



NDC INVESTMENT PLANNING GUIDE

BEST PRACTICE BRIEF

JUNE 2023

NDC 
PARTNERSHIP

INTRODUCTION

This note outlines best practices in NDC investment planning derived from literature and country experiences from the NDC Partnership.

The analysis is structured under three stages, each with a set of NDC investment planning components:

- › **Investment planning capacity** – The first stage is cross-cutting and deals with setting robust and inclusive NDC investment institutional arrangements across government levels and sectors to facilitate the planning/implementation of NDC priority actions, engage stakeholders, and monitor and report progress. During this stage, clear roles and mandates are set, and stakeholders across the NDC planning process countries can leverage are mapped to identify NDC investment needs and mobilize resources.
- › **Investment needs identification and prioritization** – The second stage for NDC investment planning is identifying the country's investment needs through a participatory and inclusive process. This stage involves identifying financing needs to achieve NDCs goals and other development policies, including NAPs, LTS, and SDGs.
- › **Investment mobilization** – The third stage of an NDC investment plan sets out how specific investment needs will be financed, and the enabling environment required to facilitate the match. This stage lists barriers to investment, potential policy actions, and financing sources that can constitute necessary inputs to review and refine institutional arrangements, tools, and strategies for monitoring and reporting. This stage also orders the prioritized projects into a pipeline, outlining a roadmap for their development and addressing financial and capacity requirements.

The Brief is structured as follows:

- › Chapter I presents an overview of the NDC investment planning stages and its components and how they can unlock NDC investment (theory of change).
- › Chapter II describes components linked to:
 - › **Stage 1: investment planning capacity**
 - › **Stage 2: Investment needs identification and prioritization**
 - › **Stage 3: investment mobilization**

This Brief is part of an NDC Investment Planning Toolkit, which can be used to adapt best practices and develop tailored investment planning by countries. The NDC Investment Planning Toolkit includes the following documents:

- › **Best practice brief:** Provides context and information on how to develop robust and functional NDC investment plans.
- › **NDC Investment Planning Guide:** Summarizes outputs corresponding to NDC investment components and provides step-by-step guidance for countries to develop and strengthen their climate commitments into actions

This document recognizes that NDC investment planning processes are unique to each country, at various stages across countries, and dynamic, iterative processes. Box 1 below defines NDC Investment planning and expands on the principles for using the Best Practice Brief and the Investment Planning Checklist and Guide.

BOX 1. Guiding principles for the use of the Best Practice Brief & the Investment Planning Guide and Checklist

NDC investment planning reflects the institutional arrangements, processes and outputs put together with the aim of identifying and unlocking investment to achieve NDC targets. It is a process anchored within the NDC commitments, which outline the scope, scale and ambition for required investment. Guiding principles include:

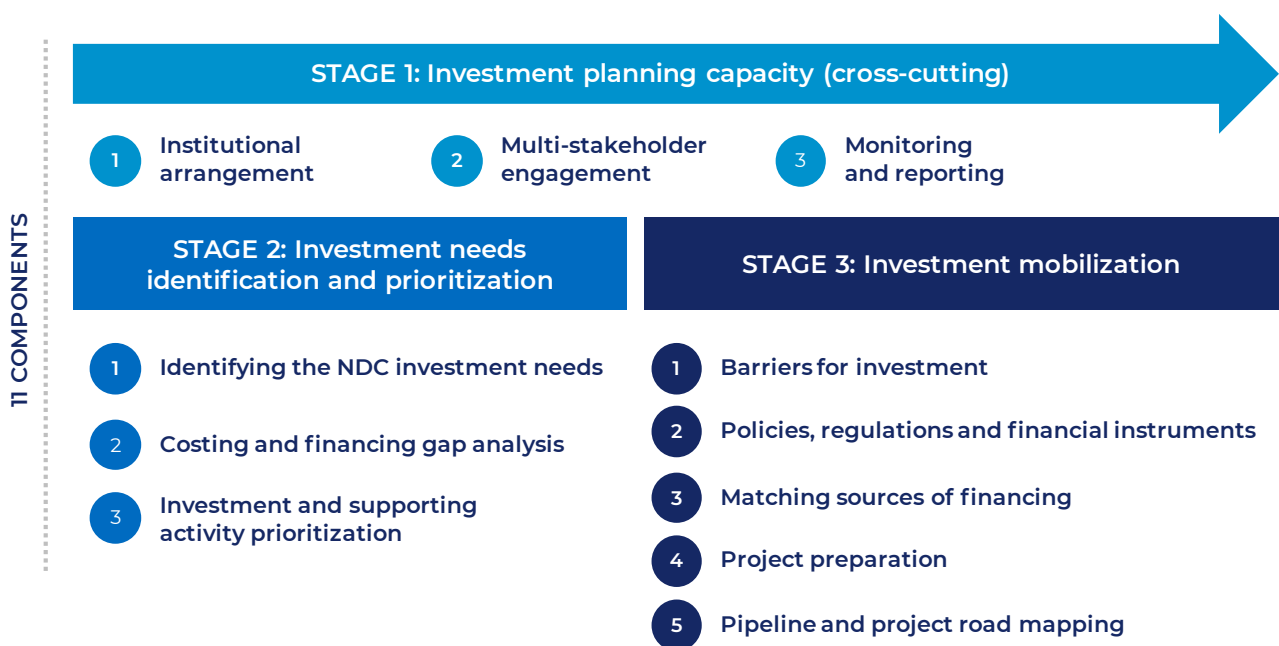
- › **NDC investment planning is built on a solid foundation of identified climate priorities.** Robust and well-defined NDC targets require clearly articulated national and sectoral plans and priorities.
- › **NDC investment planning is unique to each country context.** Considering the scale and ambition of NDC commitments, countries can use this guide to gain insights into NDC investment planning components and tailor the guidance to their own context by adjusting the scope or selecting relevant components.
- › **NDC planning is at various stages across countries.** Some countries might find this guidance helpful to produce initial NDC investment planning outputs, while others might use it to strengthen existing analyses, processes or outputs. Therefore, where relevant, the guide notes possible gradual approaches to defining outputs. For instance, countries could consider an initial assessment of investment needs with a subset of the most relevant sectors to achieve NDC targets.
- › **NDC investment planning is dynamic and iterative.** Processes should be put in place to update NDC investment planning outputs so that they remain “living” documents where the information maintains its relevance for stakeholders. Additionally, outputs that identify investment and financing gaps or barriers to investment can be drawn to update sectoral plans and strategies and serve as future inputs for NDC investment planning.

I. UNLOCKING NDC INVESTMENT

Planning for NDC implementation is key since governments usually require a blueprint for target achievement not contained in NDCs. NDC investment planning is anchored in a country’s NDC commitments and climate ambition. Such plans build off implementation plans, and are also complementary as both aim at providing a clear direction for NDC target achievement. In that sense, mitigation and adaptation targets set the scope for NDC investment planning, such as the level and type of investment needed. As NDC targets are reviewed, investment planning must be updated to meet new commitments. Moreover, the investment planning process may provide relevant feedback for reviewing NDC targets (required every five years), as it informs the country of its capacity and gaps, which may uncover new capabilities and avenues for climate action. Therefore, NDC investment planning is embedded within the wider process of setting NDC targets and ambitions.

NDC investment planning is a crucial instrument that countries can leverage to unlock investment for achieving NDC targets (Figure 1). Robust and actionable investment planning is constructed through data-driven analysis, whole-of-society engagement, and granular alignment with national priorities. These activities feed into developing NDC investment planning components linked to investment needs, mobilizing investment, and implementation. Following best practices can achieve targeted objectives, resulting in effective NDC investment plans. NDC Investment planning components can be organized into three stages.

FIGURE 1. NDC INVESTMENT PLANNING STAGES AND COMPONENTS



Although this Brief presents good practice across all components, countries should shape the scope of their plan adjusted to their country's context and objectives.

Countries should assess their available resources and information in determining a realistic scope (Box 2). The scope of their investment planning is based on different considerations, such as:

- › **Technical, institutional, and resource capacity.** The currently available capacity is a legitimate limiting factor to the ambition of the investment planning process. Capacity gaps should be identified and detailed, and support can be requested through the NDC Partnership. Therefore, before starting an NDC investment planning process, an assessment needs to be conducted of what is realistic with available resources, what additional resources can be mobilized, and what requires further capacity building to achieve with time.
- › **Existing strategies and planning instruments for NDC implementation.** Successful implementation of an NDC requires harmonization of national strategies to ensure they are working in tandem to meet the NDC objectives. Countries with an existing implementation plan should use that as a starting point for their investment planning. Those that do not need to develop those in tandem to ensure alignment with wider objectives.
- › **Sectoral differentiation.** Some countries have developed specific targets and projects with varying granularity across sectors. In some cases, countries may choose to develop sector-specific NDC investment plans, building on these as they define targets across further sectors.
- › **Financing sources.** The requirements of existing financing sources are likely to be important in determining the scope of the NDC investment plan. This is developed in more detail under *Stage three, Component two, Matching sources of financing*.

BOX 2.

Countries determine different scopes for their investment planning process based on existing strategies or planning instruments for NDC implementation:

Rwanda's NDC investment planning is embedded in its NDC Implementation Framework. The country's NDC Implementation Framework presents a list of more than 500 investment needs summarized as actions and projects across different stages of implementation for the prioritized sector. The NDC Implementation Framework contains elements of NDC investment planning, as it identifies the implementation status, estimated cost and funding source, and secured budget, sector, and implementing entity for each action or project. Investment needs in the Implementation Framework was drawn from sectoral planning from the prioritized sector.

Belize prepared a Policy Landscape Report, which assessed the country's climate policy landscape, covering Belize's first NDC, national policies and strategies, and sectoral policies and plans. This analysis identified the investment needs (activities and projects) to achieve NDC targets in key sectors. It was complemented by sectoral consultations and Priority Action one-pagers. One-pagers summarized relevant actions and projects to achieve NDC targets from sector reviews and stakeholder interviews and estimated how much the action would contribute to achieving the targets.

Based on sectoral differentiation:

Nigeria targeted five key NDC sectors by conducting a review of all national institutions relevant to them and engaging with them to exchange data and information on investment needs and priorities by sector. Through this exchange, the country also costed the NDC investment needs by targets for the sector, detailing the CAPEX and OPEX costs.

Based on institutional structure:

São Tomé and Príncipe assessed institutional arrangements needed to implement NDC, analyzing the capacity and responsibilities of relevant actors and suggesting recommendations to enhance an enabling environment for climate investment

Saint Kitts and Nevis identified the Department of Environment as the focal point responsible for achieving NDC targets. Therefore, the Department acts as the leading agency or main coordinator.

BOX 3. Countries are starting to prioritize gender and social inclusion within their investment planning processes

Ethiopia designed its project prioritization methodology by integrating inclusion themes, particularly regarding the sustainable development goals (SDGs). It assessed whether projects create impact on themes such as household and community poverty reduction, connectivity to the internet or access to markets.

Jordan included sustainable development potential as well as gender and vulnerability issues as criteria in their project prioritization methodology. These were defined further to measure the positive impact a project brings to job creation, improvements in health, protection of the environment, advancing gender equity and involvement of vulnerable groups.

Rwanda identified the need for technical support to build capacity towards gender mainstreaming across sectors. The identified barrier related to collection of gender disaggregated data and identification of gender impact metrics. Capacity building is needed to ensure that every project integrates gender elements in project implementation and during reporting.

As part of the institutional arrangement, Tonga mandated the NDC M&E Officer and Sector Focal Point to promote gender and social inclusion in active projects. This would be done by implementing effective measures to limit occupational segregation and pay, minimize health risks, and combat gender-based violence. Tonga is additionally developing NDC Gender Inclusion guidelines, drawing on The International Finance Corporation's (IFC) Environmental and Social (E&S) Performance Standards to propose ways of managing key environmental and social risks.

Countries may consider the co-benefits of including just transition, gender mainstreaming and social inclusion in climate investment planning, aligned with other strategic objectives (Box 3). As considerations of gender and social inclusion are becoming more prevalent in the NDCs, there is an opportunity to advance those objectives alongside meeting climate-related targets. These are prevalent at various stages of the investment planning process outlined in this Brief. Topics of gender and social inclusion may be considered within stakeholder engagement, tracked with unique indicators in the process of monitoring and reporting, included in the project prioritization methodology, or identified as additional barriers to financing.

II. NDC INVESTMENT PLANNING STAGES AND COMPONENTS

STAGE 1: INVESTMENT PLANNING CAPACITY

The first stage of NDC investment planning is a cross-cutting segment that sets out the institutional arrangements that facilitate identifying and prioritizing investment needs (Stage 2) and mobilizing investment (Stage 3) across sectors, with appropriate contributions from stakeholders. This stage also sets the foundations for monitoring and reporting tools and strategies that can serve as valuable outputs to maintain NDC investment planning as a live exercise with periodic review.

KEY OUTPUTS

- › An organizational chart of public-sector bodies linked to the content development and implementation of NDC investment plans. This should include national-level bodies and sector leads and could also be expanded to cover links to subnational bodies. Additionally, countries can opt to develop sector-specific organizational chart if relevant and assess any existing gaps. (Component one, Institutional arrangement).
- › A table covering the bodies in the institutional map details their specific role within the NDC investment planning development and implementation (Component one, Institutional arrangement).
- › A plan summarized in a table to formalize the identified roles and mandates. Countries can use at least four levers to formalize roles and mandates: leveraging existing functions, establishing an MOU, regulation, or legislation (Component one, Institutional arrangement).
- › Table drawing from the institutional mapping identified in the institutional map in Stage one, Component one.

COMPONENT ONE: INSTITUTIONAL ARRANGEMENT

Countries can put various institutional arrangements in place for NDC implementation, including leadership within existing institutions, in a new or specialized unit. Leadership within existing institutions is typically placed within the Ministry of Economy, Finance, or Environment. The roles assigned to these institutions within NDC investment planning are linked to their existing mandates. However, when identifying gaps for cross-cutting coordination of the country's NDC, countries may create a new central unit by legislative action. This may be the preferred option when roles and responsibilities that need to be conducted extend beyond existing institutional arrangements' current competencies and scope. Finally, suppose the gaps identified call for a specific core function in the country's NDC institutional arrangement, such as mobilizing finance. In that case, countries may create new specialized units by legislative action.

Best practice

The successful implementation of NDC investment planning requires an institutional arrangement that assigns clear roles and responsibilities across the different core actions of investment planning. There are five key roles to be assigned within the core actions.

- › **Coordination** (a leading agency within the institutional arrangement): actor responsible for coordinating and centralizing key actions to design and implement the country's NDC investment plan.
- › **Identifying opportunities and investment needs:** actor(s) responsible for identifying the investment needs, barriers to investment, prioritization of projects, project preparation and costing, and financing gap analysis (Stage two, *Component one, Identifying the NDC investment needs*).
- › **Resource mobilization:** actor(s) responsible for matching sources of financing, creating an enabling environment to mobilize resources, and identifying the pipeline and road mapping (Stage three, *Component five, Pipeline and project road mapping*).
- › **Multistakeholder engagement:** actor(s) responsible for ensuring an inclusive stakeholder strategy. Actions include stakeholder mapping and engagement, fostering wider public engagement (private sector and civil society), consultation, and validation workshops (Stage one, *Component two, Multistakeholder engagement*).
- › **Monitoring and reporting:** actor(s) responsible for monitoring the progress of the NDC investment planning process (Stage one, *Component three, Monitoring and reporting*).

Additionally, countries should consider including public bodies responsible for ensuring social and gender safeguards. This can ensure gender mainstreaming and social inclusion considerations are considered throughout the NDC investment planning stages. A gender focal point could be identified in relevant or cross-cutting sectors like ministries of women's affairs.

To set up an institutional arrangement that assigns clear roles and responsibilities, countries can follow three steps:

- 1.** Review the existing institutional framework against required roles within core actions, assessing where there may be gaps in responsibility or required coordination.¹
- 2.** Identify a leading agency for central coordination and relevant stakeholders for the multistakeholder engagement strategy. This includes determining from the institutional mapping exercise whether there is a need for new institutional arrangements, including creating a centralizing agency or specialized units.
- 3.** Distribute roles and responsibilities for core actions, which typically include planning, identifying stakeholder contribution, monitoring progress, and incorporating gender and social equality considerations. When capacity is limited, and the roles and responsibilities cannot be taken care of completely, decision-makers are encouraged to prioritize available institutional and human resources and seek additional support (e.g., international cooperation) to enhance the response capacity. This is the responsibility of the leading agency.^{2,3}

Reviewing existing institutional frameworks includes mapping relevant stakeholders and the institutional processes linked to NDC investment planning. For instance, Sao Tome and Principe's 'Multi-sector Investment Plan' maps all government institutions directly and indirectly linked to climate change risk, including their legal mandate, assess their institutional capacity, and provides a series of recommendations to create an enabling institutional environment.

1. CDKN (2022). *Planning for NDC implementation: A Quick-Start Guide*. <Available [here](#)>

2. ODI (2014). *Getting it Together: Institutional arrangements for coordination and stakeholder engagement in climate finance*. <Available [here](#)>

3. CDKN (2022). *Planning for NDC implementation: A Quick-Start Guide*. <Available [here](#)>

BOX 4. The institutional arrangement selected can facilitate budget mainstreaming, increase the level of expertise, and simplify external resource mobilization for NDC investment planning

Countries have put in place at least three different institutional arrangements. Each can facilitate various aspects of the implementation of NDC investment plans:

1. Leadership within existing institutions, like the Ministry of Finance or the Ministry of Environment, can facilitate budget mainstreaming and climate expertise

Rwanda's institutional arrangement constitutes a best practice as it mainstreams budgeting by placing leadership in the Ministry of Finance and Economic Planning (MINECOFIN). The ministry's leadership is grounded in its national planning and budgeting coordinator mandate. To integrate NDC investment into existing budget processes, MINECOFIN modified the Budget Circular (i.e., budgeting process of public institutions) to include guidance and a sectoral checklist for NDC investment planning, tracked through Sector Working Groups.

While leadership under finance ministries can pose a risk for a lower level of climate expertise or a focus on pre-existing priorities⁴, Rwanda has streamlined climate expertise by creating a mandate for the Ministry of Environment (MoE) in the budgeting process. MoE plays a central cross-cutting role by sitting in on sectoral budget meetings and is mandated to comment on budget negotiations and encourage the funding of programs contributing to the NDCs.

4. ODI (2014). *Getting it Together: Institutional arrangements for coordination and stakeholder engagement in climate ~finance*. <Available [here](#)>

5. Belize Government (2014). *A National Climate Change Policy, Strategy, and action plan to address Climate Change in Belize*. <Available [here](#)>

2. Leadership within a unit outside of existing structures can highlight climate expertise

Belize opted to establish a new governance structure to oversee climate change action. This included the Belize National Climate Change Committee (BNCCC), created in 2009, and a National Climate Change Office (NCCO), created in 2012, in the Ministry of Forestry, Fisheries, and Sustainable Development.⁵ The BNCC is the main monitoring body for climate change programs and projects and reports to Cabinet.

Focused on climate change issues, these offices provide expertise and critical oversight across sectors that can mainstream NDC investment planning in the national agenda.⁶ Moreover, their direct link to Cabinet can increase the political will required to prioritize NDC investment planning and implementation.

3. The creation of complementary specialized units can address barriers to investment and facilitate external resource mobilization

Rwanda's Green Fund (FONERWA) was created to facilitate external resource mobilization. FONERWA has been successful in mobilizing climate finance.

Establishing clear roles and responsibilities for the leading agency and supporting institutions is key to effectively implementing NDC investment plans. Assigning clear roles and responsibilities for all core actions ensures sufficient coverage and ownership over implementation. These can be communicated clearly in a public-facing document as an organizational chart or table with assigned responsibilities for full transparency. Additionally, an incentive mechanism can be implemented for sectors and supporting agencies to align their planning and budget with the NDC objectives. Even when not in the leading role, the Ministry of Economy or Finance support is key to creating this incentive, as budgeting guidelines can align with sectoral planning.⁷

6. ODI (2014). *Getting it Together: Institutional arrangements for coordination and stakeholder engagement in climate finance*. <Available [here](#)>

7. ODI (2014). *Getting it Together: Institutional arrangements for coordination and stakeholder engagement in climate finance*. <Available [here](#)>

COMPONENT TWO: MULTISTAKEHOLDER ENGAGEMENT

Multistakeholder engagement across all elements of NDC investment planning facilitates stakeholder buy-in and robust output. Countries may leverage the stakeholder mapping done in Component one, Institutional arrangement as a reference for governments and civil society consultations throughout the NDC investment planning process.⁸

Relevant stakeholders are mapped to each component across the three stages of NDC investment planning. Engagement with sub-national and sectoral stakeholders enables the identification of sectoral investments needs (investment need identification, project preparation, and costing and financing gap analysis in particular) and for the implementation phase (to identify relevant stakeholders within the private sector, academia, and civil society; and for project monitoring). Private sector and international donor inputs are crucial to identify barriers to investment, developing innovative solutions, assessing technologies to identify investment needs in mitigation and adaptation, or assessing the bankability of projects. Academic and civil society may be leveraged to assess investment needs (mitigation and adaptation opportunities), assess or validate the priority level of projects and monitor progress on NDC implementation. Experts and academia could also discuss the potential of new technologies to reach NDC targets.

BOX 5. Stakeholder engagement must incorporate expertise and guidance on securing financing for gender-related projects within the wider climate strategy

Inadequate technical capacity and limited engagement of gender specialists to guide gender and climate change are significant constraints many governments face. Besides a political commitment, the involvement of gender specialists and women and groups representing their needs and interests are essential to creating a well-rounded participatory process⁹.

8. CDKN (2022). *Planning for NDC implementation: A Quick-Start Guide*. <Available [here](#)>

9. NDCP (2020). *Building Gender-Responsive NDCs*. <Available [here](#)>

Best practice

To support the development of comprehensive and cross-cutting engagement strategies, countries ensure a clear mapping of responsibility and processes for integrating engagement findings. The leading agency or coordination unit of NDC investment planning is mandated to develop an engagement strategy defining scope, timings, and mapping implementation.¹⁰ Public communication of the engagement strategy allows space for feedback on scope and stakeholder validation. Transparent stakeholder mapping encourages more engagement from civil society and strengthens accountability.

BOX 6. Countries have led different strategies to engage stakeholders in NDC investment planning

Belize National Climate Change Committee (BNCCC) led the process of updating its NDC and preparing the NDC Implementation Plan. During identifying the need, BNCCC established two committees, one with sector leaders and another with academics and external stakeholders. These two committees reviewed all outputs, ensuring their consistency with national plans and whether they were consistent with the science.

Rwanda mapped out the stakeholders in preparing the NDC implementation plan and determining their roles. For example, for Civil Society Organizations, the implementation indicates that they will be contacted regularly to ensure that any relevant project they are implementing will be recorded in the NDC implementation framework. A template for data collection with each stakeholder was prepared to ensure the recorded information's consistency. This process was led by MINCOFIN, with support from the Ministry of Environment.

COMPONENT THREE: MONITORING AND REPORTING

Monitoring and reporting on NDC investment's need, progress, and impact. Accurate monitoring of climate finance flows allow recipient countries to make more informed decisions about planning, prioritization, and allocation of resources for climate change and to measure and evaluate progress.¹¹ Reporting results from ongoing monitoring raises accountability of public spending, communicates impact and returns to international and public investors, and strengthens program delivery.¹²

10. CDKN (2022). *Planning for NDC implementation: A Quick-Start Guide*. <Available [here](#)>

11. LEDS Global Partnership (2017). *Resource guide for NDC Finance*. <Available [here](#)>

12. GIZ (2016). *National monitoring approaches for climate change public finance*. <Available [here](#)>

Best practice

Developing a robust climate finance monitoring system requires measuring finance flows and stakeholder engagement. To measure climate finance flows, countries need to identify and report on all climate-related spending and develop a set of standard key performance indicators to ensure data comparability.¹³ Countries can review their financial management to identify necessary technical assistance, which will increase their capacity to monitor and report on financial flows.

Stakeholder engagement in this process is important for three reasons. Firstly, countries will need to build national capacity to perform the required data collection and measurements and establish national ownership over the monitoring process. This will require technical assistance from relevant stakeholders. Secondly, a broad range of government ministries and relevant institutions must contribute to implementation and reporting, so they must be appropriately engaged and aligned. Finally, institutional buy-in from ministerial leadership incentivizes coordinating bodies to feed into and manage the monitoring system.¹⁴

BOX 7. Frequent and consistent stakeholder engagement strengthens the monitoring process of NDC implementation

Saint Kitts and Nevis identified a set of indicators and KPIs to track NDC implementation and are working to build MRV capacity among stakeholders to strengthen the monitoring system.¹⁵ The country designed stakeholder strategies to 1) strengthen institutional arrangements through memoranda for understanding (MOUs) between relevant institutions and establishing strategic partnerships with academia, civil society, and the public and private sector; 2) enhance the collection, analysis, and use of climate change-related data according to the KPIs, also capturing impacts on vulnerable groups; and 3) review the KPIs annually with relevant actors to identify opportunities for improvement.¹⁶

São Tomé and Príncipe conducted extensive stakeholder engagement to mainstream its monitoring strategy and ensure consistency in progress tracking. The tracking takes place individually by each institution, which submits its progress reports to the General Direction for Planning (DGP), the main coordinating body. This allows the DGP to monitor the financial plan and have a medium- and long-term perspective on potential gaps that need to be addressed.

13. CDKN (2022). *Planning for NDC implementation: A Quick-Start Guide*. <Available [here](#)>

14. GIZ (2016). *National monitoring approaches for climate change public finance*. <Available [here](#)>

15. CDKN (2022). *Planning for NDC implementation: A Quick-Start Guide*. <Available [here](#)>

16. Climate Analytics (2021). *NDC Partnership Climate Action Enhancement Package (CAEP) Support to Saint Kitts & Nevis*.

A monitoring and reporting system can be effectively implemented by setting up a central planning instrument owned by the lead coordinating agency. A single monitoring tool for both tracking progress towards mitigation and adaptation targets and financing enables coordination and ongoing review of financing priorities.¹⁷ This creates consistency in reporting style and publication periods, enhancing internal and external accountability. Additionally, national ownership facilitates comprehensive and streamlined bottom-up data collection, coordinating with national and sub-national institutions responsible for implementing the projects and international and private finance sources.¹⁸

NDC Investment planning should be maintained as a live exercise that adapts to evolving financing needs and climate policy priorities for countries. Countries should conduct periodic review processes under the leadership of the leading agency. Therefore, the leading agency should be assigned a mandate to coordinate the review process with a proposed frequency of review. The frequency of review can be adapted to the country's funding cycles and updates to climate policy strategies and NDC targets. Monitoring and reporting tools can serve as valuable inputs for review processes.

The monitoring and reporting process should remain iterative, informed by outputs of the subsequent stages focused on investment needs and mobilizing resources. The initial inputs into the monitoring and evaluation stage will become outdated as more comprehensive data is collected, capacity is built up, or ambition is raised. This highlights the importance of considering this process as iterative, enabling the inputs to change as new evidence or capabilities become available.

BOX 8. Key indicators that capture gender and social inclusion should be tracked next to economic and financial indicators

Integrating the topics of gender and social inclusion into the monitoring frameworks sends a signal to stakeholders of their significance and enables better identification of gaps and planning. These indicators can vary, for example tracking the proportion of women-led businesses being supported, the gender distribution of project teams, or ensuring the project impacts data is collected by gender. As another example, the African Development Bank (ADB) regularly publishes a report on gender, poverty, and environmental indicators across 54 African countries. It analyzes progress made with those three focus areas in the context of Sustainable Development Goals (SDGs).¹⁹

17. CDKN (2022). *Planning for NDC implementation: A Quick-Start Guide*. <Available [here](#)>

18. GIZ (2016). *National monitoring approaches for climate change public finance*. <Available [here](#)>

19. ADB (2019). *Gender, Poverty and Environmental Indicators on African Countries*. <Available [here](#)>

STAGE 2: INVESTMENT NEEDS

The second stage for NDC investment planning is identifying the country's investment needs. Investment needs can then be costed, and the financing gap determined and prioritized.

KEY OUTPUTS

- › A spreadsheet that summarizes the investment needed to implement prioritized actions and achieve NDC targets, identifying specific investment projects or supporting activities to improve the enabling environment (*Stage two, Component one, Identifying the NDC investment needs*).
- › A spreadsheet summarizing the estimated cost of prioritized projects and activities to achieve NDC targets. (*Stage two, Component two, Costing and financing gap analysis*).
- › The prioritization methodology selects and uses a set of criteria, indicators, and weights to prioritize a portfolio of projects and activities. When built through stakeholder consensus, a prioritized portfolio can facilitate streamlining of resources and implementation. The methodology may differ for investments into projects and supporting activities that build the enabling environment, as these may express diverse needs (*Stage two, Component three, Investment and supporting activity prioritization*).
- › A spreadsheet that applies the methodology selected to obtain a set of prioritized projects and activities to achieve NDC targets (*Stage two, Component three, Investment and supporting activity prioritization*).

Component one: Identifying the NDC investment needs

The foundation for investment planning should be a well-defined set of investments and supporting activities that will unlock the mitigation and adaptation required to achieve NDC targets.^{20,21} To identify investment needs, countries should assess their climate policy landscape and implementation plans (if available), identifying and evaluating actions (activities and projects) in place across national and sectoral strategies to achieve NDC targets.²² In a climate policy landscape assessment, countries review key documents, including analysis for setting NDC targets, policy and strategy documents

20. UNFCCC (2016). *Enhancing Implementation of Technology Needs Assessments: guidance for preparing a technology action plan*. <Available [here](#)>

21. UN Climate Technology Centre & Networks (CTCN). *Technology Needs Assessment*. <Available [here](#)>

22. CDKN (2013). *Addressing the barriers to climate investment*. <Available [here](#)>

relating to climate change, and relevant sectoral documents pertinent to the elaboration of the NDCs (mitigation and adaptation for relevant sectors). Investment needs should include those that may not necessarily be included in national and sectoral plans that have not been updated to match the latest NDC ambition.

Best practice

This component builds from NDC targets, KPIs, and national and sectoral planning and identifies NDC investment needs at project and activity levels.

Investment needs for the NDC are identified from national strategies, for example long-term national plans, sectoral strategies, and climate change strategies.²³ Countries can aim to define NDC targets under a comprehensive framework, mapping targets to outcomes and those to sectors and specific needs within the sector. The depth of information and detail on investments needs may vary across sectors and targets, but critical elements to be included are the mitigation and adaptation potential of identified activities and projects to achieve NDC targets and the estimated cost required to implement priority activities and projects (see *Stage two, Component three, Investment and supporting activity prioritization*).

After an initial scoping of investment needs from existing strategies and plans, countries should identify any gaps relative to their latest NDC ambition. Sector and technical experts can review investments to assess if they represent the scale of action required to match NDC's ambition.²⁴ Additional climate action experts and sectoral experts should identify additional investment needs which can be mapped onto the identified gaps. Sector working groups review government strategy documents and tag investment needs to the appropriate target outcome from the framework.

Investment needs for the NDC can be identified at the project and activity and at the programmatic levels. Specific project and activity identification can facilitate prioritizing an NDC portfolio that can make discussions with relevant stakeholders more efficient and focus resource mobilization. Projects and activities will be at various stages of development in the investment cycle (some at the idea level, while others might be ready

23. UN Climate Technology Centre & Networks (CTCN). *Technology Needs Assessment*. <Available [here](#)>

24. UNFCCC (2016). *Enhancing Implementation of Technology Needs Assessments: guidance for preparing a technology action plan*. <Available [here](#)>

for execution). In addition, following a programmatic approach could allow countries to identify and leverage existing finance flows available in the economy and financial system. That information should be noted in the table that summarizes investment needs. *Stage three, Component four, Project preparation*, provides further guidance on project preparation.

BOX 9. NDC investment needs are identified by reviewing and assessing existing national and sectoral strategies

Rwanda identified its investment needs while preparing its NDC Implementation Framework. The Framework identifies priority investment needs, presented as actions and projects, for a 5-year period (2020-2025) to achieve Rwanda’s updated NDC, including a list of outcomes with associated KPIs and prioritized projects.

Actions and projects in the Implementation Framework were drawn from sectoral planning from prioritized sectors. Sector experts reviewed sectors strategies and matched relevant programs to the outcomes, outputs, and KPIs. The Ministry of Finance and Economic Planning coordinated the process, and sector leads led the investment identification for each sector



Source: NDC Partnership (2021).

Belize had a structured sectoral consultative process to determine its investment needs. The country reviewed relevant national policy and strategy documents related to climate change and sectoral policy to identify actions (activities and programs) that could contribute to achieving NDC targets.

A technical group of sector leads was responsible for approving all outputs of this process, ensuring that scientific data informed the mitigation and adaptation targets, and the activities were aligned with national policies, strategies, and action plans. During this process, sectoral strategies had to be updated to reflect Belize's raised NDC ambition.

The Women's Commission was consulted as part of the process, representing the diverse stakeholders involved to speak for the needs of vulnerable groups. Belize also conducted a gender-scoring analysis of its targets to assess the impacts of their NDC on women.

Belize's review of the country's policy landscape constitutes a best practice in identifying appropriate investment needs for the NDC targets.²⁵

Countries should also construct an initial mapping of the relevant policy and regulatory framework to shape the deployment of the needed investment. As the investment needs are taken from existing strategy documents, the policy and regulatory frameworks through which the technologies are to be implemented may be in place. Where they are not in place or need further development, countries identify these as actions (see *Stage three, Component two, Policies, regulations, and financial instruments*).

BOX 10. Mapping relevant policies and regulations based on similar projects

As part of NDC investment planning for the energy sector, **Ethiopia** refers to its NDC objectives and provides information on its policy agenda, ongoing programs, and completed prefeasibility studies. This involved a discussion of lessons learned from past projects on mini-grids, solar PV, and clean cooking.

Investment needs should be recorded in the documentation that can be circulated with stakeholders responsible for implementing projects and activities linked to NDC targets. Additionally, supporting activities should be tagged against relevant investment needs, signaling where there may be a need for technical assistance or regulatory/policy interventions.

Component two: Costing and financing gap analysis

A financing gap is the unmet financing requirements of the NDC investment needs. It is calculated by subtracting the cost of NDC investment needs from the level of financing that has been secured. The financing gap indicates the scale and target of financing that NDC investment planning should mobilize. The level of granularity of the financing gap depends on the data available to estimate costing and how defined the investment need is (e.g., sector, program, or project level). The financing gap should be summarized in a document and a tabular summary of the sector, program, or project-level financing gaps.

Two elements are needed to identify the financing gap: a costing estimate and an estimate of the secured finance. The costing estimate should be prepared with a bottom-up analysis, where the cost of each investment need is identified. The secured financing level is identified from a review of public finance across sectors at the national and sub-national levels.

Best practice

Investment needs should be costed at the most granular level possible depending on whether programs and projects have been identified and data availability. There are three potential approaches to cost depending on the level of data available:

- › **Existing cost estimates:** applied when a cost estimate for an investment need already exists in national project documents, policies, or strategies. This approach is the most accurate as it is based directly on estimated data for project implementation.
- › **Scaling existing estimates:** applied when a cost estimate exists but would only meet part of the NDC investment need. In this case, the investment need can be costed by scaling the Capital Expenditure (CAPEX) cost by one unit of decrease associated with that technology by the volume of reduction tagged against that need.
- › **Using benchmark costs:** applied when no cost estimate for the investment need exists but can be estimated from similar projects. Countries can rely on experts in the field (national or international) or use previous projects/programs to benchmark costs. Countries can benchmark and scale to the national context using international estimates if nationally specific data is unavailable.

To identify the secured financing level, countries should conduct a comprehensive assessment of allocated spending across sectors at the national and sub-national level, as well as existing investment commitments from international donors or the private sector. The ministry of finance and development partners should be integrally involved in this process. Finally, to calculate the financing gap, countries can compare the calculated cost with the amount budgeted in national spending or existing investment.²⁵

25. UNDP (2020). *UNDP methodology for assessing Investment and Financial Flows*. <Available [here](#)>

Ensure the costing strategies are appropriate for mitigation and adaptation actions, which may require a different approach. Research needs to be conducted to identify costing estimates for emissions-reducing mitigation activities. This requires an understanding of the scope of the action (e.g., number of hectares), type of activity (e.g., mangrove restoration), and costing estimates, as per the above method, adjusted to these specifications. For adaptation, the costing may be more encompassing across sectors, given the types of activities (e.g., establishing an early warning system) may involve a similar number of human resources and administrative efforts, regardless of the type of activity.

BOX 11. Countries approach financing gap analysis through a project and sector-level assessment, or economic modeling exercises on investment flows

Belize's Resource Requirement report summarized the cost requirements for activities related to the delivery of the updated NDC based on the costs of individual NDC targets. The report disaggregated requirements by mitigation and adaptation across sectors and by NDC target.

Belize applied different costing strategies given its data availability. Part of the cost estimates was generated from existing action plans, and where data was unavailable, the country turned to relevant local and international costs as benchmarks. Belize also analyzed to determine when actions (activities and projects) were insufficient to meet NDC targets and scaled up existing costing estimates to adjust for this.

Belize also applied different strategies to mitigation and adaptation activities. For mitigation, it estimated the cost of emission reductions associated with each intervention, such as mangrove protection or reforestation. For adaptation actions, research was done on costing bands for typical activities, such as monitoring, research, engagement, policy development, and institutional capacity.

Nigeria costed its targets for the five key NDC sectors based on a data collection exercise involving government and private sector stakeholders. The costs collected spanned CAPEX (e.g., for oil and gas, cost of pipeline infrastructure developments) and Operational Expenditures (OPEX) (e.g., for oil and gas, cost of raw materials, wages, and subsidence fees imposed on oil wells). The costs were then modeled for each sector's main mitigation and adaptation interventions, laying out the assumptions, reference scenario (business as usual), and potential investment entities.

Component three: Investment and supporting activity prioritization

Prioritizing and bundling investment into programs allows countries to calibrate their NDC investment planning to focus on the most impactful investments and actions to achieve NDC targets and serve other national objectives. Depending on the specifically defined investment needs, countries can prioritize at the investment need level (type of technology, infrastructure, or activity needed), program, or project level. Countries with well-defined investment needs prioritize at the program level initially and later, developing specific projects under each program, which can be prioritized (see *Stage three, Component four, Project preparation*).

Prioritization introduces structure and signals relative urgency in matching investment to needs, bundling projects/activities into programs, and supporting activities.

Countries can introduce national development objectives and emphasize co-benefits, mitigation, and adaptation potential by designing a tailor-made set of prioritizing criteria. Additionally, implementing a transparent and collaborative prioritization process enables a collective understanding of priorities, gaining support from across stakeholders.

Links to development priorities and identification of social and economic co-benefits should be a critical element of the investment planning process. Other strategic objectives should inform the prioritization methodology, ensuring that the co-benefits are captured effectively. This covers a variety of objectives, such as gender mainstreaming, reducing climate vulnerability, or sustainable development goals (SDGs).

Best practice

Prioritization approaches combine quantitative and qualitative analysis of investment needs and activities, allowing for an ordering of investment needs by their importance.

For instance, multi-criteria assessment approaches are typically implemented by filling out a spreadsheet template that provides a consistent framework for prioritization after the weights are assigned to different criteria.²⁶ Criteria include mitigation and adaptation potential, criteria illustrating links to the SDGs, and project readiness (Box 12).

Each criterion has a set of environmental, social, and financial indicators that should be available for all investments to enable consistent comparison across investments. The level of specificity of the indicators will vary depending on whether programs or projects are being prioritized, with the prioritization of projects requiring more detailed specific indicators. Once the set of indicators is obtained, scores are normalized.

26. World Bank (2016). *Prioritizing Infrastructure Investments: A Framework for Government Decisions Making*. <Available [here](#)>

BOX 12. Prioritizing criteria recommended by literature and used by countries cover a common set of themes

Strategic alignment

- › **NDC targets:** Adaptation and mitigation potential of the investment.²⁸
- › **Strategic priorities:** Degree of alignment with national and sub-national development plans and priorities. This can also be linked to competitiveness and the potential to catalyze economic growth.
- › **Co-benefits:** criteria linked to SDGs and social equity considerations
- › **Feasibility of delivery and financing:** Implementation potential and investment risk, including whether key policy, institutional and other issues relevant to the objectives have been addressed and institutional and implementation arrangements have been identified.²⁹
- › **Cost-benefit analysis, bankability, and commercial viability:** An initial scan of the type of technologies associated with the investment need, risk profile, and precedent in the market. It should be remembered that the required technologies may often be innovative and not yet commercially viable. While this should not singularly discredit those projects' prioritization, their bankability should be considered.
- › **Development partners:** An initial assessment of whether the type of investment need or supporting activities falls within the focus areas of donor partners, multilateral development banks, or other funds. Alignment with country plans or programs of development partners, or fund requirements can increase the likelihood of the project or activity gain financing.

Countries adapt the scope and depth of their criteria according to national context and resources to apply the criteria across investment needs identified:

Jordan, Rwanda, Palestine, Saint Kitts, and Nevis demonstrated strong investment need prioritization practices. All four are prioritized based on the mitigation and adaptation impact of the investment and the social and development impact. For the social and development impact, Jordan considered whether the investments contributed to the SDGs, Rwanda considered their contribution to economic growth and job creation, and

Palestine considered the impact on knowledge and skills. Saint Kitts and Nevis conducted cost benefits analysis on projects to develop a list of top-priority projects. It also identified a set of gender equality indicators to assess the impact of its NDC on gender-related objectives.

Cambodia adopted a rigorous approach to include gender considerations in their NDC Partnership Plan and examined gender implications for every priority action. For instance, they noted gender gaps, gender equality, and indicators of participation in economic activity. This analysis could be leveraged to generate specific indicators for strategic alignment.

In addition to systematic analysis, stakeholder engagement can be used to calibrate findings from the prioritization exercise. Stakeholder inputs are relevant across several stages to make the prioritization methodology more robust. Stakeholder participation in the identification and weighting of the different criteria used in the prioritization methodology and the validation of results enables sectoral representatives and civil society to feed into the relative importance of investment features and increases buy-in. Stakeholder inputs can also be relevant for collecting information to implement the multi-criteria assessment.

BOX 13. Combining a quantitative approach with stakeholder engagement to validate investment need prioritization constitutes best practice

In **Jordan**, a sector working group comprised of representatives of the ministries, donor partners, and civil society identified 35 priority actions to achieve NDC targets. The sector working group determined the criteria and their weights and applied them to the extensive list of actions. The prioritization criteria included indicators that assessed the impact potential, a paradigm shift potential, sustainable development potential, gender & vulnerability issues, and readiness of each action.²⁷

The work to identify priority actions was conducted through a series of workshops with working group members jointly reviewing and scoring actions.

²⁷ Jordan Government. *Jordan NDC Action Plan*.

STAGE 3: INVESTMENT MOBILIZATION

The final stage of NDC investment planning sets out how specific investment needs will be met and creates the enabling environment to facilitate the match.

KEY OUTPUTS

- › A table of identified barriers with assigned priority for action and sequencing to mobilize resources for the prioritized project and activities in the NDC investment plan (*Stage three, Component one, Barriers to investment*).
- › A list of potential policy actions, regulations, and financial instruments to address barriers (*Stage three, Component two, Policies, regulations, and financial instruments*).
- › A description of the identified public body responsible for policy action or regulation mapped by identified barriers and potential policy actions, along with time frames and budget required (*Stage three, Component three, Matching sources of financing*).
- › A table (in spreadsheet format) that identifies secured and potential sources of finance for projects and activities in the NDC investment plan. Ideally, the information should be in the same spreadsheet or linked to the spreadsheet used to prioritize projects (*Stage three, Component three, Matching sources of financing*).

COMPONENT ONE: BARRIERS TO INVESTMENT

Priority investment needs will face economic, financial, technological, implementation, and policy and regulatory barriers (Table 1).²⁸ Countries can map out these barriers and conduct an initial scoping of mitigating instruments. Barriers to NDC investment can be viewed at various levels, as they can be differentiated at the sector, activity, and project levels.

28. CDKN (2013). *Addressing the barriers to climate investment*. <Available [here](#)>

BOX 14. Identifying barriers and scoping solutions streamlines the process of matching financing sources and instruments to investment needs

Saint Kitts and Nevis identified sector-specific barriers to financing and implementing the NDC. These were matched with capacity needs, drawing out the type of technical assistance and financial instruments to target barriers. Saint Kitts and Nevis identified the following barriers to the adoption of electric vehicles: (a) high upfront costs even where maintenance costs are lower, (b) lack of charging infrastructure, (c) lack of public awareness of the technologies and its benefit, and (d) a lack of appropriate electrical vehicle model types on the local market. Solutions to these barriers included electric vehicle incentive through a fuel tax. They raised CO₂ for vehicles, awareness campaigns on the benefits of EVs, and easing the installation of charging stations and exploring public-private partnerships to set up charging infrastructure.

TABLE 1. ECONOMIC AND TECHNOLOGICAL BARRIERS FOR PRIORITY INVESTMENT NEEDS

Economic and financial barriers	
Externalities and public goods	Environmental externalities are not internalized and thus the true cost (or benefit) of the investment is not born by the investor.
Imperfect financial markets	Lack of capital markets for long-term projects, or credit scores not available or trusted.
Information problems	Asymmetric information about the benefits of technologies and uncertainty about the performance of new technologies.
Economies of scale	High transaction costs for investments pricing out smaller investors, or investment envelope is not large enough to qualify for donor and other large-scale financing.
Technological barriers	
Unknown risk-return profile	Technologies are new and unproven, with limited information on returns and high-risk profiles.
High implementation costs	Complex implementation and oversight required for the investment to be successful presents a high barrier for entry and increases risk.
Network externalities	Returns on investment are dependent on parallel deployment of technology linked to investment need.
Supply chain barriers	Local markets may lack access to components required to deliver the investment need.

Implementation barriers

Political risk	Political instability increases the risk profile of investments.
Instability of the legal framework and bureaucracy	Lack of patent and licensing protection, courts unable to resolve litigation, unreliable planning procedures.
Capacity of the local labor force	Limited availability of skills required to deliver the identified investment need. Barriers to women's participation in the labor market.

Policy and regulatory

Limited standards	Lack of standards undercut quality of products in markets essential for NDC investments impacting sector growth. Well-defined standards unlock finance that specifically targets officially labelled green or sustainable technologies/investments.
Restrictive regulation	Regulation that limits business activity and private-sector investment in sectors relevant to investment needs identified. Regulation that limits women's access to assets and markets. ²⁹
Undefined policy and regulatory frameworks	Uncertainty over regulation and governing investment increases the risk profile of investment needs.
Complex regulatory framework	A regulatory system that requires a set of complex processes that can be costly and/or inefficient for relevant stakeholders
Limitation on repatriation of profits	International investors are uncertain whether they will be able to transfer profits from investments outside of the country.

Best practice

Barriers are identified based on sector, program, and project-level analysis.³⁰ The barriers identified in Table 1 can be matched to priority investment needs through a literature review, expert interviews, and brainstorming workshops. Identified barriers can be assessed by the degree of challenge in addressing them regarding cost, capacity, or policy/regulatory requirements.

29. "Nearly 2.4 Billion Women Globally Don't Have Same Economic Rights as Men," World Bank; 2022; <Available [here](#)>

30. Nygaard, I. and Hansen, U. (2015). *Overcoming Barriers to the Transfer and Diffusion of Climate Technologies*. UNEP DTU Partnership. <Available [here](#)>

BOX 15. Greater financing for gender-responsive climate action can be unlocked with better methodologies for gathering gender-disaggregated data and conducting gender analysis to identify country-specific inequalities and barriers

Lacking financing for gender-responsive climate action is identified as one of the key barriers. Climate funds have tackled this topic by guiding better measurement and analysis of gender-related issues.³¹ The GCF created a toolkit for mainstreaming gender,³² where they discuss how to conduct gender analysis, including data collection and processing, designing a gender action plan, and potential indicators for a monitoring & evaluation framework. Simultaneously, the Climate Investment Funds (CIF) reported lessons learned from a study into private-sector investments to support gender-sensitive, climate-resilient development.³³ More work on these topics would enable the design of solutions to country-specific barriers and therefore unlock greater financing for gender-responsive climate action.

Following the steps in Stage 2, after defining investment needs and prioritizing projects against them, countries may do an initial scoping of instruments to address barriers (Table 2).

TABLE 2. EXAMPLES OF FINANCING INSTRUMENTS

Standard investment instruments	De-risking and catalytic instruments
Direct investments	Guarantees
Project Finance	Grants
Blue bonds	Adaptation benefits mechanism
Climate (resilience) bonds	Results-based incentives
Green bonds	Green securitization
Sustainability bonds	Insurance
Social bonds	First loss/junior equity
Environmental impact bond	Public-private partnerships
Mezzanine finance	Debt-for-nature/climate swaps

31. NDC Partnership (2020). *Building Gender-Responsive NDCs*. <Available [here](#)>

32. GCF (2017). *Mainstreaming gender in Green Climate Fund projects*. <Available [here](#)>

33. CIF (2021).

The analysis is presented in a document organized by priority investment, which for each investment describes the essential economic and technological barriers, along with options of instruments which can address each barrier.

BOX 16. Countries have taken a series of actions to target barriers to investment

Belize included a range of barriers, including domestic capacity for co-financing, institutional coordination, climate finance tracking, private sector engagement, and local capacity gaps. Based on this analysis, medium- and short-term actions were proposed to create a better enabling environment. These actions include integrating capacity-building activities into projects and proposals to secure funding for hose, expand the mapping of current partner engagements or establish a better coordination system to share climate finance-related information and effective reporting with the private sector, financing institutions, CSOs, and local governments.

COMPONENT TWO: POLICIES, REGULATIONS, AND FINANCIAL INSTRUMENTS

Once the barriers have been identified, countries can develop a complementary strategy using a range of policies, regulations, and financing instruments to create an enabling environment for investment planning. The enabling environment involves transparency, gaining investor confidence, and alignment with climate objectives.³⁴

Developing a strategy for addressing barriers relies on government action, which can be supported by international donor assistance. The strategy can include both actions to support an enabling regulatory environment and introducing regulation that directly targets investment attractiveness. Regulatory instruments targeting the enabling environment enhance the stability of the environment for investment. One example of a regulatory instrument is the introduction of standards. Additional instruments targeting investment attractiveness can include fiscal incentives, lowering the cost of specific technologies.

³⁴. IDB (2021). *NDC Invest: Supporting Transformational Climate Policy and Finance*. <Available [here](#)>

BOX 17. Enabling policies for NDC investments mapped through the investment planning process

In the Investment and Financial Flows (I&FF) assessment, **Nigeria** outlines policy requirements associated with incentivizing international finance flows to mitigation projects. Domestic policies create economic incentives to attract investments, enforce efficiency measures, establish sustainable tariff practices for just transition, demonstrate the feasibility of modern technologies, and ensure responsible use of resources. Adequate governance, accountability, and transparency are key values. Some policy recommendations for the oil & gas (O&G) sector include incentivizing innovative use of gas (LPG, LNG, CNG) for domestic use, such as in cooking or automobiles, as well as incentivizing the competitive and accessible market for gas, through removing import tariffs on LPG equipment.

Somalia identified national, sector, and state-level policies, plans, and guidelines that supported adaptation and mitigation of climate change and referenced those in the finance strategy for Somalia. The NDC strategic objective organized these with the responsible entity, a tentative budget, and a timeline indicated. In most instances, further actions were required to develop reform strategies to facilitate NDC investment.

The optimal policy mix that enables climate investment will vary depending on the barriers (*Stage three, Component one*), **needs, and priorities** (*Stage two, Component one Identifying the NDC investment needs*).³⁵ A review of national policies and strategies relating to the NDC areas of mitigation and adaptation by sector highlights the instruments already in use that are relevant to national climate action. This can include investment into research and development and lowering regulatory requirements to catalyze higher technology uptake or capacity building.

The development of strategies for improving the enabling environment is informed by barriers identified (*Stage three, Component one, Barriers to Investment*).

35. UNDP (2012). *Readiness for climate finance: A framework for understanding what it means to be ready to use*. <Available [here](#)>

BOX 18. Political commitments and regulatory updates create an enabling environment for gender mainstreaming

Political will and commitment are the first steps to ensuring the enabling environment for climate finance is conducive to other objectives, such as gender mainstreaming and social inclusion. This can be done by reviewing and revising national plans, policies, and budgets to ensure they include these components. Additionally, meaningful participatory processes and consultations help identify the needs, gaps, and potential strategies to better meet those objectives. This includes the active participation of women's groups and establishing gender focal points across ministries, departments, and agencies with adequate technical capacity and authority.

Best practice

The process of selecting enabling policies and regulations involves a review and mapping of regulations shaping climate investment at the national, sub-national, and sector levels to identify good practices and bottlenecks:³⁶

- › Collating international good practices on enabling policies targeting the identified barriers.
- › Selecting a flagship policy that targets key investment risks is the foundation from which complementary policy and financial de-risking instruments are built.
- › Selecting supportive market-based instruments (such as feed-in tariffs, quota-based instruments, tenders, and tax credits).
- › Selecting supportive regulatory instruments (such as permits, licensing, technical standards, resource assessments, and capacity building).
- › Requesting technical assistance to develop specific policy instruments if needed.

Barriers identified in Stage three, Component one, Barriers to Investment, can serve as a basis for identifying additional policy limitations and potential solutions. The strategies to address barriers can be expanded by identifying how national and sub-national policies and regulations can be harmonized and noting how technical assistance can support unlocking these actions. The overview of required policy changes highlights the timing of the associated changes, allowing to first unlock “low-hanging fruit.”

36. UNDP (2012). *Readiness for climate finance: A framework for understanding what it means to be ready to use.* <Available [here](#)>

BOX 19. Countries engage with stakeholders to identify barriers to mobilizing external funding and recommend policies and actions that enable resource mobilization

Namibia's NDC Investment strategy recommends actions to create a better enabling environment for NDC private investment. Recommendations included introducing green business standards and a certification system, requiring environmental reporting for firms on the Namibian stock exchange, and introducing vehicle emissions standards.³⁷ Strategies were developed based on a review of current and planned projects contributing to the NDC, literature review, and expert interviews.

COMPONENT THREE: MATCHING SOURCES OF FINANCING

To successfully catalyze finance for the identified gaps, NDC investment planning must include comprehensive needs mapping against available sources, and prioritizing against the climate impact. To that end, the matching should include the following:

- › Investment needs are categorized in terms of commercial viability, bankability, and market failures and barriers.
- › In parallel, a categorization of sources of financing by national, international, private, and public sources, highlighting the type of investments they target.
- › Assess the range of prioritized investments serviced with private sector finance or alternative sources (concessional finance, grant funding, donor finance), including identifying co-benefits and efficiency gains from grouping investment needs together.

Investment needs can be categorized by how clearly defined the activity is, its bankability, and the types of barriers to investment. Broadly defined activities may lack specifically identified projects or technologies. These activities will therefore require financing for support in identifying and preparing projects or technical assistance to develop a pipeline of opportunities (see *Stage three, Component four Project Preparation*). Clearly defined activities include specific projects or technologies that require investment, which can be categorized in terms of commercial viability, bankability, and market failures, identifying those for which there is a precedent in being financed by private capital and those which are nascent technologies or markets which require concessional and grant funding.

Identifying the types of barriers will additionally support matching funding sources. Barriers may impact the willingness of certain partners to finance projects, while other sources may be able to offer parallel solutions to address barriers. For instance,

37. Namibia Ministry of Environment, Forestry and Tourism (2021). *Investment Strategy for the Nationally Determined Contribution of Namibia to the Paris Agreement*.

international donor finance can target bankable projects which face regulatory barriers. The funding partner could support national coordination and legal and policy frameworks or enhance the effectiveness of implementation.³⁸

Best practice

Financing from multilateral and bilateral donors offers access to concessional finance at scale and can catalyze private investment into climate change projects as markets develop. These stakeholders can also deploy complementary instruments that may catalyze further investment from the private sector, such as credit guarantees. For example, Namibia has received either grants or loans, or a combination of both, to finance US\$107.5 million for eight mitigation, adaptation, and cross-cutting projects.³⁹ The Green Climate Fund, a multilateral donor, provides a partial credit guarantee to facilitate private sector investment in clean energy and climate resilience projects.⁴⁰

Besides multilateral and bilateral funds, common funding sources cited in investment planning documents include private investors, national budgets, and carbon markets. To leverage private sector investment, the plan can highlight specific technologies or types of infrastructure and activities with good commercial viability and those requiring complementary risk-lowering tools (guarantees). Mainstreaming climate objectives into national budget processes provides a framework through which priorities can be balanced and trade-offs understood while demonstrating a commitment to the national climate policy.⁴¹ Countries are also starting to explore the potential of carbon market systems, as they can deliver cost-effective emission reductions and function as a new source of public finance. However, designing, pricing, and maintaining a carbon market mechanism remains challenging.⁴²

Identifying sources for financing involves reviewing ongoing activities with existing partners and stakeholders, as well as widespread stakeholder engagement and technical support. The examples below illustrate the approaches taken to mapping out the potential donor landscape and the identification of technical support.

Mapping support from existing partners working on humanitarian, developmental, or climate-related projects provides an overview of the donor landscape. This was an approach taken by Somalia, outlining the agencies working within the country and the projects they provide funding. These included The World Bank Group, UNDP, FAO, African Development Bank (ADB) and Intergovernmental Authority on Development (IGAD) for Somalia. Further, Somalia classified the potential donors per sector, mapping international funds and institutions with funding programs for related projects. Engaging with donors who funded relevant projects or expressed an interest in funding them was also the starting point for Palestine to identify prospective donors to meet its climate investment needs.

38. Climate Investment Fund (2009). *Clean technology fund investment criteria for public sector operations*. <Available [here](#)>

39. Green Climate Fund website <Available [here](#)>

40. IISD website (2020). *Green Climate Fund*. <Available [here](#)>

41. LEDS Global Partnership (2017). *Resource guide for NDC Finance*. <Available [here](#)>

42. Price (2020). *Lessons Learned from Carbon pricing in Developing Countries*. <Available [here](#)>

Potential technical support could be offered for more specific funding options, such as developing a carbon markets mechanism or a national green fund. In Ethiopia, through support provided by the Partnership for NDC updating, the government was able to outline the requirements, capacity building, and road mapping for the Climate Endowment Fund and explore the carbon market as an option. Similarly, coordination support in Belize was achieved, producing a centralized spreadsheet listing actions by sector and NDC objective, with a cost associated with each action and the potential funding donors.

Matching needs and financing sources is a critical step to mobilize investors, donors, and government officials. To support this objective, this component:

- › Comprehensively maps out all needs against the identified sources, transparently highlighting the needs which may not have an identified source.
- › Provides an overview of how the country will be able to tap into the identified sources. This can include the project preparation needs or alignments required to tap into public financing.
- › Details descriptions and stakeholder mapping of the sources identified and assessed as potential funding sources.

Creating climate funds is also an opportunity to enhance the role of gender and social inclusion requirements, delivering co-benefits alongside climate action. For example, Peru incorporated a guarantee sub-fund tailored for Indigenous communities and native peoples, ensuring they have access to resources required to contribute to climate change adaptation in their communities. Also in Rwanda, the government launched IREME Invest and INTEGO as groundbreaking new investment facilities powered by FONERWA and the Development Bank of Rwanda (BRD) with support from a range of valued partners. The former is a green investment facility, expected to design innovative finance mechanisms for public and private sector engagement and green business/investment promotion. The latter is a finding facility to support the public sector to implement Rwanda's NDC climate action plan.

COMPONENT FOUR: PROJECT PREPARATION

For effective implementation, NDC investment needs must be translated into specific projects through project preparation.⁴³ Project preparation is particularly relevant for high-priority investment needs that urgently need to secure financing and be implemented. Over time, more areas of investment needs can be translated into projects for implementation based on an updated prioritization of investment needs. Activities such as those outlined in action plans and strategies can also be prepared as projects.

⁴³. Global Infrastructure Hub (2019). *Leading Practice in Governmental Processes Facilitating Infrastructure Project Preparation*. <Available [here](#)>

BOX 20. Project preparation takes planning priorities through a sequence of reviews, beginning with concept note preparation and progressing to a full feasibility study

In **Rwanda**, project planning is guided by the priorities in national strategies, including the NDC implementation framework. Ministries put forward investments for further preparation. If approved by the Ministry of Finance and Planning, the investment appears as a project in the Public Investment Management System, which tracks project preparation. Ministries then prepare and assess the project's technical design and economics through the following steps.⁴⁴

Ministries prepare a concept note which presents a situational analysis of the investment, a logical framework of outcomes, outputs, and activities, the selected technical option for the project along with a justification, a socio-economic impact assessment, and a justification of the project's link to the national planning framework.

Once the concept note is approved, ministries prepare a pre-feasibility study which extends the analysis from the concept note, and which, if approved, is followed by a comprehensive feasibility study which is a rigorous assessment of whether a project will achieve its expected results and is based on engineering analysis of the technical specification, cost-benefit analysis, a mapping of the project delivery and funding options, and a socio-economic impact assessment.

The project's full set of technical and economic features is developed and assessed through this process. The government then uses this information to make the go/no-go decision on the investment.⁴⁵

Best practice

Countries must translate their priority investments into structured and viable projects, which can be matched with funding sources.⁴⁶ The process includes the following steps:

- › **Problem statement and proposed solution:** A specific problem linked to the NDC is identified, the proposed technical solution to the problem is described, and how success will be measured.

44. Global Infrastructure Hub (2019). *Leading Practice in Governmental Processes Facilitating Infrastructure Project Preparation*, page 58. <Available [here](#)>

45. Rwanda Ministry of Finance and Economic Planning (2018). *Guidelines for preparing and assessment of feasibility study reports of projects at central government level in Rwanda*. <Available [here](#)>

46. Global Infrastructure Hub (2019). *Leading Practice in Governmental Processes Facilitating Infrastructure Project Preparation*, page 68. <Available [here](#)>

- › **Technical configuration and feasibility:** The technical solution is further developed based on expert guidance and, where possible, studies of similar projects. The specific technologies, standards, technical design, project location and required resources should be determined at this stage.
- › **Social and environmental impacts:** Quantitative and qualitative assessment of social and environmental costs of the project, compared to the projected social and environmental benefits.
- › **Co-benefits with other strategic objectives:** Identification of points of intersection and mutual benefit with other objectives, including Just Transition strategies, Sustainable Development Goals, gender mainstreaming, and others.
- › **Policy, legal, regulatory, and institutional analysis:** Through a literature review, studies of similar projects, and expert input, countries can map out all relevant legal risks for the project and consider different regulatory and institutional structures to deliver the project.
- › **Costing** (*see Stage two, Component two, Costing and financing gap analysis*): Prepare project budgets by (i) identifying and planning each activity and input required for the project, (ii) determining the cost of activities and inputs using previous comparable projects as a benchmark, and (iii) determining any income generated by the project. Budgets should match the reporting and audit requirements of the implementation agency.⁴⁷
- › **Value for Money and affordability assessments:** a quantitative and qualitative assessment of the value generated by the project and the full set of costs.
- › **Project structuring and risk allocation:** the project governance, and ownership structure, including how fiduciary liabilities are shared between government and other investors

BOX 21. The NDC Partnership supported the development of concept notes and project applications for climate funds, such as the GCF, GEF, and IKI, in various countries

In Uganda, the support focused on developing guidance on how the government can leverage climate finance to support green recovery. To do so, they prepared a database of climate-related projects, analyzing their level of bankability and providing recommendations on resource mobilization from different funding sources.

⁴⁷ World Bank (2007). *Budgeting: tips for strengthening Organizational Capacity*. <Available [here](#)>

COMPONENT FIVE: PIPELINE AND PROJECT ROAD MAPPING

NDC investment planning can define the sequencing of implementation based on readiness and existing financing support.

Road mapping lays out the strategy to finance the NDC activities in the short, medium, and long term. A roadmap takes a more strategic view of the NDC objectives over a wider time horizon, determining the types of projects that could be added to the pipeline.⁴⁸ Clear communication of implementation sequencing signals investors on the timing of investment and the supporting activities (enabling environment) required to execute the sequencing.

Best practice

A project roadmap is based on a systematic assessment of projects and stakeholder engagement, aiming to identify efficient implementation sequencing. The sequencing depends on project prioritization (see *Stage two, Component three, Investment and supporting activity prioritization*), investment readiness, and feasibility, assessing whether investments can be implemented in the short run or may require the development of the enabling environment further. Countries can identify how implementing a given project contributes to building the enabling environment to understand how it will be developed over time and identify the implementation sequencing. Meanwhile, stakeholder engagement can focus on identifying synergies with existing initiatives and dependencies between projects in the pipeline relevant to the project feasibility analysis and determining to sequence.

For a deeper dive into the case studies presented in this Best Practice Brief, please see our blog posts here:

- › [Lessons From Jordan's NDC Investment Planning: Aligning Climate and Development Goals Through Prioritization Exercises](#)
- › [Lessons From Rwanda's NDC Investment Planning: The Importance of Country Ownership in Resource Mobilization](#)
- › [Lessons From Belize's NDC Investment Planning: An Integrated Approach to Accessing Climate Finance](#)

48. IDB (2021). *NDC Invest: Supporting Transformational Climate Policy and Finance*. <Available [here](#)>



NDC Investment Planning Guide

BEST PRACTICE BRIEF

NDC PARTNERSHIP SUPPORT UNIT

WASHINGTON, DC, USA OFFICE

WORLD RESOURCES INSTITUTE

10 G Street NE Suite 800,
Washington, DC 20002, USA

T: +1 (202) 729-7600

E: supportunit@ndcpartnership.org

BONN, GERMANY OFFICE

WORLD RESOURCES INSTITUTE

UN CLIMATE CHANGE / UNOPS
Platz der Vereinten Nationen 1
53113 Bonn, Germany

T: +49 (228) 815-1000

E: supportunit@ndcpartnership.org

A decorative graphic at the bottom of the page consisting of four overlapping, slanted rectangular shapes in blue, orange, green, and dark blue, arranged from left to right.