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Introduction to the Country System Assessment Framework

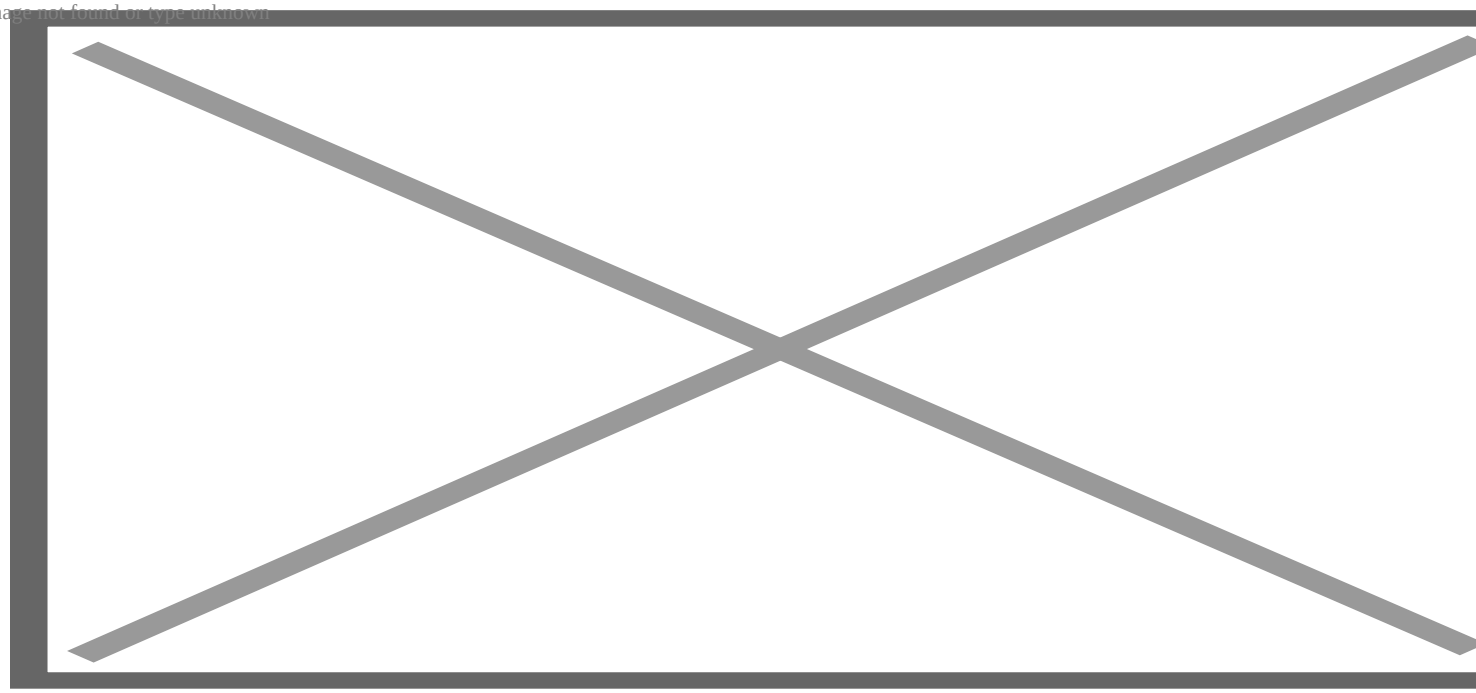
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On this page: *The Country System Assessment Framework was developed to address the overall objective of enabling international ERC-based financing from generation, monitoring, and monetization of local ERCs. Read more below, or visit Strategic Guidance for Country System Assessments, Guidance for Countries in Assessing ERC Projects, or Mobilizing ERC Finance.*

To enable the generation, monitoring, and monetization of ERCs internationally, the policy framework should aspire to the following objectives:

Figure 2. Country System Assessment Framework

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The Country System Assessment Framework was developed to address the overall objective of enabling international ERC-based financing from the generation, monitoring, and monetization of local ERCs. See Figure 2.

The Framework breaks down this overall objective into four enabling conditions of (1) establishing institutions that will effectively implement the policies; (2) scaling local investments in high-demand ERC supply; (3) supporting the integrity of said supply; and (4) creating the linkages to global markets.

Within these policy objectives 11 distinct components were identified within the Framework, against which the country system will be assessed. The resulting framework is designed to provide practical and implementable guidance for governments to assess their legal and institutional frameworks, identify gaps and areas for improvement, and ultimately establish country systems which can improve access to the global financing through ERCs. To focus on key areas that have room for governments to better define and drive, the Framework is largely applicable for the use of domestic and independent crediting mechanisms for ERCs generated domestically, focusing on where they can be used in the global market. While these have some implications on compliance markets, this paper focuses on the perspective of the selling of these ERCs in the voluntary carbon market.

The first enabling condition described in the Framework attempts to lay out how institutions and capabilities can be set up for effective and efficient policy implementation, especially given the nascent and highly technical nature of the ERC market. Establishing a solid foundation through capable, consistent, and stable institutions will enable countries to achieve the remaining policy objectives, as well as contribute to the credibility of the overall ERC landscape from the demand perspective. To this end, the Framework identifies 3 distinct components:

- **Appropriate institutional mandates**: Clarity in institutional ownership for ERC activities, stemming from the appropriate mandates provided to the executing body/ies to develop, implement, and improve the policies
- **Capabilities developed**: The appointed executing institution/s are well resourced against their mandate and are actively collaborating with the private ecosystem to build capabilities
- **Transparency and accountability measures in place:** Institutional mechanisms set up to foster trust and confidence among projects and developers they interact with

The second enabling condition described in the Framework addresses how governments can attract investments in local ERC projects to achieve a sufficiently scaled supply landscape. Building scale in local ERC projects that are aligned with global demand is ultimately aimed at reducing the friction for potential buyers to explore ERCs originating from the country. The assessment focuses on three strategic components:

- **Well-defined asset rights:** Clear legal definition assigned to ERCs and the related business activities to create the security of tenure for ERC project stakeholders for such activities and assets
- **Streamlined project permitting:** Permitting processes are efficient and streamlined to enable project developers to focus on value delivery
- **Globally-accepted methodologies:** Standards or methodologies adopted, including for co-benefits, are robust and aligned to global demand, especially if the country chooses to roll out its own domestic crediting mechanism
- **Defined benefit-sharing frameworks**: Clear local frameworks regarding how local ERC project stakeholders, especially local communities, are engaged, protected, or compensated to minimize risks

The third enabling condition in the Framework focuses on how governments can support the integrity of local ERC projects, especially in the case of the country intending to roll out its own crediting framework. Contributing to the integrity of local ERC projects through the identified policy actions can help potential buyers to gain confidence in purchasing locally generated ERCs, especially given the significant risks posed by “lower-quality” ERCs. This assessment is broken down into two components:

- **Robust MRV approaches:** Identified complementary activities & infrastructure for the government to support the integrity of local ERC projects in a manner that is aligned with global demand

- **Adequate VVB capabilities**: The qualifications and operations of VVBs covering the local market are robust and aligned and globally-accepted, and the capacity is sufficient to meet demand for their services

The fourth enabling condition concerns how governments can facilitate access from local supply to the global demand landscape. Setting up the right mechanisms for this access is aimed at both reducing transaction costs for potential buyers seeking to purchase locally generated ERCs and in the long run creating sustainable sources of demand for the sector. This section focuses on two components:

- **Defined Article 6 transaction frameworks**: Adopted frameworks providing clarity to investors and buyers defining (1) which activities are eligible; (2) how Article 6 transactions may be authorized; (3) how transaction costs are set; and (4) how the transactions will be accounted for
- **Develops trading infrastructure & mechanisms**: Policies implemented to increase long-term demand for local ERCs

Related Content

- **Strategic Guidance for Country System Assessments (Download PDF version)**
- **Guidance for Countries in Assessing ERC Projects (Download PDF version)**
- **World Bank Emissions Reduction Program: Mobilizing ERC Finance (Download PDF version)**

Additional Resources

- Country Profiles

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