Climate Investment Planning and Mobilization Framework

December 2024

NDC PARTNERSHIP

GREEN CLIMATE FUND

Acknowledgement

The NDC Partnership and the Green Climate Fund (GCF) would like to acknowledge and extend their gratitude to all stakeholders who contributed their valuable input toward the completion of this version of the Climate Investment Planning and Mobilization Framework. The framework was primarily developed based on the NDC Partnership's NDC Investment Planning Guide and the GCF's Investment Planning Framework, leveraging the experience and insights provided by representatives from Multilateral Development Banks, Multilateral Climate Funds, development partners, the private sector, and both NDC Partnership and GCF staff.

This collaborative effort has greatly enriched the content and ensured that the Framework is aligned with the needs and experiences of a broad array of stakeholders actively engaged in climate finance and investment planning.

The framework will remain a living document, evolving as new knowledge and experiences around investment planning and mobilization are generated. As such, it will continue to support countries in navigating the complexities of climate investment and advancing their climate and development goals.

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Acronyms

CEA	Cost-Effectiveness Analysis	**MCDA**	Multicriteria Decision Analysis
CBA	Cost-Benefit Analysis	**MDB**	Multilateral Development Bank
CBT	Climate Budget Tagging	**MRV**	Monitoring, Reporting, and Verification
CCRA	Climate Change Risk Assessment	**NAP**	National Adaptation Plan
COP	Conference of Parties	**NDC**	Nationally Determined Contribution
DFI	Development Finance Institution	**NGO**	Non-governmental Organization
GCB	Greening Central Banks	**PAM**	Public Administration and Management
GCF	Green Climate Fund	**PFM**	Public Financial Management
GHG	Greenhouse Gases	**PIM**	Public Investment Management
IAM	Integrated Assessment Models	**RFP**	Request for Proposals
LT-LEDS	Long-Term Low-Emission Development Strategies	**UNFCCC**	United Nations Framework Convention on Climate Change

The Rationale for the Framework

Building on the foundations established over the last decade, global climate action has transitioned from the phases of direction-setting and planning to financing and implementation. Countries are ratcheting up the ambition of their Nationally Determined Contribution (NDC) every 5 years, and many have developed national adaptation plans (NAPs), Long-Term Low-Emission Development Strategies (LT-LEDS) and other planning instruments at national, subnational, and sectoral levels. While significant progress is being made, the First Global Stocktake under the Paris Agreement highlights the need to significantly step up climate finance and implementation and increase the ambitions of NDCs and LT-LEDS to achieve the goals of the Paris Agreement.

The Climate Investment Planning and Mobilization Framework (Framework) is an integral part of a programmatic approach championed by the NDC Partnership and the Green Climate Fund (GCF) to unite and expedite the implementation of climate strategies and drive transformational climate-development action across countries. It is a key building block that complements elements including robust and ambitious NDCs, LT-LEDS, NAPs and their respective Implementation Plans; high-level political ownership and strong coordination across governments, development partners, financiers, civil society and other key stakeholders; increased availability and predictability of support and finance to developing countries; capacity building and institutional strengthening efforts; and transparency and accountability measures. The elements presented in this Framework build on many additional building blocks, contributing to the investment-planning and finance-mobilization process.

A consultation draft of the Framework was jointly launched at COP28 and was circulated extensively among countries, technical experts and public and private climate finance partners throughout 2024. The feedback received has culminated in this rich, non-prescriptive guide that brings together the collective experiences of climate investment planning and mobilization. Its purpose is to provide a common reference point and language for countries and providers of climate finance and capacity support to navigate the progressive steps involved in moving from planning and setting climate commitments (e.g., NDCs, NAPs, LT-LEDS) to identifying, prioritizing and mobilizing finance for the implementation of the transformational climate action needed to meet those commitments. The Framework is designed to identify the gaps in capacity or information that are preventing climate finance mobilization and to facilitate the successful implementation of climate change projects and programs with the best financial partner.

Available Support

Countries can access technical and financial support to implement the practical recommendations in this Framework through instruments like the GCF's Readiness and Preparatory Support Programme and the NDC Partnership's Country Engagement Process. These programs are designed to assist in translating climate plans into investments by providing expertise, capacity-building opportunities, and funding.

Capacity building and institutional strengthening are central to the Framework. As countries work to implement their NDCs, NAPs and LT-LEDS, they often face challenges related to limited technical expertise and insufficient governance structures. By focusing on building institutional capacity, the Framework helps ensure that countries are equipped with the necessary skills and resources to independently manage, implement and monitor their climate strategies.

Implementation Pathways

Implementation pathways and states of readiness will vary across national contexts, so the Framework is designed to accommodate countries at different stages of progress, allowing them to engage with the Framework at the appropriate entry point. The guidance is intended to complement the work already done by countries and need not be followed in a linear fashion. It can help identify gaps that are slowing access to climate finance and expedite and scale progress. It is important, however, that the activities at earlier ("upstream") stages—on enabling environments, prioritization and development of investments, and financial strategy—are properly undertaken to reduce bottlenecks and optimize mobilization of finance and investments at the later ("downstream") stages. Acknowledging that countries want to take immediate action on climate change, the Framework can also help them access climate finance resources immediately while working on their parallel medium-term climate investment planning and mobilization strategy.

Also, the proposed approach is committed to inclusivity and equity, ensuring that climate actions are both socially just and sustainable. Recognizing that climate change disproportionately impacts vulnerable communities, the Framework emphasizes the needs and voices of marginalized groups, including women, Indigenous peoples, and other disadvantaged communities. By prioritizing inclusivity, the Framework guides investments that address climate risks, reduce social inequalities, and enhance resilience among the most vulnerable populations. This approach aligns with the broader goals of sustainable development to ensure that climate actions benefit everyone.

Feedback Loops

Feedback loops enable ongoing learning and improvement, thus ensuring the effectiveness and adaptability of climate strategies. The Framework encourages countries to assess the outcomes of implemented actions, particularly when updating NDCs, NAPs and Long-Term Strategies. By integrating these feedback loops, countries can align their climate investment strategies with evolving national priorities and global climate goals on an ongoing basis, making their efforts impactful and responsive to changing circumstances.


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Private Sector

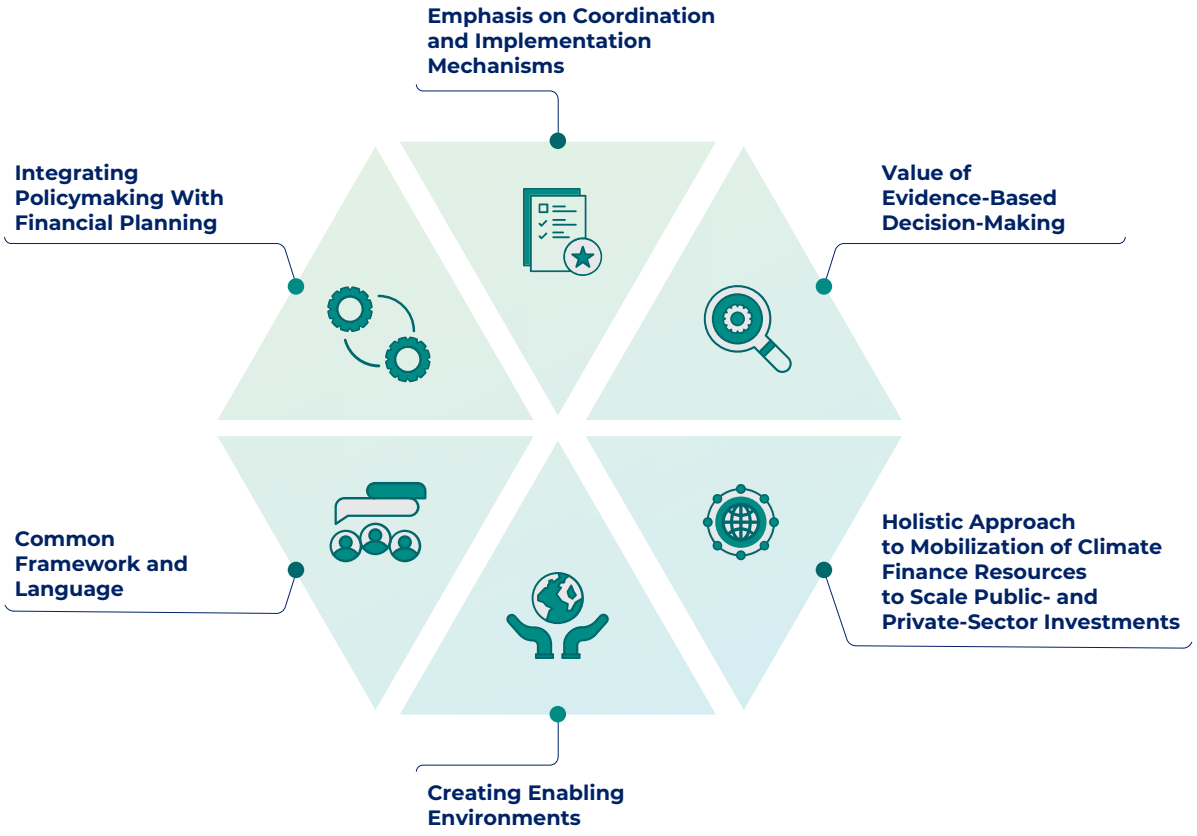
As the Framework seeks to guide the transition from planning to implementation, it is essential to highlight the critical role of private-sector engagement as early as possible. The private sector, which offers financial resources, technical expertise, innovative solutions, and implementation capabilities, is a vital partner in the climate finance landscape. Engaging private-sector actors can help develop investment opportunities, identify barriers, and ensure that targeted support is provided to address issues and unlock private capital. The private sector's capacities and investment strategies can also be leveraged as the countries develop and update their NDCs, NDC Implementation Plans, and investment plans to increase synergies and maximizing impact.

Comprehensive Finance Approach

To ensure a holistic approach to mobilizing resources and scaling up investments across real economy sectors and market-driven transactions, the Framework applies to all climate finance sources: public finance from national governments and international donors; private finance from corporations and financial institutions; and blended finance, which strategically combines public and private resources to optimize funding and de-risk investments. By promoting active collaboration between public and private entities at every stage of investment planning and mobilization, the Framework seeks to unlock private capital at scale, drive the development of innovative financial instruments, and foster public-private partnerships essential for achieving the ambitious goals outlined in NDCs, NAPs, and national strategies.

Key Features of the Framework

The Framework organizes investment planning and finance mobilization in six stages and 18 components, specifying steps, outcomes, and potential support needs for each stage (Figure 1). Key features of the Framework include:



- **Integrating Policymaking With Financial Planning:** The Framework focuses on integrating financial planning for implementing NDC, NAP, LT-LEDS and policymaking instruments with the country's development priorities.
- **Emphasis on Coordination and Implementation Mechanisms:** The Framework recognizes the critical role of national coordination and implementation mechanisms, including key stakeholders such as those centrally located within the government's executive office, planning and finance ministries, national development banks, and project preparation units. Countries may institutionalize structures and systems to drive investment planning and mobilization, helping to strengthen capacity, increase synergies and reduce costs over time (e.g., through Country Platforms).
- **Value of Evidence-Based Decision-Making:** Evidence-based approaches underpin the identification and prioritization of adaptation and mitigation investment needs. Using evidence from different sources is crucial to investment design and finance mobilization.

- **Holistic Approach to Mobilization of Climate Finance Resources to Scale Public- and Private-Sector Investments:** The Framework employs strategies designed to harness the full spectrum of climate finance sources, including public, private, concessional, and blended finance, to mobilize private-sector investments at scale. The private sector should be engaged across all pillars as early as possible in the investment planning process.
- **Creating Enabling Environments:** Enabling environments are critical to the success of finance mobilization. The Framework emphasizes the need for robust policy frameworks, regulatory reforms, and institutional capacity building. These elements create conditions conducive to public- and private-sector investments, the reduction of risk, and the overall attractiveness of climate-related investments. By fostering such environments, countries can facilitate smoother implementation processes and greater participation from diverse financial actors.
- **Common Framework and Language:** The Framework is intended to serve as a common reference point, which all relevant stakeholders (the government, private sector, and finance partners) may use to collectively assess the progress and identify concrete interventions for improvement. Based on these assessments, countries may communicate their priority support needs to the NDC Partnership and GCF, who can then help them reduce the duplication and determine the adequacy of their efforts at each stage and step so that they can move forward faster.

Overall, the Framework empowers countries to identify and prioritize their climate-finance needs, tapping into both private and public, as well as national and international, sources of financing. The investment planning process aims to strengthen countries' capacities to attract and mobilize climate finance. At the same time, it provides a foundation for an iterative process within a robust institutional framework led by the country.

A Living and Evolving Resource

The Framework is presented as a living resource and is expected to evolve with input from countries, financiers, support providers, and other users. The following 25-page guide introduces the pillars, stages, components, and steps for investment planning and mobilization at a top-line level.

The Web Platform

This document will be complemented by a comprehensive body of knowledge to be made available through a dedicated web platform under development now. It will offer country experiences, best practices, guidance and tools, terms of reference for specific components, as well as capacity enhancement content (training materials, videos, etc.). This platform will also serve as a navigation tool, mapping support providers to each stage or component and providing links to detailed information on specific finance sources, such as the investment criteria/processes and investment strategies of different financiers. The online platform will be built collaboratively, incorporating stakeholder input and serving as a tool to inform countries' progress in securing access to climate finance.

FIGURE 1 GCF/NDC Partnership Climate Investment Planning and Mobilization Framework

Pillar 1

Investment Planning

Climate investment planning involves developing a programmatic strategy to identify and take advantage of different sources of financing to achieve climate and development objectives. The planning process involves assessing and addressing governance and capacity gaps, identifying and prioritizing investments, mapping sources of financing, creating a roadmap for catalyzing public and private finance, and evaluating the uses of resources for continuous improvement.

STAGE 1
INVESTMENT PLANNING AND MOBILIZATION CAPACITY

STAGE 2
IDENTIFYINGAND PRIORITIZING INVESTMENT NEEDS

STAGE 3
FINANCING STRATEGY

STAGE 1

Investment Planning and Mobilization Capacity

Implementing a country's climate objectives and planning NDC-, NAP-, and LT-LEDS-aligned investments depends on robust institutional capacities and expertise, efficient coordination, stakeholder engagement, and the successful integration of climate priorities into broader development and investment planning processes. Implementation is often iterative and is expected to evolve in parallel with other stages.

Stage 1 aims to secure the institutional capacities and structures necessary for effective climate investment planning, resource mobilization, the implementation of climate objectives, and the mainstreaming of climate priorities.

Component 1: Institutional arrangements and expertise

Countries have various options for institutionalizing climate investment planning. The institutional configurations and setups adopted for the development, coordination, and execution of climate investment plans can promote efficiency and accountability and foster whole-of-government collaboration and public-private partnerships.

Step 1: Map out public entities linked to investment planning; include their mandates, roles, and existing institutional arrangements

Public-sector entities should be mapped so that decision-makers can identify all key institutions involved in planning, delivering, and monitoring investments in the country. Institutions may include the agency responsible for NDC coordination; line ministries in sectors relevant to NDC targets (e.g., energy and transport); ministries responsible for national budgeting and planning, such as ministries of finance and planning; and national development banks. It is crucial to ensure that institutions with expertise in gender, youth, and social inclusion are also part of this process in order to incorporate diverse perspectives, account for broader societal concerns, and enact just transition principles from the onset.

Mapping clarifies and matches mandates and roles within a complex institutional landscape. Mandates are derived from existing functions outlined in institutional regulations, such as general planning or budgeting functions. Roles, on the other hand, are assigned for specific tasks within the development and execution of the climate investment planning process. Countries are encouraged to assess public bodies' roles across all investment planning components. For each component, the identified public body could either take on a leading role in developing that aspect of the NDC investment planning process (e.g., consolidating information, drafting reports, etc.) or a supporting role focused on providing information to another public body responsible for consolidation.

Step 2: Analyse and address institutional arrangements and expertise gaps

Map public entities involved in the investment planning process to help identify gaps, overlaps in institutional arrangements, and assess whether the required expertise is in place. When the mandates of existing institutions—for example, the ministry of finance or ministry of environment—are deemed inadequate for a leadership role, countries might consider establishing a cross-cutting public body, such as a "central office" within the executive branch, with a dedicated mandate for accessing and mobilizing climate finance.

If existing mandates or expertise are insufficient to fulfil specific roles across various components, countries may contemplate establishing intergovernmental units or task forces for fostering expert collaborations with the private sector, academia, research institutions, or similar stakeholders. Expertise in climate science, economic analysis, risk assessment, financial instruments, gender, and monitoring and evaluation are highly relevant to the process.

Step 3: Designate a coordination role or system for climate investment planning and identify actions to formalize roles

A central coordination role and mechanism is critical for the success of climate investment planning and mobilization, as centralization will ensure efforts across the country are well directed and monitored. Defining this role involves assessing who is best placed to act in a central coordinating capacity according to their mandate and expertise and determining the mechanism format to ensure cross-government coordination—typically a central agency with convening responsibilities and capacities.

Central coordination is critical for the success of climate investment planning and mobilization, as centralization will ensure efforts across the country are well directed and monitored.

For example, a specialized "climate finance" unit may be created within the ministry of finance or the presidential office. Such a unit could help streamline investment planning processes; align engagement with key government institutions, investors, and financiers; and more effectively leverage different stakeholders' expertise, capacities, and other resources.

A centralized body streamlines capacity-building efforts by making implementation more consistent and enhancing coordination and communication across various government entities, leading to more cohesive and effective climate action. The coordinating body's mandate should include reviewing the effectiveness of existing institutional arrangements and coordination mechanisms and proposing improvements.

Decision-makers should formalize the specific roles that have been identified. In doing so, consider the support and commitment from relevant public bodies, prioritizing NDC investment planning and mobilization and ensuring alignment with broader strategic objectives, including gender and social inclusion, sustainable development goals, and others. The coordinating body may be established permanently to institutionalize systems and structures that implement the processes envisioned by the Framework.

Component 2: Stakeholder engagement

A multistakeholder engagement strategy strengthens climate investment planning and mobilization and garners support from diverse stakeholders. Critically, it allows for the early identification of capable national project proponents and guides capacity-building efforts. A multistakeholder strategy involves mapping and meaningfully engaging relevant stakeholders in essential activities while considering their objectives. Necessary capacity-building activities should also be implemented to address any existing gaps.

The critical roles of finance, economy ministries, and national development Banks

As planners of economic policy and national budgets, ministries of economy and finance play a central role in enabling the necessary investments at scale to achieve goals outlined in NDCs, NAPs and LT-LEDs. These ministries are ideally positioned to conduct macroeconomic assessments related to proposed climate policies; determine investment needs for NDCs, NAPs, and LT-LEDs; and develop policies and instruments to attract private-sector investments. By overseeing national budgets, ministries of finance can secure allocations for climate change priorities.

Similarly, national development banks are well placed to use their instruments to catalyze private-sector climate finance at scale. These banks can provide public financing with special conditions and establish incentives to attract private investors for climate investments. Moreover, their considerable experience in investments at the local level makes them a key partner in identifying, understanding, and overcoming local barriers to climate investment.

Photo by Coalition of Finance Ministers for Climate Action

Step 4: Map stakeholders and engagement frameworks

To ensure stakeholder involvement across the NDC components, assign responsibility for stakeholder mapping, maintain and updating the mapping, and engage stakeholders. For example, designate a leading agency or delegate the coordination of stakeholder engagement for specific components and subcomponents of NDC investment planning to the relevant public bodies identified in the institutional map.

Stakeholder mapping is a crucial step for identifying a broader set of actors outside the government who will be involved in the climate investment planning and mobilization process, identifying capacity gaps, and pinpointing relevant engagement frameworks. Stakeholders can be categorized into the following groups:

- cross-cutting ministries or agencies (e.g., ministries of finance, environment, gender/inclusion affairs, investment promotion agencies);
- sectoral leads (e.g., representatives from relevant sectors);
- subnational authorities and finance partners (e.g., climate funds and MDBs/DFIs);
- the private sector, academia, and civil society (e.g., representatives from relevant sectorial organizations and business associations);
- the financial sector, affected communities, Indigenous peoples, and vulnerable groups.

It is also vital to consider possible national project proponents for climate investments. For instance, blended finance, which requires a multistakeholder approach, can frame country-level partnership design. It can help identify relevant public-sector and private- sector stakeholders and their complementary roles (e.g., offering technical assistance, de- risking, or co-financing) to mobilize private capital at scale.

Step 5: Develop stakeholder engagement frameworks

Developing comprehensive stakeholder engagement frameworks facilitates the staged involvement of relevant stakeholders in the planning and execution of initiatives aimed at achieving climate-related goals and commitments. Where applicable, engage stakeholders at the subnational level and adopt sectoral or thematic approaches (such as biodiversity, water, or food systems nexus points).

Countries should consider utilizing existing frameworks for stakeholder engagement—such as those established under multi-year climate finance ecosystem planning, including GCF Working Programmes, NDC Implementation Plans, and other investment plans—rather than creating new arrangements. This approach promotes synergies with and avoids duplication of previous efforts.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Step 6: Analyse and address gaps between stakeholder capacity and expertise

Once key stakeholders are identified, especially those involved in the programming and delivery of climate investments, assess their capacities and expertise to assist in making early decisions about whether to direct support toward building or strengthening needed capacities. Special attention should be given to the capacity and expertise of potential national project proponents, including those in the local financial and private sectors. Measures such as training and capacity-building initiatives, knowledge sharing, and collaboration can ensure that all stakeholders are aligned and can contribute effectively to investment planning and mobilization.

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Component 3: Mapping existing investment frameworks

Decision-makers are encouraged to consider how climate investment planning aligns with the following: existing investment frameworks and efforts led by national and subnational institutions, multilateral development banks (MDBs) and development finance institutions (DFIs), development partners, multilateral climate funds, existing country engagement programs and other finance partners. These entities have ongoing processes that might help secure financing. Additionally, assessing existing policies, strategies, and plans can help identify potential gaps in sectoral planning that can be addressed in future iterations of the climate investment plan.

Step 7: Map existing investment frameworks to identify and validate their investment priorities

Mapping existing investment frameworks involves systematically identifying what ongoing development and climate investment plans are already being worked on with various partners, allowing for the identification of opportunities and gaps. This could include mapping out National or Sectoral Investment Plans, MDB or DFI investment plans, GCF Country Programmes, NDC Implementation Plans, NDC Investment Plans, Adaptation Investment Plans, green/sustainable-finance roadmaps, etc.

Once investment frameworks have been mapped, decision-makers should identify their priorities in order to align and leverage ongoing efforts in mobilizing climate finance. These priorities can be validated by mapping existing frameworks and exploring how to leverage and align work across Stages 2 and 3. This process helps avoid duplication, enhance synergies, and increase overall impact. In some cases, it may also provide an opportunity to review the coherence or robustness of prior investment priorities, their alignment with potential sources of finance, and any existing barriers to investment.

It is important to maintain such mapping and update regularly to provide an accurate picture of the changing investment landscape, support coordination, and inform a forward-looking analysis of needs and gaps.

Step 8: Map and list systemic investment barriers

Mapping systemic investment barriers (at the national and sectoral levels) involves identifying and documenting obstacles that hinder climate-aligned investments. This process entails creating a comprehensive inventory of challenges, categorizing them into various types (e.g., technological, economic, policy, socio-economic), and analyzing their impacts and underlying causes. Doing so better positions decision-makers to develop targeted strategies to facilitate investments, promote economic growth, and enhance the climate-finance ecosystem. The mapping can draw from existing analyses, such as the investment frameworks identified previously, or encompass new studies to assess the enabling environments and preconditions to scale up climate finance in the country.

Component 4: Mainstreaming climate goals

Planning and mobilizing climate-aligned investments will be best sustained and most impactful if the country's climate goals, as outlined in NDCs, NAPs, and LT-LEDS, are fully integrated into wider economic and development planning and budgeting processes. Mainstreaming requires first comprehending long-term systemic changes that may be needed in economic and social infrastructure to shift toward low-emission and climate-resilient development and then building fair transition pathways into sectoral planning and finance frameworks. Integrating climate into the mandate and tools of ministries of economy and finance and identifying opportunities for greening the financial systems also helps to mainstream climate goals. Mainstreaming aids countries in mobilizing external resources and redirecting internal finance flows in alignment with climate targets.

Step 9: Map national and sectoral planning, budgeting, and finance frameworks and their synergies with climate goals implementation

Mapping existing national and sectoral planning, budgeting, and finance frameworks involves systematically identifying and analyzing key planning, budgeting, and investment frameworks within the public sector to discern opportunities and gaps. This comprehensive process includes evaluating public-sector initiatives like national and sectoral planning; finance, economic, and fiscal policies; and budgeting frameworks designed to allocate public funding and promote the greening of the financial system.

Step 10: Create a roadmap to integrate climate goals into national and sectoral planning policies, budgeting, and investment frameworks

Developing a roadmap for integrating and aligning climate goals with national and sectoral planning policies, budgeting, and investment frameworks aims to synchronize targets and associated timelines and clearly define concrete implementation roles for the various stakeholders involved.

An important instrument in this process is climate budget tagging (CBT), which allows governments to categorize, track, and evaluate public expenditures related to climate action. By tagging budget items that contribute to climate goals, policymakers can ensure that financial resources are allocated efficiently and effectively toward achieving climate objectives. Climate budget tagging also enhances transparency and accountability, making it easier to monitor progress and adjust strategies as needed. Integrating this tool into the budgeting framework will help to better align national and sectoral financial planning with overarching climate goals.

Step 11: Assess opportunities to green the financial systems

Build upon the roadmap developed in Step 10 by exploring opportunities to facilitate the redirection of public and private investment flows toward climate-aligned pathways. This may involve various approaches, including Public Financial Management (PFM), Public Investment Management (PIM), Public Administration and Management (PAM), and public procurement, among others. It may also involve working with key actors in the financial system, such as central banks and regulators, to more systematically integrate climate risks into decision-making.

Lessons from the NDC Partnership's Readiness Support for Greening Central Banks Initiative

Climate change poses the ultimate systemic risk to financial markets, with potential disruptions including sharp declines in asset prices, reduced profitability in key sectors, diminished public finance, and unforeseen impacts on the insurance industry. Central banks, which act as market regulators and supervisors, uniquely stand poised to address the financial and economic risks associated with climate change. At COP26, the NDC Partnership launched the Readiness Support for Greening Central Banks (GCB) Initiative in response to developing countries' requests. This initiative equips central banks with knowledge, institutional capacities, and systems to adopt precautionary approaches to climate risk, promote green investments, and address the climate-finance gap.

Through the GCB Initiative, central banks align their mandate and supervisory tools with the latest science to mobilize finance for NDCs and long-term strategies, ensuring financial stability crucial for poverty reduction and equity, as climate change and financial crises disproportionately impact vulnerable communities. To date, the NDC Partnership is providing dedicated and coordinated support to more than 20 countries to help green their financial systems.

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Component 5: Monitoring and reporting

Monitoring ongoing and planned financial flows is crucial to ensure sufficient resources are distributed appropriately to meet climate objectives. Reporting can offer significant input for future iterations of investment planning and mobilization outputs. The process of monitoring and reporting introduces transparency and accountability to public spending; facilitates coordination with investors and finance partners; and improves decision-making for future investment planning, prioritization, and mobilization.

The responsibility for leading the monitoring and reporting effort should ideally rest with a central government agency that has the authority and capacity to oversee and coordinate across various sectors and ministries. Given their broad oversight of financial flows and budgeting processes, this role will typically be best suited to the ministry of finance or a similar central body, such as a national climate finance unit. This entity would be responsible for collecting and analyzing data on financial allocations and expenditures related to climate objectives so that reporting is consistent, transparent, and aligned with national priorities. By centralizing this function, the lead entity can effectively coordinate with line ministries, finance partners, and other stakeholders, ensuring that monitoring and reporting activities contribute to more informed and strategic climate investment decisions.

Step 12: Establish and communicate the monitoring strategy

Embedding the monitoring strategy into the policy implementation frameworks and communicating it to relevant stakeholders enhances transparency and institutional buy-in, potentially generating incentives for stakeholders to provide the required information promptly. The rationale for the monitoring strategy is to track progress, improve the process over time, and engage current institutions and partners in this effort.

By centralizing monitoring and reporting, the lead entity can effectively coordinate with line ministries, finance partners, and other stakeholders, ensuring that monitoring and reporting activities contribute to more informed and strategic climate investment decisions.


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Step 13: Identify stakeholders for data collection and assess and address gaps to deliver required data

Identifying the public bodies that need to regularly collect information, determining what information they require, and understanding and addressing their needs for regular updates are key to monitoring and reporting progress. It is equally important to ensure these efforts are integrated into existing efforts to sustain data collection and monitoring activities. This integration enhances monitoring efficiency and supports the process's long-term sustainability.

Step 14: Develop a monitoring tool

Countries can opt to establish a centralized monitoring tool to track progress to encompass all relevant financial flows. This tool should accurately represent the sources of secured financing and align with the process of matching these financing sources. Having a single monitoring tool for tracking progress toward mitigation and adaptation targets and financing facilitates coordination with stakeholders and the ongoing review of financing priorities.

The development of such a monitoring tool presents an opportunity for comprehensive data collection and tracking, which can extend to broader strategic objectives like gender mainstreaming. By incorporating cross-cutting indicators that go beyond financial flows, the tool can provide a more holistic view of progress, enabling countries to assess the broader impacts of their climate actions and make informed decisions that enhance the effectiveness and equity of their strategies. This holistic approach ensures that all dimensions of sustainability are considered, leading to more resilient and inclusive outcomes.

By incorporating cross-cutting indicators beyond financial flows, the monitoring efforts can provide a more holistic view of progress, enabling countries to assess the broader impacts of their climate actions.

STAGE 2

Identifying and Prioritizing Investment Needs

Countries may need to develop additional evidence and analysis to translate high-level objectives into more concrete, prioritized measures with sufficient specificity and rigor to attract finance. Developing these measures will help countries analyze financing needs, structure investments, and identify potential funders or investors. It will also help countries focus their investment planning on system-level transformation rather than on isolated investments, putting the country on a path to meet its climate targets. The targeted outcome of this stage is to use the information in NDCs, NAPs, and LT-LEDS, together with further evidence and analysis, to identify a prioritized set of mitigation and adaptation investment needs.

Component 1: Identifying evidence-based investment needs

The climate investment planning process is designed to lead to a well-defined set of investments and supporting activities that unlock the mitigation and adaptation actions necessary to achieve climate targets and avoid maladaptation. These needs should be grounded in a robust understanding of the desired mitigation and adaptation impact, the country's objectives established in their NDC, and any national or sector strategies related to climate (NAP/LT-LEDS) and development. Implementing this component is essential for accessing certain sources of finance (e.g., GCF) and ensuring that investment planning and mobilization leads to concrete climate outcomes, such as emissions reduction and resilience enhancement.

Step 1: Extract information from climate-development policy instruments and understand what further evidence or analysis may be needed to formulate investments

NDCs, NAPs, LT-LEDS, National Communications, sectorial strategies, and other climate-development policy instruments provide critical starting points for understanding the evidence base for investment planning and prioritization of investment needs. To inform investment proposals and to identify any further analysis or gaps that need to be addressed, countries can compare the information contained in their NDCs or NAPs, for instance, to the evidence requirements suggested in this guide and the extra resources available on the web platform. At this point, countries may also seek to develop an analysis that facilitates longer-term systems-level transformation if they have previously examined investment needs through a more incremental, short-term, or single-sector lens.

Step 2: Conduct climate change risk and vulnerability assessments

A Climate Change Risk Assessment (CCRA) enables a country to comprehend its vulnerability to climate change and prioritize adaptation action planning. This assessment may be undertaken (fully or partially) as a precursor to NDC and NAP design. The spatial, temporal, and sectoral scales of conducting a CCRA do not allow for a universal framework. However, a robust CCRA should be carried out at the sectoral and subnational scale most relevant to the sector, allowing countries to identify, prioritize, and design adaptation interventions and therefore effectively reduce vulnerability and climate change–related risk, increase resilience, and avoid maladaptation. CCRAs should be grounded in well-evidenced scientific and observed data on climate change and relevant socio-economic data at the scale needed to support investment decisions. An assessment would typically:

- contain a context-specific analysis of climate change hazards, exposure, vulnerability, and overall risks;
- include historical and future trends or instances of climate change events/hazards and their impacts;
- present mapping of hotspots of vulnerability to climate change hazards;
- analyze potential non-climatic factors and the adaptive capacity to climate hazard risks and impacts;
- propose a list of potential interventions designed to improve resilience and reduce the risk of impact, including any current projects under way or completed;
- lead logically to enabling policies, funding sources, and mechanisms for climate action;
- be conducted in an interdisciplinary and participative manner, involving international and local experts as well key stakeholders and decision-makers;
- be an integral part of an adaptation process (with a clear link to any existing adaptation planning and ongoing adaptation activities)

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Why scale of analysis matters for investment planning

The outcomes of a CCRA may define entry points for promoting cross-cutting, multisectoral, and inclusive interventions that address complex, interacting climate risks while delivering economic and non-economic co-benefits following the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. These interventions are typically formulated and implemented across various sectors (e.g., agriculture, water, energy, transport, etc.) and scales (e.g., national, subnational, watershed/basin level, etc.). Given the diverse and intricate socio-economic and climate contexts at different scales and sectors, the optimal combination of proxies and metrics for conducting a CCRA may vary. Therefore, a sector-specific multiscale assessment of climate change risks is recommended to ensure more tailored and concerted climate adaptation actions that address the needs of communities. This is crucial for guiding adaptation planning and providing the scientific foundation for countries to attract climate finance in order to implement the most suitable actions to reduce vulnerability to climate change–related risks, enhance resilience, and avoid multiscale maladaptation.

Step 3: Identify the country's emission scenarios for mitigation potential

Emission scenarios represent the possible pathways that a country might take in the emissions of greenhouse gases (GHGs). By making assumptions about how society will develop, including factors such as population growth, it becomes possible to estimate trends in emissions that could reveal priority mitigation interventions. For instance, if trends indicate a systemic decline in emissions from a particular sector and an increase in another, a country may choose to prioritize the sector with increasing emissions.

The determining factors for emission scenarios are known as driving forces. The primary forces that "drive" a country's future emissions include population growth, changes in energy use, economic and technological development, and land use change.

By building on existing emission inventories and modeled emission scenarios, a country can identify the most significant mitigation potential across its economy and begin developing a list of potential interventions that would lead to GHG mitigation.

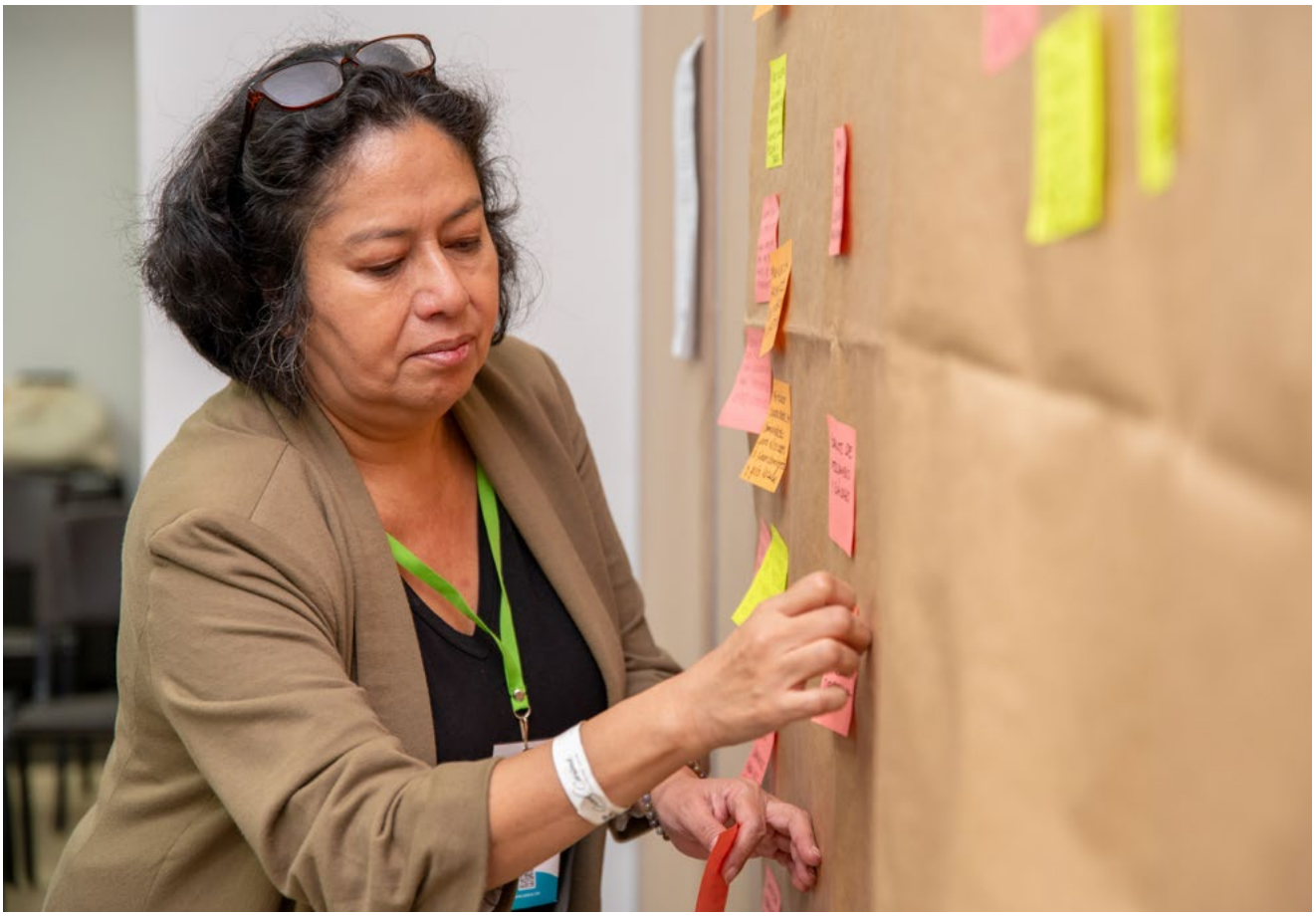
The primary forces that "drive" a country's future emissions include population growth, changes in energy use, economic and technological development, and land use change.

Step 4: Identify potential climate mitigation and adaptation investment needs on a sectorial level

The steps outlined above should lead to a validated set of potential climate mitigation and adaptation investment needs that are responsive to the country's climate change challenges and unique circumstances. At this point, investment needs are characterized in general terms at a sectorial level rather than as specific interventions or investments, allowing greater flexibility at the financial planning stage.

Step 5: Conduct a common practice analysis

Undertake a study that analyses the extent to which the mitigation and adaptation technologies or practices identified above are already diffused through the intervention sectors. This study would identify activities that have been implemented previously or are currently operational in the country and that are comparable in scale, in the technologies they use, and in the environment in which they operate. The analysis should determine the extent to which these activities have penetrated the market and consider factors such as market conditions, commercial viability, the regulatory environment, barriers to implementation, and financial incentives. This top-down analysis will help countries ascertain whether similar technologies or practices have already been deployed in the country, what they are, and whether concessional finance is needed. Ultimately, the common practice analysis would provide insight into the priority interventions and the type of funding needed.



Component 2: Social cost-benefit analysis

A social cost-benefit analysis (SCBA) helps estimate the broader societal impacts of policies, projects, or actions aimed at addressing climate change. Accounting for both financial and non-financial aspects, the analysis weighs the social, environmental, and economic costs against the long-term benefits of a given project. It ensures resources are used efficiently by selecting projects based on their potential in light of long-term and broader social costs, social benefits, and ethical and equity considerations. In the context of climate change effective action and resource allocation are essential for transitioning to zero emissions and climate-resilient pathways.

Additionally, Steps 6 and 7 of the cost-benefit analysis could incorporate the evaluation of social factors, such as the distributional impacts of climate interventions, the enhancement of social equity, and the mitigation of negative consequences on vulnerable populations. This would ensure a more comprehensive assessment of the project's overall societal value.

Climate finance taxonomies allow countries to align priorities with internationally recognized climate objectives, ensuring that financial resources are channeled towards projects with the highest potential impact.

Step 6: Undertake an SCBA of the proposed mitigation and adaptation measures

Policymakers rely on economics to guide decision-making on the risks posed to society by climate change. In adaptation, economists often use Integrated Assessment Models (IAMs) to estimate the future costs of climate change impacts such as heatwaves, flooding, and drought. Estimates are based on evidence gathered under the CCRA versus the economic benefits of preparing for them. In mitigation, models can also estimate the costs of proposed mitigation actions versus the reference scenario development goals.

Step 7: Communicate the risk of doing nothing and the cost of proposed mitigation and adaptation measures

The cost-benefit analysis will translate climate change risks and opportunities into economic and financial terms, helping to prioritize specific climate adaptation and mitigation measures when compared to a baseline of inaction. Communicate these results to the policymakers and public entities linked to climate investment planning and execution, as identified in Stage 1.

Component 3: Prioritizing investment needs

Prioritizing NDC investment needs helps direct financing to areas with the most potential for mitigation and adaptation and allows financing to be aligned with broader national priorities and development objectives. Prioritization should involve a consistent and transparent multicriteria assessment, using both qualitative and quantitative data to evaluate the strategic alignment of investments, their contributions to climate targets and sustainable development goals, and their feasibility. Extensive stakeholder engagement creates a more robust prioritization methodology; it improves the selection of relevant criteria, indicators, and weighting systems and increases buy-in.

Climate finance taxonomies can serve as valuable instruments in this prioritization process. These taxonomies provide a clear classification system for identifying and categorizing financial activities that contribute to climate goals. By using the categories from the country's climate finance taxonomy, countries can align priorities with internationally recognized climate objectives, ensuring that financial resources are channeled towards projects with the highest potential impact. This approach not only enhances the transparency and consistency of the prioritization process but also helps build confidence among investors and financiers by clearly demonstrating how selected investments contribute to broader climate and sustainability targets.

Step 8: Map current and planned investment flows, secured financing, and financing gaps

Reviewing currently planned climate change investments, sector policies, and investment plans, as well as national policy documents related to these investments, helps governments understand attribution and financing gaps. Determining whether ongoing investments are positive, negative, or neutral in their contributions to climate goals will provide an overview of the country's climate action. By reviewing government budget data, donor spending plans, and private-sector investments, decision-makers can comprehensively assess public and private financing already secured for NDC investments at the national and subnational levels. These reviews can reveal potential gaps and opportunities across crucial sectors for achieving climate targets and can help countries better understand investment needs. To avoid overestimating available funds, countries may use a sensitivity analysis to categorize investment activities.

Step 9: Define the process and methodology for prioritizing investment needs

Prioritization methodologies select and use a set of criteria, indicators, and weights to prioritize a portfolio of investment needs. When developed through stakeholder consensus, a prioritized portfolio can facilitate the streamlining of resources and implementation, increasing buy-in. Methodologies may differ for investments in projects, supporting activities that build the enabling environment, and for public- and private-sector investments, as these may involve different needs.

Step 10: Prioritize investment needs using the defined methodology

As countries establish their prioritization methodology, they can utilize decision-support tools such as cost-benefit analyses (CBAs), cost-effectiveness analyses (CEAs), and multicriteria decision analyses (MCDAs). The final weighting of criteria will be determined by each country's climate and development priorities.

Step 11: Engage stakeholders in order to validate the set of prioritized investment needs

The central government should convene sectoral agencies, experts, and other relevant stakeholders to validate the complete set of prioritized investments, including planned and prospective projects and activities. At this stage, countries will also consider whether the set of investment needs aligns with existing efforts led by MDBs/DFIs, existing country engagement programs, and other sources of finance identified in the previous steps, both to avoid overlap and to leverage ongoing processes to secure financing. Countries may further consider how the priorities align with the capacities of stakeholders to inform and streamline mobilization processes for the most urgent actions.

Component 4: Feedback loop for NDCs, NAPs, and LT-LEDS

Conducting evidence-based climate analyses will provide a more granular and precise understanding of existing and forecasted climate impacts as well as mitigation and adaptation priorities, giving countries a strong baseline to further refine their commitments in future iterations of NDCs, NAPs, and LT-LEDS. Similarly, a prioritized set of investment needs to address those climate impacts will enable countries to incorporate financial and technical assistance needs into their climate planning documents.

Step 12: Develop feedback mechanisms to update and enhance country climate policy instruments

While undertaking activities under Stage 2, countries will further develop climate change–based evidence for both mitigation and adaptation, at a sector-specific scale more conducive to and informative for prioritized climate finance programming. This will typically add more insight into what was done for NDCs, NAPs, and LT-LEDS and is likely to yield outputs with implications for future iterations. A feedback loop mechanism that uses outputs from monitoring, reporting, and verification (MRV) and monitoring and evaluation (M&E) systems as inputs for future strategic climate policy instruments should be established at this stage. This feedback loop should connect back to Stage 1, where stakeholder mapping and the ownership of the NDC development process were completed, to ensure that these key actors remain engaged, and their insights continue to inform the evolving policy framework.

Priorities, investments, projects—what to do when?

Different sources of finance will be looking to engage with climate investment ideas at different stages of maturity. For example, some financiers might find it helpful to consider a fully developed project concept as part of their investment process. Others may seek to engage with countries earlier, through a country programming dialogue, to shape a pipeline of investments that is aligned with both the country's needs and financier's capabilities. For private-sector investments, representatives will typically be involved in designing and structuring transactions that respond to an identified investment opportunity. Be mindful not to "overdevelop" project ideas at the investment planning level before engaging key implementing actors. However, it is equally important to ensure that projects are developed with enough detail to attract investor interest; provide the necessary information regarding feasibility, impact, and alignment with strategic goals, while leaving room for further co-creation and adjustments.

STAGE 3

Financing Strategy

Building upon a set of prioritized investment needs, a country can conduct a more in-depth analysis of financing gaps, explore financing options, identify barriers and solutions, and assess the comparative advantages of different sources of finance. With this comprehensive understanding, a country can engage potential sources of finance and project proponents to ascertain which financing options are best suited for various investment needs. The targeted outcome of this stage is a financing plan for a country's NDC-, NAP-, or LT-LEDS-prioritized investment needs, identifying pathways to best-fit finance.

Component 1: Mapping sources of finance for prioritized investments

To successfully catalyze finance for the identified priorities, climate investment plans need to include a comprehensive mapping of investment needs against available sources. The mapping exercise will help to identify different financing options and their characteristics, guiding optimal matchmaking.

While countries have the flexibility to use various instruments to define their climate investment plans, certain types are more familiar and understandable to climate financiers. These include NDC Investment Plans, LT-LEDS Investment Plans, and Adaptation Investment Plans. These documents, which have been designed through robust stakeholder consultations, tend to be framed and structured with a stronger focus on climate and development objectives and align with widely recognized formats, facilitating smoother interactions with funding entities. Countries might also opt to integrate climate into broader national and sectoral investment plans by mainstreaming or climate-proofing them. When doing so, it is important to include certain elements for climate financiers, such as a strong climate rationale, prioritization logic, and a clear connection with climate and development plans and policies.

An in-depth finance sources mapping can help countries engage financiers and project proponents to ascertain which financing options are best suited for various investment needs.

Step 1: Map the climate finance ecosystem

Comprehensively map available international and national public and private climate finance sources. Begin by gaining initial insights into the investment criteria, risk profiles, and characteristics (such as the level of concessionality) associated with various potential sources of finance. Consideration of wider macroeconomic and financial cycles will also factor into this mapping and analysis. The cost of capital, availability of credit and equity, as well as the availability of concessional public international finance, are all affected by cyclical factors and, as such, will influence the availability of different sources of finance at different times.

Step 2: Develop a preliminary mapping of how prioritized investment needs may match different potential finance sources

When mapping investment needs to different financial sources, ask what the risk-reward profile of the activity is. Determining the potential commercial viability of prioritized investment needs based on prefeasibility assessments is highly beneficial at this stage, for example. Market assessments and financial analyses can help determine the revenue generation and returns of prioritized investments. In addition, it is essential to assess other risks or barriers to the investment and the nature of these risks (technology, policy, finance, etc). This will aid in assessing the potential for public, blended, or private finance—that is, whether the investment is viable for private investment or private investment through de- risking and blended finance support, whether it requires concessional finance, or whether it can only be funded through grants and other public funding. Diverse sources of finance, based on the given risk appetites and financing instruments, can then be weighted for each investment need.

Subsequently, a prioritization is conducted to identify the most suitable source of finance. Factors such as revenue generation, cost-benefit, country readiness, opportunities for a blended approach, and available technical cooperation support should be considered. A draft financial plan will include a hypothesis on which investment needs may be best served by national budgets, international public or blended finance, or national or international private finance.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Component 2: Pipeline stocktaking

Through a variety of nationally led or internationally supported efforts, climate investment priorities may have already been identified in the country, sector, or subnational setting. Some of these priorities may be relevant for achieving NDC, NAP, and LT-LEDS targets, and decision-makers should ensure that they are incorporated into the process.

Step 3: Take stock of the existing pipeline

Conduct a detailed assessment of each investment need to identify ongoing pipeline development. Comprehensively analyze existing pipelines to determine the status of each investment requirement and its alignment with the preferences and objectives of potential financiers while remaining flexible in exploring other possibilities that may better meet future financial criteria.

Component 3: Identifying finance partners and setting up a detailed financing plan

Implementing the climate investment plan will require establishing strong partnerships with financiers (public and private) and project proponents. It is necessary to engage potential investors and institutional finance partners early to understand the value they can bring to the table and to best determine how they can support investment priorities and elaborate a financing plan to match needs with offers.

Step 4: Engage with potential finance partners from the public and private sectors

Assess and leverage the investment appetite of finance partners (preferences, objectives, and willingness to invest) by reviewing and interlinking their multi-year financing and investment strategies with the country's investment priorities and finance mobilization strategies. Explore the requirements and constraints of potential financing instruments and the investment sizes they are comfortable with (i.e., ticket size). Examine their investment criteria and strategies to understand the factors and considerations that drive their investment decisions. Finally, investigate the approaches and funding cycles of these investors and finance partners, identifying the timing and frequency with which they allocate capital to align your initiatives effectively.

Step 5: Identify preliminary investment structures that could be leveraged by financing sources and partners

Explore and utilize existing financing options and platforms such as national budgets, MDBs/DFIs, bilateral investments, private-sector initiatives, blended financing models, and other innovative market mechanisms. Conduct a comprehensive analysis to align these mechanisms with investment goals and optimize financial support: assess the national budget scope, MDB/DFI eligibility, bilateral agreements, and the private sector. The aim is to combine various funding sources for a more impactful and sustainable approach, tapping into a wider range of resources and expertise to enhance the efficiency and effectiveness of initiatives and maximize their impact.

Step 6: Prepare a detailed financing plan that identifies best-fit financial sources and barriers to be addressed

Create a comprehensive plan to align investment needs with suitable sources of finance and with capable project proponents to optimize mobilization efforts and ensure impactful resource allocation. Prioritize each investment requirement and potential finance source and identify barriers, revisiting and updating plans periodically for strategic efficiency. Conduct a thorough analysis of barriers for each investment need, taking economic, technological, socio-cultural, implementation, and policy/regulatory challenges into account. This analysis, which should incorporate desk-based research and stakeholder engagement, helps identify actions to improve the enabling environment. Recognize variations in barriers based on the type of financing sought and involve relevant sectors and ministries to address barriers from the most critical to the least critical.

Component 4: Strengthening enabling environments and de-risking

Barriers to investment limit the ability to mobilize resources for identified needs. Developing enabling environments presents a crucial opportunity to enhance the risk-return investment profile of national economies and niche markets for NDC-aligned projects. The enhanced profile creates the potential for easy wins through readily available capacity support mechanisms and the possibility of incentivizing investment with minimal resources. For each priority investment, identify instruments and mitigation measures to overcome barriers, recognizing that barriers may vary between debt and equity, as well as between domestic and international sources of public and private finance.

Step 7: List, categorize, and sequence investment barriers by priority investment needs

High-priority investments should be systematically categorized based on shared barriers; identify and streamline common obstacles faced by investment needs with similar financing requirements. Shortlisting of prioritized investments and associated barriers should be carried out through robust stakeholder consultation processes involving the private sector, specialized national agencies and institutions, sectoral specialists, MDBs/DFIs, finance partners, civil society and academia.

Step 8: Identify and prioritize options to mitigate investment barriers and plan for their implementation

Identify the measures—including regulatory/policy reforms, fiscal instruments and incentives, and financial de-risking—that can address barriers to create an enabling environment conducive to mobilizing and scaling up financial flows. Addressing barriers should contribute to transformational change by targeting interventions across sectors and improving confidence in the stability of policies and regulations over time. Technical working sessions on potential policy actions to address identified barriers should focus on discussing linkages between policy and regulatory solutions. These sessions can then be used to flesh out the necessary regulatory reforms and incentives that will attract private-sector investments, ensuring a well-sequenced approach to implementation and maximizing the potential for sustained financial flows.

Step 9: Design and implement prioritized policies and regulations for the enabling environments to crowd in private-sector climate investments

Once measures to address critical barriers have been identified, a country should seek support for designing and implementing these or proceed to implementation. Since enabling environments are crucial for scaling up financial flows and mobilizing private finance, actions on enabling environments should be treated as a critical part of the country's financing strategy and monitored accordingly.

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Pillar 2

Finance Mobilization

Climate finance mobilization refers to the raising and channelling of financial resources to support activities and investments aimed at addressing climate change. Mobilization entails engaging with financiers to align project portfolios and pipelines with prioritized investments, structuring investments and projects, and strengthening enabling environments and de-risking mechanisms. Depending on the investment prioritized and the finance landscape, decision-makers can opt to tap into resources from public, private, or blended sources.

STAGE 4
PROGRAMMING WITH FINANCE PARTNERS

STAGE 5
DEVELOPMENT OF PROJECTS AND PROGRAMMES

STAGE 6
PROJECT AND PROGRAM IMPLEMENTATION

STAGE 4

Programming With Finance Partners

Stage 4 marks a pivotal point in the climate investment process. At this stage, countries deepen engagement with finance partners to mobilize finance for their investment needs. Unlike Stage 3, Stage 4 focuses on specific projects or a set of investments in collaboration with funding and project proponents. The steps taken vary based on whether the investment is financed by the public or private sector or both, in the case of blended finance. Stage 4 does not involve the development of a formal funding proposal or a project financing plan, which is a step reserved for Stage 5. The targeted outcome of Stage 4 is a prioritized set of projects identified in collaboration with financiers and project proponents.

Component 1: Programming dialogue with finance partners

Identify key public- and private-sector financiers and project proponents with expertise, capabilities, and resources in order to design and execute specific projects, instruments, and financial vehicles for addressing investment needs. These finance partners should possess the technical know-how and capacity to effectively implement and manage the investments in question. Additionally, assessing their available resources, including financial capabilities, is essential to gauge their ability to execute the envisioned solutions successfully.

Step 1: Conduct programming dialogue with finance partners

Decision-makers should convene finance partners and project proponents around the financial plan developed under Stage 3. The aim is to understand the requirements of the investment process and begin fleshing out specific project or program ideas. Organize discussions around sectors or thematic areas in order to cover a range of issues systemically through coordinated interventions. Determine whether there is alignment to proceed with concrete investment interventions and project ideas. To do so, disseminate the plan; raise awareness about the efforts to remove investment barriers; and foster partnerships between decision-makers, financiers, and implementers. Ascertain what the next steps are to advance the desired investments and how to create conducive enabling environments.

Component 2: Concept preparation for public and blended finance

Step 2: Engage with relevant public-sector finance stakeholders to develop projects

The next steps will often involve developing project/program concepts as part of either an investment program or plan with the specific finance partner—such as MDFs, climate funds, or private investors—or through self-standing concept notes. The best channel and outcome of the engagement should be discussed with the relevant financing and project proponents. Depending on the financier and the nature of the intervention, the analytical work underpinning the investment design may require technical assistance. In some cases, blended finance mechanisms can be employed, combining public- and private-sector funding to de-risk projects and attract additional investments. It is important to develop concepts closely with the financier to ensure alignment with their standards and requirements and facilitate approval when needed. The project concept will help test whether the investment is viable to be further developed into the funding proposal or not.

Projects should be developed in close collaboration with financiers to ensure they meet their standards and requirements, thereby streamlining the approval process when necessary.

Component 3: Unlocking private sector–led investments

Unlocking private sector–led investment involves identifying the investment's requirements, objectives, and criteria and creating an enabling environment for them. This will involve addressing key barriers through regulatory and policy reforms, fiscal incentives, and de-risking measures in order to make the investment more attractive to private-sector players. By ensuring an enabling environment, private-sector investments can be more effectively mobilized to meet the prioritized climate and development goals.

Step 3: Develop and launch of RFPs

In cases in which the private sector is expected to lead in addressing investment needs, decision-makers should prepare and publish Requests for Proposal (RFP) for the relevant pipeline of projects. RFPs will describe the investment needs, define the climate and development goals being pursued, and transparently lay out the process for evaluating the proposals.

Step 4: Design and structure innovative catalytic vehicles or instruments to de-risk investment for private capital in-flows

When large amounts of capital are required to address systemic investment needs, countries may consider implementing policy and regulatory reforms, strengthening national institutions, and setting up or tapping into existing vehicles or instruments, such as co-investment platforms, to de-risk investments and attract financing at the needed volumes. These approaches may specifically target private-sector capital but usually also play a catalytic role in financing from various finance partners (please see Stage 4, Component 2, Step 2).

STAGE 5

Development of Projects and Programs

Stage 5 enables all forms of investments, project types, and investment or financing structures. It builds upon the work done at Stages 3 and 4 taking stock of the country's financial resources and ability to attract investments. The outcome of Stage 5 is the development and approval of investment proposals ready to submit to relevant investors and finance partners. Developing these proposals is resource-intensive; it involves translating project concepts into complete climate finance proposal packages, including support studies, that meet the investment criteria of the targeted financiers.

For this purpose, the resources of the GCF Readiness and Preparatory Support Programme and the NDC Partnership's country engagement strategy can be utilized, as well as other funder support mechanisms. Additionally, certain private-sector entities and blended finance funds may be interested in engaging at this stage of the process.

Component 1: Project and program preparation and approval for international and national public sector and blended financing

Project preparation is the process of translating investment needs into specific projects that are ready for financing and implementation. While identifying NDC investment needs, countries pinpointed specific projects and activities at various stages of the investment cycle. To move projects from the idea stage to a state of readiness for implementation, consider the identified source of potential financing and whether there is a need for technical or analytical support in developing these investments.

Step 1: Determine the required project preparation steps

Before detailed project preparation begins, consider the distinct standards of different financing sources. In most cases, involving potential funders from the outset is advisable. MDBs/DFIs, for example, may assist with or lead the project preparation process. Private-sector projects sometimes involve investors who prefer handling project preparation steps themselves. In such cases, the analysis outlined below can inform initial discussions with private-sector financiers about investment options before they proceed with due diligence and project preparation. In other cases, RFPs will help to engage private-sector financiers (please refer to Stage 4, Component 3).

Step 2: Seek project preparation support as needed

Developing a climate finance proposal for public or blended finance will often require a set of studies such as feasibility, environmental, and social-safeguard studies, risk assessments, and other analyses that are an integral part of the proposal. Countries and project proponents may face capacity constraints in developing these technical documents and may need to seek financial and technical assistance from Project Preparation Facilities (PPFs) and specialized partners. The country should identify the project proponents responsible for overall and specific components of project preparation. Additionally, it should identify how this process will be funded and whether technical assistance is needed.

Developing a climate finance proposal for public or blended finance will often require a set of studies such as feasibility, environmental, and social-safeguard studies, risk assessments, and other analyses that are an integral part of the proposal.

Step 3: Project preparation

Project preparation should only occur if there is a plausible strategy for funding, even though the exact funding source and structure will be determined through this step.

The project preparation cycle will generally include the following:

- **Prefeasibility study:** An initial assessment of the project that includes its objective, scope, alternatives, an analysis of those alternatives, and a preliminary identification of the project's affordability (value for money).
- **Technical configuration:** The technical solution needs to be fully developed, including the specific technologies, standards, technical design, project location, and required resources for the project delivery. Technical experts should prepare the project design, and external review processes should be conducted.
- **Feasibility study:** Once the full technical design has been prepared, feasibility studies need to be conducted to review the design, consider the project's impact, and identify any relevant risks. Feasibility studies may include financial/economic feasibility, as relevant to the project.
- **Project governance and risk allocation:** The project governance and ownership structure should be determined, including how fiduciary liabilities will be shared between the government and other investors. At this point, decisions about whether the government will deliver the project directly or whether a public-private partnership or private investors will be involved must be made.

- **Policy and legal review:** The relevant legal and policy framework in which the project will be delivered must be reviewed and the design adjusted accordingly. Key policy and legal risks should be identified, and the project structure should be adjusted if necessary.
- **Costing and budget preparation:** Project budgets need to be prepared by identifying and planning each activity and input required for the project and determining the cost of activities and inputs using previous comparable projects as a benchmark. Budgets should be prepared using headings matching the implementation agency's reporting and audit requirements.
- **Gender, social, and environmental impact analysis:** A gender, social, and environmental impact analysis should be conducted to identify, avoid, mitigate, or minimize adverse gender, social, and environmental impacts as well as increase positive outcomes in these dimensions.

Once the project preparation is complete, the climate finance/investment proposal can be submitted for approval to the finance partner. The approval process may involve certain technical conditions or questions to be addressed by the project proponents. These may require further support or technical assistance, so it is important to incorporate a budget for this contingency.

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STAGE 6

Project and Program Implementation

The effective implementation of projects and programs requires the achievement of climate, development, and financial objectives. To do so, adhere to a predefined logical framework as a strategic guide and delineate the necessary steps for success. It is crucial to ensure that the requisite capacities, knowledge, and skills are identified and made available throughout the implementation process.

Component 1: Project and program implementation and monitoring

Project and program implementation and monitoring involve identifying capacity needs to equip stakeholders with the expertise to successfully execute the initiative. Additionally, monitoring the implementation of investments through predetermined means and instruments will provide valuable insights into progress and challenges, enabling stakeholders to make informed decisions. The data gathered during the monitoring phase can inform future ambition setting and implementation planning, fostering an adaptive and responsive approach to achieving sustainable climate and financial goals.

Secure the appropriate capacities to facilitate the effective implementation, monitoring, and reporting of projects, identifying potential gaps in knowledge or skills within the project team and collaborating with organizations.

Step 1: Prepare for project implementation, making sure the right capacities, knowledge, and skills are acquired

Secure the appropriate capacities to facilitate the effective implementation, monitoring, and reporting of projects. This involves meticulously assessing the skills, expertise, and resources required at each stage of the project lifecycle. Ensuring that the right capacities are in place involves identifying potential gaps in knowledge or skills within the project team and collaborating with organizations. Engage with those development agencies, non-governmental organizations (NGOs), or international organizations that can provide valuable resources and insights, ensuring that the project team is well equipped to navigate challenges and capitalize on opportunities. This collaborative approach not only strengthens the project's implementation, monitoring, and reporting capabilities but also fosters a culture of continuous improvement and adaptability, which is essential for addressing the dynamic nature of project environments.

Step 2: Monitor, report, and activate feedback loops, making sure the right capacities, knowledge, and skills are acquired

Climate finance partners generally use a results-based management approach to continuously monitor and evaluate the performance of their projects, programs, and portfolios. This approach supports their need to assess whether their projects and programs are on or off track to deliver expected results based on data generated from monitoring and evaluation reports. Furthermore, it is always useful to report successful and unsuccessful activities during implementation as part of knowledge management and to inform feedback loops for other countries and entities to benefit from. The country or project proponents should seek capacity support to fulfill these functions as needed.

The insights derived from monitoring and reporting activities contribute significantly to investment and implementation planning. They inform decisions on strategic resource allocation for capacity gaps, highlight areas that require additional attention, and provide evidence for refining the project's progress. Ultimately, adherence to monitoring and reporting guidelines ensures that the monitoring and reporting processes become valuable tools not only for assessing the current project but also for steering it toward greater success and alignment with long-term climate and sustainability goals.

Climate Investment Planning and Mobilization Framework

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NDC PARTNERSHIP

GREEN CLIMATE FUND