



Cutting refrigerant emissions

COPA online session  
**Financing for project  
development**

14<sup>th</sup> August 2024

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# Agenda

**Matching source  
finance with project  
needs** *From the perspective of  
project developers and  
finance modalities*

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**“Leg work”** *Technical and financial  
documentation and  
compliance requirements*



*From the perspective of project  
developers and finance modalities*

**Matching source  
finance with project  
needs**

# Problem

Why is it so hard to match  
existing resources with  
project needs?

["For each country, and each level of intervention, the type of finance – whether it be debt, equity, grant, credit generation or something else – will differ and the COPA [finance approach] will need to determine the appropriate intervention together with its partners and stakeholders."]

COPA Financing and Fundraising Mechanism: A Review and Concept; April 2023, pg91.

## One of the answers

Why is it so hard to match  
existing resources with  
project needs?

From a donors perspective, the availability of funds is often not the main concern.

It is however crucial to understand the complexity of the task at hand in terms of process, different perspectives and context, coordination and work load.

# The Discrepancy

There is a **lot of investment volume available to be matched** with appropriate projects. At the same time, these funds get inundated with project investment and funding requests by projects in desperate need of finance that are not ready and/or prepared enough to access these funds.

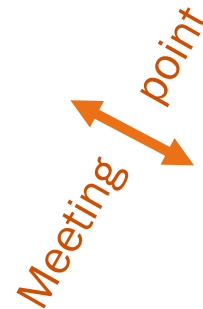
While there is a **significant demand for climate finance** from project developers, various barriers within the access modalities make it challenging for them to secure funding. And, speaking from experience, a lot of climate finance administrators are equally desperate to disperse to projects.

# Matchmaking

## Access Facility (funding source)



1. Global or regional vision
2. Strategic objectives
3. Financial goals
4. Funding strategy
5. Resource allocation



5. Resource identification
4. Financial feasibility
2. Cost estimation
1. Needs assessment/  
technical solution evaluation



**Project developer**

# Project developers

## **Expectation from project developers:**

- Simplified application processes.
- Clear and straightforward requirements.
- Quick and efficient approval timelines.

## **Barriers**

- Complexity and Bureaucracy in lengthy application processes
- Extensive documentation requirements
- Limited capacity-building programs
- High- project preparation costs

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## **Result:**

Small and medium-sized project developers often lack the capacity and resources to navigate complicated and intransparent application procedures, leading to delays and increased costs.



# Finance access facility (donor)

## Expectation from access facilities:

- High-quality project proposals with [1] complete documentation, [2] alignment with modalities and procedures of fund
- De-risking strategy for investment
- Availability and willingness of proponent to change and add the proposal based on review process

## Barriers

- Lack of administrative capacity to facilitate a large amount of funding requests
- Proposals often do not need the minimum quality standard the fund is looking for
- Lack of project data
- Alignment of funding proposals with requirements for funding are time consuming and resource intensive - independent of investment volume

## Result:

Access facilities are under a lot of pressure to create a high-quality, high-impact project investment pipeline while being challenged by a vast stream of funding requests that are expensive and time-consuming to select from.

## Take-aways

1. The project developer's needs and the strategic objectives of an access facility are generally not the same.
2. Finance modalities from donors need to either be **tailored** for a certain project, **or have enough flexibility** and administrative resources to accommodate a large set of circumstances.
3. A realistic and informed picture of the needed **amount of technical capacities** is required to give a project the chance of success.



“Leg work”

**Technical and financial  
documentation and  
compliance  
requirements**

## Doing the legwork

Ideas and concepts for projects are a good start. But neither public nor private investment works on good faith and good intentions.

To **prove** the characteristics of a project concept, several reports and documents typically need to be developed. These documents help **demonstrate the project's feasibility, viability, and attractiveness to potential lenders or investors.**

This also applies to pilot projects, with the only difference that there will be considerably more need for outside support to the developer.

## Doing the legwork

### Climate Finance,

- ... expects a high level of professionalism and thoroughness.
- ... involves specific eligibility criteria, regulatory requirements, and compliance obligations.
- ... typically requires detailed financial projections.
- ... is inherently complex and involves various risks.
- ... has different investment priorities.
- ... is interested in the long-term sustainability of the projects they support.

# Documentation overview

(exemplification, may  
vary by fund)

In order to submit a complete proposal,  
documentation requirements may include:

1. GHG abatement calculation
2. Feasibility studies
3. Business and financing plan
4. Environmental and Social Impact Assessments; Gender Impact Assessment
5. Legal and Regulatory Documents
6. Risk Assessment and Market Analysis
7. Management and Organization Structure
8. Due diligence reports
9. Theory of change

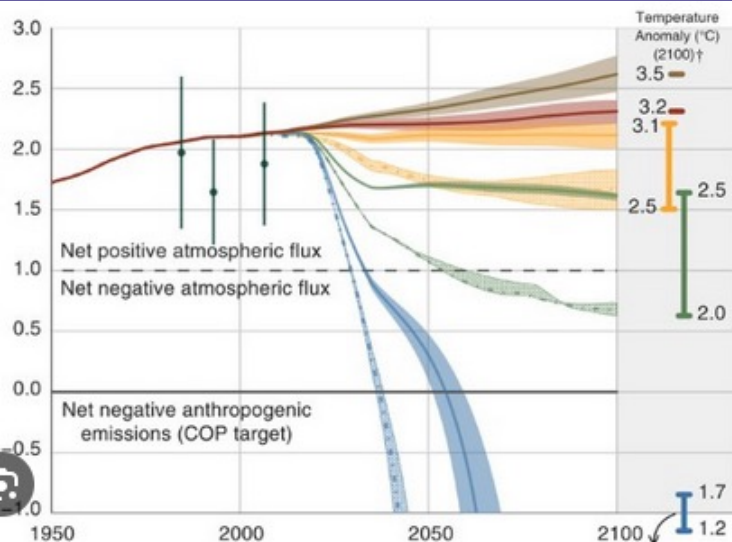
# GHG calculation and NDC attribution

## GHG calculation and mitigation outcome attribution

A detailed calculation of the project emission baseline, business as usual scenario and the comparison with the intervention case to determine the impact on GHG reductions due to the project.

Verifiable GHG reductions are valuable and donors (for compliance), governments (for NDC implementation) or third parties (for selling or compliance) may wish to utilize emission outcomes.

Attributing emission outcome rights is essential for ensuring accountability, transparency, and effectiveness in managing GHG emissions. It supports regulatory compliance, market mechanisms, resource allocation, and strategic planning.



# Doing the legwork

Starting with a project concept note (PCN), a project applying for financial and technical investment has to commonly develop the following key documents:

## **Feasibility Study**

This study assesses the technical, economic, and financial viability of the project.

**Technical Feasibility:** Detailed plans, designs, and engineering studies showing how the project will be implemented.

**Economic Feasibility:** Analysis of the project's economic impacts, employment generation, etc

**Financial Feasibility:** Financial projections, including revenue forecasts, cost estimates, cash flow projections, and financial ratios.



# Doing the legwork

**Business Plan:** A comprehensive document outlining the business model, market analysis, marketing strategy, operations plan, management team, and financial projections. It provides a roadmap for how the project will achieve its objectives and generate returns.

**Environmental and Social Impact Assessment (ESIA):** This report assesses the potential environmental and social impacts of the project. It includes mitigation measures to minimize negative impacts and enhance positive impacts. Compliance with environmental regulations is crucial for obtaining permits and approvals.

**Legal and Regulatory Compliance Documents:** Proof of compliance with all relevant laws, regulations, permits, licenses, and zoning requirements. This may include land use permits, environmental permits, building permits, etc.



# Doing the legwork



**Risk Assessment and Mitigation Plan:** Identification and assessment of project risks, including market risks, technical risks, operational risks, financial risks, and mitigation strategies to address these risks.

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**Market Analysis Report:** Analysis of market demand, competition, pricing strategy, and sales forecasts. This demonstrates that there is a viable market for the project's products or services.

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**Management and Organization Structure:** Resumes of key management team members, organizational structure, governance framework, and roles/responsibilities. Demonstrating strong leadership and management capabilities enhances investor confidence.

# Doing the legwork

**Financial Structuring and Financing Plan:** Detailed information on the project's capital structure, funding requirements, sources of financing (equity, debt, grants), and terms of financing. This includes discussions on expected returns for investors and repayment schedules for lenders.

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**Due Diligence Reports:** Independent assessments conducted by third-party consultants or auditors to verify the accuracy and reliability of the project's financial, technical, and legal aspects.

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**Exit Strategy:** For investors, a clear exit strategy detailing how they can realize their investments.

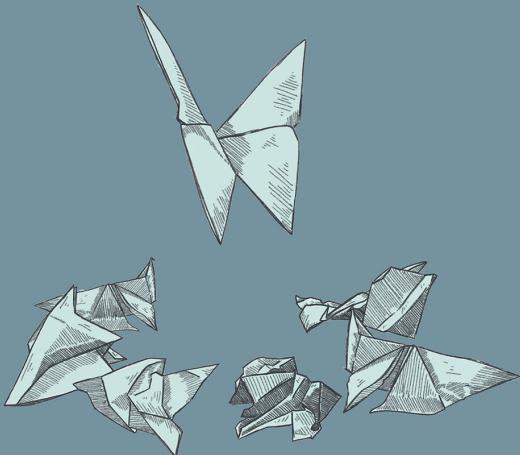


# Doing the legwork

## **Theory of change**

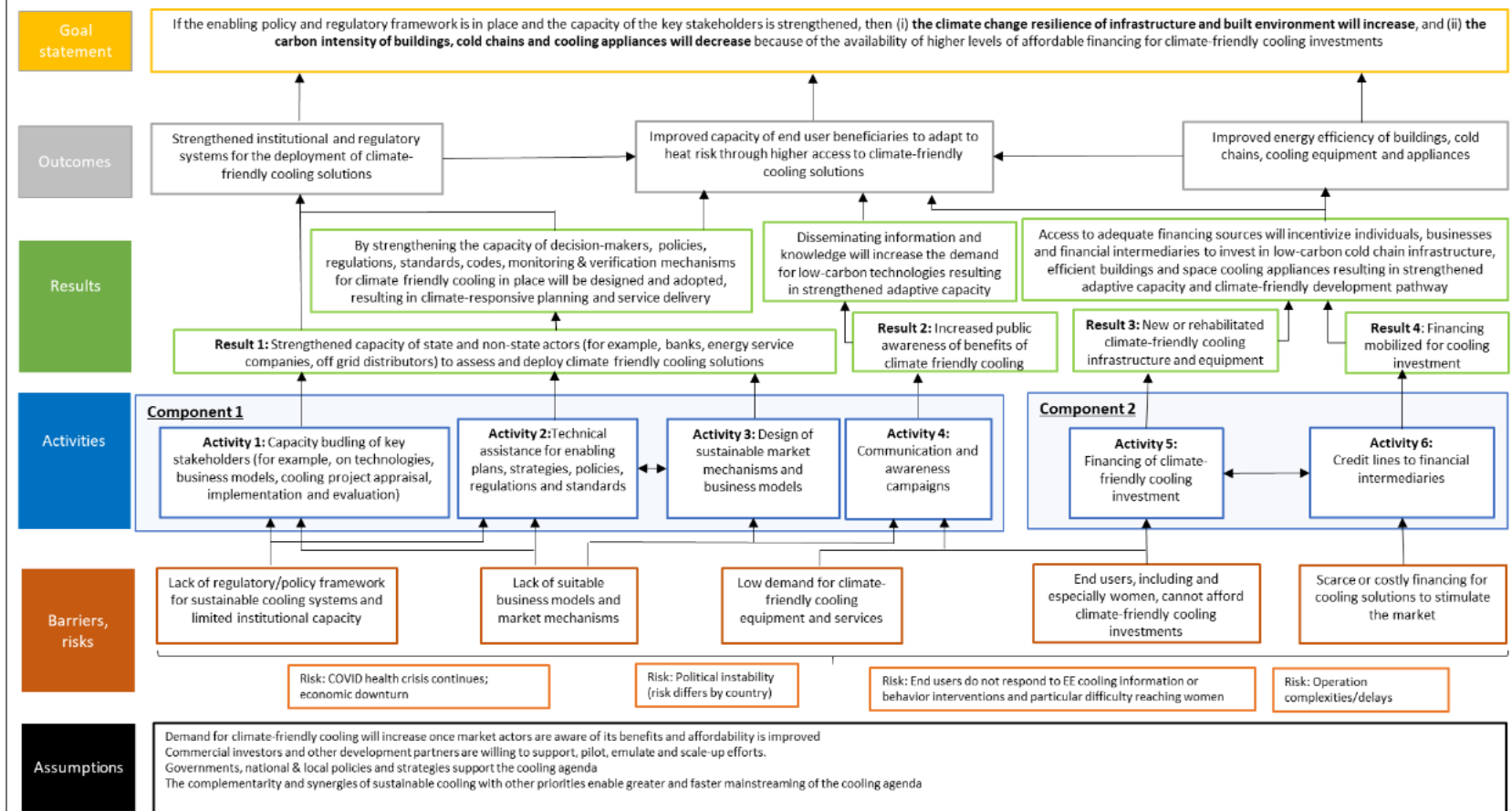
A Theory of Change (ToC) is a comprehensive framework that outlines how and why a desired change is expected to happen in a particular context. It is used primarily in impact investment such as climate finance.

The ToC articulates the pathway from inputs and activities to long-term outcomes and impact, making explicit the assumptions and causal linkages that underlie the change process.



# Theory of Change

**Figure 1: Cooling Facility Theory of Change**



# Gender Impact Assessment

**5** GENDER  
EQUALITY



## Gender Impact Assessment

**Gender Analysis:** This involves examining the roles, needs, opportunities, and constraints of different genders in the context of the intervention. It considers various factors such as age, socioeconomic status, ethnicity, and cultural background.

**Assessment of Impacts:** Evaluating both the positive and negative impacts of the proposed intervention on different genders. This includes considering direct effects, such as access to resources and services, as well as indirect effects, like changes in social norms and gender relations.

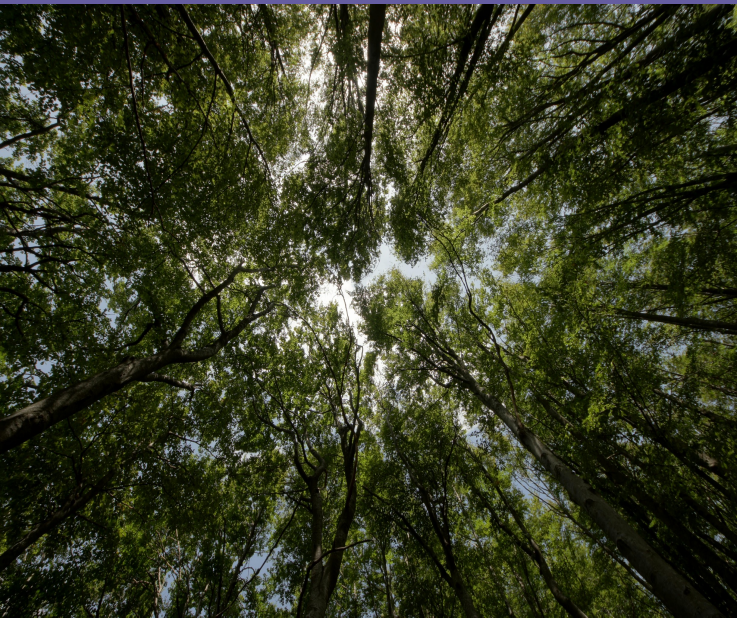
# Reporting framework

In climate finance projects, the reporting requirements for proving implementation typically include:

Progress Reports; Financial Reports; Monitoring and Evaluation (M&E) Reports; Annual Performance Reports; Final Project Report.

Environmental and Social Safeguard Reports: Documentation of compliance with environmental and social standards, including any mitigation measures implemented.

Reports use and test pre-defined Indicators and milestones to measure the projects implementation success.



# Discussion and Wrap-up





Thank you

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