





Data-to-Deal Series

D2D Component 7

FINANCE: DEVELOPING FINANCE STRATEGIES – A BEST PRACTICE BRIEF

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SUMMARY

This best practice brief presents Component 7 of the Data-to-Deal (D2D) framework which addresses Finance. This component focuses on the development of a national finance strategy to support transitions in low- and middle-income countries (LMICs). While many LMICs have developed costed transition plans, implementation remains constrained by access to finance and coordinated investment efforts. Component 7 provides a structured approach to align national priorities with the financial landscape by identifying institutional responsibilities, mapping finance sources, analysing sector cashflows, and structuring viable investment packages. It links closely with preceding D2D components,

ensuring policy coherence, technical realism, and stakeholder alignment, as well as offering practical guidance for Ministries of Finance to embed transition priorities within macroeconomic, fiscal, and regulatory frameworks. Drawing on international case studies and diagnostic tools, the brief outlines how governments can blend public and private finance, manage risks such as currency volatility, and prepare bankable proposals that attract investors. By operationalising this component, governments can maximise the impact of scarce concessional resources, plan for a pipeline of investable projects, and strengthen coordination between domestic institutions and international partners.

KEY RECOMMENDATIONS

1. Strong institutional foundations for transition finance strategy development should be established, anchored by the Ministry of Finance.
2. Transition finance should be embedded within macro-fiscal policy, public budgeting, and risk management frameworks.
3. Viable investment packages and a consistent pipeline of bankable projects should be structured through the finance strategy.
4. The finance strategy should be grounded in sector cashflow analysis, financing landscape diagnostics, and public finance alignment.
5. The finance strategy should be regularly updated and tightly linked to technical planning.

CONTRIBUTING INSTITUTIONS



"The views expressed in this material do not necessarily reflect the UK government's official policies."



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CONTENTS

SUMMARY	2
1. INTRODUCTION	4
1.1. Inter-linkages	5
1.2. Value proposition	5
1.3. Sub-components of the Finance Strategy	6
2. BEST PRACTICE GUIDELINES	7
2.1. Identifying institutional responsibilities	7
2.1.1. Defining formal governance arrangements	7
2.1.2. Developing coordination mechanisms	9
2.2. Creating a sound macroeconomic environment	10
2.2.1. Managing exchange rate volatility and foreign-exchange risk	10
2.2.2. Utilising risk mitigation tools	11
2.2.3. Evaluating debt sustainability	11
2.3. Mapping potential sources of finance	11
2.3.1. Mobilising international commercial finance	12
2.3.2. Mobilising domestic commercial finance	13
2.3.3. Mobilising domestic public finance	14
2.3.4. Mobilising international public finance	15
2.4. Structuring financing packages	16
2.4.1. Conducting financial analysis on projects representative of the portfolio	16
2.4.2. Determining optimal allocation of scarce concessional and domestic resources	16
2.4.3. Evaluating scope for project refinancing	17
2.5. Understanding sector cashflows	18
2.5.1. Balancing financial viability and affordability in line with regulatory tariff trajectories	19
2.5.2. Assessing creditworthiness of major off-takers	19
2.5.3. Engaging with carbon markets	20
2.6. Preparing financing proposals	20
2.6.1. Engaging proactively with dedicated project preparation facilities	21
2.6.2. Developing investment-grade project documentation	21
2.6.3. Aligning financing proposals with donor priorities	22
3. RECOMMENDATIONS	23
REFERENCES	24
APPENDIX 1: RESOURCES	29



This document forms part of a series of guidance notes, each focused on one D2D component. The series provides practical advice to governments and their partners on how to integrate D2D into national planning and financing processes. This series (available [here](#)) is co-authored by leading international organisations, along with contributors from LMIC countries, to reflect a collective perspective on how best to leverage investment for climate-aligned energy and transport transitions.

The primary audience for these briefs includes energy and transport policymakers in LMICs at national and subnational levels, as well as development partners and international organisations that provide technical and financial support. The guidance applies to both mitigation and adaptation priorities, while recognising that the balance between them will differ across country contexts.



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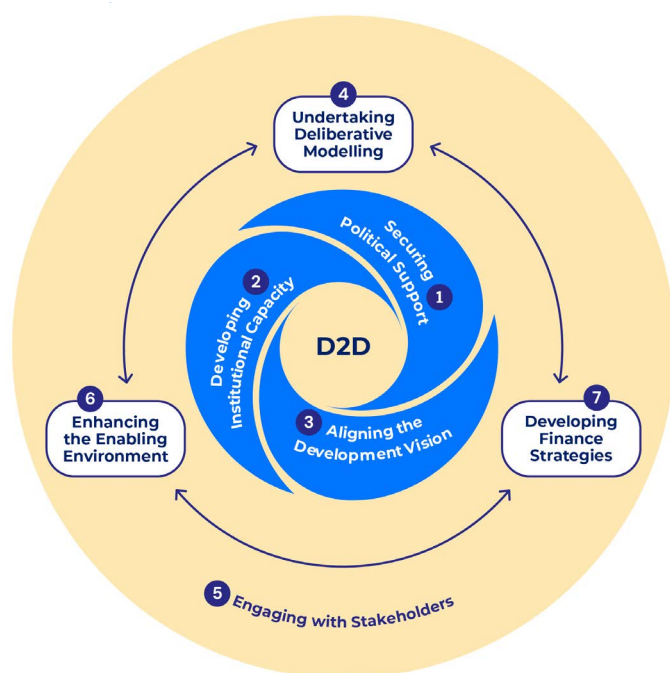
1. Introduction

Low- and middle-income countries (LMICs) are working to transform major economic sectors to advance development priorities, meet climate commitments, and strengthen infrastructure resilience. Achieving these objectives will require accelerated socio-economic change across energy, transport, and other high-emitting sectors. Most countries, however, cannot achieve these transformations without mobilising much higher levels of finance [1].

The Data-to-Deal (D2D) framework (**Figure 1**), developed by over 75 global experts, provides a structured, evidence-based approach to help countries close this gap [1]. The framework consists of seven interlinked components – Politics, Capacity, Vision, Modelling, Engagement, Policy, and Finance – that move from political commitment and institutional readiness through to financing. These components are designed to be adapted to national contexts, rather than be followed in strict sequence, and they are underpinned by sustained stakeholder engagement.

This brief focuses on **Component 7: Finance – Developing Finance Strategies**. In the D2D framework, a national finance strategy is a government-owned framework, typically led by the Ministry of Finance, that sets the objectives, roles, rules, and instruments for mobilising and managing capital for the transition. It is designed for the Cabinet, the Ministry of Finance, planning and line ministries, state-owned enterprises, regulators, sub-national governments, and external partners. The strategy guides decisions on institutional responsibilities; macro-fiscal policy (debt, deficit, foreign exchange and risk management); financing sources (mapping capital availability by type, cost/terms, and access constraints); structuring financing packages (risk allocation by project type, optimising use of concessional finance, and local currency options); sector cashflows (tariff trajectories, subsidy envelopes, and off-taker creditworthiness); and preparing financing proposals (engaging dedicated facilities, standardising documentation, and aligning with donor priorities).

Component 7 concludes with an endorsed finance strategy. It is not a project- or deal-level instrument: it does not originate or approve projects, run procurements, negotiate power purchase agreements, or take transactions to financial close. Detailed project preparation (eg feasibility studies) and financial structuring (eg term sheets) lie beyond its scope. These remain the responsibility of project sponsors, utilities, regulators, public-private partnerships (PPPs) and infrastructure units, and financiers.



1.1. Inter-linkages

Within the D2D framework, Component 7: Finance builds directly upon the outputs of preceding components, as outlined in **Table 1**.

The interaction among these components is iterative. As Component 7: Finance identifies gaps in financing or misalignments with investor criteria, it may trigger adjustments in modelling assumptions (Component 4: Modelling), stakeholder roles (Component 5: Engagement), or policy frameworks (Component 6: Policy).

1.2. Value proposition

A coherent finance strategy plays a pivotal role in overcoming systemic barriers that hinder transition investment. In the absence of such

a strategy, public and private financing efforts often remain fragmented, duplicative, or misaligned with national priorities. The key value propositions of successful completion of a national finance strategy, which can bring multiple benefits, include:

- **Stronger investor confidence.** Transparent strategies and predictable pipelines signal policy coherence, reduce perceived risks, and open space for both domestic and international capital to flow at scale.
- **Effective use of concessional and public finance.** The strategy guides limited concessional and fiscal resources to the areas where they can unlock the greatest leverage, closing viability gaps and crowding in private investment.

Table 1: Interactions between Component 7 and other Components of the D2D Framework

D2D Component	Link to Component 7: Finance
1. Politics: Securing political support	Component 1 establishes the political mandate for the finance strategy by creating the conditions for high-level support. This includes designating the lead institution; clarifying roles and decision rights across ministries, PPP/infrastructure units, regulators and state-owned enterprises (SOEs); and setting out principles for risk-sharing. Embedding fiscal-risk oversight and pipeline governance from the outset ensures budget integration and policy follow-through.
2. Capacity: Developing institutional capacity	Component 2 strengthens institutional capabilities to support the finance strategy by assessing capacity needs across key ministries and agencies and embedding skills within the national knowledge ecosystem. Capacity development should address functions such as green budgeting, fiscal-risk management, PPP appraisal, and project preparation, and it should be sequenced to the governance arrangements and timelines of the strategy.
3. Vision: Aligning the development vision	Component 3 aligns the development vision with the finance strategy by translating national development and transition goals into financing objectives, prioritisation, and sequencing. It ensures the strategy advances broader socio-economic aims, growth, affordability, jobs, and a just transition, and it embeds distributional and affordability considerations in investment choices.
4. Modelling: Undertaking deliberative modelling	Component 4 provides the technical foundation for developing a finance strategy by generating a national transition plan. This forms the basis for quantifying investment needs, cashflows, timing and costs, and translates these into financing structures, concessionality, and tariff/subsidy implications. Component 7 then feeds back real-world financial constraints, based on an understanding of affordability, foreign exchange (FX) risk and debt limits, to refine scenarios and technical modelling.
5. Engagement: Engaging with stakeholders	Component 5 uses structured stakeholder engagement to co-design the finance strategy. Through targeted consultations, ministries, regulators, SOEs, subnational authorities, and financiers validate assumptions, identify constraints and agree risk-sharing principles and documentation standards for the pipeline.
6. Policy: Enhancing the enabling environment	Component 6 focuses on the coherent policy, regulatory, and institutional reforms needed to reduce risk, create clear routes to market, and build investor confidence. It enhances the enabling environment by aligning sector reforms with financeable conditions — such as stable macro-fiscal frameworks, predictable regulatory processes, and transparent disclosure standards — to signal credibility and lower the cost of capital over time.

■ **Strategic prioritisation and pipeline development.**

Sector cashflow analysis enables governments to identify which projects and reforms should advance first, while standardised preparation and documentation convert them into a consistent pipeline of bankable opportunities.

■ **Integration of technical planning with financial feasibility.** By integrating cost, financing, and fiscal implications, the strategy ensures that sector plans and investment programmes are not only technically sound but also financially viable and implementable.

■ **Alignment of finance with national climate and development priorities.** By integrating various existing initiatives under a unified framework, the finance strategy becomes a mechanism for scaling capital mobilisation, accelerating implementation, and supporting the delivery of national climate and development frameworks, such as Nationally Determined Contributions (NDCs), Long-Term Strategies (LTS), and National Adaptation Plans (NAPs).

■ **Institutional coordination and accountability.** By clarifying mandates and anchoring the finance as a leadership role, the strategy reduces duplication, streamlines decision-making, and creates a single reference point for domestic and international partners.

1.3. Sub-components of the Finance Strategy

Component 7: Finance comprises six interlinked sub-components that together establish the foundation for a comprehensive finance strategy. These sub-components move from institutional structuring to the actual design of financing instruments and deal preparation:

1. Identifying Institutional Responsibilities.

Define clear mandates and coordination mechanisms among key government entities and financial actors to avoid duplication and ensure accountability.

2. Creating a Sound Macroeconomic Environment.

Assess the implications of macroeconomic conditions, including debt sustainability, currency risks, and policy stability, and identify measures that could enhance the overall investment climate.

3. Mapping Potential Sources of Finance.

Systematically identify public, private, domestic, and international funding channels, assessing their suitability in terms of scale, financing conditions, and alignment with national priorities.

4. Structuring Financing Packages.

Develop financing structures tailored to project types, sectoral risks, and investor expectations, using blended finance instruments where appropriate.

5. Understanding Sector Cashflows.

Analyse sector-level revenue and expenditure dynamics to assess the financial sustainability of investments and the potential for cost recovery.

6. Preparing Financing Proposals. Outline how to mobilise and coordinate resources for project preparation, engaging dedicated facilities, standardising investment-grade documentation, and aligning submissions with donor priorities, under a country-led secretariat and budget process.

The remainder of this brief provides in-depth guidance on these six sub-components to support policymakers and their partners in operationalising transition plans through viable financing strategies. Throughout, the brief draws on concise case studies to illustrate practical applications, common pitfalls, and replicable solutions in diverse LMIC contexts.

2. Best Practice Guidelines

2.1. Identifying institutional responsibilities

The first sub-component of Component 7: Finance is identifying institutional responsibility. Clarifying who does what and how they work together is foundational to a credible finance strategy. In practice, this means putting in place cross-sectoral coordination, defining governance and decision rights, centring the Ministry of Finance (MoF) to align climate and development priorities with core fiscal and regulatory functions, and keeping momentum across political cycles. This section identifies two key elements that influence the effectiveness of institutional arrangements for finance strategy development:

- **Defining formal governance arrangements.**
- **Developing coordination mechanisms.**

2.1.1. Defining formal governance arrangements

Clear governance arrangements are essential for both the design and implementation of a finance strategy. The Governing Coordination Function (GCF), established under Component 1, sits at the core of the governance architecture for developing finance strategies. The GCF ensures that fiscal, planning, and sector institutions move together across the full D2D framework. This function bridges ministries and typically sits at the centre of government, for example, within the Prime Minister’s or President’s Office, but it must be well connected to the lead ministry overseeing the finance strategy, most often the Ministry of Finance (MoF).

International experience shows that responsibility for drafting finance strategies has varied: in some cases, finance ministries have acted as custodians (Chile, Ghana); in others, planning bodies (Colombia), national treasuries (Kenya, South Africa), or financial regulators (Indonesia, in coordination with the MoF) have taken the lead (see **Table 2**).

However, best practice is for the MoF to play a central role. Given its authority over fiscal policy, public investment, and financial regulation, the MoF is uniquely positioned to reconcile sectoral demands with macroeconomic constraints, assess fiscal risks, and ensure that climate finance is integrated into long-term development planning. Even where authorship lies elsewhere, the MoF must be closely involved, and responsibilities across all stakeholders should be clearly defined within a transparent and accountable governance framework.

The GCF is responsible for overseeing the coordination mechanisms, namely the Political Steering Committee – Special Interest Group (PSC-SIG) and the Technical Delivery Group – Special Interest Group (TDG-SIG), convening them at key milestones and co-creating workflows that connect financial modelling, fiscal policy, and reform sequencing. This ensures that political direction and technical analysis remain synchronised throughout the strategy process.

Governance arrangements should also mandate regular review and updating of the finance strategy to keep it responsive to fiscal and policy shifts. Embedding this responsibility within existing institutions maintains continuity across political cycles and sustains investor confidence. Updates should explicitly track changes in national plans and sector strategies so that financing approaches remain aligned with evolving priorities.

Governance structures must be paired with targeted capacity development (see Component 2: Capacity), enabling finance ministries, regulators, and sector agencies to exercise their mandates effectively. Sequencing capacity-development activities alongside the

Table 2: Ministerial authorship of finance strategies across LMICs. Adapted from [2].

Country	Title	Ministerial Author
Argentina	National Sustainable Finance Strategy Argentina [3]	Ministry of Economy
Belize	Climate Finance Strategy of Belize 2021–2026 [4]	Ministry of Sustainable Development
Chile	Climate Change Finance Strategy [5]	Ministry of Finance
Colombia	National Climate Finance Strategy – Closing the Gap [6]	National Planning Department
Ecuador	National Climate Finance Strategy [7]	Ministries of Environment and Water, and Economy and Finance
Egypt	Egypt’s Integrated National Financing Strategy 2024 [8]	Ministry of Planning, Economic Development & International Cooperation
Fiji	National Climate Finance Strategy 2022 [9]	Ministry of Finance, Strategic Planning, National Development, and Statistics
Ghana	Nationally Determined Contributions Implementation Plan Finance Strategy Report [10]	Ministry of Finance
Indonesia	Sustainable Finance Roadmap Phase II (2021–2025) [11]	Financial Services Authority, in coordination with Ministry of Finance
Kenya	Finance Strategy for the Nationally Determined Contributions [12]	National Treasury
Nepal	Climate Change Financing Framework 2017 [13]	Ministry of Finance
Pakistan	National Climate Finance Strategy (NCFS) [14]	Ministry of Climate Change & Environmental Coordination
Philippines	The Philippine Sustainable Finance Roadmap 2022 [15]	Philippines Inter-Agency Technical Working Group for Sustainable Finance
South Africa	Assessment of Financing a Sustainable Economy (2020) [16]	National Treasury
Uganda	National Climate Finance Strategy 2025–2030 [17]	Ministry of Finance, Planning and Economic Development

governance framework and finance strategy timeline ensures that responsibilities are executable in practice, not only on paper (see **Appendix** for resources cataloguing capacity-development initiatives for Ministries of Finance).

During implementation, governance arrangements should ensure that the finance strategy is integrated into the national budget, consistent with banking and financial regulation, and responsive to macro-fiscal realities. Such anchoring strengthens policy coherence and enhances credibility with external investors and

development partners. Governance must also remain collaborative: sector ministries provide essential technical insight and on-the-ground understanding of investment needs.

Finally, strong governance frameworks depend on accountability and resources. Regular monitoring and public reporting promote transparency, while performance indicators allow progress to be tracked against objectives. Adequate staffing, technical expertise, and funding are essential if governance arrangements are to move from paper to practice.

2.1.2. Developing coordination mechanisms

Effective coordination requires reinforcing existing institutions through cross-government collaboration.

Coordination should also operate at both political and technical levels. Within the D2D framework, this coordination is organised through two complementary mechanisms: a Political Steering Committee – Special Interest Group (PSC-SIG), which provides political and strategic direction, and a Technical Delivery Group – Special Interest Group (TDG-SIG), which manages analytical and operational delivery. Both mechanisms operate under the oversight of the GCF described in Section 2.1.1., ensuring that fiscal policy, planning, and sector priorities remain aligned throughout the finance-strategy process.

The institutional configuration for these mechanisms will vary across countries, shaped by differing governance structures, political economies, and levels of administrative capacity. While some governments may be tempted to establish new structures or units, global practice increasingly suggests that reinforcing existing institutional frameworks, particularly through cross-ministerial collaboration, yields greater legitimacy, continuity, and policy coherence. Strengthening established ministries, planning bodies, or interministerial committees avoids duplication and reduces the risk of fragmentation, while also embedding climate finance responsibilities within the broader machinery of government.

At the political level, the PSC-SIG brings together senior decision-makers, typically ministers or deputy ministers, from the Ministry of Finance, the planning ministry, key sector ministries, regulators, and state-owned enterprises. It provides political guidance, approves milestones, and reconciles fiscal and policy trade-offs. In many contexts, this function may already exist in the form of a

country platform, a government-led mechanism that convenes public, private, and donor actors under a shared coordination structure to guide financing, reform, and pipeline alignment. Where such mechanisms are in place, they can be designated or adapted to serve as the PSC-SIG, provided they are empowered to steer financing priorities, endorse major decisions, and engage development partners and investors on behalf of the government.

At the technical level, the TDG-SIG coordinates the detailed analytical and operational work that underpins the finance strategy. It facilitates the exchange of data and assumptions across ministries, ensures analytical coherence with sectoral and macro-fiscal frameworks, and supports the preparation of investment pipelines and financing-requirement assessments. Within the TDG-SIG, a dedicated Finance Technical Delivery Group (Finance TDG-SIG) focuses on the specialised analytical work required for Component 7. This group undertakes the technical financial analysis that informs the finance strategy, prepares briefs for political review, and tracks implementation and resource mobilisation.

The reach of these mechanisms should also extend beyond government. Engagement with the private sector, civil society, and financial institutions builds ownership of the strategy and creates a channel for continuous feedback. This broadens legitimacy and strengthens investor confidence, especially where policies require mobilising private capital at scale.

Continuity across political cycles is a further determinant of effectiveness. Coordination mechanisms that are mandated through law, regulation, or executive decree are more likely to withstand transitions in leadership and maintain momentum over the medium term. In practice, this means embedding responsibilities into

existing fiscal or planning frameworks, rather than treating climate finance as an add-on initiative. Equally important is the allocation of sufficient resources: dedicated staffing, technical capacity, and financial support are essential if coordination bodies are to function as more than symbolic platforms.

BOX 1. Case study on South Africa's Presidential Climate Commission.

South Africa demonstrates how a two-tier coordination structure can connect high-level political direction with the technical delivery of a finance strategy. The Just Energy Transition Partnership (JETP) serves as the country platform (PSC-SIG), convened by the Presidency's Governing Coordination Function (GCF) to align ministries, development partners, and investors around a shared investment plan. At the operational level, the Presidential Climate Commission (PCC) functions as the technical coordination group (TDG-SIG), providing the technical platform for developing and implementing the national finance strategy. The PCC integrates modelling, financial planning, and stakeholder consultation into a unified analytical process. Together, the JETP and PCC illustrate how structured coordination can translate political intent into actionable investment programmes, enhance credibility with partners, and sustain implementation momentum. See [ODI Global](#) for more information [18, 19].

2.2. Creating a Sound Macroeconomic Environment

Developing an effective finance strategy requires careful integration with a country's broader macroeconomic framework. Beyond project-level characteristics, prevailing economic conditions fundamentally determine capital accessibility and cost, influence the ability to attract private investments, and affect public borrowing sustainability.

This section identifies three elements that need to be addressed to ensure a supportive macroeconomic environment for financing the transition.

- **Managing exchange rate volatility and foreign-exchange risk.**
- **Utilising risk mitigation tools.**
- **Evaluating debt sustainability.**

2.2.1. Managing exchange rate volatility and foreign-exchange risk

Stable and predictable exchange rate regimes are critical for investor confidence. Exchange rate and monetary policies directly affect repayment risks for foreign-denominated finance, shaping both the availability and affordability of international capital. Countries that maintain stable exchange rate regimes or implement credible frameworks for currency volatility management, for example through rules-based FX intervention policies, sufficient reserve buffers, and institutional arrangements that support access to hedging instruments, can substantially reduce repayment risks and attract long-term international capital.

For economies vulnerable to significant currency fluctuations, complementary policy measures can reduce investor exposure. Tariff indexation mechanisms can help ensure that project revenues keep pace with currency movements, while hard-currency revenue ringfencing protects repayment capacity in capital-intensive sectors such as energy and infrastructure. Facilitating access to currency-hedging instruments further enhances resilience, although their availability and affordability often depend on the depth of domestic financial markets (see **Appendix** for links to resources that support this). More broadly, improving sovereign credit ratings through sound fiscal management, macroeconomic stability, and institutional reforms lowers perceived risk and expands access to commercial finance.

2.2.2. Utilising risk mitigation tools

Risk mitigation instruments can catalyse investment but should not substitute for strong finance management practices.

Political risk insurance, investment guarantees, and credit enhancements significantly contribute to reducing investment risks, particularly in markets where policy credibility or institutional stability is still consolidating. These instruments, however, often come at a cost and may be difficult to the scale, meaning they are best deployed selectively as transitional measures, used alongside efforts to strengthen the underlying macroeconomic environment.

BOX 2. MIGA's Political Risk Insurance in the DRC.

The Multilateral Investment Guarantee Agency's (MIGA) political risk insurance demonstrates how guarantees can lower financing costs in markets with elevated sovereign risk and weak off-taker credit profiles. In 2023, MIGA issued a USD 50.3 million guarantee to support Nuru SASU's 11.7 MW portfolio of solar-hybrid metro-grids in the Democratic Republic of Congo. Covering expropriation, transfer restrictions, and civil disturbance for up to 15 years, the guarantee stabilised investor expectations and reduced risk premiums. By sharing exposure with the International Development Association's (IDA) Private Sector Window, MIGA lowered costs and mobilised private capital for clean energy in one of the world's most challenging markets. See [MIGA](#) for more information [20].

By contrast, robust public financial management practices, including transparent budgets, fiscal responsibility laws, and clear rules governing contingent liabilities, are not transitional but foundational. These institutional arrangements provide lasting credibility, strengthen fiscal discipline, and create an enabling environment that reduces sovereign risk premiums over time. When strong governance frameworks are in place, the use of guarantees and insurance can be more targeted and effective, avoiding moral

hazard and preserving long-term fiscal flexibility.

2.2.3. Evaluating debt sustainability

Debt sustainability strategies create the fiscal space needed to invest in the transition.

The fiscal policy landscape and debt dynamics of a country impose important limitations on transition finance initiatives, particularly where private capital is stimulated by public investment. Careful assessment of fiscal space and debt sustainability is therefore imperative before committing to new financing packages.

Analytical tools such as the IMF-World Bank Group's DSA (2025) provide a framework to evaluate repayment capacity and assess risks associated with new borrowing [21]. This evaluation ensures that borrowing for transition-related projects remains consistent with maintaining broader macroeconomic stability. By demonstrating that climate finance strategies are consistent with overall fiscal stability, governments can both protect macroeconomic credibility and enhance their attractiveness to external investors.

2.3. Mapping Potential Sources of Finance

A finance strategy must be grounded in a clear understanding of the sources of capital available, across both global and domestic asset classes.

These can be segmented into four categories, each with distinct characteristics in terms of scale, currency denomination, risk appetite, and institutional requirements. This section is structured into four elements, each reflecting one of the four sources of finance:

- **Mobilising international commercial finance.**
- **Mobilising domestic commercial finance.**
- **Mobilising domestic public finance.**
- **Mobilising international public finance.**

Table 3: Sources of finance segmented into four categories, with information on example characteristics and challenges.

Category	Example	Typical Characteristics	Risk Considerations
International Commercial	International banks, institutional investors, infrastructure funds, private equity, green bonds, impact investors, private equity	Large-scale; often foreign currency-denominated, though local-currency issuances are emerging; seek liquid, de-risked transactions	Sensitive to sovereign risk (macroeconomic stability, credit rating, currency convertibility) and project risk (technology maturity, regulatory stability, off-take arrangements)
Domestic Commercial	Local banks, pension funds, insurance companies	Smaller scale; local currency; shorter tenors; strong potential for long-term institutional investment	Generally conservative; limited track record with new technologies; lower appetite for construction or regulatory risk
Domestic Public	Government budgets, state-owned banks, national funds	Essential for early-stage; low-revenue or socially driven projects; anchor role in blended finance	Constrained by fiscal space, budget cycles, and competing public expenditure priorities
International Public	Multilateral banks, development finance institutions	Concessional terms; high alignment with development priorities	Lengthy processes, subject to conditionalities and limited availability

A diagnostic framework can be used to evaluate each source in terms of the following factors:

- **Capital availability:** How much funding is realistically accessible from public sources (domestic or international) and domestic commercial finance?
- **Typical financing terms:** What are the expected tenors, interest rates, return expectations, or conditions attached? How do public finance and domestic commercial finance compare international markets?
- **Institutional constraints:** Are there legal, regulatory, or capacity barriers that may restrict access or absorption?
- **Historical precedent:** What does the country's recent experience suggest about its ability to mobilise each type of finance?

This mapping can be informed by two complementary approaches:

- A **retrospective review** provides evidence of what has actually worked in the past. This grounds the diagnostic in realism, showing which categories have previously mobilised at scale, under what conditions, and with what limitations.

- **Forward-looking stakeholder mapping** identifies where new opportunities may lie, such as international investors showing interest in local green bonds, or domestic pension funds expanding their infrastructure portfolios. This helps avoid over-reliance on past patterns and prepares the ground for emerging trends.

Used together, the retrospective review ensures that strategies build on proven sources of capital, while the forward-looking mapping identifies where innovation and policy engagement can open new doors.

2.3.1. Mobilising international commercial finance

International commercial finance offers scale, but unlocking it requires a national strategy that maps reforms to reduce risk and align with investor expectations. Global banks, institutional investors, infrastructure funds, and private equity firms are highly selective in where they allocate capital, weighing opportunities against global benchmarks. A finance strategy should therefore provide a clear roadmap that

demonstrates how projects will meet international standards, how risks will be managed, and how foreign investors will be able to access domestic markets in a predictable way.

Finance strategies should also outline practical channels for accessing international markets by identifying and prioritising a coordinated set of actions that improve the investment environment, reduce risks, and align project structures with the expectations of international investors. This involves enabling frameworks for bond issuance, co-investment platforms, and asset recycling policies that create viable entry and exit routes for global capital.

BOX 3. Case Study: Georgia's First Green Bond.

Georgia's first domestically listed green bond illustrates how capital market instruments can attract institutional investors to climate infrastructure. In 2022, the Asian Development Bank invested USD 4 million in a five-year, Lari-denominated bond issued by Georgian Renewable Power Operations to finance hydro and wind generation. The bond adhered to international Green Bond Principles, included external verification, and earmarked proceeds for renewable energy. By providing transparency and reducing currency risk, the issuance built investor confidence and mobilised both domestic and global capital. See [ADB](#) for more information [22].

Alongside this, strategies should commit to building bankable pipelines, maintaining regulatory stability and transparency, and addressing macro-fiscal risks such as currency volatility and sovereign debt sustainability. Regular disclosure of sector performance and structured investor dialogue further strengthens trust and lowers due diligence costs.

This builds directly on reforms to the enabling environment highlighted by Component 6: Policy, which establish the policy, regulatory,

and institutional conditions that make markets investable. Component 7: Finance translates these upstream reforms into a financing roadmap by clarifying which measures matter most for unlocking international capital, sequencing them alongside pipeline development, and assigning clear institutional responsibilities. In doing so, the finance strategy links broader reforms to concrete financing outcomes and signals long-term credibility to investors. The Global Clean Power Alliance (GCPA) builds on this foundation by providing detailed guidance on practical pathways to scale private capital [23].

2.3.2. Mobilising domestic commercial finance

Domestic commercial finance is an essential complement to international flows, offering local currency lending and long-term institutional investment potential. However, the potential contribution of domestic commercial finance differs enormously across different categories of LMICs, depending both on the scale of the domestic savings pool, as well as the state of development of domestic financial institutions, including banks, pension funds, and insurance companies.

While domestic financing brings the advantage of circumventing currency risk, associated terms of borrowing may be less attractive than on international markets in countries where capital markets are less developed, particularly when it comes to the tenor of loans. In addition, domestic financial institutions may be limited not only by the scale of finance they can provide, but also by limited experience with project finance, especially for large infrastructure projects. Many institutions also face knowledge gaps in assessing climate-related projects, limiting their ability to take on construction or regulatory risk. These challenges are compounded by regulatory frameworks that restrict participation through rigid exposure caps or minimum commitment thresholds for specific sectors or individual borrowers.

A national finance strategy should therefore set out measures to expand the role of domestic institutions. This includes strengthening capital markets so that long-tenor instruments, such as green and sustainability-linked bonds, become more widely available. These measures should also aim to improve the capacity of pension funds and insurance companies to invest in infrastructure. Regulatory reforms, such as revising exposure limits, expanding eligible asset classes, or enabling pooled investment vehicles, can help unlock greater participation from institutional investors. At the same time, strengthening the transparency and capacity of financial regulators is essential. Developing climate-related disclosure standards, embedding stress-testing practices, and aligning with international norms can build investor confidence and support the mobilisation of impact-oriented capital at scale. These measures build on the broader market and regulatory reforms set out under Component 6: Policy, ensuring that domestic financial institutions are equipped to channel savings into climate investments once a clear financing strategy is in place.

2.3.3. Mobilising domestic public finance

Domestic public finance is the foundation of transition strategies, anchoring national priorities in budgets and development bank lending. Domestic public finance can either take the form of budgetary allocations for subsidies or loans from domestic development banks, providing support where revenues fall short and sending the policy signals that steer private investment. A credible finance strategy must therefore recognise the central role of public budgets and domestic development banks in shaping the pace and direction of the transition.

Government capital subsidies may be necessary, in some circumstances, for sectors which cannot fully recover costs via user tariffs. This makes

it important to understand the detailed budgetary implications of transition plans, to ensure that there is adequate fiscal space to provide such support at requisite levels.

An effective national finance strategy must recognise the central role of the government budget in advancing climate and development objectives. Public budgets are not only fiscal planning instruments; they are also key vehicles for implementing national priorities, including those related to climate change mitigation and adaptation.

To align fiscal policy with climate goals, Ministries of Finance must integrate climate considerations throughout the budget cycle. This involves embedding climate objectives within annual budget processes, medium-term expenditure frameworks, and long-term development strategies. National Development Plans (NDPs), Medium-Term Fiscal Frameworks (MTFFs), and multi-annual budgets should all reflect a coherent national vision for climate-resilient and low-carbon development.

Such integration requires active coordination between finance ministries and sectoral line ministries. Given that climate-related interventions often occur in sectors such as energy, transport, agriculture, and infrastructure, early and sustained collaboration is essential to ensure that climate priorities are reflected in sectoral plans and resource allocations. To facilitate this, Ministries of Finance should issue clear technical guidance to line ministries on how to develop strategic, climate-informed budget proposals.

This technical guidance for budget proposals may include the following elements:

- Assessment of the economic, social, environmental, and distributional impacts of proposed policies and investments,

particularly in relation to national development goals.

- Evaluation of alternative policy options, including trade-offs between existing and proposed measures.
- Analysis of fiscal and budgetary implications, including potential effects on taxation, public investment, subsidies, and regulatory frameworks.
- Identification of institutional or implementation constraints, including administrative capacity and the availability of complementary inputs.
- Estimation of sectoral resource shifts required to accommodate new policy measures within current or projected fiscal space.
- Clarification on the intended use of sovereign or counter-guarantees to signal where public risk-sharing is expected and where private capital should operate independently.

Mainstreaming climate into national budgets presents both technical and institutional challenges. These include limited capacity for climate-informed fiscal analysis, coordination gaps across government agencies, and potential resistance to reallocating public resources. Initiatives such as the Coalition of Finance Ministers for Climate Action provide practical frameworks for overcoming these barriers, with Function 2c offering detailed guidance on integrating climate considerations into national budget processes and addressing implementation challenges [24].

Domestic development banks can also be important sources of capital, particularly in larger middle-income countries. They provide local currency finance on preferential terms, reducing currency risk and supporting sectors underserved by commercial lenders. With greater risk tolerance, they can back early-stage or innovative projects and help crowd in private capital through blended finance. To maximise their impact, these

banks should align their portfolios with national climate goals and strengthen their capacity for assessing climate-related investments.

2.3.4. Mobilising international public finance **International public finance provides essential concessional capital, but its scarcity demands disciplined use.**

For countries with limited fiscal space or for technologies that are not yet commercially viable, these resources remain an important source of long-term, low-cost funding. In addition to providing project finance, international public sources can also provide funds for upstream project preparation work, as well as policy-based loans to support government reform packages that support improvements to the enabling environment.

However, the volumes of international concessional finance available to any given country or sector are highly constrained. This raises important questions about how concessional resources should be prioritised (allocation) and used to mobilise additional finance (instruments). In this brief, the terms public finance and concessional finance are used partly interchangeably, reflecting the fact that much international public finance is provided on concessional terms.

Allocation. Concessional resources should be allocated across projects so they maximise the size of the bankable portfolio and catalyse the greatest possible volume of commercial capital. To begin with, they should not be allocated to projects with cashflows capable of supporting full commercial finance. Among more marginal projects, it is important to quantify the viability gaps and to prioritise allocations of concessional finance to those projects where it can have the most transformative impact, either by crowding in commercial capital or by unblocking other commercially viable investments.

Instruments. Concessional resources can be packaged as guarantees, loans, equity, or grants, with the appropriate instrument depending on the project's context, risk profile, and financing structure. Guarantees can help mobilise private or public capital by mitigating risk, but their effectiveness varies, and they are not always low-cost or sufficient to reduce financing costs. For most multilateral development banks (MDBs) and development finance institutions (DFIs), guarantees count at near face value against capital requirements, which can reduce their appeal relative to direct lending. Concessional loans can be blended with other forms of debt to reduce the overall required return at the project level and are at least partially replenished to the financier over time. Equity, particularly in the form of junior or first-loss tranches, can absorb higher risk and improve the risk-return profile to attract private investors. Grants are provided at a loss to the financier, but these may be the only instrument soft enough to close the viability gap for some types of public good projects (eg adaptation) (see **Table 4**).

2.4. Structuring Financing Packages

A finance strategy must provide practical guidance on how projects are financed, combining public and private sources to match risk profiles and revenue potential. This requires a structured approach, resting on three elements, which together guide how different projects within the portfolio can be financed in practice:

- **Conducting financial analysis on projects representative of the portfolio.**
- **Determining optimal allocation of scarce concessional and domestic resources.**
- **Evaluating scope for project refinancing.**

2.4.1. Conducting financial analysis on projects representative of the portfolio

Financial analysis of representative projects underpins the assessment of financing needs and support requirements. A first exercise is to break down the transition plan into representative

project types – defined by technology, size, and stage of development – and conduct preliminary portfolio-level finance analysis for each. This involves preparing indicative cashflow models, testing revenues and costs under typical technical and financing assumptions, assessing debt serviceability, and evaluating whether projects can reach financial breakeven under different scenarios. Where real projects are approaching financial close, their technical and financial data can ground the analysis. Alternatively, prototype projects can be grouped into representative categories reflecting likely real-world investments.

A range of tools exists to guide this process, including FINPLAN for project-level cashflow analysis and MINFin for portfolio-level planning of investment needs and concessional allocations. Within MINFin, an optimisation method allocates limited concessional and domestic resources across projects to maximise the overall volume of financially viable capacity. It does this by drawing on inputs from two additional models: cost of capital estimates from FinCoRE and concessional finance availability from FinTrack. This ensures that allocations reflect both market conditions and realistic resource constraints. Using these tools together allows governments to demonstrate a transparent and data-driven basis for prioritising projects, aligned with recognised international practice and tailored to country-specific financing contexts (see **Appendix** for links to resources that support this).

2.4.2. Determining optimal allocation of scarce concessional and domestic resources

Allocating scarce capital efficiently is essential to maximise leverage, close viability gaps, and ensure projects across the portfolio can reach bankability. Once project-level financial models are in place, it becomes possible to evaluate how much international commercial finance different types of projects can bear. This also helps identify the scarce capital resources – concessional,

domestic public, and domestic commercial – required to make projects bankable. Domestic commercial finance is particularly valuable in reducing exposure to foreign exchange risk, which lowers volatility in repayment obligations and strengthens bankability. Public and concessional resources, meanwhile, can absorb higher risks or offer softer terms, improving the overall risk–return profile and making otherwise marginal projects investable.

As previously mentioned, scarce capital should not be directed to projects that are already bankable and capable of attracting full commercial finance on their own. Instead, it should be prioritised for projects where targeted support can have the greatest catalytic effect, mobilising private participation, providing local-currency stability, or unblocking investments that would otherwise remain stalled. Explicitly quantifying these gaps enables finance strategies to demonstrate how limited resources will leverage the largest possible portfolio of bankable projects.

In practice, this often requires blended finance structures that combine concessional, public, and domestic commercial capital with international commercial flows in ways that balance risk and return. Concessional debt or equity can improve viability for marginal projects, while domestic banks and institutional investors can provide stable long-term financing in local currency. Guarantees and insurance can mitigate political, currency, or off-taker risks; grants and technical assistance can support early-stage preparation; and results-based or policy-based mechanisms can tie financing directly to measurable outcomes. In addition, some strategies may employ First-of-a-Kind (FOAK) capital, public support for early pilot transactions that demonstrate new technologies or contractual approaches. Used sparingly, FOAK pilots help establish proof of concept and build

market confidence, but should be explicitly time-bound, with a clear pathway to transition into fully commercial markets. The sequencing and layering of these instruments are critical to maximising leverage. **Table 4** illustrates how different instruments can be applied across project types, depending on their risk profiles and financing needs.

By incorporating constraints on the limited volumes of concessional, domestic public, and domestic commercial capital, project finance analysis can also clarify whether the portfolio can be financed within existing revenue streams or whether tariff adjustments and new fiscal measures will be required.

2.4.3. Evaluating scope for project refinancing

Refinancing can reduce the long-term cost of capital and unlock balance sheet capacity for new investment. Finance strategies should therefore consider both primary financing of new projects and secondary refinancing of operational assets.

Primary financing structures are required to move projects from preparation into construction, often relying on blended capital to mitigate early-stage risks. Once projects are operational and generating stable revenues, their risk profile declines, creating opportunities for secondary refinancing at lower cost and on longer tenors. This can reduce tariffs, ease fiscal pressure, and recycle scarce concessional or public capital into earlier-stage projects where it is most needed.

Secondary refinancing can take different forms. Operational projects may be restructured with lower-cost commercial debt, securitisation, or bond issuance, while guarantees and insurance can further improve terms. Refinancing also enables early investors to exit, releasing capital for new initiatives and helping to deepen domestic capital markets.

Table 4: Structuring projects using concessional finance.
Adapted from UNDP (2019) Ghana NDC Financing Strategy [10].

	Concessional Debt or Equity	Guarantee or Insurance	Grants	Technical Assistance (TA)	Results-Based Mechanism
Structure					
Investment Opportunity	Investment opportunities in economic infrastructure projects are not viable by themselves, but result in net economic/public benefit	Investment opportunities in traditionally private sector-led markets that are financially viable (at least in the middle to long term)	Can apply to both non-viable and viable investment opportunities, particularly at early stages.	Supports projects at any viability stage, especially those needing help reaching commercial readiness.	Suitable for investments where social/environmental outcomes are clear and measurable; often in health, education, or public services.
Role of Instrument	Improves commercial viability, provides liquidity, and boosts investor confidence. Public/philanthropic investors take on greater risk to attract private capital.	Guarantees mitigate perceived and actual risks, improve risk-return profile, and encourage investor participation by offering downside protection.	Supports development costs and activities leading to project bankability; attracts additional capital by improving underlying project fundamentals.	Improves the quality and readiness of projects, supports capacity development and long-term sustainability of investments.	Transfers risk of non-performance to implementers; aligns incentives with results; donor/investor funds tied to impact delivery.
Scale of Project	Medium to large-scale projects, often in infrastructure or sectors with long-term social/economic returns.	Applicable across a wide range of project sizes; useful for scaling investment in emerging or uncertain markets.	Typically used in early-stage or smaller-scale projects; can also support large-scale projects when paired with other instruments.	Effective across all project sizes; especially valuable for smaller or early-stage projects needing development support.	Often small to medium in scale but growing application in larger programmes; depends on measurability of outcomes.

2.5. Understanding Sector Cashflows

Finance can only flow at scale when sectors generate predictable and adequate cashflows to support repayment. Project-level bankability depends on the broader financial health of the sector, particularly the creditworthiness of utilities and state-owned enterprises (SOEs), as well as the stability of revenue streams from tariffs and subsidies.

Barriers to healthy sector cashflows may extend beyond the scope of finance strategies. Collaboration with industry regulators and energy policymakers is necessary to address structural

issues such as local content requirements. Such issues, for example, have influenced project costs and risk perceptions in Indonesia (see **Box 6**, below). While resolving structural issues primarily falls under the enabling environment reforms of Component 6: Policy, finance strategies can highlight how the temporary use of public finance may bridge viability gaps until deeper reforms take effect. Recent research, including the Imperial Business School study on Association of Southeast Asian Nations (ASEAN) renewable energy investment [25], highlights how weak tariff frameworks, payment delays, and off-taker credit risks are recurring barriers across the

region and demonstrates how targeted financial and regulatory measures can strengthen cashflow reliability.

It is therefore essential for a finance strategy to project anticipated cashflows from all relevant sources and analyse their adequacy. This rests on three elements, which together establish whether sectors can generate the stable revenues needed for investment:

- **Balancing financial viability and affordability in line with regulatory tariff trajectories.**
- **Assessing creditworthiness of major off-takers.**
- **Engaging with carbon markets.**

2.5.1. Balancing financial viability and affordability in line with regulatory tariff trajectories

Alignment between transition plans and tariff-setting frameworks is critical for ensuring reliable revenue streams. In regulated markets, cashflows must be to be explicitly integrated into cost-of-service determinations, with strong regulatory oversight to stabilise revenues. Where tariffs are not formally regulated, the principle remains: revenues must follow predictable and transparent rules so that investors can assess the likelihood of cost recovery. Tariff-setting always involves balancing economic and social concerns, but credible regulatory determinations provide the foundation for long-term investment. Finance strategies should therefore include explicit analysis of how proposed investment programmes fit within regulatory tariff trajectories, and whether these determinations can realistically accommodate the pace and scale of transition investments. Where gaps emerge, governments may need to outline a roadmap for tariff adjustments, subsidies, or efficiency improvements that can reconcile affordability with financial viability.

BOX 4. Case Study: South Africa's REIPPPP.

South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) demonstrates how transparent tariff-setting frameworks can balance affordability with investment appeal. By shifting from administratively set feed-in tariffs to a competitive auction model, the government provided predictable, cost-reflective revenues while capping fiscal exposure. Supported by clear regulation and consistent oversight from the energy regulator, REIPPPP attracted over USD 14 billion in private investment and delivered nearly 4 GW of renewable capacity within its first three rounds. The programme's tariff structure ensured both cost recovery and affordability, providing the revenue stability needed to mobilise long-term finance. See [WBG](#) for more information [26].

2.5.2. Assessing creditworthiness of major off-takers

The financial health of major off-takers often determines whether projects are bankable. In many sector contexts, particularly power, state-owned enterprises play a major role in service delivery, and their creditworthiness becomes a critical determinant of access to finance. In some instances, where governments strongly support their utilities, SOEs are considered to carry an implicit sovereign guarantee, receiving the same credit rating as the government itself. More commonly, however, utilities are heavily indebted, face structural losses, or depend on uncertain fiscal transfers. This widespread lack of creditworthiness is one of the most significant barriers to scaling private investment in LMICs. Embedding forward-looking financial projections for key utilities into the finance strategy allows governments and financiers to anticipate liquidity gaps, design appropriate support measures (such as guarantees, escrow mechanisms, or targeted subsidies), and track improvements over time.

It may also be relevant to assess the creditworthiness of the ultimate customer base, which can vary significantly between export-oriented industries with strong foreign currency revenues and residential customers with weaker local currency income streams. In such environments, structuring financing models that ringfence stronger revenue flows can help attract private capital.

BOX 5. Case Study: India's PM-eBus Sewa Scheme.

India's PM-eBus Sewa Scheme illustrates how payment security mechanisms can strengthen off-taker reliability. Under this programme, private operators are contracted to supply and run electric buses, while city authorities pay them through long-term service contracts. Because fare revenues alone are insufficient to cover costs, delays in government transfers create significant cashflow risks. To mitigate this, a Payment Security Mechanism was introduced, backed by a dedicated fund with blended public and donor contributions. The mechanism guarantees timely payments to operators, stabilises revenues, and reassures lenders, thereby unlocking private investment in the electric bus fleet. See [WRI India](#) for more information [27].

2.5.3. Engaging with carbon markets

Carbon markets can provide an additional revenue stream for transition investments, creating incentives for low-carbon projects and improving their bankability. For finance strategies, the key question is whether potential carbon credit revenues can be treated as predictable cashflows that strengthen overall sector viability.

Under Article 6 of the Paris Agreement, countries can cooperate through international carbon trading (Article 6.2) or participate in a new global crediting mechanism (Article 6.4) [28]. To benefit, governments must ensure that measurement, reporting, and verification (MRV) systems are robust, transparent, and internationally

recognised. Clear institutional arrangements and predictable crediting frameworks reduce pricing risk and make carbon revenues a credible input into project cashflow projections.

Given the rapid pace of developments, a comprehensive treatment of carbon markets is beyond the scope of this brief. For further detail, readers can consult the World Bank's State and Trends of Carbon Pricing [29], which offers an authoritative overview of existing and emerging instruments at international, national, and subnational levels (see **Appendix** for links to resources that support this).

BOX 6. Case Study: Indonesia's Collaboration with ADB on Article 6.

Indonesia's collaboration with ADB demonstrates how Article 6 support can strengthen MRV systems and prepare countries for carbon markets. Through the Carbon Market Program, ADB supported the development of baselines, verification protocols, and institutional arrangements aligned with international standards. These measures enabled Indonesia to be eligible to generate tradeable credits, reduced pricing risks, and increased investor confidence in carbon-linked finance. By embedding MRV capacity within national institutions, the initiative improved credibility and positioned Indonesia to access new revenue streams. See [ADB](#) for more information [30].

2.6. Preparing Financing Proposals

A finance strategy must explain how resources will be mobilised to fund project preparation, since high upfront costs and risks often prevent the development of a consistent pipeline of bankable projects. Project preparation is a key pillar of transition finance mobilisation which typically occurs in phases, ranging from early feasibility studies to legal and financial structuring. Mobilising finance for this stage, tied to sector-specific cashflow analysis, positions governments to unlock both concessional and commercial flows at scale.

This process should be led by the Finance TDG-SIG, with oversight and coordination from the PSC-SIG. The Finance TDG-SIG leads the coordination of project preparation financing, identifying suitable facilities, managing requests and workplans, and sequencing feasibility and structuring activities, while the PSC-SIG provides oversight and ensures coordination with relevant ministries, development partners, and financiers. This rests on three elements, which together increase the likelihood that projects attract investment:

- **Engaging proactively with dedicated project preparation facilities.**
- **Developing investment-grade project documentation.**
- **Aligning financing proposals with donor priorities.**

2.6.1. Engaging proactively with dedicated project preparation facilities

Financing early-stage preparation is critical to creating a credible pipeline of bankable projects.

Early-stage work includes project identification, pre-feasibility studies, and stakeholder engagement, which can be financed through multilateral, climate fund, bilateral, or domestic facilities. These facilities offer financial and technical support to strengthen the bankability of public and public-private projects. The finance strategy should indicate which facilities will be tapped, for what purposes, and under what eligibility and co-financing terms. In addition it should use sector cashflow diagnostics to prioritise resources. To stay aligned with national objectives, the PSC-SIG should coordinate requests and workplans, with MDB- or donor-managed facilities should operate to a country-owned pipeline and set of milestones. In parallel, governments should institutionalise project preparation functions within line ministries or national infrastructure agencies to develop long-term capacity and consistency.

BOX 7. Case Study: World Bank Group's Scaling Solar.

World Bank Group's Scaling Solar offers a template for creating standardised, investible pipelines by replicating a bankable public-private partnerships model across multiple solar projects and countries. The programme provides governments with end-to-end project preparation support, including site assessment, templated procurement and financing documents, competitively packaged tenders, and risk instruments. Together these enabled the rapid deployment of utility-scale solar. By institutionalising this bundled, predictable approach across projects, Scaling Solar reduced transaction costs, improved investor confidence, and unlocked over 1,200 MW in mandates across emerging markets. See [Scaling Solar: The Complete Package](#) for more information [31].

2.6.2. Developing investment-grade project documentation

Standardised, professional-grade documentation reduces transaction costs and signals bankability to investors.

Later stages involve detailed technical feasibility analysis, environmental and social impact assessments, financial modelling, risk allocation, and legal structuring. These processes require professional-grade, standardised documentation to reduce diligence costs and signal bankability.

The strategy should specify minimum documentation standards (eg models, risk registers, template term sheets, data rooms) and promote standard forms and open repositories for replicable investments. Open repositories are particularly valuable as they create transparency, save time for future developers by avoiding duplication, and provide a public communication tool to build confidence among investors and stakeholders. For concessional finance, robust economic cost-benefit analyses are essential, particularly to justify the use of public or donor funds.

Preparation of this documentation should be led by project sponsors and supported by technical advisers. However, governments and their partners should prioritise developing domestic capacity within ministries, utilities, and local advisory firms, reducing reliance on international consultants over time. International financial institutions and development banks (eg the World Bank and AfDB) already publish requirements and toolkits for investment-grade documentation, which can be adopted or adapted as benchmarks. Drawing on existing platforms, such as the World Bank's PPIAF toolkits, can help establish credible, replicable standards from the outset (see **Appendix**).

2.6.3. Aligning financing proposals with donor priorities

Securing concessional finance requires tailoring proposals to donor criteria and decision cycles.

Large finance institutions typically operate within mandates emphasising climate impact, co-financing leverage, development benefits, and alignment with national priorities. Strategies that respond to these priorities are more likely to present a compelling case for concessional resources.

To improve effectiveness, finance strategies should outline coordination protocols with donor focal points, including preferred submission windows, decision cycles, and evidence requirements. For example, strong MRV systems, clear safeguard frameworks, and just transition metrics are increasingly expected by donors as conditions for approvals. Embedding these elements upfront reduces the risk of delay or rejection and accelerates disbursement.

Beyond project-level proposals, many multilateral development banks also provide policy-based loans (PBL) that disburse directly against agreed reform actions. Packaging reforms identified under Component 6: Policy – such as tariff methodologies, guarantee frameworks, or PPP regulations – into PBL operations can unlock significant concessional or budget-support resources. This provides immediate fiscal space, signalling credibility and long-term policy commitment to investors. Explicitly recognising PBLs within the finance strategy ensures that structural reforms are mobilised as financing opportunities, complementing project-level investment.

3. Recommendations

Drawing on the most effective finance strategy development practices, key case studies, and the collective experience of the co-authors, the following recommendations distil key insights into actionable lessons for governments and line ministries to integrate into their processes. Designed to align with the broader D2D framework, these recommendations aim to support the development of transition plans that attract and secure the required funds for implementation.

1. Strong institutional foundations for transition finance strategy development should be established, anchored by the Ministry of Finance.

Credible institutional arrangements are essential for building legitimacy and ensuring continuity across political cycles. Anchoring responsibility in the Ministry of Finance embeds transition priorities within core fiscal and regulatory functions, providing a clear focal point for both domestic and international partners. Experience shows that reinforcing existing structures – rather than creating parallel ones – secures policy coherence, strengthens investor trust, and ensures that finance strategies remain aligned with broader macroeconomic policymaking.

2. Transition finance should be embedded within macro-fiscal policy, public budgeting, and risk management frameworks.

Integrating climate objectives into debt sustainability assessments, fiscal planning, and risk management frameworks ensures that national strategies are both affordable and credible. Embedding climate within public budgets improves transparency, strengthens fiscal discipline, and creates predictable policy environments. This not only allows for more efficient allocation of public resources but also provides the macroeconomic stability investors look for when committing long-term capital.

3. Viable investment packages and a consistent pipeline of bankable projects should be structured through the finance strategy.

A well-designed finance strategy links national transition plans to investable opportunities. Portfolio-level financial modelling can identify where concessional or domestic capital is most catalytic, while detailed structuring can follow at the project level. Establishing a pipeline of projects on standardised terms reduces transaction costs, accelerates implementation, and builds confidence among financiers that opportunities are scalable and ready to advance.

4. The finance strategy should be grounded in sector cashflow analysis, financing landscape diagnostics, and public finance alignment.

Sound finance strategies are based on a clear understanding of sector-level revenues, off-taker creditworthiness, and tariff adequacy. By assessing sector cashflows and mapping available sources of capital, governments can better identify gaps and opportunities. Aligning these findings with national budgeting processes increases coherence, ensures realistic implementation timelines, and improves the likelihood that projects reach financial close.

5. The finance strategy should be regularly updated and tightly linked to technical planning.

Finance strategies must remain living documents that adapt to shifting fiscal and policy contexts. Iterative feedback loops with technical modelling, such as decarbonisation pathways, allow governments to refine priorities and respond to changing market conditions. Regular updates, coordinated across ministries, sustain credibility with both domestic stakeholders and international financiers, signalling that the transition is being actively managed and remains on track.

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APPENDIX 1. RESOURCES

Table 5 compiles key resources to support the development of national finance strategies, organised by thematic area. Resources in the table are classified as documentation, frameworks, tools, principles, and standards, reflecting the different types of support Ministries of Finance and their partners can draw on for analysis, planning, and implementation. This builds upon the Integrated National Financing Framework (INFF) Facility (2023).

Table 5: Relevant resources.

Title	Description	Resource
2.1. Identifying Institutional Responsibilities		
Climate Finance Strategies Review [2]	Review of national climate finance strategies in Latin America and the Caribbean.	Documentation
Strengthening the Role of Ministries of Finance in Driving Climate Action [24]	Guides for finance ministries on embedding climate into fiscal planning, budgeting, and regulation.	Documentation
Making NDCs investable – the investor perspective [32]	Guide on designing NDCs to attract private capital through policy clarity and de-risking.	Documentation
Principles for developing sector decarbonisation roadmaps – the investor perspective [33]	Framework of investor-informed principles and best practices for credible sectoral roadmaps.	Principles
Integrated National Financing Framework (INFF) [34]	Provides a structured approach for countries to align financing policies and tools with national sustainable development strategies, including climate objectives. Widely used by Ministries of Finance to develop whole-of-government financing plans	Framework
The UK as a climate finance hub: Unlocking capital from institutional investors towards EMDEs [35]	Analysis on mobilising institutional investment for emerging markets	Documentation
Catalogue of Climate-Related Capacity Building Support from Institutional Partners for Ministries of Finance [36]	Overview of institutional partner programmes providing training and technical support to Ministries of Finance on green budgeting, climate finance, and sustainable investment planning.	Documentation
2.2. Creating a Sound Macroeconomic Environment		
World Bank Debt Management Performance Assessment (DeMPA) [37]	Diagnostic framework using indicators to assess performance and capacity in public debt management, including planning, systems, and markets	Tool
IMF Debt Sustainability Analysis (DSA) [21]	IMF Debt Sustainability Analysis (DSA)	Tool
IMF Tax Administration Diagnostic Assessment Tool (TADAT) [38]	360° assessment of tax administration performance across nine areas and 28 indicators, used globally to identify system-wide strengths, weaknesses, and reform priorities	Tool
IMF Tax Policy Assessment Framework (TPAF) [39]	Framework for systematic evaluation of major taxes, offering analytical basis and guidance for efficient, equitable tax policy design	Framework
New Mechanism for Mitigating Currency Risk to Support [40]	Describes an AfDB-led currency convertibility mechanism, leveraging resource-rich countries' assets and hedging structures to reduce FX risk and financing costs for climate projects	Documentation

DATA-TO-DEAL COMPONENT 7: DEVELOPING FINANCE STRATEGIES – A BEST PRACTICE BRIEF

Economic models and frameworks to guide climate policy [41]	Outlines economic models and evaluation criteria to support Ministries of Finance and policymakers in selecting appropriate tools for climate policy under uncertainty, highlighting strengths, limitations, and gaps in existing approaches	Documentation
Economic Analysis and Modeling Tools to Assist Ministries of Finance in Driving Green and Resilient Transitions [42]	Outlines a comprehensive toolkit, including macroeconomic models, physical climate-risk tools, and capacity development etc resources to equip Ministries of Finance with analytical instruments	Documentation
2.3 Mapping Potential Sources of Finance		
2.3.1 International Commercial Finance		
Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) [43]	Framework providing a structured, indicator-based methodology to assess sovereign climate commitments, policies, and finance in support of investor engagement and transparency	Framework
Global Investors for Sustainable Development Alliance [44]	Platform mobilising institutional investment aligned with SDGs, offering best practices, collaborations, and policy advocacy	Framework
UN Global Compact Principles [45]	Universal corporate sustainability principles covering human rights, labour, environment, and anti-corruption for responsible business conduct	Principles
Operating Principles for Impact Management [46]	Operating principles for structured impact management in investments, including intentionality, measurement, and transparency	Principles
OECD Impact Standards for Financing Sustainable Development [47]	Standards to promote transparency and accountability in impact finance, including governance, measurement, and disclosure	Standards
Principles for Responsible Investment [48]	UN-supported initiative that commits investors to incorporate ESG issues into investment analysis, decision-making, and ownership policies	Principles
Innovative Development Finance Toolbox [49]	Practical toolkit from KfW offering financial instruments, like guarantees, blended finance, and co-financing models, for sustainable development projects	Tool
2.3.3 Domestic Public Finance		
IMF Expenditure Assessment Tool [50]	Excel-based tool for benchmarking public spending by level and function, pinpointing inefficiencies and rationalisation opportunities	Tool
Green Budgeting Framework (OECD) [51]	Four-part approach (institutional setup, tools, accountability, enabling environment) for embedding environmental goals in the budget cycle	Framework
Public Expenditure and Financial Accountability (PEFA) programme [52]	Global framework to assess strengths and weaknesses in public financial management (PFM) systems	Framework
Climate Public Expenditure and Institutional Review (CPEIR) [53]	UNDP tool to analyse alignment of national policy, institutions, and expenditures with climate objectives	Tool
PFM tools based on PEFA scoring mechanism [54]	Adapted PEFA modules for targeted climate or SDG public financial management assessments	Tool
WB Public Expenditure Review (PER) [55]	Comprehensive studies evaluating public spending effectiveness, equity, and goal alignment	Documentation
WB Public Expenditure Tracking Survey (PETS) [56]	Diagnostic surveys tracking public funds flow to identify leakages and accountability gaps	Tool

DATA-TO-DEAL COMPONENT 7: DEVELOPING FINANCE STRATEGIES – A BEST PRACTICE BRIEF

UNDP Budgeting for the SDGs [57]	Modular guide for integrating SDGs into the full budget cycle, from planning to reporting	Documentation
Paris Collaborative on Green Budgeting [58]	OECD-led platform bringing finance and environment officials together to scale and refine green budgeting practices	Framework
IMF Fiscal Transparency Handbook [59]	Voluntary diagnostic assessing countries' fiscal transparency against IMF's Code, reviewing public sector activities, fiscal risks, and disclosure practices with heat-map scoring and reform recommendations	Tool
2.3.4 International Public Finance		
World Bank Country readiness diagnostics for PPPs [60]	Tool assessing a country's legal, institutional, and capacity readiness to structure and manage public-private partnerships effectively	Tool
WB Public-Private Infrastructure Advisory Facility (PPIAF) [61]	Advisory facility offering technical assistance to strengthen policies, regulations, and institutional capacity for enabling private sector participation in infrastructure	Documentation
IMF Public Investment Management Assessment (PIMA) [62]	Framework evaluating processes, institutions, and tools across planning, allocation, and implementation stages of public investment, with climate tagging (C-PIMA) enhancements	Tool
UNDESA Regulatory Impact Assessment Tool [63]	Toolkit providing structured, evidence-based methodology (RIA) to analyze economic, social, and environmental costs/benefits of policy options, guiding high-quality regulation	Tool
UNECE People-first Infrastructure Evaluation and Rating System (PIERS), including the PIERS Self-Assessment Tool [64]	SDG-aligned evaluation tool using 22 criteria and 95 indicators for infrastructure/PPP projects, emphasising social equity, affordability, and stakeholder engagement	Tool
UNCTAD Productive Capacities Index (PCI) [65]	Composite index measuring a country's production potential and structural transformation capabilities to inform policy decisions	Tool
IMF Financial Sector Assessment Programme (FSAP) [66]	Joint IMF-World Bank diagnostics assessing financial stability, regulation quality, resilience, and crisis response capacity through stress tests and governance reviews	Tool
WB National Financial Inclusion (NFIS) Toolkit [67]	Toolkit for designing holistic, evidence-based strategies to increase access to quality financial services for underserved populations	Tool
OECD-UNDP Framework for SDG-Aligned Finance [68]	Integrated policy framework for aligning public and private financial flows with Sustainable Development Goals through strategic instruments and indicators	Framework
OECD Multinational Enterprise on Responsible Business Conduct Guidelines [69]	Voluntary corporate responsibility guidelines for multinational enterprises covering environmental stewardship, human rights, and disclosure	Standards
2.4. Structuring Financing Packages		
MINFin [70]	Open-source sector cashflow model that translates energy transition plans into fiscal strategies by quantifying climate finance gaps	Tool
FINPLAN [71]	Project-level cashflow modelling tool for estimating nominal investment costs and assessing financial viability of power-sector projects	Tool
FinTrack [72]	Tool for tracking climate-related public finance	Tool
FinCoRE [73]	Open-source estimator for cost of capital across renewables, tailored to lower- and middle-income countries for power investment planning	Tool

DATA-TO-DEAL COMPONENT 7: DEVELOPING FINANCE STRATEGIES – A BEST PRACTICE BRIEF

Cost of Capital Observatory [74]	Joint IEA/WEF initiative providing transparent data on financing costs for energy projects in emerging/developing economies to inform investors and policymakers .	Tool
UNDP's De-risking Renewable Energy Investment (DREI) methodology [75]	A quantitative framework for identifying and evaluating policy and financial de-risking instruments; widely used for renewable energy investment analysis in LMICs.	Framework
2.5. Understanding Sector Cashflows		
State and Trends of Carbon Pricing 2025 [29]	Flagship report tracking global developments in carbon pricing instruments, including carbon taxes, emissions trading systems, and crediting mechanisms. Provides comparative data on coverage, price levels, and revenues, analyses regional and policy trends, and offers reform insights to enhance effectiveness, equity, and fiscal integration.	Documentation
2.6. Preparing Financing Proposals		
PPIAF Climate Toolkits for Infrastructure PPPs [76]	PPIAF-led climate toolkits for infrastructure PPPs offering modular guidance to integrate climate mitigation, adaptation, and resilience into project screening, appraisal, and contract design.	Documentation
World Bank PPP Toolkits [77]	Sector-specific PPP toolkits providing tailored methodologies, case studies, and standard documents for transport, energy, water, and information and communications technology (ICT) projects to improve sector alignment and risk management.	Documentation
World Bank Tools [78]	Curated suite of World Bank instruments supporting PPP design and implementation, including legal, financial, and institutional assessment tools to strengthen project preparation and governance frameworks.	Documentation

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