



ALLIANCE OF SMALL ISLAND STATES

## MEDIA BRIEFING NOTE

### LOSS AND DAMAGE RESPONSE FUND

- **GAPS IN EXISTING ARRANGEMENTS:** There are clear gaps in existing funding arrangements to adequately assist developing countries in meeting the cost of their ex-post responses that aim to address non-economic and economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events.

The gap is especially apparent in the operating entities (i.e., multilateral funds) of the United Nations Framework Convention on Climate Change ('UNFCCC') Financial Mechanism which do not presently have dedicated sources of support to developing countries to implement ex-post responses.

In June 2022, G77 & China requested a sub-agenda item on both the COP 27 and CMA 4 provisional agendas under '*Matters relating to finance*', that is titled '*Matters relating to funding arrangements for addressing loss and damage*'. This sub-agenda item would delve deeper into loss and damage response financing, and provide a space to build consensus on how this could be comprehensively addressed.

In the Glasgow Climate Pact, CMA 3 requested the Subsidiary Body for Implementation (SBI) to organize the Glasgow Dialogue to discuss funding arrangements for activities to "avert, minimize and address" loss and damage. This Dialogue entails 6 hours of discussions per SBI session from 2022 to 2024, 18 hours in total, at an expert level (not decision-making), with a very broad scope on all aspects of loss and damage (not just "addressing"). The Glasgow Dialogue is simply a forum in a workshop setting to share ideas. Therefore, the new COP and CMA agenda item proposed by G77 & China is essential for Parties to take decisions that establish funding arrangements to address loss and damage due to the adverse impacts of climate change.

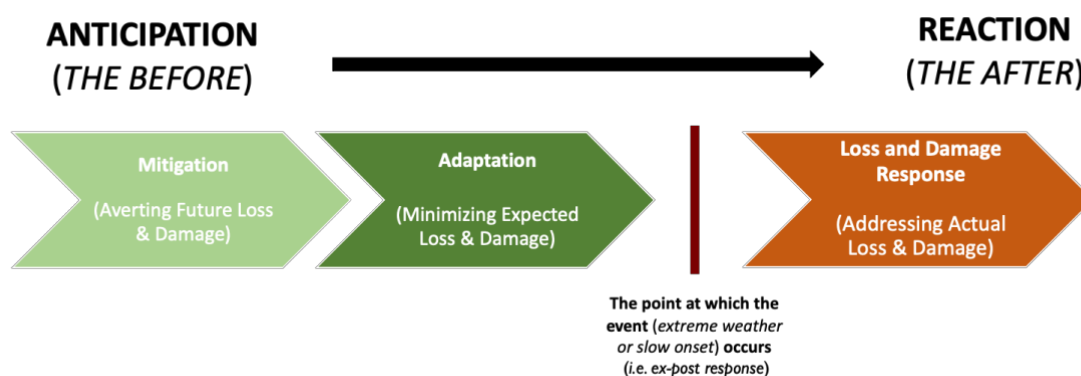
- **AHEAD OF COP 27:** Building on the G77 & China position for the new sub-agenda item, AOSIS Leaders have endorsed the following way forward for adoption at COP 27:
  - smooth adoption of the agenda item before work begins;
  - acknowledgement of the gaps in existing funding arrangements, especially under the UNFCCC, as well as the urgent and immediate need for new, additional, adequate and predictable financial resources to assist developing countries to meet the cost of the ex-post responses to loss and damage;
  - an agreement to establish a new, fit-for-purpose multilateral fund designated as an operating entity of the UNFCCC Financial Mechanism; and



- a commitment for the further design and operationalization of the multilateral fund through the agreed sub-agenda item, and an ad-hoc committee for intersessional work that complements the Glasgow Dialogue mandated events.

The outcome of the Fund's design and operationalization would then be completed by COP 28 in 2023.

- **PROPOSED FUND LINK TO CLIMATE INACTION:** The need for this multilateral fund is directly linked to, among other things, the inadequate global response on mitigation in relation to the Convention and the Paris Agreement goals. Conversely, it should be noted that achieving the goal of pursuing efforts to limit the temperature increase to 1.5°C would significantly reduce the risks, and loss and damage of climate change.
- **FOCUS ON “ADDRESSING” LOSS AND DAMAGE:** The focus of the funding arrangement is on *addressing* actual loss and damage, which occurs ex-post the point at which a climatic event occurs, whether an extreme weather event or a slow onset event:



- **WHY UNDER THE UNFCCC?** The following are the main reasons why it is critical to designate this multilateral fund as a UNFCCC operating entity of its Financial Mechanism:
  - the UNFCCC as the international climate change regime has a responsibility to contribute in the global response to climate change which includes enhancing such support to developing countries on a cooperative and facilitative basis;
  - the global response under the Convention and the Paris Agreement is based on internationally agreed principles of historic responsibility, common but differentiated responsibility and respective capabilities, in the light of different national circumstances, equity, and protection of the vulnerable especially the particularly vulnerable such as SIDS and LDCs;
  - the proposed fund will: 1) enjoy multilateral, consensus-based legitimacy as an operating entity; and 2) be required to have an equitable and balanced representation of all Parties within a transparent system of governance (which is not guaranteed outside of the UNFCCC)
  - the effective implementation of the Convention and the Paris Agreement by developing countries requires new, additional, predictable, and adequate financial resources taking into account their needs and priorities (which includes those for supporting loss and damage responses). The UNFCCC Financial Mechanism and its operating entities (including this proposed multilateral fund) serve both the entire Convention and the Paris Agreement. This multilateral fund would, therefore, be a

crucial component of the Financial Mechanism to make it fit-for-purpose for this effective implementation.

- **SOME IMPORTANT CONCEPTS:** For this new, fit-for-purpose multilateral fund, the following must be incorporated into its establishment, design, and operationalization:
  - the concept of "climate justice", when taking action to address climate change as outlined in the Paris Agreement
  - the need for a fund under the UNFCCC regime that can: 1) play a catalytic role in providing this specific and additional type of finance in a way that builds on existing types as well as 2) support, monitor, and learn from the piloting of fit-for-purpose approaches to address loss and damage
  - the need for an operating entity that is built to provide predictable support for ex-post response to loss and damage
  - a country owned, country driven, gender-responsive approach to the programming of support with operational modalities that realize enhanced direct access especially through existing regional and national entities
- **SIDS REPRESENTATION:** The governance structure for the multilateral fund must have distinct SIDS representation on its governing body.
- **POSSIBLE GUIDING PRINCIPLES:** The following are possible guiding principles for the funding arrangement:
  - ***Focus on addressing and acknowledgement of the importance of minimizing & averting:*** The Fund's primary focus is on addressing actual loss and damage, while acknowledging that the support it provides for addressing must, to the greatest extent possible, minimize expected loss and damage, and pursue efforts to contribute to the overall averting of future loss and damage.

Activities supported by the Fund are required to have adaptation co-benefits, to the extent possible, and not be maladaptive. Such activities are encouraged to have mitigation co-benefits, where appropriate.
  - ***Link to inadequate mitigation:*** The Fund recognizes that its existence is directly linked to an inadequate global response of mitigation in line with the Convention and the Paris Agreement and best available science
  - ***Cooperative and facilitative:*** Support provided on a cooperative and facilitative basis
  - ***Urgent disbursement:*** Support provided in timely manner for loss and damage response that can supplement other existing finance types (such as development finance and humanitarian assistance) ex-post the climatic event
  - ***Inclusive & strategic:*** Assist in supporting inclusive and strategic responses to address actual non-economic and economic loss and damage associated with the adverse effects of climate change in a just country-driven, gender-responsive manner that endeavours to ensure no one is left behind especially the particularly vulnerable



- **High risk appetite:** The Fund will adopt a high-risk appetite especially when supporting urgent matters commensurate to the approach taken in the humanitarian assistance space while balancing the needs for environmental and social safeguards in relation to support activities
- **Programmatic funding:** Support provided in a programmatic manner, especially for addressing loss and damage from slow onset events
- **Balanced and equitable enhanced direct access to funding:** Access to the Fund in a balanced and equitable manner for eligible countries for regional, national, and community-level activities in a manner that is just, especially through existing regional and national entities, and local non-State actors including local communities and indigenous peoples
- **Active involvement of civil society in fund operations:** There will be active involvement of vulnerable communities and populations, civil society, the private sector, and other relevant stakeholders, in the assessment of and response to loss and damage
- **NON-EXHAUSTIVE LIST OF ACTIVITIES ELIGIBLE FOR SUPPORT:** The following non-exhaustive lists are organized as follows: non-economic loss, economic loss, and enabling activities

#### Non-Economic Loss

*(Non-exhaustive list for illustrative purposes)*

Activity
Memorialization
Health rehabilitation services and relief
Education relief
Displacement coordination and response
Land transfer as land territory
Culture and heritage restoration
Ecosystem restoration

#### Economic Loss

*(Non-exhaustive list for illustrative purposes)*

Activity
Social protection support
Decontamination services and debris clean-up
Infrastructure rehabilitation
Culture and heritage restoration
Ecosystem restoration
Public budget support
Monetary funding support
Debt relief support
Catastrophe bonds support
Insurance support

#### Enabling Environment Activities

*(Potential Linkage with Santiago Network on Loss and Damage)*

Activity
Long term systematic observation and data collection
Long term capacity building

