

Supplement

Subnational Investment Planning

Climate Finance
Mobilization and Investment
Planning Framework

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About the Supplements

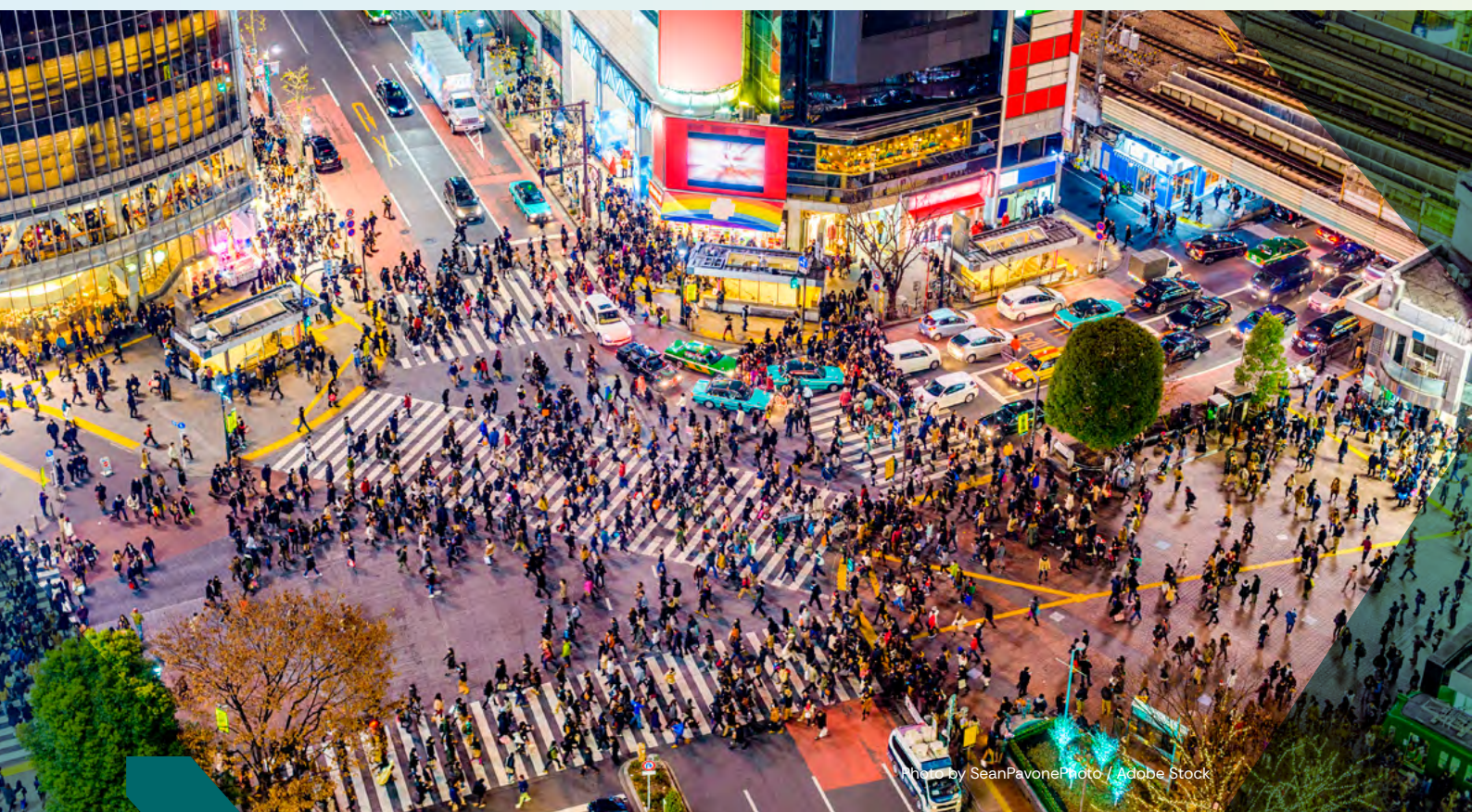
Thematic supplements expand on the Climate Investment Planning and Mobilization Framework (CIPMF) by offering targeted guidance, best practices, success stories, and support resources tailored to specific investment planning contexts. The Subnational Investment Planning Supplement is aimed at decision-makers and practitioners—particularly national and subnational governments—who are working to implement Nationally Determined Contribution (NDC) targets through subnational climate action and to strengthen vertical and horizontal integration. It also supports those updating their NDCs by helping them incorporate or reinforce financeable commitments across different levels of governance.

Table of Contents

Abbreviations	5
Introduction	6
Subnational Investment Planning and Finance Mobilization Framework	9
Pillar 1: Investment Planning	11
Stage 1: Subnational Investment Planning and Mobilization Capacity	11
Component 1: Institutional Arrangements and Expertise	11
Component 2: Stakeholder Engagement	17
Component 3: Mapping Existing Investment Frameworks	19
Component 4: Mainstreaming Climate Goals	20
Component 5: Monitoring, Reporting, and Verification (MRV)	21
Stage 2: Developing a Subnational Climate Action Plan (CAP)	22
Component 1: Assessing Local Climate Risks and Challenges	22
Component 2: Setting Strategic Climate Vision, Goals, and Targets	23
Component 3: Prioritization and Investment Needs	24
Stage 3: Subnational Financing Strategy	25
Component 1: Understanding the Climate Finance Ecosystem	25
Component 2: Identifying Investment Barriers and Pathways to Strengthen Enabling Environments	26
Component 3: Project Pipeline Stocktaking	28
Component 4: Project and Program Costing	29
Component 5: Identifying Suitable Finance Sources and Instruments	30
Pillar 2: Finance Mobilization	32
Stage 4: Subnational Programming with Finance Partners	32
Component 1: Programming Dialogue with Finance Partners	32
Stage 5: Subnational Funding Proposal Development	33
Component 1: Project and Program Readiness and Finance Proposals	33
Component 2: Structuring Investment and Risk Mitigation Strategies	33
Stage 6: Subnational Project and Program Implementation	34
Component 1: Project and Program Implementation and Monitoring	34
Annex I – Tools and Resources to Consider	35
Annex II – Examples of Instruments for Subnational Climate Finance	38

Abbreviations

ADB	Asian Development Bank	NAP	National Adaptation Plan
CAIT	Climate Action Data Explorer	NbS	Nature-based solutions
CAP	Climate action plan	NBSAP	National Biodiversity Strategy and Action Plan
CAPEX	Capital expenditure	NDC	Nationally Determined Contribution
CBA	Cost-benefit analysis	NGO	Nongovernmental organization
CCFLA	Cities Climate Finance Leadership Alliance	NPV	Net present value
CCRA	Climate change risk assessment	OECD	Organization for Economic Co-operation and Development
CHAMP	Coalition for High Ambition Multilevel Partnerships for Climate Action	OPEX	Operational expenditure
C-PIMA	Climate Public Investment Management Assessment	PIM	Public investment management
CIPMF	Climate Investment Planning and Mobilization Framework	PFM	Public financial management
EBRD	European Bank for Reconstruction and Development	PPP	Public-private partnership
ESCO	Energy service company	PPTA	Project preparatory technical assistance
ETS	Emissions trading scheme	PRC	People's Republic of China
GCoM	Global Covenant of Mayors for Climate and Energy	REDD+	Reducing Emissions from Deforestation and Forest Degradation
GCF	Green Climate Fund	SDGs	Sustainable Development Goals
GDP	Gross domestic product	SIPS	Subnational Investment Planning Supplement
GHG	Greenhouse gas	SME	Small- and medium-sized enterprise
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	SNG	Subnational government
IMF	International Monetary Fund	SOE	State-owned enterprise
IRR	Investment rate of return	TA	Technical assistance
KPI	Key performance indicator	TACCC	Transparency, accuracy, consistency, comparability, and completeness
LT-LEDS	Long-Term Low Emission Development Strategies	TCFD	Task Force on Climate-Related Financial Disclosures
MACC	Marginal abatement cost curve	UNDP	United Nations Development Programme
MCDA	Multicriteria decision analysis	UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
MDB	Multilateral development bank	USAID	United States Agency for International Development
M&E	Monitoring and evaluation	WRI	World Resources Institute
MTEF	Medium-term expenditure framework		



Introduction

Today, around 58% of the world's population lives in urban areas, a figure predicted to increase to 70% by 2050.¹ Rapid urbanization—particularly in developing countries—combined with rising energy and transport demands means that over 70% of global CO₂ emissions occur within urban areas,² where subnational entities³ play a critical role in enabling and implementing mitigation measures. Cities are also on the frontline for climate impacts, and with over 90% of all urban areas being coastal, they are already experiencing the impacts of climate change, including sea level rise and extreme weather events. There are over

one million subnational governments (SNGs) worldwide,⁴ with Asia and the Pacific hosting more than any other region in the world.⁵ SNGs play a critical role in achieving emissions reduction targets, meeting national and international goals, and undertaking adaptation measures to enhance climate resilience, reduce disaster risk, and protect local livelihoods. According to the United Nations Development Programme (UNDP), between 50% and 80% of climate change adaptation and mitigation actions are or will be implemented at the subnational level.⁶

1. Galan, S. (2025). *Share of urban population worldwide in 2025, by continent*.

2. World Bank. (2023). *Urban development*.

3. Subnational entities include but are not limited to towns, cities, municipalities, counties, territories, provinces, regions, states, devolved governments, and other subnational spaces—hereafter referred to as local or subnational governments.

4. Samuels, B. & Maehara, E. (2003). *How national governments can increase finance for subnational climate action: Implementation options, proven financial techniques, and coordination frameworks*.

5. Organization for Economic Co-operation and Development & Asian Development Bank. (2023). *Multi-level governance and subnational finance in Asia and the Pacific*.

6. Network of Regional Governments for Sustainable Development. (n.d.). *Subnational governments at the forefront of climate action*.

Subnational climate ambition not only contributes significantly to targets embedded in Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), Long-Term Low Emission Development Strategies (LT-LEDS), and the implementation of Sustainable Development Goals (SDGs), but also can reduce emissions more quickly. Despite the fact that NDCs often include subnational actions, only 27% of submitted NDCs as of 2024 have a strong urban focus.⁷ The Global Covenant of Mayors for Climate and Energy (GCoM), the world's largest alliance for city climate leadership, reported that more than 75% of their signatories have set more ambitious targets than their countries' NDCs, and over 50% aim to achieve emissions reductions sooner.⁸

With cities generating 80% of global gross domestic product (GDP),⁹ SNGs are key economic actors and are responsible for large shares of sectoral spending on climate change mitigation, adaptation as well as infrastructure, goods and services. Moreover, scaling up and mobilizing finance for subnational climate action can create green jobs, boost access to economic opportunities, and foster a green economy. As such, subnational leadership is critical to strengthening climate and disaster resilience and tackling local transition risks.¹⁰

However, a dearth of financing significantly constrains subnational climate change investment. Despite steady increases in annual average urban climate finance flows—which reached an estimated USD 831 billion in 2021 and 2022—a large finance gap remains.¹¹

These finance flows were largely for mitigation and primarily in the People's Republic of China (PRC; accounting for 28% of total global flows) and developed countries. Critically insufficient levels reached developing economies across South Asia (USD 17 billion), the Middle East and North Africa (USD 8 billion), and Sub-Saharan Africa (USD 5 billion).¹² East Asia and the Pacific accounted for 47% of total urban finance flows (USD 387 billion); however, the region needs an annual average of USD 1 trillion by 2030 for mitigation alone.¹³ Latin America and the Caribbean (LAC) received USD 22 billion, while Central Asia and Eastern Europe received USD 17 billion.¹⁴ Weak enabling environments; limited institutional, technical, and fiscal capacity; low creditworthiness; a lack of investor-ready bankable projects; or large project sizes are further impediments hindering access to investment and finance.

7. UN-Habitat. (2024). [Local action for global goals: An opportunity for enhancing NDCs](#).

8. Global Covenant of Mayors for Climate and Energy. (2021). [Impact report](#).

9. See footnote 3.

10. Climate Investment Funds. (2023). [A toolbox for planning just transitions](#).

11. Cities Climate Finance Leadership Alliance & Climate Policy Initiative. (2024). [The state of cities climate finance 2024](#).

12. See footnote 11.

13. See footnote 11.

14. See footnote 11.



The Subnational Investment Planning Supplement (SIPS) follows the NDC Partnership’s and Green Climate Fund’s (GCF) Climate Investment Planning and Mobilization Framework (CIPMF) and adapts it to the subnational level.

As an extension of the CIPMF, the SIPS provides decision-makers and practitioners with guidance on investment planning and mobilizing investments for local climate action. The SIPS can also be useful for other stakeholders, such as national governments, donors, financial institutions, international organizations, the private sector, and nongovernmental organizations (NGOs), as it provides insights into investment challenges and opportunities specific to the subnational level. These insights can enable relevant stakeholders to design more targeted financial and technical support, unlock

finance and investment barriers, and align financing mechanisms to support subnational project and program bankability. Along with fostering vertical and horizontal coordination to advance partnerships, knowledge sharing, and multilevel governance, the SIPS can enhance the effectiveness of climate finance flows and policy implementation across governance levels.

Diversity across countries and often asymmetric decentralization arrangements mean that there can be no one-size-fits-all framework. The SIPS is not intended to be a prescriptive guide and can be adapted to local conditions, readiness, risks, and priorities as needed. It identifies stages, components, steps, dynamic knowledge resources, and tools through which climate finance may generally advance at the subnational level.



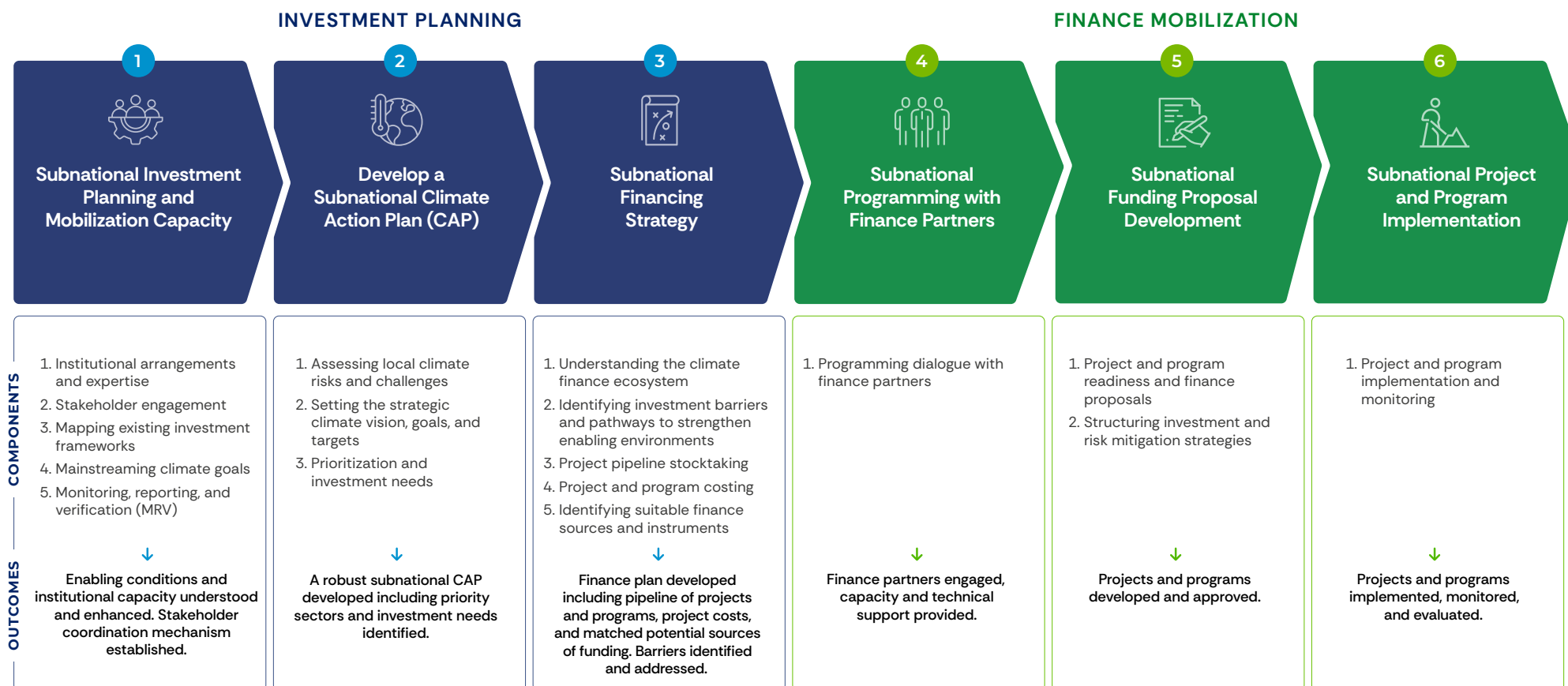
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Subnational Investment Planning and Finance Mobilization Framework

The Subnational Investment Planning and Mobilization Framework is structured around two pillars, elaborated from the CIPMF: (i) investment planning and (ii) finance mobilization. Each pillar is comprised of stages, components, and progressive and interlinked steps. However, it should be noted that there are multiple parallel, iterative, and interlinked processes. The framework is not meant to be followed in a strictly linear fashion. Recognizing that subnational contexts often differ significantly in terms of institutional capacity, data availability, and governance structures, the original

framework was adapted to ensure its relevance and usability at the subnational level. These adjustments aim to align national priorities with local realities while enabling more actionable and context-specific investment planning and finance mobilization. Depending on the country context and the subnational level, not all stages, components, and steps may be applicable due to mandates, institutional structures, and interdependencies among many other factors. As such, the readers of this supplement are invited to use this framework as a guide by considering their specific subnational context.

FIGURE 1 Subnational Investment Planning and Finance Mobilization Framework



Note. This figure was adapted from the GCF and NDC Partnership's CIPMF.

Pillar 1

Investment Planning

STAGE 1

Subnational Investment Planning and Mobilization Capacity



Stage 1 aims to systematically analyze and assess the SNG's governance and institutional capacity to enhance the enabling environment for subnational climate finance and investment. Enabling conditions are critical for subnational investment planning as they strengthen institutional, financial, and regulatory capacity; enhance coordination and knowledge sharing across multiple levels of government; make data more readily available and suitable for analysis; increase access to finance, including private sector investment, own-revenue mobilization, intergovernmental transfers, and support from development partners like multilateral development banks (MDBs); and help mitigate investment risks. Many of the components in Stage 1 are cross-cutting through all the stages of the SIPS, notably with respect to technical assistance (TA) and capacity development; just transition considerations; stakeholder engagement; and MRV.

Component 1: Institutional Arrangements and Expertise

Step 1. Map Critical Stakeholders and Institutional Arrangements Linked to Investment Planning: Include Their Mandates, Roles, and Existing Institutional Arrangements

A wide range of public and private stakeholders are involved in subnational climate action and investment planning, including finance institutions, utilities, development partners, small and medium-sized enterprises (SMEs), large corporations, public-private partnerships (PPPs), energy service companies (ESCOs), NGOs, civil society, universities, research institutions, philanthropic foundations, and others. At the national level, environment, finance, planning, urban development, and other sector ministries are typically responsible

for the implementation of the climate and development agendas. Steps include:

- Identify and map out private and public entities linked to investment planning and include their mandates and roles.
- Map the private sector ecosystem and identify potential channels for cooperation with SNGs in climate investments.

A socially inclusive planning process is key to progressing a just transition. The stakeholder mapping process must ensure to include relevant stakeholders and marginalized groups, including both formal and informal workers as well as affected communities.

Step 2. Analyze and Address Institutional Arrangements and Expertise Gaps

Identifying existing institutional arrangements and potential gaps in expertise is critical for understanding the interactions within and between subnational entities as well as between subnational entities and the national government.

Research indicates that many subnational climate projects, particularly in the Asia Pacific region, require technical assistance (TA) to begin implementation.¹⁵ TA is equally important for programs. This step can also involve an initial exploration of the scope of TA needed, particularly for knowledge and information sharing to overcome any gaps in expertise or capacity. International organizations, bilateral partners, and public finance institutions, among other stakeholders, can provide such TA and capacity development across a wide range of areas.

Step 3. Assess Enabling Environment Framework Conditions: Undertake an Enabling Environment and Institutional Capacity Assessment

Undertake a systematic enabling environment and institutional capacity assessment to identify existing arrangements for climate policies, regulation, budget and finance, climate data, as well as vertical, horizontal, and international coordination support for climate finance and investment planning. Numerous resources developed by UNDP, the United States Agency for International Development (USAID), and C40 are available to guide this step (see Annex I). A particularly robust assessment tool was developed by the Cities Climate Finance Leadership Alliance (CCFLA) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)—the CCFLA/Urban-Act Subnational Enabling Framework Conditions Assessment Tool. This tool aims to enhance SNGs' access to urban climate finance by assessing enabling conditions and institutional capacity.¹⁶ The tool is applicable for diverse subnational contexts and identifies strengths, opportunities, and recommendations for improvement (see Table 1).

15. CDP (2023), in *Financing for sustainable infrastructure: A guide for Asia Pacific cities*, found that 45% of projects are at the early stage and require TA.

16. Cities Climate Finance Leadership Alliance & Urban-Act. (2024). *Subnational enabling framework conditions assessment tool*.

TABLE 1 Recommended Elements for Enabling Framework Assessments

Climate policy and regulation	1. Assess the status of the SNG's climate policy and planning, and its linkages to expenditures. 2. Identify whether the SNG has sufficient institutional capacity to achieve climate action goals, meet national standards, and support a private sector enabling environment. 3. Assess the subnational-level capacity to implement, monitor, and evaluate effective and efficient climate actions transparently by assessing: • subnational climate change policies; • implementation of subnational climate action; • policy, legislative, and regulatory conditions needed to support private sector finance; • de-risking strategies to improve the investment environment for private sector participation; • knowledge sharing about laws and regulations; • functional mandates; • transparency and engagement mechanisms for all stakeholders; and • existing social protection schemes and gaps in coverage.
Budget and finance	1. Assess the SNG's financial architecture and capacity to mobilize resources to achieve climate action goals and support private sector participation. Consider: • subnational funding sources for urban climate action; • subnational green budgeting and portfolio management; • subnational revenue mobilization; • subnational private finance mobilization; • subnational creditworthiness, borrowing, and access to capital markets; • subnational use of co-financing or innovative financing; • subnational public procurement processes; • financial de-risking for private sector participation; and • how to ensure public funds do not crowd out private sector investment.
Climate data	1. Assess the availability of subnational climate change mitigation and adaptation data and how well data and analysis are incorporated into planning and strategy. Consider: • technical and climate modelling capacity; • vulnerability and risk assessment systems; • subnational-level climate data reporting; • subnational-level climate data availability; • climate data knowledge sharing information systems and partnerships; and • private sector knowledge sharing.
Vertical, horizontal, and international coordination	1. Assess how well the SNG cooperates across multilevel governance. 2. Assess institutional understanding of roles and responsibilities. 3. Assess subnational government coordination by considering: • public involvement and stakeholder engagement; • subnational cooperation and peer learning; • management of state-owned enterprises (SOEs); • partnership development with the private sector, NGOs, multilateral development banks (MDBs), national development banks, local finance institutions, development partners, civil society, universities, research institutions, philanthropic foundations, and others; • knowledge sharing and awareness of investment opportunities and risks; and • public availability of information.

Note. This table was adapted from the CCFLA & UNESCAP assessment tool (2024).

Step 3 also involves identifying any potential TA and capacity development required to enhance the enabling environment for, inter alia, subnational policy development; governance, data quality and availability; transparency and MRV; data collection, finance tracking, staff training, and digitization; human and financial resources; analysis and modeling; technology transfer; stakeholder collaboration and partnerships; mainstreaming and alignment across all levels of government; and establishing baselines, risk, and vulnerability assessments.

Improving urban data and high-quality finance is critical. Though nascent at the subnational level, green budgeting—including climate budgeting—and financing practices

are practical tools that can be implemented locally to align fiscal policies with climate and environmental goals, and quantify and track their impacts. SNGs can use green budgeting tools to ensure transparency and accountability, identify funding gaps, and unlock additional sources of funding for low carbon and climate resilient projects. Integrating green budgeting in subnational public financial management (PFM) processes will ensure the sustainability of green objectives. SNGs may need TA support to fully implement these practices. The Organisation for Economic Co-operation and Development (OECD) subnational green budgeting guidelines (see Table 2) can aid in ensuring adherence to best practice standards.

TABLE 2 OECD Subnational Green Budgeting Guidelines

Guideline 1	Conduct a diagnostic of local environmental and climate challenges as a prerequisite.
Guideline 2	Ensure strong high-level involvement and support from both the administrative and elected sides of government.
Guideline 3	Ensure the practice has a robust scientific basis to facilitate public trust (that can adapt to changing scientific evidence).
Guideline 4	Adopt a stepwise approach to implementing green budgeting in order to learn from previous steps and reinforce the alignment of the practice with local strategic priorities.
Guideline 5	Integrate the green budgeting practice into existing PFM procedures and tools to help ensure the practice endures.
Guideline 6	Include revenues within the scope of the green budgeting practice to ensure the entire budget aligns with green objectives.

Note. This table was adapted from OECD (2022), *Aligning regional and local budgets with green objectives: Subnational green budgeting practices and guidelines*.

It is also important to understand the private sector's readiness for climate finance and their borrowing capacity, which affects their ability to invest. Weak financial incentives may further restrict the private sector's capacity to raise the required capital for the often high upfront costs and lengthy payback periods associated with climate adaptation projects.¹⁷ Environmental risks, potential losses, and damages mean SNGs and development institutions need to work together to de-risk investment for the private sector. The availability of climate data and understanding of risks are key to a strong enabling environment for the private sector, particularly for adaptation. The private sector

further requires technical capacity, tools, and resources in order to identify cost-effective solutions to invest in and implement climate solutions.¹⁸ The private sector can also climate-proof their own business operations. They can advance greening their investment portfolios by designing instruments and frameworks toward urban climate projects and programs, identifying co-funding with the public sector, and increasing their risk appetite. Interlinked systemic barriers for private sector investment are further discussed in Component 3, Step 11.

17. United Nations Development Programme. (2021). [Engaging the private sector in the context of climate change adaptation](#).

18. World Resources Institute. (n.d.). [Urban efficiency & climate](#).



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Step 4. Assess Public Investment Management (PIM) Capacity: Undertake a Climate Public Investment Management Assessment (C-PIMA)

Understanding public financial sector capacity and readiness is critical to establishing an enabling environment to deploy finance and investment at scale. Subnational entities should have a deep understanding of how local revenue is collected, how debt contract limits are formed, and of other financial management decision-making processes. Addressing weaknesses in public investment management (PIM) processes can reduce inefficiencies, increase fiscal space, improve access to multilateral financing, and strengthen management of subnational green investments. The C-PIMA is a comprehensive diagnostic tool provided by the International Monetary Fund (IMF) that can robustly assess and reform PIM processes and institutional infrastructure governance capacity.¹⁹ Although it has been utilized at the national level primarily for low carbon and climate resilient infrastructure, it is suitable for all levels of economic development and can be adapted for use by SNGs across key institutional areas.²⁰

This step includes the identification of TA or capacity development that may be required to provide financial advisory services to strengthen municipal finance fundamentals, financial management and disclosure as well as improve credit ratings.

Step 5. Designate a Coordination Role or System for Climate Investment Planning and Identify Actions to Formalize Roles

Climate planning should be a transparent, inclusive, and collaborative process. Establish a multistakeholder, cross-sectoral, and intergovernmental working group, committee, or taskforce to address capacity gaps and to lead the climate investment planning and finance coordination process. Recommended members might include representatives from a range of organizations: local government departments, such as finance, development, and planning; civil society groups; NGOs; local implementers and project preparation facilities; city networks; private companies or local business associations; financial institutions and local banks; and universities and research institutions involved in climate data collection and analysis. The group should develop key roles and responsibilities and a work plan of proposed actions. Participation by or strong endorsement from national government officials and other regional or national implementing entities and donors is also important. Key stakeholders, including marginalized groups, should be engaged early as members of the working group to ensure they are actively part of the dialogue at all stages of the planning process. For the broader general public, the working group can communicate regularly on their climate action planning via forums or other effective stakeholder consultation processes.

19. International Monetary Fund. (n.d.). [The climate-public investment management assessment \(C-PIMA\)](#).

20. International Monetary Fund. (n.d.). [Subnational investments in mitigation and adaptation to climate change](#).

Component 2: Stakeholder Engagement

Step 6. Build a Resilient Governance System

Over a third of global urban emissions reductions will rely on cooperation between national and subnational governments.²¹ Thus, ensuring vertical and horizontal coordination as well as international cooperation is critical in order to align climate change goals with subnational goals. International coordination is also key to providing TA and capacity development. To promote such integration, effective communication and cooperation among the different levels of government is required. Specific institutional capacity gaps must be addressed as identified in Component 1, Steps 1 to 4 above. However, the definition of “good governance” will be different for each SNG’s context and circumstances.

Step 7. Vertical Coordination

To address the substantial gap in funding for subnational climate action, SNGs require support and coordination from all levels of government. National governments can play an important role in enhancing the enabling environment for scaling up targeted public and private capital and overcoming barriers to mobilizing finance. However, overcoming some barriers may require longer time frames if they involve improving creditworthiness and capacity to develop bankable projects. Coordination mechanisms are sometimes already in place but often do not actively involve SNGs in key decision-making processes.²² Coordination can be fostered by directly involving subnational governments in the design and implementation of financial, legal, policy, regulatory, and

structural reforms. Direct involvement empowers subnational entities to regulate their own climate matters and establish supportive laws, such as procurement laws for private investment; support subnational carbon pricing mechanisms and own-revenue mobilization efforts, such as green taxes and levies; and leverage intergovernmental and fiscal transfers (subject to devolution settlements). International development and financial institutions should include SNGs in their technical and capacity development programs and in the design of suitable finance instruments targeted at the local government level. Measures to support SNGs in leveraging private sector investment are key—as is ensuring access to climate data, tools, and projections.

Step 8. Horizontal Coordination

SNGs also need to coordinate horizontally between and across levels of government to identify shared opportunities for climate investments. This is particularly important for transboundary climate risks and vulnerabilities. As many subnational climate projects are small in size,²³ aggregating projects and investments across metropolitan municipalities or jurisdictions increases project size and scales financing. Developing countries’ jurisdictional approaches often use aggregation (e.g., Reducing Emissions from Deforestation and Forest Degradation [REDD+] program). Convening municipal governments can strengthen their unified role as facilitators, conveners, and advocates of climate action.²⁴ National governments and international organizations further rely on SNGs to provide quality finance tracking and data availability.

21. See footnote 18.
22. See footnote 5.

23. See footnote 4.
24. See footnote 16.

Step 9. International Coordination

Support for SNGs is also needed at the global level. International development finance institutions and other climate finance and policy organizations can support local governments by developing capacity and TA, ensuring project and program readiness and preparation, developing finance and investment plans, and designing innovative financing mechanisms. International coordination is particularly important for knowledge sharing, best practices, partnership development, and avoiding duplication—for example, through GCoM or C40 Cities. The [Coalition for High Ambition Multilevel Partnerships for Climate Action](#) (CHAMP), launched by the COP28 Presidency, is an international coalition bringing together 75 national governments that have committed to working with subnational governments in designing, financing,

implementing, and monitoring national climate plans and strategies, including NDCs, NAPs, National Biodiversity Strategy and Action Plans (NBSAPs), and LT-LEDS. CHAMP is supported by a group of partner organizations, including Bloomberg Philanthropies, C40, GCoM, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), ICLEI – Local Governments for Sustainability (ICLEI), WRI, the NDC Partnership, UN-Habitat, and other partners.²⁵ It helps national governments incorporate subnational climate action into their NDCs and accelerate local climate finance by engaging in country-level coordination efforts to increase the financing and implementation of climate-relevant projects in cities and regions.

25. The full list of CHAMP partners includes CDP, Cities Climate Finance Leadership Alliance, GIZ, ICLEI, MDB Cities Group, the NDC Partnership, Regions4, United Cities and Local Governments, University of Maryland, UN-Habitat, Under2 Coalition, UNDP, UNEP, UN High Level Climate Champions, UNFCCC, WRI, and WWF/America Is All In.



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Component 3: Mapping Existing Investment Frameworks

Step 10. Map Existing Investment Frameworks to Identify and Validate Their Investment Priorities

This step involves an initial mapping of subnational investment frameworks that can inform deeper analysis to be undertaken in Stage 3, particularly in Steps 1 and 2. Identify financier and donor country programs, current investments, and their priority areas. Refer to CIPMF Stage 1, Component 3, Step 7.

Step 11. Map and List Systemic Investment Barriers and Opportunities

At the subnational level, interlinked systemic barriers, particularly for private sector investment, can be found at the macro, city, project, and program levels.²⁶ SNGs may have limited ability to influence systemic barriers at the national, institutional, and policy levels. However, they can overcome barriers at the city, program, and project levels by focusing on local policy, addressing PFM and PIM, and developing projects and programs that reduce risk, have strong stakeholder coordination, and enable bankable subnational climate investments that can be scaled.

26. Climate Policy Initiative. (2023). [Improving local enabling conditions for private sector climate investments in cities](#).

Component 4: Mainstreaming Climate Goals

Step 12. Align with National Climate Policies and International Commitments

Integrating subnational climate goals with national climate change and macroeconomic policies can support the mobilization of investments from both public and private sources. Understanding of the long-term systemic changes requires a whole-of-economy and whole-of-society transformational change toward low emission and climate resilient development. Top-down actions play a key role in the alignment process. For example, national governments can incorporate local climate plans into NDCs, NAPs, and LT-LEDS, among other strategies, such as identifying opportunities for greening financial systems. Medium-term fiscal frameworks (MTFFs) and medium-term expenditure frameworks (MTEFs) also provide top-down guidance to annual budgeting processes. To avoid public investment risk from macroeconomic and fiscal constraints hindering long-term fiscal sustainability, subnational climate investment plans can be reflected in MTFF and MTEFs to ensure consistency.²⁷ Findings from the C-PIMA assessment undertaken in Stage 1, Component 1, Step 4 can inform this process by assessing the national budgeting and finance frameworks as well as their synergies with local climate goals identified in Stage 2. Just transition considerations need to be incorporated into each stage of the planning process.

Step 13. Align Across Local Planning Levels and Policies

Policy alignment is also a bottom-up process. Although climate investment planning is important for ensuring consistency with national climate mitigation and adaptation goals, SNGs can go beyond simply reinforcing central government plans and international commitments, such as those enshrined in NDCs, by setting more ambitious or additional targets that strive to expedite emissions reductions at the national level.²⁸ Alignment with subnational sectoral pathways can also help SNGs identify opportunities to increase ambition in the short and medium term. Subnational planning can align not only with national climate policies but also with nature, pollution, and sectoral roadmaps and with sustainable development agendas. SNGs can thus become leading advocates in driving policy harmonization towards win-win outcomes across multiple development and environmental objectives and reduce or eliminate trade-offs, thereby alleviating the planning burden of capacity-constrained subnational governments, particularly those in developing countries.

Implementation of the subnational CAP will require understanding the local legal or policy barriers. Embedding climate and investment planning considerations into decision-making across relevant local planning levels, processes, and sectors—including capital investment plans and budgets—is critical for horizontal policy integration. Climate-related financial risks can also be disclosed according to the Sustainability Disclosure Standards developed by the International Sustainability Standards Board (ISSB), an International Financial Reporting Standards (IFRS) Foundation initiative.²⁹

27. See footnote 17.

28. See footnote 8.

29. [The ISSB and IFRS sustainability disclosure standards](#) outlined in IFRS S1 and IFRS S2 guide the preparation and reporting of both sustainability-related financial disclosures and climate-related disclosures. Reporting requirements cover governance, strategy, risk management, and metrics and targets.

Component 5: Monitoring, Reporting, and Verification (MRV)

Step 14. Establish an MRV Framework

MRV is foundational for tracking GHG emissions reductions, mitigation and adaptation actions, capacity development, finance, and support. Integrated MRV systems that link the national and subnational framework are critical to improving governance at all levels.³⁰ Transparent project and data disclosure makes climate finance needs better known and understood, bridging financing gaps and attracting investments.³¹ This step will also establish a system to track climate expenditure and revenue in line with subnational governance and reporting systems.

- **Develop MRV for GHG emissions:** MRV of GHG emissions, conducted at the national, organizational, or facility level builds an entity's emissions profile and enables reporting in the form of an emissions inventory.³² A subnational government should explore how to align the MRV for GHG emissions from the national to the subnational level.
- **Develop MRV for mitigation actions:** Adopting MRV for mitigation actions at the subnational level is crucial for assessing GHG and non-GHG effects and implementation of projects and policies.³³
- **Develop MRV for support:** Adopting MRV for support at the subnational level is pivotal to track and assess supporting elements, such as finance and capacity development.³⁴

Step 15. Identify Stakeholders for Data Collection and Assess and Address Gaps to Deliver Required Data

A committee that has sufficient capacity should lead the process of data collection and maintenance, although local communities need to be included. The committee should also assess any gaps that may exist in order to deliver the required data. Digitization of the MRV process can assist resource and capacity constrained SNGs. However, it is important to note that this may be costly and requires additional capacity building.

30. ICLEI – Local Governments for Sustainability. (2017). [Boosting subnational climate action through new climate governance](#).

31. Initiative for Climate Action Transparency. (2024). [Climate e finance transparency is vital for effective climate action](#).

32. World Resources Institute. (2016). [MRV 101: Understanding MRV of climate change mitigation](#).

33. See footnote 32.

34. See footnote 32.

STAGE 2

Developing a Subnational Climate Action Plan (CAP)



Stage 2 aims to develop a robust subnational CAP by understanding the baseline conditions, developing a long-term vision, and setting sectoral pathways to achieve ambitious targets. Integrating goals into national and sectoral planning, budgeting, and finance frameworks then ensures alignment and can help unlock private and public investment and further support mainstreaming climate change. Identifying and prioritizing climate mitigation and resilience pathways by fostering a just transition is pivotal. However, this needs to be accompanied with a financing strategy that embeds developing a pipeline of projects and programs with the highest potential climate outcomes.

Component 1: Assessing Local Climate Risks and Challenges

Step 1. Conduct Subnational Climate Change Risk and Vulnerability Assessments

Subnational entities play important roles in undertaking adaptation measures to enhance climate resilience and protect people, property, and livelihoods. In this step, identify if a national climate change risk assessment (CCRA) has already been undertaken and if it includes robust, evidence-based analysis at the subnational scale. Subnational urban disaster and climate risk assessments are critical in understanding and acquiring local data on socioeconomic and infrastructure vulnerability, assets at risk, or climate-related risks, such as rising temperatures and sea levels, extreme weather events, drought, and flooding.³⁵ As climate change-induced shocks and vulnerabilities will vary in a country across

geographies and economies, place-based adaptation policies led by local governments who have knowledge of local conditions are necessary. Quality climate data, such as WRI's Climate Action Data Explorer (CAIT),³⁶ can be defined as timely and following the principles of transparency, accuracy, consistency, comparability, and completeness TACCC.³⁷ This is critical in developing risk management strategies. Integrating an equity approach into this assessment will further deepen understanding of the impacts of climate hazards on vulnerable communities.

35. See footnote 16.

36. World Resources Institute. (n.d.). [Climate watch data explorer \(CAIT\)](#).

37. See footnote 16.

Component 2: Setting Strategic Climate Vision, Goals, and Targets

Step 2. Identify the Long-Term Vision and Sectoral Pathways

SNGs should develop a long-term low carbon transition and resilience vision. By setting the long-term vision first, SNGs can ensure strategic climate goals strive towards ambitious and transformational change. A backcasting approach can then be utilized to define sectoral pathways by developing local mitigation scenarios to achieve these goals and evaluate investment needs. Sectoral pathways can support potential funders in identifying how planned investments are aligned with the long-term vision and across varying time frames. This is particularly important to attract private sector investments. Developing sectoral emissions pathways can be undertaken by local government agencies, and if needed, in partnership with research institutions to ensure adequate modelling capacity. The target-setting process should be science based and most importantly, informed by concepts of equity, inclusion, and justice.³⁸ It is further important to determine how the subnational targets will feed into the overall national targets. Access to good quality data for SNGs to measure, monitor, and verify their emissions and maintain a regular urban greenhouse gas (GHG) emissions inventory is critical to this process.

Opportunities at the subnational level often include action to improve key services, such as water and waste management, transport, renewable energy and energy efficiency in buildings and households, nature-based solutions (NbS), disaster risk reduction, improved air quality, and other health outcomes.³⁹ Targets should be science based, equitable, time bound, have a sectoral focus, ensure cross-sectoral integration, and aim to embed climate objectives in development plans. Findings can be tested and validated with sector or industry experts and should also focus on understanding whole-of-economy interactions between sectors. Transition risks and opportunities should be central to developing the vision and strategic objectives. Adaptation goals can be developed based on the subnational CCRA and quantitative targets can be linked to the output, outcome, or impact of the planned actions.

38. Global Covenant of Mayors for Climate and Energy. (2024). [Integrity matters: GHG target setting guidance for cities, states, and regions](#).

39. See footnote 4.

Component 3: Prioritization and Investment Needs

Step 3. Prioritize Sectoral Pathways and Undertake Investment Analysis

The sectoral prioritization process will be informed by the analysis, assessments, and evidence base developed in previous steps of this planning stage. To prioritize subnational sectoral pathways, various guidebooks and resources are available to support identifying the highest-impact actions and costs. An example of a decision support tool is multicriteria decision analysis (MCDA; see Annex I). TA and capacity support can further aid the investment planning and prioritization process. Technology needs and readiness analysis can further aid in prioritizing investment needs. Other noneconomic tools are available to assess interventions that have the highest potential impact. Investment needs for priority pathways should be quantified on both a sectoral and whole-of-economy basis at varying time frames. There are a range of top-down macroeconomic assessment tools, bottom-up cost-benefit analysis (CBA), marginal abatement cost curves (MACCs), or a combination of approaches to achieve this. Estimates may also emerge from the scenario modelling process, depending on the model used and underlying assumptions. Findings can be compared with the macroeconomic and fiscal constraints identified and validated via the Climate Finance Working Group stakeholder consultations.

In consideration of the substantial finance and investment gap for subnational entities, identifying win-win investments with the greatest level of co-benefits and least unintended consequences or trade-offs is particularly critical. Integrated planning tools to ensure adaptation and mitigation objectives are not seen as competing priorities can aid stakeholders in considering the interactions between mitigation actions and adaptation and resilience outcomes and vice versa. This can identify “least regrets” actions and how they may vary depending on time frames or technology choice. Assessing the social impacts of potential transition pathways is critical in the prioritization process to ensure a just transition.

STAGE 3

Subnational Financing Strategy



Stage 3 guides the development of a subnational investment financing strategy, including a pipeline of projects and programs, costings, and matched potential sources and instruments of funding and their access modalities. The strategy should also identify barriers to investment and recommendations to overcome them.

Component 1: Understanding the Climate Finance Ecosystem

Step 1. Map Climate Finance Flows and Gaps

Map subnational planned climate investment flows, secured financing, and any gaps in financing to provide an overview of current finance flows and financial instruments in use. This will aid in aligning prioritized investments with existing climate finance flows to address investment gaps. This section will be informed by findings from Stage 1, which identified

key stakeholders and institutional capacity, including PIM capacity, and will require strong coordination and knowledge sharing. This step will involve a deeper dive into the available climate finance sources and instruments that are not currently flowing to the subnational level. Findings from investment framework mapping in Stage 1, Component 3, Steps 10 and 11 will inform this step.



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Component 2: Identifying Investment Barriers and Pathways to Strengthen Enabling Environments

Step 2. Identify Barriers to Climate Finance and Investment Needs

The primary barrier to implementing the subnational CAPs is the lack of finance at scale. Subnational climate finance must ensure alignment with a range of national regulations and will need to work closely with national regulatory authorities to overcome challenges. The following are common impediments constraining finance flows:

- **Weak enabling environments:** These affect both national and subnational governments.
- **Limited capacity and resources:** Weak institutional, financial, and technical capacity as well as a lack of adequate resources make it difficult to ensure projects and programs meet the requirements of public and private financiers. Capacity gaps further make implementing and managing complex climate projects and programs challenging, particularly for mitigation projects and programs that are subject to greater technical and policy uncertainties.
- **Fragmented governance:** A lack of policy alignment and regulatory barriers hinder effective coordination between national and subnational governments.
- **Limited fiscal capacity and low creditworthiness:** Poor creditworthiness, limited access to capital markets, and limited fiscal capacity restrict the ability to fund climate projects and programs without external assistance.⁴⁰
- **Subnational governments with limited control over their revenues:** National governments

may regulate subnational borrowing by placing limits on subnational governments' contract debt, although they may have the capacity to service the debt.

- **Underdeveloped domestic capital markets:** Rigid fiscal rules may not allow SNGs to borrow to finance their investments or borrow in foreign currency.
- **Unpredictable fiscal transfers:** Intergovernmental fiscal transfers and grants from national governments are unpredictable and often pro-cyclical.
- **Lack of financial sustainability/pipeline of bankable climate projects and programs:** Debt contract challenges are further compounded by subnational projects often being uneconomical, as their small size results in high transaction costs and limited returns that cannot adequately cover debt servicing or attract equity capital.⁴¹
- **Complex finance requirements:** Accessing international finance is difficult due to complex processes and eligibility requirements, while low creditworthiness further limits opportunities for borrowing or attracting private investment.
- **Insufficient commitment to urban climate action.**
- **Financial viability not demonstrated:** Project proposals often lack adequate evidence of financial viability and long-term sustainability.
- **Weak engagement with the private sector:** Private funders are unaware of opportunities or their products are not matched to the needs of subnational governments.

40. See footnote 26.

41. See footnote 4.



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Step 3. Identify Options to Mitigate Barriers

Drawing on findings from analysis and assessments undertaken in Stage 1 to enhance the enabling environment and institutional capacity, develop de-risking measures to mitigate the barriers to finance and investments identified in Step 2. The following recommendations can support this process:

- Design and implement prioritized policies and regulations that can support crowding-in private sector climate investments. At the subnational level, policies might include carbon pricing, taxes, and emissions trading schemes (ETS).
- Enhance the enabling environment to allow the scaling of subnational own tax revenues.
- Strengthen overall subnational quality of financial and public investment management to reduce inefficiencies.
- Include financial and sustainability disclosures.
- Conduct financial analyses on how subnational climate projects and programs can achieve financial sustainability and use public funds more efficiently.
- Ensure that from an early stage, projects and programs are prepared with an eye toward revenue-generation potential, long-term transformational change, and private sector engagement.
- Enable the use of nontax revenues, which often go unexplored.
- Consider aggregating or bundling projects and programs to reduce scale and equity constraints and enhance market attractiveness.
- Collaborate with the national government on improving subnational creditworthiness and strengthen fiscal and financial management and reporting to attract private financiers.

Component 3: Project Pipeline Stocktaking

Step 4. Project Pipeline Stocktaking

Developing investor-ready and financially sustainable bankable projects and programs is critical in accessing often underutilized capital from both public and private financiers. Drawing on previous assessments and sectoral priorities, develop a pipeline of bankable, investment-ready projects and programs. Projects should be evidence based and underpinned by high ambition and a strong governance structure. A range of best-practice qualitative tools and methodologies are available to support project and program prioritization to identify co-benefits across multiple environmental and development objectives that can reduce or eliminate trade-offs. Key performance indicators (KPIs) or other specific measurable metrics, such as GHG emissions reductions and co-benefits achieved, should be defined for each project and program early on toward tracking implementation. As part of tackling inequalities for a just transition, applying a marginalized group and gender-smart lens to the climate project and program prioritization process can aid in identifying risks and opportunities.

Investment-ready projects and programs that are able to deliver win-win outcomes may demonstrate:

- emissions reductions;
- resilience and sustainability parameters for the subnational area;
- alignment with subnational investment priorities and local needs;
- ambition levels of the projects and programs and their impact;

- transformational paradigm shift potential and degree of potential systemic impacts beyond project and program boundaries;
- revenue generation and avoided future costs;
- the importance of the intervention in the context of the national development agenda and long-term climate goals;
- the nature and size of projects and their timeliness and sequencing;
- co-benefits or links to SDGs and other societal impacts;
- technical needs and capacity support requirements for project and program readiness;
- alignment of projects and programs with public and private investor requirements;
- project and program catalytic sectoral transformations;
- alignment with leading taxonomies, which can help mobilize private sector finance;
- key project and program barriers and risk profiles identified; and
- safeguards and risk mitigation measures developed.

This step will also deepen understanding and identification of ongoing TA and capacity development initiatives required for project and program delivery as well as the financial management regarding project and program concept development; project and program readiness and preparation support; PPPs and municipal bonds; and monitoring and evaluation (M&E) development and support.



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Component 4: Project and Program Costing

Step 5. Clearly Identify Priority Project and Program Costing

Develop a granular analysis that clearly identifies quantitative finance and investment needs for the pipeline of priority projects and programs. This step will assess finance needs and the feasibility of all potential interventions through an ex-ante analysis. Assessments will cover capital budgets, expected capital

expenditure (CAPEX), and operational expenditure (OPEX). A range of financial benefits for investment priorities should be identified, such as return on investment (IRR), net present value (NPV), and monetized climate co-benefits. Detailing avoided costs can help to raise investor confidence and increase needed transparency.⁴²

42. New Climate Institute. (2023). *The little book of climate finance*.

Component 5: Identifying Suitable Finance Sources and Instruments

Step 6. Collate Suitable Matched Finance Sources and Instruments

In this step, specify suitable sources of financing and instruments for prioritized projects and programs. Identify opportunities according to the funders' sector and thematic priority areas, eligibility requirements, modalities, funding windows, processes, and standards—such as for governance, finance, gender inclusion, social and environmental safeguards and transparency, and allocation limits. Identify any gaps that exist. TA can support this process of identifying finance sources and innovative finance instruments. Despite a wide range of barriers and challenges, subnational governments can access finance from diverse sources via different modalities. These sources include but are not limited to:

- **international public sources:** multilateral funds, such as the GCF and other global climate funds, MDBs, bilateral DFIs, and international finance institutions;
- **international private sources:** debt markets, such as bonds, commercial banks, institutional investors, private investors, companies, impact investors, NGOs, and foundations;
- **philanthropic climate funds;**
- **carbon markets;**
- **domestic public sources:** national development banks, national climate funds, government transfers, SNGs' own revenue; and

- **domestic private sources:** local institutional investors, pension funds and insurance companies, local commercial banks, debt market (bonds), local private investors, companies and impact investors, and local private foundations.⁴³

Domestic sources of finance can include, for example, national, regional, and municipal disaster risk management funds; finance from national development banks; nonbank financial institutions (NBFIs); and financial and capital markets. Own-source revenues, taxes, tariffs, fees, and subsidies funded through municipal or local budgets are also fundamental. By increasing fiscal space, they can complement intergovernmental transfers and support access to loans and guarantees. However, the use of price instruments may not be recommended in countries where the overall tax burden is already high. The use of public funding should be targeted to mobilize additional finance from the private sector; establishing a local green bank can support this process. Household expenditures also play a key role in domestic private finance when, for example, an electric vehicle is purchased or household energy efficiency is improved. For countries that do not have access to or have not sufficiently developed domestic capital markets, support for sustainable long-term financing can be provided through facilities, such as the UN Subnational Financing Hub.

43. World Bank & UN Capital Development Fund. (2024). [Local governments climate finance instruments: Global experiences and prospects for developing countries](#).

Subnational climate finance instruments can be divided into nonrepayable funding, repayable financing, and off-balance-sheet finance and other instruments.⁴⁴ Annex II shows examples of instruments for subnational climate finance. Subnational project and program bankability

can be achieved despite weak enabling environments and weak institutional capacity by utilizing proven financial techniques and innovative financing mechanisms to attract greater amounts of capital and institutional investment (see Table 3).

44. See footnote 42.

TABLE 3 Examples of Instruments to Enhance Project and Program Bankability

INSTRUMENT	DESCRIPTION
Revenue ringfencing	Escrow accounts earmarked for serving debt
Pooled finance facilities	Aggregating smaller projects and programs to meet financier requirements and ensure economies of scale
Revenue, project, and sustainability-linked bonds	Scaling-up bonds by using ringfenced revenues for debt payments and other credit enhancements, such as guarantees
Blended finance	Defined by the Development Finance Institution (DFI) Working Group as combining concessional finance from donors or third parties alongside DFI's normal own-account finance or commercial finance from other investors to develop private sector markets and mobilize private resources ⁴⁵
Grants	Grant funding from international, regional, and national development partners as well as philanthropies to reduce project CAPEX costs
Concessional loans	Loans with more favorable terms than market rates offer
Credit enhancements and guarantees	Credit enhancement to private loans in the form of guarantees, subordinate tranches, first loss facilities, or ringfencing revenues
Project and structured finance	Project structuring to mitigate credit and performance risk
Energy performance contracts	Payment guarantees from providers of energy efficient equipment and services

Note. This table was adapted from Samuels, B. & Maehara, E. (2023).

45. Development Finance Institutions Working Group. (2023). *DFI Working Group on blended concessional finance for private sector projects*.

Pillar 2

Finance Mobilization

STAGE 4

Subnational Programming with Finance Partners



Stage 4 aims to guide deeper engagement with finance and investment partners identified in Stage 3 to mobilize resources and provide TA and other support for the development and implementation of subnational finance projects and programs and their financing mechanisms.

Component 1: Programming Dialogue with Finance Partners

Step 1. Engage with Potential Finance and Investment Partners

Implementation of the subnational CAP will require effective engagement with finance partners at all stages of the project cycle. At this stage of the planning process, prioritized projects and programs have been

conceptualized, investment and finance needs quantified, and the full scope of TA and capacity development needs identified. Suitable financiers can now be targeted. This step is crucial to begin to receive support and further develop projects and programs in line with partners' approval processes and requirements.



STAGE 5

Subnational Funding Proposal Development



Stage 5 offers guidance on achieving project and program readiness and on designing and structuring financial instruments with partners. A robust implementation plan will clearly identify roles and responsibilities allocated to different agencies, departments, and other stakeholders; it will also identify sufficient capacity and knowledge.

Component 1: Project and Program Readiness and Finance Proposals

Step 1. Develop Project Proposals, Readiness, and Risk Assessments

Prepare feasibility and technical studies to enable the development of climate projects and programs. Accessing climate finance involves developing proposals that meet eligibility criteria, coordinating with other implementing entities, deploying project preparatory technical assistance (PPTA), and conducting due diligence. Many large funds, such as the GCF and Global Environment Facility (GEF), offer direct access modalities to allow local institutions to implement projects, thereby increasing local ownership. Based on findings from Stage 3, Component 1, access modalities, such as direct access funding, can be executed. To help subnational entities shoulder the costs of developing project and program pipelines, a dedicated project preparation facility—accessible for funding prefeasibility and feasibility studies—will be crucial for project scoping, definition, and preparation.

Component 2: Structure Investment and Risk Mitigation Strategies

Step 2. Structure Public-Private Partnerships (PPPs), Blended Finance, and Other Financing Mechanisms

MDBs and other partners can provide support in designing and structuring PPPs, blended finance, bonds, and other innovative financial instruments. They offer, for example, assistance for project preparation (prefeasibility and project structuring), tender support (preparation of tender documents, bid evaluation criteria, and legal reviews), and post-bid negotiations. In this step, SNGs will work with suitable partners to set up financial vehicles and develop specific risk mitigation strategies, such as guarantees, to attract private finance. At this stage, any reforms required to support leveraging finance, including private sector investment, should be implemented.

STAGE 6

Subnational Project and Program Implementation



Stage 6 aims to develop a methodology and transparent process for regularly monitoring, evaluating, and communicating the implementation of the subnational CAP and its actions, projects, and programs. KPIs developed in Stage 3, Component 3, Step 4 can be used for this assessment process.

Component 1: Project and Program Implementation and Monitoring

Step 1. Establish a Monitoring and Evaluation (M&E) Methodology

Develop indicators to understand, assess, and communicate progress of targets, inputs, outputs, outcomes, and impacts of actions in the subnational CAP. Determine the evaluation criteria, which will go beyond simply monitoring progress, to assess, for example, the relevance,

efficiency, coherence, effectiveness, and sustainability of the actions. Using science-based and data-driven decision-making, monitor and evaluate the implementation of the subnational CAP. Based on results and findings, actions can be regularly adjusted if needed. Establish a committee with sufficient capacity to lead the M&E process.



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ANNEX I – Tools and Resources to Consider

STAGE	COMPONENT	STEP	TOOL / RESOURCE
1	Component 1: Institutional Arrangements and Expertise	1	New Climate Institute, Actor and policy mapping tool
		3	ADB, Assessing the enabling environment for disaster risk financing: A country diagnostics toolkit ADB, Creating investable cities in a post-COVID-19 Asia and the Pacific—Enhancing competitiveness and resilience through quality infrastructure: Technical assistance report ADB, Guidance note: Use of political economy analysis C40, Good climate governance in practice C40, Governance assessment guide CCLFA/Urban-Act, Assessing subnational enabling framework conditions for urban climate finance: A tool and guide Initiative for Climate Action Transparency (ICAT), Capacity assessment tool for climate action transparency OECD, Aligning regional and local budgets with green objectives: Subnational green budgeting practices and guidelines OECD, Social protection system review OECD, Subnational government climate finance hub UNDP, Capacity assessment methodology user's guide World Bank, Climate change institutional assessment UNDP, A methodological guidebook: Climate public expenditure and institutional review
		4	ADB, Green public investment management: Governance aspects of strengthening infrastructure sustainability IMF, How to make the management of public finances climate sensitive – “Green PFM” IMF, Strengthening infrastructure governance for climate-responsive public investment IMF, The climate–public investment management assessment (C-PIMA) Japan International Cooperation Agency (JICA), Public investment management handbook for capacity development UNDP, A methodological guidebook: Climate public expenditure and institutional review UNDP, Budgeting for climate change: A guidance note for governments to integrate climate change into budgeting UNDP, Private sector climate expenditure and institutional review (PCEIR)
		5	C40, Inclusive community engagement playbook Climate Strategies, How to engage stakeholders in just transition dialogues Collective Leadership Institute, The dialogic change model United Nations Department of Economic and Social Affairs (UNDESA) & United Nations Institute for Training and Research (UNITAR), Stakeholder engagement & the 2030 agenda: A practical guide
1	Component 2: Stakeholder Engagement	6, 7, 8, 9	ADB & OECD, Multilevel governance and subnational finance in Asia and the Pacific ADB, Just Transitions Platform ADB, Subnational finance for infrastructure: Potential roles and opportunities for ADB CHAMP, National accelerators for local climate finance European Commission, Governance of just transitions toolkit African Development Bank et al., MDB just transition high-level principles Bloomberg Philanthropies, C40, & GCoM, How national governments can increase finance for subnational climate action: Implementation options, proven financial techniques, and coordination frameworks UNESCAP, The future of Asian and Pacific cities 2023: Crisis resilient urban futures UNESCAP, Vertical integration of climate change policies & actions in Asia-Pacific cities WRI, Subnational climate action leaders exchange (SCALE) WRI, Stronger NDCs with cities, states, and regions: Recommendations for national governments

STAGE	COMPONENT	STEP	TOOL / RESOURCE
1	Component 3: Mapping Existing Investment Frameworks	11	AECOM, CCFLA, & Climate Policy Initiative (CPI), Improving local enabling conditions for private sector climate investments in cities
1	Component 4: Mainstreaming Climate Goals	12, 13	APEX & IFC, An investment planning app for cities C40, Climate action planning vertical integration guide C40, Climate budgets C40, How to mainstream climate action into your city's financial system Climate Investment Funds, Just transitions planning toolbox European Bank for Reconstruction and Development (EBRD), Green cities policy tool: Finance
1	Component 5: Monitoring, Reporting, and Verification (MRV)	14	C40, City inventory reporting and information system (CIRIS) GCoM Global common reporting framework (CRF) ICLEI, carbonn climate registry/CDP-ICLEI unified reporting system Initiative for Climate Action Transparency (ICAT), Non-state and subnational action methodology (use in combination with the CAAT below) ICAT, New Climate Institute, & WRI, Climate action aggregation tool (CAAT) UNFCCC Handbook on institutional arrangements to support MRV/transparency of climate action and support WRI, Greenhouse gas protocol mitigation goal standard WRI, MRV 101: Understanding MRV of climate change mitigation
2	Stage 2: Developing a Subnational Climate Action Plan (CAP)		C40, Climate action planning guide C40, Data and tools for climate budgeting ERBD, Green city action plan methodology GCoM, Guidelines for SEACAP development
2	Component 1: Assessing Local Climate Risks and Challenges	1	ADB, Community resilience partnership program ADB, Information sources to support ADB Climate Risk Assessments and Management C40, Climate Change Risk Assessment (CCRA) guidance C40, Rapid climate change risk assessment (Rapid CCRA) module WRI, Climate resilient cities: Assessing differential vulnerability to climate hazards in urban India WRI, CAIT
2	Component 2: Setting Strategic Climate Vision, Goals, and Targets	2	ADB, Green city development tool kit C40, Integrating climate adaptation: A toolkit for urban planners & adaptation practitioners C40, Roadmap for inclusive planning indicators database CDP-ICLEI, ICLEI track & cities questionnaire Climate KIC, X-CURVE booklet: A sensemaking tool to foster collective narratives on system change MobiliseYourCity, Cities emissions calculator C40, ICLEI, & WRI, Global protocol for community-scale GHG emission inventories (GPC)
2	Component 3: Prioritization and Investment Needs	3	ADB, Cost-benefit analysis for development: A practical guide C40, Strategic recommendations guidance for high-impact actions in cities Carbon Neutral Cities Alliance, Game changers LEAP SEI, Introduction to marginal cost abatement curve (MACC) Project Drawdown, Table of mitigation solutions Rocky Mountain Institute, Carbon-free city handbook UK Department for Communities & Local Government, Multi-criteria analysis manual for making government policy World Bank, Poverty and social impact analysis of reform: Lessons and examples
3	Component 1: Understanding the Climate Finance Ecosystem	1	NDC Partnership, Good practice database

STAGE	COMPONENT	STEP	TOOL / RESOURCE
3	Component 2: Identifying Investment Barriers and Pathways to Strengthen Enabling Environments	2, 3	ADB, Tools and resources CCFLA, Leveraging national development banks to enhance financing for climate-smart urban infrastructure OECD, Effective multi-level public investment toolkit UN-Habitat, Rapid own-source revenue analysis World Bank, City creditworthiness initiative: Self-assessment & planning toolkit
3	Component 3: Project Pipeline Stocktaking	4	2X Global, Gender and climate finance toolkit ADB, 100 climate actions from cities in Asia and the Pacific ADB, Gender checklist toolkits ADB, Guidelines for the economic analysis of projects ADB, Preparing a project gender action plan Association of Southeast Asian Nations (ASEAN), Taxonomy for sustainable finance C40, Action selection and prioritization (ASAP) tool for city projects CCFLA, Project preparation resource directory ClimateWorks Centre, Strategic mitigation, adaptation and resilience tool (SMART) GCF, Criteria-based matrix prioritization method for GCF mitigation projects New Climate Institute, SDG climate action nexus tool (SCAN-tool) OECD, Developing robust project pipelines for low carbon Infrastructure Pest Tool for private sector projects UNEP, MCA4climate prioritization tool for adaptation projects
3	Component 5: Identifying Suitable Finance Sources and Instruments	6	C40, How cities can attract private finance for climate action CCFLA, City finance lab CCFLA, Financial instruments toolkit CDP, Financing for sustainable infrastructure: A guide for Asia Pacific cities GCoM, City climate finance ICLEI, Climate finance decision making tree and guidance NDC Partnership, Climate funds explorer NewClimate Institute, The little book of city climate finance Subnational Climate Fund (SCF), Sub-national climate fund United Nations Capital Development Fund (UNCDF), The UN hub for subnational finance
5	Component 1: Programming Dialogue with Finance Partners	1	GCF, GCF readiness tools and resources
5	Component 2: Structuring Investment and Risk Mitigation Strategies	2	ADB et al., PPPs in infrastructure toolkit ADB, Landscape of blended finance and the role of public finance ADB, Mobilizing resources through municipal bonds GCF, Enhancing direct access (EDA) GCF, Readiness and preparatory support program: Financing modality for DAE support GCF, Project preparation facility
6	Component 1: Project and Program Implementation and Monitoring	1	C40, How to set up monitoring, evaluation, and reporting for your city's climate action plan OECD, Evaluation criteria OECD, Monitoring the transition to a low-carbon economy
Crosscutting	Identifying Potential Technical Assistance (TA) Required		GCoM, Urbis GCoM, Invest4Cities GCoM, City climate finance gap fund Public-Private Infrastructure Advisory Facility (PPIAF) & World Bank, Subnational technical assistance program

ANNEX II – Examples of Instruments for Subnational Climate Finance

CATEGORY	INSTRUMENTS
Nonrepayable funding	Climate-focused fiscal transfers/grants include climate-focused, performance-based fiscal transfers and other conditional grants. Higher tiers of government are using fiscal transfers and grants to encourage SNGs to prioritize climate action. These mechanisms include conditional or targeted fiscal transfers and performance-based grant programs. The latter is gaining traction in various countries to enhance local-level climate change mitigation and adaptation efforts. Own-source revenue plays a pivotal role in funding SNGs' own climate initiatives, as it often constitutes the largest pool of funds under their full control. While most SNGs already make use of various own-source revenue instruments, adopting specialized mechanisms can help mobilize additional resources specifically for climate-related projects. Examples include pollution and congestion charges, climate-related land value capture instruments, and sales of carbon credits. Pollution and congestion charges are increasingly being adopted by SNGs to both improve air quality and generate additional revenue. These charges function as a hybrid instrument, combining a user charge (a fee for resource use) and a product charge (a levy on environmentally harmful products). They can be applied either as emissions fees or as taxes based on the volume of pollution generated. Climate-related land value capture instruments can be leveraged for climate action by channeling funds into projects that reduce GHG emissions, improve energy efficiency, enhance water management, or support climate adaptation. Carbon credits can allow SNGs to monetize GHG emissions reductions that come from improving waste management, implementing energy efficiency measures, adopting renewable energy, and urban greening.
Repayable financing	Municipal debt/borrowing includes concessionary and commercial loans and bonds. These debt instruments enable SNGs to raise funds for projects and programs that reduce GHG emissions, support climate adaptation, and promote a more sustainable and livable environment. SNGs can secure various types of loans (green, blue, sustainability-linked, social, transition, resilience, etc.) to finance climate initiatives, depending on their financial capacity and loan availability. In some cases, national or regional governments act as intermediaries, consolidating multiple SNG projects into programs and borrowing on their behalf, often through pooled financing mechanisms.
Off-balance-sheet financing and other instruments	PPPs enable collaboration between public and private entities to develop and manage public assets or services. SNGs are increasingly using them to advance their climate initiatives. In some cases, off-balance-sheet financing arrangements, such as the establishment of a special-purpose vehicle in partnership with an SNG, are used to enhance investor confidence by ring-fencing project revenues. SNGs often have limited experience accessing commercial finance on repayable terms. To mitigate credit and financial risks, investors and lenders can use credit enhancement mechanisms, such as guarantees, to strengthen municipal creditworthiness. These mechanisms help local governments secure more favorable lending terms and improve their ability to attract commercial financing.

Note. This table was adapted from CPI (2023); Samuels, B. & Maehara, E. (2023); and World Bank & UNCDF (2024).

Subnational Investment Planning Supplement

Climate Investment Planning
and Mobilization Framework

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