



Standing Committee on Finance

06 July 2023

Thirty-first meeting of the Standing Committee on Finance
22–23 July 2023
Bangkok, Thailand

Background paper on the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to:

- a) Discuss and agree on the timelines and workplan to prepare the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement (NDR);
- b) Discuss the scope and consider the outline of the second NDR;
- c) Provide guidance on the preparatory work to be done intersessionally.

I. Possible actions for consideration by the Standing Committee on Finance

1. Timeline, workplan and outreach activities. In initiating work for the preparation of the second NDR, the SCF may wish to consider the scope and approach to developing the second NDR as proposed in the workplan contained in annex I.
2. General outline of the second NDR. The SCF may wish to consider the potential elements of the general outline of the second NDR as contained in annex II, which is based on the agreed outline of the first NDR, with a view to include the outline in the annual report to the Conference of the Parties (COP) at its 28th session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its fifth session (December 2023).

II. Background

3. COP 24 requested the SCF to prepare, every four years, a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement for consideration starting at COP 26 at CMA 3.¹
4. COP 24 also requested the SCF, in preparing the NDR, to collaborate, as appropriate, with the operating entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations.²
5. COP 25 and CMA 2 encouraged the SCF to present, to the extent possible, disaggregated information in relation to, inter alia, mapping data availability and gaps by sector, assessing climate finance flows and presenting information on the NDR.³ COP 25 and

¹ Decision 4/CP.24, para. 13.

² Decision 4/CP.24, para. 14.

³ Decisions 11/CP.25, para. 9 and 5/CMA.2, para. 9.

CMA 2 also encouraged the SCF, in implementing its strategic outreach plan, to build on existing efforts to reach out to developing country Parties and relevant developing country stakeholders when generating data and information for the NDR.⁴

6. The first NDR was prepared in 2021, and the summary and recommendations submitted to the COP for its consideration.

7. The SCF invited COP 26 and CMA 3 to consider the following recommendations:

(a) Encourage developing country Parties and climate finance providers, as well as multilateral and financial institutions, private finance data providers and other relevant institutions, to enhance the availability of granular, country-level data on needs related to the implementation of the Convention and the Paris Agreement with a view to addressing existing data gaps;

(b) Encourage developing country Parties to share best practices on determining needs, including regarding to the institutional capacity conducive to determining needs;

(c) Encourage developing country Parties to provide, where possible, information on needs related to:

(i) Gender-responsive climate action and the needs of indigenous peoples and vulnerable groups;

(ii) Preparation of national reports to the UNFCCC, including reporting on the activities contained therein;

(iii) Addressing and mitigating risks, including physical and transitional risks;

(iv) Energy poverty as it relates to sustainable development;

(v) Methodologies employed in the determination of the needs in their national reports to the UNFCCC, including, in accordance with reporting guidelines and where available, quantified data on needs;

(d) Request the SCF, in preparing future NDRs, to present available data and information on needs related to the recommendations referred to in paragraph 7(c) above;

(e) Invite the operating entities of the Financial Mechanism, United Nations agencies, multilateral and bilateral financial institutions and other relevant institutions to make use of the information contained in the first NDR when supporting developing country Parties in identifying and costing needs;

(f) Invite the operating entities of the Financial Mechanism to revise templates and guidance for developing countries when supporting their processes in identifying their needs with a view to enhancing availability of granular information on qualitative and quantitative needs;

(g) Encourage the operating entities of the Financial Mechanism, United Nations agencies, multilateral and bilateral financial institutions and other relevant institutions to make available further information on methodologies related to determining and costing needs, especially for adaptation needs and incremental costs;

(h) Encourage developing country Parties to consider the insights on methodologies identified in the first NDR when costing and determining needs;

(i) Encourage developing country Parties to take advantage of available resources through the operating entities of the Financial Mechanism, as well as other multilateral and bilateral actors, to strengthen institutional capacity for identifying and costing their needs in relation to implementing the Convention and the Paris Agreement;

(j) Request the SCF to engage with public and private financial institutions and to disseminate the findings of the first NDR;

⁴ Decisions 11/CP.25, para. 12 and 5/CMA.2, para. 12.

(k) Invite UNFCCC constituted bodies, in particular the Paris Committee on Capacity-building and the Adaptation Committee, to consider the insights identified in the first NDR when implementing their respective work plans;

(l) Encourage Parties, multilateral and financial institutions, academia, methodology developers, research institutions and other relevant actors to continue to develop methodologies for the determination of adaptation and resilience enhancement needs and, in this context, needs related to averting, minimizing and addressing loss and damage;

(m) Encourage the operating entities of the Financial Mechanism, United Nations agencies, multilateral and bilateral financial institutions and other relevant institutions to provide financial and technical support to developing countries for updating the reporting of their qualitative and quantitative information and data on needs to be considered in subsequent NDRs, as appropriate;

(n) Encourage all actors, when determining needs for implementing the Convention and the Paris Agreement, to highlight linkages to the implementation of the 2030 Agenda for Sustainable Development and application of the Addis Ababa Action Agenda.

8. COP 26 welcomed the report and endorsed its key findings and recommendations. Furthermore, decision 5/CP.26 highlighted several aspects which the Committee may wish to take into consideration when preparing the second NDR:

(a) Noted that the report does not fully cover the needs and costs of developing countries and all regions as a result of limited availability of information;

(b) Acknowledged that financial and technical support will enhance developing countries' abilities to update the reporting of qualitative and quantitative information and data on their needs;

(c) Expressed concern that the first NDR does not have disaggregated data for small island developing States (SIDS);

(d) Emphasized that there is a particular challenge in deriving cost estimates for climate adaptation and enhancing resilience needs and, in this context, deriving cost estimates for averting, minimizing and addressing loss and damage needs;

(e) Requested the SCF, in preparing future NDRs, to continue to reach out to developing country Parties and relevant developing country stakeholders when generating data and information on needs.

III. Progress on the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

9. At its 30th meeting, the SCF appointed Zaheer Fakir and Mattias Frumerie as co-facilitators of the second NDR.

Annex I

Draft workplan including indicative timeline and outreach activities

Second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

Delivery date: 2024

I. Mandate(s) and objectives

1. COP 24 requested the SCF to prepare, every four years, a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement for consideration starting at COP 26 at CMA 3.
2. COP 24 also requested the SCF, in preparing the NDR, to collaborate, as appropriate, with the operating entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations.
3. The first NDR was prepared in 2021, and the summary and recommendations submitted to the COP for its consideration. COP 26 welcomed the report and endorsed its key findings and recommendations. Furthermore, COP 26 identified knowledge and data gaps related to the needs and costs of all developing country Parties and regions, including SIDS, for adaptation and enhancing resilience needs and, in this context, deriving cost estimates for averting, minimizing and addressing loss and damage needs. It requested the SCF, in preparing future NDRs, to continue to reach out to developing country Parties and relevant developing country stakeholders when generating data and information on needs.
4. The objective of this workplan is to:
 - (a) Deliver the second NDR in 2024, including a technical report and an executive summary and recommendations by the SCF for consideration at COP 29;
 - (b) Engage a broad group of stakeholders, particularly from developing countries, in the development of the report and in the dissemination of its key findings through outreach activities.

II. Overall approach

5. Building on the experience of the SCF in preparing the first NDR and the Biennial Assessments and Overview of Climate Finance Flows (BAs), the second NDR will follow the same approach, comprising *technical work*, *work at the Committee level* and dedicated *outreach and communications* to engage relevant stakeholders from the climate finance community, particularly from developing countries, in preparing the report and ensuring its key findings reach a broad audience. The technical work allows the SCF, with the support of the secretariat and external expertise, to gather information and data on developing countries' needs to inform its *work at the Committee level*.
6. Two co-facilitators will guide the technical work both intersessionally and at SCF meetings. The co-facilitators are supported by the secretariat. Within the SCF, an open-ended working group could participate in the intersessional technical work to ensure timely development of the report ahead of formal SCF meetings. This may involve, inter alia, providing input and reviewing the drafts of the report, including through written comments and dedicated calls. The outputs (e.g., draft chapters, presentations, graphics) will be disseminated to the SCF for consideration.
7. The *technical work* combines literature review with technical stakeholder dialogues which can be organised in conjunction with SCF meetings, involving data providers and other contributors. The technical work aims to enhance engagement with Parties, the operating

entities of the Financial Mechanism, the subsidiary and constituted bodies, multilateral and bilateral channels, and observer organizations, including those that produce and aggregate data and information on needs. For example, the SCF can closely engage with a wide variety of institutions that produce and aggregate information on needs at the global and regional level, including on issues relating to methodologies, and approaches for determining needs as well as existing databases for verifying analysed data. Such institutions include United Nations agencies, constituted bodies under the Convention, multilateral development banks, bilateral development finance institutions, international organizations, research institutions and think tanks, private sector financial institutions, academia and civil society organizations, particularly those that operate in developing countries. In addition, Parties and various institutions can participate in the meetings of the SCF and dedicated technical meetings and other outreach channels that the SCF wishes to establish, such as webinars.

8. In response to guidance from COP 26, noting the gaps in information and data on needs as well as methodologies used to determine needs with regard to the first NDR, the SCF could consider a two-step approach in preparing the second NDR:

(a) The first step includes refining the methodological approach by including a clear articulation of how to determine needs from different sources of information, the scope of needs to be presented, and how to present the data. The refined methodological approach would be initially tested with 5-10 developing countries, from a diverse range of groupings by region, size and including least developed countries (LDCs) and SIDS. This approach could also include undertaking a survey among the selected countries to identify and minimize data overlaps across different data sources and fill identified data gaps. The outcomes of the pilot would be presented to the SCF at its 32 meeting.

(b) Based on the results of the first step, the second step would involve updating and refining the approach, as appropriate, and subsequently applying it to all developing countries as part of the literature review, data gathering and outreach phase, including a dedicated survey.

9. Work at the *Committee level* involves reviewing the technical work and providing further guidance. The Committee is responsible for developing the executive summary of the technical report, with the support of the Secretariat, and any recommendations it considers necessary for consideration by the COP and the CMA.

10. To respond to the COP and CMA's request for the SCF, in preparing future NDRs, to continue to reach out to developing country Parties and relevant developing country stakeholders when generating data and information on needs, the SCF could place a strong emphasis on regional outreach, including through regional webinars, the regional collaboration centres established within the secretariat, regional events, as well as through conducting a survey.

III. Outreach activities

11. Outreach is an important component of the second NDR preparation process, particularly in response to the guidance from COP 26. It can also serve as a platform to promote and disseminate the key products of the SCF including the BAs, the SCF Forum, and other relevant workstreams and activities. Outreach will take place through the following activities:

(a) **Call for evidence:** the SCF may wish to consider issuing a call for evidence to all stakeholders to support preparation of the second NDR. All submissions received are made available on the SCF website;

(b) **Technical stakeholder dialogues** held in conjunction with the 33rd and 34th meetings of the SCF: the SCF may wish to continue the practice of organizing technical stakeholder dialogues in collaboration with partners to provide input on key themes of the second NDR based on the iterative drafts of the technical report;

(c) **Stakeholder engagement webinars:** the SCF may wish to consider organising dedicated stakeholder engagement webinars intersessionally under the guidance of the co-

facilitators on specified themes related to information gathering for the second NDR and specific target audiences of expertise. The webinars may be held in partnership with partner organizations such as other United Nations agencies and the climate finance community in different regions and/or webinars for LDCs and SIDs to close data gaps identified in the first NDR;

(d) **Informal outreach to stakeholder groups:** As part of the research and information gathering process for drafting the technical report of the second NDR, the technical team may conduct informal outreach through bilateral calls and meetings with different stakeholder groups on specific topics related to preparing the second NDR;

(e) **Survey:** To respond to the guidance from COP 26 and the recommendations from the first NDR, the SCF may wish to consider undertaking a targeted survey or other forms of engagement with developing country Parties and stakeholders to cross-check data collected and potentially address identified knowledge and data gaps on needs and methodologies used.

IV. Communications strategy

12. The SCF has identified the need to promote and disseminate the findings of its key products, including the second NDR, once launched across multiple communication and engagement channels. It has also identified the need to ensure ease-of-use and understanding of information presented in the second NDR.

13. The second NDR will consist of:

(a) A technical report prepared by a technical team under the guidance of the SCF. The technical report will be targeted at a *technical audience*, including relevant experts in the climate finance community, financial institutions, other multilateral institutions, NGOs, academia and Parties, providing an update on the latest data with regard to quantitative and qualitative needs of developing countries, processes and approaches for determination of needs in developing countries, underlying assumptions and methodologies and challenges, opportunities and gaps;

(b) An executive summary and recommendations prepared by the SCF. The executive summary will be targeted at a *general audience* to provide an overview of the key findings of the technical report and recommendations by the SCF for consideration by the Parties to the COP and CMA.

14. Within the technical report and the executive summary prepared by the SCF, consideration will be provided to how graphics and infographics may be used to highlight key messages and findings of the major elements of the chapters, to support the dissemination of the work of the SCF across different communication channels.

15. Following finalization of the report, the key findings will be disseminated through:

(a) Press release from the SCF and UNFCCC, including through social media channels;

(b) The NDR webpage will update key findings of the report and interactive graphics;

(c) Events to launch the report will include a SCF side event at COP 29 and other speaking opportunities or participation in climate finance related events;

(d) Dissemination packs for SCF members will include a presentation slide deck on the content of the NDR, talking points and social media quotes will be prepared for SCF members for their potential use in their capacity as members of the committee and participation in various events.

V. Timeline

16. To ensure sufficient rigor, the work will be organized in four phases as outlined below. The table below presents possible milestones and an indicative timeline for the preparation of the second NDR:

(a) **Phase I – developing and finalizing the scope and outline:** This phase involves developing the scope, structure and outline of the report, as well as its methodological approach. It also involves piloting the approach for the data gathering through its application to 5 to 10 selected developing countries.

(b) **Phase II – literature review, data gathering and outreach:** This phase will continue until the development of the pre-final draft of the report as relevant information becomes available. The co-facilitators and technical team will present to the SCF the findings and preliminary results of the data collection at its 33rd and 34th meetings. Specifically, this phase will involve:

(i) Continuous literature review and data collection from sources of information as they become available;

(ii) Launch the survey or other forms of engagement with developing country Parties and stakeholders at SCF 33 to cross-check collected data and fill identified knowledge and data gaps, with a view to presenting the outcomes thereof at SCF 34;

(iii) Engagement with various stakeholders, including Parties, data providers, producers and aggregators to confirm interpretation and presentation of data;

(iv) Further outreach through open technical stakeholder dialogues in conjunction with SCF meetings or webinars with broader stakeholder groups to gather inputs and views.

(c) **Phase III – development of the report:** This phase includes the iterative drafting of the report and presenting it for feedback at SCF meetings. A zero-order draft would be prepared ahead of SCF 33 based on the outline agreed, followed by a first-order draft ahead of SCF 34 and a pre-final draft prepared ahead of SCF 35, based on written comments and feedback of SCF members. In parallel, the professional editing, graphic design and layout of the report will be prepared to ensure the report is ready for publication as soon as possible after SCF 35.

(d) **Phase IV – dissemination:** Following finalization of the report, the key findings will be disseminated through:

(i) A dedicated webpage on the SCF website;

(ii) SCF side events at COP 29;

(iii) Other communication channels with UNFCCC support including a press release and social media.

Table 1

Possible milestones and indicative timeline (tentative) for the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

Activities and deliverables	2023						2024												
	Q3			Q4			Q1			Q2			Q3			Q4			
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Phase I: Developing and finalizing the scope and outline																			
Scope, structure and annotated outline																			
Develop and pilot the methodological approach																			
Continue the development of the pilot and methodological approach																			
Phase II: Literature review and data gathering																			
Literature review																			
Ongoing stakeholder engagement through technical dialogues, call for evidence, (regional) webinars, targeted surveys and informal outreach																			
Launch survey																			
Phase III: Development of the report																			
Development of iterative drafts of the report																			
Working group discussions based on draft chapters																			
Professional editing and graphic design																			
Layout, design and production of final report																			
Phase V – dissemination																			
Development of web-based content																			
Communication and promotion of the report																			
Webinars and events																			

Abbreviation: TSD = technical stakeholder dialogue.

VI. Expected outputs /deliverables

17. The key outputs may include:

- (a) The second NDR, including a technical report and the executive summary and recommendations by the SCF;
- (b) Background papers and presentations for SCF meetings;
- (c) A methodology paper, outlining the proposed approach to preparing the second NDR;
- (d) A dedicated webpage on the SCF website;

- (e) Key infographics from the report;
- (f) A workplan and timelines.

Annex II

Outline of the second report of the Standing Committee on Finance on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

I. Acknowledgement

II. Executive summary

1. Key findings.

III. Mandate and scope

2. Mandate stemming from decision 4/CP.24, paragraph 10 and guidance provided in decisions 11/CP.25, 5/CMA.2 and 5/CP.26.

3. Scope and approaches used in preparing the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement:

- (a) Description of the sources of information and data, time period, coverage, and how the different information and data from national, subregional, regional and global reports were categorized, aggregated and presented;

- (b) Description of the approach taken by the SCF in determining the needs of developing country Parties, including follow-up and review of recommendations from the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement;

- (c) Other considerations taken in the preparation of the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, for example gender consideration, indigenous peoples, consultative process, etc.

IV. Overview of available information on the needs of developing country Parties

4. Key findings.

5. Introduction.

6. Qualitative and quantitative information and data available on the needs of developing countries relating to implementing the Convention and the Paris Agreement, according to:

- (a) Information and data from national reports by theme, geography and sector, for example from adaptation communications, NDCs, NAPs, biennial update reports, national communications, technology needs assessments, country programmes developed for the GCF, the GEF and/or the Adaptation Fund, city climate action programmes, as applicable, other national climate change policies and strategies, as well as national development plans;

- (b) Information and data from regional and subregional reports, strategies, programmes (e.g. country programmes), policies, etc., including from bilateral and regional agencies and banks, by theme, geography and sector, for example from regional and subregional reports on needs in Africa, Asia-Pacific, Eastern Europe, and Latin America and the Caribbean, including for LDCs and SIDs;

(c) Information and data from global reports, policies and programmes, by themes, geographies, sectors, etc., for example from multilateral agencies, United Nations programmes, multilateral development banks.

11. Boxes/case studies/visualizations.

V. Processes and approaches for determination of needs in developing country Parties

7. Key findings.

8. Introduction.

9. Institutional arrangements.

10. Country experience (e.g. boxes/case studies).

VI. Underlying assumptions and methodologies used in determining the needs of developing country Parties

11. Key findings.

12. Introduction.

13. Overview of methodologies and approaches used in determining the needs of developing country Parties: indication of advantages/disadvantages/challenges of each methodology/approach.

14. Mapping of criteria and views used by countries and other stakeholders in determining the needs of developing country Parties, both in relation to goals (temperature goals or sectoral goals), with differentiation between adaptation and mitigation, and identification of common trends and views used in determining needs.

12. Boxes/case studies/visualizations.

VII. Challenges, opportunities and gaps in determining the needs of developing country Parties

15. Key findings.

16. Introduction.

17. Information gaps and limitations.

18. Opportunities for enhancing the determination of needs.

19. Insights into determining needs with available resources (country case studies and experience).

20. Issues identified by countries and regional and multilateral institutions on concerns and obstacles faced in determining the needs of developing country Parties, as well as opportunities:

(a) For example, level of indebtedness, relevant credit worthiness, policies related to finance (co-financing requirements, results-based finance, etc.), instruments available and cost of finance;

(b) Co-benefits related to addressing the needs of developing country Parties, such as the Sustainable Development Goals, disaster risk reduction, the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda.

13. Boxes/case studies/visualizations.

Annexes

FAQs

Glossary

References

List of abbreviations

List of boxes/case studies
