



NDC Investment Planning Guide Summary Document

Towards Transformative NDC Investment Planning

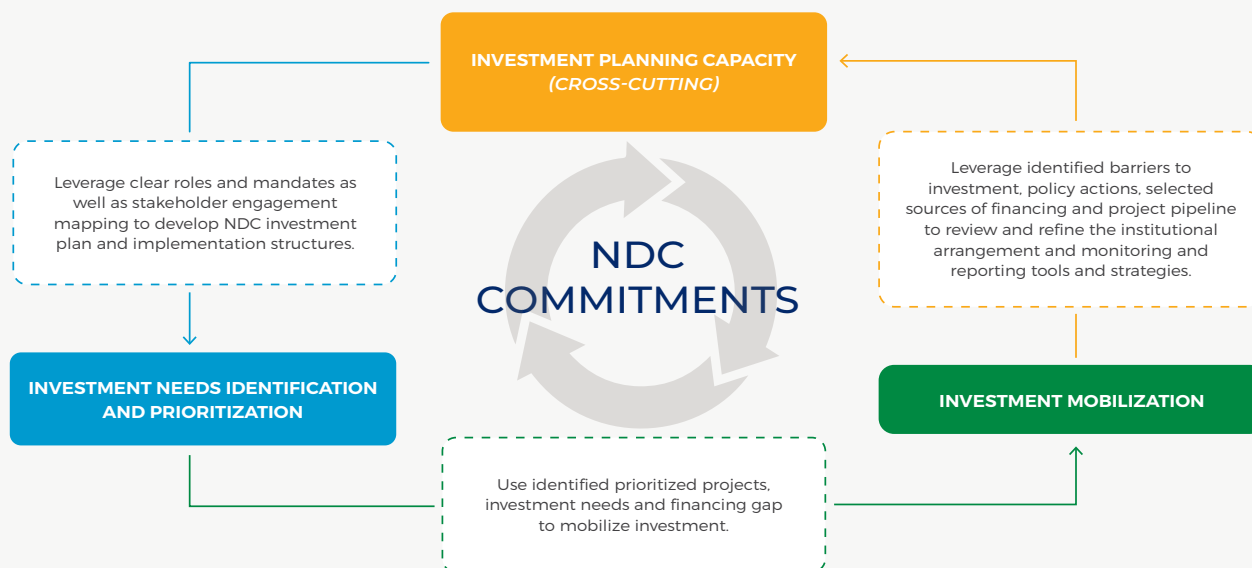


OVERVIEW

This NDC Investment Planning Guide provides step-by-step guidance for countries to develop and strengthen their climate commitments into actions by preparing investment plans based on current best practices collected by the NDC Partnership.

The Guide organizes NDC investment planning into three stages, Investment planning capacity (cross-cutting), **Investment needs identification and prioritization, and Investment mobilization.** Across the three stages, eleven components guide specific outputs that can help countries advance their investment planning process (Figure 1).

FIGURE 1. TRANSLATING NDC COMMITMENTS INTO ACTION



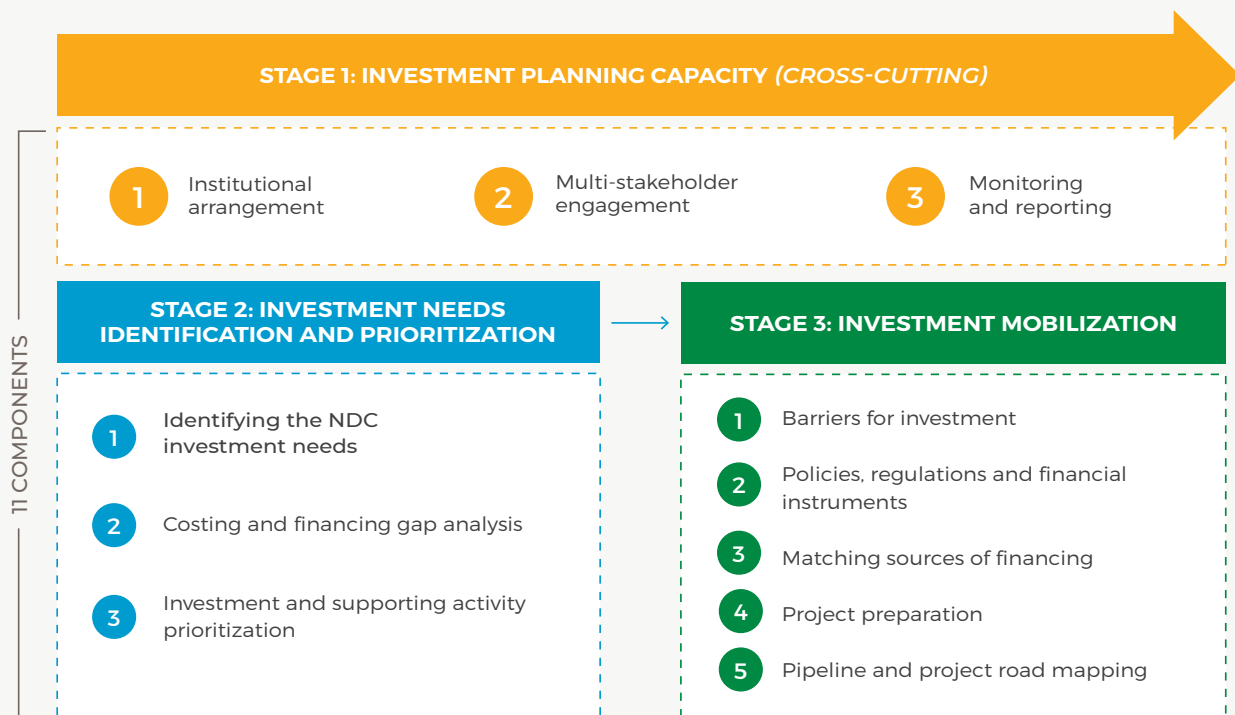
This guidance is not intended as a template or a one-size-fits-all manual. Instead, it should be tailored to each country's unique circumstances. In that sense, the Guide follows four guiding principles:

- **It is unique to each country's context** as it is anchored in a country's climate priorities, commitments and ambition. In fact, NDC investment planning may provide relevant feedback for reviewing NDC targets, as many of the outputs and studies may uncover new capabilities and avenues for increased climate ambition.
- **It is at different stages across countries.** Some countries might find this Guide helpful to produce initial NDC investment planning outputs, while others might use it to strengthen existing analyses, processes, or outputs.
- **It is dynamic and iterative.** To do so, processes should be implemented to update NDC investment planning outputs to remain 'living' documents where the information is relevant to stakeholders.

The NDC Partnership strives to support countries to maximize their investment planning efforts, no matter their current capabilities. Governments should shape the scope of their investment planning to their national context and objectives, capitalizing on the support available through the NDC Partnership. While current available capacity is a legitimate limiting factor to the ambition of the investment planning process, countries should use this Guide to identify and plan additional support needs, which can be delivered through the NDC Partnership, including capacity building or analytical support.

The Guide’s stages address a unique gap by providing a programmatic approach to NDC investment planning. This first-of-its-kind effort combines a step-by-step sequence with specific outputs for countries to tailor their needs (Figure 2). It also aids decision-makers in articulating how multi-stakeholder engagement and coordination mechanisms are designed to ensure that capacity is built and country ownership is maintained across all three stages of the investment planning process. It also ensures alignment of interventions with ongoing in-country work (e.g., policies, projects, institutional structures), thereby avoiding duplication of efforts and promoting the crowd-in of existing resources. The Guide strategically links activities and projects around a “transformative vision” that unifies multiple interventions, clarifying how each contributes to achieving NDC goals and translates into measurable climate impact. In doing so, the idea is to arrive at a pipeline of investment-ready projects with actions that address investment barriers and build enabling environments for deploying diverse financing instruments (from both public and private sectors) according to country needs and priorities.

FIGURE 2. STAGES AND COMPONENTS OF NDC INVESTMENT PLANNING



By providing an illustrative sequence and a menu of outputs that can be utilized to advance NDC investment planning, the Guide aims to support governments and other actors in navigating these complex processes, from identifying needs to mobilizing resources. In summary, the Guide can be most helpful for the following four stakeholder groups: (1) NDC Partnership member countries (e.g., finance and environment ministries and other project-executing entities), (2) financing and implementing partners (e.g., Multilateral Development Banks, Climate Funds, and other multilateral/bilateral financing facilities), (3) private sector (e.g., investment funds and asset managers, and Philanthropies interested in how countries originate, prioritize, and promote NDC-aligned investment projects), and (4) civil society organizations (e.g., groups or organizations playing a role in building community resilience, advocating for specific societal interests and national climate objectives).



STAGE 1: 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 that countries can leverage are mapped to identify NDC investment needs and mobilize resources. This stage consists of three main components.

COMPONENT 1. INSTITUTIONAL ARRANGEMENT

Decision-makers can adopt various institutional arrangements for the NDC investment planning process. The specific institutional structures and arrangements to develop, coordinate and implement NDC investment plans can ensure strong accountability and collaboration channels within the government and social actors and support the exchange and gathering of information for NDC investment planning. To this end, government ministries/agencies with a mandate over finance/planning, climate change, and relevant sectoral areas should be mapped to identify and implement activities linked to NDC targets and financing projects and activities. Based on the institutional map, a gap analysis is suggested to identify and address role voids at the central coordination and specific-role levels.

COMPONENT 2. MULTI-STAKEHOLDER ENGAGEMENT

A multi-stakeholder (e.g., public sector, private sector, civil society) strategy enables a more robust NDC investment planning and facilitates broad buy-in. It involves mapping and engaging relevant stakeholders across core actions, objectives, and accountability. Data sharing and validation processes can become more robust by engaging stakeholders for each component of the investment planning process. As part of this component, the responsibility to coordinate stakeholder engagement for specific components and subcomponents of NDC investment planning should be assigned to relevant public bodies.

COMPONENT 3. MONITORING AND REPORTING

Monitoring ongoing and planned financial flows is critical to ensure the efficient and timely allocation of resources for NDC implementation. Reporting can also provide significant input for future iterations of NDC investment planning outputs. A strategy to monitor, report, and verify progress and impact on financial flows is a highly encouraged element in implementing an NDC investment plan. It can introduce transparency and accountability of public spending, facilitate coordination with investors and development partners, and improve decision-making for future NDC investment planning, prioritization, and resource allocation.

The first stage is cross-cutting and deals with setting robust and inclusive NDC investment institutional arrangements.



STAGE 2: 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. This stage consists of three main components.

COMPONENT 1. IDENTIFYING NDC INVESTMENT NEEDS

The investment needs include a well-defined set of investments and supporting activities that unlock the mitigation and adaptation actions required to achieve NDC targets. While NDC targets and KPIs could serve as the primary Guide for identifying NDC investment needs, the climate rationale should also be considered. Countries that do not have them should consider focusing on developing those components while engaging in NDC investment planning. Investment needs can take the shape of a project (e.g., electrification of public transport) or a supporting activity to improve the enabling environment (e.g., technical assistance and capacity building). Stakeholder engagement can help validate prioritized investment needs and identify potential actions to address investment gaps.

COMPONENT 2. COSTING AND FINANCING GAP ANALYSIS

Financing gaps are calculated by costing the NDC investment needs and subtracting the level of secured funding. Countries should develop appropriate strategies to close the NDC financing gap. Decision-makers should consider that costing methodologies between mitigation and adaptation might differ due to the type of actions they involve. While mitigation actions generally involve deploying specific infrastructure or technologies, adaptation actions involve policy and system-driven activities. Decision-makers are encouraged to assess public financing already secured at all levels comprehensively, reviewing government budget data and donor spending plans. Ultimately, the financing gap should be validated with stakeholders.

COMPONENT 3. INVESTMENT AND SUPPORTING ACTIVITY PRIORITIZATION

Prioritizing NDC investment needs facilitates the channeling of financing into areas with the most potential for mitigation and adaptation and alignment with broader national priorities. Prioritization should be based on consistent and transparent multi-criteria assessment leveraging qualitative and quantitative data on the strategic alignment of investments, their contribution to NDC targets, sustainable development goals, and feasibility of delivery. Stakeholder engagement can improve data sharing to select relevant and available criteria and indicators and increase buy-in, resulting in a more robust prioritization methodology.

The second stage for NDC investment planning is identifying the country's investment needs through a participatory and inclusive process.



STAGE 3: 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 and 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.

COMPONENT 1. BARRIERS TO INVESTMENT

Barriers to investment are the factors that limit resource mobilization against the needs identified. Instruments and mitigation measures that help overcome the barriers should be identified for each priority investment. This component represents a key vehicle to improve the risk-return investment profile of national economies and specific niche markets where NDC-aligned projects may operate. For each investment need, a list of barriers should be identified sequentially through desk research and stakeholder engagement. Sectoral or project-level barriers might depend on the type of financing the country seeks (e.g., national vs. international public/private finance). Financial and non-financial barriers should be considered (e.g., technological, socio-cultural, implementation, and policy and regulatory). This stage consists of five main components.

COMPONENT 2. POLICIES, REGULATIONS, AND FINANCIAL INSTRUMENTS

Decision makers should identify the set of policies and regulatory activities that can target barriers identified to create an enabling environment for NDC investment. These activities should contribute to transformational change through interventions targeting impact across sectors and improving confidence in the stability of policies and regulations over time.

In addition to policy and regulation, NDC investment plans should identify whether there are financing instruments (e.g., standard, catalytic or de-risking instruments) or activities (funding research and development) that can address the barriers in the shorter term. Given that projects will be screened for alignment with gender, countries can leverage budgeting tagged against gender equality. Ultimately, a strategy should be prepared, grouping priority investment needs with complementary instruments and measures to overcome the barriers to investment mobilization. This strategy should be validated with external stakeholders, including civil society and the private sector, and approved by the relevant government authority.

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.

COMPONENT 3. MATCHING SOURCES OF FINANCING

NDC investment plans must comprehensively map financing needs against available sources to mobilize finance successfully for the identified gaps. To do so, identified financing gaps must be collated to develop a comprehensive set of investment needs that require financing. These gaps should be tagged to assess whether public financing, donor funds, private sector investment, or blended schemes best serve them. Potential funding sources should be mapped, including potential or desirable ones, which will be verified during the engagement with the funding sources. Information should be shared with development partners, potential investors, and external donors to increase transparency, enhance communication, and improve coordination.

COMPONENT 4. PROJECT PREPARATION

Project preparation is the process of translating investment needs into specific investment projects that are ready for financing and implementation. Investment needs would need to move from the idea stage to a project or activity prepared for implementation, noting the identified source of potential funding and whether there is a need for technical or analytical support to develop them. Projects should be prepared, including pre-feasibility studies, technical configuration and feasibility studies, project governance and risk allocation costing and budget preparation, and gender and social impact analysis.

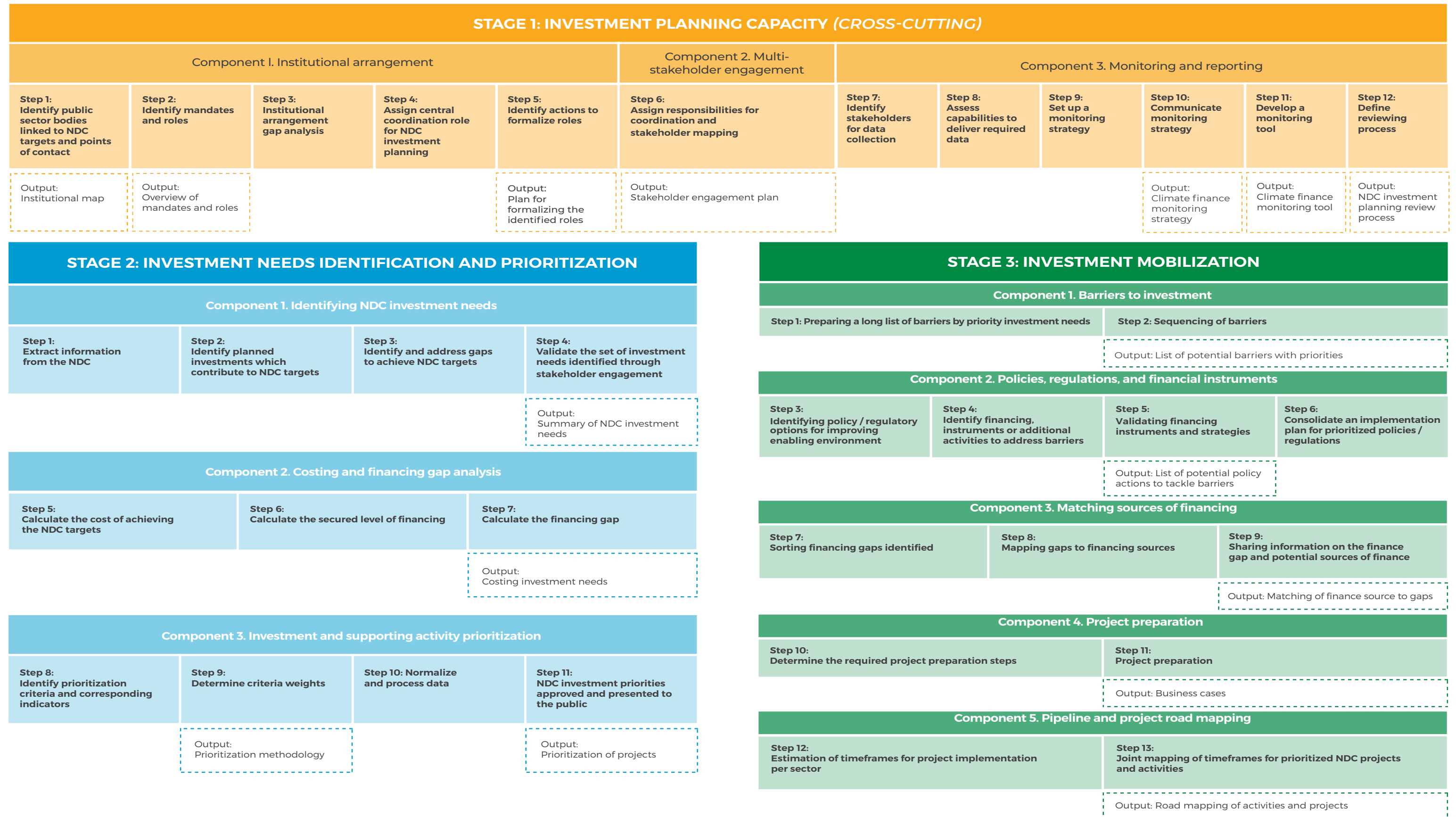
COMPONENT 5. PIPELINE AND PROJECT ROAD MAPPING

When the NDC investment planning process includes specific projects, countries can also define a pipeline, sorting opportunities by readiness and existing financing support. The specific sequencing for implementing projects and initiatives identified in NDC investment plans occurs during this stage. The sequencing should be done to develop a strategy to finance NDC projects and supporting activities in the short, medium, and long term that can optimize quick gains and streamline NDC implementation progress.



Project preparation is the process of translating investment needs into specific investment projects that are ready for financing and implementation.

ANNEX 1. DETAILED STAGES, COMPONENTS, STEPS AND OUTPUTS OF NDC INVESTMENT PLANNING





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

UN CLIMATE CHANGE / UNOPS

Platz der Vereinten Nationen 1
53113 Bonn, Germany

T: (49-228) 815-1000

E: supportunit@ndcpartnership.org

ndcpartnership.org