

# Government Engagement and Public Sector Participation

## Full Description

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Irrespective of the level of maturity of the ERC policy environment, the primary strategy for mitigating political risk is early engagement with the relevant governmental entities, both at a national and subnational level where appropriate. Governments, at both a national and subnational level, play a crucial role in setting regulatory frameworks, granting activity approvals, licenses, and authorizations, as well as providing activity incentives or other support. In addition to better understanding existing or planned ERC-specific, government engagement can help ERC activity proponents (1) gain insight on broader priorities to ensure activity alignment, (2) navigate the processes for obtaining activity approvals and authorization, (3) develop and navigate relationships with and between government entities, and (4) identify potential incentives and co-financing opportunities.

Obtaining letters of authorization or approval from governments is a critical step for ERC activity development that can increase investor certainty and mitigate the risk of disruption due to unexpected or adverse government actions. Obtaining clear letters of authorization or approval should be a primary objective of early engagement with relevant government entities. ERC project proponents and financiers may seek to obtain, and governments may elect to issue, a:

- Letter of Authorization for international transfer of mitigation outcomes as required by the Article 6 Rulebook. There is not, nor is there expected to be, a standard form or approach, so the granting and terms of such letters will vary from country to country. At minimum, authorization letters should specify: (a) that a government will authorize the mitigation outcomes generated by an ERC activity for international transfer; and (b) confirm the importance of avoiding double counting and that the same mitigation outcomes will not be used by the host government against their NDC if mitigation outcomes are internationally transferred.
- Letter of Approval<sup>1</sup> to officially permit an ERC activity or, similarly, a no-objection letter, which may be relevant in circumstances where a host government has decided not to authorize ERCs for international transfer or has yet to make this determination. Requiring such a letter may be a tool that host governments utilize to maintain oversight of ERC activities developed within jurisdictional borders for reporting, regulatory, and taxation purposes. A letter may also be advantageous for project developers or financiers seeking to obtain a degree of assurance that the government has acknowledged the activity and permitted it to occur.

DFIs participating in ERC financing can enhance financing structures and reduce political risks for other financiers and ERC activities. In some circumstances, it may be challenging for project developers and financiers to navigate complex policy, political, regulatory, and cultural considerations in-country. It might not be clear from the outset which government departments or agencies have authority over ERC activity approval and development or how to engage with the relevant policy instruments. DFIs, particularly the multilateral development banks, usually have relationships with various stakeholders, including government agencies, local communities, and other financial institutions that may have an interest in ERC activities. By leveraging these networks, project developers and financiers can gain access to valuable information, partnerships, and cooperation opportunities, in addition to technical assistance and capacity building. Engaging with DFIs early in the activity development process may also increase the likelihood of DFI participation in future financing structures, either as a direct investor or a source of concessional capital to attract private sector investors.

*Footnote 1:* This is distinct from the need for approval under Article 6.4, the rules for which require that prior to a request for registration on the Article 6.4 Mechanism, host governments must provide the Supervisory Body with an approval for the mitigation activity. See: UNFCCC, "[Decision 3/CMA.3, Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement.](#)"

## Additional Resources

[Considerations for Government](#)

[The Impact of Government Organization on PPP Projects](#)

[PPP Reference Guide](#)

Page Specific Disclaimer

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