



FiCS Lab Incubator Guidelines

Cycle 1

October 2024

Overview and Purpose of the Guidelines

The Finance in Common Innovation Lab (FiCS Lab) is launching the inaugural cycle of its incubator. The incubator will provide financial and technical support to public development banks or equivalent institutions (PDBs) to develop and pilot innovative financial instruments aimed at increasing their ability to catalyze climate finance.

The FiCS Lab invites interested public development banks and development partners – civil society organizations, think tanks, and/or consultants with an understanding of the regional context - to submit proposals for instruments that target climate finance in emerging markets and developing economies and that demonstrate innovation, actionability, and catalytic potential. Applying consortia must include both a PDB and one or more development partners to conduct the work. The ultimate beneficiary of the activity should be a PDB.

Selected proposals will receive between 250,000 - 500,000 USD in grant funding, disbursed directly to a development partner, with a view to support PDBs' capacities and expertise, and 60 hours of technical support per week from a dedicated CPI team for a period of 7 months to incubate the proposal, and an additional year of light-touch support. The PDB is expected to provide value-in-kind through staff time and expertise.

The process (which will also be detailed in this document) starts with a competitive call for proposal and will run through several phases as described below:

- Call for proposals: October 17 – December 31 2024
- Selection: January- early February 2025
- Presentation of awardees at FiCS Cape Town Summit: 26-28 February 2025
- Development: March/April 2025 – November/December 2025
- Follow-up support: January – December 2026

Applications will be accepted in English, French, or Spanish, although CPI communications and support will **be conducted in English**.

This Guidelines document provides further details on eligibility and criteria for selection, the financial and technical support offered to selected proposals, and components of the incubation phase for selected proposals.



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About the FiCS Lab

Finance in Common (FiCS), the Inter-American Development Bank (IDB), and Climate Policy Initiative (CPI) have partnered to operationalize the FiCS Financial Innovation Lab (FiCS Lab), with CPI as the Secretariat and financial support from the Children's Investment Fund Foundation (CIFF).

The objective of the FiCS Lab is to help public development banks (PDBs) and other FiCS members address barriers to climate finance by sharing best practices, developing standardized approaches to climate instruments, and providing technical support to move ideas through development to piloting to implementation. Based on the [FiCS Cartagena Final Communiqué](#) of September 2023, the vision of the FiCS Lab is to bring together PDBs around an action-oriented platform to accelerate the implementation of climate finance by fostering innovation and collaboration among PDBs in mobilizing private capital and expanding climate finance, particularly in emerging markets and developing economies. The FiCS Lab works across three main pillars.

Pillars of operation:

- **Pillar 1 Knowledge Sharing:** disseminate and discuss best practices and innovations in climate finance.
- **Pillar 2 Policy Dialogue:** standardize approaches to facilitate the implementation of potential climate finance instruments and approaches.
- **Pillar 3 Incubation Support:** provide financial and technical support for the incubation of innovative financial instruments through competitive calls for proposals.

Pillars 1 and 2 have focused on four key topics for 2024, identified in the FiCS Cartagena Summit communique, which serve as the basis for the FiCS member-led working groups that explore each topic:

- Climate resilient debt clauses
- Debt for nature/climate swaps
- Currency risk
- Voluntary carbon markets

These topics may change based on a yearly survey of FiCS members and PDB priorities.



About Pillar 3: FiCS Lab Incubator

The FiCS Lab Incubator is intended to support PDBs and other similar public entities in EMDEs, with a particular focus on small and medium-sized entities, in developing and implementing innovative financial instruments that will allow them to expand climate finance. It aims to build capacity and accelerate new initiatives by providing direct technical assistance and allowing PDBs to procure external services or advice.

There are two elements of support:

- 1) Grant funding to procure external services from development partners. These could be consulting or advisory services such as a think tank, consultancy or financial advisors, legal advice or services, local organizations, or targeted research. The grant funding will be disbursed directly from CPI to these providers.
- 2) Technical assistance from the CPI team, provided to the PDB or other public entity. CPI has successfully run the [Global Innovation Lab for Climate Finance](#) for 10 years, and has launched 68 instruments to tackle barriers in critical sectors and regions, mobilizing four billion USD for climate action in emerging economies. Our goal is to use CPI's experience and expertise to serve public financial institutions and their unique contexts.

Proposals are sought from consortia consisting of at least one PDB (or other similar public entity) and at least one development partner. The PDB will be considered as lead applicant, and proposals will be evaluated on their impact and benefit for the PDB partner, as well as on their technical strength.

Incubator Proposal Eligibility and Evaluation Criteria

Eligibility

Proposals must feature an innovative financial instrument that aims to increase climate finance flows in the target region, accompanied by an opportunity for the PDB to pilot the instrument in the near-term. For the purposes of the FiCS Lab, climate finance encompasses investment and financial tools/models needed to support mitigation and adaptation activities for a low-carbon and climate-resilient economy.

Innovative financial instruments could be new or existing instruments that would add to the PDB's existing offerings, but are not currently in use or are outside the PDB's normal, business-as-usual approaches. Examples of relevant financial instruments include, but are not limited to, bonds and other debt instruments, structured funds, equity vehicles, insurance products, investment data tools and platforms, pay-per-service models,



securitization structures, results-based and conditional payment structures, investment taxonomies, hedges/swaps, and guarantees.

The FiCS Lab is not designed to support the development of individual, real-sector projects.

Types of entities:

Eligible entities are consortia that must include 1) one or more PDBs or similar public entities, particularly those based in an emerging market or developing economy (EMDEs), and 2) one or more civil society organizations, consultants, or advisors that will lead or support in developing the instrument (the development partner).

The lead applicant should be the PDB partner.

The PDB partner(s) or similar entity, should be a public financial institution, such as a subnational, national, regional, or international development bank. PDBs that are current or potential members of the FiCS coalition, which includes a diverse range of institutions committed to supporting the alignment of finance with sustainable development goals and the Paris Agreement on climate change, are particularly encouraged to apply. The PDB must be based in, or have strong ties to, an EMDE country or region.

The development partner(s) could be a variety of stakeholders, including CSOs, private sector companies, legal advisors, consultancy firms, academic institutions, and technology providers that can enhance the design, implementation, and scalability of the proposed innovative financial instrument. Applicants are encouraged to explore partnerships that promote capacity development in the target geographies (see below) and support the development of PDB expertise.

Grants are intended to fund the procurement of additional, specialized capacity to support the PDB applicants, and will be disbursed directly to development partners. A contract that covers all three parties – signed by CPI, the development partner (grantee), and the PDB - will be provided and managed by CPI. As the funding will come directly from CPI, no official procurement procedure should be necessary from the PDB. Please see the budget section for more detail on the permitted use of grant funds.

The partnership between the PDB and development partner(s) does not need to be fully formalized (i.e., signed MoU or partnership agreement) at the time of application, but discussions should be sufficiently advanced that all partners agree to be identified in the application. Under exceptional circumstances, it may be possible to modify a partnership between the time of submission and the grant awards, subject to the



judgement of the FiCS Selection Committee. Shortlisted applicants will be required to provide a letter of intent from leadership, for both the PDB and development partners, to ensure that all parties are fully supportive of the Lab activities and requirements. Please note that all arrangements between proposal partners will need to be finalized before the contract is signed.

Geographic focus: The proposed instrument should target emerging markets and developing economies (EMDEs), aiming to address specific challenges to the deployment of climate finance in the target region(s). Small- and medium-sized PDBs are particularly encouraged to apply, and preferred to maximize capacity building, over large national and international development banks.

Stage of instrument development: The FiCS Lab is open to proposals for support of innovative financial instruments at different stages of development, as outlined below. In practice, the proposed instrument and supporting institution(s) should be ready to enter a pilot phase approximately six to twelve months after the incubation period ends, to leverage CPI's ongoing light-touch support.

1) Idea basics: Idea is in early concept stage. Preliminary research has been done, but the target market and/or instrument structure have not been identified or defined. There is a commitment to piloting within the short term (2 years), dependent on the development of the instrument.

2) Initial development: Target market may have been identified, but many details on the concept and financial product are still missing. Internal capacity is in place to support development.

3) Proof of concept: Target audience has demonstrated interest and initial assessments demonstrate feasibility, yet details on instrument structure and pathway to market are still unclear. Modeling has not been completed.

4) Pre-pilot: Instrument has developed a viable product, initial financial modelling is complete, with few details to still be developed.

Thematic focus: Proposals relating to one of the four FiCS Lab key topics for 2024, or related to the work of the four working groups, will be considered favorably for Lab Fit, but this is not a requirement. The topics for 2024 are:

- Climate resilient debt clauses
- Debt for nature/climate swaps
- Currency risk
- Voluntary carbon markets



Evaluation Criteria

Submitted proposals will be evaluated against five criteria: innovation, lab fit, internal capacity, actionability, and catalytic potential. These criteria are described below.

Innovation

For the purpose of Pillar 3 applications, “innovation” refers either to a completely new instrument or to an existing instrument that can enhance the PDB’s existing offerings, but is not yet operational within the context or region, or deviates from the PDB’s standard practices.

Additionally, an innovative instrument should directly or indirectly tackle barriers to the PDB’s ability to attract or provide climate finance. The instrument may address such barriers in one of two ways: by targeting barriers to climate finance that are currently unaddressed by the market or by providing solutions that are more effective than existing methods.

Lab Fit

Lab Fit, or “additionality”, refers to the potential value added by the FiCS Lab’s support that would NOT otherwise be realized by the PDBs, or would be realized significantly sooner due to the FiCS Lab support. Through this criterion, the FiCS Lab aims to provide support that effectively complements the unique strengths and needs of selected applicants in order to incubate an instrument that is ready to pilot at the end of the incubation phase. The FiCS Lab’s additionality can apply to different aspects of the proposed instrument, including:

- Financial - the grant would allow for external capacity or expertise that is critical to developing the instrument and maximizing its impact.
- Technical assistance (TA) - improving the scope, scale or impact of the instrument through specialized FiCS Lab support that PDBs cannot generate internally

Proposed financial instrument should align with their sponsoring PDB’s strategic priorities, but should not be planned activities that would take place even in the absence of FiCS Lab support or would be funded through the PDB’s own resources.

The FiCS Lab aims to select proposals that will benefit from expertise and/or networks which may not exist within the PDB. In conjunction with the development partner, CPI will help refine the financial instrument and support the PDB in reaching the pilot phase. We expect that selected consortia may benefit from multiple types of TA activities



during the incubation period. Proposals should identify potential kinds of TA that would be required to support the development and piloting of the financial instrument. The following list provides an overview of the potential activities that can be provided by CPI:

- Design and stress testing of financial instrument mechanics
- Target market research and analysis
- Sounding with expert working group members
- Financial modelling
- Environmental and social impact modelling
- Development of an implementation pathway and milestones
- Development of investor pitch materials
- Mapping of potential capital mobilization

Additional details on types of CPI-provided TA are provided below.

Internal Capacity

Internal capacity refers to whether the PDB team and development partners have the potential to successfully develop and pilot the financial instrument. The FiCS Lab seeks proposals that demonstrate:

- Sufficient internal commitment within the PDB, including appropriately qualified staff time, to participate in the development, piloting, and long-term operation of the instrument;
- A well-planned division of labor between the PDB and the development partner; and
- Strong support and buy-in from the PDB's leadership, ensuring alignment with the PDB's strategic vision on climate finance.

Shortlisted applicants will be required to provide a letter of intent from leadership, for both the PDB and development partners, to demonstrate that all parties are fully supportive of the proposal and FiCS Lab requirements.

Actionability

Actionability refers to the feasibility of implementing the proposed financial instrument in the target market(s) without depending on long-term reforms to the PDB or to the target market's financial system. For a proposal to be considered actionable, it must be feasible for piloting by the PDB within a year after the incubation support ends. This requires a pathway to piloting, including an understanding of the instrument's risks, and a regulatory environment that permits the use of the instrument.



Catalytic Potential

The FiCS Lab focuses on scaling and replicating climate finance instruments in EMDEs. Accordingly, we will evaluate whether proposed instruments can address widespread barriers, adapt to various contexts, and scale effectively once launched. We also assess the external financial and regulatory/policy support needed to sustainably operate the instrument. A key goal of the FiCS Lab is to support instruments that can be successfully replicated by other PDBs within their own specific contexts and on a self-sustaining basis.

As part of the FiCS Lab support, CPI will work with selected consortia to develop a public “lessons learned” issue brief (respecting proprietary data and information), as well as a potential presentation by the consortia following the end of the incubation period.

Funding and Technical Assistance

The FiCS Lab will support innovative financial instruments by providing both grant funding and technical assistance.

Grant Funding

For the 2024-2025 cycle, the FiCS Lab will allocate 1-3 grants to selected proposals. Submitted budgets should range from 250,000 to 500,000 USD. Final allocation will be determined by CPI based on the number of proposals selected and following consultation with successful applicants. Individual grants will not fall below 250,000 USD or exceed 500,000 USD.

Permitted Use of Funds

Grant funds are intended to support eligible entities in developing and piloting financial instruments that are additional to existing activity and require specialized resources not available within the PDB's usual operations or capacity. This funding is not meant to provide general budget support or finance business-as-usual operations of the PDB or the development partner.

Funds will be disbursed directly to the development partner(s) and cannot cover direct or indirect expenses incurred by the PDB. The PDB is expected to provide value in kind contributions, e.g. through staff support. FiCS Lab funding may be made available for PDBs to cover travel expenses for attending the FiCS Summit, if necessary.

Eligible activities for grant funds could include, for example, the procurement of specialized advisory, consultancy or legal services necessary for creating a new financial product. This is not an exhaustive list and any activities that are not explicitly



excluded (see following paragraph) can be featured in a proposal. Successful proposals may receive partial awards, and the FiCS Lab team may remove or modify specific activities in consultation with successful applicants.

Funding may not be used for any political or lobbying activities, and selected consortia will be required to confirm that funding will not be used for any political or lobbying activities in the final contract.

- Political and lobbying activities include but are not limited to direct or indirect participation or intervention in any political campaign on behalf of (or in opposition to) any candidate for national, state, or local public office.
- Political activity includes, among other things, the publication or distribution of oral or written statements supporting or opposing a candidate, as well as contributions to political parties.
- Lobbying can be either:
 - Direct lobbying through communications with legislators. Any communication with a member or a staff person of a legislative body or any other government official or employee who may participate in the formulation of legislation that both a) refers to legislation, and b) reflects a view on the legislation.
 - Indirect (Grassroots) Lobbying through communications with the public. Any communication that is addressed to the public or any part of the general public that both a) refers to legislation, b) reflects a view on the legislation, and c) directly or indirectly encourages recipients of the communication to take action regarding the legislation (a "call to action").

Disbursement

Funds will be disbursed to the development partner(s) in tranches following a predetermined schedule of deliverables specified in a Fixed Obligation Grant (FOG).

[However, alternative arrangements (e.g. upfront disbursement with claw-back clauses) can be accommodated where justified. Development partners of shortlisted applications should provide a preferred disbursement schedule and clear rationale for any deviation from the standard process.]

A tripartite agreement between each development partner, PDB, and CPI will be established, directing the funding to the identified services and solidifying expectations and value in kind contributions from the PDB.



Technical Assistance

In addition to grant funding, selected consortia will receive technical assistance (TA) from the CPI team to help incubate and develop their proposed financial instruments. Technical assistance teams will include two CPI analysts each dedicating 60% of their time (equivalent to 3 days per work week per analyst) for 7 months. After this intensive incubation phase, the financial instruments will receive lighter support for an additional 12 months, during which two analysts will commit 15% of their time to support during the pilot stage.

The CPI analysts, in agreement with the applying PDB, will provide a range of support activities, including the preparation of detailed work plans and schedules, data analysis, and research that leverages specialized knowledge in relevant areas of policy and climate finance. In addition, TA activities may focus on capacity building, stakeholder engagement, and reporting and documentation. When necessary, external experts will be brought in to provide additional knowledge or perspective. Please refer to the list below for example of potential TA activities:

- Design and testing of financial instrument mechanics
- Target market research and analysis
- Market sounding with expert working group members
- Financial modelling
- Environmental and social impact modelling
- Development of implementation pathways and milestones
- Development of investor pitch materials
- Mapping of potential capital mobilization

Technical assistance will not be able to support activities related to addressing regulatory barriers to implementing proposed financial instruments. The application will request a clear outline of any regulatory barriers which may impact the feasibility of the financial instrument.

Applicants are asked to include information about the kinds of technical assistance they will request from the CPI team. This is indicative and will form the basis for discussion with the FiCS Lab team. The final TA package will be agreed in consultation between successful applicants and the FiCS Lab team and will not be limited to the pre-selected technical assistance options.



Budget Proposals (with development partner)

Please complete the below template in USD for the development partner(s).

Expense Category	USD Value
Personnel – direct total	
<i>(list direct personnel & % of annual salary covered by the requested financial assistance)</i>	
Personnel - indirect total	
<i>(list indirect personnel & % of annual salary covered by the requested financial assistance)</i>	
Sub-contractor(s)	
Events & Workshops	
Travel	
Overhead	
Total	

Budget parameters:

- Overhead: no more than 10%
- Travel encouraged, include travel for FiCS Summit: 10%
- Allow for 10% financial/operations to cover reporting
- Please complete the below template in USD for the development partner(s).

Please complete the below template in USD for the ViK contributions of the PDB Partner.

Expense Category	USD Value
Personnel – direct total	
<i>(list direct personnel & % of annual salary covered by the requested financial assistance)</i>	
Events & Workshops	
Travel	
Total	



Selection Process

Call for proposals

The call for proposals for the 2024-2025 cycle will launch on October 17, 2024, supported by two webinars. These webinars will take place on [November 5, 2024, 16:00-16:45 UCT](#), to cover Latin America/Europe/Africa, and [November 6, 2024, 5:00-5:45 UCT](#), to cover Asia/Pacific (please register through the links). A PDF version of the application, FAQs, and the guidelines will be available on the FiCS website. Interested applicants will be able to contact the CPI Secretariat team at FiCSLab@cpiglobal.org with questions and requests for clarifications over email throughout the application period.

In addition, during the open application period, CPI will host weekly office hours to provide clarification on the guidelines and application. Interested applicants can sign up for a time slot to meet with the CPI Secretariat team by reaching out to the CPI Secretariat email address FiCSLab@cpiglobal.org.

Applicants will submit applications through the platform [Submittable](#) through a single application process (no expression of interest necessary). Please note that while the CPI team will be able to provide clarifications and feedback on questions about applications over email, the applications will need to be submitted through Submittable and not over email.

The application will close at midnight EST on December 31, 2024.

Review Process

Proposals submitted in response to the call will be assessed against the Lab criteria described above.

- The FiCS Lab Secretariat will screen all submissions using the standard FiCS Lab criteria to produce a shortlist of eligible, high-quality ideas.
- Shortlisted applicants may be contacted to arrange an interview as part of the screening process. Unsuccessful applicants will be informed of the status of their proposal.
- Shortlisted applications will then be reviewed by the FiCS Lab Selection Committee, consisting of representatives from the FiCS Lab governing committee of Finance in Common, Inter-American Development Bank, and independent, third-party experts. The Selection Committee will identify a small cohort of finalists.
- The FiCS Lab Selection Committee may invite finalists to present their proposals virtually in early February at the latest. The FiCS Lab Selection Committee will



identify in principle the 1-3 successful mechanisms that will move forward to the due diligence and contracting stage. Committee decisions for each cycle are final and cannot be appealed.

- Contingent upon successful completion of the due diligence checks and contract finalization, the selected proposals will be announced at the FiCS Summit, taking place from February 26-28, 2025, in Cape Town, South Africa. PDBs with selected proposals may be supported by the FiCS Lab to cover travel expenses to attend the FiCS Summit, if necessary.

Throughout the process, applicants may be contacted by the FiCS Lab Secretariat to request additional information or provide clarification. We ask that applicants refrain from contacting members of the FiCS Lab Selection Committee regarding their proposals while the assessment is ongoing.

All application materials will be shared within the FiCS Lab Secretariat and with the FiCS Lab Selection Committee. Any Selection Committee members that have a conflict of interest with regard to an applicant will be asked to withdraw themselves from review of that proposal before application materials are shared. Details of applicants and proposals will only be shared with the selection committee at the finalist stage. Proposals that are rejected before the finalist stage will not be disclosed.

Due Diligence and Contracting

The FiCS Lab will conduct a due diligence and contracting process to verify the financial integrity, legal compliance, and potential risks associated with each finalist development partner – the grant funding recipient - prior to formalizing an agreement. This will be carried out by CPI on behalf of the FiCS Lab. Any sensitive documents submitted as part of the due diligence process (e.g., financial reports) will not be shared beyond the due diligence team.

During the contracting process, CPI, the PDB, and the development partner will also determine the appropriate timelines, types of deliverables, and monitoring for each selected proposal. These agreed deliverables will be specified in the contract.

Once the due diligence and contracting process is complete, selected proposals will be publicly announced by Finance in Common.

Incubation and Development

During the incubation phase, selected consortia will develop, finalize, and test the design of the proposed financial instrument, with support from the CPI TA teams. The goals of activities under this phase are to bolster the innovative character of the proposed instrument within its context of operation, and clearly identify requirements for



its financial sustainability. The incubation phase will span seven months following contracting and initiation of the work. During this time, CPI will provide technical and operational support to the public development bank, to complement and facilitate the work being carried out by the development partner. This support will entail 60% of two CPI analysts' time over the course of seven months.

Areas of work during this phase can include:

- **Instrument mechanics:** an in-depth analysis of how the instrument would operate, including the types of organizations and skill sets required to implement the instrument and achieve impact.
- **Assessment of the innovative aspects of the instrument:** analysis of the risks and barriers faced by investors in the instrument's target markets, highlighting those which are addressed by the instrument, those which may remain unaddressed, and how the instrument would perform compared to existing instruments in target markets.
- **Assessment of financial sustainability and identification of a strategy/approach to achieve it:** an in-depth investigation into how the instrument could be financially sustainable in the long term, mobilize private finance, and address potential challenges to achieving its intended long-term objectives.
- **Identification of the context where the instrument would operate:** identifying the sectoral and geographical scope of the instrument within PDBs in EMDEs. This assessment is essential for defining the instrument's market test and evaluating its potential to address barriers and mobilize climate finance.

Piloting

The FiCS Lab will select proposals that have the potential to be piloted within 6-12 after the incubation period. Following the seven-month incubation phase, CPI will provide “light touch” support for a subsequent 12 months after incubation to support the public development bank in piloting the financial instrument.

Deliverables and Monitoring

Deliverables and monitoring activities are intended to support the selected consortia in meeting milestones and effectively contributing to the broader impact of catalyzing innovative climate finance instruments in EMDEs. During the contracting process, CPI, the PDB, and the development partner will determine the appropriate timelines and types of deliverables and monitoring for each proposal, which will inform the disbursement of funds under the Fixed Obligation Grant (FOG). The agreed upon deliverables will be included within the signed contract.



CLIMATE
POLICY
INITIATIVE



The PDB, development partner, and CPI will connect on a bi-weekly basis to discuss instrument development, including progress and challenges. It is expected that the PDB and the development partner connect on a weekly basis and work in close collaboration.

At the end of the seven-month incubation period, CPI will draft a “lessons learned” report in conjunction with the development partner and the PDB. The goal of this report is to provide a high-level overview of the successes and setbacks faced in developing the instrument, including design feedback, and expected market and climate impacts when piloted. This will be shared widely with FiCS members as a tool for knowledge dissemination and potential replication. No proprietary data will be included in this report.

Proponents will also be asked to present at the FiCS Annual Summit for 2025 and 2026, as part of the inaugural set of Cycle 1 proponents and to present the lessons learned document, outlined above.