INTRODUCTION & BACKGROUND

These notes are provided as a guide for preparation and submission of an initial Project Proposal for CTI PFANs Adaptation Project Stream.

The Proposal is conceived as a first high level overview of a project, business venture, or activity in order for CTI PFAN to assess whether such project is suitable for receiving CTI PFAN support and services to help further develop and raise financing for the project implementation. The guidelines have been designed to be as inclusive as possible and it is recognized that not all aspects of the guidelines will always be relevant to all projects. Equally some projects may require additional categories and formats to adequately describe the activity.

The emphasis of the Proposal should be on the presentation of a concise and credible plan that can be quickly and easily interpreted by readers who may not be fully familiar with the market / technology / risks and which will enable them to take an initial decision as to whether the project has the potential for raising investment / financing. Based on the appraisal of the Proposal CTI PFAN may offer to provide support and advice to Developers / Proponents to further develop their project and structure the financing proposal and for introduction to investors / financiers.

II PROJECT / ACTIVITY CHARACTERISTICS & CRITERIA

The Project / Activity Proposal should meet the following criteria:

Project Type : An adaptation related project or activity which meets the CTI PFAN proposed definition for Adaptation related Projects (see below) and for which, in whole or in part, financing / investment is sought from commercial / private sector sources.

Commercial Viability : The Proposal should demonstrate that the project or an element of the project has the potential to be commercially viable / show an acceptable return on investment when development and impact benefits are included (Triple Bottom Line Approach).

Targeted Sectors : The following sectors are targeted as priority sectors by
the CTI PFAN Adaptation Work Stream:

- Agriculture (agri-business & agri-processing)
- Water & Sanitation
- Energy & Access to Energy (Climate Proofing of Energy Generation & Supply)
- Tourism
- Adaptation Products & Services
- Urban Infrastructure & Transport
- Micro-Finance & Micro-Insurance
- Forestry & Eco-system Services

Please refer to the CTI PFAN Background Paper on Financing Adaptation for further details on the targeted project sectors. Projects from other sectors may also be considered if they show particular investment promise.

Proposal Length : 10 – 12 pages (including cover page, annexes and supporting documents) of Arial 12 font or similar (if other fonts are used; please ensure that they are reader friendly and of similar size). Section lengths indicated below are for guidance only.


### III EXPECTED PROPOSAL CONTENTS / SECTIONS (TEMPLATE)

The following sections and notes provide an overview of the sort of section headings and related information which we will expect in the proposal. Project Developers / Proponents should attempt to provide available information in relevant areas in as much detail as possible / appropriate and available at the time of submission. Equally Project Developers / Proponents may choose to provide any additional information that they consider useful and not covered in this template. The template is meant as a guideline only and project developers / proponents can choose their own format and structure of the proposal document to meet the requirements of their project.

1. **Introduction of Project (1/2 – 1 Page)**

Introduce the project with regards to the scope of its action and its objectives: emphasise particularly what the motivation / rationale for the project is and what adaptation objectives and specific climate risks / vulnerabilities are being addressed. Demonstrate that the project meets the CTI PFAN definition for adaptation related projects:
“Adaptation related projects are those that help reduce the vulnerability of human and natural systems to the current and future impacts of climate change and climate-related risks, increasing or maintaining adaptive capacity and resilience in the targeted regions and countries through investment for project implementation.”

Identify the project location, the project sector and the key involved parties / stakeholders. Outline the underlying business / commercial logic of the project and identify the market and development opportunities which are being addressed / exploited.

2. Full Project Description / Project Structure (1 – 2 pages)

This section should represent the main bulk of the Proposal with the proposed business model, strategy and execution plan. Explain how the project will be developed, implemented and / or operated. Key elements for consideration include:

- location
- project / business structure
- Development & implementation plan
- Operations plan
- key contracts (already in place or that need to be put in place);
- relationships with third parties (equipment & technology suppliers, contractors, suppliers, customers);
- project inputs (raw materials / feedstock / volumes / how sourced and reliability?)
- project outputs (product or service or infrastructure element which the project offers - what are they? / provide quantities and volumes where possible)
- who are the off-takers, buyers, customers, clients, beneficiaries, other stakeholders?

Pay particular attention to the parties involved and their contractual relationships to each other. Consider providing a diagram of the project structure. Identify key development milestones and what must happen in order for them to be achieved. Identify the key sources of cash flows / revenues produced by the project / business and which can be used to service the investment / financing.

3. Technology Considerations (1/2 – 1 Page)

In this section, highlight the technology which is proposed for deployment in the project / activity. Is it tried and tested? Does it still need to be proven / adapted to the project location / situation? What have been the results and experiences of other projects using this technology? Is it being purchased, leased, hired or newly developed / adapted? What are the commercial implications of the technology choice? Cost? Is the technology readily available? What specific benefits does the selected technology bring to the project?

Results of technical feasibility studies should be provided / summarized if available.

Make sure the technology section is easily understandable to non-technical readers.
4. Proposed Management / Project Implementation Team and Organisational Structure (1/2 - 1 Page)

Introduce the proposed management / project team and their backgrounds and what they bring to the project. The structure of the management team should also reflect the scale and complexity of the business proposed. Introduce the main players and their respective roles in the project implementation team / consortium: developer, investors, equipment suppliers, off-takers, customers, authorities etc. Demonstrate that the key people have the experience, capability and commitment to drive the implementation of the project.

5. Investment & Financing Structure (1 – 2 pages)

Depending on project status the investment structure may be more or less developed. As far as possible developers should however provide the following information as minimum:

- Identify the total investment needed for the project;
- Provide the conditions of existing funding amounts available to the project: what amounts have already been financed / committed, by whom and in what form (grant, equity, loan, subsidy etc) and what for?
- Identify what funding amounts and types of financing (equity / debt) are required for completion of the project and what sources are being considered (ODIs, MFBs, commercial banks, philanthropic investors, impact investors, private equity, industrial & strategic investors etc);
- Proposed financing structure (equity – debt ratio)

Schedules of capital expenditure and operational expenditure, and assumed timings of financing requirements, refinancing, and start of repayment ability can be useful in working towards an investment structure. Provision of a Source and Application of Funds table / schedule is recommended.


If possible provide a financing / cash-flow model based on the project plan. Summarise the assumptions of the model. The model should be provided as an excel sheet as an annex to the Proposal.

The Financial Analysis should ideally provide a good indication of the commercial feasibility of the project, payback time, investment returns and financial risk involved, based on the following parameters:

a. Capital Cost of Project
b. Revenue Elements (and assumptions)
c. Cost Elements (and assumptions)
d. Financial Projections
e. Financing Assumptions (interest cost etc)
f. Project Operating Assumptions
Summarise the financial returns of the project / activity as demonstrated by the model. Consider using one or more of the following indicators to express the returns: IRR / RoC / RoE / RoI / EBIT / EBITDA / breakeven / payback / interest cover / loan life cover ratio etc.

7. Risks & Risk Mitigation (1/2 – 1 Page)

Briefly identify the main risks (including but not limited to the climate associated risks) that could arise to prevent or disrupt project implementation and the planned financial outcomes.

Summarise the steps taken / planned to deal with and mitigate these risks.

Provide an overview SWOT (Strengths – Weaknesses # Opportunities – Threats) analysis of your project.

8. Project Impacts (1/2 - 1 Page)

Describe the main project impacts:

- Environmental impact;
- Social & developmental impact: (include positive social impacts such as technology & skills transfer, employment, health, female empowerment, education, poverty reduction, rural electrification etc and other positive external impacts);
- Explain and quantify the adaptive impacts of the project in relation to the project rationale / motivation: how does the project / activity contribute to an increase in adaptive capacity / reduction in climate vulnerability.

Please quantify the impacts as far as possible

9. Project Status / Timeline (1/2 - 1 Page)

This section should give a good indication as to the stage of development of the project (conceptual / prefeasibility & development / feasibility / ready for implementation). Identify development milestones which have been achieved and what still remains to be done. Highlight any areas that present challenges / issues or represent weaknesses in the current development planning.

Indicate whether the project has scale-up / replication potential and identify this potential if possible.

10. Conclusion (1/2 Page)

Highlight why the project is worthy of receiving support and coaching from CTI PFAN and emphasise the private sector investment potential.
Reiterate the chief strengths and benefits of the project and its adaptive benefits. Make a recommendation for investment in the project / activity.

**Important!**

1. The guidelines provide information sections that we will look out for and expect. The order and section headings are not in any way binding; deviations and additions are allowed and encouraged (creativity is an assessment criteria!).

2. Keep the main Proposal under 12 Pages including the cover page. In addition relevant annexes may be provided to support the Proposal. Shorter documents are preferable to longer ones.

3. Be factual and realistic. Quantify your claims and proposals where possible and provide hard data using diagrams and charts where appropriate.

4. Files should be submitted in PDF (preferable) or WORD format. Financial Models should be provided in Excel format.

5. CTI PFAN respects the confidentiality of all developers' project proposals and other information supplied. Proposals will not be copied for any purposes other than for analysis and evaluation of the project. As a matter of convention and practicality, confidentiality agreements are not signed in respect of the receipt and analysis of project proposals. Developers may choose to include the following optional disclaimer on the cover sheet of their submissions, recognizing that it is not a legally binding agreement:

   “This project proposal is confidential and is presented to CTI PFAN solely for the purpose of evaluation by CTI PFAN in respect of receipt of CTI PFAN development support and financing advice. This proposal may not be reproduced or redistributed in whole or in part. By accepting a copy of this plan, the recipient agrees not to reproduce or disclose the contents of this plan to third parties without the prior written consent of its authors.”

   Upon confirmation that the project will receive CTI PFAN support and advice project developers / proponents may request confidentiality and non-circumvention agreements to be negotiated and signed between the developer and the respective assigned PFAN Consultant.

Please send your project proposals to the CTI PFAN Africa Adaptation co-ordinator: adaptation@cti-pfan.net.

Submissions must be received by midnight Tuesday 30 April to be eligible for support in the pilot phase.