5 Determining the objectives, criteria, scope and type of technical review

Technical reviews are structured to meet the specific objectives of the user. They can focus on learning and improvement, increasing transparency of reported impact assessments, or both. Determining the technical review objectives is an important first step, since the design of the technical review will be guided by the identified objectives. Once the objectives are established, the appropriate criteria, scope and type of technical review can be determined.

5.1 Determine the objectives of the technical review

Users should determine the objectives of the technical review before beginning the technical review process. The type of technical review pursued will depend on these objectives.

Objectives for conducting technical review of GHG, sustainable development and transformational impact assessments of policies fall into three categories, as follows:
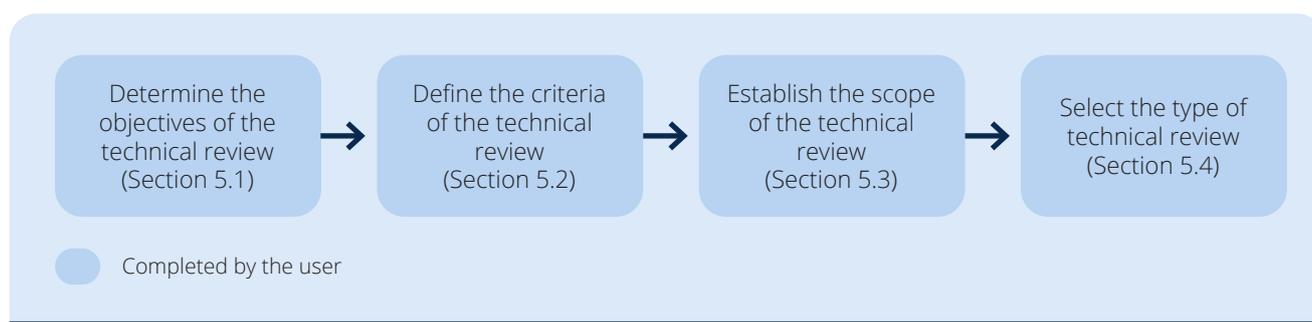
• **Planning and evaluation of policies.** Users may pursue technical review as a tool to foster learning and continual improvement, with the following objectives in mind

  » Support improved selection, design and implementation of policies through a more rigorous understanding and evaluation of their impacts.
  » Enhance the user's knowledge, skills and processes for impact assessment and reporting, by facilitating learning and knowledge transfer within the organization.

• **Reporting the impacts of policies.** This set of objectives is more oriented to an external audience and includes the following objectives

  » Increase transparency and confidence in the reported impacts of policies, including under the Paris Agreement's enhanced transparency framework.
  » Demonstrate results to donor agencies and financial institutions who provide funding or financing for policies (i.e. under pay-for-performance arrangements).
  » Build and broaden support for policies among stakeholder groups.

• **Supporting consistency in the assessment of a single policy over time and comparability of the reported impacts of different policies.** This higher-level objective aims to foster greater trust and ambition in climate policies worldwide through transparency and credible reporting.

FIGURE **5.1**

Overview of steps in the chapter

Determine the objectives of the technical review (Section 5.1) → Define the criteria of the technical review (Section 5.2) → Establish the scope of the technical review (Section 5.3) → Select the type of technical review (Section 5.4)

Completed by the user

Users select one or more of these objectives, depending on the stage of the policy cycle in which they are pursuing technical review and their objectives in using the related ICAT assessment guides. Technical review can occur before, during or after policy implementation. Determining when to conduct the technical review also depends on the stage of policy design and implementation, and the objectives for technical review.

For those seeking to improve design, internal reporting or quality control in the implementation of the policy, technical review may take place on the ex-ante assessment report. Where users seek to meet obligations and facilitate transparency of private or public financing of climate policies, technical review can be conducted on the ex-post or ex-ante assessment report. Given the linkage between when technical review is conducted and the objectives of technical review, determining when to conduct the technical review can occur simultaneously with establishing the objectives of the technical review.

Determining when to carry out a technical review involves other considerations, such as the completeness, readiness and scope of the assessment report; capacity and preparedness of staff to facilitate the review and work with a technical review team; and any other budgetary or operational constraints.

The frequency of technical review is flexible. It depends on how frequently impact assessments are done. Technical review can take place annually, every two years, every five years or with some other frequency, based on the anticipated lifetime of the GHG, sustainable development and/or transformational impacts of a policy, and other reporting obligations (e.g. reporting requirements under the Paris Agreement's enhanced transparency framework). Where a technical review schedule can be established, users should provide a rationale and the intent for setting and meeting the schedule.

Once the objectives of technical review are established, the criteria and scope of the review can be determined.

5.2 Define the criteria of the technical review

Users should define the criteria of the technical review. The purpose of a technical review is to evaluate the assessment report in accordance with the criteria and scope of the review (Section 5.3

provides more information about scope). The central step of technical review is the evaluation of the assessment report for consistency with the criteria. The criteria consist of the key recommendations that were followed by the user and any other criteria.

5.2.1 Key recommendations

Key recommendations are set out in the relevant ICAT assessment guides. The assessment statement and the assessment report list the key recommendations followed by the user, and explain and justify why any key recommendations were not followed. All applicable key recommendations in the ICAT assessment guides used in the impact assessment are considered criteria. The key recommendations selected and followed by the user need to be sufficient to establish baselines, monitor and report on performance, and determine uncertainty of the data used.

Each ICAT assessment guide includes a set of principles and a key recommendation stating that the principles should be applied throughout the impact assessment. Therefore, the principles are also considered criteria, and reviewers should ensure that all key recommendations are applied in a way that is consistent with the principles.

5.2.2 Other criteria (if relevant)

Other criteria that can be reviewed include results and the methods used to reach the results. To facilitate technical review of results and methods, the assessment report should list the results clearly (e.g. the estimated GHG emissions reductions achieved, or jobs created) and explain how the relevant methods were followed. The assessment statement should summarize these results and explanations.

The data, assumptions, methodologies, models and tools used to produce the quantified results are examined in greater depth than if the criteria of the technical review are only the key recommendations.

The ICAT assessment guides provide guidance on how users can transparently demonstrate how the quantified results were determined. Where quantified results are reviewed, all evidence that supports the results should be provided in the assessment report.

Examples of other criteria that can be evaluated through technical review include:

- **conditions before activity initiation** – the described conditions before the policy was initiated

- **baseline scenario** – the described baseline scenario and estimated impacts of the baseline, including the assumptions, parameters and procedures for determining and estimating the scenario and the impacts

- **methodology or tool followed** – the methodology used for calculating, estimating or assessing impacts, and the selected indicators and parameters used to estimate results

- **monitoring plan** – the plan that describes the system for obtaining, recording, compiling and analysing data and information needed for tracking performance and estimating impacts, including the indicators and parameters selected for monitoring, any sampling approaches, frequency of measurement, means of data quality assurance and control, record keeping, and roles and responsibilities

- **monitoring report** – the report that describes the data and information that were collected to quantify the impacts of the policy, including details to demonstrate that the monitoring report follows a monitoring plan, and any descriptions and justifications for deviations from, or modifications to, the plan

- **estimated GHG emissions reductions or removals** – the estimated GHG emissions reductions or removals, including the methodology followed, the selected key performance indicators and parameters used to estimate GHG emissions reductions or removals, the use of default values, and any descriptions and justifications for deviations from, or modifications to, the methodology followed

- **estimated sustainable development impacts** – the estimated sustainable development impacts (e.g. access to clean water, air quality, jobs created, infant mortality rates), including the methodology followed, the indicators and parameters used to estimate impacts, the use of default values, and any descriptions and justifications for

deviations from, or modifications to, the methodology followed

- **uncertainty** – the quantified estimate or qualitative description of uncertainty of the results, including in the primary data, estimations, baseline scenarios and reported results; a description of how uncertainty applies to calculations of margins of error in data; and a description of how uncertainty does or does not affect the conclusion.

5.3 Establish the scope of the technical review

Users should clearly establish the scope of the technical review. The scope of a technical review includes the elements described below that are applicable to the impact assessment. When establishing the scope of technical review, the following information should be included:

- a description of the policy

- the policy impacts that were assessed

- whether the assessment is ex-ante or ex-post

- the materiality and level of assurance (if relevant)

- stakeholder participation in the impact assessment.

5.3.1 Description of the policy

It is important to clearly describe the policy when establishing the scope of the technical review. Many aspects of the policy could affect the type of technical review selected or the qualifications necessary for the review team. The description should include the policy type, specific interventions carried out, the policy implementation period and the level of the policy.

5.3.2 Policy or action impacts

GHG, sustainable development, transformational, and/or non-state or subnational action impact assessment report(s) can be reviewed. Although users can have multiple impacts reviewed at once, they may want to have only selected aspects of their impact assessment reviewed, such as GHG impacts

only or sustainable development impacts only. When establishing the scope of the review, state all impacts or the subset of GHG, sustainable development and/or transformational impacts to be reviewed. For each impact included in the scope of the review, establish, if relevant:

- **the assessment boundary** – the impact categories covered (GHG sources and carbon pools, and/or transformational change characteristics)

- **the assessment period** – the time period over which each type of impact resulting from the policy is assessed; this can vary between different types of impacts.

5.3.3 Ex-ante and ex-post assessments

Impact assessments can be done ex-ante or ex-post. Users should establish whether the assessment report being reviewed covers ex-ante and/or ex-post impact assessment.

5.3.4 Materiality and level of assurance (if relevant)

Where the user is pursuing technical review of GHG impacts, the scope may also include a materiality threshold and a level of assurance that the technical reviewer is to apply to the review. ICAT does not set quantified materiality thresholds. However, users could consider the following if establishing a materiality threshold:

- Identify, in advance of the review and potentially in consultation with the reviewer, the impact categories of the assessment for which a materiality threshold will be applied, and set a materiality threshold.

- Adopt the materiality threshold that is requested by, or agreed to with, a donor or private financier for whom the impact assessment was prepared.

- Select a default value for materiality, based on comparable practice and programmes, scale, and the quantity of GHG emissions reductions reported in the impact assessment. A default materiality threshold of 5–10% is suggested.

Within GHG programmes and reporting initiatives, 5% is the most commonly used materiality threshold. For example, the Climate Action Reserve sets a range

for GHG project materiality thresholds based on size – that is, 5% of stated reductions or removals for smaller projects, 3% for medium-sized projects and 1% for larger projects. The VCS Program sets a materiality threshold of 5% for projects up to 1 million tonnes; for projects over this amount, the threshold is 1%. In the IPCC, the key category analysis uses a similar approach, with a 5% level selected based on a sensitivity analysis of past reports and uncertainty.[24] In the accounting profession, materiality is estimated, typically, according to a "5% rule", which holds that reasonable investors would not be influenced in their investment decisions by a fluctuation in net income of 5% or less. Although just a rule of thumb, this remains an underlying working guide to those setting materiality estimates.[25]

The concept of assurance, and the options of limited and reasonable assurance, as well as agreed-upon procedures, are discussed in Chapter 2. The user's choice between these assurance options should be guided by the objectives of the impact assessment and technical review. Where the intended audience of the assessment report and technical review report is a donor, users should take donor requirements into consideration when establishing the level of assurance.

Users should select a level of assurance that is appropriate for the impacts included in the assessment and technical review. Different levels of assurance can be applied to different impacts. For example, where a user is reviewing an assessment report that covers GHG and sustainable development impacts, a reasonable level of assurance can be applied in the review of the GHG impact assessment process and results, while agreed-upon procedures can be applied in the review of the sustainable development impact assessment process and results.

5.3.5 Stakeholder participation

The effectiveness of the stakeholder participation plan and process can also be reviewed. Where users report on how the stakeholder participation process was designed and conducted following the key recommendations, stakeholder participation may be included in the scope of the review. Users may consider pursuing a stakeholder-led review process when reviewing the effectiveness of the stakeholder participation process.

24 Rypdal, Flugsrud and Irving (1999).

25 Vorhies (2005).

5.4 Select the type of technical review

The appropriate type of technical review depends on user objectives and capacity for review, among other considerations. The considerations in Table 5.1 are considered important because of their potential to impact the type of technical review selected. Where users have additional considerations, questions can be added, as needed, to ensure that the appropriate type of review is chosen. The following steps can be used to select an appropriate type of technical review:

- **Step 1.** Answer each question in Table 5.1 and note the type of technical review each question suggests is most appropriate. Each question should be answered with the objectives for review in mind.

- **Step 2.** Evaluate the overall distribution of responses. Many responses of "first" indicate that first-party review may be best suited for the objectives, and similarly with many responses of "second" or "third". Identify the type of review suggested most often.

- **Step 3:** Identify the considerations that could significantly impact the type of technical review selected. Carefully review each response that is in conflict with the type of review identified in step 2. Prioritize these considerations compared with the others. Look at considerations that could render a certain type of technical review ineffective or out of reach. For example, where users state that a high level of independence is desired (suggesting third-party review) and that limited financial resources are available for the review (suggesting first- or second-party review), these priorities are conflicting. The user may need to select a first- or second-party review based on available resources. However, there are steps users can take to increase the independence and credibility of a first- or second-party review, such as taking additional measures to reduce potential conflicts of interest.

In selecting a type of technical review, users should consider both the objectives for review and the desired level of independence. First- and second-party technical review are usually selected when the priority is on learning and improvement through the technical review process. With this focus, reviewers collaborate and work closely with the user to encourage learning and improvement; therefore, a high level of independence is not necessary. Where the UNFCCC ICA, IAR or technical expert review process will be followed, users should consider pursuing first- or second-party technical review to focus on learning, improvement and preparation before the UNFCCC process.

Where external reporting and credibility are user priorities, the technical review should help the user by identifying areas of the impact assessment that could be strengthened; however, recommendations for improvement are not typically made, to maintain a certain level of independence. This level of independence corresponds most closely with third-party review, but a third-party reviewer can conduct a review with either of these priorities.

TABLE **5.1**

Matrix to support selection of type of technical review

Considerations for technical review	High Very Yes	Medium Somewhat -	Low Slightly No
1. Is the technical review of an ex-ante assessment?	First, second	-	Third
2. How difficult is it for entities other than the user to gain access to information, assumptions and data regarding the impact assessment?	First	Second	Third
3. How important is it for the technical reviewer to be, or to be perceived as, minimally vulnerable to conflicts of interest?	Third	Second	First
4. How experienced with undergoing technical review is the user?	First	Second	Third
5. How much funding is available for the technical review process?	Third	Second	First
6. What level of independence is necessary for the intended audience of the technical review?	Third	Second	First
7. What level of transparency and stakeholder confidence in the technical review results is necessary?	Third	-	First, second
8. Does the donor and/or private financier of the policy require technical review?	Second, third	-	First
9. Is it necessary for the reviewer to have relevant accreditation?	Third	-	First, second

Abbreviation: -, not applicable