

ICAT 2.1 Strategy

Note prepared by the ICAT Secretariat
for the 34th meeting of the DSC

Introduction

At DSC 33, the DSC agreed in principle to extend ICAT up to 2030 with an administrative wrap-up by June 2031 and requested the Secretariat to develop all necessary documents for the DSC to arrive at a final decision on an extension at DSC 34.

A strategy has been developed accordingly and is summarized in section I below. This captures updates in reaction to the findings from the independent external evaluation of the Initiative, which took place between May and October 2024. The documents prepared by the consultancy that conducted the evaluation have been shared with the DSC separately.

Section II outlines the next steps to formalize the ICAT extension. This will require an amendment to the legal agreement between each donor and UNOPS. The Appendix, presented in Addendum 1 (*ICAT-DSC-34-2024-004-Add.1*) to this document, presents the draft project agreement amendment for DSC comments and to allow donors to initiate the necessary legal clearances. The strategy as outlined here below will be inserted as an annex of the project agreement amendment.

I. ICAT 2.1 Strategy

i. Background

The Initiative for Climate Action Transparency (ICAT) was created at the time of adoption of the Paris Agreement to help developing countries build transparency frameworks for effective, evidence-based climate policies and actions that can contribute to the global transformation required, and help mobilize the financing and support to enable implementation. In its first 10 years, ICAT has advanced well on its mandate.

ICAT has engaged with more than 70 countries across Africa, Asia/Pacific, and Latin America and the Caribbean by implementing tailored, technical support that has helped these countries build or improve one or several elements of their national transparency frameworks creating a more solid foundation for effective climate action and for international reporting. This number includes over 50 countries supported through individual country projects and the 24 countries engaged through the three ICAT Regional Climate Action Transparency Hubs.

An external evaluation completed in October 2024 confirmed the impacts achieved by ICAT, highlighted the value of ICAT's toolbox, and emphasized its exceptional flexibility to respond quickly to priority needs.

Building on its experience and strengths, and in order to be most effective in responding to countries' priority needs, in its next phase ICAT will further refine the core features that guide its work, making it a unique actor both in the transparency support landscape and within the broader area of climate action support:

- A focus on enabling transformational climate action by supporting countries collect data and information and build analytical and assessment capacity needed to conduct effective national policy processes, through policy assessment, modelling of emission projections, an understanding of the national climate finance landscape and the integration of actions by subnational and non-State actors;
- Flexibility and agility in responding to country needs and special circumstances, including the ability to engage with other government partners than the UNFCCC focal points such as line ministries and subnational entities;
- Empowerment through local ownership, responding to explicit demand by partner countries, including a focus on working with local staff or local institutions, pursuing the ICAT's hand-holding approach with international experts providing advice, guidance and training. Local empowerment is also the focus of regional activities that are implemented through sub-regional intergovernmental partner organizations so that they take ownership of the climate action transparency agenda;
- A special emphasis on encouraging the mainstreaming of climate action in development planning, applying sustainable development impact assessments, and supporting just transition processes with effective monitoring;
- Promoting the application of the ICAT toolbox, a collection of sound methodologies and tools, including innovative approaches which will be further developed in response to identified needs; and
- A focus on peer-to-peer exchange to encourage replication of successful approaches enabling impact beyond the ICAT partner countries.

ii. Objectives post-2026

The extension of ICAT to 2030 represents an opportunity to advance on three overarching objectives:

- (a) Enable transformational climate action as required to meet the objectives of the Paris Agreement;
- (b) Empower countries to use transparency, and the data and analytical capability it entails, for climate policy design, tracking, evaluation, and implementation so that targets are met;
- (c) Contribute to the further development of the enhanced transparency framework and the global climate action agenda, including through the further development of ICAT's toolbox and input to the revision of the modalities, procedures, and guidelines of the ETF.

Moreover, the transparency frameworks, supported by ICAT and implemented by countries for climate policy design, evaluation, and implementation, will significantly improve the granularity and quality of the BTRs submitted by countries during each successive round (up to BTR 4 due in 2030) and the NDC updates (also due by 2030).

Conditional to additional funding, ICAT would also be able to develop a suite of guides and methodologies for monitoring and evaluation of adaptation actions, apply them through country projects, and design and deliver a training programme on the transparency for adaptation.

iii. The needs ICAT aims to address

ICAT's vision is to be an integral component of the delivery mechanisms of the Paris Agreement. Transparency is a key driver for the Paris Agreement's ratcheting mechanism, which foresees

strengthening of NDCs in a stepwise fashion. ICAT will further focus on these aspects in its next phase as described below.

The problem

The world is currently not on track to achieve the objectives of the Paris Agreement due to two key deficiencies: Firstly, the targets set by countries are insufficient (the sufficiency gap); and secondly, the actual implementation of climate action on the ground is not happening at the scale and pace required to meet targets (the implementation gap).

Targets may be inadequate because countries are unable to aim for the transformational change needed to confront climate change. To some extent this is caused by an inability to adequately assess mitigation options and their costs, but often it is due to opposition by stakeholders. The implementation gap is mostly a policy and finance challenge. It is a result of an inefficient or fragmented climate policy landscape, or the complete absence of such a landscape.

The solution and ICAT's contribution

Transparency, with all the data and analysis it entails, can enable countries to be better positioned to both strengthen and effectively implement their NDCs. Transparency can help in planning, designing, tracking, and evaluating climate action and thus address the two problems identified:

Addressing the sufficiency gap

Setting NDC targets that are aligned with the 1.5 degree goal, requires a solid analysis of mitigation options based on sound data covering a range of parameters. Legitimate concerns of stakeholders that may oppose transformational change due to the risks they see, need to be addressed through credible just transition strategies.

ICAT supports countries in building modelling frameworks and tools to design strong NDCs and related strategies, collecting data for such analysis, and refining inventories focusing on policy-relevant sectors. Using the ICAT policy assessment guides, it assists with the analysis of policy impacts, covering both greenhouse gas and sustainable development impacts. Using the newly developed Just Transition Monitoring Guide, ICAT supports countries in putting in place credible just transition processes. Furthermore, ICAT offers application of its methodology to integrate action by subnational and non-State actors into national plans in order to allow raising ambition further.

Addressing the implementation gap

To turn targets into action, countries need to develop NDC implementation plans that define the policies and measures that will lead to the change required to meet targets. This involves designing policies based on robust data and analyses, and using these to engage stakeholders and mobilize finance.

ICAT can play a crucial role also in this regard. The ICAT policy assessment guides help design, plan, track and evaluate policies and actions that form part of an NDC implementation plan. These assessments equip countries with data and information to mobilize finance, since they allow the solid documentation of impact that financial institutions need. ICAT's recently completed Climate Finance Transparency Guide will help countries develop a framework to assess the national climate finance landscape, including the finance needed for NDC implementation and actual finance flows.

iv. Activities and outcomes

ICAT's successful operations model is anchored in agile and flexible country projects and ownership and empowerment through ICAT's regional hubs. Driven by country demand through formal expressions of interest, it incorporates a robust risk management approach, grounded in delivery, based on state-of-the-art tools and methodologies from ICAT's toolbox.

ICAT's ecosystem encompasses its donors, partner countries, regional partners, technical implementing partners and the broader climate expert community, as represented in ICAT's Advisory Committee. Each partner is playing its own unique and vital role, and ensuring coherence and effectiveness requires strong programmatic coordination through the ICAT Secretariat. This includes coordination across multiple country projects, regional activities, toolbox work and amongst multiple implementing partners. In addition, the Secretariat's function covers a gambit of necessary supportive functions, from technical advice, to administration, to monitoring and evaluation, to external communications. A key role is ensuring activities within countries add value and do not overlap with those provided by other initiatives.

Direct country support

Direct country support is the main way for ICAT to impact global climate action and contribute to the achievement of the Paris Agreement objectives. ICAT will continue to focus on dedicated tailored country projects, responding to requests from developing countries, so that they will be able to define, revise, and implement climate policies and measures, update NDCs with targets that are realistic yet closer aligned with global objectives, and fulfill their reporting requirements.

In the new phase, ICAT plans to continue to support some 25 countries that ICAT is already engaged with, and open collaboration with some 20 additional countries. Each country support project will have several phases to achieve one or several of the following outcomes:

- Develop NDC tracking frameworks;
- Assess greenhouse gas and/or sustainable development impacts of sectoral policies;
- Build frameworks to analyze projections of greenhouse gas emissions and removals;
- Develop monitoring frameworks for just transitions;
- Develop the M&E of adaptation actions;
- Build climate finance transparency frameworks; and/or
- Aggregate or integrate greenhouse gas impacts of subnational and non-State actions.

Regional support

ICAT plans to continue working with the current three Regional Climate Action Transparency Hubs in Central Africa, Central Asia and Central America, but limiting funding so as to require them to raise additional support from other sources, ensuring their sustainability. Subject to availability of funding, one additional regional hub would be set up in a subregion of Asia or Africa, where a competent intergovernmental organization can be identified as a partner.

ICAT will further develop its hubs by:

- Building ownership and recognition for the benefits of transparency in the regions;
- Strengthening the regional centres and networks with adequate expertise;
- Empowering regional experts to become trainers through dedicated training programmes; and/or

- Assisting the hubs in fundraising and creating synergies with other international support activities in their regions.

Knowledge Development and Sharing

Toolbox

The ICAT toolbox contains a robust offering of over 40 tools and guides to support countries in their transparency activities. The toolbox has been applied widely by countries so far. A new phase of ICAT will focus on improving and enhancing the toolbox, particularly in relation to the accessibility and usability of existing tools and guides. This will involve updating and restructuring the policy assessment guides, creating templates, instructional materials and case studies, and developing training. Efforts will also involve mobilizing a long-term plan for the hosting the toolbox on relevant platforms, to ensure that the tools and guides continue to be accessible independently of ICAT.

Capacity building and knowledge sharing

Capacity building is core to all of ICAT's activities and embedded in the country and regional support. ICAT's approach to capacity building focuses on learning by doing, combining the development of frameworks and policy and strategy documents with training, to ensure that those who operate or implement them have the necessary skills. The new phase of ICAT will continue build long-term capacity, also reaching beyond the over 50 ICAT countries, through:

- Blended training courses tailored to the evolving needs of countries;
- "Train the trainers" programmes that provide participants with the skills, knowledge and supporting material needed to train others in their countries;
- Communities of practice from ICAT's trainings and around some of ICAT's tools and guides;
- Peer to peer knowledge sharing through the regional hubs, dedicated country to country exchanges, and cross-regional knowledge sharing; and
- Engaging with local think tanks and national universities as important groups where expertise and national capacity can be built and maintained.

The entire ICAT portfolio is supported by a communications strategy that aims to promote the value of transparency; build a thriving global community of practice for transparency; and position ICAT and its work as an effective tool to support countries to achieve their climate-related goals. To achieve these aims, communications activities focus on the impact of ICAT's work in countries.

v. ICAT in the transparency support landscape

ICAT's focus on policy and action, its toolbox and the flexible way it can operate, makes it a unique player, able to meet urgent needs of developing countries that other initiatives cannot cover. ICAT actively collaborates and coordinates with partners, including the UNFCCC secretariat and other transparency support providers. Many of its outreach and training activities, both at regional and global level, are done jointly with partners. A thorough review of other support projects is done before any new engagement with a partner country.

vi. Exit strategy

Operations will be programmed until late 2030, six months before the closing of ICAT activities in June 2031. This will allow for sufficient time to deal with any delays and ensure an orderly closure. Throughout the work, focus will be on ensuring long-term impact beyond ICAT's lifetime, in accordance with the theory of change.

To ensure this, the following approaches will be included in ICAT's workplan:

- The ICAT Regional Climate Action Transparency Hubs will be encouraged to become self-sufficient, and continue to operate under their host institutions without ICAT support;
- The results of country work are co-owned between ICAT and the lead agencies in partner countries. Countries are encouraged to maintain the momentum the ICAT project has given them. They can continue to use the ICAT tools after ICAT's closure and training is offered to ensure that there is a wide pool of qualified experts;
- Regarding ICAT's tools and training material, ICAT will explore options for implementing or other partners to host the tools and learning content on their digital platforms. This could be done by implementing partners and/or by UNOPS or other UN agencies; and
- Part of the ICAT website would stay available and then be archived together with other project documents after an agreed number of years.

While ICAT 2.1 will continue to demonstrate the impact of ICAT 2.0, the work will initiate fundamental changes, the full results of which will show over a longer timeframe, as policy cycles take effect. Since focus is on climate action, ICAT's work will continue to contribute to global efforts to address climate change well beyond ICAT's lifetime.

II. Next steps for an ICAT extension.

To ensure ICAT operations can continue without disruption, legal steps need to be completed in the first quarter of 2025. It is hence important that amendments to the project agreements between UNOPS and the ICAT donors are signed in the last quarter of 2024 or the first quarter of 2025. Contributions can be scheduled for later, either in 2025 or thereafter in a tranced manner, as ICAT currently has enough funds to run operations throughout 2025 into 2026.

The importance of getting the extension signed by all ICAT donors is to allow for ICAT to enter into agreements with countries and implementing partners beyond mid-2026. If any of the ICAT donors is not yet ready to pledge an amount for the extension, it is also an option for that donor to sign the extension agreement without an additional pledge. The donor may then, at a later stage, sign another agreement amendment with UNOPS for an additional contribution to ICAT. ICAT donors who are ready to pledge an amount now may of course also follow-up with subsequent pledges at a later stage.

Accordingly, the Secretariat has worked with the UNOPS legal team to put together a draft project agreement amendment which in the Appendix, presented in Addendum 1 (*ICAT-DSC-34-2024-004-Add.1*) to this document. The DSC is invited to review and endorse it, keeping in mind that since ICAT is a pooled fund the legal agreements of all donors need to be identical. The donors are then invited to share this with their legal teams to initiate internal clearances. The following annexes to the project agreement amendments need attention:

- Annex III (The ICAT 2.1 Strategic approach) would incorporate the strategy as set out in section I above; and
- Annex IV (The Contribution Outline) would set out the overall funding target and specify the amount that can be pledged. This annex still needs to be populated with the contribution commitment and the payment schedule. Once the donors have communicated their contributions to ICAT, the Secretariat will finalize Annex IV and share customized project agreement amendments with donors for final clearance. Donors should advise on a feasible deadline for this to happen.

Annexes I (Standard Provisions) and Annex II (Governance, Structures and Roles of Partners to the Initiative for Climate Action Transparency (ICAT)) can remain unchanged since there is nothing that requires updating. In Annex II there is reference to the initial donors of ICAT, which is still accurate, but it has not been updated to list donors that have joined subsequently.

The long-term work programme and budget developed to implement the strategy (*ICAT-DSC-34-2024-005 – ICAT Long term work programme and budget (2026-2031)*) has an aspirational budget of USD 50 million (including an optional budget component of 10 million for adaptation).

Based on the indication of contributions from the ICAT donors, the Secretariat would like to also initiate outreach to potential new donors. COP29 provides a good opportunity to make an announcement together with the ICAT donors about the ICAT extension to initiate donor outreach.

In the context of the extension and in line with the recommendations from Arepo's external evaluation of ICAT the Secretariat suggests also to take forward work on revising ICAT Standard Operating Procedures to update them and lighten some of the administrative requirements, also bringing in experiences from similar initiatives managed by UNOPS. The recommended revisions will be submitted to the DSC for review and approval at its 35th meeting.

Next Steps

The DSC is invited to:

- (a) Approve the extension of ICAT up to 2030 with an administrative closure by June 2031;
- (b) Reiterate its support for ICAT, recognizing the positive assessment of the Initiative through the external evaluation, the importance of continued support to climate action transparency, and the unique role that ICAT plays in supporting developing countries to advance towards transformational climate action;
- (c) Approve the ICAT 2.1 Strategy as set out in section I of this document;
- (d) Call on donors to provide an indication of pledges towards ICAT further work from 2026 to 2031;
- (e) Agree to initiate their legal review of the project agreement amendments included in the Appendix, presented in Addendum 1 (*ICAT-DSC-34-2024-004-Add.1*) to this document;
- (f) Agree to announce ICAT's extension at COP29;
- (g) Request the ICAT Director to initiate outreach to new donors based on the decisions above; and
- (h) Request the Secretariat to work on a revision of the ICAT Standard Operating Procedures.