



# ICAT Climate Finance Transparency Guide

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# ICAT Climate Finance Transparency Guide

**July – October 2022**

Review of best practices and development of draft methodology



**November 2022 - ongoing**

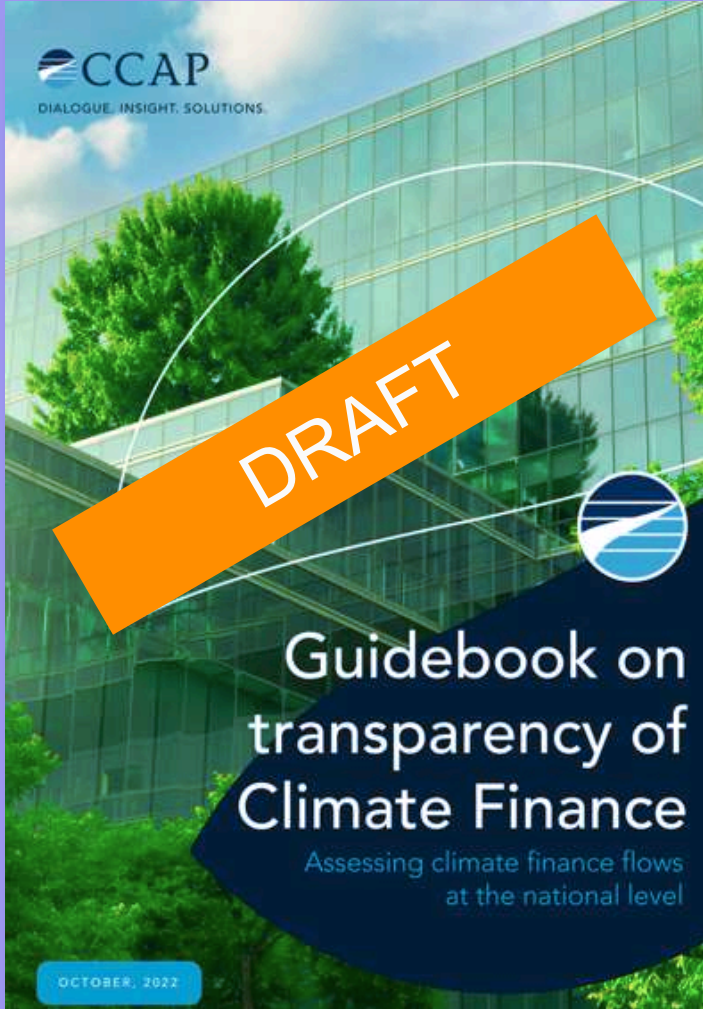
Application of draft methodology in Belize, Côte d'Ivoire, Morocco Senegal



**2023 – January 2024**

Revision of methodology based on lessons learned and publication of final report



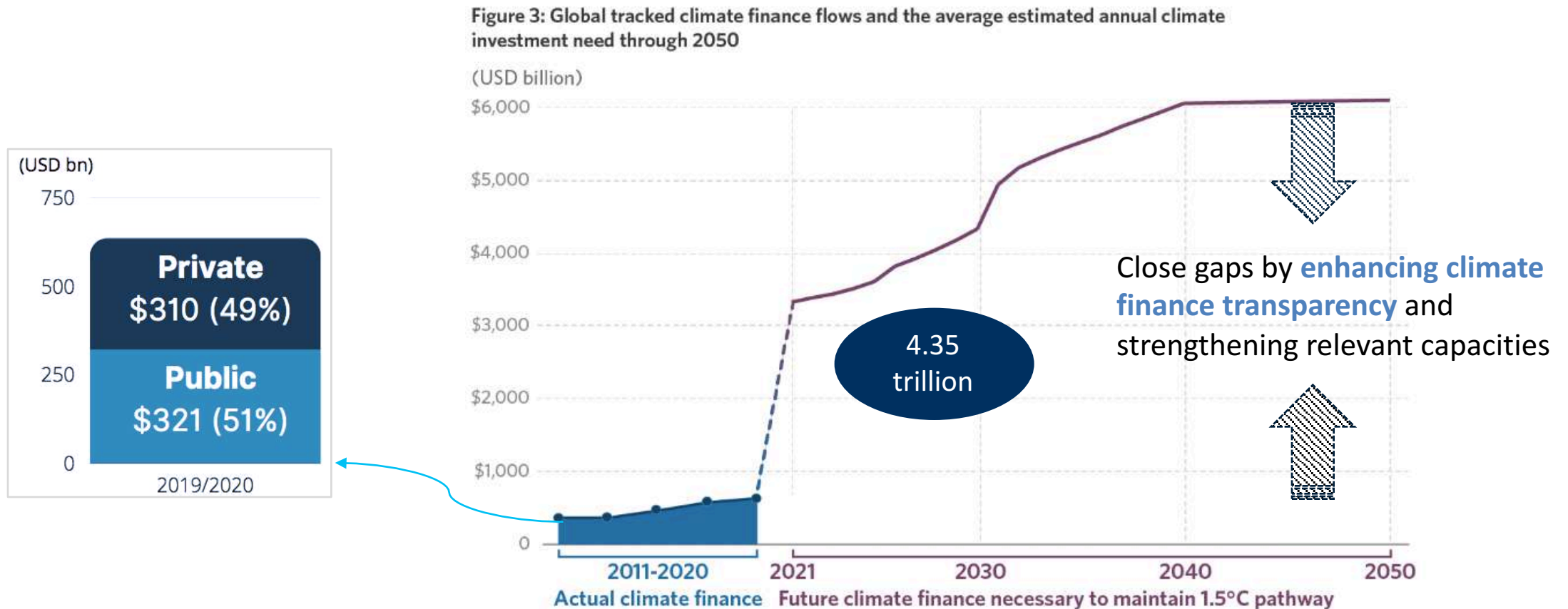


# Methodology and relevant tool



# Financial and Investment Gaps

Need for **drastic increase of climate investment** and **successful private finance mobilization** to achieve 1.5°C pathway.







# Relevance of Climate Finance Transparency for Developing Countries

## Objectives and benefits on the **domestic level**



Domestic transparency



Identifying gaps in climate finance



Efficient management of resources



Catalyzing investment flows

*“NDC implementation in a more cohesive, coordinated, and efficient manner”*

## Objectives and benefits on the **international level**



Reporting to the UNFCCC

- ✓ Report the financial support needed and received from developed countries (Biennial Transparency Reports)



Catalyzing investment flows

- ✓ Mobilize additional international resources



Creation of synergy for a harmonized methodology

- ✓ Create synergies with global agendas and frameworks (e.g., SDG, Sendai Framework) in data collection and methodologies



# Basic Considerations for the Climate Finance Transparency Guide



## Considerations

- Ready to use with toolbox
- 'Tier' approach to allow evolution of complexity in transparency schemes
- Compatibility with other key transparency frameworks (e.g., ETF, INFF)



## Key inspiration

- [IPCC's Tier Approach](#)
- [UNFCCC data quality principles for National GHG Inventory \(TACCC principles\)](#)
- [Integrated National Financing Framework \(INFF\)](#)
- Enhanced Transparency Framework (ETF) of the Paris Agreement



## Principles

1.

Maximizing granularity

2.

Avoiding double counting

3.

Conservativeness

# Integrated National Financing Framework (INFF)



## INFF Methodology

- [Integrated National Financing Framework \(INFF\)](#) by the Inter-agency Task Force on Financing for Development (IATF)
  - **Background:** countries used the INFF to implement the Addis Ababa Action Agenda (Addis Agenda) that is adopted by world leaders at the United Nations' Third International Conference on Financing for Development in 2015.
  - **Purpose:** to support countries in reinforcing national planning and identifying financing strategies in line with national long-term sustainable development priorities (i.e., achieving SDG)
  - **Structure:** an inception phase and four building blocks

### Guide

As the INFF is developed to facilitate financing needed to achieve the SDG, the guide selects and rearranges the elements that are related to ex-ante and ex-post climate finance tracking methodologies.

### Inception Phase

1

#### SCOPING

Gather all available information related to four building blocks

2

#### INSTITUTIONAL ARRANGEMENTS

Establish a central oversight body

3

#### ROADMAP

Set up next steps for operationalizing the INFF

### Assessments and diagnostics

Existing financing needs, Financing landscape, Risks, and Constraints

1

### Governance and coordination

Existing coordination mechanisms, institutional, stakeholder, and platform mapping

4

### BUILDING BLOCKS

2

### Financing strategy

Key financing policies and their objectives, policy prioritization, action plan for operationalization

3

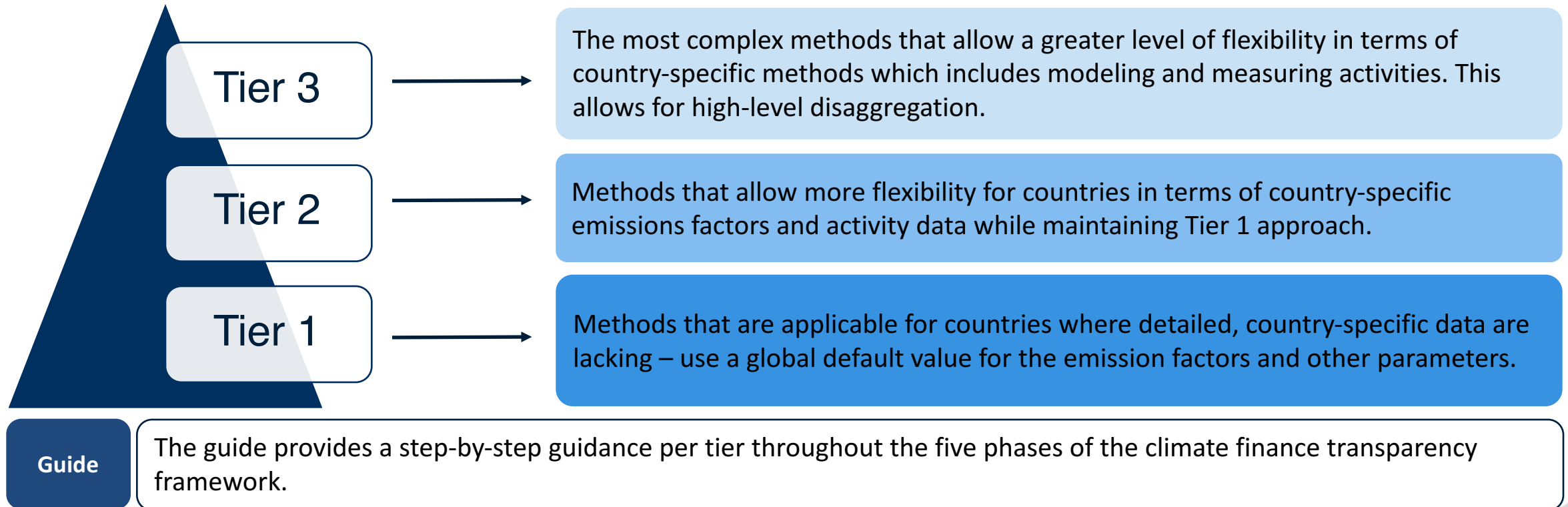
### Monitoring and review

Available data sources, Existing data systems for tracking finance, existing monitoring frameworks



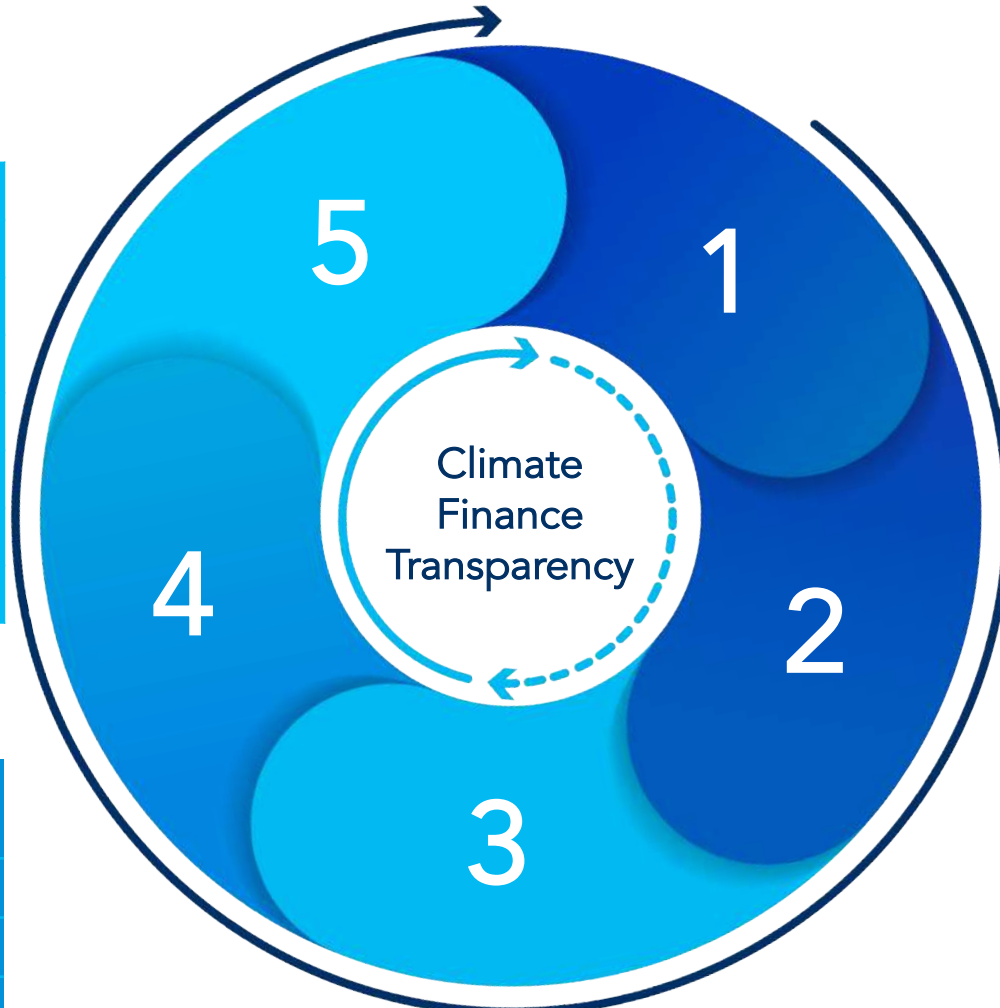
# IPCC Tier Approach

One of the key methodological features of **the IPCC guidelines for national greenhouse gas inventories** is a **tiered approach**. Tier means the overall complexity of a [methodology](#) and its [data requirement](#). Higher-tier methods are generally more complex and data-intensive than lower-tier methods. The determination of the Tier level applied is based on national circumstances including resources and capacities.





# 5 Phases of Climate Finance Transparency Framework



## 5 Sharing results for policy making

- Ex-ante and ex-post gap analysis ▲
- Identification of potential climate finance flows
- Reporting to the UNFCCC
- Increasing domestic transparency
- Climate finance mobilization ▲
- Assessment of climate finance impacts
- Evaluation and lessons learnt
- Preparing the next cycle

## 4 Ex-post monitoring and verification

- Climate finance data collection and processing ▲
- Data analysis
- Data Verification
- Data management

## 1 Scoping and planning

- Country readiness assessment and stakeholder mapping
- Tier-level selection and corresponding work plan and roadmap setting
- Definition of climate finance ▲
- Climate finance parameters ▲
- Climate finance impact indicators

## 2 Defining the institutional setting

- Capacity and leadership assessment
- Setting of clear institutional split of work ▲
- Capacity development of government institutions ▲
- Planning for Operational stage (Phase 3-5)

## 3 Ex-ante NDC Costing

- Identification of financial needs for NDC Implementation ▲

→ Regular timeline of operating system in the same tier (e.g., 1-5-year basis)

→ Irregular timeline, repeat full circle when advancing to the next tier

▲ \*\* Tier-level

# Phase 1. Scoping and planning



## Overview of the phase

### 1.1 Country Readiness Assessment

- Collect available information required for the assessment of a country's institutional and technical readiness and capacity
- Conduct stakeholder mapping

### 1.2 Tier level selection and planning

- Choose tier levels according to readiness
- Develop a work plan for the inception stage
- Create a roadmap with the long-term vision

### 1.3. Climate finance definition

- Define climate finance across all sectors at the national level
  - Classification of sectors
  - Selection of aggregation level to determine climate relevance

### 1.4. Transparency cycle parameters

- Set key parameters including:
  - Scope of sources
  - Granularity of instruments
  - Information on recipients & type of intervention
  - Committed/ disbursed climate finance flows
  - Frequency of the cycle

### 1.5 Climate impact indicators

- Define metrics that reflect the impact of climate finance
  - e.g., Reduced or sequestered GHG emissions, Number of direct or indirect beneficiaries

# Phase 2. Defining the institutional setting



## Overview of the phase

### 2.1 Capacity and Leadership assessment

- (Re)arrange and strengthen institutional settings
- Analyze institutional capacities for climate finance tracking for NDC implementation

### 2.2 Setting clear Roles and Responsibilities

- Map the roles and responsibilities of stakeholders for each sub-task along with the time and frequency of conducting each task
  - Stakeholder roles: Responsible, Accountable, Consulted, Informed

### 2.3 Capacity Development of Government Institutions

- Identify required capacities and knowledge within the responsible institutions
  - Institutional capacity
  - Technical capacity

# Phase 3. Ex-ante NDC Costing



## Overview of the phase

### 3.1 Set parameters for cost estimation

- Scope for the cost estimation
- Priority sector
- Methodology
- Available and required data
- Governance
- Cost structure (preparatory costs, CAPEX, OPEX, Implementation costs)

### 3.2. Apply parameters

- Assess cost estimation work progress per sector
- Identify activities/projects that need cost estimation

### 3.3. Undertake cost estimation

- No harmonized methodology
- Tier-approach
- Start with using rough approximations based on modelling tools (e.g., GACMO)

### 3.4. Verify cost estimation

- Compare cost estimates with international data
- Engage a wider range of experts who can support verification and calibration process

# Phase 4. Ex-post monitoring and verification



## Overview of the phase

### 4.1 Collecting and processing climate finance data

- Identify relevant sources
- Collect data
- Process data
- Verify data

### 4.2 Assessing climate finance data

- Classify and weight data
- Analyze data

### 4.3 Verifying climate finance data

- Share and verify results with line ministries



# Phase 5. Sharing results for policy making [1]



## Overview of the phase

### 5.1 Analyzing gaps and climate finance needed

- Aggregate data
- Establish time period of comparison
- Compare ex-ante planning and ex-post financial flows to identify gaps

### 5.2 Identifying potential climate finance flows

- Identify upcoming domestic flows
- Identify upcoming international flows
- Engage with potential partners and investors

### 5.3 Sharing results for efficient resource management

- Communicate and share information with public institutions
- Budget reallocation
- (Re)prioritization of public policy instruments

### 5.4 Reporting to the UNFCCC

- Process data on the financial support *received*
- Process data on the financial support *needed*
- Submit respective CTFs in junction with the BTR

### 5.5 Increasing domestic transparency

- Select and communicate transparency insights
  - Factsheets, websites, workshops
  - Excel built-in function for generating pivot analyses and visuals

# Phase 5. Sharing results for policy making [2]



## Overview of the phase

5.6 Facilitate climate finance mobilization

- Accelerate international support
- Engage with potential partners and investors

5.7 Assessing impacts of climate finance

- Link existing impact assessment results with the climate finance transparency cycle

5.8 Evaluation and lessons learned

- Identify key performance indicators
- Develop an evaluation plan
- Implement evaluation plan

5.9 Preparing the next cycle

- Decide whether to increase tier level
- Decide whether to update institutional settings
- Create improvement plan

# List of Tools

Phase	Tool list
Phase 1	Country assessment checklist
	Tier selection matrix based on country readiness score
	Climate finance tracking tool
	Excel template for stakeholder mapping
Phase 2	Capacity and leadership assessment survey
	Indicative Roles and responsibilities flow chart
Phase 3	Desk review of international NDC cost estimation
Phase 4	[Data collection] 1. Excel template for on-budget and off-budget data collection with all needed attributes for later analysis and reporting purposes 2. Example surveys and questionnaires for data collection from off-budget stakeholders and sources, potentially a list of recommended online survey tools
	[Data processing] Excel template for on-budget and off-budget data collection that provides standardized answering options in the form of a drop-down menu
	[Data analysis] Excel template provided for on-budget and off-budget data collection will include additional sheets with pre-set pivot analyses
Phase 5	[Gap analysis] Excel template with an additional sheet to aggregate to the metrics of comparison
	[Reporting] Excel template with an additional sheet that has a built-in function of extracting data on financial flows categorized as coming from international sources to a new sheet, which corresponds to the informational requirements of the CTF.
	[Communication] Excel template with an additional sheet that has a built-in function for generating pivot analyses and visuals such as pie charts and bar diagrams
	[Evaluation] Table with example indicators for measuring system performance and the quality of results

# PHASE 1: COUNTRY READINESS ASSESSMENT

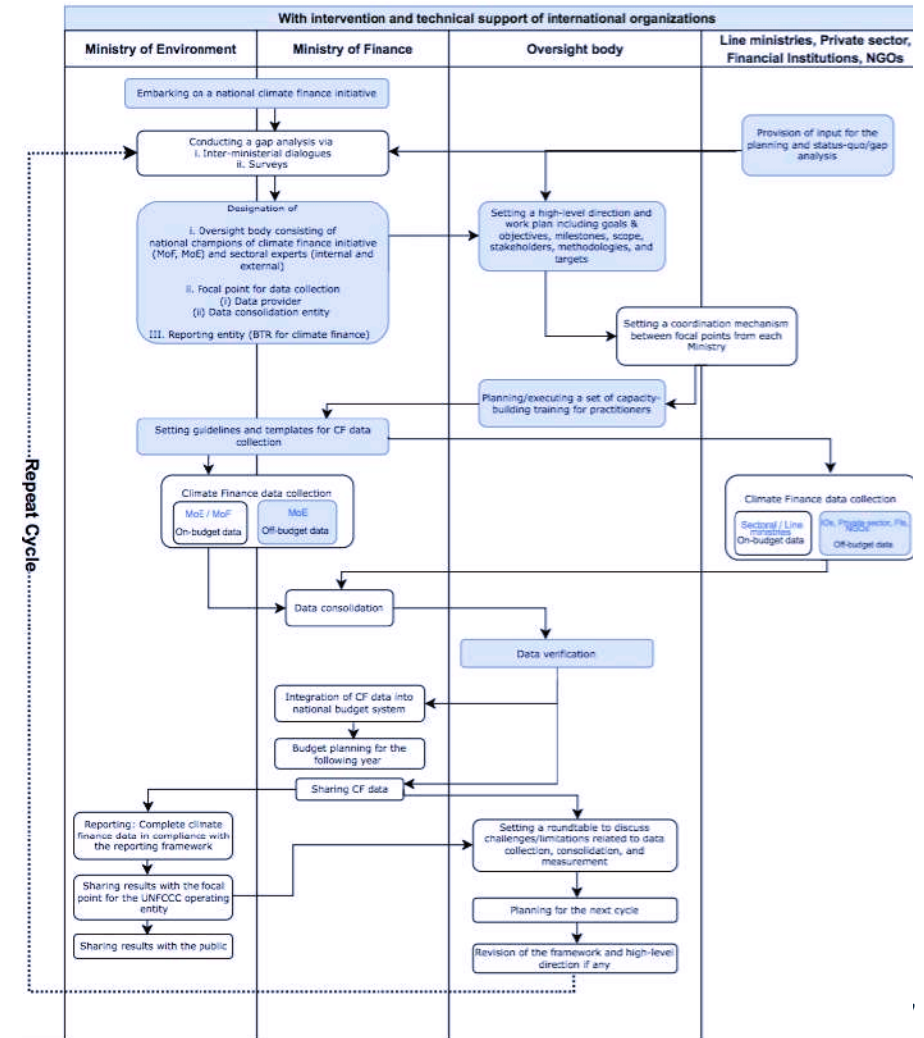
## PHASE 2: A FLOWCHART OF INSTITUTIONAL SETTINGS

### Phase 1. Country readiness assessment checklist

- Scoring matrix/sheet for the following step of the Tier-level selection
- Tier level selection per the score per phase (Tier 1 if score is within 0-1, Tier 2 if score is within 2-3, and Tier 3 if score is within 4-5).

Phase	Activity	Score (0-5)	Tier
1	Climate finance definition	0	1
1	Climate finance parameter	1	1
2	Roles and responsibilities setting	2	2
2	Institutional capacity	1	1
3	NDC Costing	1	1
4	Data collection	0	1
4	Data analysis	0	1
5	UNFCCC Reporting		
5	Communication	0	1
...			

### Phase 2. Indicative flowchart: Institutional settings for climate finance data collection and MRV



# PHASE 3: EX-ANTE NDC COSTING

## NDC Costing General Information Excel Sheet – International practices

A	B	C	D	E	F	G	H
Category	Sector	Organization	Organization category	Publication name	Year	Country (if applicable)	Link
1. International							
All	All	ICAT	IO	GHG Abatement Cost MOdel (GACMO)	2020		<a href="https://climateactiontransparency.org/our-work/icat-toolbox/gacmo/">https://climateactiontransparency.org/our-work/icat-toolbox/gacmo/</a> <a href="https://uneppccc.org/wp-content/uploads/2020/12/english-guidelines-for-the-gacmo-tool-november-2020.pdf">https://uneppccc.org/wp-content/uploads/2020/12/english-guidelines-for-the-gacmo-tool-november-2020.pdf</a>
Mitigation	Energy	IEA	IO	IEA Cost of Capital Observatory Data Explorer	2022		<a href="https://www.iea.org/data-and-statistics/data-tools/cost-of-capital-observatory-data-explorer">https://www.iea.org/data-and-statistics/data-tools/cost-of-capital-observatory-data-explorer</a>
Mitigation	Energy	IEA	IO	IEA Cost of Capital Observatory Data Explorer	2022		<a href="https://www.iea.org/data-and-statistics/charts/ghg-abatement-costs-for-selected-measures-of-the-sustainable-recovery-plan">https://www.iea.org/data-and-statistics/charts/ghg-abatement-costs-for-selected-measures-of-the-sustainable-recovery-plan</a>
Mitigation	Energy	IRENA	IO	Renewable Power Generation Costs in 2021	2022		<a href="https://www.irena.org/publications/2022/Jul/Renewable-Power-Generation-Costs-in-2021">https://www.irena.org/publications/2022/Jul/Renewable-Power-Generation-Costs-in-2021</a>
Mitigation	Energy	NREL		Levelized Cost of Energy Calculator			<a href="https://www.nrel.gov/analysis/tech-lcoe.html">https://www.nrel.gov/analysis/tech-lcoe.html</a>
Mitigation	Energy	Anaytical Serivces	Private sector	Pathways to Net Zero: The Impact of Clean Energy Research	2021		<a href="https://www.elsevier.com/abstract/distant.sciencespo.fr/_data/assets/pdf_file/0006/1214979/net-zero-2021.pdf">https://www.elsevier.com/abstract/distant.sciencespo.fr/_data/assets/pdf_file/0006/1214979/net-zero-2021.pdf</a>
Mitigation	Energy	CIREN-CNRS – International Research Center on Environment and Development	Academia	Energy efficiency policies and the timing of action: An assessment of climate mitigation costs	2014		<a href="http://dx.doi.org/10.1016/j.techfore.2014.05.003">http://dx.doi.org/10.1016/j.techfore.2014.05.003</a>
Mitigation	Energy (Hydrogen)	IEA	IO	The Future of Hydrogen	2021		<a href="https://www.iea.org/reports/the-future-of-hydrogen">https://www.iea.org/reports/the-future-of-hydrogen</a>
Mitigation	Energy (CCUS)	McKinsey	Private sector	Pathways to a Low-Carbon Economy Version 2 of the Global Greenhouse Gas Abatement Cost Curve	2009		<a href="https://www.mckinsey.com/~media/mckinsey/dotcom/client_service/sustainability/cost%20curve%20pdfs/pathways_lowcarbon_economy_version2_ashx">https://www.mckinsey.com/~media/mckinsey/dotcom/client_service/sustainability/cost%20curve%20pdfs/pathways_lowcarbon_economy_version2_ashx</a>
Mitigation	Agriculture	De Laporte et al.,	Academia	Costs and Benefits of Effective and Implementable On-Farm Beneficial Management Practices that Reduce Greenhouse Gases	2021		<a href="https://static1.squarespace.com/static/5dc5869672cac01e07a8d14d/t/602fe2b23336914026617b11/1613750962334/FCS_BudgetRecommendation2021-EconomicsReport.pdf">https://static1.squarespace.com/static/5dc5869672cac01e07a8d14d/t/602fe2b23336914026617b11/1613750962334/FCS_BudgetRecommendation2021-EconomicsReport.pdf</a>

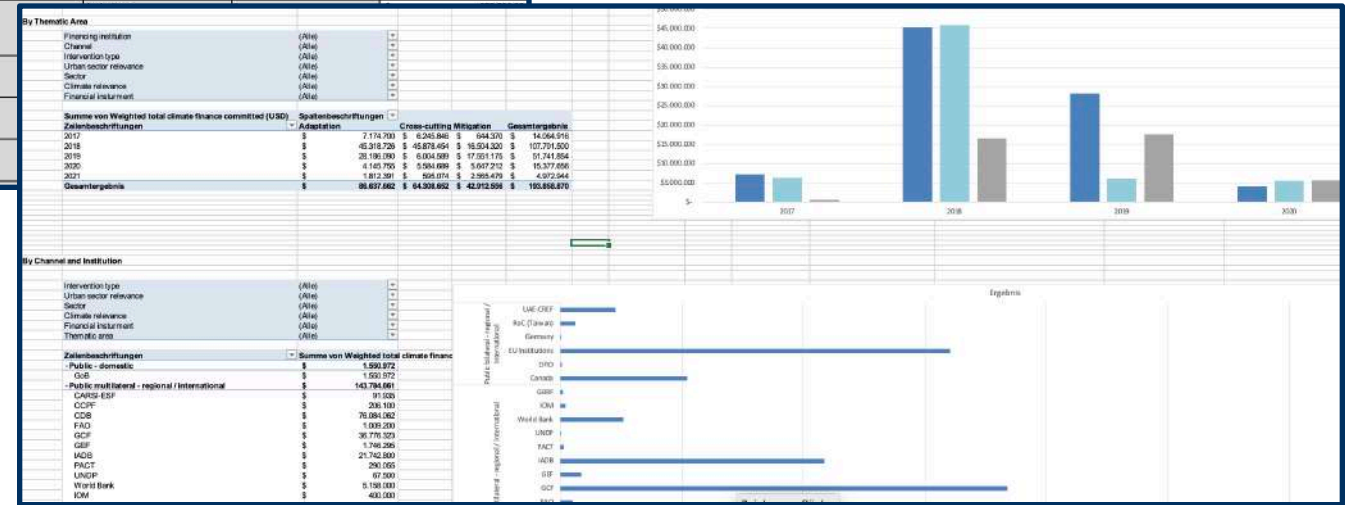


# PHASE 4-5: EXCEL-BASED CLIMATE FINANCE TRACKING AND DATA MANAGEMENT TOOL

Comprehensive database for tracking results, pre-defined drop-down menus facilitate data management

Financing Institution	Objective (if available)	Description/Components/#... available	Intervention type	Year	Recipient / Executing Entity	Thematic area	Sector	Climate relevance	Total amount committed (USD)
CDB	Financing for small/medium sized community projects		Hard interventions	2017	SIF	Adaptation	Water and sanitation	0,25	\$ 12.518.000,00
ADB	The main objective of EQIP II is to improve the quality and gender equity of education at the primary and secondary levels, with a special focus on innovation in Science Technology Engineering Arts and Mathematics (STEAM) education. This general objective will be pursued by achieving the following specific objectives: (i) Improve the quality of primary school teachers by expanding the inquiry- and problem-based learning approach, (ii) Improve the quality of secondary education teachers by improving teaching practices with a focus on student-centered science and mathematics learning, and (iii) promote gender-sensitive STEAM teaching		Soft interventions	2020		Cross-cutting	Cross-sectorial	1	\$ 2.392.504,00
CCPF	Project to last 24 months and aims to support increased fisheries productivity for traditional fishers in Belize, and support employment of fishers, women and other persons in fishing communities who are being displaced by climate change impacts		Hard interventions	2019	BELTRAIDE	Adaptation	Other (Coastal-zone management)	0,5	\$ 310.350,00
CDB	Financing for sub-projects in the areas of education and human resource development, water and sanitation and basic community access and drainage		Hard interventions	2018	SIF	Adaptation	Water and sanitation	0,25	\$ 5.194.235,00
EU Institutions	Development of efficient, effective, disaster-resilient and environmentally friendly health facilities		Hard interventions	2018	FAHO	Adaptation	Other (human health)	0,5	\$ 12.800.000,00
GEF	Sustainable energy use through energy efficiency and renewable energy intervention technologies		Hard interventions	2019	MPUEL	Adaptation	Other (Environmental protection)	0,25	\$ 875.700,00
GEF			Hard interventions	2017	MPUEL	Mitigation	Energy	1	\$ 494.370,00
RoC (Taiwan)	Establish an early warning system using GIS technology, improve flood preparedness and disaster response efficiency, and improve infrastructure		Hard interventions	2019	MSDCCDRM	Adaptation	Other (Disaster Risk Management)	1	\$ 1.220.000,00
ADB	The project objective is to increase the income potential of farmers, women and youths in indigenous communities by merging the efforts of environmental protection with climate smart agricultural initiatives supported by the digital transformation of protected areas management.		Hard interventions	2019		Adaptation			
ADB	EcoMicro is a technical assistance facility established to pilot green finance for micro, small and medium enterprises (MSMEs) including small farmers and low-income households in countries across the Caribbean		Hard interventions	2018	BCUL	Cross-cutting			
CDB	Consultancy for the development of a Climate Risk and Vulnerability Assessment for 3 BWSL systems and formulation of an accompanying adaptation plan of action.		Soft interventions	2018	GoB	Adaptation			
CDB	Preparation of a feasibility study and preliminaries and detailed designs to upgrade the Philip S. W. Goldson Highway incorporating climate change, social inclusion, gender and safety concerns		Soft interventions	2018		Adaptation			

Pre-defined pivot analysis with table and figure generation, adjustable by various filter options



# Thank you!

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