Nordic Climate Facility

Climate as Business

Testing the viability of innovative climate solutions

Concept note application guidelines
9th call for proposals

May 2019

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1 PROGRAMME OBJECTIVES

The Nordic Climate Facility (NCF) is a challenge fund set up and administered by the Nordic Development Fund (NDF) to finance innovative climate change projects. NCF has five objectives:

1. Increase low-income countries' capacity to mitigate and adapt to climate change

2. Encourage and promote innovations in areas susceptible to climate change

3. Build partnerships between Nordic and partner country actors, both private and public organisations

4. Contribute to sustainable development and the reduction of poverty

5. Leverage additional financing for climate action

NCF provides between EUR 250,000 - 500,000 in grant financing for early-stage projects to facilitate the testing of innovative and climate-relevant business concepts.

NCF financing is allocated on a competitive basis with calls for proposals arranged annually. Since 2009, eight calls for proposals have been organised and the NCF portfolio comprises of over 80 projects across Africa, Asia and Latin America.

The NCF application process is a two-stage process with a **concept note** and **full proposal**. The application in the concept note stage is intended to be brief, focusing on the fulfilment of the basic eligibility criteria as well as the following key aspects: *business concept viability, innovativeness. climate change relevance* and justification for NCF financing. After the pre-screening, which reviews whether projects fulfil basic eligibility criteria, an Evaluation Committee will score eligible concept notes. The highest scoring proposals will then be invited to submit a detailed full proposal.

Approximately 30 project proposals will be shortlisted at the concept note stage and invited to submit full proposals[1]. After the full proposal evaluation, the highest scoring full proposals will be invited for due diligence interviews. NDF's management gives final project approval and only after that will contract negotiations commence between the lead Nordic partner and NDF. The aim is to finance between 12 and 15 projects per call.

These application guidelines cover the concept note stage for NCF's ninth call for proposal.

2 APPLICATION AND SUBMISSION DETAILS

Applications can be submitted as of: **5 June 2019**

Deadline for submissions: **5 September 2019** at **12 noon** Central European Summer Time (GMT +2 hrs).

Tentative timeline for the NCF 9 application process

Concept note submission period	5 Jun - 5 Sep 2019
Eligibility screening	6 - 11 Sep 2019
Evaluation of concept note proposals and shortlist approval	12 Sep - 17 Oct 2019
Individual feedback to applicants selected to full proposal stage	24 Oct 2019
Individual feedback to applicants not selected to full proposal stage	5 Dec 2019
Full proposal submission period	**28 Oct - 16 Dec 2019**
Evaluation of full proposals - shortlist and reserve list prepared	7 Jan - 7 Feb 2020
Scheduling for due diligence interviews	14 - 21 Feb 2020
Due diligence interviews with shortlisted applicants	24 Feb - 20 Mar 2020
Individual feedback to full proposal applicants not shortlisted	30 Apr 2020
Negotiations and contracting	Apr - Jun 2020

The lead Nordic partner is considered to be the main applicant and is thus responsible for submitting the application and will be the main focal point for any communication related to the application.

An applicant can submit several concept note proposals. An applicant can also be a partner in more than one financed project. However, only two concept note proposals from a lead Nordic partner can be selected for full proposal stage. Organisations that have received NCF financing in a previous call are eligible to receive funding from NCF's ninth call.

[1] Full proposal guidelines and evaluation criteria will be published on the NCF website at a later stage in the NCF application process.

The local partners and other partners can be a part of several applications; however, this should be made clear in the application.

Please note that:

- NDF reserves the right to change the timeline of the application process. The evaluation period may vary depending on the number of applicants received;
- Applications received after the submission deadline will be rejected;
- Information about project implementation requirements can be found in the Project Implementation Manual;
- An NCF glossary is available to clarify some of the NCF terminology;
- The application should be written in English;
- All financial information should be in euros (EUR);
- Frequently asked questions and answers will be available in the SmartME system;
- The projects need to be able to obtain all relevant permits, certificates, licences, endorsements, approvals and similar documents needed for the implementation of the project within a reasonable timeframe;
- NDF's grant decision is not binding until the related grant agreement has been signed following successful negotiations. NDF consequently reserves the right to reject an application until signing of the grant agreement;
- All NCF project partners need to adhere to NDF's Policy on Anticorruption and Integrity. Consequently, any project partner who has been engaged in any Prohibited Practice (as defined in the aforesaid policy) or in other wilful misconduct will be considered ineligible;
- NDF reserves the right to request additional information at any stage of the application process.

2.1. Application tool - SmartME

- All applications have to be submitted using the online application tool SmartME[2]. If you applied for NCF 7 or 8, you can use the same login details and access the SmartME through the NCF website. To register as a new user, you can follow this link directly.
- To apply, you can create an application in the SmartME system from 5 June 2019 onwards.

[2] The Smart ME (Smart Monitoring & Evaluation) online system will be used both as the application tool as well as the project management tool during project implementation.

- The lead Nordic partner is responsible for the registration and when logged in they can invite other colleagues and partners to review and/or revise the application. This is done under *my application* - *manage partners* - *add user* in the SmartME system.
- An organisation can use the same login participate in more than one proposal. The lead Nordic applicant can invite project partners to participate in a specific project application. No partner can review other applications than those they have specifically been invited to join.
- The concept note application template will have word limits. The narrative sections of the concept note will correspond to about 3-4 pages in length.
- The application cannot be submitted until all required fields have been filled out. The system will notify you if information is missing or some parts have been incorrectly filled out. **Please do not wait until the last minute to submit the application.** There is a countdown clock in the SmartME system that tells you how many days, hours and minutes are left until the concept note has to be submitted.
- Technical support, including instructional videos on how to use the system, is available when logged in.

3 NCF 9 THEME

Theme: Testing the viability of innovative climate solutions

The NCF 9 theme is broad and a wide range of activities from different sectors will fit within the theme. NCF aims to finance innovative climate-relevant business concepts. These concepts should address a climate-related problem, i.e. address adaptation[3] and/or mitigation[4] of climate change. The projects should also aim to test the climate solutions viability from financial, technical, social and environmental perspectives.

The project partners' need to have a long-term plan for their concept beyond NCF financing. The aim should be that the climate solution becomes commercially viable and creates jobs and/or income-generating opportunities, as well as improves the quality of life for the local population. Commercial viability is the ability of a business, product or service to compete effectively and to

[3] Adaptation covers a wide range of activities that will enhance the ability of countries, regions and/or communities to respond to actual or expected consequences of climate change, such as sea level rise; storms, floods, drought, and threats to water resources, health, infrastructure and agriculture. Adaptation measures may include changes in processes, practices and structures to moderate potential damages, increase resilience, decrease risks or to benefit from opportunities associated with climate change.

[4] Mitigation refers to efforts to reduce or prevent emission of greenhouse gases, which are the root causes of climate change. Mitigation measures aim at either decreasing the amount of greenhouse gas emissions released into the atmosphere or enhancing their removal from the atmosphere by "sinks". A "sink" refers to forests, vegetation or soils that can reabsorb CO_2.

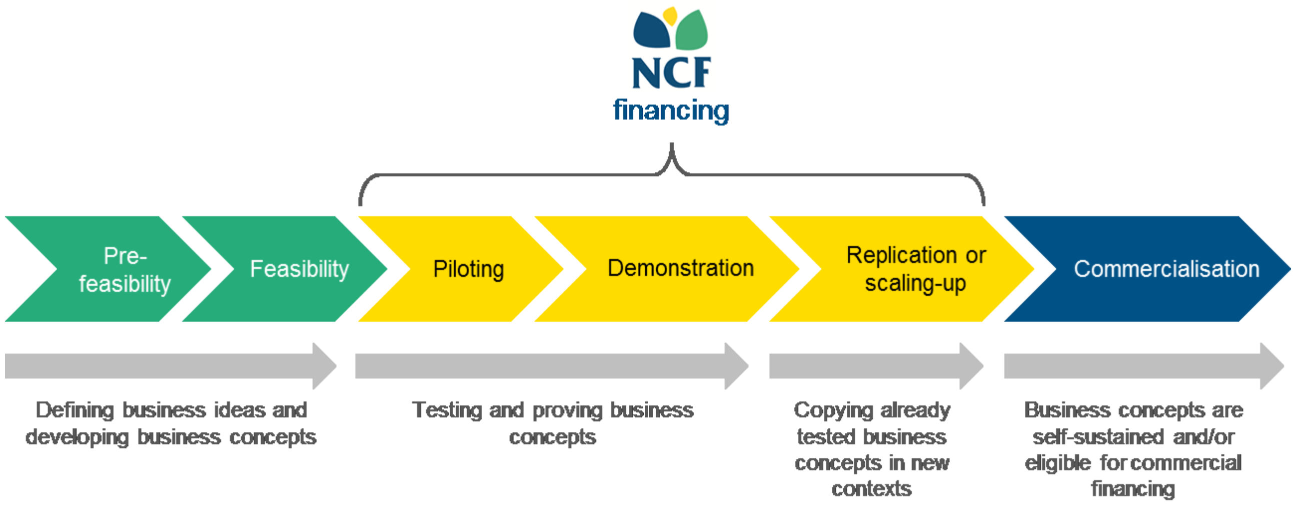
make profit. Commercial viability does not have to be achieved within the lifetime of the NCF project, but the NCF project should be a step towards that goal.

Projects should be innovative, meaning that the proposed concepts and solutions should have the potential to improve the quality of life for vulnerable people and tackle climate change in developing countries more effectively than existing approaches.

Furthermore, strong project proposals have the following features:

- the aim to build prosperity and reduce poverty;
- the aim to increase gender equality;
- realistic and clear outputs and outcomes;
- strong replication and scaling-up potential;
- convincing justification(s) for why NCF grant funding is needed;
- alignment with national development and climate change plans, strategies and policies in the country of implementation.

The figure below shows which stages of the business concept NCF can finance. These include pilots and demonstration projects as well as replication and scale-up projects. NCF will **NOT** finance pre-feasibility/feasibility studies or projects exclusively focused on market studies/surveys, technology research, policy development work, capacity-building, or training. It will also not finance business concepts that are self-sustained and/or eligible for commercial financing.



3.1. Development impacts

NCF projects should contribute towards fulfilling the United Nations Sustainable Development Goals (SDGs). Due to the broad scope of NCF, different SDGs will be relevant for each individual project. On a facility level, NCF has emphasis on the following SDGs:

All projects are expected to report results against NCF's eight results framework indicators:

1. Number of beneficiaries reached (disaggregated by number of women/men and girls/boys);
2. Number of people with increased resilience to climate change (disaggregated by number of women/men and girls/boys);
3. CO_2e emissions reductions (actual at project completion and expected during the lifetime of the project's mitigation investments);
4. Number of green business concepts tested;
5. Number of new decent jobs created (disaggregated by number of permanent (women/men) and seasonal (women/men);
6. Number of people with improved livelihoods/income-generating possibilities (disaggregated by number of women/men);
7. Number of multi-stakeholder partnerships developed;
8. Amount of funds leveraged (actual project co-financing and secured future investments for scaling-up/replication).

4 ELIGIBILITY CRITERIA

Applications that do not fulfil the eligibility criteria specified below will be rejected.

4.1. Geographic scope

Projects should be implemented in one of the 21 eligible NCF countries. These countries are:

Africa: Benin, Burkina Faso, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Rwanda, Senegal, Tanzania, Uganda and Zambia

Asia: Bangladesh, Cambodia, Laos, Nepal, Sri Lanka and Vietnam

Latin America: Bolivia, Honduras and Nicaragua

Regional projects, i.e. projects implemented in more than one country, are **NOT** eligible. However, knowledge and technology transfer between countries can be a part of the project activities.

4.2. Eligible applicants

Eligible applicants must be registered legal entities at the time of the concept note submission, such as:

- For-profit companies and organisations;
- Non-profit organisations and social entreprises;
- Civil society organisations (CSOs); and
- Research institutes and universities.

Projects should be implemented through partnerships between **Nordic** and **local partners** in an eligible NCF country. In addition, the project partnership may entail **other partners**. All project partners should have a meaningful role in the implementation of the project. The applications should clearly clarify the roles of and division of responsibilities between each project partner.

The partner requirements are as follows:

Nordic partner(s)

- The Nordic partner needs to be a Nordic company, organisation or other legal entity holding a registered place of operation in Denmark, Finland, Iceland, Norway or Sweden.
- Several Nordic partners can partner up to implement and finance the project; however, there should be one lead Nordic partner. The lead Nordic partner is the main applicant and accountable for the NCF application. The lead Nordic partner will be the sole and responsible contractual party towards NDF. The lead Nordic partner will, prior to the first disbursement, have sub-contracts with all other project partners.
- Multilateral institutions, UN agencies, bilateral financing institutions or other donor agencies, development financing institutions or their affiliates, trust funds, government ministries and individuals are not eligible.
- A copy of the registration certificate showing the registration of the Nordic partner(s) as a legal entity in one of the Nordic countries should be attached to the concept note.

Local partner(s)

- The Nordic partner(s) can have one or more local partners. A local partner is a local company, organisation or other legal entity registered in the country of implementation. The local partner(s) should, upon request, be able to show a copy of the registration certificate showing the registration of the local partner(s) as a legal entity in the country of implementation.
- Multilateral institutions, UN agencies, bilateral financing institutions or other donor agencies, development financing institutions or their affiliates, trust funds, government ministries and individuals are not eligible.

Other partner(s)

- The lead Nordic partner may have one or more other partners (non-local) which are legal entities. There are no country restrictions on the other partner(s) others than that they should not be registered in the country of implementation (local partner) or in one of the Nordic countries (Nordic partner). The other partner(s) should, upon request, be able to show a copy of the registration certificate showing the registration of the other partner(s) as a legal entity in its country of registration.
- Multilateral institutions, UN agencies, bilateral financing institutions or other donor agencies, development financing institutions or their affiliates, trust funds, Government ministries and individuals are not eligible.

4.3. Funding principles

NCF can provide grant financing of between **EUR 250,000 to 500,000**. The NCF grant cannot cover the full project costs, and therefore co-financing is required from the project partners and/or other financiers.

Co-financing requirements:

The project partners must mobilise co-financing equal to at least **25% of the requested NCF grant** as loan, equity and/or grant[5]. Of that amount, the Nordic partner(s) must provide at least 10% as loan or equity[6], and the local partner(s) must provide at least 5% as loan, equity and or grant. The remaining 10% can be freely distributed between the project partners and other financiers.

Example: NCF grant of EUR 500,000

At least 25% in co-financing required, i.e. EUR 125,000, out of which:

The Nordic partner(s) needs to contribute at least 10% of EUR 500,000, i.e. EUR 50,000 as loan and/or equity.

The local partner(s) needs to contribute at least 5% of EUR 500,000, i.e. EUR 25,000 as loan, equity and/or grant.

The remaining 10% i.e. EUR 50,000 in co-financing can come from any of the partners, i.e. the Nordic partner(s), the local partner(s), other partners and/or financiers as loan, equity and/or grant.

[5] Loan means that the co-financing may come from market-based or concessional debt-based financing. Equity means that the co-financing may come from i) the project partner‘s existing cash and/or cash-equivalent assets as generated by the partner’s ongoing operations or otherwise possessed by the partner, and/or ii) capital raised through equity financing.

[6] For organisations whose operations are mainly financed by grants, such grant-based support can be considered as equity.

There is no upper limit for co-financing and a higher share than 25% of co-financing from the project partners is encouraged as it demonstrates commitment, ownership and risk-sharing. Proposals providing more co-financing will receive a higher score (see section 5).

All co-financing need to be earmarked solely for the implementation of the NCF project. Funds from ongoing initiatives and projects are not eligible as co-financing. Both in-kind and cash contributions can be considered as co-financing. Further information about eligible and non-eligible expenses is available in the project implementation manual.

For projects selected to the full proposal stage, signed commitment letters which specify the committed co-financing will be requested from all co-financiers. At that stage, supporting documentation of all co-financing should be available upon request.

The co-financing share cannot be reduced during the application process after the concept note has been submitted. A reduction in co-financing will disqualify the application. An increase in co-financing is permitted.

4.4. Duration

The maximum implementation period is 30 months.

5 SELECTION CRITERIA

Concept note applications will be evaluated and scored against the following criteria:

Evaluation theme	Weight	Score (0-5)*
1. Business concept viability Is the business concept relevant, i.e. does it provide a solution to an identified climate problem in the target area of the project? Is the business concept's viability from an economic, technical, social and environmental perspective convincingly described? Does the concept note convincingly explain how the business concept will contribute to the fulfilment of the SDGs and create positive development benefits for the target beneficiaries? Is the long-term plan for the business concept geared towards commercial viability?	30%	0-15
2. Innovativeness Is the climate solution and/or the business concept innovative based on NCF's definition of innovation, i.e. does it have the potential to improve the quality of life for vulnerable people and tackle climate change in developing countries more effectively than existing approaches? Is the innovativeness well-described and convincing?	30%	0-15
3. Climate change relevance Is the concept climate-relevant i.e. will it mitigate climate change and/or contribute to increased resilience to climate change? Is the proposed climate solution(s) relevant and feasible given the proposed approach, scope, time frame and financial resources of the project?	20%	0-10
4. Justification for grant financing Is the need for NCF grant financing well-justified and conclusive? Is the project concept feasible, realistic and convincing?	20%	0-10
TOTAL	**100%**	**Max 50**

* Highly satisfactory (5); Satisfactory (4), Marginally satisfactory (3); Marginally unsatisfactory (2); Unsatisfactory (1); Highly unsatisfactory (0)

Applications with more than 30% in co-financing of the requested NCF grant will receive a higher score. For the co-financing, there are an additional 3 points that can be added to the total score. The following scoring principles will apply:

Co-financing	Additional score
25-29%	0
30-49%	1
50-99%	2
≥100%	3

6 PROJECT EXCLUSION LIST

All projects funded by NCF shall be in line with NDF's Environmental & Social Policy and Guidelines. NDF will not knowingly finance, directly or indirectly, projects involving the following:

1. Activities deemed illegal under host country laws or regulations, or international conventions and agreements or subject to international phase-out bans, such as:
   a. Production of or trade in products containing polychlorinated biphenyls (PCBs);
   b. Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans;
   c. Production of or trade in ozone-depleting substances subject to international phase-out;
   d. Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES Convention);
   e. Transboundary movement of waste prohibited under international law;
   f. Harm to biodiversity resources or cultural heritage;
   g. Production or trade in or use of unbonded asbestos fibres or asbestos-containing products;
   h. Shipment of oil or other hazardous substances in tankers which do not comply with International Maritime Organisation (IMO) requirements.
2. Drift-net fishing or trawling in the marine environment.
3. Production and distribution of ammunition and weapons, and weapons carriers.
4. Projects with significant ethically controversial components (i.e. more than 10%):
   a. Sex work and related infrastructure and services;
   b. Gambling and related equipment;
   c. Tobacco (production, processing and distribution);
   d. Alcohol (production, processing and distribution of hard liquor).
5. Production of or trade in radioactive materials. This does not apply to medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded.
6. Investments into large-scale search, extraction, production, distribution, processing and promotion of fossil fuels (coal, oil, natural gas and peat).
7. Activities that increase use of fossil fuels and/or prolong the technical or economic lifetime of heat and power production using fossil fuels, except for back-up in power generation plants, for household cooking purposes and for processes where feasible alternatives do not exist.
8. Biofuel projects if they are:
   a. Based on feedstock grown on land with high carbon content or biodiversity value, such as rainforests, wetlands, peat lands and grasslands, in reserves or on protected lands, or on lands with a high conservation value;
   b. Large-scale projects focusing only on export of feedstock or biofuels. Such projects should in any case be commercially viable without concessional financing;
   c. Using a feedstock for production of liquid biofuels, where the overall climate and development benefits would be higher by using the same feedstock unprocessed for e.g. direct combustion in a co-generation plant.