

INSIGHT BRIEF



FINANCE AT THE NDC PARTNERSHIP

MARCH 2023

NDC 
PARTNERSHIP

DRIVING NDC IMPLEMENTATION THROUGH FINANCE

As countries focus on nationally determined contribution (NDC) implementation, access to climate finance is critical to enable ambitious climate mitigation and adaptation actions. Despite growing calls for increased funding over the last decade, avoiding the worst impacts of climate change will require countries to mobilize at least USD 4.3 trillion of climate investment by 2030, but barriers to mobilizing and accessing finance exist across the climate finance spectrum. The current financial architecture is complex, and developing countries struggle to understand how to access key funding sources (e.g., multilateral climate funds and private sector investments). On the demand side, government plans are not clear or investment-ready enough and projects are not well designed, developed or communicated. On the supply side, financiers (e.g., the private sector) still have difficulties finding attractive investments with measurable climate impacts and financial returns. Also, country “enabling environments” — everything that affects investors decisions, from legal processes and clear regulations to pricing regimes and labor availability — are not attractive enough.

While the NDC Partnership does not directly provide finance, it is uniquely positioned to act as a neutral broker/facilitator between countries and financiers and support NDC implementation to bridge the finance gap. Our network of partners provides members with an unmatched platform to obtain support within the climate finance space and improve access to and mobilize financial resources. To capture service offerings available to members in a comprehensive approach, the NDC Partnership launched its [Finance Strategy](#) in 2022. The strategy details the types of support members can request to address persistent barriers to climate finance and to bridge the finance gap (for example, capacity development, improving enabling environments, greening the financial system, engaging the private sector, project development and matchmaking, engaging subnational entities and cross-cutting learning).

ABOUT INSIGHT BRIEFS

Insight Briefs are informal analyses developed by the NDC Partnership’s Support Unit, members or partner institutions to share insights into thematic issues based on requests received by countries and the support provided by the Partnership. The following Insight Brief, developed by the Support Unit and based on Partnership data, addresses requests related to climate finance based on priorities communicated by developing countries and provides examples of the support to countries.

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This Insight Brief builds on [previous analysis](#) and provides an overview of the requests for support on climate finance to the NDC Partnership from 2017 to 2022 to analyze trends and identify support gaps.

Data were extracted from official government requests and NDC Implementation/Partnership Plans and aggregated in kNook. It presents a count of individual requests for support and therefore does not account for differences in estimated cost or effort to implement the requested support. Countries covered were grouped in the following regions: Sub-Saharan Africa; Middle East and North Africa; Latin America and the Caribbean; East Asia and Pacific; Europe and Central Asia; and South Asia.

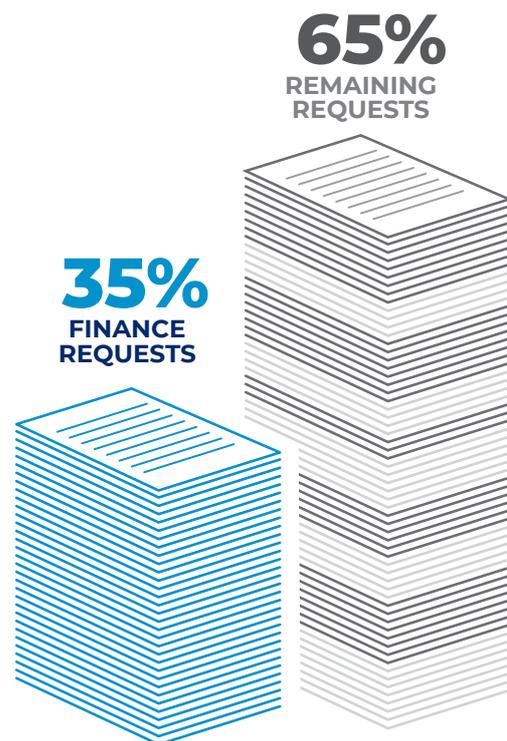
NDC FINANCE TRENDS

Finance continues to be the most requested area of support from NDC Partnership member countries, with 35% of support requested falling into this topic (Figure 1). Out of the 77 developing countries reflected in this analysis that have requested support through the Partnership, 66 (or 85%) have done so in a finance-related category, namely integrating NDCs into national planning and budgets and revenue streams; developing studies and analysis; developing capacity; engaging the private sector; financing projects and programs and mobilizing resources; preparing bankable projects and pipelines; and enacting and revising national strategies and plans. As of January 2023, 58% of all finance-related requests have received or are receiving support, which highlights the need for enhanced support to members on finance.

The preparation of bankable projects remains the category with the most requests for support, making up 41%

FIGURE 1

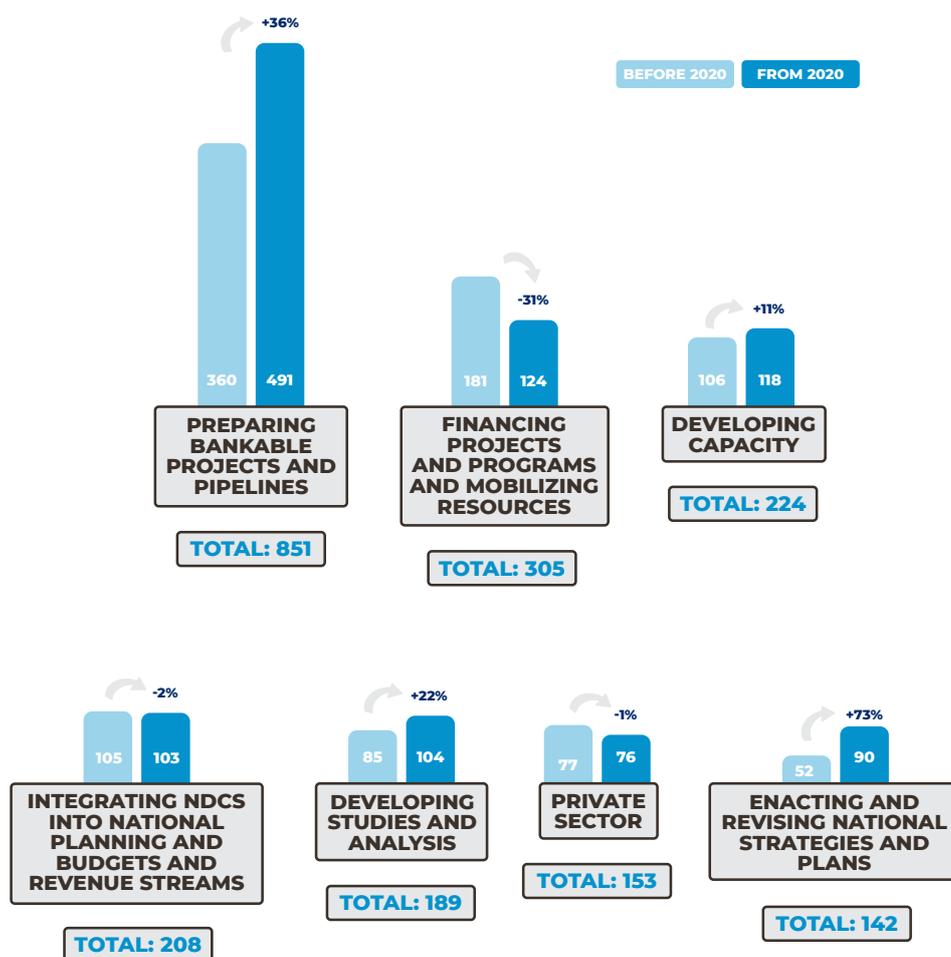
Percentage of finance-related requests



of total finance-related requests, followed by project financing and resource mobilization with 15% (Figure 2). Requests for enacting and revising national strategies and plans have grown significantly (almost doubled) over the last couple of years, from 52 to 90. These trends reflect the increasing interest in developing NDC investment plans and bridging the finance-gap-related activities as guiding instruments for NDC implementation.

FIGURE 2

Growth in finance requests (by category)



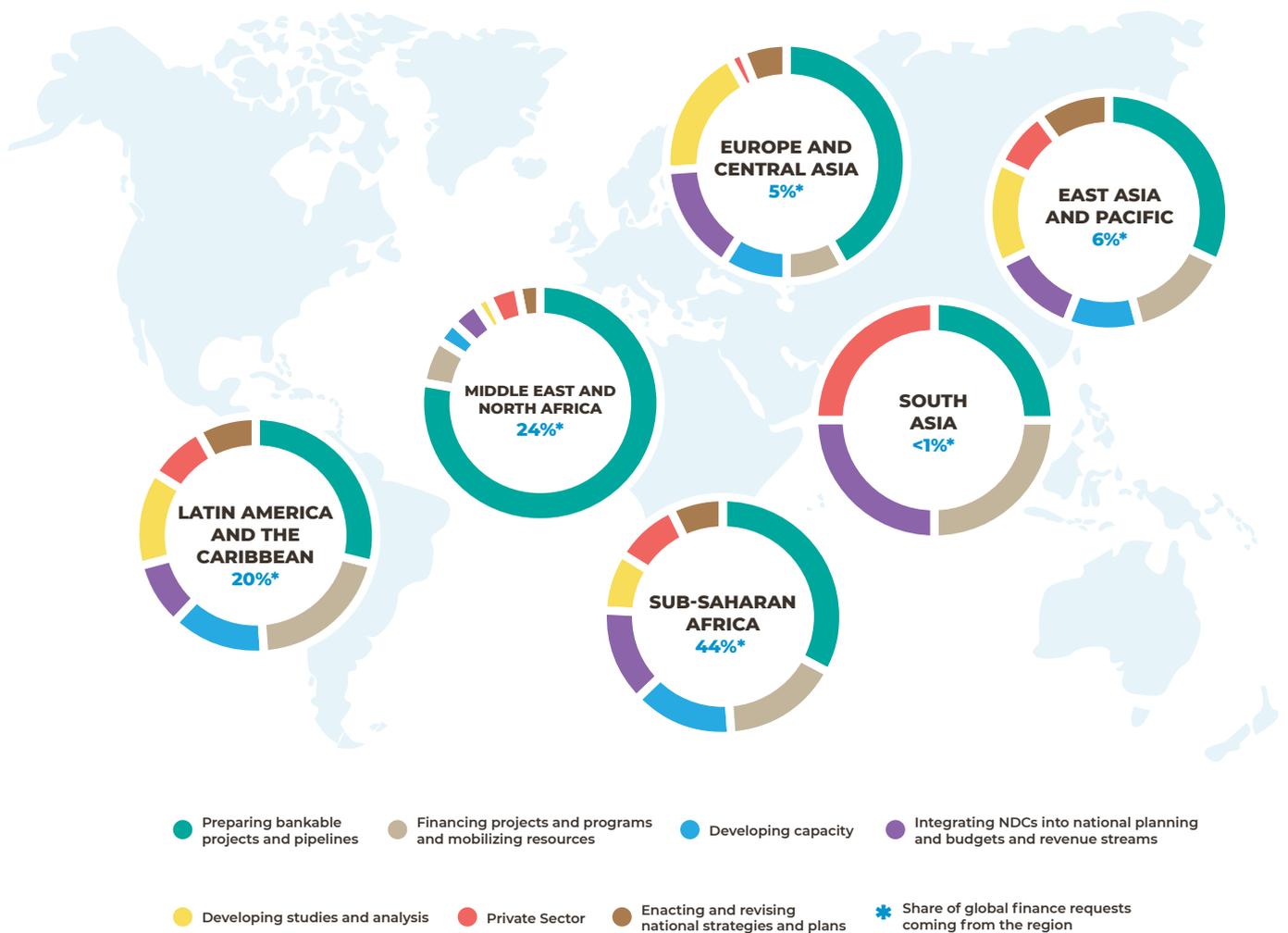
NDC INVESTMENT PLANNING GUIDE

The NDC Partnership [NDC Investment Planning Guide](#) provides step-by-step guidance for countries to develop and strengthen their climate commitments into actions by preparing climate investment plans based on current best practices collected through the NDC Partnership. The guide provides detailed steps split across three stages: 1) investment planning capacity (cross-cutting), 2) investment needs identification and prioritization and 3) investment mobilization.

In terms of regional trends, close to half of finance-related requests for support originate from Sub-Saharan Africa (44%), followed by the Middle East and North Africa (24%) and Latin America and the Caribbean (20%). By comparison, requests from Asia, specifically East Asia and the Pacific, Europe and Central Asia and South Asia, represent less than 12% combined (Figure 3). These trends largely follow the geographical breakdown of overall requests, where requests from Sub-Saharan Africa vastly outnumber those from other regions.

FIGURE 3

Regional distribution of finance requests



Before 2020, 45% had a cross-cutting nature (i.e., they focused on mitigating and adapting to climate change’s effects). Requests focusing solely on mitigation or adaptation projects represented 33% and 23%, respectively. Since 2020, the focus has become slightly more evenly distributed between the three categories. The proportion of cross-cutting finance requests has decreased to 32%. The interest in adaptation finance needs has increased since 2020 to 28%, and has remained relatively the same in mitigation at 34% (Figure 4).

FIGURE 4

Growth in finance requests (by focus area)

CROSS-CUTTING



MITIGATION



ADAPTATION



BEFORE 2020 FROM 2020



DEMAND SIDE: DEVELOPING ENABLING ENVIRONMENTS AND CREATING CAPACITIES

Translating an NDC into an investment plan and then into investment-ready projects is a long, expensive process that demands significant national capacity and conducive enabling environments. To address these barriers, the Partnership embeds advisors on request in finance ministries, environment ministries, and subnational bodies to generate sustainable capacities across the board. The Partnership also supports countries in improving their enabling environments by mainstreaming climate policy into national, sectoral and subnational planning and budgeting instruments and designing and strengthening governance frameworks (i.e., policies and regulations), among other aspects.

Integrating NDCs into national planning budgets and revenue streams

55% of countries have requested support in this category. From the total requests in this category, 70% of requests received or are receiving some support, while 30% remain unsupported. Europe and Central Asia lead requests in this category, with 15% of requests from this region falling under this category (Figure 3). This support area enables the public sector to take ownership of its climate financing while encouraging investment in NDC implementation. The Partnership supports governments in mobilizing, assessing, and tracking public funds for climate-change-related purposes and developing taxonomies, fiscal policy, national market mechanisms, and relevant technical support and analyses. This includes Climate Public Expenditure and Institutional Reviews (CPEIR), integration of climate finance into public budgets and expenditure frameworks, climate finance tracking, green/sustainable public procurement guidelines and regulations, carbon pricing, taxes, and trading and payment for ecosystem services.

WHAT WE DO

Through the NDC Partnership's Climate Action Enhancement Package (CAEP), the Commonwealth Secretariat supported [Eswatini](#) in conducting a CPEIR exercise during the NDC revision process to systematically analyze public expenditures and how they relate to climate change. This work helped the country create a framework to review how national budgeting includes climate-related spending. As a next step, the United Nations Development Programme (UNDP) has deployed experts to the country to support the government and partners to continue this work to ultimately develop climate budget codes for the national budget.

Developing studies and analysis

65% of countries have requested support in developing studies and analyses. This support category is the second most requested in Europe and Central Asia countries, with 18% of all requests from this region. Nevertheless, Sub-Saharan Africa leads in total requests made within this category, with 54%, followed by Latin America and the Caribbean with 20% (Figure 3). In this category, more than three-quarters of requests have been supported. Requests under this category include policy analysis, feasibility assessments, and technical projections with direct implications for policy reform or investment plan development.



WHAT WE DO

In Burkina Faso, Climate Analytics and the Global Green Growth Institute (GGGI) provided technical assistance to build capacity of technical staff and support the assessment and prioritization of key actions in the NDC update process with a gender lens. This led to the completion of the nation's first cost-benefit analysis (CBA) to assess climate mitigation and adaptation options to be considered in the new NDC, specifically for the energy and agriculture, forestry and other land use (AFOLU) sectors.

Developing capacity

60% of member countries have requested support on capacity development, with over three-quarters of requests relating to developing capacity falling under a cross-cutting focus. The number of requests received in this category increased by 22% from 2020 compared to the period before, highlighting the relevance of developing capacities, for mobilizing finance for both adaptation and mitigation, as countries start implementing NDCs after the updating process. 73% of requests received in this category have been supported. This support area is key for members and includes enhancing individual and institutional capacity by hiring specialists in climate-relevant subject matter, building capacity to develop and implement climate-related projects, and conducting training to enhance technical capacity and ensure delivery of NDCs. Besides country-targeted support, the NDC Partnership also leverages the collective learning exchange and spaces to strengthen its members' capacities on topics such as investment planning and inclusive climate finance.



WHAT WE DO

Peer exchanges, organized by the NDC Partnership at the regional United Nations Framework Convention on Climate Change (UNFCCC) Regional Climate Weeks have represented ideal platforms for members and partners to share knowledge and experiences. Lessons learned are then transferred and disseminated nationally across government levels and with other stakeholders (e.g., private sector, civil society).

SUPPLY SIDE: NAVIGATING THE FINANCE LANDSCAPE

The NDC Partnership helps countries navigate the financial landscape and attract potential investors by finding different financing options and presenting their projects' technical and financial viability. This support category also relates to helping countries identify and access external financial resources and technical support for NDC implementation by collaborating with members such as the MDBs and DFIs. The Partnership helps countries identify potential external funding sources for project implementation through knowledge tools such as the Climate Funds Explorer and the Climate Finance Bulletin. The NDC Partnership also develops Project Information Notes (PINs) for governments to present their investable Partnership Plan projects in a language and format that can appeal to investors. Countries can then pitch their projects in member-organized regional and international forums (e.g., the [Second NDC Investment Forum](#) hosted by the Organisation of Eastern Caribbean States Commission (OECS) and the Government of Saint Lucia) to attract financing from multiple sources, including the private sector.

CLIMATE FUNDS EXPLORER AND CLIMATE FINANCE BULLETIN

The [Climate Funds Explorer](#) is a searchable database of international public climate financing options that aggregates information on the main international sources of public climate finance (e.g., climate funds, MDBs, bilateral donors, etc.) which are expected to play a key role in NDC implementation.

The [Climate Finance Bulletin](#) was developed in direct response to feedback from country members and donor partners, who expressed a need for an online space where short-term climate finance calls are shared. The climate finance opportunities highlighted in the Climate Finance Bulletin range in value from in-kind support up to USD1 million.

Engaging the private sector

55% of member countries have requested support to engage the private sector. In this category, two-thirds of requests have received or are receiving some support. Partner support in this category often involves assessments of private-sector needs, mapping of private-sector partners, assessing private capital markets, and engaging stakeholders from the sector. It includes developing strategies and approaches to engage the private sector through project financing or alignment with the public sector through the development of government incentives for blended financing or public-private partnerships.



WHAT WE DO

Through support from the United Kingdom, the NDC Partnership supported the government of Fiji in developing the Pacific Energy Access Fund (PEAF). This private-sector-led renewable energy funding facility is expected to significantly grow a pipeline of renewable energy projects in Pacific Island countries through highly capitalized, blended financing.

Financing projects and programs and mobilizing resources

68% of countries make requests in this area, making it the second-most requested finance need after preparing bankable projects and pipelines. 67% of requests received in this category have been supported, while 33% remain unsupported. This support category is the second most requested for countries from Latin America and the Caribbean, Sub-Saharan Africa, East Asia and Pacific, and Middle East and North Africa, representing 20%, 16%, 15%, 8%, and 6% of all requests from those regions, respectively (Figure 3). Since 2020, the number of requests in this category has decreased by 31%, but it remains the second most requested category. The NDC Partnership supports countries in navigating the climate finance landscape and meeting the requirements of each funding source from public and private sources for specific projects and initiatives. Project and program financing and resource mobilization deal with requests for financial readiness and project preparation and with requests for enhanced access to climate finance through blended finance mechanisms and financial vehicles, as well as mechanisms to aid in resource mobilization.



WHAT WE DO

The Commonwealth Secretariat provided technical support to Zambia to map out the climate finance landscape, identifying concrete opportunities for resource mobilization and devising short-, medium- and long-term actions for climate finance toward NDC implementation.

BRIDGING THE GAP THROUGH INVESTMENT PLANNING

The NDC Partnership supports countries in translating their NDCs into robust investment plans aligned with national development governance frameworks and strengthening coordination between ministries of environment and finance. The Partnership's network of implementing and developing partners provides technical assistance to support countries in undertaking comprehensive costing exercises for NDCs, linking these to macroeconomic models, and embedding them in national development planning and annual budgets. The Partnership also supports countries to develop NDC-relevant investment plans and services, which create fiscal space and enable environments that can address market barriers for developing NDC project pipelines.

Preparing bankable projects and pipelines

68% of member countries make requests in this area. This category represents the most requested support category across regions. This type of support not only makes up more than half of all finance-related requests (58%), almost three times the second most requested category (i.e., Financing Projects and Programs and Mobilizing Resources) but also increased by 36% from 2020 onwards, compared to the period before. This support category represented 77% of total requests in North Africa and the Middle East (Figure 3). Almost half (49%) remain unsupported reflecting not only a large number of requests but also a potential mismatch between the type of requests and the expertise/resources available at the Partnership. This trend speaks of countries' growing necessity to develop projects and pipelines for NDC implementation and of the relatively limited capacity of partners to respond to it. It also reflects the need to strengthen collaboration and increase technical and resource allocation within the NDC Partnership to cope with the growing demand in this category. The NDC Partnership helps member countries conduct project feasibility assessments, project financial structuring, and access sources of finance through developing project concept notes and proposals.

WHAT WE DO

With support from the NDC Partnership, Jordan has demonstrated how to validate investment needs and prioritize NDC actions against concrete social and climate impact criteria, translating planning work into a list of project interventions sequenced through cost-benefit analysis and stakeholder input.

Enacting and revising national strategies and plans

48% of countries request support in this category. Requests in this category are expected to grow due to countries' interest in moving from planning to implementation and the availability of resources such as the NDC Investment Planning Guide. 78% of requests received in this category have been supported, and 22% remain unsupported. This category experienced an increase in requests of 73% from 2020 onwards, compared to before 2020. Support in this area includes creating, revising, and implementing national strategies and plans (e.g., National Adaptation Plans, NDC Partnership Plans, sectoral strategies, and national development plans) and developing climate finance strategies (e.g., national and local), NDC Investment Plans, and financial roadmaps.



WHAT WE DO

With support from the GGGI, the government of Saint Lucia developed a NDC Financing Strategy comprised of four action lines: 1) creating an enabling environment for mitigation projects, 2) scaling up access to international public climate finance, 3) increasing private-sector participation and 4) investment in climate change mitigation projects and greening the financial sector.