



Readiness Support for Greening Central Banks Initiative

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SECTION 1

Background

Climate change represents the ultimate systemic risk for financial markets, with the potential to destabilize the economy through various transmission channels such as sharp falls in asset prices, reduced profitability of key economic sectors, shrinking public finance revenue, and unforeseen impacts in the insurance industry. Central banks, as market regulators and supervisors, are uniquely positioned to ensure financial stability and tackle the financial and economic risks associated with climate change.

As guardians of financial stability, central banks' actions to make the economy resilient to climate shocks should be in line with science as well as with countries' Nationally Determined Contributions (NDCs), long-term low emission development strategies (LT-LEDS), National Adaptation Plans (NAPs), and National Biodiversity Strategies and Action Plans (NBSAPs). Central banks can send consistent and persistent market signals regarding climate change's risks and take the necessary corrective steps to recalibrate the financial system.

Yet, according to consultations with central bank representatives from 19 member countries and two regional central banks covering an additional 12 member countries, central banks in developing countries need specialized technical assistance and support to enhance national capacities to mainstream climate into regulatory and supervisory responsibilities and overall risk management.

To bridge this gap, at COP26, the NDC Partnership launched the [Readiness Support for Greening Central Banks Initiative \(GCB\)](#) to equip central banks and financial supervisors with knowledge, institutional capacities, and systems to adopt precautionary approaches to climate risk, and to safeguard and promote green investments.

As of January 2025, 18 central banks covering 25 countries are receiving coordinated in-country support through the NDC Partnership. Support is provided by several Partnership members including the French Development Agency (AFD), German Federal Ministry for Economic Affairs and Climate Action (BMWK), European Investment Bank (EIB), United Kingdom (UK), UNEP, UNESCAP, UNDP, and the World Bank.¹

Working with central banks, ministries of finance, and ministries of environment, the overarching objective of the GCB is to provide timely, coherent, and coordinated technical assistance support to:

- Ensure central banks have the necessary capacity, institutional structure, systems, and processes to adopt precautionary approaches to climate risks.
- Safeguard and promote green investments.
- Mainstream recommendations of the NDC Partnership's embedded economic advisors in relevant financial policies, systems, and processes, particularly from two different angles:
 - › Financial innovation.
 - › Creating enabling policy frameworks for unlocking green and responsible private investments.
- Establish and/or strengthen operational relationships between central banks and ministries of environment and finance/planning.

1. Please refer to the [Annex](#) for examples and [this blog](#) for an overview of progress.



Photo by Francois a Londres / Unsplash

SECTION 2

Partnership support to central banks

The NDC Partnership is uniquely positioned to mobilize coordinated country-driven and tailored-made support to central banks to better understand and manage climate-related risks, learn from the experiences of other countries, and seize opportunities associated with a low carbon economy.

The Partnerships' GCB is focused on on-the-ground technical support for building and sustaining a green financial system, with partners deploying support to central banks through various instruments such as embedded experts, specialized teams, and skill-sharing programs. The initiative collaborates with key stakeholders such as the Network for Greening the Financial System (NGFS), Multilateral Development Banks, bilateral partners, UN Agencies, Specialized organizations, and other coalitions and networks.

This initiative offers several unique selling points by:

- Being member-driven, demand-led, and focused on on-the-ground technical assistance support.
- Building on and coordinating with existing Partnership support to more than 100 developing countries to advancing climate and development action.
- Strengthening engagement among environment and finance ministries and central banks.
- Leveraging the depth and breadth of expertise drawn from the collective strength of more than 120 developed countries, institutional, and associate members to deliver support.
- Complementing existing efforts from embedded advisors placed in government institutions whose responsibilities range from integrating climate into national development plans, budgets, to identifying and mobilizing resources for a pipeline of green investment projects, to supporting governments in the overall coordination of NDC updating and implementation.

About the NDC Partnership

The Partnership is a global coalition, bringing together more than 230 members, including more than 130 countries, developed and developing, and more than 100 institutions to deliver on ambitious climate action that helps achieve the Paris Agreement and drive sustainable development. Governments identify their NDC implementation priorities and the type of support that is needed to translate them into actionable policies and programs. Based on these requests, the membership offers a tailored package of expertise, technical assistance and funding. This collaborative response provides developing countries with efficient access to a wide range of resources to adapt to and mitigate climate change and foster more equitable and sustainable development.



Photo by Tirachard / Envato

SECTION 3

Support offer

Technical assistance

The initiative provides technical assistance to central banks to advance the integration of climate change in its mandates and supervisory role. Central banks in developing countries can receive tailor-made support to align their mandate and supervisory tools with the latest science, improve enabling environments for climate finance, and mobilize finance to achieve the NDCs, LT-LEDs, and NBSAPs.

Table 1 below provides examples of technical support areas where central banks can request support. Central banks can choose one or multiple service areas for technical support, depending on needs.

TABLE 1 Examples of technical support

Areas of Technical Support	Inward-Looking for Central Banks	Definition of Support Area
Roadmaps	Design net zero financial sector transition plan in alignment with NDCs and LTSs. If a financial sector development plan/roadmap already exists or the central bank is considering designing a Sustainable Financing Strategy, these could be aligned with the updated NDCs.	Support to guide national and regional approaches to climate finance development. These strategies can provide a structured agenda, articulate strategic priorities, and outline a framework of actions to advance national climate finance trajectories to increase the resilience of the financial sector and promote the transition to net-zero in line with the NDCs and LT-LEDS.
Climate Risk Frameworks and Stress Testing	<p>Support central banks as they conduct feasibility testing and subsequently adopt gradual, predictable, precautionary risk protection measures against climate change. This can be based on the assessment of recommendations targeting nine policy options provided by the NGFS in its latest report. The assessment's scope will be determined by central banks.</p> <p>Building on existing systems such as the NGFS Climate Scenarios for Central Banks and Supervisors, design country-specific climate change stress tests for financial institutions as a part of their risk management and for mitigating physical and transition risks.</p>	Support for central banks to map, assess, and implement precautionary risk protection measures against climate change, including stress testing and climate change scenario modelling.
Taxonomy and Disclosure	Building on an existing system, pilot a test to assess and disclose climate risks, including carbon emissions from lending and investment activities. Three elements are the focus of this service area: data, disclosure, and taxonomy.	Developing or strengthening tools, processes and capacities to assess, manage and disclose climate risks and create taxonomies for the financial sector.
Sustainable Investment	Support central banks in the design of regulations to boost environmentally friendly economic activities, in the deployment of financial instruments for climate-sensitive projects, and the development of green bond issuance and innovative tools to attract private capital.	Mechanisms and regulations to increase and safeguard low carbon and climate resilient investments.



Photo by YuriArcursPeopleimages / Envato

SECTION 4

How to engage

Delivery mechanism

The initiative supports countries through the following mechanisms:

- 1. Technical assistance support:** Technical assistance can be provided through the following two modalities, which are not mutually exclusive. In the case of regional central banks, technical support may be placed at regional and national levels, subject to needs:
 - a)** Specialized partners, members of the Partnership, provide support and expertise through their teams and specialized consultancies.
 - b)** Embedded advisors placed either in the governor's office, a special unit focused on climate, or selected departments, as per guidance from the central bank.

- 2. Peer exchange and skills sharing program:** Study visits and exchanges between central banks to learn and go deeper into topics of interest and knowledge exchange convenings and webinars to share experiences, best practices, and collaborate on solutions to sustainability issues.

Eligibility criteria:

1. The recipient central bank is from a Partnership member country.
2. Request is clear in its scope.
3. Recipient central bank firmly commits to continue work after support ends.
4. Nomination of a senior-level central bank official to coordinate overall work.
5. Request for support letter comes directly from recipient central banks, signed off on by the Partnership's environment and finance ministry focal points.

Request for Support Letters (RSLs) will be considered as standard entry points to surface needs. For countries seeking guidance on preparing a RSL, please refer to the [RSL Guidance Note](#).



Photo by dekddui1405 / Envato

SECTION 5

Role of the NDC Partnership support unit

1. Match requests from central banks with technical assistance and resources from Partnership members.
2. Organize events to bring together representatives from central banks, supervisors, experts, and partners to share knowledge, develop common approaches, and exchange experiences to deepen understanding of climate change related financial risks and opportunities.
3. Coordinate with NGFS, Coalition of Finance Ministers, and others to increase the impact and reach of the initiative.
4. Identify key member(s) to advance this initiative.
5. Connect the initiative with the Partnership's country engagement processes, including existing embedded advisors, to increase the impact and synergies with other climate-related efforts.

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ANNEX 1

Examples



JAMAICA

The Central Bank of Jamaica, with support from AFD, is developing a climate risk and stress testing framework to assess transmission channels of climate risks, in line with the Task Force on Climate-Related Financial Disclosure (TCFD) and NGFS guidance. Currently, support is in its second phase, which is focused on data collection. The program is directly engaged with 70 individuals from the financial sector, including the five largest banks in Jamaica. The collaboration builds on three years of dedicated efforts, and the support provided has also been integrated into the [Resilience and Sustainability Facility arrangement with the International Monetary Fund \(IMF\)](#), helping the Government of Jamaica strengthen cooperation with international partners, attract private investment, and build resilience.



LIBERIA

The Central Bank of Liberia (CBL) is receiving support from an economic advisor deployed by the World Bank to (i) provide analysis for Liberia's Country Climate and Development Report (CCDR) as an initial Roadmap, (ii) conduct capacity building workshops for the Central Bank and financial sector stakeholders, and (iii) help the Central Bank to recruit and train climate advisors and a climate team. Support for the initial Roadmap has been completed effectively by providing inputs to the CCDR, as well as climate change-related technical inputs, training, and links to opportunities as part of the CBL's strategic planning to mainstream climate change considerations within the financial sector. The CCDR section on the financial sector provided an initial roadmap for the Central Bank and the Government of Liberia to increase capacity building for risk identification, assessment, and monitoring. Training to officials with a focus on the following: policy landscape, climate-related financial risks and their transmission channels, international developments and the global standard setters, integrating climate and environmental risks into central banking and supervisory practice, and emerging developments for climate finance. As a next step, the Central Bank would like to further socialize the findings from the CCDR assessment with financial sector stakeholders and develop a more comprehensive roadmap to address climate risks and take advantage of emerging climate finance opportunities. The World Bank will support CBL with a consultant to undertake this activity and establish a climate team, especially the hiring of a long-term advisor under the Liberia Investment, Finance and Trade Project.



NIGERIA

The Central Bank of Nigeria is updating Nigeria's Sustainable Banking Principles (NSBP) in line with international best practices with support from UK PACT and the World Bank. The World Bank has deployed an Economic Advisor to facilitate this process, conducting capacity building and outreach activities. These efforts have allowed for (i) increased awareness and understanding of climate change impacts on the financial sector and broader economy, (ii) strengthened coordination between key regulators and market participants in greening Nigeria's financial sector, and (iii) enhanced regulatory consistency and signaling to both the domestic market and foreign investors. The Central Bank sought technical assistance from UK PACT's skill-share component. Nine recommendations were identified to restructure the NSPBs to align with global best practices, including:

- Strengthening focus on governance and strategic matters;
- Incorporating the latest scientific knowledge on climate risks and their impacts on the Central Bank operations;
- Clearly articulating targets and emission reduction goals, including compliance and emission reduction milestones;
- Standardizing approaches to sector-based investing;
- Conducting regular review of sector-based approaches for continuous improvement.
- The Central Bank of Nigeria, UK PACT, and NDC Partnership have developed Terms of Reference for a longer-term collaborative partnership to implement the recommendations and further enhance the internal capacity and governance structure of the Central Bank.



EASTERN CARIBBEAN CENTRAL BANK (ECCB)

The Eastern Caribbean Central Bank is devising efforts to green the financial system in eight countries in the Eastern Caribbean Currency Union (ECCU) with AFD and World Bank support. Dedicated technical assistance is provided to create an innovative financial vehicle to mobilize private capital and support green investments that accelerate the renewable energy transition and create green jobs in the region. This support also includes the development of a risk-management framework that incorporates climate risks into the ECCB and supervisory bodies in the region. As an outcome, the ECCB received full endorsement of the program from its monetary council, including all ministers of finance. This work is expected to advance throughout 2024.



Readiness Support for Greening Central Banks Initiative

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At the bottom of the page, there are four overlapping geometric shapes: a blue parallelogram on the left, followed by an orange parallelogram, a green parallelogram, and a large dark blue triangle on the right that extends towards the top right corner of the page.