

Transformational Change Methodology

Executive summary

Download the methodology at

<https://climateactiontransparency.org/icat-toolbox/transformational-change>

The unprecedented challenge of climate change requires that society undergoes a fundamental, systemic shift away from carbon-intensive and unsustainable models of development. The urgency of a transition towards sustainable development and net zero global greenhouse gas (GHG) emissions was underlined in the 2018 Special Report on Global Warming of 1.5°C by the Intergovernmental Panel on Climate Change. It is crucial that climate and development policies tackle GHG emissions by avoiding further investments in fossil fuel infrastructure, promoting clean technologies, and enhancing sinks of GHGs, including forests, to ensure alignment with the Paris Agreement's temperature goal and the 2030 Agenda for Sustainable Development.

In this context, there is an increasing need to assess the transformational impacts of policies and actions, and understand whether they can catalyse a sustained paradigm shift in economic, political, social and technical systems.

The Initiative for Climate Action Transparency (ICAT) Transformational Change Methodology establishes a definition of transformational change and unpacks this to provide a stepwise approach to assessing the transformational impacts of a policy or action towards targets such as nationally determined contributions (NDCs) and the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development.

Understanding transformational change

The concept of transformational change is gaining significant traction among climate change and sustainable development decision makers and practitioners. It refers to system change rather than singular, stand-alone development. The change involves multiple actors at multiple levels of society. The status quo is disrupted, and a new economic, political, social and/or technical paradigm is established.

The methodology defines transformational change as:

A fundamental, sustained change of a system that disrupts established high-carbon practices and contributes to a zero-carbon society in line with the Paris Agreement goal to limit global warming to 1.5–2°C and the United Nations Sustainable Development Goals.

Series of ICAT assessment guides

ICAT aims to help countries assess the impacts of their climate actions, and to support greater transparency, effectiveness, ambition and trust in climate policies worldwide. The *Transformational Change Methodology* is part of the ICAT series of guides for assessing the GHG, sustainable development and transformational impacts of policies and actions in an integrated way. The guides are a result of collaboration with technical experts from around the world. The *ICAT Transformational Change Methodology* can be used on its own or together with other ICAT guides.

SERIES OF ICAT ASSESSMENT GUIDES

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Agriculture



Buildings Efficiency



Sustainable Development



Transformational Change



Non-State and Subnational Action

Process guides



Stakeholder Participation



Technical Review

The assessment guides have been used to support capacity-building for transparency in more than 20 countries. Case studies are available on the ICAT website. To learn more about how ICAT supports countries, visit www.climateactiontransparency.org.

Assessing the transformational impacts of policies

The *ICAT Transformational Change Methodology* helps policymakers and other users understand the relationship between policies and actions (hereafter referred to as “policies”, for brevity) and the expected or achieved transformational impact. Recognizing the multiple objectives of transparency, policymakers may want to assess these impacts to:

- understand how a policy helps achieve multiple goals at international, national or subnational levels through structural change in a sector or across multiple sectors
- attract finance by demonstrating how a given policy facilitates a paradigm shift to net zero GHG emissions and sustainable development
- report and communicate the extent of transformation expected or achieved by policies, to demonstrate results and ambition, build coalitions of support, and raise social acceptance
- evaluate the transformational impact of a policy over time to understand whether, and to what extent, it has been transformational
- inform future policy design, including reformulation of NDCs towards enhanced ambition, and decide whether to continue current actions, enhance current actions or implement additional actions
- learn from experience and ongoing monitoring to better understand the drivers of transformational change and enhance the effectiveness of policies.

Intended audience

The primary intended users of the *Transformational Change Methodology* are developing country governments and their partners (domestic and international) who are planning, implementing and assessing policies, particularly in the context of development and implementation of NDCs, national low-emission development strategies, nationally appropriate mitigation actions (NAMAs) and other mechanisms. The methodology can be used at the international, national or subnational level.

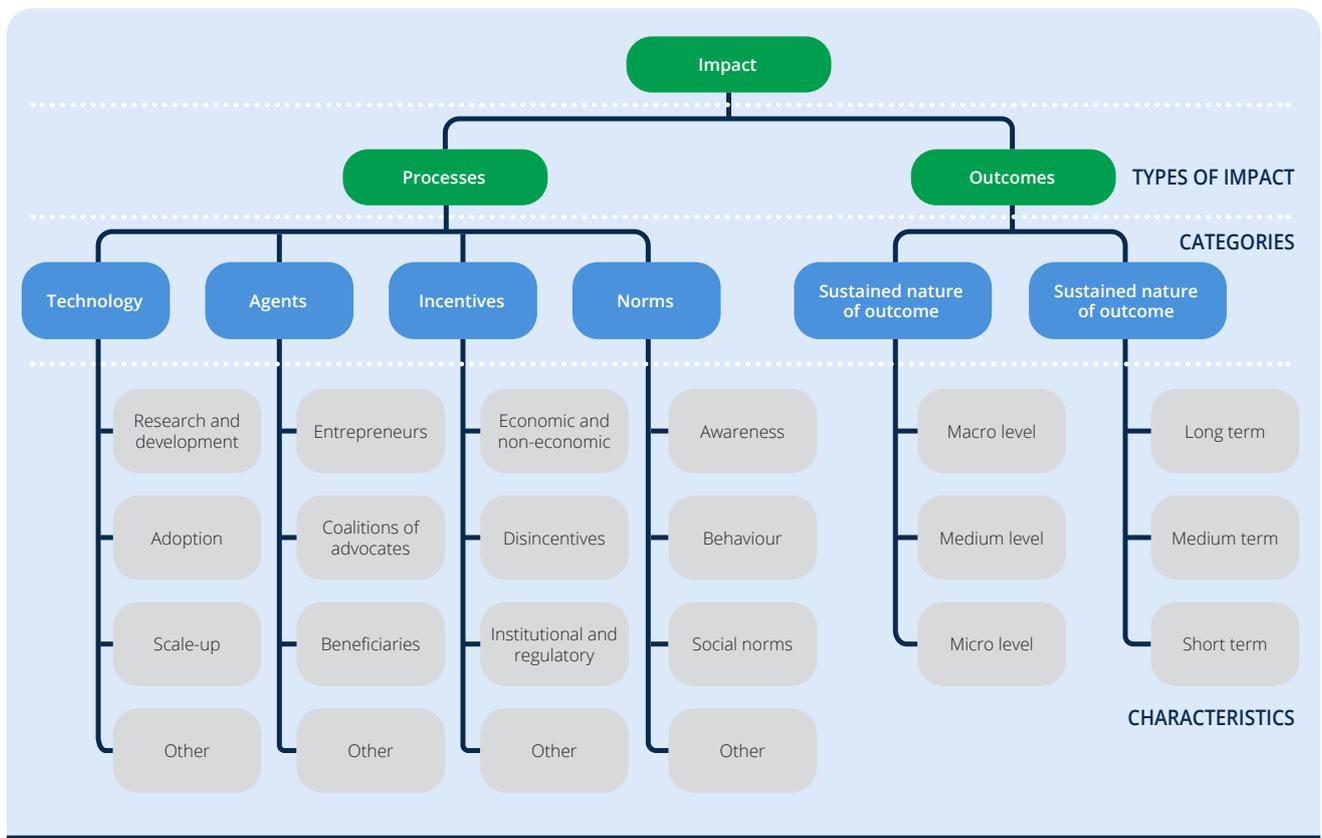
A wide range of policymakers and practitioners can benefit from using the methodology, including donor agencies and financial institutions, businesses, research institutions and non-governmental organizations. For example, donor agencies and financial institutions can assess the impacts of financial support provided, such as grants or loans, in supporting transformational policies. Businesses can assess impacts of private sector actions (such as

voluntary commitments and implementation of new technologies), private sector financing, or government policies on businesses and the economy.

Types of transformational impacts

The methodology can be used to assess two types of transformational impacts: processes and outcomes. Processes are the interdependent drivers of system change, including technology change, agents of change, incentives for change, and norms and behavioural change. These processes lead to outcomes, which are assessed in terms of their scale and sustained nature.

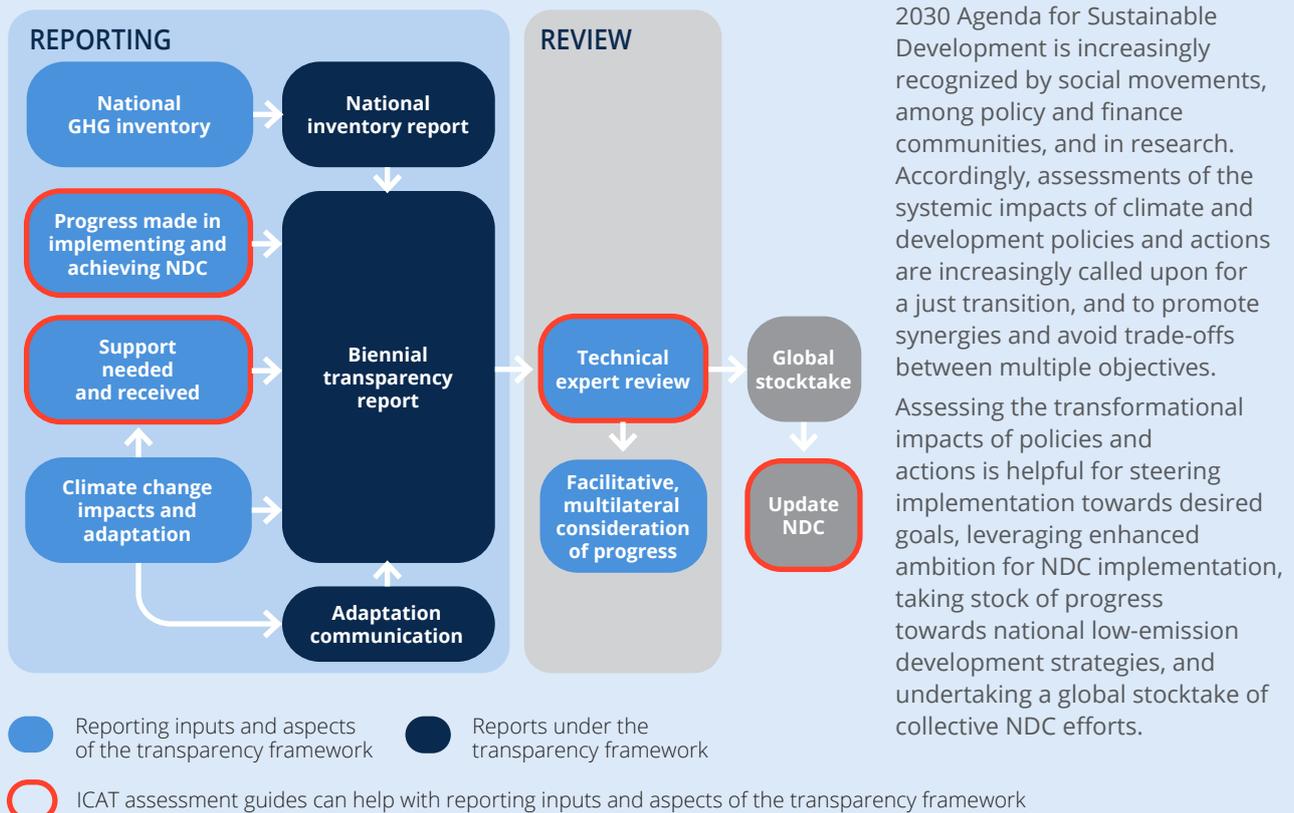
Within each type of impact, there are categories; within the categories, there are characteristics. Together, the outcome and process impacts are used to determine the extent to which a policy is transformational.



Advancing climate action through the enhanced transparency framework

By helping policymakers assess the impacts of policies and actions, the ICAT assessment guides can help countries track progress in implementation and further develop their NDCs towards enhanced ambition. The ICAT assessment guides can also help provide the necessary information for countries to report under the Paris Agreement’s enhanced transparency framework.

Although assessment of transformational impacts is optional in the enhanced transparency framework, the urgency of systemic change to avoid climate crisis, and align with the Paris Agreement and the SDGs of the



Using the methodology during policy design and implementation

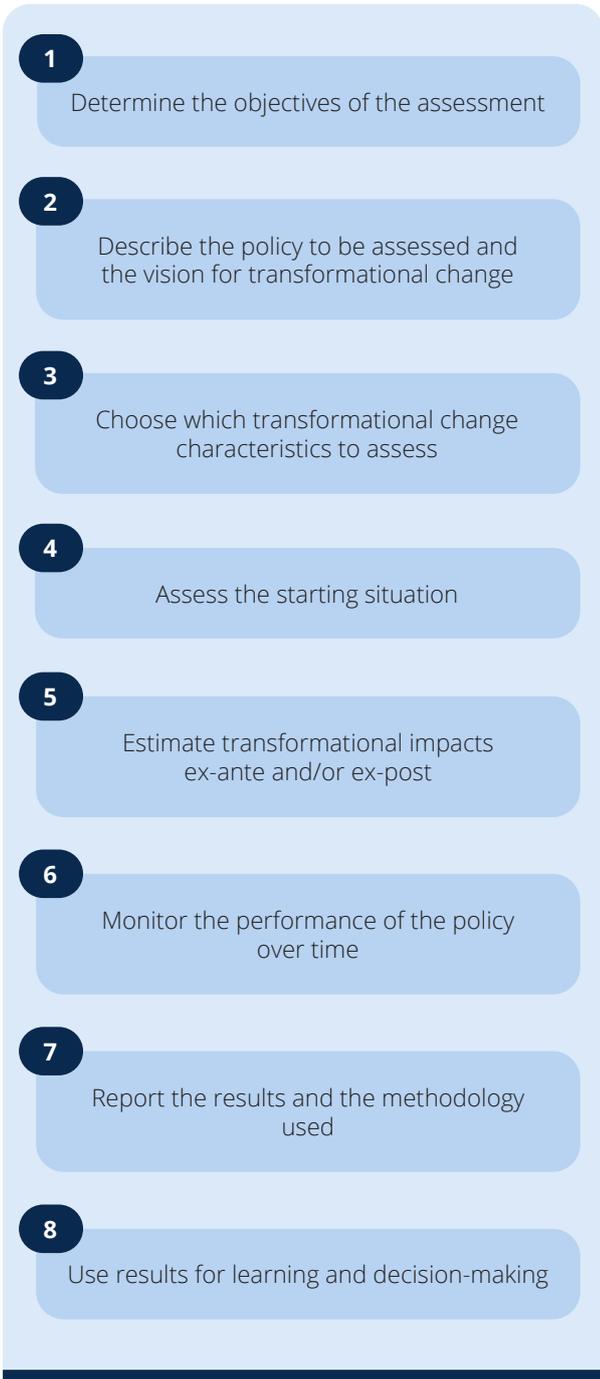
The methodology can be used at different stages of a policy design and implementation cycle: before, during or after policy implementation. It can be used to conduct forward-looking assessments of future impacts, as well as backward-looking assessments of past impacts.

Countries’ needs and objectives will determine when and how they use the methodology. As an example, Costa Rica is using the methodology to set up the National Metrics System of Climate Change (SINAMECC) for monitoring and reporting on policies implemented as part of its national Decarbonization Plan for a net zero emissions economy by 2050.

If the methodology is applied at multiple stages in a policy design and implementation cycle, it becomes an iterative process, such that previous experience informs improvements to policy design and implementation, and the development of new policies.

Main steps of the methodology

The methodology provides a stepwise approach to assessing the transformational impacts of policies. It provides a qualitative approach to assessing the extent of transformation expected or achieved by a policy. It also provides users with an option to quantitatively monitor indicators of transformational change as the basis for qualitative assessment.



As an example, for a hypothetical solar photovoltaic policy, the final assessment of transformational impact is informed by the assessment at *characteristic* level, aggregated to the *category* level and finally to the *impact* level, consisting of outcome and process dimensions.



The result shows that it is possible that the policy will facilitate transformation even as the extent of potential transformation is expected to be minor. This overall impact is based on disaggregated analysis of technology change, agents of change, and the use of incentives and regulations.

The assessment results are to a large extent qualitative and based on expert judgment. This means that the results are limited by the extent of human knowledge of complex interacting systems and their processes. Despite these limitations, the disaggregated (i.e. intermediary) results and the final assessment results can provide meaningful insights and information to help prioritize policies, modify existing interventions to enhance their transformational potential, shortlist actions for financial support, and track progress towards NDC and SDG goals.