

Strengthening Finance Ministries' capacity and engagement in the NDCs

Thematic Policy Notes

July 2024



The Coalition
of Finance Ministers
for Climate Action

NDC 
PARTNERSHIP

Strengthening Finance Ministries' capacity and engagement in the Nationally Determined Contributions (NDCs)

Summary of key takeaways

- Ministries of Finance play a unique role in designing more ambitious, credible, and investment ready Nationally Determined Contributions (NDCs) given their central role in countries' economic, fiscal, and financial policies. Early involvement in the NDC development process at the national level is crucial to enhance the quality and ambition of NDCs in line with countries' long-term development priorities and the Paris Agreement objectives and integrating NDCs with investment plans and country platforms. The upcoming 2025 NDC submission cycle presents an important opportunity for further engagement of Ministries of Finance.
- Ministries of Finance are critical for enabling and accelerating implementation and financing of NDCs by building the enabling environment for public and private investments, enhancing market certainty and continuity, and aligning budget processes, regulatory incentives and fiscal policies with climate and sustainable development goals.
- Tailoring solutions to country-specific circumstances, capacities, and priorities is central to success. This note summarizes approaches and options for Finance Ministries' engagement in NDCs, building on examples from countries in different regions, and outlines support mechanisms available through the NDC Partnership and the Coalition of Finance Ministers for Climate Action to assist Ministries of Finance in this process.

1. Introduction to Nationally Determined Contributions (NDCs)

As a contribution to the [Coalition of Finance Ministers for Climate Action Strategic Work Program 2024–2025](#)¹, this Brief Technical Note provides practical recommendations for Ministries of Finance to increase their engagement in the revision and implementation of Nationally Determined Contributions (NDCs). It addresses the urgent need to increase climate change ambition and advance the transition towards a low carbon and climate resilient economy and emphasizes the role of finance ministries, building on relevant Coalition reports² and providing an overview of the NDC Support Initiative introduced by the NDC Partnership and the Coalition.

The Note is structured in four key sections. Section 1 introduces the NDCs and their relevance for Ministries of Finance. Section 2 focuses on NDC enhancement and implementation processes, indicating key entry points for increased engagement of Ministries of Finance. Section 3 focuses on support available for countries, and Section 4 provides conclusions and recommendations.

¹ This technical note is a joint effort of the Working Group for Helsinki Principles 1 and 6 of the Coalition of Finance Ministers for Climate Action. Under the leadership and guidance of Spain and Uganda as Country Leads of the Working Group and the Netherlands and Indonesia as Co-Chair of the Coalition, this note was prepared by the NDC Partnership Support Unit with contributions from the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science, and 2050 Pathways Platform.

² Ministries of Finance and Nationally Determined Contributions: Stepping Up for Climate Action (July 2020), Ministries of Finance and Nationally Determined Contributions: Raising Ambition and Accelerating Climate Action (November 2022), and the Framework and Guide for Strengthening the Role of Ministries of Finance in driving climate action (June 2023).

What are NDCs and why are they relevant in global and national climate change efforts?

The Paris Agreement calls for transformational efforts by countries and all stakeholders to limit global warming to 1.5°C, reduce the vulnerability to climate change, and advance sustainable development. Nationally Determined Contributions (NDCs) under the Paris Agreement encompass each country's commitments to reduce greenhouse gas emissions, build resilience, and adapt to the impacts of climate change in line with sustainable development priorities. Countries have committed to ratchet up ambition and accelerate implementation through updating NDCs in five-year cycles. This process is informed by regular assessment of the level of ambition and implementation, most notably through the Intergovernmental Panel on Climate Change (IPCC) reports and the Global Stocktake (GST). Due to their iterative nature and target-based approach, NDCs are crucial for articulating governments' roadmaps for climate action, creating a pathway aligned with development priorities and long-term vision outlined in their Long-Term Low Emission Development Strategies (LT-LEDS) (see Box 1).

To date, the progress to achieve the Paris Agreement goals has been limited. The outcomes of the first Global Stocktake, concluded at COP28 in 2023, identified that "policies implemented by the end of 2020 are projected to result in higher global greenhouse gas emissions than those implied by the [NDCs]", indicating an *NDC implementation gap*. Additionally, the 2022 synthesis report on NDCs highlights that even if all NDCs are fully implemented, emission levels in 2030 will only be 5.3% lower than in 2019, indicating a significant *ambition gap* in current NDCs.

Therefore, the next NDC submission deadline in 2025 presents a pivotal moment for countries to increase climate ambition and further align climate and development agendas. Governments have a unique opportunity to address growing climate change impacts while creating the necessary policy signals to accelerate the transition to a climate-resilient and low-carbon future. This will require increased leadership of Ministries of Finance as part of a whole-of-government approach to climate policy planning and implementation.

Box 1 – Alignment between NDCs & LT-LEDS

As highlighted in the Paris Agreement (Article 4, paragraph 19), COP26 Glasgow Climate Pact, and COP28 First Global Stocktake, NDCs and Long-Term Low Emission Development Strategies (LT-LEDS) are deeply interconnected. A well-articulated alignment between the short- and medium-term targets and actions in a country's NDC and the long-term horizon of LT-LEDS sets a solid foundation for consistent climate action. Alignment does not only ensure that ambition of NDCs adds up to the long-term targets set out in LT-LEDS. It also helps avoid measures perceived as beneficial in the short term that may lead to stranded assets or maladaptation in the longer term, ultimately hindering the capacity to curb climate change and manage its impacts effectively.

With over 70 LT-LEDS submitted to the UNFCCC³, governments now have an opportunity to use the long-term considerations of LT-LEDS to inform new NDCs to be submitted by 2025. NDCs and LT-LEDS should be seen as integrated processes, providing a coherent roadmap across all sectors to achieve sustainable development and Paris Agreement objectives, considering the economic and fiscal constraints and opportunities.

Why is the engagement of Ministries of Finance in NDCs critical?

³ UNFCCC Long-term strategies portal. Available at: <https://unfccc.int/process/the-paris-agreement/long-term-strategies>

Ministries of Finance play a unique and essential role in designing, planning, and implementing more ambitious, credible, and investment-ready Nationally Determined Contributions (NDCs) given their leadership in economic, financial, and fiscal policies. They are uniquely positioned to support coordination and collaborate with key stakeholders, including public and private institutions, relevant government departments, and subnational entities, to drive systemic changes. They can identify investment barriers and create an enabling environment that encourages public and private initiatives by implementing policy reforms and increasing market certainty and continuity.

Ministries of Finance can inform or lead cost analyses, macroeconomic projections, and macro-fiscal analysis during the planning stages of NDCs, linking these elements with clear sectoral pathways. They can also prioritize interventions in terms of timing and sequencing and identify sources of finance. In the implementation phase, they can align NDCs with national budget cycles, investment pipelines, economic and fiscal policies, and resource mobilization efforts. Additionally, they can increase policy transparency and accountability, ensuring coherent market signals to key stakeholders. These efforts are key for the successful implementation of NDCs.

2. NDC enhancement and implementation processes

By updating NDCs every five years, countries can take stock of progress and increase mitigation and adaptation ambition in ways consistent with the Paris Agreement and national circumstances, capacities, and development priorities. The 2022 Coalition report⁴ on NDCs indicates that, while the engagement of Ministries of Finance increased over time, only a quarter of ministries engaged in different stages of NDCs (formulation, validation, and implementation). The report indicates a substantial opportunity to leverage the Ministries of Finance's knowledge, skills, and expertise to advance climate action. The following sections summarize entry points illustrating how Ministries of Finance can support NDC planning, implementation, and the alignment of climate and development action.

Ministries of Finance role in NDC development, update, and enhancement

Ministries of Finance can play a unique role in shaping, revising, and enhancing NDCs. The 2022 Coalition Report on NDCs⁵ outlines key experiences of Ministries of Finance in this area, including in:

- Promoting a whole-of-government approach to the development of NDCs, leveraging the convening power of Ministries of Finance to ensure coordination among different public and private stakeholders. This approach can also facilitate climate investment planning and resource mobilization efforts by avoiding inefficient isolated actions and creating a unified voice on the country's climate priorities and resource mobilization strategies, including through potential country platforms.
- Aligning the NDC process with national budget cycles and other public financial management processes. This can be achieved through the provision of fiscal and economic data covering actual budgetary opportunities and/or constraints affecting the NDC.
- Guiding effective costing practices and using macroeconomic and macro-fiscal modelling to assess transition scenarios and inform NDCs and long-term strategies, promoting alignment between short- and medium-term climate priorities and national development plans and policies.

A range of Ministries of Finance are engaging in the NDC revision process and ensuring its alignment with countries'

⁴ Coalition of Finance Ministers for Climate Action (2022). *Ministries of Finance and Nationally Determined Contributions: Raising Ambition and Accelerating Climate Action*.

⁵ Coalition of Finance Ministers for Climate Action (2022). *Ministries of Finance and Nationally Determined Contributions: Raising Ambition and Accelerating Climate Action*.

short- and long-term climate and sustainable development priorities⁶. For instance:

- In **Rwanda**, the Ministry of Economy and Finance (MINECOFIN) coordinated the NDC revision, participating in every stage of the process and chairing sessions to discuss the main NDC interventions, define key performance indicators (KPIs), and convene other ministries together with private sector and civil society actors throughout the NDC update process. As a result, Rwanda's updated NDC outlines clear responsibilities for MINECOFIN in NDC implementation, climate finance tracking, and alignment with the broader national development planning process.
- **Uganda** illustrates effective practice in improving internal coordination and aligning key ministries to support the design and implementation of the NDCs. The Ministry of Water and Environment, the National Planning Authority and the Ministry of Finance, Planning, and Economic Development (MoFPED) worked together to ensure the alignment of the NDC update process with the Vision 2040 and the third National Development Plan (NDP III), enabling Uganda to increase mitigation and adaptation ambition in their 2022 NDC submission. A Climate Finance Unit (CFU) within MoFPED was set up months after submission,⁷ increasing national capacity to mainstream the NDC into national and subnational planning and budgeting. It also contributed to making stakeholder engagement more inclusive, leveraging readiness to access climate finance, and progressing in developing a new National Climate Finance Strategy.⁸
- **France** adopted its National Low-Carbon Strategy (SNBC) in 2015, strengthening its ambition in 2020 (SNBC-2) by incorporating a 2050 carbon neutrality target. Through alignment with EU policies and nationwide consultations, the Ministry of Finance's efforts in modelling and stakeholder engagement contributed to inform policy planning and design.⁹

Ministries of Finance role in NDC implementation, mainstreaming, and financing

NDC implementation encompasses policies and resource allocation decisions across many sectors and national and sub-national levels of government, including national and international public, private, and civil society stakeholders. Previous experiences show the unique value of Ministries of Finance to:

- Mainstream NDCs into Finance Ministries' core policy and regulatory frameworks by integrating climate targets into the budget cycle, regulations, and investment pipelines – including through climate mainstreaming in public financial management (PFM), public investment management (PIM), and country platforms. With strong government leadership and ownership including from the finance ministry, these could bring together whole-of-economy actors to effectively mobilize and coordinate resources for climate and sustainable development action, guided by the NDC and long-term national development priorities.
- Improve enabling environments to catalyse public and private sector investments in NDCs, including identifying and addressing barriers hindering domestic and international investors from entering certain markets, enhancing market certainty and continuity, and creating regulatory and fiscal incentives to fast-track NDC implementation.
- Strengthen monitoring and evaluation systems to increase the effectiveness of climate spending. Ministries of Finance are well positioned to develop accountability tools and systems to monitor, track and report on climate finance flows, and evaluate allocation and quality of spending, allowing the identification of challenges and opportunities to advance the planning and implementation of NDCs and LT-LEDS.

⁶ Please refer to [Coalition Reports](#) for additional examples.

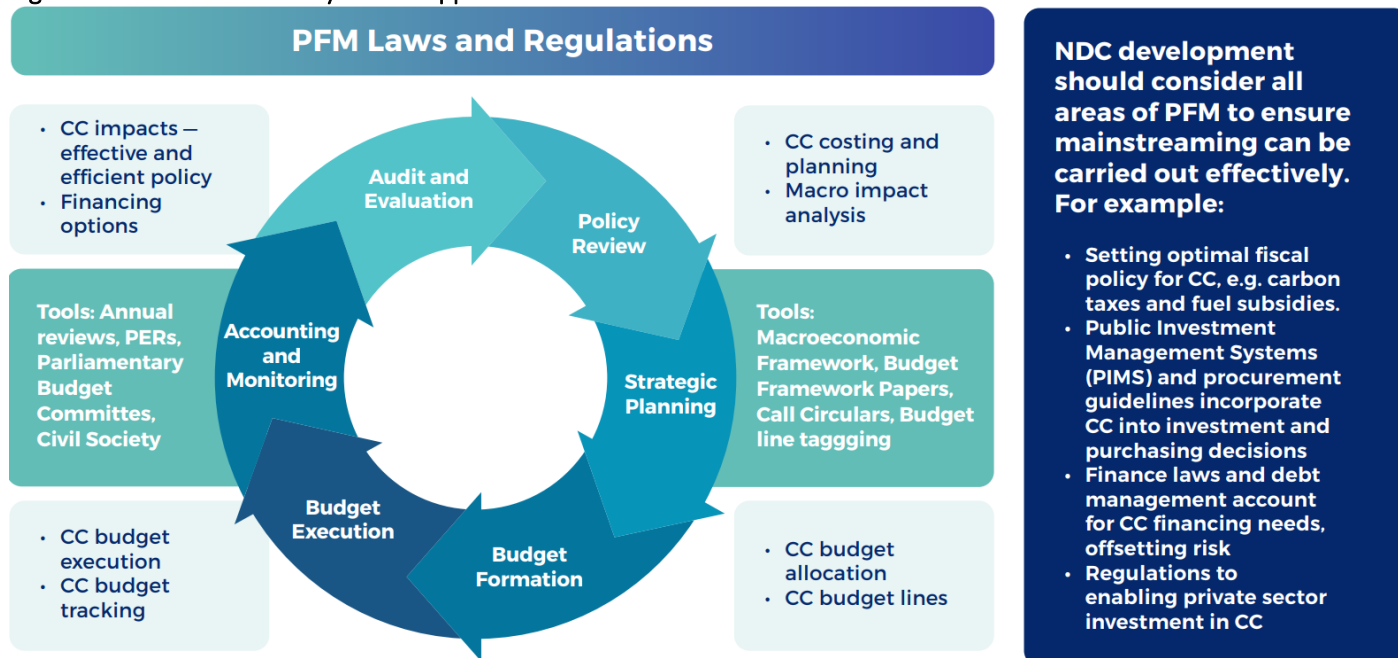
⁷ GGGI (2022). GGGI to support the Ministry of Finance, Planning and Economic Development to establish a Transitional Climate Finance Unit in Uganda. Available at: <https://gggi.org/gggi-to-support-the-ministry-of-finance-planning-and-economic-development-to-establish-a-transitional-climate-finance-unit-in-uganda/>

⁸ UK government (2022). Annual Report on the Taskforce on Access to Climate Finance 2023. Available at: <https://ndcpartnership.org/sites/default/files/2023-12/annual-report-taskforce-access-climate-finance-2023.pdf>

⁹ Coalition of Finance Ministers for Climate Action (2022). Ministries of Finance and Nationally Determined Contributions: Raising Ambition and Accelerating Climate Action.

Figure 1 exemplifies how the budget cycle and tools available to Ministries of Finance can be leveraged to advance a low-carbon and climate-resilient development trajectory.

Figure 1. Overview of PFM cycle and opportunities to mainstream NDCs



Source: *Ministries of Finance and Nationally Determined Contributions – Stepping up for Climate Action (2020)*, adapted from *World Bank (1998)*

Countries like Belize, Colombia and the Philippines illustrate how Ministries of Finance are mainstreaming NDCs, improving resource mobilization for climate action:

- **Belize** developed NDC investment and implementation plans in parallel with the updated NDC, unpacking targets into implementation and investment needs informed by costing, assessment of technical and financial requirements, and mapping the combination of instruments to pave the way for finance mobilization and more effective implementation.¹⁰
- The **Philippines** strengthened coordination mechanisms by clarifying the mandates of key actors and building the foundation for more inclusive implementation. Recognizing the Department of Finance (DoF) role in mobilizing finance and promoting budgetary resilience against climate impacts, the Finance Secretary was made the official representative of the Chairperson to the Climate Change Commission¹¹. This enabled the DoF to strengthen coordination across sectors and industries (e.g., through the Inter-Agency Task Force on Sustainable Finance)¹² and mobilize NDC-aligned investments through initiatives such as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, Sustainable Finance Roadmap, and the Philippine Green Jobs Act.¹³

¹⁰ See Interactive Report from the NDC Partnership’s Climate Action Enhancement Package (CAEP) [here](#).

¹¹ Coalition of Finance Ministers for Climate Action (2022). *Ministries of Finance and Nationally Determined Contributions: Raising Ambition and Accelerating Climate Action*.

¹² Philippine’s Department of Finance (2023). *DOF reconvenes Green Force, discusses next steps on Sustainable Finance Roadmap*. Available at: <https://www.dof.gov.ph/dof-reconvenes-green-force-discusses-next-steps-on-sustainable-finance-roadmap/>

¹³ Philippine’s Department of Finance (2023). *DOF leads intensified climate action initiatives in 2023*. Available at: <https://www.dof.gov.ph/dof-leads-intensified-climate-action-initiatives-in-2023/>

- **Colombia** developed the National Strategy for Climate Finance and the National Climate Change Policymaking monitoring and evaluation system, a crucial element of planning and financing. In coordination with different ministries, the Ministry of Finance and Public Credit contributes to maintaining the Climate Finance monitoring, reporting and verification (MRV) system, which consolidates climate finance data, identifying financing gaps and opportunities¹⁴. The MRV system improves the transparency and comparability of climate finance data, making resource mobilization for climate action easier for donors and recipients and fostering trust in reporting among national and subnational actors¹⁵.

3. Support available for countries

A common challenge ministries of Finance face related to climate policy issues is a lack of dedicated resources and capacity. Building on the [collaboration announced](#) at COP28 and consolidated in the Coalition's 2024-2025 Strategic Work Program, the NDC Partnership and the Coalition are strengthening the support to Ministries of Finance to actively engage in developing NDCs and LT-LEDS in the lead-up to the 2025 NDC deadline. The NDC Partnership will utilize its [Global Call for NDCs 3.0 & LT-LEDS](#) to offer tailored, demand-driven support to countries, leveraging the experience and resources from more than 220 countries and institutions committed to advancing ambitious climate action.

The Global Call is currently supporting over 60 emerging market and developing economy (EMDE) countries in designing and implementing ambitious NDCs and LT-LEDS. This assistance includes country-specific support for the timely development and submission of NDCs 3.0, updating or creating LT-LEDS, and promoting actionable policies and interventions to advance a just and sustainable transition. Ministries of Finance from EMDE countries can communicate their country-specific needs related to NDCs at any time through this mechanism and receive coordinated support from the wide membership of the Partnership (*see Annex 2*).

Additionally, the NDC Partnership, in collaboration with UNFCCC and partners, developed the [NDC 3.0 Navigator](#), a compilation of expert-created and recommended resources on NDC enhancement activities curated for countries to utilize in drafting their next NDC. The NDC 3.0 Navigator builds on existing resources and highlights opportunities for countries to explore technical and financial support offerings to help increase NDC ambition and quality. The NDC 3.0 Navigator will help countries understand how they can raise their ambition in the highest and most meaningful ways, presenting a broad menu of options from which countries can identify the opportunities that work best for them, as well as options to translate the mitigation and adaptation insights of the first Global Stocktake into their NDC 3.0.

4. Conclusions and recommendations

Ministries of Finance play a pivotal role in enhancing the ambition and expediting the financing and implementation of 2025 NDCs. The fiscal constraints post-COVID-19, coupled with geopolitical instability and rising debt in developing countries, heighten competition for resource mobilization. Therefore, early engagement of Ministries of Finance in the NDCs process is critical to developing ambitious, well-resourced, and achievable climate commitments. While engagement of finance ministries is increasing since the initial development of NDCs in 2015, more can still be done to appropriately estimate NDC costs, evaluate macroeconomic scenarios, align fiscal and economic policies, and

¹⁴ Colombia's National Planning Department (2020). What is the Climate Finance MRV system and why was it created? Available at: <https://mrv.dnp.gov.co/Version%20Ingles/About%20the%20platform/Paginas/What-is-the-Climate-Finance-MRV-system-and-why-was-it-created.aspx>

¹⁵ Coalition of Finance Ministers for Climate Action (2022). Ministries of Finance and Nationally Determined Contributions: Raising Ambition and Accelerating Climate Action.

effectively mobilize public and private investments towards countries' climate targets.

In summary, Ministries of Finance can play an active role to enhance NDCs and their implementation by:

1. Strengthening their involvement in the design of credible NDCs. Engaging early in the NDC development process enables ministries of Finance to ensure economic and fiscal feasibility, providing critical inputs for high-quality and ambitious NDC targets. Detailed planning may involve the development of specific transition plans and sequencing cost-effective investments. Appropriate macroeconomic analysis can improve decision-making to optimize economic benefits of the transition and mitigate financial risks posed by climate impacts. Proper costing of the NDC gives a more precise idea of the financial resources required to implement the different programs and interventions, the feasibility within macro-fiscal constraints, and provides a solid basis for budget allocation negotiations. These tools contribute to designing NDCs as achievable commitments that can attract greater levels of support.

2. Accelerating NDC implementation and financing. Ministries of Finance are crucial for the provision of investment-enabling policies and regulations and aligning public investments and fiscal incentives with NDC priorities during the implementation phase. They can support effective mobilization of financing while identifying and addressing institutional and regulatory constraints and capacity development needs. By using key instruments such as the budget cycle, public investment management, and monitoring of climate finance flows, engagement of finance ministries helps ensure that line ministries and other public entities adopt climate-sensitive protocols, new tax policies have the expected impacts, and incentives for the private sector mobilize climate finance at greater scale and into critical sectors.

3. Tailoring solutions to national contexts. Customized approaches tailored to national circumstances, capacities, and priorities are vital for effective NDC mainstreaming. Ministries of Finance can implement phased approaches that build ownership and capacity among diverse stakeholders, accelerating implementation and ensuring NDCs are comprehensive guiding instruments nationwide, including through potential country platforms for the effective and coordinated mobilization of climate and development investments. This iterative process can benefit from inter-agency collaboration, peer learning, and international support, facilitated through initiatives like the NDC Support Initiative of the Coalition and the NDC Partnership. This offers a valuable entry point for Ministries of Finance to engage in the NDCs process, empowering them to strengthen their role in the upcoming round of NDC updates due in 2025 and alignment with long-term national development goals.

Annex I. Further resources on NDCs to inform the work of Finance Ministries

Coalition Reports

- [Flagship Guide: Strengthening the Role of Ministries of Finance in Driving Climate Action](#) (June 2023)
- [Ministries of Finance and Nationally Determined Contributions: Raising Ambition and Accelerating Climate Action](#) (November 2022)
- [How to Scope the Fiscal Impacts of Long-Term Climate Strategies? A Review of Current Methods and Processes](#) (May 2022)
- [Ministries of Finance and Nationally Determined Contributions: Stepping Up for Climate Action](#) (July 2020)
- [Long-Term Strategies for Climate Change: A Review of Country Cases](#) (July 2020)
- [Catalogue of Climate-Related Capacity Building Support from Institutional Partners for Ministries of Finance](#)

Other Resources from Institutional Partners

- UNFCCC – [NDC Synthesis Report](#) (November 2023)
- First [Global Stocktake](#)
- [NDC 3.0 Navigator](#)
- [Interactive Report from the NDC Partnership’s Climate Action Enhancement Package \(CAEP\)](#)
- WRI – [How Countries Can Pay for Climate Action](#) (November 2022)
- WRI – [Next Generation NDCs](#)

Annex 2. NDC Support Mechanism

The [NDC Partnership](#) provides an existing and proven mechanism to provide tailored country-driven support to countries' climate needs, including to Ministries of Finance. As of early 2024, the Partnership supported more than 100 developing member countries (~50 of which are members of the Coalition), with support deployed by over 160 implementing and development partners from the NDC Partnership network. Countries request support for NDC priorities, through focal points in the Ministries of Environment and Finance (or Planning), closely coordinated with relevant sectoral ministries. The NDC Partnership facilitates coordination and matchmaking between countries' identified climate needs and technical and financial support from its wide membership. The Global Call, as one of the mechanisms through which ministries or countries can request support, focuses on specific needs of the country regarding NDC and LT-LEDS development, enhancement and alignment. It complements related mechanisms such as NDC Implementation and Investment Plans that provide a more programmatic and holistic approach to whole-of-government NDC implementation and investment priorities. Support through the Global Call can be provided in multiple areas. Below is a non-exhaustive list of areas of support with a specific focus on Ministries of Finance:

Preparatory support

- Development of a long-term vision integrating climate and socioeconomic goals
- Scoping and needs assessments
- Training and capacity building for Ministries of Finance
- Assessment of economic co-benefits of NDCs and LT-LEDS

Development, update, and enhancement of NDCs and LT-LEDS

- Analysis of current policies, institutional arrangements, and actions led by Ministries of Finance
- Deployment of expertise and targeted TA to Ministries of Finance to engage in NDCs and LT-LEDS formulation
- Cost-benefit analysis and prioritization to inform NDCs and LT-LEDS
- Macro-economic and macro-fiscal analysis to assess transition scenarios, climate risks, impacts, and opportunities to inform NDCs and LT-LEDS
- Strengthening M&E systems in line with Paris Agreement requirements

Promoting long-term transformation and action

- Formulation of economic and fiscal policies and regulatory instruments to deliver NDC and LT-LEDS
- Strengthening of institutions and governance, including Ministries of Finance and the financial system
- Development of Climate Investment Plans and Financing Strategies
- Mainstreaming NDCs and LT-LEDS into economic and fiscal policies (e.g. PFM, PIM, PAM)
- Support investment readiness and financial instruments for transformative interventions
- Greening central banks, including climate stress testing, taxonomy, disclosure, and regulations to protect financial stability and align finance with Paris Agreement
- Other climate-related needs from Ministries of Finance

Focus countries: [Member countries](#) of the NDC Partnership, while non-members [can apply](#) to become a member.

Advisory and service delivery partners: Network of more than 90 institutions and associate [members](#).

How to access support: Can be requested anytime through a country's NDC Partnership Government Focal Points

Who to contact for more information: NDC Partnership Thematic Call (thematiccall@ndcpartnership.org) and Joaquim Leite, Head of Climate Finance (Joaquim.Leite@ndcpartnership.org), copying Luma Ramos, Member Coordinator at the Secretariat of the Coalition of Finance Ministers for Climate Action (lsouzaramos@worldbank.org).