

POLICY BRIEF

Towards investment readiness

NDC financing and
good practices analysis

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I. Why investment readiness is important for successful NDC implementation

The Paris Agreement (PA) was adopted in 2015 and has been signed by 194 states plus the European Union (EU). It seeks to galvanise the international community to address climate change and to hold the rise in global temperature to significantly below 2°C (ideally to 1.5°C) compared to pre-industrial levels. To achieve this, countries will have to significantly enhance their capacity to adapt to the negative effects of climate change and shift to development paths that lower greenhouse gas (GHG) emissions. The PA calls on each Party to prepare, communicate, and maintain successive nationally determined contributions (NDCs). NDCs are crucial to achieving the objectives of the PA, as they outline countries' targets and initiatives to both mitigate climate change and adapt to its effects. Countries are also requested to regularly supply the information needed to monitor their progress in implementing their NDC.

Aligning financial resources with both adaptation and mitigation goals will be fundamental to fulfilling the commitments in countries' NDCs. Such financial flows concern domestic and international as well as public and private finance. To achieve this alignment, strategies putting in place investment frameworks with relevant policies and financial instruments will be required.

One key aspect in this process will be the mobilisation of private sector finance. NDCs themselves are not investment plans as there is no official requirement for NDCs to outline how they will attract investment and which measures to prioritise. The quality and level of detail in NDCs differ markedly among countries, reflecting the wide range of approaches and standards. While some NDCs already include components related to investments in mitigation and adaptation strategies, many NDCs lack sufficient information to inform and guide investment decisions. This is also a result of varying levels of investment readiness for planning and implementing NDCs across countries. For example, in 2024 fewer than 50% of NDCs contained specific, quantified estimates for the financial support they required.

NDC investment plans can therefore serve as valuable tools for countries looking to mobilise finance and attract investors. By clearly signalling commitment to climate goals and offering a detailed roadmap and pipeline to effectively direct investments, they can play a key role in strengthening investment readiness. Experience to date shows that NDC investment plans are not the only path to attracting financing for NDC implementation, but they can play an important role in building an enabling environment for countries to mobilising NDC-related finance – be it from the public or the private sector. However, even without formal NDC investment plans, some countries have made substantial progress, providing valuable lessons on how effective policies can be integrated into NDC investment planning in the future.

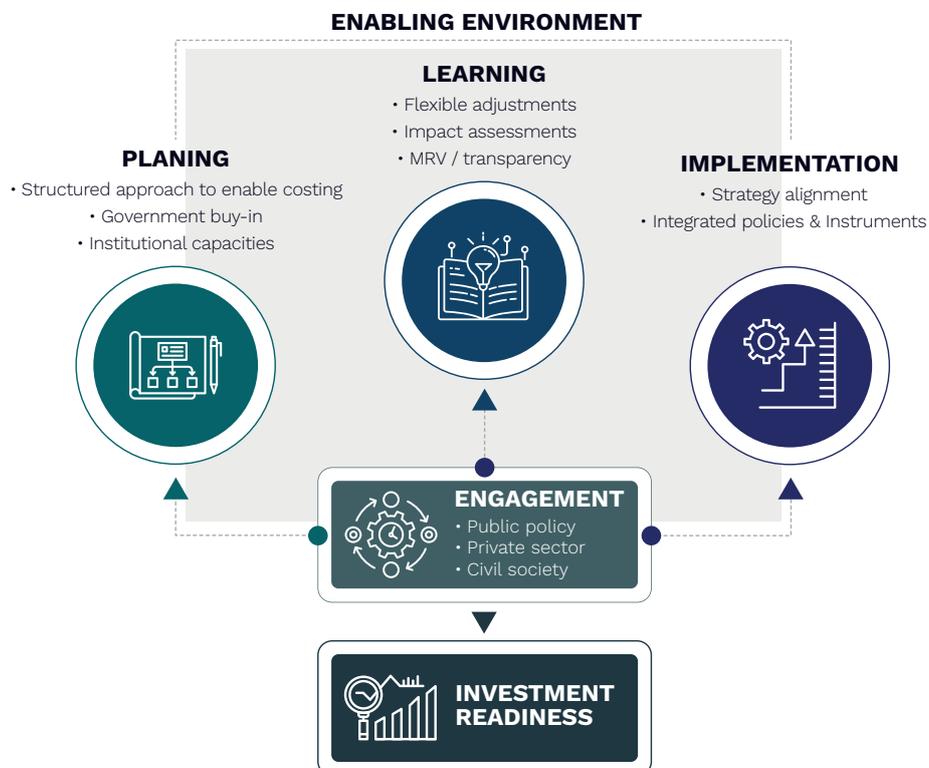
Despite empirical evidence from countries that have already developed NDC investment plans, along with several online tools and resources for NDC investment planning, there remains a significant gap in understanding as to what constitutes a successful NDC investment plan. This knowledge gap encompasses both the design process and the identification of effective financial instruments. This study aims to address this gap and offers an empirical analysis and review of good practices on NDC financing and NDC investment plans, covering both theoretical and practical aspects. Based on a literature review, expert interviews and case study analysis of five countries – Georgia, Rwanda, Jordan, Chile and Germany – the study provides a comprehensive overview of what constitutes investment readiness, including the crucial role and potential contributions of the private sector. After identifying and examining a number of key building blocks and success factors to enable NDC investment readiness, the study presents policy recommendations for creating successful NDC investment plans and overcoming relevant challenges.

II. Building blocks for enabling NDC investment readiness in practice

Phases in the design of effective NDC investment plans.

Source:

Own illustration (adelphi)



The study identifies three distinct phases for the design of NDC investment plans: **planning**, **implementation** and **learning** as well as a number of corresponding building blocks outlined below. Together they form an enabling environment that leads to investment readiness.

1. Planning

The planning phase encompasses the preparation and design of an NDC investment plan to outline investment requirements and funding sources to meet NDC goals.

1.1 Planning processes tailored to the unique characteristics of each country

Countries have adopted a variety of strategies with regard to investment planning and mobilising climate investments, each focusing on distinct elements and following unique processes – for example, in the selection of specific sectors or how different stakeholders are engaged. Additionally, there are a wide range of names for these investment planning documents. Notably, among our case study countries, Chile and Germany do not have NDC investment plans. However, Chile's Finance Strategy on Climate Change has many elements in common with an NDC investment plan. This diversity demonstrates how countries are adapting NDC investment planning to suit their specific needs. A key aspect to consider with regard to this building block is to use information generated in other parallel processes to inform NDC investment plans. The abundance of climate-related plans and documents, if not properly managed, poses the risk of duplicated efforts and

confusion among stakeholders, as highlighted in Georgia's case. This should be avoided, especially considering the resource constraints many countries face. Ensuring that parallel processes are streamlined and mutually informative is crucial.

1.2 Country ownership and buy-in

Strong engagement of relevant actors from the government and beyond is essential to ensure country ownership and buy-in. **Rwanda** provides an example of successful country ownership and engagement in the NDC investment planning process, which was conducted in an integrated manner with the Ministry of Finance taking a leading role in the process. Its involvement ensured climate considerations were incorporated into overall development planning, facilitating the establishment of a dedicated Climate Finance Department within the ministry alongside the existing Rwanda Green Fund. Similarly, Jordan demonstrates strong political support and country ownership in climate initiatives. **Jordan** has progressively clarified and reinforced its institutional climate governance structures. NDC planning and implementation, spearheaded by the Ministry of Environment and the National Climate Change Committee (NCCC), took a coordinated approach to integrate national goals across sectors and address critical nexus issues and its NDC Action Plan received support from the highest levels of government. A key aspect to consider with regard to this building block is whether or not NDC investment plans have been officially adopted by governments and adequately communicated to stakeholders. A lack of formal adoption and communication can hinder the effectiveness and implementation of these plans, potentially leading to missed opportunities for stakeholder engagement and collaboration.

1.3 Identification of investment requirements and funding sources

Countries with NDC investment and implementation plans in place strive to adhere to structured approaches, indicating a heightened awareness of best practices. **Rwanda's** Climate and Nature Finance Strategy includes a detailed stakeholder mapping to clarify the roles of the government, development partners, and the private sector. The strategy includes a timeline for implementation, detailing activities and schedules to ensure systematic progress. It also identifies financial instruments to support public and private initiatives, providing a comprehensive framework for resource mobilisation. Overall, the strategy effectively summarises Rwanda's context, targets, aims, efforts, actors, and policies to secure financing for its NDC targets and promote green growth and sustainable development. Templates were used throughout the process to ensure consistent data collection, and investment needs for different actions and projects were identified and prioritised in the NDC Implementation Framework. In the case of **Jordan's** NDC Action Plan, a robust approach was taken to identify investment needs and prioritise projects based on social and economic criteria (gender, sustainable development). **Georgia's** NDC Financing Strategy and Investment Plan contains an assessment of financial needs (including costing for the different mitigation actions) and of the finance gaps for each priority action. Funding sources are also identified and presented in a comprehensive strategy to bridge financial gaps and an implementation roadmap.

A key aspect to consider with regard to this building block is that countries often experience limitations due to data constraints, as observed in countries like Georgia, Chile and Jordan. A sound data basis is crucial to inform investment decisions and forms a central element for structured NDC investment planning.

1.4 Improvement of institutional capacities and capacity building activities

Several capacity building activities targeting relevant stakeholders are in place. In **Georgia** various stakeholders received training on a newly developed budget tagging methodology as a part of designing the NDC Financing Strategy and Investment Plan. In **Rwanda** the process to develop the country's green taxonomy also focused on capacity building to increase private sector awareness of the taxonomy's role. In **Jordan**

capacity building activities promoted inclusion and engagement of key stakeholders. Local governments and municipalities received technical support to create local Sustainable Energy and Climate Action Plans.

2. Implementation

The implementation phase aims to ensure that the NDC investment plan is actionable, that the required finance is mobilised and that its aims are achieved.

2.1 Ongoing engagement of relevant actors

Stakeholder engagement is essential to investment planning processes in all the case study countries. Although it is crucial in all phases of NDC investment plan design, stakeholder engagement is included here under implementation to underscore the importance of co-developing investment planning with key stakeholders to ensure that investment plans are actionable. They include the Ministry of Finance, line ministries, and finance providers from the private sector, with the latter particularly relevant in the case of the transformation of the industrial, transport, and energy sectors.

Germany's Commission on Growth, Structural Change and Employment offers an example of a broad and inclusive stakeholder engagement process to facilitate a comprehensive societal agreement – in this case on transitioning away from coal. Also known as the Coal Commission, the commission's mandate was to assess the impacts of the coal phase out, including both its social and economic consequences, and to formulate recommendations and socially acceptable solutions. The commission brought together a broad spectrum of relevant stakeholders, including representatives of the energy sector, scientific experts, unions, environmental groups, citizens initiatives, industry partners, and German state institutions.

In **Chile**, the Public-Private Roundtable on Green Finance enabled effective dialogue and collaboration between the public and private financial sectors, and involved the Ministry of Finance, the Ministry of Environment, the Financial Market Commission, the Superintendence of Pensions, and the Central Bank of Chile. Seeking to forge a comprehensive agenda that encourages ongoing dialogue and cooperation, the roundtable aims to assist the national financial sector in embedding climate change opportunities and risks within their business strategies and decision-making processes. One of the key initiatives emerging from the roundtable has been the commissioning of a report to develop a framework for establishing a green finance taxonomy in Chile.

In **Jordan**, local governments and municipalities have also been engaged successfully in the formulation of key climate policies during the design of the NDC Action Plan. This initiative bolstered local expertise and reinforced regional frameworks for climate action, delivering crucial insights for ongoing collaboration with sector groups to pinpoint investment requirements.

A key aspect to note with this building block is that practical challenges can often arise in engaging with certain groups of stakeholders, such as those in the private sector. For example, in the case of **Georgia**, integrating the private sector and the Ministry of Finance into collaborative efforts proved to be complex. To navigate these types of challenges, a stronger focus on capacity building with the aim of fostering meaningful engagement with harder to reach groups like the private sector could prove fruitful. By enhancing the skills and resources necessary for effective collaboration, stakeholders can work together more efficiently, ensuring that the private sector plays a vital role in achieving shared goals.

2.2 Introduction of appropriate policies and instruments

Establishing a framework of appropriate instruments and pilot projects can play a crucial role in implementation and creating an enabling environment to leverage investment.

Chile has successfully introduced a range of financial instruments to finance environmental initiatives, including green taxes, green bonds, and a sustainable bonds framework. When the country pioneered green bonds in Latin America in 2019, it became the first and largest issuer. Chile has also piloted results-based finance in its climate efforts. In 2019, IDB Invest and Engie Energía Chile agreed on an instrument to promote coal phase out. The Team Europe Renewable Hydrogen Funding Platform for Chile is a joint effort by the EU, its Member States, and financial institutions like the European Investment Bank and German KfW Development Bank, under the Global Gateway initiative. The platform offers Financial Service Assistance to unite development partners, companies, and investors, aiding in business model development, due diligence, and technical discussions to help banks and regulators create supportive financial instruments for this emerging market.

In **Rwanda**, the Ireme Invest facility serves as a prime illustration of the government's strategic use of blending instruments (funded from development partners) to draw private sector investment. Established through the collaborative efforts of the Rwanda Green Fund and the Rwanda Development Bank, the instruments offered include recoverable grants, concessional finance, incubators, loans, guarantees, and leasing options. They have been accompanied by a new green taxonomy, as well as first experiences in green bonds set up by the Rwandan Development Bank. Overall, the private sector investments in NDC-related projects in countries such as Jordan, Georgia and Rwanda remain rather low given their comparably smaller private sectors and lower FDIs (compared to ODA).

Germany has successfully mobilised finance from private sources through the implementation of policies such as the EU Emissions Trading System (ETS) and feed-in tariffs. Additionally, the country has introduced sub-sector specific incentives, including contracts for difference, which have further enhanced the effectiveness of these initiatives. Industries with hard-to-abate emissions and intense global competition have faced significant challenges in de-risking investments. To address this, Germany introduced climate protection contracts in 2024, providing substantial financial support to transition its industrial sector towards more climate-friendly production.

2.3 Alignment with national development plans

To enable NDC investment readiness, it is crucial to integrate climate action into the priorities and processes of overarching national development strategies in order to ensure clear communication and sound implementation of climate-related priorities.

In **Rwanda**, the planning for NDC investments took a holistic approach, seamlessly incorporating climate objectives into national development strategies and in parallel generating an investment project list with funding needs. The Ministry of Finance and Economic Planning was pivotal in facilitating this integration. Rwanda has successfully woven climate considerations into its institutional and financial frameworks, ensuring these priorities are communicated effectively both within the country and to external stakeholders. Crucially, these efforts have positioned climate action as a core element in Rwanda's sustainable development agenda, fostering widespread agreement that future growth and economic progress must be environmentally sustainable.

Jordan has made substantial efforts to integrate climate action into its overarching national development strategies. Support from the government has been instrumental, with strategic alignment and harmonisation enhancing the efficacy of climate policies. This strategic alignment ensures that climate policies are harmonized with broader developmental objectives, thereby enhancing their efficacy and coherence. By embedding climate initiatives within the core framework of national strategies, Jordan maximizes their impact, ensuring they contribute meaningfully to the country's overall progress.

3. Learning

This phase aims to ensure that the knowledge generated during NDC investment planning feeds into future iterations of NDC investment plans and into other climate action plans and processes.

3.1 Collect and use learnings on impact

Evaluating the impact of NDC investment plans is essential to ensure their effectiveness. There is currently little evidence of impact of investment plans and strategies. Enhancing data access and transparency will further improve this evaluation process.

3.2 Put in place a dynamic and iterative process for future updates

It is important to ensure the creation of a dynamic iterative process that mutually informs NDC target setting and future NDC investment plan updates. There is a lack of adequate follow-up on actions taken after the completion of NDC investment plans and it is early in the update process to assess this element. However, enhancing data access and transparency will significantly improve the assessment process when the time comes.

3.3 MRV and promoting transparency

Countries with NDC investment plans in place acknowledge the significance of monitoring, reporting, and verification (MRV). However, its implementation in most cases remains in the inception phase. In **Georgia**, the NDC Financing Strategy and Investment Plan proposes a robust MRV system to evaluate and update the document on a continuous basis. In **Rwanda**, monitoring and evaluation mechanisms are a fundamental component of the country's climate policy framework. MRV mechanisms have been integrated into the Climate and Nature Finance Strategy to track progress and ensure accountability.

Enhancing access to data and transparency will improve MRV processes. Given that several actions to enhance access to data and transparency are being put in place, it is essential to ensure these efforts are not merely theoretical but are effectively implemented.

Rwanda is distinguished by its strong data accessibility and the implementation of a green taxonomy framework, known as the Rwanda Green Taxonomy. This framework steers the country's transition towards sustainable economic activities by defining and standardising green investments in the private sector. Long-established green budgeting, as well as several climate-oriented budget supports and the Green Funds' NDC facility complement these efforts with public funding. Rwanda seeks to attract the investments necessary to fulfil Rwanda's 2030 Climate Action Plan targets, as outlined in its NDCs. The taxonomy plays a vital role in preventing greenwashing by ensuring transparency and comparability in sustainable investments, thereby linking financial markets with climate objectives. It establishes criteria and methodologies for sectors such as energy, transport, and agriculture to align with environmental goals, including climate change mitigation and adaptation.

In Georgia the country's national bank is also in the process of creating a sustainable finance taxonomy, which will be obligatory for banks to use in reporting their activities. This taxonomy will encompass classifications for both "green/climate" and "social" finance. Additionally, the Ministry of Finance, with assistance from the World Bank, is introducing climate tagging to the state budget. **Jordan** is also in the process of developing a national green taxonomy aimed at standardising the categorisation of green financing. This initiative seeks to lower information costs and enhance access to green finance, effectively addressing existing gaps in the financial sector.

In **Chile** the Ministry of Finance recently unveiled the Draft Taxonomy of Environmentally Sustainable Economic Activities, which is a policy aiming to establish and standardise criteria for identifying environmentally sustainable economic activities. The objective is to create a taxonomy that is globally interoperable and inclusive, while accommodating specific national contexts. Moreover, in collaboration with UNDP and UNEP, Chile has devised methods to monitor climate-related spending. For the Ministry of Environment, a methodological proposal was created to pinpoint climate expenditure at the micro-data level, utilising the Integrated Project Bank (BIP) of the National Investment System (SNI) and expenditure data on government goods and services from the Public Market managed by ChileCompra. UNDP has further assisted Chile in tracking government climate spending, though this remains a complex task requiring institutional coordination.

III. Recommendations for the design and implementation of NDC investment plans

The following recommendations to promote NDC investment readiness target three key audiences: decision makers at the national and international level, and private sector stakeholders. Countries engaged in NDC implementation but also international partners can further increase their focus on strengthening country engagements by mobilising private finance.

1. Integrate investment planning and finance mobilisation: Ensure that NDC investment plans are not stand-alone documents but are integrated with other finance mobilisation strategies. Co-developing plans with financiers and engaging all relevant ministries, particularly the Ministry of Finance, can enhance the plan's effectiveness and implementation. The planning process also needs to consider private sector representatives from those sectors crucial for NDC implementation to ensure that investor perspectives are taken into account throughout the process. Ideally, a coordinated approach should be taken to present financially viable projects to the private sector, and other higher risk projects to governments and development partners.

Generally, NDCs need to be aligned more explicitly with national development planning frameworks and long-term climate strategies. This helps to ensure that climate action becomes a core element of national development strategies and takes a long-term perspective. This can be achieved by linking climate action with poverty reduction, economic development, and infrastructure planning. In addition, involving local government stakeholders at an early stage in the process is important to ensure effective implementation later on. The distinct phases and building blocks for a successful NDC investment plan should be identified early in the design process. Defining clear, measurable indicators of success and integrating them throughout the project cycle will increase the likelihood of achieving desired outcomes – especially when the interests of investors and other private sector actors are reflected from the beginning.

2. Enable long-term public-private cooperation: Investment plans can help to secure the buy-in of stakeholders in the private sector. Learning from examples of best practice in other countries, such as Germany's use of feed-in tariffs or Chile's implementation of green bonds and green taxonomies, can form the cornerstone of such processes. There may also be prospects for regional cross-border cooperation on sharing best practices in green investments and even pooling resources. These approaches can inform investment planning and the development of policies and financial instruments to attract climate finance. Involving private sector representatives throughout this process helps identify priorities, specific needs, and investment readiness gaps at an early stage. This can form the basis for targeted support from government and/or international partners, as appropriate, even if there may be limits to this in countries that are less advanced in engaging with the private sector and attract low volumes of foreign direct investment.

3. Ensure private sector engagement early on: Public-private cooperation can foster meaningful private sector participation in the design of the NDC investment plan right from the initial stages via formats such as roundtables and forums. These should involve financial institutions such as banks or insurance companies to improve the understanding of risks and opportunities of climate-relevant investments, contributing to the de-risking of relevant investments in low carbon and climate-resilient processes. These engagements should focus on aligning business strategies with climate goals and identifying opportunities for private sector investment. Ideally, the engagement serves to further strengthen the business cases for action in the medium and long-term.

- 4. Address institutional and economic barriers:** The NDC investment plan should prioritise improving enabling conditions for investments through dedicated structures that create incentives and support de-risking. However, an initial focus should also be identifying and mitigating institutional barriers, such as high interest rates and collateral requirements, which hinder private sector investment. Policies that reduce these barriers and promote financial inclusivity should be designed and implemented. This was illustrated in the case of Georgia where, despite the remaining challenges, a number of economic reforms (e.g. deregulation, tax reforms) created an enabling environment for private investments. In addition, debt-related constraints can be addressed by integrating debt-for-climate swaps or debt restructuring mechanisms into NDC investment plans. Green budgeting and other institutional measures can help to channel national public funding and international financial support into the NDC investment plan.
- 5. Improve transparency and access to climate finance data:** Building institutional capacities to improve transparency and data accessibility is a key concern in international climate negotiations. Buy-in from private sector partners can be increased by ensuring closer cooperation vis-à-vis international obligations in this regard. This includes developing green taxonomies and MRV systems to effectively track and report climate finance. As the example of Rwanda indicates, establishing a taxonomy creates the basis for an improved understanding of the different ways in which climate change is affecting business activities. Increasing the climate literacy of private sector stakeholders can serve to strengthen ongoing engagement and further public-private cooperation.
- 6. Ensure regular updates and communication of NDC investment plans:** Regularly updating NDC investment plans to reflect new climate targets and commitments, as well as lessons learned, is key to investment readiness. Lessons learned should be based on the ongoing monitoring of implementation progress and any adjustments needed (e.g. due to unforeseen challenges). This serves to establish an iterative process where updates are communicated effectively to stakeholders to maintain transparency and engagement. Showcasing positive examples of NDC investment in these updates can also serve to increase private sector and development partners' trust in the country's commitment to achieving its climate goals.
- 7. Implement parallel measures for an enabling environment to promote investment readiness:** While having a strategy is essential, further steps are required to secure the levels of investment readiness necessary to secure sufficient climate finance flows. These complementary measures should aim to demonstrate a commitment to climate action by the public and the private sector. Initiatives such as pilot projects can play a crucial role in capturing the interest of the private sector, offering promising opportunities for future expansion.
- 8. Invest in capacity building to increase financial literacy:** Prioritise capacity-building and ensure initiatives engaging the private sector are also a key focus. These activities should increase financial literacy and understanding of climate finance instruments – also including training for public and private sector actors on mobilising and managing climate finance and designing and implementing targeted investment projects. By engaging with international partners like the NDC Partnership, countries can also gain better access to technical and financial assistance for developing NDC investment plans.
- 9. Make sound investment planning a key feature of the current NDC updates:** The next NDC updates to be submitted by end of 2025 offer a window of opportunity to develop accompanying NDC investment plans. These NDCs 3.0 need to collectively achieve a significant step towards global decarbonization and thus be developed with an economy-wide perspective covering of all GHG emission sources. Here again, close cooperation between public and private sector stakeholders is crucial to ensure that ambitious targets are also implementable – which requires sufficient financial resources and efficient use of international climate finance.

