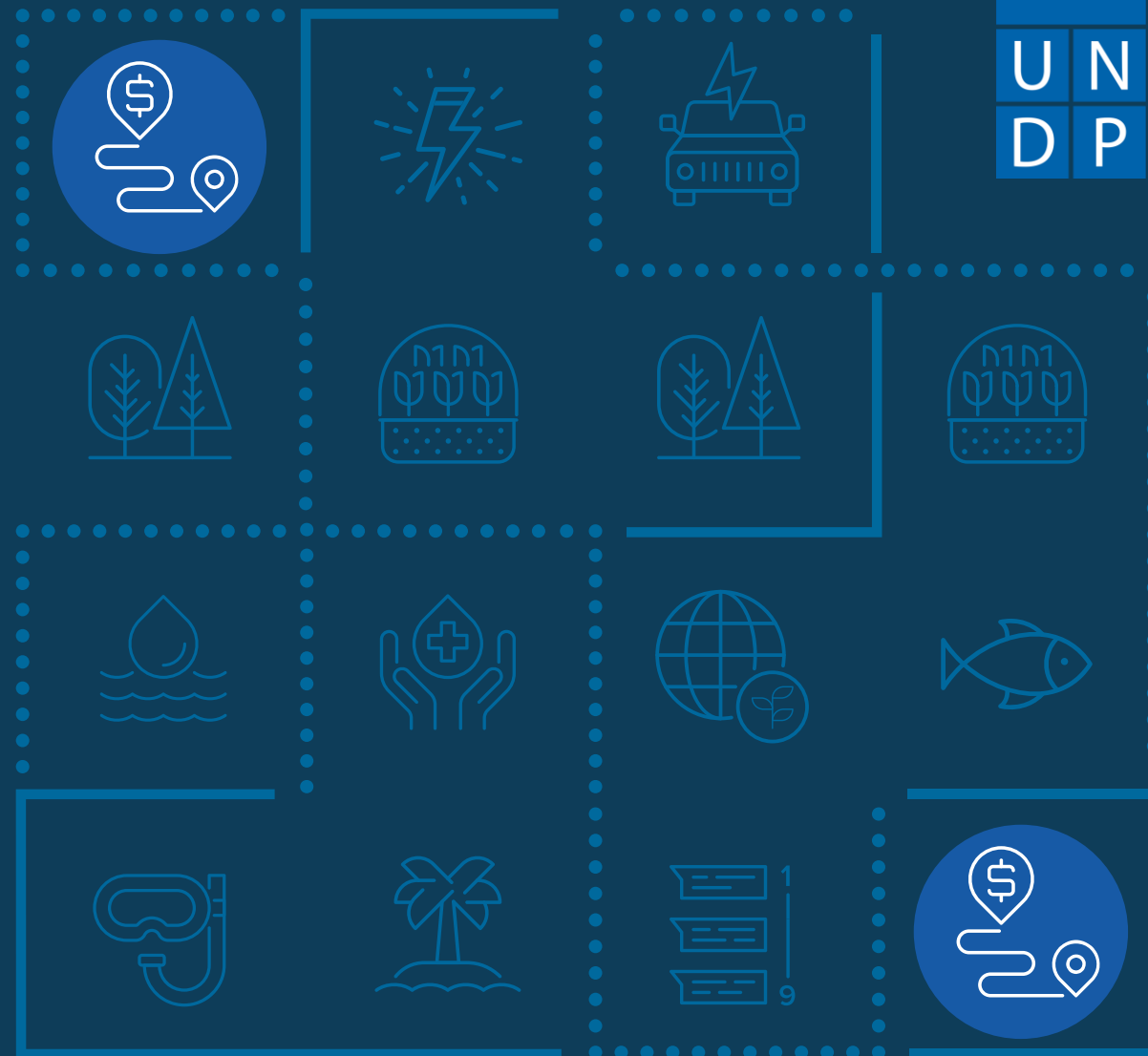




GUIDEBOOK

on the methodology for financial assessments to address climate change

**FINANCIAL ASSESSMENT
COMPLETED NEXT STEPS**



Financial assessment completed – next steps

Context

- Countries are intensifying their efforts to address cc
- It is important to see climate finance as any financial flow that has a relation to climate change, being it positively or negatively.
- Existing financial flows have to be reallocated from a brown to a green agenda to make the best use of existing finance and to decrease the amount of additional funding needed.

Financial assessment completed – next steps

Context

- Policies need to be identified to induce the momentous shift in public and private investments required to progress to low carbon and climate resilient societies.
- The assessment results show the financial requirements of business-as-usual, which put the large costs to address climate change into perspective.
- Looking at these costs of inaction helps making a business case for action.

Policy spectrum of environmental action

Policy spectrum ranging from hard to soft measures:

- ‘Hard’ side of the spectrum: Laws and regulations, as well as debt policy
- Less hard measures that are obligatory, but leave flexibility: market mechanisms, taxes and subsidies
- More participatory measures: incentivizing private-sector action/investment, de-risking of investments, certification and labelling approaches for enterprises and products
- ‘Soft’ end of policies and measures: education, awareness raising, public campaigns

How countries used results

Countries are using the outcomes of their financial assessments in various ways, among others:

- Developing evidence for climate finance action
- Strengthening national budgets
- Fostering inter-agency collaboration
- Informing policy making
- Making a business case for climate finance
- Enhancing participation in international climate negotiations
- Using financial assessments as a continued planning and tracking tool

Institutional, policy, financial follow up

- Addressing climate change takes place in the context of sustainable development needs in countries.
- This includes not only integrating climate change issues into national development and economic planning, but also integrating climate change issues into national financial processes, in terms of public budgets as well as private sector engagement.
- In this sense the financial assessments can feed into countries' Integrated National Financing Frameworks or similar financial processes.

Institutional, policy, financial follow up

Follow up areas include: **Institutional dimension**

- Consolidation of the national governance structure to address climate change within the core development processes, including the coordination of climate change, resource allocation and use, and the strengthening of institutional capacities for development planning in the face of climate change.

Institutional, policy, financial follow up

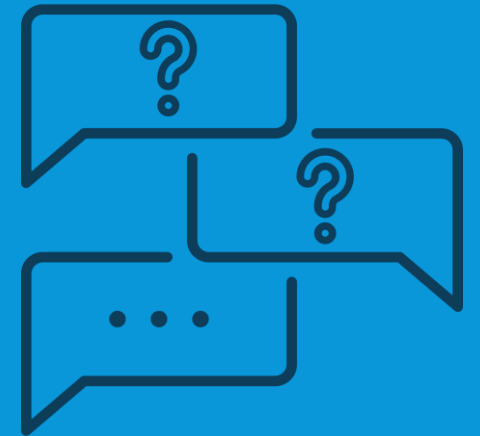
Follow up areas include: **Policy dimension**

- Development and implementation of mitigation and adaptation policies that integrate addressing climate change and fostering sustainable development, using the financial assessment to implement national climate targets (e.g. NDC, LT-LEDS)
- Development of policies and economic instruments to promote shifts in and expansion of national investment, re-directing investment, removing barriers to investment, providing information and creating incentives for innovators.

Institutional, policy, financial follow up

- Follow up areas include: **Financial dimension**
- Establishment of or contribution to an integrated national financing framework to mobilize public and private, domestic and international resources, integrated in the domestic financial system.
- The financial assessments are fully compatible with and contribute to the building blocks: Governance and coordination, Assessment and diagnostics, Financing Strategy, Monitoring and review.

Q&A Clarifications



About UNDP

UNDP is the leading United Nations organization fighting to end the injustice of poverty, inequality, and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet. Learn more at undp.org or follow at [@UNDP](https://twitter.com/UNDP).

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UNDP's Climate Promise is the UN system's largest portfolio of support on climate action, working with more than 140 countries and territories and directly benefiting 37 million people. This portfolio implements over US\$2.45 billion in grant financing and draws on UNDP's expertise in adaptation, mitigation, carbon markets, climate and forests, climate risk and security, and climate strategies and policy. Visit our website at climatepromise.undp.org and follow us at [@UNDPplanet](https://twitter.com/UNDPplanet).

About this publication

This methodology is an update to the first financial assessment methodology, which was released in 2009. The objective of this methodology is to support countries to implement their climate targets and to identify, reallocate, mobilize and manage the required financial resources and to create a fiscal framework conducive for climate action.

The update to this methodology was developed under UNDP's Climate Promise by the *Pledge to Impact* Programme. Delivered in collaboration with a wide variety of partners, the initiative has supported over 120 countries to enhance and implement Nationally Determined Contributions (NDCs) under the Paris Agreement. From Pledge to Impact is generously supported by the governments of Germany, Japan, United Kingdom, Sweden, Belgium, Spain, Iceland, the Netherlands, Portugal and other UNDP core contributors. This programme underpins UNDP's contribution to the NDC Partnership.

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