What is the Investment Vision Framework for transformational change?

The Investment Vision Framework outlines the process, methodologies and tools to direct investment towards transformational change.

The framework can be used by developing country governments to determine how best to direct the different types of finance flows available, and the policies needed to support ambitious climate action to achieve a 1.5 degree Paris-compatible future, alongside the Sustainable Development Goals.

The framework is designed to support governments to:

+ Translate the outputs of their long-term strategies (LTSs) into practical actions to ultimately unlock Paris-aligned investment at scale.
+ Anchor long-term strategies firmly into development objectives.
+ Prioritise climate actions for the coming decade, and identify the sustainable development co-benefits and trade-offs of those actions.
+ Identify technology and market readiness and signal to the private sector which technologies and industries will be prioritised for investment attraction over the coming decade.
+ Ensure seamless alignment and compatibility between a country’s LTS and its socio-economic development path, sectoral strategies, the implementation of Sustainable Development Goals (SDGs), and its enhanced Nationally Determined Contributions (NDCs).
+ Identify the role of public, private and development finance in supporting the transition within their country.
+ Create a country-specific plan on ‘where to’ and ‘how to’ best allocate finance and create the enabling environment to unlock the investment required for transformational change.

FIVE-STEP GUIDE

The Investment Vision Framework outlines five steps to support governments to translate long-term strategies into practical actions to unlock and direct finance flows.

STEP 1
UNDERSTAND THE CONTEXT AND SELECT PRIORITY ACTIONS

Objective
Outline a long-term perspective for a Paris-aligned transition, and identify priority actions.

Actions
1. Understand how long-term pathways to achieve Paris compliance aligns with national development objectives, SDGs, NDCs and sectoral plans.
2. Assess the risks (transition and climate) and opportunities (for economic growth).
3. Select priority decarbonisation and adaptation actions and align NDCs.
4. Identify SDG co-benefits and trade-offs.

STEP 2
ASSESS THE ‘READINESS’ OF EACH PRIORITY ACTION

Objective
Understand technology, market and finance sector readiness to deploy low-carbon technologies at scale.

Actions
1. For each priority action, outline the timeline, targets, technologies and stakeholders necessary to achieve long-term transformation.
2. Assess the ‘readiness’ of technologies, supply chains and enabling infrastructure.
3. Assess ‘readiness’ of finance markets to deploy capital where needed.
**STEP 3**
FORMULATE A POLICY PACKAGE FOR EACH ACTION AND CROSS-CUTTING MEASURES

**Objective**
Create policy package for each action towards Paris alignment.

**Actions**
1. Identify sectoral and economy-wide policies to achieve transformation vision for each selected priority climate action.
2. Formulate transition measures for emissions intensive regions and industries.
3. Reform financial sector policies.

**CONTEXT**
The Investment Vision Framework for transformational change has been developed as part of the Deep Decarbonisation Pathways in Emerging Economies project, funded through the International Climate Initiative (IKI) and coordinated by the Institute of Sustainable Development and International Relations (IDDRI). The project builds on the community developed through the Deep Decarbonisation Pathways Project to support research teams from Brazil, India, Indonesia, China and South Africa to update their 2050 pathways analysis in line with the Paris Agreement. The project will share methodological insights with members of the 2050 Pathways Platform to support their process of developing long-term strategies.

**RAISING AMBITION**
The IPCC Special Report on 1.5°C shows that more ambition is required to achieve the speed and magnitude of changes we need to make. Climate-related risks for natural/human systems are lower for global warming of 1.5°C than 2°C. In model pathways of 1.5°C, CO\(_2\) emissions decline by about 45 per cent from 2010 levels by 2030, reaching net zero around 2050. These pathways require rapid and far-reaching transitions in energy, land, urban and infrastructure and industrial systems. Such transitions are unprecedented in scale and imply deep emissions reductions and significant upscaling of investments.

**GAP IN FINANCING**
Current estimates show US$2.6 trillion per annum is required for developing countries alone to achieve the goals of the Paris Agreement and deliver on Agenda 2030 for Sustainable Development (Gaspar et al., 2019). This funding gap is small however, compared with the US$200 trillion financing available from tradable stocks and bonds (Nabarro & Schroeder, 2017), but there are common impediments to Paris-aligned investment at scale across many developing economies, such as:

- Policies that do not capture risks or externalities in pricing.
- Incentives and regulations that are not supportive of Paris and SDG-aligned investment.
- Limited fiscal and institutional capacity to formulate a pipeline of bankable projects.
- Domestic financial systems which are underdeveloped.
- A lack of widely adopted taxonomies to identify, measure and report on Paris-aligned investment.

**STEP 4**
EMBED INTO DEVELOPMENT PLANNING

**Objective**
Mainstream long-term climate plans into strategic development frameworks for the short, medium and long term.

**Actions**
1. Mainstream short-term goals and policy package into current national development plan.
2. Integrate transformation pathways, targets and policy package into sectoral plans.
3. Formulate a Strategic Plan 2050 and 10-year plan/strategy that fully integrates a transformation vision.

**STEP 5**
QUANTIFY FINANCING FOR EACH ACTION AND DEVELOP INVESTMENT PLANS

**Objective**
Develop investment plans to allocate financial resources to priority climate actions, and create a common understanding of where investment is needed and when.

**Actions**
1. Quantify the size of investment needed (key sectors, timeframe), including adaptation.
2. Integrate short-term investment needs into Public Investment Plan and assess needs through Official Development Assistance.
3. Define the role of Development Finance Institutions (DFIs) and scaling up innovative finance.
REFERENCES


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REFERENCES
