A road with people and trees in the background

Description automatically generatedNational Enabling Framework Conditions

Assessment Tool Workbook



# Glossary of Terms

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| **Term** | **Explanation** |
| Climate finance | CCFLA’s definitions used are based on the definitions of climate finance developed by Climate Policy Initiative (CPI) for mitigation and adaptation projects in the Global Landscape of Climate Finance.[[1]](#footnote-1) The CPI working definition of climate finance is aligned with the recommended operational definition of the UNFCCC Standing Committee on Finance (see UNFCCC SCF, 2014, 2016, 2018, 2020), which states: “Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.” |
| Enabling framework conditions (EFCs) | An EFC is a component of a broader enabling environment, in this case for urban climate finance. EFCs together constitute an enabling environment for achieving minimized and well-managed risks and where the rights, roles and assets of all stakeholders are established. Previous CCFLA work has focused on EFCs for climate-smart cities, which together facilitate low-carbon, climate-resilient urban development. EFCs can be, but are not limited to, policies, legal frameworks, governance structures, implementation capacity, and financing and investment structures.2 |
| Reliable | Following an agreed-upon schedule and time, and including multi-year agreements/budgetary commitments. Future transfers are certain and expected to be provided as indicated in official agreements, documents, and regulations. |
| Subnational government | The terms ‘subnational’ and ‘subnational government’ refer to the multiple levels of government that operate below the national level. Common terms for subnational governments include states, provinces, territories, regions, counties, municipalities, cities or similar.[[2]](#footnote-2) See Box A for advice on interpreting subnational when applying this tool. |
| Systems of intergovernmental transfers | Defined here as the structure, type, and frequency of fiscal transfers between national and subnational governments. |
| Urban areas | The term ‘urban’ refers to Functional Urban Areas (FUAs), which consist of a densely inhabited city and a less densely populated commuting zone whose labor market is highly integrated with the city.[[3]](#footnote-3) The term ‘urban’ also includes cities with physical boundaries that are officially locally defined by the city government in question, which, depending on the context, may include less urbanized areas such as peri-urban commuting zones.[[4]](#footnote-4) |
| Urban climate finance | Urban climate finance refers to resources directed to activities limiting city-induced GHG emissions or aiming to address climate-related risks faced by cities, contributing to resilience and low carbon development.[[5]](#footnote-5) |

**Box A. Applying dimensions which refer to “subnational”**

Certain dimensions may refer to “subnational” in terms of policy and/or finance. Users of this tool have discretion over the level of government to which this refers. Disparate country contexts, decentralization structures, and governance regimes mean that cities and urban areas have varying levels of autonomy over climate policy, budgeting, and planning. It may be best to consider in this case the city or metropolitan level that most closely works on urban climate finance. In some cases, the state or regional levels may be more appropriate for some dimensions. We use the term “subnational” in this document to allow flexibility and indicate where the dimensions apply to urban climate goals.

# National Assessment Tool: Dimensions

The “Dimension” column below refers to national EFC components being assessed to improve subnational access to climate finance. “Dimension Detail” provides a more nuanced understanding of good practice examples for each dimension.

## Climate Policy (CP)

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| DIMENSION | DIMENSION DETAIL | ASSESSMENT INPUT |
| CP Sub-Category 1.1: National climate change policies | | |
| National mitigation strategy | 1.1.1 Mitigation: the national government has a national climate change mitigation strategy, such as a Nationally Determined Contribution (NDC) or similar document. The strategy includes a long-term pathway to achieve climate targets. Targets are binding. |  |
| National adaptation strategy | 1.1.2 Adaptation: the national government has a national climate change adaptation strategy, such as National Adaptation Plan (NAP) or similar document. The strategy includes a long-term pathway to achieve climate targets. Targets are binding. |  |
| National government regularly updates national climate policy | 1.1.3 The national government updates climate policies/commitments for both mitigation and adaptation regularly according to the NDC cycle or voluntarily depending on their macroeconomic situation, developmental trajectory, climate-related incidents, or similar.  *For example: the adaptation plans are updated after a climate-related disaster incident such as urban floods.* |  |
| Climate policy monitoring and reporting at the national level | 1.1.4 There are transparent monitoring and reporting systems in place that track progress towards climate goals using climate data. There are enforcement mechanisms in place with the capacity to enforce any deviation from climate goals. |  |
| National climate change risk assessment | 1.1.5 The national government regularly conducts a national climate risk assessment, which includes various climate change factors, such as temperature changes, extreme weather events, sea-level rise, infrastructure vulnerability, and socio-economic vulnerability, among others. |  |
| CP Sub-Category 1.2: National regulations for subnational climate policies | | |
| National mitigation strategy has urban content | 1.2.1 The national government’s mitigation strategies include specific urban and/or subnational content. The national policies/strategies specifically elaborate subnational governments' roles and/or guiding frameworks for climate mitigation actions. |  |
| National adaptation strategy has urban content | 1.2.2 The national government’s adaptation strategies include specific urban and/or subnational content. The national policies/strategies specifically elaborate subnational governments' roles and/or guiding frameworks climate adaptation actions. |  |
| National policies include urban climate targets and specify subnational roles | 1.2.3 National urban policies specifically include climate targets. The national urban policies specifically elaborate subnational governments' roles and/or standards of action in climate mitigation and adaptation actions. |  |
| National government sets KPIs to measure urban climate progress | 1.2.4 The national government sets key performance indicators (or additional metrics) to measure urban climate progress towards targets (e.g., percentage reduction in GHG emissions compared to a baseline year, number of climate-resilient infrastructure projects implemented).  *Note: Include city and/or urban data where available.* |  |
| National regulation enables dedicated subnational climate bodies | 1.2.5 There is a national legal/regulation/ policy framework at the national level that enables subnational governments to establish a dedicated local agency/body for planning, coordination and/or implementation of climate actions. Through this body, subnational governments can plan for long-term local climate actions. |  |
| National regulation requiring local reporting on climate actions | 1.2.6 There is a national legal/regulation/ policy framework requiring subnational governments to report their implementation of climate actions. |  |
| National requirement for subnational GHG inventories | 1.2.7 There is a national legal/regulation/ policy framework requiring subnational GHG inventories to be conducted. The national government provides support for subnational governments to conduct these inventories.  *For example, support may include technical or financial support for subnational GHG inventories.* |  |
| National requirement for city climate change risk assessment | 1.2.8 There is a national legal / regulation / policy framework requiring city-level climate change risk assessments. The national government provides support for cities to incorporate climate risks into their development planning documents. |  |
| National requirement for city climate action plan & urban resilience plans | 1.2.9 There is a national legal/regulation/ policy framework that requires subnational governments to develop city-level climate action plans, urban resilience plans, or similar documents. Specify if the city- or municipality-level plans are mandatory or not.  *For example, specify whether city-level climate action plans are required or whether subnational integration of climate targets into development planning documents is required.* |  |
| CP Sub-Category 1.3: National requirements for involving subnational in planning | | |
| National requirement for involving subnational government in climate planning | 1.3.1 There is a national legal/regulation/ policy framework, such as National Planning Document(s), requiring the integration of subnational government perspectives on local climate actions into national planning processes. This can include national strategies on disaster risk reduction and biodiversity protection, or similar documents. |  |

## Budget and Finance (BF)

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| DIMENSION | DIMENSION DETAIL | ASSESSMENT INPUT |
| BF Sub-Category 2.1: Public financing and national budget | | |
| National definition for climate finance | 2.1.1 The national public financial framework (or similar documents) sets out clear criteria for what counts as climate/green/ sustainable finance for domestic and donor finance. |  |
| National funding mechanism for subnational governments to achieve climate targets | 2.1.2 There is a national funding mechanism or program for subnational governments to achieve climate targets attached to national strategies/policy documents.  *For example, sectors receiving funding may be indicated in NDCs if the national government provides funding support to specific sectors.* |  |
| National and subnational disaster-risk management funds | 2.1.3 Disaster-risk management or reduction emergency funds, or similar funds, are available on the national and subnational level. The mechanism to access these funds is in place. |  |
| BF Sub-Category 2.2: National funding sources for subnational climate action | | |
| Domestic public finance for subnational climate action | 2.2.1 The national government has used domestic public finance sources (e.g., taxes, subsidies) to finance subnational climate action within the last 2 years. |  |
| International public finance for subnational climate action | 2.2.2 The national government has used international public finance sources (e.g., grants, bilateral/donor funding, MDBs, global funds) to finance subnational climate action within the last 2 years. |  |
| Domestic private finance for subnational climate action | 2.2.3 The national government has used domestic private finance sources (including private finance generated by NDBs, non-bank financial institutions (NBFIs), financial markets, and capital markets) to finance subnational climate action within the last 2 years. |  |
| International private finance for subnational climate action | 2.2.4 The national government has used international private finance sources to finance subnational climate action within the last 2 years. |  |
| BF Sub-Category 2.3: National support for subnational green budgeting | | |
| National government provides technical assistance for subnational governments for budget/ financing practices | 2.3.1 The national government provides technical assistance for subnational governments to implement green budget and financing practices.  *For example: technical assistance may include support for green subnational procurement and/or initiatives, taxonomies, bonds, certification etc. to support subnational green budgeting and financing practices.* |  |
| Climate budgets include climate-risk components | 2.3.2 National climate budgets include climate-risk assessment components and support for vulnerable groups on the subnational level.  *For example: support may include allocations to adaptation projects, capacity-building measures for groups at risk, and social safety nets.* |  |
| National framework allowing subnational budget tagging | 2.3.3 There is a framework/policy at the national level which allows subnational governments to develop toolkits for and implement budget tagging, tax tagging and/or revenue tagging for tracking climate-specific revenue or expenditure. |  |
| BF Sub-Category 2.4: Systems of intergovernmental transfers | | |
| National intergovernmental transfers supporting subnational mitigation goals | 2.4.1 Intergovernmental transfers (from national to subnational) are in place which consider subnational mitigation goals. These transfers are transparent and reliable, occurring at least once within the last two years.  *For example: conditional transfers, matching transfers, grants, subsidies, and/or direct performance contracts.* |  |
| National intergovernmental transfers supporting subnational adaptation goals | 2.4.2 Intergovernmental transfers (from national to subnational) are in place which consider subnational adaptation goals. These transfers are transparent and reliable, occurring at least once within the last two years.  *For example: conditional transfers, matching transfers, grants, subsidies, and/or direct performance contracts.* |  |
| National intergovernmental transfers incentivizing subnational policies including climate externalities | 2.4.3 Intergovernmental transfers (from national to subnational) are in place which incentivize subnational government officials to consider climate externalities in their policy and planning. These transfers are transparent and reliable, occurring at least once within the last two years.  *For example, climate externalities include transboundary pollution, and transfers include conditional transfers, matching transfers, grants, subsidies, and/or direct performance contracts.* |  |
| Performance based conditional transfers for subnational climate goals | 2.4.4 There are conditional transfers in place from the national to subnational governments based on climate performance. These transfers are transparent and reliable, occurring at least once within the last two years.  *For example: evaluation based on GHG inventory.* |  |
| National government climate-risk vulnerability for subnational transfers | 2.4.5 The national government considers climate-risk vulnerability when determining subnational transfers.  *For example: vulnerability evaluation of subnational regions to climate change impacts (adaptation). Considering the specific needs of each subnational region incl. distributive justice and prioritization of most affected regions.* |  |
| BF Sub-Category 2.5: Fiscal decentralization and subnational revenue generation | | |
| Clear guidelines for fiscal decentralization | 2.5.1 There is a clear regulatory framework and operating policy for fiscal decentralization, including climate action, subnational revenue generation, and reporting mechanisms. |  |
| Subnational revenue diversification allowed & encouraged | 2.5.2 Subnational governments are allowed and encouraged to diversify their revenue sources to address climate action through a basket of resources, such as taxes, including carbon taxes, fees, and charges. |  |
| Clarity on expenditures at levels of government (avoid overlapping budgets) | 2.5.3 There is clarity on what level of government is responsible for different functions and corresponding expenditures, and no overlapping governance. Laws / regulations determine the level of government responsible for different expenditures, and there are no overlapping budgets between different levels of government. |  |
| Adequate subnational revenue generation | 2.5.4 Subnational governments have adequate revenue generation for climate action and do not rely only on emergency funds or other special funds to cover regular expenses for climate planning. |  |
| BF Sub-Category 2.6: Private finance mobilization at the subnational level | | |
| Private sector investment possible in municipal infrastructure | 2.6.1 Private investment into municipal infrastructure sectors is allowed. There are no procurement laws or policies which prevent or discourage this type of investment.  *For example, there are tax benefits and/or subsidies for the private sector; regulatory incentives (e.g., feed-in tariffs, risk mitigating insurance, or other) are in place.* |  |
| National policies support private sector investment into subnational climate action | 2.6.2 There are national policies and regulatory frameworks supporting the engagement with the private sector in subnational climate projects and across subnational regions.   *For example, support may include tax benefits and/or subsidies for private sector investment, regulatory incentives such as feed-in tariffs or risk-mitigating insurance, or funding pools to combine investment across neighboring subnational jurisdictions.* |  |
| National support for subnational PPPs | 2.6.3 There is national support for public-private partnerships (PPPs) for climate action at the subnational level and across subnational regions.  *For example, support may include national incentives that support PPPs for subnational climate action and also through subnational cooperation.* |  |
| BF Sub-Category 2.7: Creditworthiness and access to capital | | |
| Subnational borrowing capacity for climate investments | 2.7.1 Subnational governments are able to borrow for climate investments. Fiscal frameworks are in place for subnational borrowing. These encourage fiscal responsibility and may include borrowing rules. |  |
| Clear process for sovereign guarantees | 2.7.2 Subnational governments require a sovereign guarantee/approval from the national government to borrow for climate investments. There is a clear process in place, and at least one subnational government in the country has successfully done this before. |  |
| Subnational credit rating | 2.7.3 Subnational governments in the country have applied for and been granted a credit rating. |  |
| Municipal bond issuance | 2.7.4 Subnational governments in the country have issued municipal bonds. There are frameworks in place for municipal bond issuances at the subnational level. |  |
| Green bond issuance | 2.7.5 Subnational governments in the country have issued green bonds. There are frameworks in place for municipal green bond issuances at the subnational level. |  |
| National support for first-time subnational bond issuance | 2.7.6 The national government provides technical assistance and/or capacity building programs for subnational governments to issue municipal bonds for the first time, including guidance on managing bonds proceeds. |  |
| National government facilitates pooled financing | 2.7.7 The national government facilitates pooled financing mechanisms that can issue bonds on behalf of multiple subnational governments. There is a clear mechanism in place for pooled financing, and this has been done successfully at least once. |  |
| BF Sub-Category 2.8: Potential for co-financing and/or innovative financing | | |
| National or public development bank potential for co-financing | 2.8.1 The country has a national development bank(s) (NDB) and/or public development bank(s) (PDB) that support subnational or urban climate infrastructure projects. These banks could offer the potential for co-financing and de-risking financing for externals. |  |
| National investment funds potential for co-financing | 2.8.2 There are national and/or regional investment funds which could offer the potential for co-financing of urban climate initiatives/projects. |  |
| Blended finance | 2.8.3 There is national support for subnational involvement in innovative financing mechanisms for climate action, such as blended finance. |  |
| Carbon markets | 2.8.4 There is national support for subnational involvement in innovative financing mechanisms for climate action, such as carbon markets. |  |
| Special purpose vehicle | 2.8.5 There is national support for the use of a special purpose vehicle (SPV) or special purpose entity (SPE) to limit liability, provide innovative project funding, and allow cross-border transactions on the subnational level. |  |

## Climate Data (CD)

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| DIMENSION | DIMENSION DETAIL | ASSESSMENT INPUT |
| CD Sub-Category 3.1: National-level climate data | | |
| Local climate databases | 3.1.1 There is a national mechanism for locally centralized & digitalized database services on climate adaptation and mitigation (including GHG inventory). |  |
| National government has access to good national climate data | 3.1.2 The national government has access to good, comprehensive climate data at the national level covering both mitigation and adaptation. For mitigation, the data should follow the Transparency, Accuracy, Consistency, Comparability and Completeness (TACCC) principles. |  |
| CD Sub-Category 3.2: Subnational-level climate data | | |
| Self-reporting mechanism for subnational governments to update their climate data | 3.2.1 There is a digitalized self-reporting mechanism for subnational governments to update their data on the national database. |  |
| National support for subnational research centers on climate data | 3.2.2 The national government provides support to establish regional and/or local-level research centers to support subnational climate data.  *For example: these centers could include partnerships with university and/or research bodies, civil society, and the private sector.* |  |
| National financial support and technical assistance to analyze climate data | 3.2.3 The national government provides financial support and technical assistance to the subnational government to analyze subnational climate data. |  |
| National government ensures good quality and availability of subnational climate data | 3.2.4 The national government ensures that good quality subnational climate data is available for subnational governments. For mitigation data, this is defined as following TACCC principles: transparency, accuracy, consistency, comparability, and completeness. The data is also timely and covers mitigation and adaptation (including identifying emissions sources, designing GHG inventories, and disaster and climate risk assessments and long-term climate change scenarios).  *For example: support may include technical support, developing protocols and associated standardized terms of reference, creating national information technology platforms to host inventory data, etc.* |  |

## Vertical and Horizontal Coordination (VHC)

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| DIMENSION | DIMENSION DETAIL | ASSESSMENT INPUT |
| VHC Sub-Category 4.1: National support for subnational coordination | | |
| National support for horizontal coordination for climate planning and risk assessment | 4.1.1 The national government supports and/or mandates regional strategies that coordinate climate actions between subnational governments and encourage climate planning and assessment of risks beyond individual boundaries. Specify whether support includes technical and financial support. |  |
| National support for horizontal/ vertical coordination for shared climate investment opportunities | 4.1.2 The national government supports subnational governments in coordinating and identifying opportunities for shared climate investments (whether across levels of government or between jurisdictions). Specify whether support includes technical and financial support. |  |
| National support for vertical coordination on climate action | 4.1.3 There are mechanisms in place for vertical coordination (across levels of government) on climate action supported by the national government. Specify whether support includes technical and financial support.  *For example, there are city deals or contracts, regional or local development strategies, platforms for intergovernmental dialogue, and dedicated regional development agencies.* |  |
| National support for horizontal coordination on climate action | 4.1.4 There are mechanisms in place for horizontal coordination (between/across jurisdictions) on climate action supported by the national government. Specify whether support includes technical and financial support.  *For example, the national government encourages horizontal coordination through financial or non-financial incentives, agreements between jurisdictions, regional or local development strategies, platforms for intergovernmental dialogue, and/or dedicated regional development agencies.* |  |
| National support for international coordination on climate action | 4.1.5 There are mechanisms for international coordination and peer learning for subnational governments supported by the national government. Specify whether support includes technical and financial support. |  |
| VHC Sub-Category 4.2: Public involvement and stakeholder engagement | | |
| National requirements for public participation in subnational climate regulation | 4.2.1 There is a national regulation / legislation / mechanism that requires subnational governments to integrate public participation into their climate actions regulation/mechanism. |  |
| National support to integrate civil society in subnational climate planning | 4.2.2 The national government facilitates forums and/or partnerships for subnational governments to integrate civil society, the public, and the private sector into their climate actions and planning. |  |
| VHC Sub-Category 4.3: National cooperation and peer learning | | |
| National government engages in peer learning | 4.3.1 The national government engages in peer learning (with other countries, networks, or technical advisers) on climate finance and/or subnational climate finance. |  |
| National cooperation with PPFs for subnational climate infrastructure projects | 4.3.2 There is evidence of national cooperation with Project Preparation Facilities (PPFs) for climate infrastructure projects on the subnational level. |  |

[**citiesclimatefinance.org**](https://citiesclimatefinance.org/)

**unescap.org**

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2. Gutierrez, Arturo Herrera (2015). What are we talking about when we talk about “subnational governments? Available at: <https://blogs.worldbank.org/governance/what-are-we-talking-about-when-we-talk-about-subnational-governments> [↑](#footnote-ref-2)
3. European Commission/OECD (2019). The EU-OECD definition of a functional urban area. Available at: <https://www.oecd-ilibrary.org/urban-rural-and-regional-development/the-eu-oecd-definition-of-a-functional-urban-area_d58cb34d-en> [↑](#footnote-ref-3)
4. CCFLA/World Bank (2021). 2021 State of Cities Climate Finance. Available at: <https://citiesclimatefinance.org/publications/2021-state-of-cities-climate-finance/> [↑](#footnote-ref-4)
5. Ibid. [↑](#footnote-ref-5)