



GOVERNANCE

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized



EQUITABLE GROWTH, FINANCE & INSTITUTIONS NOTES

# Climate Change Institutional Assessment

April 2021



WORLD BANK GROUP





**Climate change poses particularly difficult challenges for public sector institutions.** Climate change impacts all sectors of the economy and society. Action to address climate change requires coordination among multiple government and nongovernment actors. The extended time frame over which climate change unfolds requires a capability to plan, implement, and sustain a credible commitment to increasingly ambitious policies over multiple political cycles. There will be winners and losers. Policies may be contested.

**The Climate Change Institutional Assessment (CCIA) identifies the strengths and weaknesses of the institutional framework for addressing these climate change governance challenges.** The audience for the assessment is officials of center-of-government agencies responsible for policy, planning, and finance, agencies with leading roles in climate change policy, and inter-ministerial climate change bodies.

**The CCIA comprises five pillars.**

- 1. Organization:** Assesses the regulatory framework for climate change policy, the functional mandates of government agencies, coordination arrangements, and the technical capacity to support climate change policy.
- 2. Planning:** Evaluates systems for climate change risk and vulnerability assessments, strategies, and plans and the regulatory framework for the climate change planning and policy process.
- 3. Public Finance:** Considers the integration of climate strategies, plans, and policies in fiscal and public financial management (PFM) practices and the mobilization of resources for climate action.

- 4. Subnational Governments and State-Owned Enterprises:** Examines the treatment of climate change in the intergovernmental system and in the management of state-owned enterprises (SOEs), the capacity of subnational governments (SNGs), and incentives for climate action.
- 5. Accountability:** Reviews transparency and engagement mechanisms for civil society, the private sector, and other stakeholders and the roles of expert advisory and oversight institutions.

**The CCIA can be used by countries at all income levels and stages of development in their climate change institutions.** The CCIA does not prescribe particular institutional forms; rather, it assesses the capability of taking meaningful action on climate change. It focuses on cross-cutting public institutions and mechanisms for engaging with nongovernment stakeholders and complements diagnostics that focus on the private, financial, and specific real sectors (energy, transport, agriculture). The outcome is a prioritized list of recommendations for action. It does not measure whether a country is on track to reach its climate targets, nor undertake an in-depth review of climate policies. Governments may use the CCIA to inform the design of institutional reforms for their Nationally Determined Contributions (NDC) and climate strategies. Development Partners can use the CCIA to inform the design of institutional reforms for budget support, investment operations, and technical assistance.

**The CCIA can be conducted as a stand-alone assessment or as part of other analytical processes** (e.g., long-term climate change strategy, NDC update, World Bank Country Climate Development Report, public finance review, Systematic Country Diagnostic, Country Economic Memorandum,

Country Private Sector Diagnostic). It can be conducted by governments as a self-assessment or by external parties in collaboration with government. The CCIA can be applied in full or part depending on the need. The process comprises a desk review followed by interviews with relevant government and nongovernment experts across the five pillars.

**The CCIA was developed by a World Bank team and is based on empirical evidence from country case studies.<sup>1</sup>**

The CCIA builds on work by the United Nations Development Programme, the New Climate Institute, and the World Bank (among other institutions). Adapted and updated on an iterative basis, the CCIA is an umbrella diagnostic, with complementary governance tools allowing for in-depth analysis in specific areas (see Annex 1 for a complete list of the tools).

The summary table provides an overview of the elements and issues covered under each pillar:<sup>2</sup>

ELEMENTS	ISSUES
<b>PILLAR 1. ORGANIZATION</b>	
Assesses the regulatory framework for climate change policy, the functional mandates of government agencies, coordination arrangements, and the technical capacity to support climate change policy.	
<b>1.1. REGULATORY FRAMEWORK</b>	The scope of framework legislation for climate change <sup>3</sup> encompassing: long-term targets; risk and vulnerability assessments; climate change strategies and plans; policy instruments; independent expert advice; coordination mechanisms; stakeholder engagement; financing implementation; measurement, reporting, and verification; oversight.
<b>1.2. FUNCTIONAL MANDATES</b>	Assignment and implementation of core mandates for leadership, technical advice, and planning and functional mandates for climate policy, regulation, monitoring, and execution.
<b>1.3. GOVERNMENT COORDINATION</b>	Formal and in-practice authority over, participation in, and scope of horizontal coordination arrangements; public availability of information, resourcing, and incentives.
<b>1.4. TECHNICAL CAPACITY</b>	Structure of climate units and focal points in key center-of-government entities (planning, economy, and finance) and line agencies; seniority and skills of staff; programs to hire in-house climate expertise; management practices and incentives to work on climate change; programs to develop the capacity of officials working on climate change.
<b>PILLAR 2. PLANNING</b>	
Evaluates systems for climate change risk and vulnerability assessments, strategies, and plans and the regulatory framework for the climate change planning and policy process.	
<b>2.1. LONG-TERM STRATEGY</b>	National long-term low emissions and adaptation development strategy; distributional impact assessments; 2050 emissions reduction and net-zero targets; long-term objectives for adaptation; mechanisms to increase ambition; integration of institutional analysis and reforms.

1. The case studies include those conducted by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science. For more information contact Nicholas Menzies ([nmenzies@worldbank.org](mailto:nmenzies@worldbank.org)) or Xenia Kirchhofer ([xkirchhofer@worldbank.org](mailto:xkirchhofer@worldbank.org))

2. A more detailed set of questions is contained in an underlying Excel-based tool.

3. The [World Bank Reference Guide to Climate Change Framework Legislation](#) is a diagnostic tool that enables more in-depth analysis of framework laws based on 12 key elements.

ELEMENTS	ISSUES
2.2. MEDIUM-TERM STRATEGY	Consistency of NDC with long-term decarbonization targets; role of private sector; cost estimates; sector targets; integration with development plans; conditionality of targets; integration of institutional and policy reforms.
2.3. RISK AND VULNERABILITY	Availability of climate risk and vulnerability assessments; treatment of physical and transition risks; procedures for updating assessments in line with new evidence; public information.
2.4. DEVELOPMENT PLANNING	Integration of decarbonization and adaptation into the national development plan; consistency with long-term strategies and NDC; requirements for national, sector, and subnational decarbonization and adaptation plans; requirement for integration of climate change into sector agencies' plans and strategies.
2.5. MONITORING, REPORTING, AND VERIFICATION (MRV)	Assignment of MRV obligations and functions, including inventory of greenhouse gas emissions, adaptation actions and financing, disclosure, and coordination among government agencies and private sector; capacity of participants; completeness and timeliness of data; availability of centralized data system; use of MRV data in target setting, strategies, policies, and evaluations.
<b>PILLAR 3. PUBLIC FINANCE</b>	
Considers the integration of climate strategies, plans, and policies in fiscal and public financial management practices and the mobilization of resources for climate action.	
3.1. PUBLIC FINANCIAL MANAGEMENT	Integration of climate change considerations into medium-term fiscal risk assessments; expenditure plans; budget circulars; use of systematic appraisal, budget tagging, and expenditure reviews; disaster resilience and response considerations in financial management practices. <sup>4</sup>
3.2. PUBLIC INVESTMENT AND ASSET MANAGEMENT	Integration of climate change considerations into infrastructure governance regulation, strategies, and planning; climate-informed project screening, appraisal, and selection; climate risk management in public-private partnerships; asset inventory to identify critical and at-risk infrastructure. <sup>5</sup>
3.3. PUBLIC PROCUREMENT	Green procurement regulation, tools, indicators, and data. <sup>6</sup>
3.4. CLIMATE FINANCE	Institutional framework for mobilization of climate finance; financing strategy; use of market-based financing instruments; climate funds; earmarked domestic revenues and finance.

4. The [PEFA Climate Module](#) and the [Disaster Responsive Public Financial Management Toolkit](#) enable more in-depth analysis these areas.

5. Further World Bank guidance is being developed in this area.

6. Additional World Bank tools exist to drill down on this topic.



ELEMENTS	ISSUES
<b>PILLAR 4. SUBNATIONAL GOVERNMENTS AND STATE-OWNED ENTERPRISES</b>	
Examines the treatment of climate change in the intergovernmental system and in the management of state-owned enterprises, the capacity of subnational governments, and incentives for climate action.	
<b>4.1. FUNCTIONAL ASSIGNMENT, COORDINATION, AND CAPACITY</b>	Functional assignment of mandates and competencies for climate action; subnational regulatory authority; vertical and horizontal intergovernmental coordination arrangements; responsibility for disaster risk management and response; technical capacity of SNGs (1.4) and national programs for capacity development.
<b>4.2. STRATEGIC AND LAND USE PLANNING</b>	Mandates for risk and vulnerability assessments and decarbonization and adaptation planning; subnational planning initiatives; monitoring and reporting on climate action; integration of climate considerations in land use planning practices; public access to information.
<b>4.3. SUBNATIONAL CLIMATE FINANCE</b>	Revenue competencies; payments for environmental services; environmental taxation initiatives; climate-related intergovernmental transfers; climate-related expenditure mandates; integration of climate change considerations into PFM (3.1) and public investment and asset management (3.2); green procurement (3.3); subnational climate finance initiatives (3.4).
<b>4.4. STATE-OWNED ENTERPRISES</b>	Requirements for: systematic portfolio and enterprise-level assessment of physical and transition risks; portfolio and enterprise-level targets for climate action and their consistency with national climate targets; integration of climate action into SOE strategies, statements of corporate intent, and performance contracts; reports and disclosures on climate impacts and performance. <sup>7</sup>
<b>PILLAR 5. ACCOUNTABILITY</b>	
Reviews transparency and stakeholder engagement mechanisms for civil society, the private sector, and other stakeholders and the roles of expert advisory and oversight institutions.	
<b>5.1. ACCESS TO CLIMATE INFORMATION</b>	Availability and effective communication of key information: physical and transition risks; climate targets, plans, and strategies; climate finance; emissions and progress in emission reductions.
<b>5.2. STAKEHOLDER ENGAGEMENT</b>	Requirements for: engagement with the private sector, civil society, media, the scientific community, and the public in planning, policy, and evaluations; breadth of representation, satisfaction of participants, and impact on policy.

7. Additional World Bank tools are being developed in this area.

ELEMENTS	ISSUES
<b>5.3. INDEPENDENT EXPERT ADVICE</b>	Mandate and authority of independent expert advisory body; reporting arrangements; public access to advice; requirement for government response.
<b>5.4. LEGISLATIVE BODY</b>	Scope of legislative review and approval of key climate planning and policy instruments (physical and transition risk assessments; climate targets, strategies, and plans; public resource allocations and climate finance; reports on emissions and progress in emission reductions); capacity of legislature for scrutiny of climate policy; access to independent advice.
<b>5.5. AUDIT</b>	Scope of supreme audit institution reviews of government climate change policy (compliance with international commitments; performance against targets; efficiency and effectiveness of policy interventions); specific methodologies for climate-informed audits; government response and action on audit findings; public access to reports.
<b>5.6. JUDICIAL REVIEW</b>	Authority of courts to review compliance with the regulatory framework for climate action; scope of standing to bring cases; capacity of the courts to address climate-related litigation; enforcement of court decisions.



**ANNEX 1 - Complementary Governance Tools**

CCIA PILLAR	COMPLEMENTARY TOOLS (RELATED ELEMENT)
<p><b>1. ORGANIZATION</b></p>	<ul style="list-style-type: none"> <li>• <a href="#">Reference Guide to Climate Change Framework Legislation</a> (1.1)</li> <li>• Case studies on government coordination (1.3) and technical capacity (1.4) under development</li> </ul>
<p><b>2. PLANNING</b></p>	<ul style="list-style-type: none"> <li>• Guidance on long-term strategies (2.1) under development</li> </ul>
<p><b>3. PUBLIC FINANCE</b></p>	<ul style="list-style-type: none"> <li>• <a href="#">Climate Change Public Expenditure and Institutional Review Sourcebook</a> (3.1)</li> <li>• <a href="#">PEFA Climate Module</a> (3.1)</li> <li>• <a href="#">Disaster-Resilient and Responsive PFM Toolkit</a> (3.1)</li> <li>• <a href="#">Climate Budget Tagging Review of International Experience</a> (3.1)</li> <li>• Overview note on climate change and public financial management (3.1) under development</li> <li>• Guidance note on green and resilient public investment management (3.2) under development</li> <li>• Green public procurement guidelines (3.3) under development</li> </ul>
<p><b>4. SUBNATIONAL GOVERNMENTS AND STATE-OWNED ENTERPRISES</b></p>	<ul style="list-style-type: none"> <li>• Guidance note on Intergovernmental relations and climate change (4.1, 4.2, 4.3) under development</li> <li>• Subnational public investment management diagnostic tool (4.3) under development</li> <li>• Assessment matrix for integrated SOE diagnostic and training Material (4.4) under development</li> <li>• Guidance note for SOE regulators (4.4) under development</li> </ul>
<p><b>5. ACCOUNTABILITY</b></p>	<ul style="list-style-type: none"> <li>• Guidance note on transparency, accountability, and participation in climate change (5.1, 5.2) under development</li> </ul>

