change (UNFCCC, 2018).

ii. **Polluter Pays Principle**

Principle 16 of the Rio Declaration on Environment and Development provides that national authorities should promote the internalization of environmental costs, taking into account the approach that “*the polluter should, in principle, bear the cost of pollution*” (United Nations, 1992, Principle 16). The OECD similarly defines the polluter pays principle as one under which “the polluter should bear the expenses” of pollution prevention and control measures decided by public authorities (OECD, 1972/2024). In climate finance, this principle supports the view that those most responsible for greenhouse gas emissions should contribute more toward the costs of mitigation, adaptation, and climate-related loss and damage.

iii. **Prevention principle**

Principle 2 of the Rio Declaration affirms that States have “*the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies*,” but also “*the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction*” (United Nations, 1992, Principle 2). Building on this foundation, UNEP explains that the prevention principle requires action “*to prevent known risks of environmental harm from materialising*” (UNEP, 2018, p. 16). In the context of climate finance, this principle supports investments that reduce foreseeable climate-related harm through early, risk-informed, and anticipatory action.

iv. **Precautionary principle**

Principle 15 of the Rio Declaration provides that, “*In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities*” and that where there are threats of serious or irreversible damage, “*lack of full scientific certainty shall not be used as a*

reason for postponing cost-effective measures to prevent environmental degradation” (UN, 1992, Principle 15). Building on this, UNEP explains that the precautionary principle supports anticipatory action in situations of scientific uncertainty, particularly where there is a risk of significant environmental harm (UNEP, 2018). In the context of climate finance, the precautionary principle supports early investment in adaptation, resilience, and risk-reduction measures even where the full scale or timing of future climate impacts may not yet be certain

v. **Transparency and Accountability**

Transparency is a core principle of climate finance governance. The Paris Agreement requires developed country Parties to provide “*transparent and consistent information*” on support provided and mobilized (Paris Agreement, 2015, Art. 9, para. 7). The enhanced transparency framework further emphasizes transparency, accuracy, completeness, consistency, and comparability in reporting (United Nations Framework Convention on Climate Change [UNFCCC], 2018). In practice, this principle supports better tracking, reporting, and accountability for climate finance flows and results.

vi. **Country Ownership**

Country ownership is a central principle of climate finance. The GCF states that it follows a “*country-driven approach*”, meaning that developing countries lead programming and implementation. Projects should be owned and driven by the recipient governments and the communities they intend to benefit, with national priorities framing the support provided by financial institutions. In practice, this means climate finance should align with nationally identified priorities, institutions, and planning processes rather than imposing externally designed interventions

vii. **Alignment and coherence of Finance flow**

A core principle of climate finance is that financial resources should be aligned and coherent with climate goals, national priorities, and wider development pathways. The Paris Agreement states that one of its objectives is “*making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*” (Paris Agreement, 2015, Art. 2, para. 1(c)). In practice, this means climate finance should not operate in isolation or through fragmented processes but should be coordinated in ways that support nationally determined priorities, improve efficiency, and direct both public and private investment toward low-emission and climate-resilient development.

viii. **Responsiveness to Country Needs and Climate Vulnerability**

The Paris Agreement states that scaled up financial resources should consider the “*priorities and needs of developing country Parties*”, especially those that are particularly vulnerable to climate change and have significant capacity constraints (Paris Agreement 2015, Art. 9, para. 4). Climate finance should respond to the self-defined needs of developing countries, prioritizing those with the greatest vulnerability and the lowest capacity to access funds.

ix. **Financial Additionality**

Financial additionality refers to the principle that climate finance should provide resources that are genuinely additional, rather than simply relabeling or displacing existing finance. Under the UNFCCC, developed countries are required to provide “*new and additional financial resources*” to developing countries (UNFCCC, 1992, Art. 4, para. 3). In operational finance terms, the OECD explains that financial additionality means development finance offers “*terms and conditions that private investors are unwilling or unable to offer,*” thereby avoiding market distortion and crowding out private investment (OECD, 2025). In practice, financial additionality helps show why concessional climate finance is needed and what gap it is filling

x. **Co-Benefits**

The Intergovernmental Panel on Climate Change defines co-benefits as “*a positive effect that a policy or measure aimed at one objective has on another objective, thereby increasing the total benefit to society or the environment*” (IPCC, 2022, p. 7). In climate finance, co-benefits refer to the wider gains that a climate intervention can generate beyond its primary adaptation or mitigation objective. These may include economic, social, environmental, and gender-related benefits. The Green Climate Fund reflects this operationally by requiring proposals to identify at least one positive co-benefit in at least two coverage areas, namely economic, social, environmental, and gender empowerment co-benefits (GCF, n.d).

xi. **Flexibility and Innovation**

The GCF highlights investment in “*new technologies, business models, and practices*” and the use of grants, concessional debt, guarantees, and equity in flexible combinations (GCF n.d). Climate finance must adopt innovative, agile approaches to respond effectively to local capacities and needs. These flexible mechanisms ensure that climate finance is adaptable to changing circumstances. This principle is important because many climate challenges, especially in vulnerable sectors, require tailored financial structures rather than one-size-fits-all instruments.

2.3.5 Global Climate Finance Milestone and Policies

Global climate finance is guided by international diplomacy and agreements on climate change, including the UNFCCC, Kyoto Protocol, and Paris Agreement, all of which emphasize the responsibility of developed countries to provide financial support to vulnerable developing countries. In accordance with CBDR-RC, developed country Parties are to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC. The Paris Agreement’s Article 2.1c requires parties to ensure that finance flows are consistent with pathways toward low greenhouse gas emissions and climate-resilient development.

2.3.5.1 Key Milestones on Climate Finance

Mechanism	Year	Milestone	Decision(s)
Global Environment Facility (GEF)	1991	GEF launched as a pilot global environmental financing mechanism before the Rio Earth Summit	GEF launched as a pilot global environmental financing mechanism before the Rio Earth Summit
	1995	COP 1 confirmed the interim financial mechanism role of the GEF	Decisions 9/CP.1 and 11/CP.1
	1996–1997	COP–GEF relationship formalized	Decisions 12/CP.2 and 12/CP.3
Adaptation Fund (AF)	2001	The Marrakesh Accords established the Adaptation Fund under the Kyoto Protocol	Decision 10/CP.7
	2005	Mandate of the Adaptation Fund clarified	Decision 28/CMP.1
	2007	Adaptation Fund operationalized	Decision 1/CMP.3
	2018–2019	Adaptation Fund began serving the Paris Agreement	Decision 13/CMA.1 and Decision 1/CMP.14
Green Climate Fund (GCF)	2010	The Cancun Agreements decided to establish the Green Climate Fund as part of the Convention’s financial mechanism	Decision 1/CP.16
	2011	COP 17 operationalized the Green Climate Fund	Decision 3/CP.17
	2013	COP 19 approved the arrangements between the COP and the GCF, formalizing the Fund’s accountability and reporting relationship to the COP	Decision 5/CP.19
Loss and Damage Funding Arrangements	2013	COP 19 established the Warsaw International Mechanism for Loss and Damage, creating the institutional basis for work on loss and damage under the UNFCCC	Decision 2/CP.19
	2022	COP 27 and CMA 4 established new funding arrangements, including a dedicated fund	Decisions 2/CP.27 and 2/CMA.4

	2023	COP 28 and CMA 5 operationalized the Fund and adopted its Governing Instrument	Decisions 1/CP.28 and 5/CMA.5
	2024	COP and CMA arrangements with the Fund were further clarified	Decisions 6/CP.29 and 12/CMA.6

2.3.6 Climate Finance Architecture

The climate finance architecture refers to the system of global and national institutions, funds, and mechanisms that mobilize and channel resources to address climate change. This architecture ensures that climate finance flows are directed towards climate mitigation and adaptation projects in developing countries, with the goal of helping them meet their climate targets under the Paris Agreement and other international frameworks. The global climate finance architecture is a complex and evolving system. As the impacts of climate change intensify, architecture continues to evolve, responding to emerging climate risks, policy shifts, and the growing need for financial resources to achieve global climate goals. Understanding this architecture is critical for project developers, policymakers, and funders to navigate the complexities of accessing and managing climate finance effectively, ensuring that resources reach the most vulnerable regions and contribute to sustainable development. (UNFCCC, n.d.; OECD, 2024; ODI, 2016)

2.3.6.1 Overview of the Global Climate Finance Architecture

The global climate finance system involves public, private, and philanthropic sources of funding that are coordinated through various international, regional and national channels. The key actors in the architecture include:

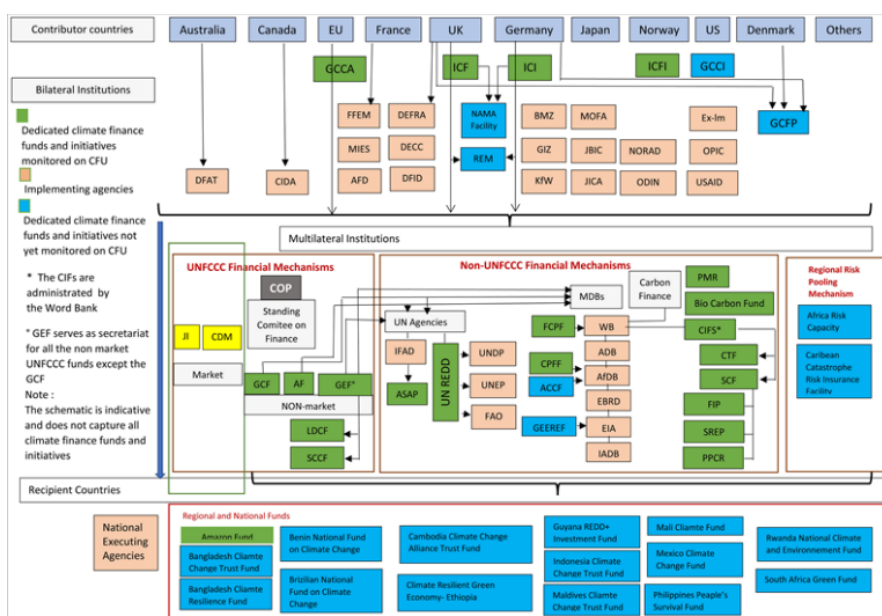


Figure 1: Global climate finance architecture. Source: Watson, Schalatek, and Evéquo (2022). ODI

- ✚ **Global Governance:** Global governance plays a central role in coordinating the flow of climate finance at the international level. It involves global institutions and frameworks that oversee the mobilization, allocation, and delivery of financial resources to support climate action in developing countries. Two of the most influential governance structures in this context are the UNFCCC and the Paris Agreement, both of which provide the overarching frameworks for climate finance.
- ✚ **Financial Mechanisms of the UNFCCC and Other Multilateral Climate Funds:** At the centre of the international climate finance architecture is the Financial Mechanism of the UNFCCC, which also serves the Paris Agreement. Its main operating entities are the Global Environment Facility (GEF) and the Green Climate Fund (GCF). In addition, the Adaptation Fund serves the Paris Agreement and supports concrete adaptation action in developing countries. (UNFCCC, n.d). Beyond these treaty-linked funds, the wider

landscape of multilateral climate funds includes other dedicated multilateral funds and facilities that channel climate finance through multilateral institutions, including funds administered by multilateral development banks and United Nations agencies. These funds play an important role in mobilizing and delivering climate finance across adaptation, mitigation, and resilience priorities.

- ✚ **Multilateral Development Banks (MDBs):** MDBs like the World Bank, African Development Bank (AfDB), Asian Development Bank (ADB), Islamic Development bank, European Investment Bank and other subregional development banks provide substantial financing for climate projects and also act as intermediaries between international donors and recipient countries (African Development Bank et al., 2024).
- ✚ **Bilateral Climate Finance:** Bilateral finance refers to the direct provision of funds from one country (usually a developed country) to another (usually a developing country), often through government agencies. Example: GIZ, FCDO, IDRC, JICA *inter alia*. (OECD, 2024a, 2024b)
- ✚ **National Governments:** Both developed and developing countries contribute to climate finance, either through public funding or by facilitating access to international climate funds, through Ministries, National development banks, and parastatals (UNFCCC, n.d.; Watson et al., 2024).
- ✚ **Private Sector:** Private sector entities, such as banks, institutional investors, and corporations, are increasingly involved in financing climate projects. They often invest in projects that promise commercial returns while simultaneously addressing climate change challenges (OECD, n.d.; OECD, 2024a).
- ✚ **Philanthropic Organizations:** Foundations and philanthropic investors provide grants and concessional finance to support innovative climate projects, especially in areas with high climate vulnerability. Example: The Gates, Rockefeller, Bezos Foundation *inter alia*. (Watson et al., 2024; ClimateWorks Foundation, 2024)
- ✚ **Intergovernmental support mechanism:** Intergovernmental support mechanisms play an enabling role within the climate finance architecture by helping countries build the institutional capacity, technical systems, and project pipelines needed to access climate finance. A good example is the Commonwealth Climate Finance Access Hub and AGNES'NDC Delivery Lab which supports governments in project/pipeline preparation and institutional strengthening to access climate finance.

2.3.6.2 National Climate Finance Architecture

At the national level, climate finance architecture refers to institutional arrangements, coordination mechanisms, and delivery channels through which countries access, manage, align, and oversee climate finance. These national arrangements help ensure that climate finance from domestic, international, and private sources is directed toward national climate priorities and broader development goals, including those reflected in Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs).

National climate finance architecture typically includes government coordination bodies, accredited or implementing entities, sector ministries, national funds, and other institutions that support project identification, endorsement, implementation, monitoring, and reporting. In practice, the exact structure differs from country to country, but its main purpose is to improve country ownership, institutional coordination, and alignment of climate investments with national priorities. (UNFCCC, n.d.; Watson et al., 2024)

- ✚ **National Designated Authorities (NDAs) or Designated National Authorities (DNA):** Government bodies responsible for coordinating climate finance and ensuring that projects align with national priorities. Designated Authorities are government entities that act as the national point of contact for the GCF, adaptation Fund and other mechanisms (GCF n.d.; AF n.d.).
- ✚ **Direct Access Entities (DAE) and National Implementing Entities (NIEs):** are national or regional entities accredited with the GCF or Adaptation fund respectively to access finance through the direct access modality to implement projects and programmes. These entities can be private or public, non-governmental, sub-national, national or regional. These entities carry out a range of activities that usually include the development of funding proposals and the management and monitoring of projects and programmes (GCF n.d.; AF n.d.).

- ✦ **Accredited Entities (AEs):** Are either international, regional, national and subnational that meet the GCF fiduciary standards and are accredited to receive GCF funding. These can be private, public, inter-governmental, non-governmental, regional or international institutions with wide geographic footprint. Only accredited entity can submit a project/ programme proposal and is responsible for overall management of the project/programme funded by international climate financing mechanisms (GCF n.d.).
- ✦ **GEF Agencies:** GEF Agencies develop project proposals and oversee their implementation on the ground. In this role, they support eligible governments and non-governmental organizations in designing, carrying out, and delivering their projects (GEF n.d.)
- ✦ **GEF Operational Focal Points:** GEF works through national focal points and GEF Agencies rather than NDAs. The Operational Focal Point is the principal technical and operational liaison for the GEF at country level (GEF n.d.).

2.3.7 Climate finance Sources and Funds

2.3.7.1 The Green Climate Fund

The [Green Climate Fund](#) (GCF) is a global climate fund established under the United Nations Framework Convention on Climate Change (UNFCCC) to support developing countries in pursuing low-emission and climate-resilient development. It was created to respond to the growing need for scaled-up climate finance and to help countries address both mitigation and adaptation in ways that are aligned with national priorities and the goals of the Paris Agreement. In practice, the GCF supports transformative interventions that can reduce greenhouse gas emissions, strengthen resilience, and generate wider sustainable development benefits. The GCF also supports readiness and preparatory activities to help countries strengthen institutional capacity, develop pipelines of projects, and improve their ability to access and manage climate finance over time (GCF, n.d.). The Fund provides a range of financial instruments, including grants, concessional loans, guarantees, and equity, which allows it to support different types of projects and programmes across sectors such as renewable energy, climate-resilient infrastructure, sustainable land use, ecosystem restoration, agriculture, and water. Access to GCF resources is through Accredited Entities, which work with countries to develop project ideas, prepare funding proposals, and oversee implementation in coordination with National Designated Authorities.

2.3.7.1.1 GCF accreditation process

The GCF accreditation framework establishes a comprehensive and structured institutional accreditation process designed to ensure that entities possess the systems, track record, and capacity to manage climate finance effectively while maintaining accountability and risk management standards:

The process begins with **(i) nomination or self-nomination**, where direct access entities such as national or subnational institutions in developing countries must be nominated by a country's National Designated Authority (NDA), while international and non-government-controlled entities may self-nominate following consultation with the NDA. Applicants must have legal personality and the capacity to enter into agreements and manage funds.

This is followed by **(ii) pre-screening**, a preliminary assessment conducted by the GCF Secretariat to evaluate whether the applicant meets basic eligibility criteria and demonstrates sufficient readiness to undertake the roles and responsibilities of an accredited entity. This stage serves as a filtering mechanism to ensure that only adequately prepared entities proceed, and may also determine eligibility for fast-track accreditation where applicable.

In **(iii) the application stage**, entities that pass pre-screening submit a comprehensive application during defined submission windows, providing detailed documentation on their institutional systems, policies, procedures, and track record. Applicants must specify the **scope of accreditation sought**, including the highest environmental and social risk category (A, B, or C) they intend to manage and whether they will use grant and/or non-grant financial instruments such as loans or equity. At this stage, entities are also required to pay accreditation fees in accordance with GCF policy.

The process then advances to **(iv) screening and assessment**, which constitutes a rigorous and primarily desk-based review undertaken by the Accreditation Panel and the Secretariat. This assessment evaluates the applicant against a defined set of screening requirements covering legal status, governance, fiduciary standards, financial management, procurement systems, integrity policies (including anti-money laundering and prohibited practices), project management capacity, and compliance with environmental and social safeguards, gender policies, and Indigenous Peoples considerations. The assessment also reviews the entity's track record over the past decade, including the scale and types of projects managed and financial instruments used. Applicants may be required to provide additional information during this stage, and failure to respond within specified timelines may result in the application being deemed inactive. Upon completion, a screening report is issued indicating whether the applicant meets the requirements or identifying gaps to be addressed.

Finally, in **(v) the Board decision stage**, the Accreditation Panel submits recommendations to the GCF Board, which makes the final determination on whether to approve accreditation. Approved entities are formally designated as Accredited Entities and receive certification indicating their accreditation scope, including the environmental and social risk category. Entities that do not meet the requirements may address identified gaps and reapply in subsequent application cycles, potentially benefiting from readiness support to strengthen their capacities.

Beyond accreditation, the framework emphasizes continuous accountability and performance. Accredited Entities are subject to ongoing monitoring and reporting under the Monitoring and Accountability Framework and are expected to maintain and strengthen their institutional capacities over time. The GCF also provides extensive **readiness and capacity-building support**, including pre- and post-accreditation assistance, project preparation funding, and technical support during implementation. These mechanisms are designed to enhance direct access, strengthen national institutions, and expand the pool of capable partners able to deliver impactful climate investments,

2.3.7.2 The Global Environmental Facility

The [Global Environment Facility](#) (GEF) is an international financing mechanism that supports action on global environmental challenges, including climate change, biodiversity loss, pollution, land degradation, and ocean health. It plays a long-standing role in climate finance architecture and serves as one of the key operating entities of the UNFCCC financial mechanism. The GEF seeks to generate global environmental benefits while also supporting national development priorities, especially in developing countries where environmental pressures and development needs are closely linked.

In addition to its core trust fund, the GEF manages several specialized funds and programmes that are relevant to climate action. These include the Least Developed Countries Fund, which supports adaptation in least developed countries, the Special Climate Change Fund, which supports adaptation and selected cross-cutting climate activities, and the Small Grants Programme, which provides resources directly to communities and civil society organizations for locally driven action. GEF resources are delivered through GEF Agencies, which support project design and implementation, while the Fund itself operates through replenishment cycles that determine programming priorities and the volume of resources available over a given period. This makes the GEF particularly important for countries seeking grant-based support for environmental and climate-related priorities within broader sustainable development frameworks (GEF, n.d.).

2.3.7.3 The Adaptation Fund (AF)

The [Adaptation Fund](#) (AF) is a dedicated climate fund that supports developing countries in adapting to the adverse effects of climate change. Established under the Kyoto Protocol and now also serving the Paris Agreement, the Fund focuses specifically on concrete adaptation and resilience-building action. Its core purpose is to help vulnerable countries respond to climate risks that are already being experienced on the ground, particularly in sectors and communities where climate impacts threaten livelihoods, ecosystems, and development gains.

A distinctive feature of the Adaptation Fund is its direct access modality, which allows eligible countries to access finance through accredited national institutions rather than relying only on multilateral intermediaries. This has

made the Fund especially important in advancing country ownership and strengthening national institutional capacity. The Fund supports a wide range of adaptation activities, including climate-resilient infrastructure, ecosystem-based adaptation, disaster risk reduction, sustainable agriculture, water management, and capacity building. Access is through accredited National, Regional, or Multilateral Implementing Entities, which submit proposals and manage implementation in line with national priorities. For many countries, the Adaptation Fund has served as an important entry point for adaptation finance, particularly for smaller-scale but highly practical and locally grounded interventions (AF, n.d.).

2.3.7.4 Fund for Responding to Loss and Damage

The Fund for Responding to Loss and Damage (FRLD) is a new multilateral climate fund established to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with climate impacts, including extreme weather events and slow onset events (United Nations Framework Convention on Climate Change [UNFCCC], n.d.-a; World Bank, n.d.). It was established through decisions 2/CP.27 and 2/CMA.4 and was operationalized at COP 28/CMA 5 as an entity entrusted with the operation of the Financial Mechanism of the Convention that also serves the Paris Agreement (UNFCCC, n.d.-a).

As a new channel for multilateral finance, the Fund is intended to provide new, additional, predictable, and adequate financial resources and to assist in mobilizing external finance to address loss and damage in particularly vulnerable developing countries (World Bank, n.d.). Under its Governing Instrument, the Fund will provide finance in the form of grants and highly concessional loans, and may also deploy additional instruments, such as guarantees, direct budget support, equity, insurance mechanisms, risk-sharing mechanisms, and pre-arranged finance, taking into account debt sustainability and guidance from the COP and CMA (UNFCCC, 2024). The Board continues to develop the Fund's operational modalities, access modalities, financial instruments, and funding structures as part of its ongoing operationalization (UNFCCC, 2024; UNFCCC, n.d.-a).

Livestock case for Loss and Damage

The livestock sector represents a critical but under-recognized domain within the global Loss and Damage (L&D) agenda. In many developing regions, livestock function as the primary asset base underpinning livelihoods, food security, and resilience (Food and Agriculture Organization, 2018). Recent evidence from Sub-Saharan Africa shows that climate change is already undermining livestock systems through rising temperatures, changing precipitation patterns, and increased disease burdens, thereby threatening livelihoods and exacerbating food insecurity (Ngongolo & Gayo, 2025). Climate-induced shocks particularly droughts, heat stress, and disease outbreaks result in substantial livestock mortality, reduced productivity, and long-term erosion of household wealth, as observed during the 2020–2023 drought in East Africa where millions of animals were lost and herd recovery remains incomplete years later (FEWS NET, 2026). These impacts are often systemic and covariate, affecting entire pastoral economies simultaneously and creating prolonged recovery trajectories, with herd rebuilding taking multiple years under continued climate stress (Intergovernmental Panel on Climate Change, 2022). Emerging research further highlights that pastoral systems face compounded risks, including market disruptions during drought periods and constrained adaptive capacity, reinforcing the magnitude of economic losses and livelihood instability (Ndiritu & Gichuki, 2025). Beyond economic losses, climate change also drives significant non-economic losses, including the erosion of pastoral cultures, indigenous breeds, and traditional knowledge systems, which remain insufficiently captured in current assessment frameworks (United Nations Framework Convention on Climate Change, 2013). At the same time, growing evidence shows that existing adaptation and risk management strategies including livelihood diversification and insurance are necessary but insufficient, as climate risks continue to intensify and interact with rangeland degradation and institutional constraints (Sawadogo et al., 2024; Melketo et al., 2025). Despite this, livestock systems remain

underrepresented in climate finance and L&D mechanisms, highlighting an urgent need to explicitly integrate livestock into L&D frameworks, metrics, and funding priorities.

A critical limitation in current climate policy and research is the absence of standardized frameworks and metrics to adequately capture loss and damage in livestock systems. While growing evidence highlights substantial livestock-related losses, these are often reported as general “climate impacts” rather than systematically quantified as L&D, leading to their underrepresentation in global assessments and financing mechanisms (Intergovernmental Panel on Climate Change, 2022; Food and Agriculture Organization, 2023). Recent studies emphasize that existing monitoring systems fail to capture key dimensions such as herd depletion rates, loss of adaptive capacity, and degradation of rangeland ecosystems, all of which are essential for understanding long-term vulnerability in pastoral systems (Sawadogo et al., 2024; Melketo et al., 2025). Furthermore, livestock systems present unique valuation challenges, as losses are both economic (e.g., mortality, reduced productivity) and non-economic (e.g., cultural identity, social capital), requiring integrated assessment approaches that extend beyond conventional financial metrics (United Nations Framework Convention on Climate Change, 2013). This measurement gap has direct implications for climate finance, as the absence of robust, livestock-specific L&D indicators limits the ability of countries to access dedicated funding windows and to credibly justify investments under mechanisms such as the Green Climate Fund. Addressing this gap is therefore essential to ensure that livestock-dependent communities particularly in arid and semi-arid regions are adequately represented in L&D frameworks and can access the resources required to recover from and respond to climate-induced losses

2.3.7.5. Multilateral Development Banks

Multilateral development banks (MDBs) are public international financial institutions owned by sovereign states that provide long-term development finance through instruments such as loans, guarantees, equity, technical assistance, and blended finance. Within the climate finance architecture, they are major channels for both mitigation and adaptation finance, supporting sectors such as energy, transport, water, agriculture, resilient infrastructure, and environmental sustainability (African Development Bank et al., 2024; European Investment Bank, n.d.; World Bank, n.d.).

For Africa, the [African Development Bank](#) (AfDB) is a major channel for climate finance, supporting both adaptation and mitigation through sovereign and non-sovereign operations as well as dedicated climate-focused windows and special funds (African Development Bank et al., 2024; African Development Bank, 2024). Within the Bank, the Africa Climate Change Fund (ACCF) functions as a multi-donor trust fund that supports the Bank’s climate finance commitments and helps African countries strengthen readiness, project preparation, capacity building, and enabling policy environments for climate action (African Development Bank, n.d.-a). The African Development Fund (ADF) **Climate Action Window** was established under the sixteenth replenishment of the ADF to help close Africa’s climate finance gap in low-income countries; it is structured around three components, with 75% of resources for adaptation, 15% for mitigation, and 10% for technical assistance (African Development Bank, n.d.-b; African Development Bank, 2023). The Bank also manages the **Sustainable Energy Fund for Africa** (SEFA), a multi-donor special fund that provides catalytic finance to unlock private sector investment in renewable energy and energy efficiency, particularly through project preparation, concessional finance, and innovative financing solutions for the energy transition (African Development Bank, n.d.-c). Together, these windows make AfDB important not only as a lender, but also as a platform for readiness support, concessional climate finance, and blended finance in Africa (African Development Bank, 2024).

The [World Bank Group](#) is one of the largest sources of climate finance for developing countries and plays a major role in financing both mitigation and adaptation through its different institutional arms. Within the Group, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) provide sovereign financing for public sector investments, including resilient infrastructure, clean energy, agriculture, water systems, social protection, and disaster preparedness. IDA is especially important for low-income countries, where it supports large-scale climate interventions, disaster preparedness, biodiversity and natural capital, and low-carbon, resilient development pathways (IDA, n.d.; World Bank, 2024a). The Group’s private sector climate finance is delivered mainly through the International Finance Corporation (IFC), which helps create

bankable climate projects, mobilize private capital, and expand investment in areas such as energy, cities, transport, manufacturing, and agriculture, food, water, and land systems (IFC, n.d.). Climate Investment Funds (CIF), which represent the largest climate finance mechanism administered by the World Bank. The CIF comprise two main funds: the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). These funds support a range of targeted programmes, including the Forest Investment Program (FIP), the Pilot Program for Climate Resilience (PPCR), the Scaling Up Renewable Energy in Low Income Countries Program (SREP), the Renewable Energy Integration Program (REIP), and the Nature, People and Climate Program (NPCP). These programmes finance climate mitigation, adaptation, and resilience-building interventions, including those related to ecosystems and sustainable land management.

The [European Investment Bank](#) important complementary role by financing climate action and environmental sustainability through loans, guarantees, equity investments, advisory services, and donor partnerships. The Bank describes itself as “the climate bank” and places climate action and environmental sustainability at the centre of its operations, including support for clean energy, climate adaptation, and resilient infrastructure (European Investment Bank, n.d.-a, n.d.-b).

Alongside these larger institutions, **subregional African development banks** and development finance institutions also play an important complementary role in bringing climate finance closer to regional markets. For example, the Development Bank of Southern Africa (DBSA) is accredited to both the GEF and GCF and uses facilities such as its Climate Finance Facility to catalyse private investment; the West African Development Bank (BOAD) has an active climate finance portfolio; and the Trade and Development Bank (TDB) became a GCF-accredited African regional direct access entity in 2025 (Development Bank of Southern Africa, n.d.-a, n.d.-b; Trade and Development Bank, 2025; West African Development Bank, n.d.).

2.3.7.6 Bilateral Climate Finance Opportunities

Bilateral climate finance refers to financial resources provided directly from one country to another to support climate mitigation, adaptation, and resilience-building efforts. Unlike multilateral climate funds, which pool contributions from multiple countries under global governance arrangements, bilateral finance is delivered through national development cooperation agencies and is often closely aligned with the donor country’s climate diplomacy, foreign policy priorities, and international development strategies. Bilateral finance plays a strategic role in the global climate finance architecture by supporting policy reform, institutional strengthening, technical assistance, and sector transformation, often serving as a precursor or complement to larger multilateral investments.

Bilateral climate finance is particularly important in areas where flexibility, speed, and contextual alignment are required. It frequently supports early-stage project preparation, feasibility studies, climate policy advisory services, capacity development, and pilot interventions. In many cases, bilateral funding helps countries develop pipelines of bankable projects that can later be submitted to multilateral funds such as the GCF or MDBs. Because bilateral agencies often maintain long-term partnerships, their interventions are typically embedded within broader development cooperation frameworks and national reform processes (OECD, 2024a; OECD, 2024b). Some Key sources of bilateral funds include:

a. German Development Cooperation (GIZ, KfW, IKI)

Germany is one of the largest providers of bilateral climate finance globally. Its support is delivered through technical cooperation agencies such as GIZ, financial institutions such as KfW Development Bank, and dedicated climate initiatives such as the International Climate Initiative (IKI). German climate finance strongly emphasizes climate adaptation, renewable energy transition, carbon market development, and nature-based solutions. It also places significant attention on institutional strengthening, climate governance reform, and the operationalization of Article 6 of the Paris Agreement (Deutsche Gesellschaft für Internationale Zusammenarbeit [GIZ], n.d.; KfW Development Bank, n.d.-a; International Climate Initiative [IKI], n.d.). German bilateral finance frequently combines technical assistance with concessional finance, allowing countries to implement structural reforms alongside investment projects. Priority areas include climate-smart agriculture, sustainable land management, forest conservation, green value chains, and energy system transformation. Germany also supports readiness and climate

finance access programs, helping partner countries strengthen fiduciary systems, develop policy frameworks, and build national climate finance pipelines.

b. United Kingdom – FCDO

The United Kingdom provides bilateral climate finance through the Foreign, Commonwealth & Development Office (FCDO), primarily under its International Climate Finance commitments. UK climate finance prioritizes climate adaptation in vulnerable countries, disaster risk reduction, resilience in fragile contexts, nature-based solutions, and green growth. There is also strong emphasis on private sector mobilization, financial innovation, and climate risk disclosure. FCDO interventions often integrate climate action with governance reform, economic transformation, and poverty reduction objectives. The UK has been particularly active in supporting blended finance mechanisms, green finance market development, and climate-related financial sector reform. Its bilateral climate finance frequently includes strong gender integration components and targets Least Developed Countries and climate-vulnerable states. (UK Government, 2023, 2025a, 2025b)

c. Canada – IDRC and Global Affairs Canada

Canada delivers bilateral climate finance through Global Affairs Canada for programmatic support and through the International Development Research Centre (IDRC) for research and innovation. Canadian climate finance prioritizes climate resilience in agriculture and food systems, gender-responsive climate action, urban climate resilience, climate-induced displacement, and the integration of Indigenous and local knowledge systems. IDRC, in particular, focuses on applied research, policy innovation, and evidence generation to inform climate adaptation strategies. Canadian bilateral climate finance is well known for supporting knowledge-based interventions, innovation pilots, and policy-oriented research that strengthens long-term climate resilience. Rather than focusing heavily on infrastructure, Canada's approach emphasizes strengthening adaptive capacity and integrating climate considerations into development planning (Global Affairs Canada, 2025; IDRC, 2022, 2024).

d. France – Agence Française de Développement (AFD)

France delivers climate finance through Agence Française de Développement (AFD), which provides concessional loans, grants, and blended finance instruments. AFD supports renewable energy deployment, climate-resilient infrastructure, sustainable urban development, water and sanitation systems, biodiversity conservation, and climate-smart agriculture. France places strong emphasis on Paris Agreement alignment and climate co-benefits across its development portfolio. AFD often combines sovereign lending with technical assistance and capacity development, supporting both infrastructure investments and enabling policy reforms. French bilateral climate finance also supports blue economy initiatives and coastal resilience, particularly in vulnerable regions (AFD, 2025a, 2025b, n.d.)

e. Japan – JICA

Japan provides bilateral climate finance through the Japan International Cooperation Agency (JICA). Its support focuses strongly on climate-resilient infrastructure, disaster risk reduction, early warning systems, water resource management, coastal protection, and renewable energy systems. Japan's comparative advantage lies in engineering-based adaptation solutions and infrastructure resilience planning. JICA frequently provides concessional loans combined with technical cooperation. Japanese climate finance supports large-scale infrastructure projects that enhance climate resilience, especially in sectors such as transportation, water systems, and urban planning (JICA, n.d.-a, 2023, 2025).

2.3.7.7 National/Domestic public Funding

National governments play a central role in financing climate and environmental action through domestic budgets, public investment programmes, and dedicated national climate or environmental funds. Public finance provides the foundation for implementing national priorities, including those outlined in NDCs, NAPs, and other strategies, while also helping to mobilize additional finance through co-financing, guarantees, subsidies, and public infrastructure investment. This is increasingly important in Africa, where countries are already facing a growing climate finance burden: the 2023 *State of the Climate in Africa* report notes that African countries are losing 2–

5% of GDP on average due to climate extremes, and many are diverting up to 9% of their budgets in response, while adaptation costs in sub-Saharan Africa are estimated at USD 30–50 billion annually, or about 2–3% of regional GDP (World Meteorological Organization, 2024).

Several countries have also established national financing vehicles to channel resources, such as Rwanda’s Fund for Environment and Natural Resources for Rwanda (FONERWA) and South Africa’s Green Fund, which support investments in resilience, green growth, and sustainable land use. Governments also allocate budgetary resources to sectors such as agriculture, livestock, water, and environment, enabling the integration of climate, biodiversity, and land objectives into national development planning.

2.3.7.8 Philanthropic Climate Finance sources

Philanthropic climate finance refers to financial resources provided by private foundations, charitable trusts, high-net-worth individuals, and philanthropic networks to support climate mitigation, adaptation, and resilience-building initiatives. Unlike bilateral and multilateral climate finance, philanthropic funding is not governed by intergovernmental agreements but is driven by the strategic priorities and mission mandates of individual foundations and philanthropic institutions. Despite representing a smaller share of total global climate finance flows, philanthropy plays a critical catalytic role in advancing climate action, particularly in areas where public and private finance may be reluctant to engage due to perceived risks, low financial returns, or political sensitivities (Watson et al., 2024; ClimateWorks Foundation, 2024).

Philanthropic climate finance commonly prioritizes investments that combine climate action with broader social and development outcomes. Many foundations focus on climate justice, recognizing the disproportionate burden of climate impacts on vulnerable communities. As such, community-based adaptation, locally led resilience initiatives, and nature-based solutions feature prominently within philanthropic portfolios. There is also strong emphasis on climate governance reform, policy innovation, and strengthening institutional capacity at national and subnational levels (Watson et al., 2024; World Resources Institute, 2025).

In addition, philanthropic actors frequently invest in climate research, data systems, and evidence generation to inform policymaking and improve the effectiveness of climate interventions. Climate and gender equality is another recurring priority, with foundations supporting gender-responsive climate programming and leadership development for women and marginalized groups. Increasingly, philanthropic capital is also directed toward sustainable food systems, climate-resilient agriculture, renewable energy access, and ecosystem restoration. Many foundations explicitly seek to address the intersection between climate change, poverty reduction, food security, public health, and livelihoods, thereby positioning climate action within broader development transformation agendas.

2.3.7.8.1 Major Philanthropic Climate Actors

Several global foundations are significant actors in climate finance.

- ✚ The *Gates Foundation* supports climate-resilient agriculture, innovation in food systems, and resilience for smallholder farmers. Its climate-related programming often integrates agricultural productivity, poverty reduction, and climate adaptation.
- ✚ The *ClimateWorks Foundation* focuses on advancing climate mitigation strategies, including clean energy transitions, decarbonization pathways, and policy reform. It often supports analytical work, policy engagement, and institutional strengthening.
- ✚ The *Rockefeller Foundation* prioritizes climate resilience, urban adaptation, renewable energy access, and innovative climate finance mechanisms. It has historically supported resilience-building initiatives and the development of financial instruments that mobilize private capital.
- ✚ The *Children’s Investment Fund Foundation (CIFF)* focuses on climate change mitigation, clean energy transitions, and climate policy reform, often targeting high-emitting sectors and countries with large decarbonization potential.
- ✚ The *IKEA Foundation* supports renewable energy access, sustainable livelihoods, and climate resilience in vulnerable communities.

- ✚ The *Bezos Earth Fund* supports climate and nature initiatives, including climate mitigation, ecosystem restoration, food systems transformation, and efforts to accelerate a just and inclusive transition.

2.3.7.8.9 Private sector climate finance

Private sector climate finance refers to financial resources mobilized from commercial and institutional actors to support climate mitigation, adaptation, and resilience investments. Unlike public or philanthropic finance, private capital is driven primarily by risk-return considerations, market performance, and long-term financial viability. However, the scale of global private capital far exceeds public climate finance flows, making private sector engagement essential for achieving the investment volumes required under the Paris Agreement. Public climate finance alone cannot meet global mitigation and adaptation needs; therefore, mobilizing private capital has become a central objective within the climate finance architecture.

Private sector climate finance is mobilized through a diverse group of financial and corporate actors, including:

- ✚ Commercial banks
- ✚ Institutional investors, such as pension funds and insurance companies
- ✚ Private equity firms
- ✚ Venture capital funds
- ✚ Infrastructure funds
- ✚ Sovereign wealth funds
- ✚ Corporate balance sheets (direct corporate investment in climate-aligned assets and operations)

Private sector and market-facing financial institutions are also accredited under some climate finance mechanisms, especially the Green Climate Fund, where they can channel climate finance through lending, guarantees, equity, and other financial intermediation instruments. Their relevance is increasingly visible through the climate finance programmes and facilities they are implementing or preparing in support of MSMEs, farmers, and other climate-vulnerable sectors (Green Climate Fund [GCF], n.d.).

In Kenya, KCB Bank Kenya Limited is a national direct access, private-sector accredited entity. Its role has become more concrete through FP292: Scaling climate-smart solutions for hardest-to-reach MSMEs and farmers in Kenya (CST Facility), which was approved by the GCF Board on 28 March 2026. According to the project page, the programme aims to establish a scalable, de-risked local-currency lending facility through KCB, strengthen the bank's climate risk and impact systems, and expand access to climate-smart finance for vulnerable MSMEs and farmers in Kenya's most climate-vulnerable counties (GCF, n.d.).

In Nigeria, the Development Bank of Nigeria (DBN) is a national direct access accredited entity that provides financing and partial credit guarantees through eligible financial intermediaries to support MSMEs undertaking climate-resilient and green projects. Its climate finance role was further strengthened in February 2026, when DBN signed a GCF Readiness and Preparatory Support grant intended to strengthen its climate programming capacity, establish a Climate Finance Unit, improve governance and risk systems, and support the development of a pipeline for future climate finance access in line with national priorities (GCF, n.d.). The Nigeria Sovereign Investment Authority (NSIA) recently received accreditation.

In Zambia, Zambia National Commercial Bank PLC (ZANACO) is a national direct access accredited bank whose GCF profile points to a developing pipeline of climate finance interventions. The entity page notes that, together with the GCF, ZANACO intends to work on programmes including the Building Resilience and Adding to Agriculture Programme, as well as other initiatives linked to climate resilience in production systems, livelihoods, and forestry conservation and restoration. This positions ZANACO as a potential intermediary for future climate finance in agriculture and related value chains in Zambia (GCF, n.d.). Its role has been strengthened by the planned launch of Zambia's first USD 100 million Sustainability Bond, announced in October 2025 and structured in two USD 50 million tranches. ZANACO states that the bond is intended to raise capital for environmentally and socially impactful investments, while reporting indicates that the proceeds are expected to support areas such as renewable energy, climate-smart infrastructure, sustainable agriculture, and conservation.

2.3.8 Climate Finance Instruments

Climate finance instruments refer to the financial tools and structures used to mobilize, allocate, and deploy resources for climate mitigation, adaptation, and resilience-building activities. While climate finance sources identify where funding originates, instruments define how that funding is structured and delivered (GCF, n.d.). The choice of instruments significantly influences project design, risk allocation, financial sustainability, and long-term impact. Understanding climate finance instruments is therefore central to developing bankable climate proposals. In practice, many climate finance interventions combine multiple instruments in blended structures to improve financial viability and attract co-financing. Climate finance instruments can broadly be categorized into:

- ✚ grant-based instruments, ie Grants
- ✚ debt instruments; ie Concessional, senior, Subordinate and non-concessional loans
- ✚ equity instruments, ie Equity investments
- ✚ risk mitigation instruments, ie Guarantees and risk-sharing instruments
- ✚ market-based instruments ie Green bonds and sustainability-linked bonds (GCF, n.d.)

2.3.8.1 Grants

Grants are non-repayable financial transfers provided to support climate-related projects or programs. They are typically used for interventions that generate strong public goods but limited direct financial returns, such as adaptation initiatives, institutional strengthening, policy reform, and community-based resilience projects (GCF, n.d.).

2.3.8.2 Concessional Loans

Concessional loans are debt instruments offered at below-market interest rates, longer grace periods, or extended repayment terms. They are commonly provided by multilateral development banks and climate funds to support projects that generate revenue or cost savings but require affordable financing to remain viable (GCF, n.d.).

2.3.8.3 Senior Loans

Senior loans are debt instruments that have priority in repayment over other forms of debt. In the event of financial distress or liquidation, senior lenders are repaid before subordinated lenders or equity investors. Within the GCF portfolio, senior loans are used for commercially viable projects with stable revenue streams, such as renewable energy infrastructure or climate-resilient utilities. Because senior loans carry lower risk compared to other capital layers, they typically attract lower interest rates relative to subordinated instruments (GCF, n.d.).

2.3.8.4 Subordinated (Junior) Loans

Subordinated loans, also referred to as junior loans, rank below senior loans in terms of repayment priority. In the event of default, subordinated lenders are repaid only after senior debt obligations have been met. Within climate finance structures, subordinated loans are often used to absorb higher levels of risk and improve the credit profile of a project. By taking on greater risk, they help mobilize senior lenders and private investors, making them a common feature in blended finance arrangements (GCF, n.d.).

2.3.8.5 Non-Concessional (Market-Rate) Loans

Non-concessional loans are provided at market-based interest rates and are typically suitable for climate projects with strong revenue-generating potential and robust financial performance. These instruments are commonly used for commercially viable renewable energy, infrastructure, and industrial decarbonization investments (GCF, n.d.).

2.3.8.6 Equity Investments

Equity financing involves providing capital in exchange for ownership stakes in a project or company. Returns are generated through dividends or capital appreciation rather than fixed repayments, making equity suitable for climate ventures with scalable business models and growth potential (GCF, n.d.).

2.3.8.7 Guarantees and Risk-Sharing Instruments

Guarantees are financial instruments that reduce investment risk by covering certain losses in the event of default or underperformance. These instruments help mobilize private capital by improving investor confidence, particularly in high-risk or emerging markets (OECD, 2025; World Bank Group, 2025).

2.3.8.8 Green Bonds and Sustainability-Linked Bonds

Green bonds are debt securities issued to finance environmentally sustainable projects, with proceeds earmarked for climate mitigation or adaptation activities. Sustainability-linked bonds tie financial terms to the issuer's performance against predefined environmental targets (International Capital Market Association [ICMA], 2025, 2024).

2.3.8.9 Blended Finance

Blended finance refers to the strategic combination of two or more instruments, example concessional public or philanthropic capital with private investment to improve the risk-return profile of climate projects. It is used to mobilize commercial finance into sectors or regions that may otherwise be perceived as too risky (OECD, 2025.).

2.3.9 Climate Finance Flows

Climate finance flows refer to the movement of financial resources from their source to their final use in climate mitigation, adaptation, and resilience-building activities. Understanding climate finance flows is critical for proposal developers because it reveals how funds are mobilized, allocated, and ultimately implemented at national and subnational levels. Climate finance does not move directly from donor to beneficiary in most cases; rather, it flows through multiple layers of institutions, financial intermediaries, and implementing entities before reaching projects on the ground (UNFCCC, n.d.; CPI, 2025).

Climate finance flows can be analyzed along three main dimensions: the source of funds, the intermediary channels, and the end use or sectoral destination. At the global level, funds may originate from public budgets in developed countries, private investors, philanthropic foundations, or carbon market mechanisms. These resources are then channeled through multilateral climate funds, multilateral development banks, bilateral agencies, national climate funds, accredited entities, or private financial institutions. Finally, finance reaches implementing partners such as government ministries, private enterprises, financial institutions, cooperatives, or community-based organizations (CPI, 2025; OECD, 2024).

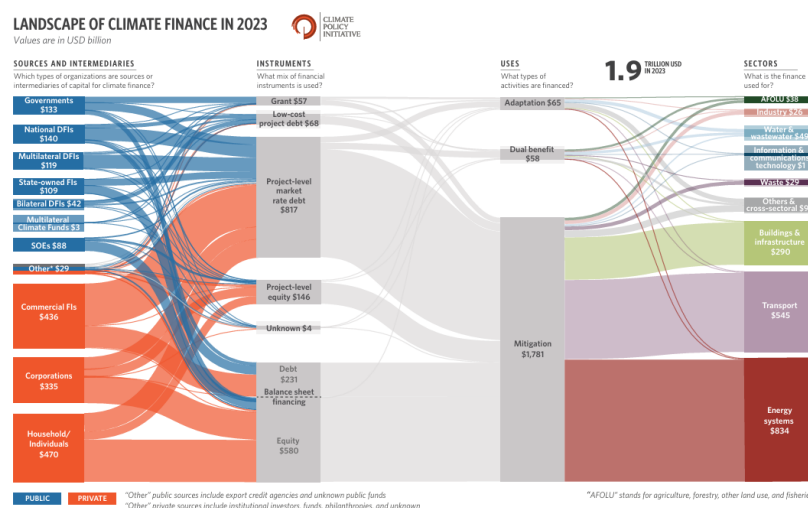


Figure 2: Landscape of Climate Finance in 2023 (USD 1.9 trillion). Source: Climate Policy Initiative (2025), Global Landscape of Climate Finance.

One of the defining characteristics of global climate finance flows is the distinction between mitigation and adaptation financing. Historically, a larger proportion of global climate finance has flowed toward mitigation activities, particularly renewable energy and energy efficiency projects, because these sectors generate predictable revenue streams and attract private capital. Adaptation finance, which often supports public goods such as climate-resilient infrastructure, water management, agriculture, and disaster risk reduction, has relied more heavily on public and concessional sources. Understanding this imbalance is important when positioning proposals, particularly in adaptation-dominant sectors.

Climate finance flows can also be categorized as international or domestic. International climate finance flows from developed to developing countries in line with UNFCCC commitments, including the goal of mobilizing climate finance to support developing country climate action. Domestic climate finance, on the other hand, includes national public budgets, domestic development banks, local financial institutions, and private sector investments within countries. In many developing countries, domestic climate finance represents a significant but often under-tracked component of total climate-related spending.

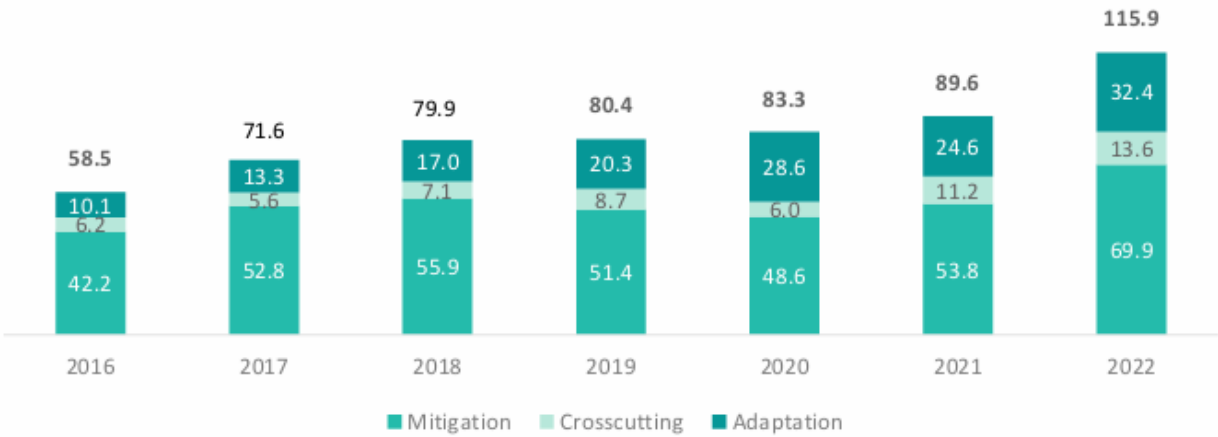


Figure 3: Climate finance provided and mobilized in 2016–2022 per climate theme (USD billion)” Source OECD 2024

2.3.9.1 Global Finance Needs Vs Flow

A defining feature of the global climate finance landscape is the persistent and widening gap between current financial flows and the levels of investment required to meet international climate goals. While climate finance has increased steadily over the past decade, the scale of financing remains far below what is needed to align global development pathways with the Paris Agreement. This financing gap reflects structural constraints in capital mobilization, policy alignment, risk allocation, and investment readiness across sectors and regions (CPI, 2025).

The climate finance gap can be understood as the difference between actual annual financial flows directed toward mitigation and adaptation activities and the estimated annual investment needs required to achieve net-zero emissions and climate resilience. Closing this gap requires not only increased funding volumes but systemic transformation in financial systems, including better integration of climate risk, stronger enabling environments, and expanded use of blended and catalytic instruments.

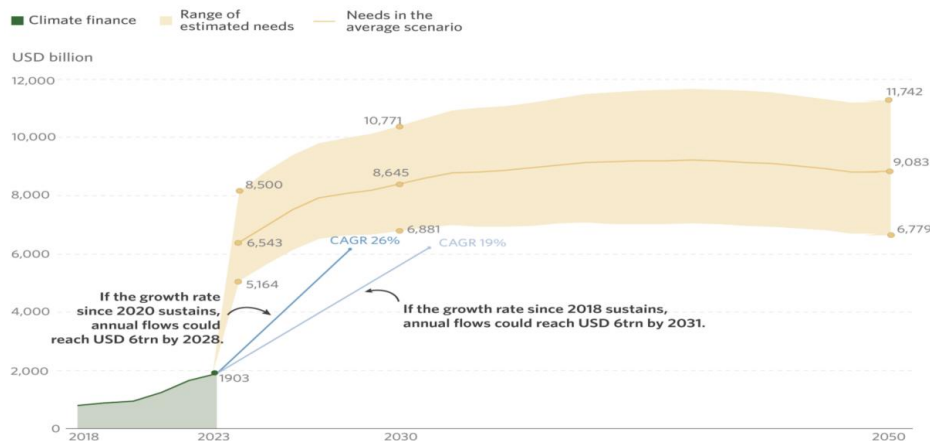


Figure 4: Global tracked climate finance and estimated annual climate investment needs through 2050: Source CPI 2025

According to the Climate Policy Initiative in its Global Landscape of Climate Finance 2023, total global climate finance flows reached approximately USD 1.9 trillion in 2023 (CPI, 2025). This represents substantial growth compared to previous years and reflects increased investment in renewable energy, electrification, and sustainable transport. However, CPI estimates that annual climate finance needs between 2021 and 2030 range between approximately USD 8 to 10 trillion per year (CPI, 2025). This implies that current flows represent less than one-quarter of required investment levels.

The CPI report further indicates that if current growth trajectories are sustained, annual flows could potentially reach around USD 6 trillion by the early 2030s. While this would mark a significant acceleration, it would still fall short of the estimated financing required to limit global warming to 1.5°C and meet long-term decarbonization and resilience objectives (CPI, 2025). The majority of current flows remain concentrated in mitigation sectors, particularly renewable energy and electrified transport, while other critical sectors such as industry, agriculture, and adaptation remain comparatively underfunded.

The financing gap is even more pronounced when examining adaptation specifically. The United Nations Environment Programme in its latest Adaptation Gap Report highlights that adaptation finance flows to developing countries remain significantly below estimated needs. While adaptation needs in developing countries are estimated at between USD 215 to 387 billion per year by 2030, actual adaptation finance flows are estimated at roughly USD 20 to 30 billion annually, depending on reporting methodology. This suggests that adaptation finance covers only a fraction of projected needs, with the adaptation financing gap estimated at USD 194 to 366 billion per year (UNEP, 2023).

Furthermore, the Adaptation Gap Report notes that adaptation finance flows have not kept pace with increasing climate impacts. Extreme weather events, rising temperatures, sea-level rise, and water stress are intensifying, particularly in vulnerable regions such as Africa and Small Island Developing States. Despite this, adaptation finance remains disproportionately dependent on public and concessional sources, with limited private sector engagement compared to mitigation investments (UNEP, 2023). Taken together, these findings illustrate a dual financing challenge. First, total global climate finance flows must increase significantly to approach multi-trillion-dollar annual investment needs. Second, the distribution of finance across sectors must shift to address chronic underinvestment in adaptation and resilience. The gap is therefore not only quantitative but also structural and thematic (UNEP, 2023).

For proposal developers, this financing gap presents both a challenge and an opportunity. The scale of unmet need signals sustained and growing demand for well-designed, bankable climate projects capable of absorbing larger volumes of capital. At the same time, adaptation-oriented proposals must be carefully structured to address revenue limitations and risk perceptions that constrain private investment. Bridging the climate finance gap will require projects that demonstrate scalability, clear climate rationale, strong institutional alignment, and innovative financial structuring capable of mobilizing multiple funding streams.

2.3.9.2 Climate Finance Flows in Africa

Despite the growth in climate finance flows, the resources mobilized remain insufficient to meet the growing needs of the continent. The financing gap is particularly stark for adaptation, where funds are needed to protect vulnerable populations and ecosystems from the escalating impacts of climate change. Africa has seen a 48% increase in climate finance flows, rising from USD 29.5 billion in 2019/2020 to USD 43.7 billion in 2021/2022 (CPI, 2023). However, by 2022, this figure reached USD 52.1 billion, reflecting continued growth, although it still falls short of the USD 190 billion per year required to meet the continent's climate adaptation and mitigation needs. The figure reveals the continuing disparity between the climate finance flows and the climate finance needs, with only 23% of the necessary funding being mobilized. This highlights the significant shortfall in resources needed to accelerate the transition to a low-carbon economy and strengthen climate resilience across the continent (CPI & FSD Africa, 2024)

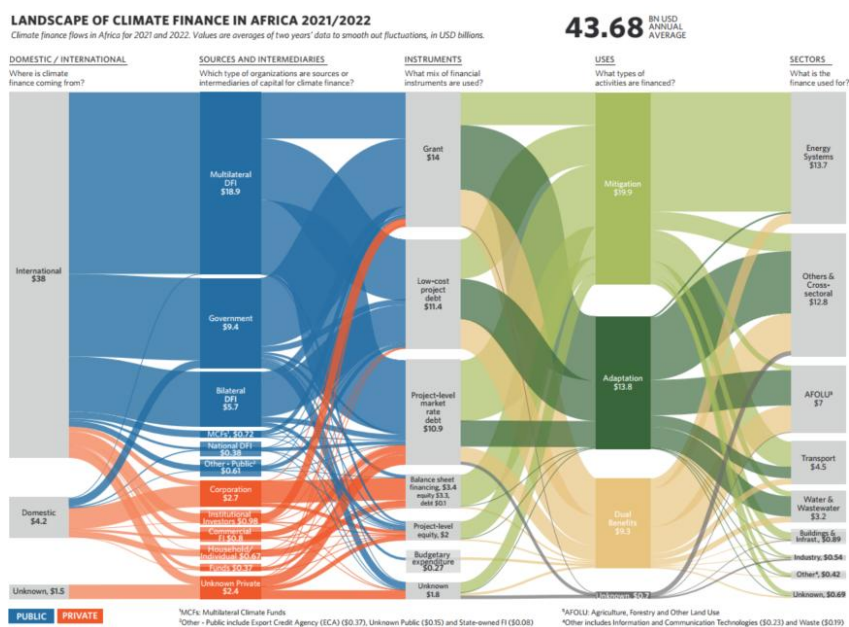


Figure 5: Landscape of Climate Finance in Africa. Source CPI & FSD Africa 2024

A key challenge in Africa's climate finance landscape is the imbalance between mitigation and adaptation financing. While the majority of funding is directed toward mitigation projects such as renewable energy and energy efficiency, adaptation projects continue to receive a disproportionately small share of the total finance. Adaptation projects, such as those focused on climate-resilient infrastructure, agriculture, and water management, are crucial for building resilience but often face difficulties in attracting private sector investment due to the less predictable financial returns. This underfunding of adaptation is a critical gap that needs urgent attention to ensure the most vulnerable communities are protected from climate impacts.

In terms of regional distribution, climate finance flows are heavily concentrated in a few African countries. Nations like South Africa, Kenya, and Nigeria attract the largest share of climate finance, primarily due to their larger economies and relatively developed financial markets. In contrast, many of Africa's most vulnerable countries, including Somalia, Chad, and Mali, receive far less funding, despite facing severe climate risks. This unequal distribution highlights the need for a more targeted approach to ensure that the most vulnerable countries receive adequate resources to build climate resilience.

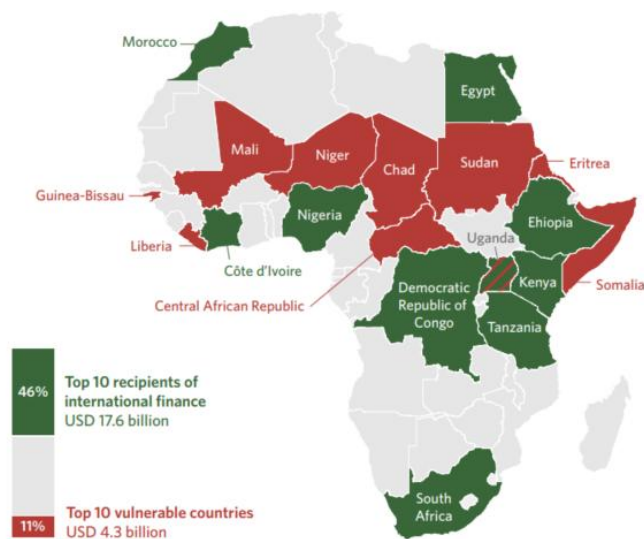


Figure 6: International Climate Finance Flows to Top 10 Recipients vs. Most Vulnerable African Countries. Source: CPI 2024

While public finance has traditionally dominated Africa's climate finance landscape, the private sector is increasingly seen as a crucial player in meeting the finance gap. Private sector finance, including commercial banks, pension funds, private equity firms, and venture capital funds, plays a central role in scaling up low-carbon investments, particularly in sectors like renewable energy and green infrastructure. However, private sector participation in adaptation finance remains limited, as these projects are often perceived as less financially lucrative. Innovative financial instruments such as blended finance, green bonds, and impact investing are critical for unlocking private capital for both mitigation and adaptation.

Africa's climate finance architecture also includes regional funds and national implementing entities (NIEs) that help channel finance directly to the most relevant projects. For example, the Africa Climate Change Fund (ACCF) supports climate adaptation and resilience projects across Africa, while NIEs such as the National Treasury of Kenya manage Green Climate Fund (GCF) resources to implement low-carbon projects. Despite these efforts, there are ongoing challenges related to project preparation and accessing finance, especially in countries with limited institutional capacity to design bankable projects. To close the financing gap, it is crucial to increase the mobilization of private sector investment, improve climate finance readiness in African countries, and enhance the effectiveness of international climate funds. Governments, development banks, and international climate funds must work together to strengthen local financial markets, build investment-ready pipelines, and ensure that climate finance is distributed equitably to support both mitigation and adaptation efforts (CPI & FSD Africa 2024).

2.3.10 Entry Points for Livestock Systems within Climate Finance Frameworks

Livestock systems present important entry points for leveraging and unlocking climate finance because of their central role in supporting livelihoods, food security, economic stability, and ecosystem resilience, while simultaneously sitting at the intersection of adaptation and mitigation. In many developing countries, particularly across Africa, livestock remains a major source of household income, nutrition, employment, and social security, especially in rural and pastoral economies. At the same time, the sector is highly exposed and sensitive to climate risks and subsequent impacts including droughts, heat stress, water scarcity, disease outbreaks, degraded rangelands, and rising feed insecurity, all of which threaten productivity and resilience. Climate finance therefore provides an opportunity to support livestock systems in ways that strengthen resilience while advancing low-carbon development pathways (FAO, 2023a, 2023b; IPCC, 2023; IFAD, 2021).

Within climate finance architecture, livestock interventions become eligible when framed around clear climate outcomes. Adaptation-oriented financing often supports measures that reduce climate vulnerability, such as climate-resilient fodder systems, drought-tolerant breeds, water harvesting infrastructure, pasture restoration, early warning systems, and climate-informed veterinary services. Mitigation-oriented financing targets interventions that lower emissions intensity, including improved feeding systems, manure management, biogas generation, methane-

reducing feed additives, efficient cold chains, and renewable energy use in livestock value chains (FAO, 2023b; FAO, 2021; GCF, 2020). In practice, many livestock investments offer both adaptation and mitigation benefits, making them particularly suitable for integrated climate finance windows

- ✚ A major entry point lies in positioning livestock within **Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), Long-Term Low Emission Development Strategies (LT-LEDS), and national agricultural investment frameworks**. Where livestock priorities are clearly articulated in these policy instruments, they become easier to justify within proposals to major climate funds such as Green Climate Fund, Global Environment Facility, and Adaptation Fund. This is particularly important because many climate finance mechanisms require evidence that proposed interventions directly support national climate priorities and country ownership.
- ✚ **Adaptation-mitigation co-benefits** provide another important entry point for climate finance in livestock systems because many interventions can be designed to address resilience and emissions objectives at the same time, while also contributing to broader development outcomes. This approach is valuable within climate finance because it strengthens the overall investment case by showing that a single intervention can deliver multiple climate benefits rather than serving only one objective in isolation. Framing livestock investments around co-benefits can therefore improve their relevance across different funding windows, increase their strategic appeal to funders, and support more integrated project design
- ✚ **Data and evidence** provide an important entry point for climate finance in livestock systems because many projects struggle to attract funding when climate risks, vulnerabilities, and expected results are not clearly demonstrated. In many contexts, gaps in climate, livestock production, emissions, and vulnerability data weaken the ability to build a strong climate rationale and justify investment needs. Livestock projects that can demonstrate measurable climate outcomes are more likely to access climate finance. Climate finance can therefore support baseline assessments, climate information services, livestock data systems, and monitoring frameworks that strengthen project design, improve targeting, and make livestock interventions more credible and finance ready.
- ✚ Another practical entry point is through **value chain transformation**. Climate finance increasingly supports livestock interventions that strengthen resilience across production, processing, transport, and market systems. Examples include financing solar-powered milk cooling, climate-smart feed enterprises, resilient poultry housing, digital livestock advisory services, and circular waste systems that convert manure into organic fertilizer or energy. Such investments improve productivity while reducing climate risks and emissions across the broader livestock economy.
- ✚ **Blended finance also creates important opportunities for livestock systems**. Public climate finance can be used to reduce risks that discourage private investment in livestock transformation. By using concessional finance, guarantees, technical assistance, and de-risking instruments, climate finance frameworks can attract private sector participation into livestock systems that would otherwise be perceived as high-risk.

Climate finance entry points for livestock also depend on addressing social inclusion. Women, youth, pastoralists, and smallholder producers often carry the greatest climate burden in livestock systems but remain underserved by finance. Climate finance frameworks increasingly prioritize investments that strengthen inclusion through targeted access to climate services, finance, technologies, and enterprise opportunities. This makes gender-responsive and locally grounded livestock interventions particularly competitive within current climate finance priorities. Recent climate finance assessments show that agriculture, forestry, and land use remain underfinanced relative to their climate importance, despite their central role in adaptation and food systems transformation. This creates a strong case for better positioning livestock not as a traditional agricultural subsector alone, but as a strategic climate investment area capable of delivering resilience, emissions reduction, livelihood protection, and food system stability simultaneously.

3.0 UNIT 2: ALIGNING NATIONAL POLICIES AND PRIORITIES WITH CLIMATE FINANCE OPPORTUNITIES

3.1 Overview

This unit examines **how national policies shape access to climate finance**. It is designed to help participants understand that a strong project idea alone is not enough to attract climate finance; the project must also be clearly aligned with national priorities, sector strategies, and institutional mandates. The unit therefore **introduces policy alignment as a practical step in identifying realistic climate finance opportunities** and positioning projects within recognized country needs.

Participants will be guided through the main policy frameworks that influence climate investment decisions, including Nationally Determined Contributions, National Adaptation Plans, long-term low-emission strategies, and sectoral plans. The unit shows how these frameworks signal priority sectors, identify climate-related needs, and provide the policy basis for project justification and country ownership. The unit also explains how to move from policy analysis to project positioning by identifying policy entry points, mapping national priorities against climate finance eligibility criteria, and understanding the institutional arrangements that shape project endorsement and access to funding. By the end of the unit, participants will be better prepared to connect policy frameworks to practical climate finance opportunities and to use this alignment as a foundation for proposal development.

3.2 Learning Objectives

By the end of this unit, participants will be able to:

- Explain why alignment with national policies and priorities is essential for accessing climate finance.
- Describe the main policy and planning frameworks that shape climate finance opportunities.
- Identify and map national policy priorities against the eligibility expectations of climate finance mechanisms.
- Assess the role of institutions and coordination mechanisms in supporting climate finance access and project endorsement.

3.3 Overview of National Climate and Development Policy Frameworks

Understanding national policy instruments is a necessary first step in identifying climate finance opportunities. In practice, climate finance is more likely to be accessed where proposed interventions can be clearly linked to national priorities, sector strategies, and institutional mandates. National policy instruments therefore provide the basis for showing relevance, country ownership, and strategic alignment before moving to more specific climate finance entry points. For project/program developers, policy alignment serves several important purposes;

- ✚ It strengthens country ownership,
- ✚ demonstrates strategic relevance, and
- ✚ increases the likelihood that a proposal will receive institutional endorsement from national authorities.

3.3.1 Understanding National policy instruments

National climate and development policy frameworks provide the strategic foundation within which climate finance is accessed and deployed. These frameworks define country priorities, identify vulnerable sectors, establish targets for adaptation and mitigation, and guide public and external investment decisions. For climate finance proposal development, they serve as the primary reference point for demonstrating relevance and national ownership. Most countries now operate with a combination of climate-specific and development-oriented policy instruments. Climate-specific frameworks often include national climate change policies, climate change legislation, adaptation strategies, and low-emission development pathways. Development-oriented frameworks include national and sub-national development plans, sector investment plans, agricultural transformation strategies, and medium-term expenditure frameworks. Together, these documents help determine where climate investments are

expected to contribute and which sectors are prioritized for external financing. For climate finance purposes, policy frameworks perform three important functions.

- ✚ They provide justification for why a proposed intervention is nationally relevant.
- ✚ They help identify sectors and geographic areas already recognized as climate priorities.
- ✚ They indicate where institutional responsibility lies, which is important for project ownership and implementation arrangements.

Climate finance proposals that are not anchored in these frameworks often struggle to secure endorsement or funding because they cannot clearly demonstrate strategic alignment (GCF, 2023; UNFCCC, n.d.)

3.3.1.1 Nationally Determined Contributions (NDCs)

Nationally Determined Contributions are the formal climate commitments that countries submit under the Paris Agreement. They outline national priorities for reducing greenhouse gas emissions and adapting to climate change, while also identifying conditional actions that require external support, including finance, technology transfer, and capacity building. For many developing countries, NDCs serve as one of the most important entry points for climate finance because they directly communicate financing needs to the international community. NDCs often identify priority sectors such as energy, agriculture, forestry, water, transport, and waste. In many countries, livestock-related actions appear under agriculture, food systems, methane reduction, drought resilience, or sustainable land management. Because many climate funds require proposals to demonstrate alignment with national climate commitments, NDCs are often the first document consulted during project preparation (Paris Agreement, 2015; UNFCCC, n.d.).

3.3.1.2 National Adaptation Plans (NAPs)

National Adaptation Plans are strategic instruments that help countries identify medium- and long-term adaptation priorities and implementation pathways. Their primary purpose is to reduce vulnerability, strengthen resilience, and integrate adaptation into development planning across sectors. NAPs are particularly important for adaptation-oriented climate finance because they often provide detailed sector-level analysis of climate risks, vulnerable populations, and priority adaptation actions. In sectors such as livestock, NAPs may identify priorities such as drought management, pasture rehabilitation, water systems, climate services, disease surveillance, and livelihood diversification. Since many adaptation funds require strong evidence of vulnerability and adaptation need, NAPs provide an important policy basis for proposal justification (UNFCCC, n.d.).

3.3.1.3 Long-Term Low Emission Development Strategies (LT-LEDS)

Long-Term Low Emission Development Strategies provide a country's long-term pathway toward low-emission and climate-resilient development, often extending to 2050. These strategies are designed to guide structural transformation across sectors and align national development trajectories with global climate goals. LT-LEDS are particularly useful when developing large-scale or transformational climate investments because they identify future development directions, technology transitions, and sectoral shifts required over time. In livestock systems, this may include low-emission production systems, methane reduction pathways, circular bioeconomy opportunities, and sustainable land-use transitions (Paris Agreement, 2015; UNFCCC, n.d.).

3.3.1.4 Sectoral Strategies and Sector Plans

Sectoral strategies translate national climate ambitions into sector-specific priorities. These include agricultural sector plans, livestock master plans, irrigation strategies, water policies, energy transition plans, and land restoration frameworks. For project developers, sector strategies are often the most practical documents because they identify concrete interventions, investment gaps, and implementation responsibilities. In many cases,

livestock-related climate finance opportunities are easier to identify in sector plans than in national climate frameworks because sector plans contain operational priorities and implementation language.

3.3.1.5 Subnational climate and development policies

Subnational climate and development policies are increasingly important in shaping climate finance opportunities because many adaptation and mitigation actions are planned, delivered, and enforced at state, county, provincial, district, or municipal level. These policies may include local climate change action plans, county integrated development plans, land use plans, resilience strategies, local disaster risk management frameworks, and sector plans for agriculture, water, energy, or natural resources. For project developers, subnational policies are important because they help identify locally defined priorities, vulnerable populations, implementation responsibilities, and entry points for place-based climate investments. They also strengthen the case for climate finance by showing that proposed interventions are aligned not only with national commitments, but also with local development realities and implementation structures.

3.3.2 Identifying national livestock priorities

Livestock-related climate actions are not always presented in policy documents as a standalone climate finance category. In most cases, they are embedded within broader national priorities. For this reason, identifying policy entry points means looking carefully across climate, agriculture, and development frameworks to see where livestock already appears and how those references can be used to justify climate finance proposals.

Key policy entry points include:

- ✚ ***Climate-smart agriculture and food systems***

Livestock is often captured under wider climate-smart agriculture and food systems priorities. This creates an entry point for financing interventions that improve resilience, productivity, and sustainability across livestock systems.

- ✚ ***Adaptation and resilience priorities***

In adaptation-focused frameworks, livestock commonly appears through issues such as drought resilience, pasture and rangeland restoration, fodder systems, water access, animal health, climate information services, and livelihood protection in pastoral and mixed farming systems.

- ✚ ***Mitigation and low-emission development priorities***

In mitigation-oriented policies, livestock may be linked to methane reduction, improved feed and herd management, manure management, renewable energy use, and more efficient production systems.

- ✚ ***Land, water, and ecosystem management***

Livestock-related actions are also often found under broader priorities linked to land restoration, watershed management, sustainable grazing, ecosystem resilience, and natural resource governance.

- ✚ ***Pastoral development and rural livelihoods***

In many countries, livestock enters policy through pastoral development, rural transformation, and livelihood support agendas. These provide useful entry points for framing livestock investments as both climate and development priorities.

- ✚ ***Agricultural value chains and market systems***

Policy frameworks may also highlight livestock through value chain development, market access, cold chain systems, processing, and enterprise development. These can help justify climate finance for resilient and low-emission livestock value chain interventions.

- ✚ ***National climate commitments and sector plans***

Livestock priorities should be traced across NDCs, NAPs, LT-LEDs, agricultural strategies, livestock master plans, and national investment plans. Where livestock is clearly reflected in these instruments, it becomes easier to show country ownership and strategic alignment in climate finance proposals.

For project developers, identifying policy entry points is not only about showing that livestock is mentioned in national documents, but about using those references strategically to build a stronger investment case. This means tracing livestock-related priorities across climate, agriculture, and development frameworks, selecting the references that are most relevant to the proposed intervention, and translating them into clear justification for climate finance. Where this is done well, policy entry points help demonstrate country ownership, strengthen alignment with national priorities, and make livestock proposals more credible and finance-ready

3.3.3 Mapping National Priorities against Climate Finance Eligibility Criteria

A climate intervention may align strongly with national policy and still fail to attract climate finance if it does not meet the eligibility requirements of a funding source. For this reason, project/program developers must move beyond policy alignment and assess whether national priorities also fit the strategic criteria of specific climate finance mechanisms. This mapping process involves comparing national priorities identified in NDCs, NAPs, sector plans, or investment frameworks with the requirements of climate funds such as the Green Climate Fund (GCF), Adaptation Fund (AF), Global Environment Facility (GEF), or bilateral financing windows. For example, a livestock resilience project may align well with a national adaptation priority, but still require stronger evidence of climate rationale, measurable resilience outcomes, gender responsiveness, and institutional arrangements before it becomes finance-ready. Climate funds often assess proposals using criteria such as:

- ✚ climate impact and paradigm shift potential,
- ✚ sustainable development benefits,
- ✚ Social inclusion and responsiveness
- ✚ Cost-effectiveness and efficiency of resource use
- ✚ Relevance to national priorities and country ownership
- ✚ Quality of project design and implementation arrangements.

This means that policy alignment must be translated into proposal language that directly responds to these assessment criteria. For livestock systems, effective mapping requires demonstrating how sector priorities contribute to broader climate outcomes. A pasture restoration intervention, for instance, may need to be framed not only as a livestock productivity measure, but also as an adaptation response that improves drought resilience, restores ecosystems, enhances water retention, and supports carbon sequestration.

3.3.4 Role of Institutions and Coordination Mechanisms in Accessing Climate Finance

Institutional arrangements are central to climate finance access because most funding mechanisms require formal endorsement, institutional leadership, and clear implementation responsibilities. Even where a project is technically strong and well aligned with policy, weak coordination can delay or prevent access to finance. This is particularly important in sectors such as livestock, where climate actions often cut across agriculture, environment, water, energy, pastoral development, and local government systems.

✚ **National coordination mechanisms**

At the national level, climate finance access is shaped by ministries, designated authorities, focal points, and interministerial platforms that coordinate climate priorities across sectors. These mechanisms help ensure that projects align with national climate commitments, sector strategies, and financing priorities, while also clarifying institutional roles in project endorsement, oversight, and implementation.

✚ **Accredited and implementing entities**

Accredited and implementing entities are important because they translate policy priorities into financeable projects and programmes. They often play a central role in project preparation, fiduciary oversight, safeguards, monitoring, and reporting, while also helping countries meet the access requirements of specific climate finance mechanisms. Their effectiveness depends not only on accreditation or formal mandate, but also on their ability to work across institutions and sectors.



Subnational coordination mechanisms

Subnational coordination mechanisms are equally important because many climate actions are implemented at county, district, provincial, municipal, or community level. These mechanisms may include local planning structures, devolved government departments, county climate change units, local technical committees, and community-based institutions that help identify priorities, coordinate delivery, and ensure that climate finance responds to local realities. Strong subnational coordination helps bridge the gap between national policy commitments and place-based implementation, particularly in sectors such as livestock where climate risks, production systems, and vulnerabilities are highly location-specific.

4.0 UNIT 3: STEP-BY-STEP DEVELOPMENT OF BANKABLE CLIMATE FINANCE PROPOSALS

4.1 Overview

This unit focuses on **how to develop a climate finance proposal in a structured and practical way**. It guides participants through the process of turning climate-related challenges and investment ideas into clearly defined projects or programmes that can attract financing. The unit is organized as a step-by-step process, where each stage builds on the previous one. It begins with defining the problem and understanding the climate risks, and then moves into designing solutions, structuring results, and developing the financial and institutional elements required for a credible proposal. Throughout the unit, the emphasis is on clarity, logic, and coherence, ensuring that proposals are not only well-designed, but also meet the expectations of climate finance mechanisms. By following this process, participants will learn how to develop proposals that are grounded in evidence, aligned with climate priorities, and structured in a way that supports decision-making and investment.

4.2 Learning objectives

By the end of this unit, participants will be able to:

- Apply a structured process to develop a climate finance proposal from problem identification to investment-ready design.
- Design proposals that are logically consistent, evidence-based, and aligned with climate finance requirements.

4.3 Step-by-step Approach

In climate finance, bankability refers to the extent to which a project is designed, evidenced, and structured so that it can realistically attract and secure financing from a specific funder. The term originated in the finance sector, typically referring to projects that have a return on investment or positive Net Present Value (NPV). However, bankability in the context of climate change goes far beyond this traditional definition to encompass socioeconomic and social metrics, including improvements in community resilience and strong alignment with national priorities. Additionally, project developers must understand the critical distinction between bankability and "eligibility." While eligibility simply refers to whether a project complies with the strategic objectives and criteria of a specific fund, bankability requires a more nuanced ability to structure a project so that it is attractive to investors and funders (Ellis & Pillay, 2017).

Developing a bankable climate finance proposal therefore begins before drafting. It starts with identifying potential investment ideas that respond to climate-related challenges and then transforming those ideas into structured projects capable of attracting financing. In the livestock sector, this urgency is heightened due to its significant role in global food security and its substantial contribution to agricultural greenhouse gas (GHG) emissions. Despite this, the AFOLU sector receives a disproportionately small fraction of global climate finance (World Bank, 2022).

Successful access to climate finance depends on understanding the funder's specific perspective of 'bankable'. A major constraint globally is the poor quality of project proposals in the pipeline; while many countries spend significant resources on institutional readiness, they lack a refined understanding of how to make actual climate projects bankable. With increasing global demand for animal products, there is likely to be an increase in the GHG footprint of the livestock sector. As demand for animal-source foods rapidly grows in Low-and middle-income countries (LMICs), proactive investment is essential to mitigate exacerbated emissions and transform supply chains. Many climate finance opportunities arise from sectors already experiencing climate stress. To attract investors, livestock proposals should frame these simultaneous benefits as a "Triple Win": (1) mitigating emissions, (2) adapting to climate shocks, and (3) improving livestock-dependent livelihoods (Wheelhouse .et.al 2024).

4.3.1 Step 1: Problem Identification and Development of Problem Trees

The first step in developing a bankable climate project or proposal is to clearly define the problem you want to solve. This sounds obvious, but many proposals become weak at this stage because they start with a solution

before fully understanding the problem. A problem tree helps you slow down, think clearly, and organize the issue in a way that later makes proposal writing much easier.

Definition: A **problem tree** is a simple, visual analytical tool used in project design to map out three core questions:

- What is the **main problem**?
- What are the **causes** of the problem?
- What are the **effects** of the problem?

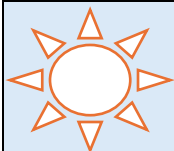
In a climate finance context, the problem should not be described as a general sector challenge only. It should show how climate change or climate variability is making the situation worse. For example, “low livestock productivity” is too broad. A stronger starting point would be “declining livestock productivity due to recurrent drought and feed shortages.” That already begins to show the climate dimension.

4.3.1.1. How to develop problem tree analysis

i. Define the core problem

Start by writing one clear problem statement in the middle. This is the main issue your project wants to address. The core problem should be:

- specific
- clear
- climate-linked
- important enough to justify investment



Example: Core Problems in Livestock Systems

- **Declining livestock productivity under increasing climate stress:** Clearly links output losses to changing environmental conditions.
- **Rising livestock mortality due to recurrent drought:** Focuses on a severe, measurable impact driven by a specific climate shock.
- **Worsening feed and water insecurity in pastoral systems:** Highlights resource scarcity within a specific vulnerable community.

Avoid writing the problem as a missing solution. For example, do not write:

- lack of climate-smart fodder systems
- absence of water infrastructure

Those are possible solutions or gaps. The problem should describe the situation, not the intervention.

ii. Identify the direct causes

Once the core problem is clear, ask: **Why is this happening?**. These are the immediate causes sitting directly below the core problem. Focus on the most visible, immediate drivers. In livestock systems, these often include:

1. Reduced pasture availability: Driven directly by changing rainfall patterns, delayed rainy seasons, and rising	2. Poor access to water: Surface water sources and shallow wells drying up much faster than historical averages	3. Heat stress: Higher average temperatures directly reducing animal feeding time, disrupting breeding success,	4. Poor feed quality: Climate shocks altering plant growth cycles, thereby degrading the nutritional value of the
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temperatures that dry out traditional grazing lands.	due to prolonged dry spells and high evaporation rates.	and lowering overall metabolic efficiency.	forage that is available to the animals.
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iii. Identify the root causes

Now go deeper. For each direct cause, ask again: **Why does this happen?** These are the foundational technical, financial, institutional, or policy issues driving the problem. Bankable proposals must address these root causes, not just the symptoms:

1. Weak extension systems: Government or private advisory services lacking the funding, staff, or updated scientific knowledge to train farmers on modern climate adaptation strategies.	2. Low investment in resilient infrastructure: A historical lack of localized funding leaving the sector without necessary safety nets like deep solar-powered boreholes, water pans, or large-scale fodder storage.	3. Limited access to finance: Pastoralists and farmers being unable to secure loans to afford supplementary feed, veterinary care, or upgraded, resilient, drought-resilient animal breeds. A significant root cause of this financial exclusion is that traditional sources of financing remain out of reach for livestock smallholders, who often have no collateral apart from their animals, possess little experience working with formal financial institutions, and operate largely in the informal sector (World Bank, 2022).	4. Poor policy implementation: Existing climate and agricultural frameworks looking good on paper at the national level, but lacking the localized enforcement, budget, or staff to be effective on the ground. In LMICs, inconsistent policies—such as unclear land tenure, weak enforcement of environmental regulations, and a lack of market incentives for sustainable practices—often serve as critical root causes that deter traditional lending institutions (World Bank, 2022).
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iv. Identify the effects

Finally, ask: *What happens because of this core problem?* These are the cascading consequences sitting above the core problem. Mapping these effects justifies the urgency of your project to funders:

Reduced household income: Lower milk and meat yields directly reducing the daily financial resources vulnerable families rely on to survive and pay for essentials like school and healthcare.	Livestock deaths: Extreme climate shocks leading to mass herd losses, effectively wiping out a family's primary savings and generational asset base overnight.	Food insecurity: Reduced protein availability and lower disposable incomes leaving rural households unable to afford adequate, balanced nutrition.	Distress sale of animals: Desperate farmers flooding the market to sell their livestock at rock-bottom prices just to survive short-term shocks, permanently destroying their long-term wealth.
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Example in the Livestock sector

Below is a visual representation of how a problem tree looks when mapped out from root causes up to the ultimate effects.

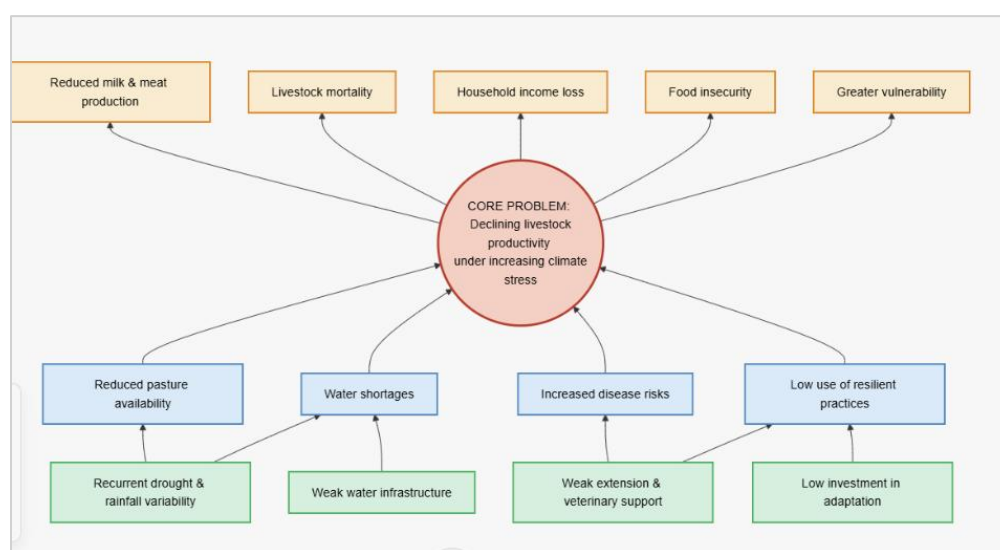


Figure 3: An illustrative Problem Tree mapping the root causes, direct causes, core problem, and cascading effects in a climate-stressed livestock system

1.3.1.2 How to keep the problem tree clean- MECE Framework

A useful way to strengthen problem tree analysis is to apply the MECE framework, meaning Mutually Exclusive and Collectively Exhaustive. In simple terms, this means each cause identified in the problem tree should be distinct and not repeat another issue, while together all causes should give a complete picture of why the problem exists. At the same time, they should collectively explain the full climate challenge affecting livestock production. Using MECE helps keep the problem tree clear, avoids duplication, and makes it easier later to design outputs, activities, budgets, and institutional roles without confusion. Make sure:

- each cause is different from the others
- you do not repeat the same issue using different words
- causes sit below the problem, not above it
- effects sit above the problem
- the climate angle is visible

1.3.1.3 Why this step matters for bankability

Problem tree analysis is not just an academic exercise. It helps you:

- build a strong climate rationale

- choose the right intervention
- avoid designing the wrong project
- justify the need for finance
- show funders that the proposal is based on real system challenges

If this step is weak, the rest of the proposal will also be weak.

Practical tip

Before moving to Step 2, check these five questions:

- ✓ Is the climate dimension visible?
- ✓ Is the core problem clear?
- ✓ Are the causes really causes, and not absent solutions?
- ✓ Are the effects realistic and important?
- ✓ Does the problem point toward an investable response?

4.3.2 Step 2: Climate Risk and Vulnerability Assessment

Once the problem has been clearly defined, the next step is to understand how climate change is affecting the system and who or what is most exposed. A climate finance proposal becomes stronger when it clearly shows that the identified problem is linked to real climate risks, and that these risks are already affecting livelihoods, production systems, ecosystems, or infrastructure. This is what climate risk and vulnerability assessment helps you do.

Key Questions

- **The hazard:** What specific climate hazards are affecting the sector?
- **The Exposure:** Who or what is physically exposed to those hazards?
- **The vulnerability:** Why are certain systems, communities, or geographic areas more vulnerable than others?

A climate risk assessment should begin by identifying the main climate hazards affecting the sector or location. In livestock systems, common hazards include prolonged drought, rising temperatures, erratic rainfall, floods, heat stress, and increased disease outbreaks linked to changing climatic conditions. The goal is not to list every climate event, but to focus on those hazards that directly affect the problem identified in Step 1.

4.3.2.1 How to develop climate risk and vulnerability assessment

i. Identify the main climate hazards

Start by looking at the climate conditions affecting the target area/sector and how they are changing over time. Useful questions include:

- Is rainfall becoming more erratic?
- Are droughts becoming more frequent?
- Are temperatures increasing?
- Are floods becoming more frequent?

Example: Relevant Hazards in Livestock Systems

- **Recurrent Droughts:** Leading to severely reduced pasture regeneration and forage availability.
- **Prolonged Dry Seasons:** Drying up essential surface water points and shallow wells.
- **Rising Temperatures:** Causing severe heat stress in animals, lowering productivity.

- **Heavy, Erratic Rainfall:** Increasing the immediate risks of localized flooding and the spread of vector-borne livestock diseases.

At this stage, use available climate data, national climate reports, meteorological information, vulnerability studies, and local knowledge.

ii. Assess exposure

Exposure refers to the presence of people, livelihoods, species, ecosystems, infrastructure, or economic assets in places that could be adversely affected by the identified hazards. This step defines *where* the climate problem is happening.

In livestock systems, assessing exposure requires mapping specific, tangible assets, including:

Geographic Exposure: Mapping traditional transhumance (migration) corridors that now intersect with expanding flood plains or severely degraded Arid and Semi-Arid Lands (ASALs).

Population and Asset Exposure: Quantifying the exact number of smallholder dairy farmers, pastoralists, or commercial feedlots, and their livestock headcounts physically located within the identified hazard zones.

This step helps define where the climate problem is happening and which production systems are most affected.

iii. Assess vulnerability

Vulnerability explains why some people, systems, or institutions are less able to cope with climate risks than others. Two communities may face the same drought, but one suffers more because it has fewer resources, weaker infrastructure, or limited access to support services. It is usually driven by a lack of resources, weaker infrastructure, or limited access to support services.

In livestock systems, high vulnerability is typically driven by underlying developmental and systemic weaknesses, such as:

High Sensitivity: A local economy that relies 100% on natural, rainfed pasture is highly sensitive to even minor rainfall deficits.

Lack of Adaptive Capacity: The absence of cold-chain infrastructure for veterinary medicines, lack of localized early warning meteorological systems, or insecure land tenure that prevents communities from building water harvesting structures.

Note: *This step is vital because climate finance is not solely about measuring hazards; it is fundamentally about building the capacity to respond to them.*

iv. Connect climate risk to the core problem

The climate assessment must clearly explain how the identified hazards are contributing to the problem identified in Step 1.



Example: Linking Risk to the Core Problem

If the core problem defined in Step 1 is "Declining livestock productivity and rising mortality," the climate risk links would be:

Hazard (Drought) → **Exposure/Vulnerability** (Rainfed pasture reliance) → **Effect** (Starvation and mortality).

Hazard (Heatwave) → **Exposure/Vulnerability** (Inadequate shade/water infrastructure) → **Effect** (Heat stress and lowered milk production).

Hazard (Flooding) → **Exposure/Vulnerability** (Herds located in lowlands without veterinary access) → **Effect** (Stagnant water driving disease outbreaks).

v. Use both data and local evidence

A strong climate risk assessment combines scientific evidence and local experience.

Useful sources include:

- climate projections
- historical rainfall and temperature trends
- national adaptation plans
- sector vulnerability studies
- local community consultations
- livestock production records

In many cases, local evidence helps explain what climate data alone cannot show, especially in pastoral and rural systems. This immediately helps justify why a climate investment is needed.

4.3.2.2 Why this step matters for bankability

Climate finance institutions expect clear evidence that climate change is creating risks that justify investment. This step helps you:

- build a strong climate rationale
- justify adaptation or mitigation needs
- identify who should benefit most
- target interventions correctly
- strengthen proposal credibility

4.3.2.3 Decision Support Tools available

- [IPCC Summary Generator](#)
- [Africa Agriculture Adaptation Atlas](#)
- [World Bank Climate Change Knowledge Portal](#)
- [FAOSTAT](#)
- [WMO State of the Climate Reports:](#)
- [ThinkHazard!:](#)
- [CRiSTAL \(Community-Based Risk Screening Tool – Adaptation and Livelihoods\):](#)
- [PROVIA Guidance:](#)

Practical tip

Before moving to the next Step, check:

- Are the climate hazards clearly identified?
- Is exposure clearly shown?
- Is vulnerability explained?
- Is the climate link to the problem obvious?
- Is there evidence to support the analysis?

4.3.3 Step 3: Greenhouse Gas Emissions Analysis and Mitigation Potential

After understanding the climate risks and vulnerabilities affecting the sector, the next step is to examine whether the project also has potential to reduce greenhouse gas emissions or improve carbon efficiency. This is important because many climate finance proposals, even those designed mainly for adaptation, are stronger when they show clear mitigation co-benefits. In livestock systems, this step helps identify where emissions are coming from, what is driving them, and which interventions can reduce emissions while improving productivity and resilience.

The purpose of this step is not to produce a highly technical carbon inventory at the beginning. It is to develop a clear understanding of the main emission sources linked to the problem and to identify realistic opportunities for reducing emissions through the proposed investment.

Definition:

Emission intensity refers to the volume of greenhouse gases emitted per unit of output (e.g., kilograms of CO_2 equivalent per liter of milk or kilo of meat).

4.3.3.1 How to conduct a greenhouse gas emission analysis and mitigation potential

i. Identify the main emission sources

Start by asking where emissions are generated within the system you are targeting. In livestock systems, the main greenhouse gas sources usually include:

- **Enteric fermentation:** Often the largest source, as ruminants (such as cattle, sheep, and goats) naturally produce methane (CH_4) during the digestive process.
- **Manure management:** Releases substantial amounts of both methane and nitrous oxide (N_2O) when animal waste is left untreated, accumulates without management, or is stored in anaerobic (oxygen-free) conditions.
- **Land degradation:** Overgrazing, deforestation for pasture expansion, and the subsequent loss of soil organic matter release trapped carbon due to grazing pressure.
- **Feed production systems:** Generates emissions through heavy fertilizer application, processing, and transportation.
- **Inefficient energy use:** Fossil fuels burned to power on-farm operations, cooling systems, and processing infrastructure.

In many livestock systems, enteric fermentation is the largest source because methane is produced during digestion, especially in cattle, sheep, and goats. Poor manure handling can also generate methane and nitrous oxide, especially where manure accumulates without treatment or is poorly managed.

ii. Link emissions to the core problem

The emissions analysis should connect directly to the problem identified earlier. For example, if the core problem is declining livestock productivity, it is useful to show whether low productivity is also increasing emissions intensity.

A common climate finance argument in livestock systems is that low productivity often means higher emissions per unit of output. Animals that grow slowly, produce less milk, or lose weight under climate stress often emit more greenhouse gases relative to the value they produce.

This means that improving resilience can also improve mitigation performance.

iii. Identify realistic mitigation opportunities

Once emission sources are clear, the next step is to identify where intervention can reduce emissions.

In livestock systems, mitigation opportunities may include:

- improving feed quality and digestibility
- introducing climate resilient fodder systems
- improving animal health and productivity
- better manure collection and treatment
- biogas systems using livestock waste
- rotational grazing and pasture restoration
- improved breeding for productivity and resilience

The focus should be on practical interventions that fit the project context and also contribute to adaptation or livelihood outcomes.

iv. Estimate mitigation potential

At proposal development stage, you do not always need precise emission calculations immediately, but you should estimate whether the intervention has clear mitigation potential. Useful questions include:

- Will productivity improve enough to reduce emissions intensity?
- Will manure management reduce methane release?
- Will better grazing reduce land degradation?
- Will renewable energy replace fossil fuel use?

Where possible, use available national data, livestock sector studies, emission factors, or existing sector estimates.

v. Show mitigation as part of the investment logic

Mitigation should not appear as a separate add-on. It should be linked to the main investment logic.

For example:

If a project invests in drought resilient fodder systems, the proposal should explain that better feed improves resilience while also reducing methane emissions through better digestion and higher productivity.

If the project supports manure management, it should show both adaptation and mitigation value.

This is what makes the proposal stronger for climate finance.

Livestock example: A livestock proposal may show that:

- poor quality feed increases methane emissions from cattle
- drought reduces feed availability and animal productivity
- manure is unmanaged in production areas
- introducing improved fodder and manure systems can reduce methane while increasing productivity

This creates a strong argument that the project contributes to both adaptation and mitigation.

vi. Link mitigation potential to national climate targets

A strong climate finance proposal should not stop at identifying where emissions can be reduced. It should also show how those reductions contribute to national climate commitments. This is where national climate policy documents become very useful, especially the Nationally Determined Contributions (NDCs), Biennial Transparency Reports (BTRs), and national greenhouse gas inventories. In livestock systems, once mitigation opportunities are identified, the next question should be: Does this intervention contribute to targets already recognized by the country? For example, if a country has committed in its NDC to reduce methane emissions from agriculture, improve manure management, promote climate smart livestock systems, restore degraded rangelands, or increase productivity under low emission pathways, then the proposed project should clearly show how it contributes to those targets.

The NDC helps proposal developers understand which mitigation and adaptation priorities are already nationally approved. This strengthens the proposal because funders prefer investments that directly support national commitments rather than isolated project ideas. The Biennial Transparency Reports (BTRs) and national greenhouse gas inventories are equally important because they help identify where emissions are highest, which livestock categories contribute most, and what trends are already being observed. In many countries, livestock emissions are broken down by source, such as enteric fermentation, manure management, and land use related pressures. This helps project developers target interventions where mitigation value is likely to be strongest.

Even when exact emission reductions are not yet fully calculated, showing this policy link immediately strengthens proposal credibility because it demonstrates that the project is contributing to measurable national climate outcomes

4.3.3.2 Why this step matters for bankability

Climate finance institutions increasingly look for projects that generate multiple climate benefits. A clear emissions analysis helps:

- strengthen mitigation justification
- show climate efficiency of the investment
- demonstrate measurable climate outcomes

- improve proposal competitiveness
- attract blended finance where mitigation benefits matter

A strong proposal does not force mitigation where it does not exist, but where clear opportunities are present, they should be clearly integrated.

4.3.3.3 Decision support tools

[GLEAM \(Global Livestock Environmental Assessment Model\)](#)

[GLEAM Emissions Dashboard](#)

[EX-ACT \(Environmental eXternalities ACcounting Tool\)](#)

Practical tip

Before moving to Step 4, check:

- ✓ Are the primary GHG emission sources clearly identified for your target system?
- ✓ Is the logical link between emissions (or emissions intensity) and the Step 1 core problem visible?
- ✓ Are the proposed mitigation opportunities realistic?
- ✓ Is there a clear pathway to measure or estimate these mitigation benefits later in the project?
- ✓ Do the mitigation activities naturally strengthen the adaptation project rather than overcomplicating it?
- ✓ Are the mitigation goals explicitly linked to the country's NDCs or national climate targets?

4.3.4 Step 4: Socio-economic Analysis

After defining the climate problem, assessing risks, and identifying mitigation opportunities, the next step is to understand the socio-economic implications of both the problem and the proposed response. Climate finance proposals are stronger when they show not only that climate risks exist, but also that these risks affect people's livelihoods, income, assets, labour, food security, and wider social well-being. This helps explain why investment is necessary and why the proposed intervention matters in practical terms.

At this stage, the objective is to answer two broad questions:

- What are the social and economic effects of the climate problem?
- What socio-economic value will the proposed intervention generate?

4.3.4.1 How to conduct a socio-economic analysis

i. Assess how the climate problem affects livelihoods and well-being

Start by examining how the identified climate problem affects households, communities, and value chain actors. In livestock systems, climate-related shocks often affect much more than production alone. They can reduce household income, weaken food and nutrition security, increase labour burdens, disrupt schooling, deepen poverty, and increase dependence on emergency coping strategies.

This analysis should consider:

- impacts on income and household assets
- effects on food security and nutrition
- changes in labour demands, time use, and workload
- impacts on access to services, markets, and mobility
- differentiated effects on women, youth, pastoralists, and other vulnerable groups

The aim is to show that the climate problem is not only technical or environmental, but also social and developmental.

ii. Identify who is most affected and why

Socio-economic analysis should not treat all affected populations as if they experience climate risks in the same way. Different groups are affected differently depending on their asset base, livelihood dependence, gender roles, access to services, location, and adaptive capacity.

For example, in livestock systems:

- smallholder farmers may face reduced productivity and income losses
- pastoralists may experience mobility constraints and water stress
- women may carry heavier labour burdens but have less control over resources
- youth may face reduced employment opportunities across the value chain

This step helps ensure that the intervention is grounded in the realities of those most affected.

iii. Examine the economic cost of the climate problem

The analysis should also show the economic consequences of inaction. This includes looking at the costs associated with recurring climate shocks and chronic climate stress.

Relevant questions include:

- What production losses are associated with drought, heat stress, or disease outbreaks?
- How does the climate problem affect household income and local markets?
- What assets are lost or weakened over time?
- What public resources are repeatedly used for emergency response?

In livestock systems, these costs may include declining milk and meat production, livestock mortality, higher feed and water costs, reduced market value of animals, and repeated household or public expenditure on emergency support.

iv. Assess the socio-economic benefits of the proposed intervention

A strong proposal should show how the intervention will improve both livelihoods and broader social outcomes. This means moving beyond technical outputs to explain how the project will generate value for people and communities.

This may include:

- improved and more stable household incomes
- reduced livelihood losses during climate shocks
- stronger food and nutrition security
- better access to climate services, finance, or infrastructure
- reduced vulnerability among socially or economically marginalized groups
- stronger resilience across households, producer groups, and value chains

The purpose is to show that the intervention creates practical benefits that matter for both climate resilience and development.

v. Show distribution of benefits

Socio-economic analysis should make clear who benefits, how they benefit, and whether those benefits are likely to be equitably shared. This is important because climate finance increasingly expects proposals to demonstrate inclusion and fairness, not just aggregate gains.

At this stage, it is useful to distinguish between:

- **direct beneficiaries**, such as livestock-keeping households, cooperatives, and producer groups
- **indirect beneficiaries**, such as traders, processors, local markets, service providers, and surrounding communities

This helps clarify the wider socio-economic significance of the investment.

vi. Link the socio-economic case to the investment logic

The socio-economic analysis should feed directly into the overall investment case. Climate finance proposals are more convincing when they show that climate interventions not only reduce risk, but also protect livelihoods, create wider social value, and support long-term development priorities.

For example, if an intervention improves resilience in livestock systems, the proposal should also show whether it:

- reduces repeated losses
- improves productivity and income stability
- protects vulnerable groups
- strengthens resilience across the wider value chain

This helps position the project as both climate-relevant and socially justified.

vi. Use national and local evidence

This section becomes stronger when supported by:

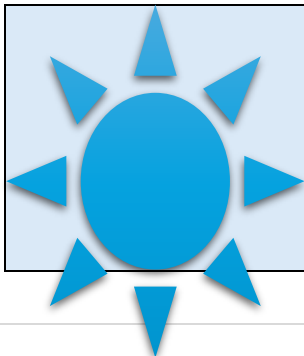
- sector production data
- household income data
- drought loss estimates
- market prices
- livestock productivity records
- national economic reports

To formalize this logic for full funding proposals, climate funds require you to clearly distinguish between two levels of returns to justify the investment.

1. **Financial Viability (The Private View):** Does the intervention make financial sense for the farmer, cooperative, or enterprise? Using dynamic investment calculations, the practical financial benefits identified above must mathematically outweigh the initial capital and operational costs over time.
 - **Net Present Value (NPV):** The project must generate a positive NPV ($NPV > 0$), meaning the discounted future cash flows (e.g., the recurring savings) exceed the initial investment.
 - **Internal Rate of Return (IRR):** The expected project return (IRR) must be higher than the cost of capital.
2. **Economic Viability (The Social View):** Does the intervention benefit society as a whole? This analysis monetizes "co-benefits" and positive externalities. For example, calculating the public health-cost savings of a new solar-water system, valuing soil conservation, or using shadow pricing to put a monetary value on sequestered carbon.

vii. Address Uncertainty (Sensitivity Analysis)

Because climate change is unpredictable, reviewers want to see that your economic logic can survive a shock. Conduct a Sensitivity Analysis to prove the project remains economically viable even under severe climate projections. For example, show that the NPV remains positive even if drought frequency increases by 20% or if the discount rate fluctuates.



Example: Creating the investment case:

Drought currently reduces milk production by up to 40% in target areas, forcing households to spend their limited income on emergency feed while increasing vulnerability through livestock deaths. To address this, the proposed intervention establishes a Sustainable Business Model. By implementing improved fodder and

water systems, this project will stabilize production, completely offset emergency feed costs, and prevent capital losses from animal mortality.

By segmenting our approach, the project provides critical safety nets for vulnerable, **livelihood-oriented livestock keepers**, while allowing **business-oriented producers** to capitalize on the rapidly growing market demand for animal-source foods. This secures long-term economic stability for 5,000 **direct beneficiary** households (prioritizing women) and stimulates local value chains for 15,000 **indirect beneficiaries**.

Financially, avoiding these recurring losses and stabilizing yields results in a highly positive **Net Present Value (NPV)** and an **Internal Rate of Return (IRR)** that exceeds the hurdle rate. To ensure long-term viability, the requested climate finance will be structured as subordinated capital. This public funding absorbs the initial climate risks (first-loss), thereby optimizing the **Weighted Average Cost of Capital (WACC)** and unlocking senior debt from local commercial banks to scale the intervention."

4.3.4.2 Why this step matters for bankability

Socio-economic analysis strengthens a climate finance proposal by showing that the project responds to real social and livelihood needs, not just abstract climate risks. It helps justify investment, supports the case for inclusion, and shows that the intervention can generate meaningful benefits for people, communities, and local economies.

4.3.4.3 Decision Support Tools available

[EX-ACT \(Environmental eXternalities ACcounting Tool\)](#)
[Africa Agriculture Adaptation Atlas](#)

Case Study: Kenya Livestock Insurance Programme (KLIP)

The KLIP is a useful example of why socio-economic analysis matters in climate finance and resilience projects. KLIP, launched in 2015,) is a social livelihood protection scheme which is built on index insurance principles. Targeted at some of the most vulnerable pastoralists in Kenya's Arid and Semi-Arid Lands (ASAL) regions, the Government of Kenya (GoK) pays domestic insurance companies an annual premium to provide financial protection against drought for more than eighteen thousand vulnerable households. A socio-economic lens is needed to understand how drought affects livelihoods, food security, coping strategies, trust in services, and the ability of households to recover after shocks. World Bank analysis of the programme emphasizes that drought is a major threat to pastoral livelihoods and that perceptions of service delivery and value are central to understanding how such resilience instruments perform in practice.

For proposal developers, the Kenya case shows that socio-economic analysis should go beyond estimating costs and returns. It should also examine who is most affected, how climate shocks shape household well-being, whether the intervention responds to real livelihood needs, and whether intended beneficiaries actually perceive value in the support provided. In this way, socio-economic analysis helps strengthen both the design and the justification of climate finance interventions.

Practical tip

Before moving to the next step, check:

- ✓ Are the social and livelihood impacts of the climate problem clearly explained?
- ✓ Is the economic cost of the climate problem (The "Without Project" scenario) clearly stated?

- ✓ Are beneficiaries accurately segmented (Livelihood-oriented vs. Business-oriented) and quantified (Direct vs. Indirect)?
- ✓ Is a clear, common-sense investment logic established (e.g., avoided losses, eliminated recurring costs)?
- ✓ Does the proposal distinguish between Financial Viability (private profitability) and Economic Viability (social/environmental value)?
- ✓ Has the economic model been stress-tested for uncertainty (Sensitivity Analysis)?

4.3.5 Step 5: Development of Strong Climate Rationale

Once the problem, climate risks, emissions, and economic impacts are clear, the next step is to explain why the proposed intervention is necessary because of climate change. This is what is referred to as the climate rationale. A climate rationale is not a general justification for development. It must clearly show that the problem is driven or worsened by climate change, and that the proposed solution directly responds to those climate-related risks. This is one of the most important parts of a climate finance proposal because it determines whether the project qualifies as climate finance.

At this stage, the objective is to answer one key question:

“Why is this a climate problem that requires climate finance, and not just a development intervention?”

4.3.5.1. How to Develop a strong climate rationale

i. Describe observed and projected climate trends

Start by presenting clear, undeniable evidence of climate change in the target area. This should combine observed historical trends (current patterns) with projected future trends (climate scenarios). The description must be specific, quantitative where possible, and directly linked to the project location or sector. Rely on credible sources such as national climate reports, meteorological data, NAPs, NDCs, IPCC findings, or regional climate studies.

In livestock systems, relevant trends include increasing frequency and duration of droughts, rising average temperatures, delayed onset of rains, and increased extreme weather events.

Example:

✗ Weak Statement: *"Rainfall is decreasing in the region."*

✓ Strong Statement: *"In the target region, average annual rainfall has declined by approximately 10–15% over the past two decades, with increasing variability and shorter rainy seasons. Climate projections indicate a further increase in rainfall variability and more frequent drought events by 2030–2050."*

ii. Show how the climate trend affects the system

Next, explain how these climate changes are affecting people or systems. This is where you connect climate to real impacts.

For example:

- drought reduces pasture and fodder availability
- water scarcity affects livestock health and productivity
- heat stress reduces milk production and fertility
- changing climate increases disease outbreaks

This step should clearly show that the problem identified earlier is directly linked to climate change.

iii. Explain why current systems are not sufficient

Now explain why existing systems are unable to cope with these climate impacts. This is where you show the vulnerabilities, sensitivities, the gaps (both adaptation and mitigation) or system weakness.

For example:

- existing fodder systems are not drought-resilient
- water infrastructure is inadequate during prolonged dry periods
- livestock systems rely on climate-sensitive grazing
- climate information is not reaching producers
- existing practices are not suited to changing climate conditions

Showing these weaknesses is vital because it proves that "business as usual" will result in failure under future climate conditions.

vi. Justify the proposed intervention as climate-specific

Now explain how your proposed solution responds directly to the climate problem. This is where many proposals fail, they jump to straight to proposing agricultural solutions without clearly linking them back to climate risks.

Example:

✗ **Development Approach:** *"The project will support fodder production for farmers."*

✓ **Climate Finance Approach:** *"The project will implement climate-resilient, deep-rooted fodder systems to address increasing severe feed shortages caused by recurrent drought and rainfall variability."*

v. Link to national climate priorities

To strengthen the rationale further, show how the intervention aligns with national climate commitments.

This may include:

- NDC priorities
- NAP priorities
- LT-LEDS priorities
- Sector strategies

This shows that the project is not isolated but contributes to national climate goals.

4.3.5.2 Why this step matters for bankability

A strong climate rationale:

- determines whether the project qualifies for climate finance
- differentiates the proposal from standard development projects
- shows clear climate impact potential
- strengthens alignment with fund criteria
- increases chances of approval

4.3.5.3 Decision Support Tools available

[IPCC Summary Generator](#)

[Africa Agriculture Adaptation Atlas](#)

[World Bank Climate Change Knowledge Portal](#)

Practical tip

Before moving to the next step, check:

- ✓ Is the climate trend clearly explained?
- ✓ Is the climate trend (both historical and projected) clearly and quantitatively explained?
- ✓ Is the direct link between the climate hazard and the livestock problem obvious?
- ✓ Is the proposed intervention clearly framed as a climate-specific response?
- ✓ Have future climate risks and scenarios been considered?
- ✓ Is there alignment with national climate priorities?

4.3.6 Step 6: Solution Design, Impact Pathways, and Theory of Change

At this stage, you are moving from analysis to design. The goal is to take the problem, climate risks, and rationale you have developed and translate them into a **clear, structured and innovative interventions** that funders can understand and support. A ToC is typically presented as a diagram and/or as a narrative description. In simple terms, this step answers:

- What exactly will the project do?
- How will it solve the problem?
- What changes will it create over time?

A strong solution design shows a **clear line from activities → Outputs/results → Outcomes→ impact**. This is often referred to as the **theory of change**. A strong ToC connects everything you have developed so far.

4.3.6.1. How to Design a theory of change

i. Start with the climate problem, risks, and barriers

Begin with the problem identified in Step 1, but now clearly distinguish between:

- **climate risks** (what climate is doing to the system)
- **barriers** (what prevents the system from responding effectively)

This distinction is important because risks define the challenge, while barriers define what your project must solve. Climate risks are driven by climate trends and hazards. In livestock systems, these may include:

- recurrent drought reducing pasture availability
- rising temperatures causing heat stress
- erratic rainfall affecting water access
- increased disease outbreaks linked to climate variability

Barriers, on the other hand, explain why the system is unable to respond to these risks. These are often technical, financial, institutional, or policy-related. Examples in livestock systems include:

- lack of access to climate-resilient fodder systems
- weak extension and climate advisory services
- limited access to finance for adaptation investments
- poor water infrastructure
- weak policy implementation

ii. Define the long-term change (impact and paradigm shift)

Before defining activities, clearly describe the **long-term change** the project will create. This is often referred to as the **paradigm shift**, meaning the project goes beyond short-term results and leads to long-term system transformation. A useful way to structure this is using the: **IF – THEN – BECAUSE logic**. This helps make the ToC clear, logical, and convincing.



Livestock Sector Example: IF-THEN-BECAUSE Logic

IF (What the project will do): Livestock producers adopt climate-resilient feed systems, improved water access, and climate-informed management practices...

THEN (The expected change): ...livestock productivity and resilience to drought will improve, while emissions intensity will decrease...

BECAUSE (Why it is realistic): ...improved feed, water availability, and management practices directly enhance animal health, reduce climate sensitivity, and create profitable systems that can be scaled through local extension services and market integration.

This structure helps you:

- clearly explain the transformation pathway
- show that the intervention is not random
- demonstrate logic behind expected impact
- strengthen credibility with funders

This helps clearly show how transformation happens.

iii. Define outcomes (what will change)

Outcomes describe the changes the project aims to achieve, showing how systems, behaviours, or conditions improve as a result of the intervention. They focus on results, not activities or direct deliverables. Examples in livestock systems:

- increased adoption of climate-resilient livestock practices
- improved feed availability during dry periods
- reduced livestock mortality during drought
- improved access to climate information
- reduced emissions intensity

Outcomes should be:

- specific
- measurable
- aligned with climate results (adaptation, mitigation, co-benefits)

iv. Define outputs (what the project delivers)

Outputs are the direct products or services delivered by the project. These are fully within the control of the project and are achieved through activities. Outputs should: be tangible and verifiable; be measurable; clearly lead to outcomes; and reflect the project's main components

Outputs answers:

“What will the project produce or put in place to enable outcomes?”

What makes a strong output

A strong output includes: what is delivered; who benefits; and sometimes scale or quantity

Weak output:

- training conducted

Strong output:

- X number of livestock keepers trained on climate-resilient fodder production and feed management

Weak output:

- water systems improved

Strong output:

- climate-resilient livestock water infrastructure constructed or rehabilitated in targeted drought-prone areas

v Define activities (what the project will do)

Activities are the specific actions the project will implement to produce outputs. This is where your design becomes operational. If outputs describe what will be delivered, activities describe how those outputs will be achieved.

A strong activity should be:

- clearly defined (not vague)
- feasible within the project timeline and capacity
- directly linked to a specific output
- implementable by identified actors (government, partners, communities, private sector)

Avoid listing activities that are too broad or unclear. For example, instead of saying “support livestock systems,” be precise about what will actually happen on the ground. **Examples (livestock systems)**

- establish drought-resilient fodder plots in targeted communities
- rehabilitate degraded grazing land using climate-resilient practices
- construct or rehabilitate livestock water infrastructure (e.g. water pans, boreholes, solar pumps)
- deliver training and extension services on climate-resilient livestock management
- deploy climate advisory services tailored to livestock producers
- support access to climate-responsive livestock finance or insurance

Each activity should clearly answer:

‘What exactly will be done, where, and for whom?’

Link activities to outputs

Every activity must lead to a specific output.

For example:

Activity: establish fodder plots

Output: climate-resilient fodder systems established

Activity: train livestock keepers

Output: livestock keepers equipped with climate-resilient practices

If this link is not clear, the proposal will appear weak or unfocused.

vi Connect everything into a clear pathway

Once activities, outputs, and outcomes are defined, the next step is to connect them into a **logical pathway of change**. This is your Theory of Change.

The structure is:

Activities → Outputs → Outcomes → Impact

Each step should logically lead to the next.



vii. Apply MECE to structure the ToC

To ensure your Theory of Change is clear and complete, apply the **MECE principle**:

- **Mutually Exclusive** → each output and activity addresses a distinct barrier (no overlap)
- **Collectively Exhaustive** → together, they address all major barriers identified earlier

This helps avoid duplication and ensures that no critical issue is missed. Each output should address a different barrier, while together they fully respond to the climate problem.

viii. Link outcomes to climate results and co-benefits

Each outcome in your ToC must clearly contribute to **climate results**. This is what makes the project eligible for climate finance.

Outcomes should show:

- **Adaptation results** → reduced vulnerability and increased resilience
- **Mitigation results** → reduced emissions or improved efficiency
- **Co-benefits** → additional economic, social, gender, or environmental gains

xi. Define assumptions (what must hold true for the ToC to work)

Assumptions in a Theory of Change (ToC) are the underlying beliefs, conditions, and causal links often outside direct control that must hold true for an initiative to succeed. They explain why activities are expected to lead to desired outcomes, serving as the connective logic between steps in a program's pathway. Assumptions in a ToC are the causal connections, events and conditions that need to be realized for the intervention to work.

4.3.6.2 How to define good assumptions

Focus only on the most important ones. Good assumptions are:

- realistic (not obvious or generic)
- linked to key results in the ToC
- based on actual system constraints
- limited in number (usually 3–5 is enough)

Avoid vague statements like “stakeholders cooperate” unless you explain how that affects results. Assumptions show that you understand:

- the risks in your pathway
- what the project can and cannot control
- what could affect success

This makes your proposal more credible and realistic.

4.3.6.3 Why This Step Matters for Bankability

Climate finance institutions will heavily scrutinize your Theory of Change to understand exactly how their financial capital will translate into measurable climate impact. A ToC proves that your project is not just a random collection of good ideas, but a highly structured, logical, and scalable intervention. By clearly mapping how specific activities dismantle identified barriers to create verifiable climate outcomes, you provide the funder with the confidence and operational transparency they require to approve multi-million-dollar investments.

Practical tip

Before moving to Step 7, check:

- ✓ Is the logical pathway from problem to ultimate impact unbroken and clear?
- ✓ Are all desired outcomes explicitly linked to measurable climate results?
- ✓ Does the ToC demonstrate long-term system transformation (paradigm shift), not just short-term outputs?
- ✓ Are the proposed interventions perfectly aligned with the MECE principle (no overlap, fully complete)
- ✓ Are the assumptions realistic and clearly connected to the pathway's success?

4.3.7 Step 7: Gender Assessment and Gender-Responsive Action Planning

Gender assessment is now a core requirement across major climate finance mechanisms because climate impacts and access to resources are not experienced equally by women and men. The differences in roles, access to resources, and decision-making mean that women, men, and youth experience climate risks differently. A gender assessment helps you identify these differences and design interventions that are inclusive, effective, and bankable. At this stage, the objective is to ensure that:

- ✚ the project does not reinforce existing inequalities
- ✚ barriers faced by different groups are addressed
- ✚ benefits are equitably distributed
- ✚ gender results are visible and measurable

4.3.7.1. How to develop gender assessment and action planning

i. Analyse gender roles and responsibilities in the livestock system

Before designing interventions, identify who does what, who has access, and who makes decisions within the livestock system. This step should generate practical insights that directly shape your project design.

Focus on three areas:

- ❖ **Division of roles across the value chain**
Map who is involved at each stage:
 - feeding, watering, herding, animal care
 - processing (milk, eggs, meat)
 - marketing and income handling
- ❖ **Access vs control over resources**
Assess not just who uses resources, but who controls them:
 - livestock ownership
 - land and grazing areas
 - water access
 - finance and credit
 - extension and climate services
- ❖ **Decision-making power**
Identify who decides on:
 - livestock sales and income use
 - adoption of new practices
 - participation in training or programs

The key is to identify **who participates, who benefits, and who is excluded**.

ii. Identify gender-specific barriers

Using the insights above, identify the constraints that limit participation or benefits for different groups.

Common barriers in livestock systems include:

- limited access to finance or livestock assets
- restricted access to extension and climate services
- time constraints due to unpaid labour
- mobility or cultural restrictions
- exclusion from decision-making structures

These barriers should directly connect to your Theory of Change. Each major barrier identified here should be addressed by at least one project output or activity.

iii. Design gender-responsive actions

This step translates your analysis into clear project design decisions. Every major barrier identified earlier should be addressed through a specific and intentional action within the project. The focus here is not on adding gender

as an afterthought, but on ensuring that project delivery is structured in a way that enables participation and access.

How to design actions. For each key barrier, ask:

What needs to change for this group to participate and benefit?

Then translate that into a concrete action. **Examples of translating barriers into actions**

- **Barrier:** limited access to training
Action: deliver training in accessible locations, formats, and schedules
- **Barrier:** limited access to finance
Action: facilitate access to credit, grants, or tailored financial products

vi Define gender-responsive outcomes and indicators

At this stage, the focus is on ensuring that gender is reflected in measurable results, not just activities. This is what makes the intervention credible and fundable. Outcomes should describe what changes for different groups as a result of the project.

Defining indicators

Indicators should:

- be disaggregated (e.g. by gender, age, or group)
- measure change, not just participation
- align directly with outcomes

v. Align with climate finance requirements

At this stage, the focus is on ensuring that gender is not treated as a standalone element, but is fully integrated into the core design and results framework of the project, in line with climate finance requirements. Most climate finance mechanisms (e.g. GCF, AfDB, World Bank) require proposals to demonstrate systematic and evidence-based gender integration. This typically includes:

- a gender assessment that identifies roles, gaps, and barriers
- a gender action plan that outlines how these barriers will be addressed
- gender-responsive indicators to track results
- clear evidence of inclusion across the project lifecycle

4.3.7.2 What alignment means in practice

Alignment is not about including gender language — it is about showing that gender considerations **influence how the project is designed, delivered, and measured.**

This means gender must be integrated across:

Activities

- targeted outreach and participation strategies
- inclusive delivery approaches (timing, location, format)

Outputs

- services, infrastructure, or systems that are accessible to different groups
- capacity-building that reflects differentiated needs

Outcomes

- measurable improvements in access, participation, and benefits
- reduced gaps between groups

Monitoring systems (MEL/MRV)

- indicators disaggregated by gender and age
- tracking of participation, adoption, and benefits across groups

4.3.7.3 What funders are looking for

Funders assess whether:

- gender barriers are clearly identified and addressed
- interventions are designed to reduce inequality, not reinforce it
- results are measurable and linked to outcomes
- gender is embedded in the Theory of Change, not added separately

4.3.7.4 Decision Support Tools available

- [Gender hotspot maps](#)
- [Manual for Mainstreaming Gender in Green Climate Fund project](#)

Practical check

Before moving to Step 8, ask:

- ✓ Do I know who does what in the system?
- ✓ Are key barriers clearly identified?
- ✓ Are actions specific and targeted?
- ✓ Are gender results measurable?
- ✓ Is gender integrated into the ToC?

4.3.8 Step 8: Environmental and Social Safeguards

Climate projects are expected to deliver positive outcomes, but they can also create unintended environmental or social risks if not properly designed. Environmental and Social Safeguards (ESS) ensure that projects avoid harm, manage risks, and enhance positive impacts.

At this stage, the objective is to ensure that:

- the project does not cause environmental or social harm
- risks are identified early and managed properly
- vulnerable groups are protected
- benefits are delivered responsibly and sustainably

4.3.8.1 How to conduct ESS analysis

i. Identify environmental and social risks

At this stage, the focus is on identifying potential environmental and social risks associated with the project, based on what the project is doing and where it is being implemented. Rather than working from a fixed checklist, start from your project design and ask:

- *If this activity is implemented at scale, what could go wrong?*
- *Who or what could be negatively affected, and how?*

Look at each major component or activity in your Theory of Change and consider:

- how it interacts with natural resources (land, water, ecosystems)
- how it may affect different groups (access, benefits, participation)
- whether it could create pressure, competition, or unintended exclusion

How to approach this in practice

- Review each major activity and its footprint
- Consider the local context (ecological, social, institutional)
- Identify risks that are realistic and relevant, not hypothetical

The aim is to demonstrate awareness and context-specific thinking, not to list every possible risk.

ii. Assess the level and significance of risks

Once risks are identified, the next step is to assess how significant they are and where attention is needed most. This helps prioritize mitigation efforts and signals to funders that risks are being managed proportionately.

What to consider

- how likely the risk is to occur
- how severe the impact would be
- who or what would be affected
- whether the impact can be reversed or managed

At this stage, it is sufficient to indicate whether risks are:

- low
- moderate
- or significant

iii. Define mitigation and management measures

This step focuses on identifying how risks will be avoided, minimized, or managed through project design and implementation. For each key risk, define a corresponding mitigation approach.

How to approach mitigation

Ask: What can be changed in the design or delivery of this activity to reduce risk?

This may involve:

- adjusting how activities are implemented
- strengthening inclusion or participation
- introducing safeguards in resource use
- improving coordination with stakeholders

iv. Integrate safeguards into project design

Safeguards should not be treated as a separate section. They must be embedded within the core design of the project. This means:

- risks influence how activities are designed
- inclusion shapes targeting and delivery
- environmental considerations shape technical choices

In practice, this may mean:

- designing activities to reduce pressure on natural resources
- ensuring equitable access to project benefits
- embedding safeguards into implementation procedures

v. Align with climate finance safeguard requirements

Finally, ensure that the project aligns with the safeguard expectations of the funding source. Most climate finance mechanisms require:

- identification and categorization of risks
- defined mitigation measures
- stakeholder engagement processes
- monitoring and reporting systems
- protection of vulnerable groups

4.3.8.2 What alignment means in practice

Your proposal should clearly show:

- risks are identified and understood
- mitigation measures are integrated into design
- responsibilities for safeguards are defined

- monitoring and reporting systems are in place

4.3.8.2 Decision Support Tools available

- [Environmental and Social Safeguards – Green Climate Fund](#)

Practical check

Before moving to the next Step, ask:

- Have I identified key environmental and social risks?
- Are mitigation measures clearly defined?
- Are safeguards integrated into project design?
- Is there a system for monitoring and grievance?
- Does the project protect vulnerable groups?

4.3.9 Step 9: Development of Logical Frameworks, MEL, and MRV Systems

At this stage, the focus is on translating your project design into a structured and measurable results framework. While the Theory of Change (ToC) explains how and why change is expected to happen, the logical framework (logframe) translates that logic into a clear, results-based structure that can be measured, tracked, and assessed. In simple terms, the ToC provides the narrative pathway of change that links problems, solutions, and expected outcomes, while the logframe provides the operational structure, organizing those results into defined levels, indicators, and data systems. The ToC helps you think; the logframe helps you measure and report.

Climate finance proposals require both. Funders expect to see a clear ToC that explains the logic of the intervention, and a robust logframe supported by MEL and MRV systems that demonstrate how results will be tracked, verified, and reported over time. This step is therefore critical in showing that the project is not only well-designed, but also accountable, evidence-driven, and capable of delivering verifiable climate outcomes.

4.3.9.1 How to develop a logical framework, Mel and MRV system

i. Translate the Theory of Change into a logical framework

At this stage, the objective is to convert your Theory of Change into a structured results framework that clearly shows what will be achieved and how progress will be measured. The strength of the logframe lies in its clarity, it should allow a reviewer to quickly understand what the project will deliver and how success will be measured.

The logical framework organizes the project into a results chain:

Impact → Outcomes → Outputs → Activities

Each level should be clearly linked and logically consistent with the ToC.

For each level, define:

- a clear result statement
- indicators to measure progress
- means of verification (data sources)
- key assumptions

ii. Define indicators (how results will be measured)

This step focuses on selecting appropriate indicators that reflect both delivery and change. Indicators are central to demonstrating whether the project is achieving its intended results. Funders place greater emphasis on outcome indicators, as these demonstrate real impact beyond activity delivery.

Two levels are particularly important:

- **Output indicators** → track what the project delivers
- **Outcome indicators** → track the changes resulting from those outputs

Strong indicators should be:

- clearly defined and specific
- measurable using available or collectable data
- directly linked to results
- realistic within the project scope

iii. Define baselines and targets

Indicators are only meaningful when placed within a clear starting point and expected trajectory. This step ensures that progress can be measured over time. Where baseline data is not available, indicate how it will be collected early in implementation. Targets should be ambitious but achievable, reflecting both project scope and context.

For each indicator, define:

- a **baseline** (current situation)
- a **target** (expected result by a defined time)

iv. Establish Monitoring, Evaluation, and Learning (MEL) systems

At this stage, the focus is on defining how the project will track progress, assess performance, and adapt over time. MEL systems ensure that implementation is guided by evidence rather than assumptions. A strong MEL system supports adaptive management, allowing the project to respond to emerging challenges and opportunities.

Monitoring

Tracking implementation and progress toward outputs and outcomes.

Evaluation

Assessing whether the project is achieving its intended results and why.

Learning

Using data and experience to adjust implementation and improve outcomes.

How to set up MEL:

Define what to monitor

Use the logframe to identify key output and outcome indicators.

Define how data will be collected

For each indicator, specify:

- data source
- collection method (e.g. surveys, records)
- frequency (e.g. quarterly, annually)

Assign responsibilities

Clarify who collects, analyzes, and reports data.

Establish review and learning processes

Set regular review points (e.g. quarterly) and define how findings will inform adjustments.

Plan for evaluation

Indicate when evaluations will take place (e.g. mid-term, end-line) and what they will assess.

In climate finance contexts, MEL systems should be complemented by Measurement, Reporting, and Verification (MRV) approaches, particularly for mitigation-focused results. While MEL is typically used to track implementation progress, adaptation outcomes, and learning, MRV focuses more specifically on quantifying and verifying climate results, such as greenhouse gas emissions reductions. In practice, this means ensuring that indicators linked to mitigation outcomes are measured using recognized methodologies, reported in line with fund requirements, and aligned, where possible, with national systems such as greenhouse gas inventories and

Biennial Transparency Reports (BTRs). Integrating MEL and MRV in this way ensures that both adaptation and mitigation results are credibly tracked and reported.

v. Define data sources and responsibilities

This step clarifies the operational side of measurement, how data will actually be generated and managed. Clear roles and data systems reduce implementation risk and strengthen accountability.

Define:

- data sources (e.g. surveys, administrative records, monitoring systems)
- who is responsible for data collection and reporting
- frequency of data collection and reporting

vi. Align with climate finance requirements

Finally, ensure that the results framework aligns with the specific requirements of the funding source. Alignment at this stage ensures that the proposal meets both technical and compliance expectations. Most climate finance mechanisms assess:

- alignment with their results areas or impact indicators
- clarity and measurability of indicators
- robustness of MEL and MRV systems
- ability to demonstrate climate impact

4.3.9.2 Decision Support Tools available

- [Logical Framework Template – Green Climate Fund](#)
- [Integrated Results Management Framework](#)

Practical check

Before moving to Step 10, ask:

- ✓ Does the logframe clearly reflect the Theory of Change?
- ✓ Are indicators specific, measurable, and relevant?
- ✓ Are baselines and targets defined?
- ✓ Are MEL and MRV systems clearly structured?
- ✓ Can climate results be credibly measured and reported?

4.3.10 Step 10: Budgeting, Costing, and Financial Structuring

Climate finance proposals are assessed not only on technical strength, but also on whether the financial structure is realistic, efficient, and aligned with the scale and nature of the intervention. This step therefore links your Theory of Change and logframe to a clear investment case.

At this stage, the focus is on translating your project design into a credible financial plan. While earlier steps define what the project will do and achieve, this step demonstrates how much it will cost, how it will be financed, and whether it is financially viable.

4.3.10.1 How to develop a budget and financial structure

i. Develop a detailed project budget

At this stage, the objective is to estimate the full cost of delivering the project, based on activities and outputs defined earlier. Start by breaking down costs according to your project components or outputs. For each, identify:

- capital costs (infrastructure, equipment, systems)
- operational costs (implementation, staffing, logistics)
- capacity-building and technical support
- monitoring, evaluation, and reporting

- administrative and management costs

The budget should be:

- comprehensive (covers all activities)
- realistic (based on actual cost assumptions)
- clearly linked to outputs

ii. Link costs to results

A strong proposal clearly shows how resources translate into results. Funders often assess cost-effectiveness, so clarity here is critical. At this stage, ensure that:

- each major cost item is linked to a specific output or activity
- high-cost components are justified by expected impact
- there is a clear relationship between investment and results

iii. Identify co-financing and financing sources

At this stage, the focus is on identifying co-financing, which refers to additional resources mobilized alongside the main funding request. Co-financing is a key requirement for most climate funds and signals country ownership, stakeholder commitment, and the ability to leverage resources.

Start by linking project components to potential financiers and ask:

Who already has an interest, mandate, or investment in this area?

Common sources include:

- **government budgets** (aligned sector programmes)
- **development partners and MDBs**
- **private sector actors and financial institutions**
- **in-kind contributions** (e.g. staff, infrastructure, systems)

The proposal should clearly indicate:

- total project cost
- amount requested from the fund
- co-financing amount and sources
- type of financing (grant, loan, equity, etc.)

iv. Demonstrate financial viability and sustainability

This step shows whether the project can deliver results efficiently and sustainably over time. Even for non-revenue projects, funders expect to see how benefits will be sustained. Depending on the project, this may include a brief write up on:

- cost-effectiveness (value for money)
- revenue generation (if applicable)
- long-term sustainability beyond project funding
- operation and maintenance arrangements

v. Crowd in the private sector

Where appropriate, demonstrate how the project will leverage or crowd in private investment. Private sector should investing in both adaptation and mitigation action. This may involve:

- Derisking through public or concessional finance
- creating investment-ready opportunities
- strengthening enabling environment (policy, incentives, markets, institutions)

vi. Align with fund financial requirements

Finally, ensure that the financial structure aligns with the specific requirements of the funding source. Funders typically assess:

- clarity and realism of the budget
- level and quality of co-financing
- appropriateness of financial instruments
- cost-effectiveness and efficiency
- financial sustainability

Practical check

Before moving to the next stage, ask:

- Is the budget complete and realistic?
- Are costs clearly linked to outputs and outcomes?
- Are financing sources clearly defined?
- Is the financial structure appropriate for the project?
- Does the proposal demonstrate sustainability and value for money?

4.3.11 Step 11: Integrating Public and Private Finance and Crowding in Private Sector Investment

At this stage, the focus is on designing viable business models that can attract and sustain private sector investment. Climate finance is used not only to fund activities, but to de-risk and structure opportunities in a way that makes them investable. A strong proposal demonstrates how public or concessional finance is used to enable, strengthen, or scale business models that can crowd in private capital.

Rather than asking *how to bring in private finance*, this step asks:

‘What business model makes this intervention financially viable and attractive to private actors?’

4.3.11.1 How to integrate public and private finance

i. Co-develop and identify investment opportunities

At this stage, the focus is on working with key stakeholders to identify practical, investable opportunities within the project. This should be done early, alongside problem identification and solution design, to ensure that potential investments are built into the proposal from the outset. This involves engaging:

- private sector actors (e.g. companies, financial institutions, service providers)
- government institutions
- development partners
- value chain actors

to jointly identify:

- *Where are the viable opportunities for investment within this system?*
- *Which interventions could evolve into sustainable or scalable models?*

ii. Identify investable components within the project

Start by identifying which parts of the project can be structured as business or revenue-generating models. Not all components need to be commercial, focus on those with potential to become financially sustainable or scalable. These are typically components where:

- there is clear demand for a product or service
- users are willing or able to pay
- costs can be recovered over time

iii. Identify investable components within the project

For each investable component, clearly define the business model. The goal is to show a clear pathway from service delivery → revenue → sustainability. At a minimum, this should answer:

- What is being offered? (product or service)
- Who pays? (customers or users)
- How is revenue generated?
- What are the main costs?
- Who delivers the service?

Box X. Business Case Example: ZEP-RE's DRIVE Model and Climate-Resilient Livestock Finance

A useful business case for climate finance is one where risk reduction helps unlock broader commercial activity rather than operating only as stand-alone protection. This is the logic behind ZEP-RE's role in the DRIVE (De-Risking, Inclusion and Value Enhancement of Pastoral Economies) project, which combines Index-Based Livestock Insurance (IBLI) with savings mechanisms and support for livestock value-chain investment (ZEP-RE, 2023a, 2023b). The wider regional programme totals about USD 360.5 million, and ZEP-RE reports that it includes a facility to mobilize around USD 72 million in private capital by de-risking investment in livestock value chains that benefit pastoralists with reliable contracts (ZEP-RE, 2023b).

What makes this a strong business case is that the intervention is not framed only as a social protection measure. Instead, insurance is used to stabilize risk, savings help households retain value across the season, and de-risking mechanisms help crowd in private investment into the wider livestock economy. This means climate finance is being used to make pastoral and livestock systems more investable by improving resilience, strengthening market confidence, and creating conditions under which lenders, insurers, and private value-chain actors are more willing to participate (ZEP-RE, 2023a, 2023b). For project developers, the case shows that climate finance can support business models where resilience is directly linked to commercial viability and value-chain growth.

vi. Use public finance to de-risk and enable the model

Public or concessional finance should be used strategically to make the business model viable. Public finance should unlock, not replace, private investment. This may include:

- covering early-stage or high-risk costs
- financing public goods or infrastructure
- supporting capacity building and market development
- reducing risks through guarantees or concessional terms

Box: Government Incentive Example: Solar Incentives in Nigeria

Nigeria provides a strong example of how government-led incentives can help crowd in private investment in solar energy. Through the Nigeria Electrification Project (NEP) and its successor Distributed Access through Renewable Energy Scale-up (DARES), the government has used subsidy-based mechanisms and results-based financing to encourage private developers to expand solar access. The NEP market study describes a minimum subsidy tender for mini-grid developers and a results-based financing programme for solar home systems and productive-use appliances, while the Stand-Alone Solar component provides supply-side subsidies to help firms scale into hard-to-reach and underserved areas (Rural Electrification Agency, 2022, 2024a). In addition, Solar Power Naija was launched to deliver 5 million new solar connections, expand local content, and create jobs, showing how policy incentives can be used not only to support energy access but also to stimulate private sector participation in off-grid solar markets (Rural Electrification Agency, 2020).

Why it matters for project developers:

The Nigeria case shows that public finance and government incentives can make private climate investments more viable by lowering upfront risk, improving affordability, and creating more predictable market conditions. For proposal developers, this illustrates how climate finance can be structured not only around direct project

funding, but also around incentive mechanisms that unlock private investment and accelerate uptake of climate technologies at scale (Rural Electrification Agency, 2022; Rural Electrification Agency, 2024a).

v. Incentivizing the private sector

Private actors engage when the model is clear, viable, and aligned with their interests. Clearly define:

- which private actors will participate
- what role they will play (investor, service provider, aggregator, etc.)
- what incentive they have (profit, cost savings, market access)

vi. Demonstrate financial viability and scalability

Even where full profitability is not immediate, show how the model improves over time or becomes more attractive with scale. Show that the business model can:

- operate sustainably over time
- generate sufficient returns or cost recovery
- scale beyond the initial project

By following these steps, your proposal will effectively attract private sector investment by demonstrating the viability and sustainability of the business models within the project.

Practical check

- Is there a clear business model for investable components?
- Does the model show revenue or cost recovery?
- Is public finance used to reduce risk?
- Are private actors identified and incentivized?
- Can the model scale beyond the project?

4.3.12 Summary Infographic: Step-by-Step approach for project/proposal development process

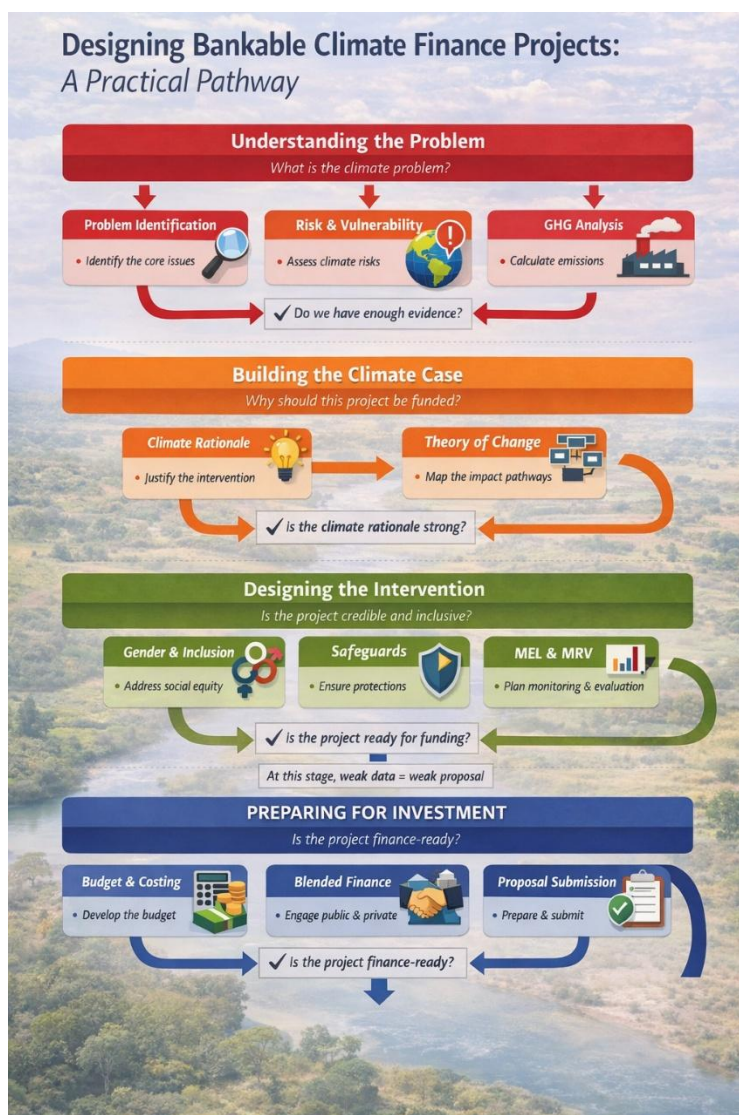


Figure 4: Infographic summarizing the step-by-step approach. AGNES

4.3.13 Multidisciplinary Teams for Developing Full Climate Finance Proposals

Developing a full climate finance proposal is not a one-person task. By this stage, it should be clear that a strong proposal brings together technical analysis, climate evidence, financial structuring, policy alignment, safeguards, gender integration, and results measurement. This means that high-quality proposal development usually requires a multidisciplinary team with complementary expertise. The purpose of a multidisciplinary team is to ensure that the proposal is technically sound, financially credible, operationally realistic, and aligned with fund expectations. Climate finance proposals are often weakened when one dimension is developed in isolation from the others. For example, a technically strong intervention may fail if the climate rationale is weak, if costs are not well justified, or if safeguards and gender requirements are not properly addressed. A multidisciplinary team helps avoid these gaps by bringing the different components together early and coherently.

The exact composition of the team will depend on the size, complexity, and financing target of the proposal. However, most full proposals require a combination of expertise across several core areas. These often include:

- a climate specialist to guide climate rationale, adaptation and mitigation logic, and alignment with national climate priorities;
- a sector specialist to provide technical depth and ensure that proposed interventions are feasible and context appropriate;
- a finance or investment specialist to support budgeting, co-financing, financial structuring, and value-for-money analysis.

Depending on the proposal, other important roles may include a gender specialist, an environmental and social safeguards specialist, a MEL or MRV specialist, a policy or institutional expert, and where relevant, a private sector or business model specialist. In practice, proposal teams do not always need to be large, but they do need to be strategically assembled. In some cases, one person may cover multiple roles, especially where resources are limited. What matters most is that the full range of expertise required by the proposal is available and that there is a clear process for integrating contributions across disciplines. The stronger the collaboration across technical, financial, institutional, and social dimensions, the stronger the final proposal is likely to be.

5.0 UNIT 4: ASSESSING BANKABILITY AND PROPOSAL READINESS

5.1 Overview

This unit focuses on how to assess whether a climate finance proposal is ready for submission and capable of attracting funding. It builds on the proposal development process by shifting attention from design to evaluation, helping participants understand how proposals are reviewed and what determines whether they are considered bankable. The unit introduces a structured way of examining proposals through key dimensions such as technical credibility, results logic, financial strength, and implementation readiness. It also highlights how funders interpret proposals, what signals they look for, and where proposals commonly fall short. Rather than introducing new design steps, the emphasis is on critically reviewing what has already been developed and identifying gaps, inconsistencies, or weaknesses. Participants will also be guided on how to use practical tools, including readiness checks and structured review approaches, to strengthen proposal quality before submission. By the end of the unit, participants will be able to assess proposals from a funder's perspective and make targeted improvements that increase the likelihood of approval.

5.2 Learning objectives

By the end of this unit, participants will be able to:

- Assess the bankability and readiness of a climate finance proposal using structured criteria.
- Identify key gaps, weaknesses, and areas for improvement before submission.

5.3 What constitutes a bankable climate finance proposal

Bankability in climate finance goes beyond financial viability. It reflects whether a proposal can absorb and effectively use capital to deliver measurable climate results at scale. A bankable proposal demonstrates four core dimensions which are aligned and mutually reinforcing:

Technical credibility

- strong climate rationale grounded in data
- clear linkage between climate risks and proposed interventions

Results credibility

- well-defined outcomes with measurable indicators
- clear pathway from activities to impact

Financial credibility

- justified budget linked to results
- clear co-financing and financial structuring
- evidence of cost-effectiveness

Implementation readiness

- capable institutions and clear roles
- defined implementation arrangements
- readiness to start within a reasonable timeframe

5.3.1 What alignment means in practice

A well-aligned proposal demonstrates, clearly and consistently, how the project responds to key areas that funders assess, including:

- the climate rationale (why the intervention is needed)
- the logic of the intervention (how change will happen)
- the results framework (what will be achieved and measured)
- the financial structure (how resources are used and leveraged)
- the risk management approach (how uncertainty is handled)

5.3.2 Salient features of high-quality climate finance proposals

What distinguishes a high-quality climate finance proposal is not the number of sections it contains, but the strength of the case it makes for why the project should be financed, how it will deliver results, and whether it is ready to be implemented. What distinguishes strong proposals is alignment across all sections, not the strength of individual parts. High-quality proposals typically demonstrate:

- ✚ **Strong climate logic**
 - climate risks are clearly articulated and evidenced
 - interventions directly respond to those risks
- ✚ **Clear results architecture**
 - Theory of Change, logframe, and indicators are aligned
 - outcomes reflect real change, not just activity delivery
- ✚ **Integration across components**
 - gender, safeguards, MEL, and finance are embedded in design
 - not treated as standalone sections
- ✚ **Financial and investment logic**
 - costs are linked to outputs and outcomes
 - co-financing and private sector roles are clearly defined
- ✚ **Scalability and sustainability**
 - potential for replication or scale is demonstrated
 - sustainability beyond project funding is addressed

5.3.3 Proposal readiness and quality assurance criteria

Proposal readiness refers to whether a proposal can move from design to implementation without major gaps. A readiness assessment should test:

- ✚ **Design completeness**
 - all components (technical, financial, institutional) are fully developed
- ✚ **Evidence strength**
 - climate data, assumptions, and targets are supported
- ✚ **Implementation clarity**
 - roles, timelines, and delivery mechanisms are defined
- ✚ **Operational feasibility**
 - activities are realistic within context and capacity
- ✚ **Compliance readiness**
 - required annexes (gender, ESS, MEL, financials) are complete

5.3.4 Common weaknesses and reasons for proposal rejection

Most proposals are rejected due to structural weaknesses, not lack of good ideas. Many proposals fail because they are incomplete or inconsistent, not because they lack relevance. Common issues include:

- ✚ **Weak climate rationale**
 - insufficient evidence linking climate risks to interventions
- ✚ **Fragmented design**
 - poor alignment between problem, ToC, logframe, and budget
- ✚ **Unclear results**
 - vague outcomes or weak indicators
- ✚ **Weak financial logic**
 - costs not linked to results
 - limited or unclear co-financing

- ✚ **Limited readiness**
 - unclear implementation arrangements
 - missing institutional backing
- ✚ **Compliance gaps**
 - weak gender integration, safeguards, or MEL systems

5.3.5 External Expert Review and Pre-Submission Quality Assurance

Before submission, a proposal should undergo external expert review. This involves having the draft read by one or more independent experts who were not directly involved in developing it. The purpose is to test whether the proposal is clear, credible, internally consistent, and aligned with fund expectations. External review is important because proposal teams are often too close to the document to easily spot weak arguments, gaps, or inconsistencies. An independent review helps identify issues in the climate rationale, results framework, financial logic, implementation arrangements, and cross-cutting areas such as gender, safeguards, and MEL. It also helps assess whether the proposal reads as a coherent investment case rather than a collection of separate inputs. This review should take place before the final readiness checklist and submission stage, while there is still time to strengthen the document. Comments should then be consolidated and addressed systematically, with particular attention to recurring concerns or sections that remain unclear.

5.3.6 Proposal Readiness Checklist

This checklist is designed to help assess whether a proposal is bankable and ready for submission. It should be used as a final validation tool to identify gaps, inconsistencies, or weak areas before engaging funders. A strong proposal should meet all or most of the criteria below.

A. Climate Rationale and Problem Definition

- ☐ Is the climate problem clearly defined and supported by data?
- ☐ Are observed and projected climate trends clearly presented?
- ☐ Is there a clear link between climate risks and sector impacts?
- ☐ Does the proposal demonstrate why intervention is needed now?

B. Theory of Change and Results Logic

- ☐ Is there a clear Theory of Change linking problem → solution → results?
- ☐ Are outputs, outcomes, and impact logically connected?
- ☐ Are assumptions clearly identified and realistic?
- ☐ Are key barriers addressed within the project design?

C. Results Framework (Logframe, MEL, MRV)

- ☐ Are outputs and outcomes clearly defined?
- ☐ Are indicators specific, measurable, and relevant?
- ☐ Are baselines and targets defined or planned?
- ☐ Is there a clear MEL system for tracking progress?
- ☐ Are climate results (adaptation/mitigation) measurable and verifiable?

D. Financial Structure and Budget

- ☐ Is the budget complete, realistic, and linked to activities?
- ☐ Are major cost drivers justified?
- ☐ Is co-financing clearly defined (amount, source, type)?
- ☐ Is the financial structure appropriate (grants, loans, blended finance)?
- ☐ Does the proposal demonstrate value for money?

E. Business Model and Private Sector Engagement (if applicable)

- ☐ Are there clearly defined investable components?
- ☐ Is there a viable business model (who pays, how revenue flows)?

- ☐ Are private sector roles and incentives clearly defined?
- ☐ Is public finance used strategically to de-risk and enable investment?
- ☐ Is there potential for scale or replication?

F. Institutional and Implementation Readiness

- ☐ Are roles and responsibilities clearly defined?
- ☐ Are implementing entities identified and capable?
- ☐ Is there evidence of stakeholder engagement and buy-in?
- ☐ Are implementation arrangements realistic and feasible?

G. Risk Assessment and Safeguards

- ☐ Are key risks (technical, financial, institutional) identified?
- ☐ Are mitigation measures clearly defined and practical?
- ☐ Are environmental and social safeguards integrated into design?
- ☐ Is there a mechanism for monitoring and managing risks?

H. Gender and Social Inclusion

- ☐ Is a gender assessment conducted and reflected in design?
- ☐ Are barriers to participation identified and addressed?
- ☐ Are activities and outputs inclusive and accessible?
- ☐ Are gender-responsive indicators included?

I. Alignment with Fund Requirements

- ☐ Does the proposal clearly respond to fund investment criteria?
- ☐ Is the structure aligned with the fund's template?
- ☐ Are all required sections and annexes included?
- ☐ Is alignment with national priorities clearly demonstrated?

J. Overall Coherence and Quality

- ☐ Is the proposal internally consistent across all sections?
- ☐ Is the narrative clear, concise, and easy to follow?
- ☐ Are all claims supported by evidence or data?
- ☐ Are there no major gaps or unresolved components?

Final Decision Check

- ☐ Is the project ready for submission, or does it require refinement?

6.0 FURTHER READING

6.1 References

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6.2 Decision Support Tools

1. [IPCC Summary Generator](#)
2. [Africa Agriculture Adaptation Atlas](#)
3. [World Bank Climate Change Knowledge Portal](#)
4. [FAOSTAT](#)
5. [WMO State of the Climate Reports:](#)
6. [ThinkHazard!:](#)
7. [CRiSTAL \(Community-Based Risk Screening Tool – Adaptation and Livelihoods\):](#)
8. [PROVIA Guidance:](#)

6.3 Repositories

9. Climate Policy Initiative (CPI) Climate Finance Reports
<https://www.climatepolicyinitiative.org/resources/data-visualizations/>
10. OECD Climate Finance and Investment resources [Climate change | OECD](#)
11. Green Climate Fund (GCF) Project Portfolio and Concept Notes <https://www.greenclimate.fund/projects>
12. Global Environment Facility (GEF) Project Database <https://www.thegef.org/projects>
13. Adaptation Fund Project Portfolio <https://www.adaptation-fund.org/projects-programmes/>

6.4 Templates

[Green climate fund templates](#)
[Adaptation fund templates](#)
[Global Environmental Facility Templates](#)
[African Development Bank templates](#)