



# **Nordic Climate Facility**

## ***Climate as Business***

***Testing the viability of innovative climate solutions***

# **Full Proposal Application Guidelines**

## **9<sup>th</sup> call for proposals**

### **October 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 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 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

## 2 FULL PROPOSAL PRINCIPLES

**These NCF 9 Full Proposal Guidelines only apply to NCF 9 applicants that have been invited to submit a full proposal. Invitations are sent by email to the applicants, through the SmartME application system.**

These guidelines set out the processes, procedures and criteria for the full proposal. They are a continuation of the NCF 9 Concept Note Application Guidelines and thus the eligibility criteria set out in the concept note phase continue to apply. The purpose of the full proposal stage is to get a more in-depth understanding of the project proposal, the expected impacts and results, the project budget, risks, and the roles and capabilities of the different project partners.

NDF reserves the right to amend these guidelines and the templates, including the timeline, and/or to extend the deadline for submission of the full proposal. If amendments are made, NCF will send out an email to the applicants through the SmartME application system.

The submitted full proposal shall remain valid and open for contracting during a period of 180 days after the submission deadline. Any changes in the information submitted after the full proposal has been submitted shall be notified by the applicant to NCF as soon as possible. Any and all material



changes, including but not limited to changes related to partnerships, ownership, project staff, co-financing, budget revisions, development impacts, climate change impacts, implementation schedule, etc. may, at the discretion of NDF, result in rejection of the proposal or adjustment of NCF funding.

### 3 APPLICATION AND SUBMISSION DETAILS

A tentative timeline to the continued application process is provided in table 1 below<sup>1</sup>.

Full proposal submission period	29 Oct - 17 Dec 2019
Evaluation of full proposals - shortlist and reserve list prepared	7 Jan - 21 Feb 2020
Scheduling for due diligence interviews	24 - 28 Feb 2020
Due diligence interviews with shortlisted applicants	2 - 27 Mar 2020
Due diligence, negotiations and contracting	Apr - Jun 2020
Individual feedback to full proposal applicants not shortlisted	30 Apr 2020

Full proposals can be submitted as of: **28 October 2019**

Deadline for submissions: **17 December 2020 at 12:00 noon** Central European Time (GMT +2 hrs).

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.

**Please note that:**

1. NDF reserves the right to change the timeline of the application process;
2. Applications received after the submission deadline will be rejected;
3. The application shall be submitted in English;
4. All financial information shall be in euros (EUR);
5. An organisation can only be awarded NCF financing for one NCF 9 project as lead Nordic partner;
6. The project partners shall bear all their own costs incurred during the preparation and submission of the full proposal, including but not limited to costs related to the due diligence process and contract negotiations. NDF will under no circumstance be responsible or liable for such costs, regardless of the conduct or outcome of the application process;
7. NDF reserves the right to request additional information at any stage of the application process.

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<sup>1</sup> NDF reserves the right to unilaterally revise the dates.



8. NDF is under no obligation to select any of the submitted full proposals for further evaluation. Likewise, NDF reserves the right to cancel the entire application process for any reason, without incurring any kind of liability whatsoever to any of the organisations involved in submitting an application. If the procedure is cancelled, all applicants will be notified accordingly in writing as soon as possible;
9. All full proposal applications will be treated in a confidential manner and used only for the purposes of NDF for managing call 9 of the NCF.
10. Support questions can be sent via the SmartME system under support or to **nordicclimatefacility@ndf.fi**.

### 3.1 Application System - SmartME

- All full proposals have to be submitted using the online application tool - SmartME<sup>2</sup>;
- The same account and log-in credentials as for the concept note application need to be used;
- For applicants selected for the full proposal stage, the full proposal template will be available in SmartME from 29 October onwards;
- The application cannot be submitted until all required fields have been filled in. A required field is marked with a star (\*);

## 4 FULL PROPOSAL TEMPLATE

The full proposal will consist of the following three parts:

- 1) **Full proposal application**
- 2) **Project partners form**
- 3) **Implementation methods and technologies**

The full proposal application template will be available in the [SmartME system](#). Make sure you fill out all the parts before you submit the application. The template does not need to be filled in all at once; a draft of the full proposal application can be saved at any stage before submitting the final version.

**These guidelines do not cover all questions and sections that are included in the SmartME application template. The SmartME application template includes guiding notes and questions to each section. To ensure that all relevant information is included in the full proposal, provide clear and comprehensive responses in the application form responding to the guiding notes and questions.**

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<sup>2</sup> 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. SmartME is available at <https://www.nordicclimatefacility.com/signin>



Some project specific information has automatically been copied from the concept note into the full proposal form. The pre-filled texts are to be modified to respond to the questions in the full proposal form. All substantial changes from the concept note stage shall be clearly explained and justified in Section 1.5 of the application form, amendments from concept note phase. Examples of substantial changes are, among others, addition or removal of project partners, revision of co-financing shares<sup>3</sup> or change in the project classification. The following substantial changes are not permitted: changing the lead Nordic partner, increasing the requested NCF grant, reducing the overall co-financing share, and changing the country of implementation. Any revisions have to be in line with both the [NCF 9 Concept Note Application Guidelines](#) as well as the NCF 9 Full Proposal Guidelines. NCF reserves the right to reject a proposal if the revisions are not in line with these guidelines.

In addition to the application form in SmartME several attachments shall be submitted as part of the application. Some are mandatory and others are optional. The SmartME system contains links to templates that need to be used for the attachments that are mandatory. Applicants will only be able to submit one attachment (PDF or excel) per section, therefore, if several different documents are required, the applicant will need to merge the documents into a single PDF file and attach it as one package. Below is a list of the attachments in the order they appear in the application.

Attachment	Optional or mandatory
1. Organisational chart of project	Optional, free format but maximum one page
2. Figure of the business concept	Optional, free format but maximum one page
3. Figure of value chain	Optional, free format but maximum one page
4. NCF 8 Greenhouse gas emission calculation (see section 4.2 below for further instructions)	Mandatory, use template provided
5. Project budget (see section 4.1 below for further instructions)	Mandatory, use template provided
6. Co-financing letters	Mandatory, use template provided
7. Relevant documentation on permits and approvals	Optional, free format
8. Relevant documentation on legal and contractual arrangements	Optional, free format
9. Confirmation of compliance letter from all project partners	Mandatory, use template provided
10. Relevant references and/or CVs for each project partner	Optional, free format
11. Project partners' registration certificate	Mandatory, use official documentation provided by relevant authorities

## 4.1 Project budget

The project budget template (Excel file) is available in the SmartMe online application system (Section 9.2). All financial information shall be in euros (EUR). The Excel template has a tab with instructions which all applicants should follow when filling in their budgets. A list of eligible and ineligible budget items can be found in the Project Implementation Manual.

<sup>3</sup> Please refer to page 6 for guidance relating to revisions of co-financing shares.



## **Cost estimations**

The project funding (NCF or co-financing) shall not generate profit for the project partners. Daily remuneration rates should reflect the companies' or organisations' actual salary costs for a project staff member. To ensure cost efficiency, services and equipment purchased under the project shall be procured following the NCF procurement principles<sup>4</sup>. If a project partner's own product is used, the valuation of the product shall be based on its production cost. If requested, the manufacturer of the product shall be able to present relevant documentation showing the actual production cost.

**It is highly encouraged that costs of budget items, especially larger budget items, are shared between the project financiers to ensure risk-sharing.**

## **Taxes**

It is the responsibility of the lead Nordic partner to fully acquaint itself with the tax and excise laws in force, which are applicable in relation to the project, or to the receipt of funding from NCF prior to the submission of the full proposal. The lead Nordic partner shall, in the application, clarify value added tax (VAT) status of project partners within the Nordic countries and the European Union.

Reasonable duties, taxes and other levies payable by project partners (Nordic, local and/or other) in relation to the implementation of the project can be included as a cost in the budget. However, VAT that may be deducted or refunded, or compensated for in another way, cannot be included as budget costs. Furthermore, VAT can only be included in the budget when applicable in the country of implementation whereas costs incurred in a Nordic country or within the European Union or elsewhere shall be exclusive of VAT. Appropriate tax modifications may for well-grounded reasons be made to the budget during the negotiations phase, as agreed separately.

A more elaborate budget, which includes milestone budgets, will be requested at the due diligence phase.

## **Co-financing**

Co-financing is financing from sources other than NCF (i.e. project partners or project financiers), including in-kind contributions from project partners. The budget should demonstrate the co-financing shares per project partner/financier vis-à-vis NCF's financing, as well as the NCF financing share vis-à-vis the total project financing.

The total co-financing share cannot be decreased from the indicated total co-financing share at the concept note stage. A reduction in the total co-financing share from concept note stage may disqualify the application even if the minimum requirement of 25% is fulfilled. An increase in total co-financing share is permitted. The shares per source of co-financing may be altered as long as all the minimum co-financing requirements are fulfilled<sup>5</sup> and the total co-financing share set out at the concept note stage does not decrease.

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<sup>4</sup> The NCF procurement principles are available in the NCF 7-9 Project Implementation Manual.

<sup>5</sup> The project partners must mobilise co-financing equal to at least 25% of the requested NCF grant as loan, equity and/or grant. Of that amount, the Nordic partner(s) must provide at least 10% as loan or equity, and



### Co-financing commitment letter

All project financiers shall sign a co-financing commitment letter specifying the amount (in Euros) they will commit for the implementation of the NCF project, including information specifying the type of the funding i.e. if it is provided as loan, equity and/or grant<sup>6</sup>. The commitment letter shall be signed by a person authorised to sign on behalf of the company/organisation. The templates of the co-financing commitment letter are available in the SmartME system (Section 9.2.2). Each project financier should provide an individual letter using the corresponding template<sup>7</sup>.

## 4.2 Greenhouse gas emissions reduction calculation

Greenhouse gas (GHG) emissions reduction estimates shall be provided for all mitigation and combination projects. The NCF 9 greenhouse gas emission reduction calculation template is available under Section 6.4.1 in the SmartME system. The template includes instructions on how to complete it. The filled-in template should be attached to the full proposal in the SmartME system.

The expected GHG emissions reductions of NCF-financed projects are used as the basis for NDF's emissions reductions reporting, and therefore the estimates in the templates need to be calculated on a realistic basis and the rationale and assumptions behind the calculations should be well justified and objective.

## 5 SELECTION CRITERIA

The eligibility criteria set out in concept note stage still apply. Any deviations from the concept note have to be clearly explained in the application template form (section 1.5). **Full proposals will be evaluated and scored against the following criteria:**

		Max score
<b>1. Business concept viability</b>		<b>30</b>
➤ <b>Relevance, viability and feasibility</b>	<p><i>Is the business concept relevant, i.e. does it provide a solution to an identified climate problem in the target area of the project?</i></p> <p><i>Is the business concept's viability from an economic, technical, social and environmental perspective convincingly described?</i></p> <p><i>Is the business concept feasible, e.g. is</i></p>	<b>20</b>

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.

<sup>6</sup> 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. For organisations whose operations are mainly financed by grants, such grant-based support can be considered as equity.

<sup>7</sup> There are separate co-financing commitment letter templates for the lead Nordic partners and all other partners/financiers



	<p><i>there a demand/willingness to pay, sound value chain, marketing strategy, maintenance plan etc.?</i></p> <p><i>Are the project implementation risks and mitigation measures relevant and satisfactorily described?</i></p> <p><i>Are the environmental and social risks and mitigation measures relevant and satisfactorily described?</i></p> <p><i>Is the long-term plan for the business concept beyond NCF project scope realistic, convincing and geared towards commercial viability?</i></p>	
➤ <b>Justification</b>	<i>Is the need for NCF grant financing well-justified and conclusive?</i>	<b>5</b>
➤ <b>Innovativeness</b>	<p><i>Is the innovativeness well-described and convincing?</i></p> <p><i>Is 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?</i></p>	<b>5</b>
<b>2. Climate change relevance<sup>8</sup></b>		<b>10</b>
➤ <b>Combination projects</b>	<i>Same criteria as for mitigation and adaptation (see below).</i>	<b>Mitigation (5) Adaptation (5)</b>
➤ <b>Mitigation projects</b>	<p><i>Is the project relevant in terms of national climate change strategies and plans?</i></p> <p><i>Has the full proposal satisfactorily described how the project will mitigate climate change? Is the proposed climate solution(s) relevant and feasible given the proposed approach, scope, time frame and financial resources of the project?</i></p> <p><i>Is the <u>direct</u> emission reduction calculation realistic i.e. the rationale and assumptions behind the calculations well justified and objective? Is the <u>indirect</u> emission reduction calculation realistic, i.e. the rationale and assumptions behind the calculations</i></p>	<b>(10)</b>

<sup>8</sup> Projects will be evaluated against one of the climate change criteria. Which one will depend on the project classification selected.

	<p><i>well justified and objective?</i></p> <p><i>Are the mitigation monitoring methodologies sufficiently described?</i></p>	
➤ <b>Adaptation project</b>	<p><i>Is the project relevant in terms of national climate change strategies and plans?</i></p> <p><i>Has the full proposal satisfactorily described how the project will 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?</i></p> <p><i>Are the adaptation monitoring methodologies sufficiently described?</i></p>	<b>(10)</b>
<b>3. Development impact</b>		<b>10</b>
➤ <b>Development relevance</b>	<p><i>Is the project relevant in terms of national development plans and strategies?</i></p> <p><i>Does the full proposal convincingly explain how the project will contribute to the fulfilment of the SDGs and create positive development benefits for the beneficiaries?</i></p> <p><i>Are the development impacts (social and environmental) relevant and feasible given the proposed approach, target area, time frame and financial resources of the project?</i></p>	<b>10</b>
<b>4. Project implementation and feasibility</b>		<b>10</b>
➤ <b>Project results, activities and budget</b>	<p><i>Are the project's results clear and can they be attributed to the proposed project?</i></p> <p><i>Can the project reach the expected results based on the described activities?</i></p> <p><i>Will the project contribute to the fulfilment of NCF's indicators?</i></p> <p><i>Is the budget clear and are the costs realistic based on the expected results? Is the financial risk satisfactorily shared between the project financiers?</i></p>	<b>5</b>
➤ <b>Project partners'</b>	<p><i>Do the project partners together have adequate experience and capacity to</i></p>	<b>5</b>



<b>experience and capacity</b>	<i>implement the project?</i>  <i>Are the division of roles and responsibilities between the projects partners clear and relevant based on their previous experiences?</i>	
<b>Total</b>		<b>60</b>

## 6 EVALUATION AND CONTRACT NEGOTIATION PROCESS

- 1) The Evaluation Committee will evaluate all eligible full proposal based on the selection criteria above. A shortlist and a reserve list will be prepared.
- 2) The next step is the **due diligence process**. The purpose of the due diligence process is to seek clarifications on the full proposal further as well as assess whether the project partners have the ability (human resources and financial resources) and capacity (knowledge and experience) to implement the project. In addition, review of legal eligibility criteria and integrity due diligence is part of the process.
- 3) Shortlisted applicants will be invited to a due diligence interview. The due diligence interview will be conducted by the NCF team. Questions will be provided before the interview. A representative from the lead Nordic partner must participate in the interview and a maximum of two other individuals can participate. The interview can be held either at NDF offices in Helsinki or via videoconference (to be agreed upon).
- 4) As part of the continued due diligence process, applicants will be requested to develop a results framework, full budget and procurement plan based on templates provided by NCF.
- 5) Projects that pass the due diligence stage will move on to contract negotiations. In case projects are not selected for the contract negotiation stage NDF may consider inviting projects from the reserve list to the due diligence stage.
- 6) Finally, contract negotiations will take place with the projects that have passed due diligence, where detailed terms and conditions of the grant are agreed upon for the purposes of the Grant Agreement. A Grant Agreement will be signed between NDF and the lead Nordic partner. A draft template of the Grant Agreement (still subject to possible changes) is available [here](#).
- 7) NDF's grant decision is not binding until the related grant agreement has been duly signed following successful negotiations. NDF consequently reserves the right to reject an application until signing of the grant agreement.

## 7 NCF PROJECT IMPLEMENTATION REQUIREMENTS

Information about project implementation requirements can be found in the [NCF 7-9 Project Implementation Manual](#). An [NCF Glossary](#) is available to clarify some of the NCF terminology.