

Experts meeting on Assessing and Determining the Needs of Developing Countries (related to the implementation of the Climate Change Convention and the Paris Agreement)

10 – 11 July 2019, ADB, Mandaluyong, Metro Manila, Philippines

Summary

I. Introduction

A. Mandate

1. The experts meeting was convened in response to the decision by the Conference of Parties at its twenty-third session (COP 23) requesting the secretariat to explore ways and means to assist developing countries in assessing their needs and priorities in a country-driven manner, and in translating climate finance needs into action (decision 6/CP.23, paragraph 10).

2. The outcomes of the experts meeting may inform the work of the Standing Committee on Finance in preparing the report requested by COP 24 on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement (decision 4/CP.24, paragraph 13). In this regard, the experts meeting aimed:

(a) To explore ways and means to assist developing countries in assessing their climate finance needs and priorities based on available information;

(b) To gather available quantitative and qualitative information on the needs and priorities of developing countries relating to the Convention and the Paris Agreement from national, regional and global reports; and

(c) To identify information availability and gaps, including assessment of the climate finance needs and priorities of developing countries based on available methods and information.

B. Proceedings

3. The experts meeting took place on 10 – 11 July 2019 at the headquarters of the Asian Development Bank in Mandaluyong, Metro Manila, Philippines and brought together about 70 experts involved in the assessment and determination of needs of developing countries at the national, regional and global levels, including experts from MDBs, bilateral DFIs, UN programmes and other relevant stakeholders.

4. The meeting was opened by the co-facilitators of the meeting, Mr. Richard Sherman and Mr. Mattias Frumerie. Opening remarks were delivered by Asec. Romell Antonio O. Cuenca, Deputy Executive Director at the Climate Change Commission in the Philippines on behalf of Secretary Emmanuel M. De Guzman, Mr. Woonchun Um, Director General concurrently Chief Compliance Officer Sustainable Development and Climate Change Department at the Asian Development Bank and Mr. Jonghun Lee, Director of Green Climate Policy Division, Ministry of Economy and Finance of Korea. The programme and other relevant documents and presentations are available on the UNFCCC website¹

II. Outcomes of the discussions

A. National and Regional Needs Assessments of Developing Countries

National and regional experiences

5. Under the first session on national and regional needs assessments of developing countries, participants shared their experiences in using existing channels for assessing their

¹ Available at: <https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties-related-to-implementing-the-convention-and/experts-meeting-on-assessing-and-determining-the-needs-of-developing-countries-biographies-of/experts-meeting-on>.

needs, the purposes and uses of information on needs and the challenges associated with assessing and determining needs.

6. Developing countries assess and determine their needs through established channels under the UNFCCC such as through the National Adaptation Plans (NAPs), the National Adaptation Programmes of Actions (NAPAs), the Nationally Determined Contributions (NDCs), the Technology Needs Assessments (TNAs), the Biennial Updated Reports (BURs), as well as other national reports.

7. Capacity-building and technical support is an important enabler to assess and determine the needs of developing countries and translating these into action. Participants highlighted that engagement in the assessment processes under the UNFCCC has contributed to building individual and institutional capacities and expertise through learning-by-doing instead of relying on external consultants for undertaking needs assessments.

8. On the purposes and uses of needs assessments, participants underscored the importance of not only assessing a country's needs but also to determine if the support received matches the needs and priorities identified. This would facilitate the identification of remaining gaps. In this regard, some participants emphasized that, among other, NDCs provide a suitable framework whereby countries can communicate their priorities and needs and assess any remaining gaps on the basis of the support received at the national level, and through the global stocktake at the multilateral level.

9. Furthermore, it was noted that assessing and addressing mitigation needs, particularly energy needs, should be in the context of sustainable development and poverty eradication. In this regard, India highlighted that while energy intensity of India's GDP has been declining in the recent past, raising its share of the global energy consumption is necessary for economic growth, poverty eradication and raising the standard of living in a sustainable manner.

10. At the regional and global levels, information on the needs and priorities of developing countries can inform the planning of multilateral and bilateral agencies. The ADB, for example highlighted that through participation in the NDC Partnership and its dedicated technical assistance facility, NDC Advance, ADB is supporting its developing country members to formulate climate investment plans to implement key parts of their NDCs. Therefore, to develop investment plans, more detailed knowledge and information on the underlining needs of countries is required.

11. To understand the infrastructure needs of its developing member countries, ADB undertook a needs assessment on the infrastructure needs in Asia and the Pacific between 2016 and 2030, where infrastructure needs covers transport, power, telecommunications and water supply and sanitation. The report assesses how much the region needs to invest in infrastructure to continue economic growth, eradicate poverty and respond to climate change (see case study in the box below)

12. On challenges, participants recognized the wide variety of information, approaches and tools available for developing countries to assess their needs. More specifically, some participants stressed, while they are already assessing and determining needs through existing channels, a challenge remains on costing the identified needs and actions. Another challenge experienced by participants pertains to the availability of updated information and data to inform needs assessment, especially scientific and granular data. In this regard, participants highlighted the need for a central data and information management system and for strengthened involvement of research institutions and academia to enhance methodologies and tools for assessing and costing needs.

13. Another challenge relates to vertical and horizontal coordination. Due to the cross-cutting nature of climate change, needs must be addressed by various Ministries and Departments. As climate change is in the mandate of various ministries and departments, participants highlighted the need for a body to coordinate the various efforts taking place at the national and sub-national levels.

14. The role of the ministry of finance was highlighted as being particularly important in inter-ministerial coordination, particularly as regards the mobilization of finance from national

and international sources to address a country's needs, including by integrating climate expenditures into national budgets and fiscal policies and acting as focal points to multilateral funds. In this regard, one participant highlighted the Coalition of Finance Ministers for Climate Action as a useful initiative which exemplifies the engagements of finance ministries in taking climate action.

Case study of Infrastructure needs assessment by the Asian Development Bank²

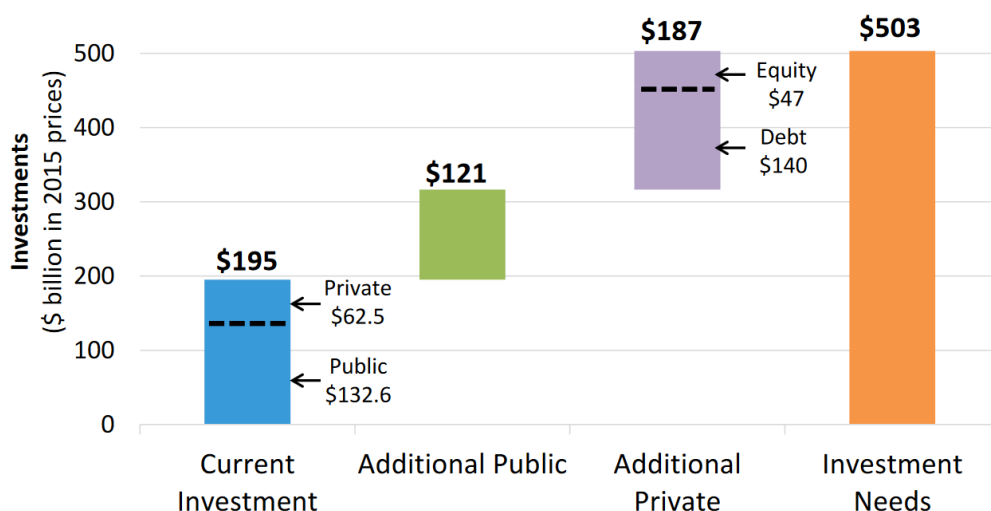
In undertaking the needs assessment, ADB developed two sets of scenario estimates; baseline estimates and climate-adjusted estimates, the latter of which adjusts the baseline estimated by adding the costs of mitigation and adaptation.

The baseline estimate of USD 22.6 trillion will be needed for Asian developing countries for infrastructure investments for 2016-2030. This is equivalent 5.1 per cent of projected GDP of the region and amounts to an estimated USD 1.5 trillion per year. In the second scenario, USD 26.2 trillion for investment is required to factor in mitigation and adaptation costs (or 5.9 per cent of projected GDP and USD 1.7 trillion per year).

Part of the assessment was understanding the amount that countries have been investing in infrastructure. In doing so, the report adopts a benchmark measure comprised of infrastructure expenditures from government budget documents plus information on private investment in infrastructure from the World Bank's private Participation in Infrastructure Project database. The assessment of actual investments in infrastructure suggests investments of USD 881 billion in infrastructure in 2015 which is below the USD 1.2 trillion and the USD 1.3 trillion annual investment needed for the two scenarios. This suggests an investment gap of USD 22 billion (equivalent to 1.7 per cent of projected GDP) for the baseline scenario, and a USD 459 billion gap (2.4 per cent of projected GDP) for the climate-adjusted scenario.

Finally, the assessment looks at opportunities to address the investment gap, estimating an additional public investment of USD 121 billion and an additional private investment of USD 187 billion. It further identifies fiscal reforms such as tax reforms, spending reorientation, prudent borrowing and non-tax revenues, as well as promoting private participation such as creating a conducive investment environment, making greater use of public-private partnerships and deepening capital markets.

Furthermore, the role of MDBs in filling the investment gap was highlighted. For ADB, for instance, is scaling up its operations by 50 per cent from USD 14 billion in 2014 to more than USD 20 billion in 2020, with 70 per cent of this amount for sovereign and non-sovereign infrastructure investment.



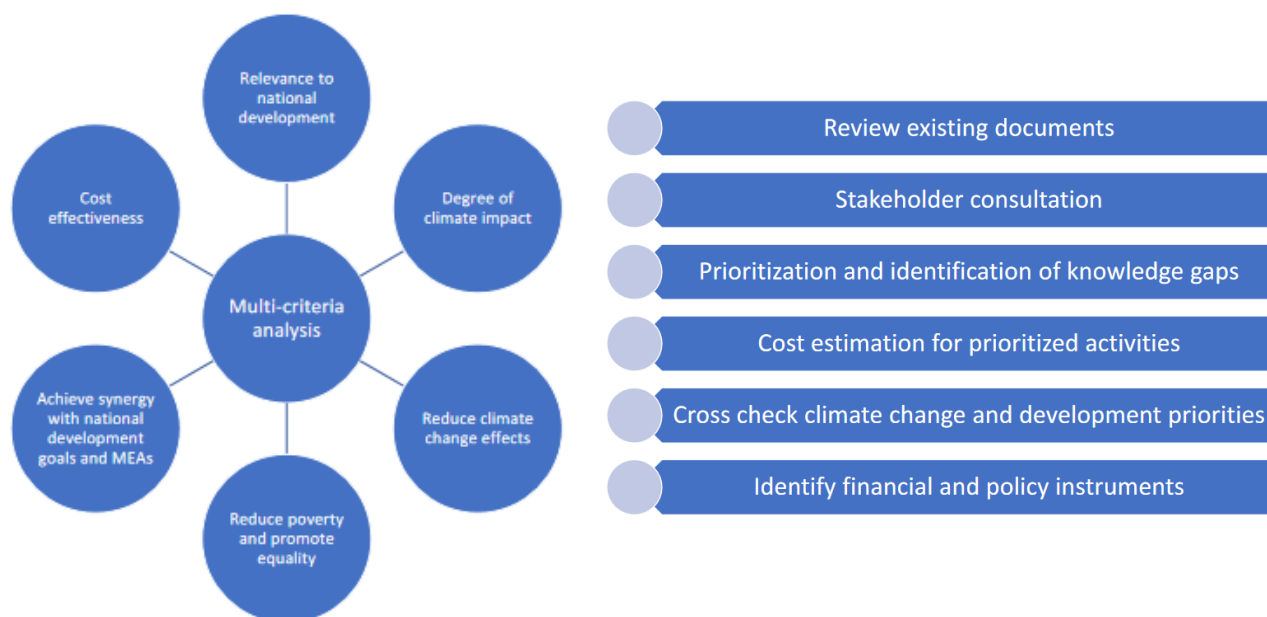
² Available at: https://unfccc.int/sites/default/files/resource/5_RANA.pdf.

B. Thematic Assessments of Needs by Countries and Multilateral and Bilateral Agencies

15. Participants underscored the importance of climate policies and institutional frameworks as enabling factors for undertaking thematic needs assessments and translating these into action. As part of its low carbon development to meet international climate commitments by 2030, India assessed the availability of financial resources and additional financial requirements, as well as the types of investments needed. In addition, as part of the institutional arrangements for implementing its NDC, India established an NDC Implementation Committee, including a sub-committee on finance to assess investment costs and needs and mobilize the financial resources to translate the needs into action, both from national and international sources.

16. Recognizing that needs assessments is an iterative process, the Maldives, have used various processes under the UNFCCC to determine its adaptation needs, including the 2001 and 2016 National Communications, the National Adaptation Programme of Action (2007), the National Economic, Environment and Development Study (NEEDS) for Climate Change Project (2010), and the Nationally Determined Contributions (2015). In doing so, the Maldives have used various approaches such as multi-criteria analysis for qualifying adaptation needs and quantifying methodology for costing adaptation needs (see figure 1 below).

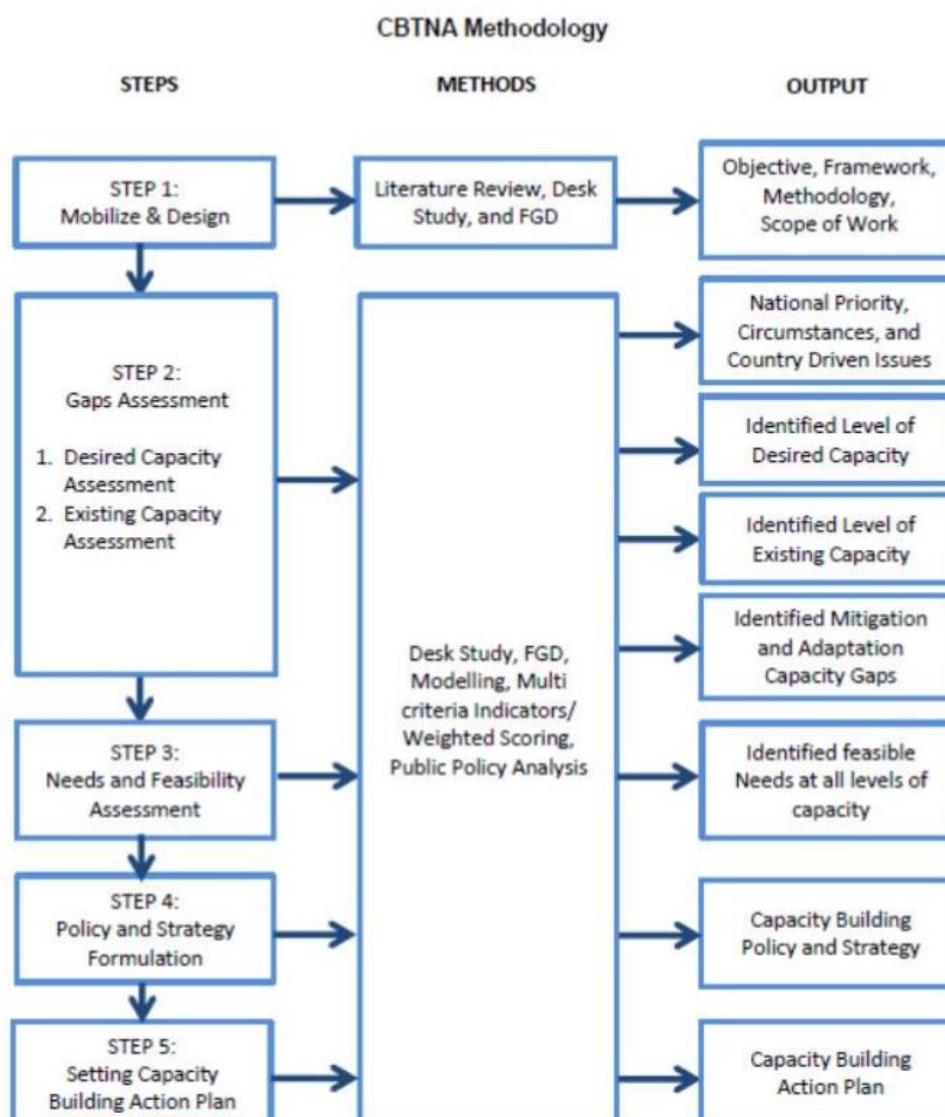
Figure 1: Multi-criteria analysis and quantifying methodology used to the Maldives to assess and cost adaptation needs



17. In assessing technology and capacity-building needs, participants emphasized the importance of taking a holistic approach. While the existing channels under the UNFCCC were recognized as useful means to assess needs, these processes should be tailored according to national circumstances. For example, having recognized the need for a holistic approach to assess capacity-building and technology needs in the context of mitigation and adaptation actions, Indonesia undertook a combined Capacity-building and Technology Needs Assessment comprising steps to assess needs and translating these into policies, strategies and an action plan (see figure 2).

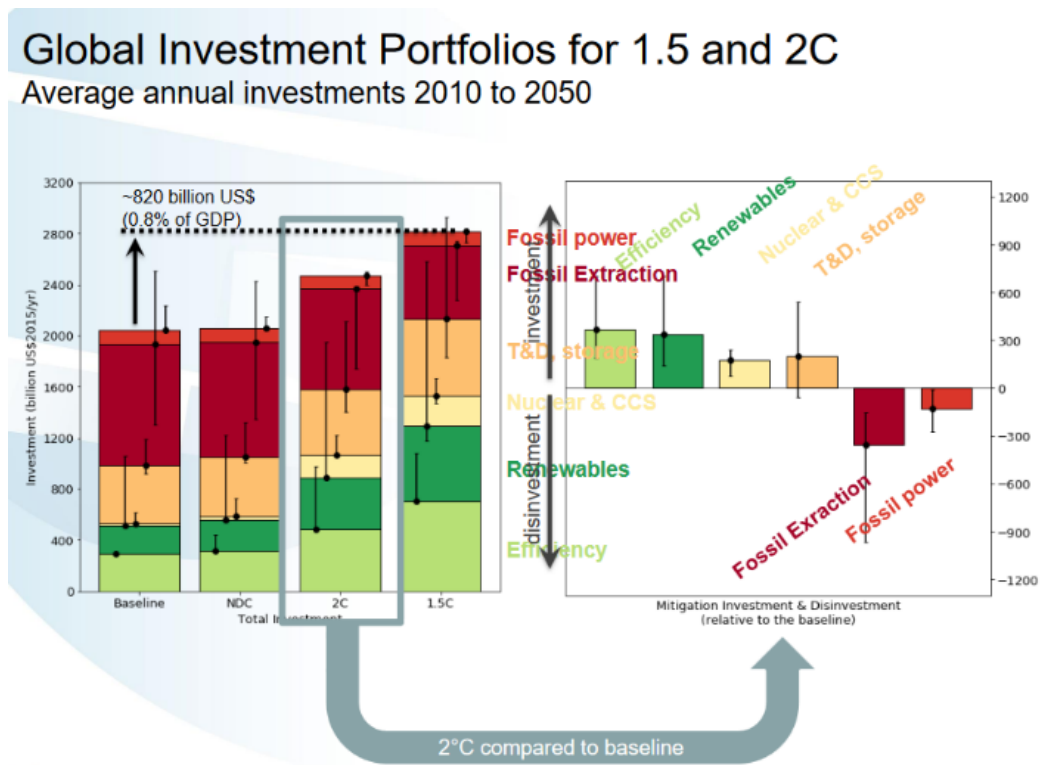
18. Furthermore, in assessing capacity-building needs, participants highlighted the importance of stakeholder engagement to assess and address the specific needs of different stakeholders such as government officials, private sector entities or local communities. This requires taking a long-term perspective to ensure capacities are built in a sustainable manner and to address different types of capacity needs such as individual, institutional and systemic.

Figure 2: Indonesia's Capacity-building and Technology Needs Assessment



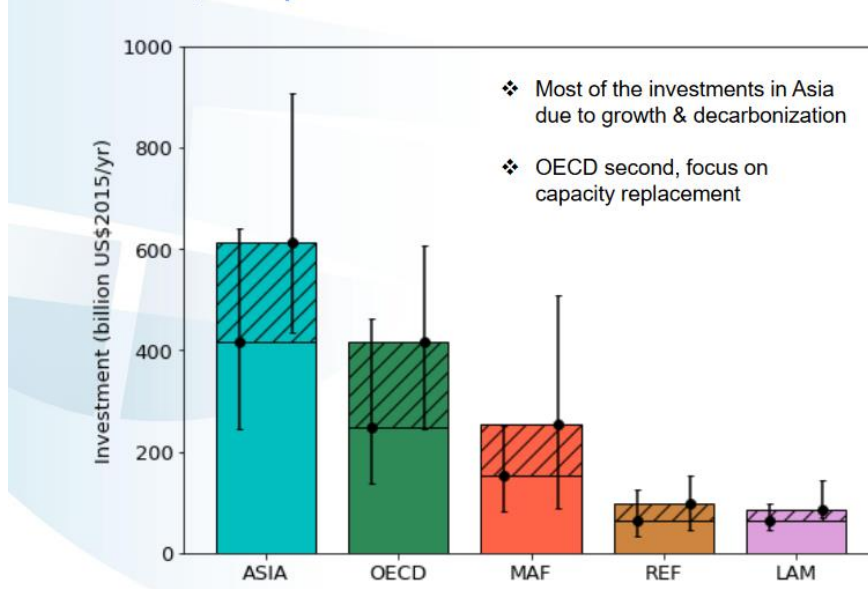
19. At the global level, various models identify needs in terms of expenditure and action required, including per sector and geographies, to meet certain targets under defined scenarios. The International Institute for Applied Systems Analysis undertook an investment needs assessment for mitigation actions under different temperature scenarios by 2050. The scenarios under consideration include: 1) baseline, i.e. in the absence of any climate action, 2) with the implementation of commitments put forward in NDCs, 3) investments and disinvestments under a 1.5-degree scenario and 4) investments and disinvestments under a 2-degree scenario. Accordingly, for a 1.5-degree scenario USD 820 billion of investment in energy will be required, which is equivalent of 0.8 per cent of global GDP. This investment would need to be spread across energy efficiency, renewables, nuclear and carbon capture and storage, and transmission and distribution storage. From a regional perspective, the assessment indicates that the majority of the investments is required in Asia due to rapid expansion of energy system and decarbonization (see figure 3).

Figure 3: Global Investment portfolios for 1.5 and 2 degrees Celsius per average annual investments by sector and region



Regional Investments (1.5 vs 2C)

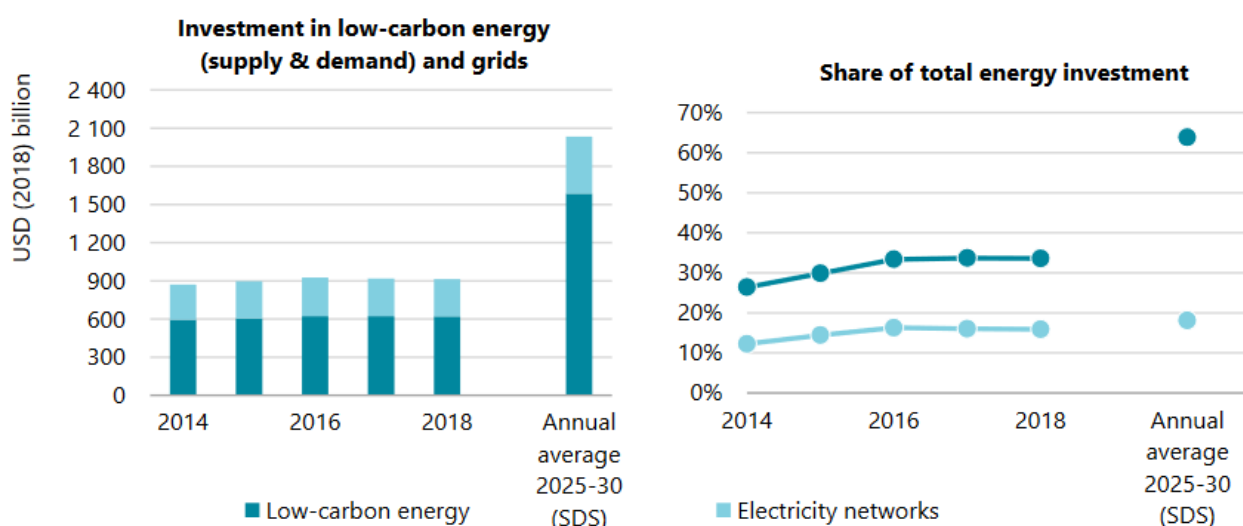
2015-2050, compared to baseline



20. The International Energy Agency (IEA) assessed energy investment trends to identify the global energy investment needs under two scenarios, the Sustainable Development Scenario and the New Policies Scenario. The former includes energy projections that address climate change, achieve universal access to energy and improve air quality. In comparison, the New Policies Scenario incorporates existing energy policies and an assessment of the results likely to stem from the implementation of announced policy intentions such as the NDCs. According to the assessment, both scenarios would require a significant reallocation of capital, i.e. a decrease in fossil fuel supply and an increase in renewables, networks and efficiency. Investment in low-

carbon energy (both in supply and demand) was relatively stable around USD 620 billion in 2018. This corresponds to a share of about 35 per cent of low-carbon in total energy investment. To meet the Sustainable Development Scenario, the share of total energy investment would need to increase from 35 per cent to 65 per cent by 2030. This would also require a step-change in policy focus, new financing solutions and faster technological progress. As 70 per cent of energy investments are influenced by policy, governments play a key role in guiding investment trends (see figure 4).

Figure 4: Global Investment in low-carbon energy, including efficiency and electricity networks compared with investment needs³



21. The UNEP Adaptation Gap report is a prominent example of assessing global adaptation finance needs and gaps, the latter of which is defined as the difference between the actual level of adaptation and the level required to achieve a societal goal. The analysis is based on a review of global estimates, country studies, including the NDCs, and climate finance flows. The assessment shows estimated costs for adaptation to be between USD 140 – 300 billion by 2030 and USD 280 – 500 billion by 2050, respectively. This is compared with current adaptation flows that amounts to USD 23 billion in 2016, resulting in a substantial adaptation finance gap unless adaptation finance flows increase significantly.

22. Challenges in undertaking thematic needs assessments emerged particularly around difficulties in gathering data and information to inform needs assessments. These include, among others, metrological data to consider different temperature scenarios, as well as data and information on sectors and sub-sectors, geographies, vulnerable communities such as minority groups, indigenous people and gender considerations;

23. Theme-specific challenges identified include the following:

(a) Less accurate data is available for adaptation due to the country-specific nature of adaptation needs. Hence, participants identified the need for more coherent methodologies and greater transparency on assessing adaptation needs or more specific guidance for adaptation needs assessment;

(b) Global estimates of adaptation needs tend to be underestimates, among others, due to:

(i) Limited coverage of some sectors resulting from more frequent reporting on sectors such as coastal zones and floods compared to biodiversity and ecosystem services;

(ii) Availability of detailed information on national level estimates compared to global estimates, e.g. by including cost of capital; and

³ Available at: https://unfccc.int/sites/default/files/resource/9_PRAG_Mitigation.pdf.

- (iii) Lack of clarity over whether to only count incremental or full costs of the existing adaptation deficit.
24. Good practices and lessons learned identified by participants, include, among others:
- (a) Establishing and maintaining a centralized database of public and support providers funded projects facilitates sharing of data and information among various national and sub-national ministries and departments;
 - (b) Increasing awareness and understanding among stakeholders on needs enhances ownership;
 - (c) Needs assessments is not a one-time engagement but an iterative process, whereby priorities evolve based on past interventions and increased understanding;
 - (d) Combining hard and soft measures to build resilience, such as infrastructure development and technical assistance for maintenance and control;
 - (e) Resorting to a suite of approaches to undertake needs assessments due to the country-specific nature of needs assessments rather than promoting a one-size-fits-all approach; and
 - (f) South-south cooperation and peer-to-peer learning is helpful for developing countries assessing technology and capacity needs.

C. Mapping out Information Availability and Gaps

25. Under this session participants discussed information availability and gaps and identified areas where further work is required.
26. On information and data availability, participants recognized the large amount of information and data available on the needs of developing countries through various reports and initiatives by countries as well as sub-regional, regional and global institutions. Participants also recognized that the UNFCCC reports and processes to assess and determine the needs of developing countries are useful tools to capture needs.
27. With regards to gaps, participants identified the following:
- (a) Despite the large amount of available information and data on needs, such data and information are often scattered. Therefore, a platform could be established to compile available data and information on needs and make it publicly accessible. This platform could be developed and maintained by the UNFCCC secretariat;
 - (b) Information and data generated by the private sector and civil society is limited but could contribute to addressing information gaps on the needs of communities and private entities; and
 - (c) Attempts to aggregate numbers of needs should be handled with care due to, among others, varying approaches and methodologies utilized as well as varying underlying assumptions and timeframes considered.
28. With respect to further areas of work required, participants highlighted, amongst others, the following:
- (a) The need for enhanced collaboration with research institutions and academia, particularly from developing countries to collect information and data on needs and refine methodologies and approaches for needs assessments;
 - (b) Peer-to-peer learning to share successful experiences in needs assessments, particularly in overcoming any challenges encountered;
 - (c) Greater degree of consistency in the approaches used to assess needs. This would facilitate aggregation, recognizing the importance of maintaining the flexibility of countries to apply methodologies and approaches that suit their national circumstances; and

(d) Promote a whole-of-government approach to foster coordination and coherence of national climate action, including sharing of information availability.

D. Translating Climate Finance Needs into Action

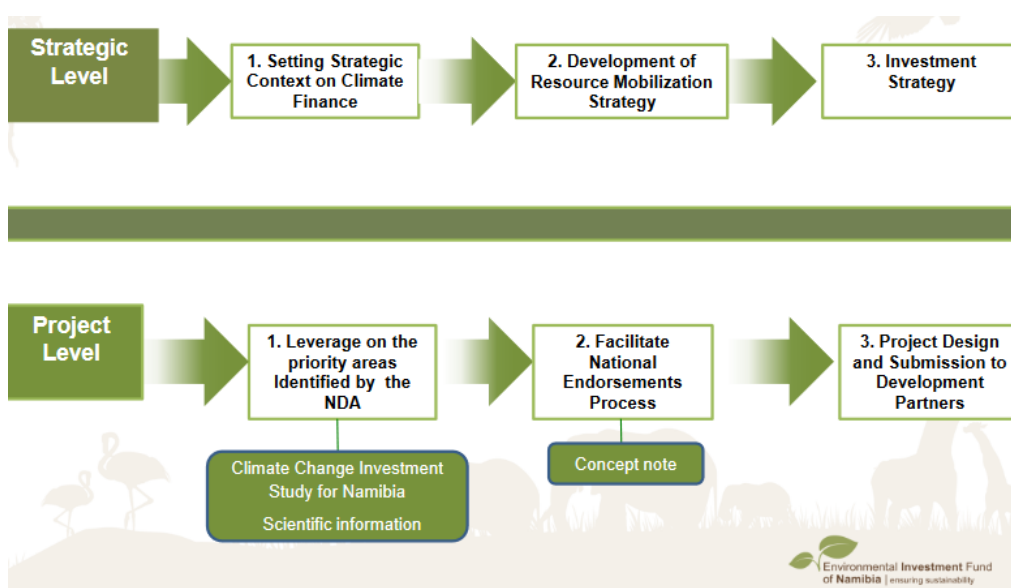
29. Translating climate finance needs into action may involve, as available, mapping and identifying key financial actors (e.g. national, regional and international), ensuring coherence and coordination, identifying key areas and sectors of support and investment, or identifying barriers and challenges in mobilizing and unlocking private climate finance, etc.

30. It may also involve the development of needs-based climate finance strategies⁴; use of such information in accessing climate finance from multilateral climate funds, multilateral development banks, development finance institutions, and international and domestic private sources of finance; and/or dialogues and engagement with public and private financial institutions to identify opportunities for implementing finance strategies into climate action.

31. Insights and key messages that emerged from the discussions include:

(a) Establishing a strategic framework and institutional arrangements at the strategic level and at the project level, constitutes a critical enabling factor for translating needs into actions by setting strategic directions and facilitate planning. From the experience of Namibia, at the strategic level, the Environment Investment Fund, a national direct access entity accredited to the GCF, has set the strategic context on climate finance by developing a resource mobilization strategy and an investment strategy. Furthermore, at the project level, the Fund has been involved in the process of assessing and determining the needs of the country and its communities through various stakeholder consultations and designing concept notes and funding proposals, resulting in mobilizing USD 103.6 million from the GCF, MDBs and bilateral partners for project implementation⁵ (see figure 5).

Figure 5: Namibia's Framework for Climate Finance Access



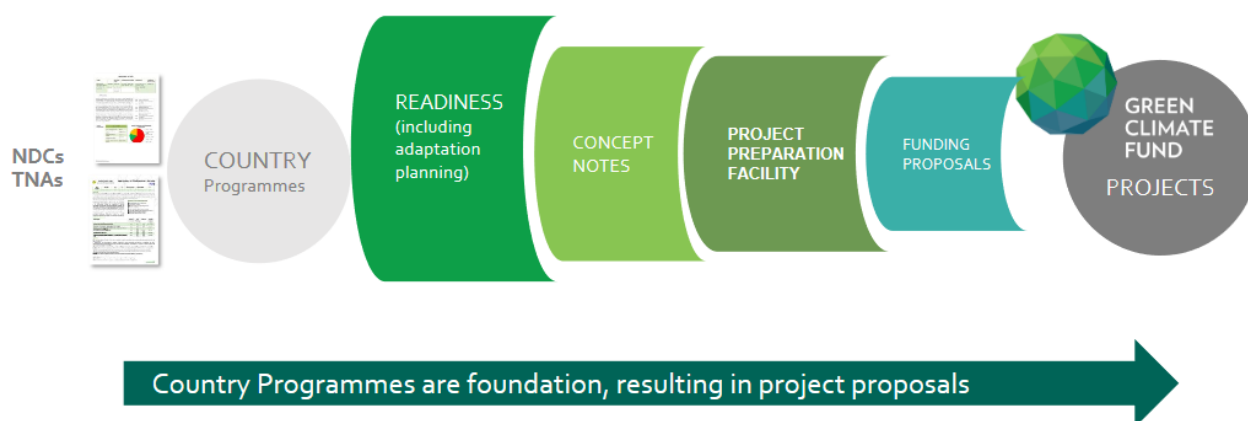
(b) The various funding windows of multilateral funds, MDBs and development finance institutions offer opportunities for countries to determine their needs and access the

⁴ An example of a needs-based climate finance strategy is available at: <https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties-related-to-implementing-the-convention-and-needs-based-finance-nbf-project/sub-regional-climate-finance-strategy-for-melanesia-an-outcome-of-unfccc-s-needs-based>.

⁵ Available at: https://unfccc.int/sites/default/files/resource/2_Benedict%20Libanda.pdf.

appropriate funding window to translate the needs into action. The GCF, for example, through its readiness window enables countries to prioritize their funding needs, including by developing a country pipeline for the GCF, through the development of country programmes. The identified project ideas can then be addressed through submitting concept notes, accessing support through the project preparation facility, the simplified approval process or the regular funding proposal approval process (see figure 6).

Figure 6: Programming overview of the GCF



(c) Scientific information and data on risks is critical to formulate funding proposals and enhance the climate rationale of projects. This, however, is associated with high costs and may not be readily available in all countries. Therefore, collaborations with the scientific community to incentivize generation and sharing of more information and data on the needs of developing countries is imperative.

(d) A centralized approach at the national level is required for validation of information on needs. The focal points to the UNFCCC, as was highlighted, play a key role as gatekeeper to ensure coherence and coordination on the assessments of needs at the national and sub-national levels.

(e) Social inclusion and stakeholder consultations is imperative in the design of projects. Gender considerations and the inclusion of indigenous peoples and marginal groups are particularly important to ensure the proposed activities address the needs of the communities on the ground.

(f) Due to the dynamic nature of needs and the improvements of methodologies and approaches for needs assessment, one participant highlighted the need to periodically review methodologies and processes for needs assessment. This will also ensure the identification of newly evolved needs resulting from climate change.

(g) Coordination at the strategic rather than at the project level facilitates addressing needs across sectors, geographies and communities and over a longer time frame and mitigates the risk of taking siloed approaches.

(h) The National Designated Authority, in coordination with the UNFCCC focal point, could take the lead in programming climate activities. This facilitates building sustainable capacities and contributes to attaining ownership and political support.

(i) Early engagement of national direct access entities in the project design, formulation and implementation process contributes to building institutional capacities within the entities, thereby increasing their abilities to meet fiduciary and environmental and social safeguard requirements, as well as other requirements by the GCF.

(j) Understanding of the global climate finance landscape is important to accelerate access. Making use of existing platforms such as attending climate finance discussions and the Board meetings of the Green Climate Fund contribute to enhancing understanding on climate finance dynamics, in particular climate finance access requirements.

(k) Acknowledging that capacity-building initiatives such as the readiness programme of the GCF is critical in enhancing access to climate finance, capacities should be built across the climate finance landscape as opposed to one fund or channel.