

# Compilation of observer statements

Second meeting of the Transitional Committee on the operationalization of the new funding arrangements for responding to loss and damage and the fund established in paragraph 3 of decisions 2/CP.27 and 2/CMA.4

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#### **4. Exchange of views with non-Party observer constituencies on the purpose and scope of the new funding arrangements for responding to loss and damage and the fund established in paragraph 3 of decisions 2/CP.27 and 2/CMA.4.**

Answering to the following questions:

- What are your proposals for ensuring local communities have access to the new funding arrangements and the fund?
- How do we ensure environmental and social safeguards, and matters related to prior and informed consent in the delivery of support in responding to extreme weather and slow onset events?
- What are the roles of non-state actors in the activities that the new funding arrangements and fund would support?

Liane Schalatek, Heinrich Böll Foundation (WCG), May 25

Thanks for the opportunity, my name is Liane Schalatek, representing the Women and Gender Constituency (WGC).

We appreciate that there is the time and hope to have an engaged session. We look forward to the Transitional Committee (TC) coming with bold, ambitious and innovative proposals, particularly looking at the Loss and Damage Fund. We look at the Loss and Damage Fund and the mandate at the scale that is commensurate with the challenge, and with an ability to grow over time. We heard in the intro of Simon Stiell this morning how big the challenges already are. This group should be bold and innovative, and not constrain the future of the Loss and Damage Fund. It should be part of the larger discussion, but with a core focus, from the point of view of civil society, on the Loss and Damage Fund.

We have a couple of points to raise on the proposal of ensuring that local communities have access to the new funding arrangements, in particular the Loss and Damage Fund. As a starting point, we want to point out that the catch phrase ‘communities’ is broad and encompasses many groups, and should not just speak of access to the funding arrangements and the Loss and Damage Fund, but also about effective participation, of Indigenous Peoples, women and gender groups, and other groups in the design and access to the funding arrangements and the Loss and Damage Fund.

On the Loss and Damage Fund specifically, we are looking at two levels: one is the Loss and Damage Fund level, and one is within the recipient countries. On the Loss and Damage Fund level, as one of the main access modalities for local communities and Indigenous Peoples, women and gender and youth groups, we foresee the set up of a micro/small grant window as part of the main structure of the Loss and Damage Fund in order to support the agency, innovation, and local solutions that affected people and communities can provide. This agency, the locally-led part, is really important because it resonates with needs and priorities. And we know that those needs and priorities often look very differently when it is locally led than when it is top down or decided by, for example, international implementing entities.

The Loss and Damage Fund should set aside a specific allocation of available funding annually for enhanced direct access for communities and directly affected groups so that inclusivity and equity can be

ensured. That should happen both for Slow-onset events (SOE) and medium term recovery, but also for fast onset, and include provisions for non-economic loss and damage (NELD).

Such support could build on some of the best practice experiences of existing small grant funding programs, for example, the dedicated grant mechanisms for Indigenous Peoples and local communities under the Forest Investment Program, the pilot program under the Adaptation Fund (AF) where NGOs can directly access funding, and the Global Environment Facility (GEF)/UNDP experience with the small grant window, where we also have at the country level some community-led coordination mechanisms. The Loss and Damage Fund should explore the extent to which funding could be channeled through some of those existing structures, for example through cooperation agreements with the Loss and Damage Fund.

With respect to fast response to disasters, we likewise see a minimum percentage of approved Loss and Damage Fund funding for the recipient country to be channeled through small grants or direct cash support, directly to the affected communities via the small grant window or utilizing established community-led country coordination mechanisms or accredited small grant funders, or humanitarian organizations.

When looking at the recipient country side, in order to facilitate access to the funds and provide oversight, it is important that there should be something like a national designated authority. Not as a focal point, but as a broader country coordination mechanism that would bring stakeholders together that represent local communities, Indigenous Peoples, women and gender groups, and youth among others, to reflect on needs and priorities. That can and should include looking at existing mechanisms and agencies that are coordinating with countries' human rights obligations, for example gender machineries.

Broad stakeholders participation should be ensured. Again, it can build on existing coordination or distributing mechanisms. We have existing focal points, but it should be more inclusive and go beyond that. This could be in coordination with the Santiago Network, human rights institutions, and gender mechanisms. Additionally, funding can be channeled as targeted budget support to existing national structures that have established broad community access and distribution channels, for example cash support programs, to the extent that they exist.

On the funding arrangements more broadly, we have some brief points. As we have indicated before, we believe that the Loss and Damage Fund should have a coordinating and guidance role. That would also mean the opportunity to allocate funding to other players, channeling some of the funding through existing structure, but accountability and record should be kept on the side of the Loss and Damage Fund. This can build, to the extent that we have them already, on good practices, for example from the AF.

Finally, there is a need to ensure transparency and accountability on funding streams and who has access to what. The Loss and Damage Fund is a fund for people and communities of the Global South. Citizens should be allowed to see how much money is being generated, through what sources, and where it is channeled.

Lien Vandamme, Center for International Environmental Law (TUNGO), May 25

My name is Lien Vandamme, I am with the Center for International Environmental Law and I would like to clarify before taking the floor that even though I am sitting behind the TUNGO flag, I am not representing them. TUNGO extended their badge to us, but CIEL is an ENGO member organization. We work in close collaboration with other constituencies, including the trade unions, especially on bringing human rights and labor rights into climate action and in this context into loss and damage responses.

Before going into the safeguards question, I would like to come back to two things on the first question that are related to safeguards.

Firstly, I would like to highlight the importance of access to information, as this links to what has been said about community access to funding. The information has to be provided in a comprehensive, timely manner, and in accessible ways. This means using appropriate languages, communicating in culturally appropriate ways, and taking into account barriers such as lack of access to the internet, especially in the context of disasters, and other barriers that communities might face. It is important to take this into account and actively make sure that information is available, and that there is consultation with stakeholders.

Another point related to this, is the need to address data gaps at the local level, including about specific groups such as gender-disaggregated and disability-inclusive data. It is important to look at what the gaps are and address these, taking into account the importance of relying on traditional and Indigenous knowledge. Additionally, the absence of full comprehensive data sets or detailed scientific data at the community level should not lead to a denial of funding access. This means that it is important to simultaneously address data gaps, and recognize that data might not always be fully available at the local level.

On safeguards, I would like to start by thanking you for posing this question, as it is a very important one. Social, environmental and human rights safeguards are essential to ensure that the Loss and Damage Fund activities focus on doing good, and especially doing no harm. In order for safeguards to be effective, related to points made earlier, it is important to ensure accountability and redress mechanisms to ensure compliance.

Important safeguards in the context of loss and damage are respect for human rights, including i.a. the rights of children, women, and Indigenous Peoples, and making sure that they are involved in decision-making. This entails the exclusion of any activities that would violate human rights such as evictions, forced displacement or involuntary resettlement.

Safeguards also include processes for anticipation and mitigation of social and environmental impacts: social and environmental impact assessments, gender analysis, and human rights impact assessments.

Additionally, safeguards are about avoiding harm to biodiversity and ecosystems; provisions for consultation and meaningful participation, including Free, Prior, and Informed Consent (FPIC); and compliance with existing legal obligations on gender, labor standards, cultural protection and multilateral environmental agreements.

It is an important question but also a difficult one. The safeguards as such and the standards we rely on are set and should always stay the same, but there might be differentiation in the way they are implemented in the context of different activities and funding windows (SOE/long term window, fast response window and community window). We recognize that safeguarding in the context of sudden onset is different from SOE, for which we can build more on safeguards in the context of existing climate funds such as the AF and the Green Climate Fund (GCF).

Some suggestions on safeguarding in the context of disasters when funds need to flow quickly is to deal with this by proper planning and preparation, and conducting human rights-based impact assessments to determine loss and damage needs and appropriate ways to address and redress them ahead of impacts happening, so it is clear what needs to happen when money needs to flow fast. More thinking around this is key, so we are happy to start this conversation today. At the same time, a lot is already out there, so it will be important to seek synergies with existing, effective safeguards policies and procedures, but also looking at them with a critical eye and aiming to improve them in the context of the Loss and Damage Fund.

One other important point is that safeguards and policies need to be put in place before any funding happens.

Effective safeguarding also includes transparency and accountability. It is not because safeguards are in place, that projects will be implemented in a proper way. There could be adverse impacts and the fund and funding arrangements must have effective mechanisms in place to monitor, keep oversight and address problems that arise during implementation. These mechanisms should be inclusive and participatory, including non-governmental actors in monitoring, and in this context also thinking about existing mechanisms such as national human rights institutions and gender mechanisms.

Finally, effective, accessible and independent grievance mechanisms should be in place to ensure that when harms occur, communities have a place to go to to redress those harms. In this context it is again essential to ensure accessibility to information and the mechanism.

Harjeet Singh, Climate Action Network International (ENGO - CAN), May 25

Thank you for the opportunity, I'm Harjeet Singh from CAN, also speaking on behalf of Demand Climate Justice (DCJ). We share the input shared by the colleagues from the other constituencies. I will address the third question about the role of non-state actors (NSA). There is a lot of overlap with the other questions so I will keep my intervention brief.

It is absolutely vital to have strong stakeholder engagement across the spectrum of actions: starting from needs assessments to implementation (immediate relief, recovery, resilience building from local to global levels). As we develop the Governing Instrument (GI) for the Loss and Damage Fund and discuss the new and existing funding arrangements, they must all stipulate and in some cases strengthen the effective participation of all relevant stakeholders, and specifically from affected communities that have been made vulnerable through historic marginalization such as women, Indigenous Peoples, persons with disabilities, and youth, and civil society organizations. This must be ensured, protected and secured in the

design, development and implementation of strategies and policies to be financed by the Loss and Damage Fund and the existing funding arrangements.

Participation must be ensured through the development of appropriate mechanisms at the fund and recipient country levels, ensuring adequate and transparent access to information. We also propose that at the Board level, the voting representation of these groups through self-selection must be ensured. We have not defined the numbers, as this will evolve depending on the discussions here.

The Secretariat, if so decided by the Board, could set-up and host special advisory groups to guide the development of relevant policies and framework for consideration by the Board, such as on gender or Indigenous Peoples. It could also develop rosters of local experts from communities and civil society to help with readiness and capacity building support.

In recipient countries, broad stakeholder participation should be ensured in country coordination efforts on loss and damage finance, especially with respect to long-term planning and the articulation of funding needs and priorities, and solutions, by building on existing coordination entities or distribution mechanisms (such as the existing liaisons of designated authorities or focal points with the GEF, GCF or AF or existing national implementing entities already accredited with those funds) and in coordination with the Santiago Network for Loss and Damage (SNLD), and relevant bodies. The aim for the Loss and Damage Fund should be to be able to engage with true country coordination mechanisms, such as those modeled for example by the Global Fund.

NSAs, such as NGOs, Indigenous Peoples, or community groups will also have a direct implementation role through direct access to funding through the suggested micro/small grant window of the Loss and Damage Fund. In addition - building on the experience of other funds – they can collaborate with other implementers through which funding is channeled as executing entities for specific tasks, covering the entire range from immediate relief, recovery, capacity building to resilience. Important here is to take a principled approach in applying subsidiarity: implementing at the most local level possible, which for many activities of relevance for affected people and community will be NSAs.

In the broader funding arrangements, there is a need to expand direct access funding opportunities for NSAs, to cover the range of issues and that should be our goal.

This also includes private sector engagement. And it is important to emphasize that there must be a strong focus on domestic private actors as the backbone of communities and crucial to their livelihoods and for their goods and services, primarily micro, small and medium-sized enterprises, cooperatives and community initiatives.

Solutions have to be developed jointly with NSAs and communities so that they are fit for purpose. In this context, we recognize the uneven power that exists, and that some NSAs have way more power and access than others. We see the result in terms of insurance for example, which gets a much greater focus and access in comparison with social safety nets and social protection. We really need an honest conversation and assessment, about that scale and how to involve various NSAs that have a better understanding of solutions.

We know that we are dealing with technical issues and we must make sure that outcomes are fit for purpose. People are suffering now and things are going to get worse. We can no longer ignore their voices and cannot disappoint them. This group has a great responsibility to ensure that solutions that you develop are responding to their needs and protecting their rights.

**5. Matters related to paragraphs 6 and 7 of decisions 2/CP.27 and 2/CMA.4: (a) Synthesis report on existing funding arrangements and innovative sources relevant to addressing loss and damage associated with the adverse effects of climate change.**

Julie-Anne Richards, Loss and Damage Collaboration (WGC), May 25

Thank you Co-Chairs for the opportunity to engage and a note of appreciation to the UNFCCC for the updated synthesis report.

The new version of the synthesis report is limited in scope and leaves off significant existing work within the UNFCCC, the broader UN system, and work that has been well developed in the research community. Firstly, the synthesis report did not integrate in the narrative paragraphs contributions from the GEF and GCF. Notably within the synthesis report, the alternative sources of finance are truncated and their basis for inclusion is unclear. Alternative sources of finance have the potential to raise additional, predictable and fair funds for the Loss and Damage Fund.

Noteworthy in its exclusion is the tax on windfall profits of fossil fuel industry proposed by the UN Secretary General to fund loss and damage, supported by heads of State such as the Prime Minister of Barbados.

Whilst the report notes potential of maritime levies, it does not include recent work on aviation levies, for instance, frequent flier levies. Future considerations of these issues should include an assessment of whether various alternative sources of finance meet the principles of the UNFCCC and the Paris Agreement, in particular the equity principles of common but differentiated responsibilities and respective capabilities (CBDR-RC), human rights, gender equality, historical responsibility and polluter pays.

Such an assessment would note that insurance - which is heavily emphasized beyond its possible role within the synthesis report - rarely meets those principles. Insurance mechanisms do not cover all types of climate change-related risks, especially NELD. And can, at best, cover a tiny proportion of loss and damage - 1 to 2%. In my own country of Australia, areas of the country are already "uninsurable".

The report notes the massive increase in debt in vulnerable developing countries and the heavy - in fact over - emphasis of loans in climate finance, with 72% of public climate finance being delivered via loans. However, the report does not consider how much existing loss and damage finance is provided as loans. For instance, when Pakistan faced \$50 million of loss and damage from flooding almost the entirety of funding was via loans. Therefore the people of Pakistan are paying for loss and damage from climate change - with interest. In accordance with the principles of equity and justice, only grants-based financing should be an acceptable modality for Loss and Damage finance.

My final point is that developed country contributions are an essential, touchstone, element of the Loss and Damage Fund, which should not be overlooked. In the recent Landscape Paper, shared with TC members, we note that developed country contributions will be an essential element of the hundreds of billions of dollars of loss and damage finance required. Indeed, if alternative sources of funds fall short of expected amounts, developed countries need to "bottom line" raising the scale of funds required.

**6. Matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4: (a) Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund.**

Liane Schalatek, Heinrich Böll Foundation (WCG), May 26

We welcome the opportunity to intervene. Thank you for giving us the floor, even if it is just for members to collect their thoughts or push back on some of our proposals.

What is the purpose and the scope of the new funding arrangements and the Loss and Damage Fund? From our perspective, the existing funding arrangements are largely and qualitatively different because they look mainly at potential expansion or improvement of funding that is largely focused on minimizing loss and damage, so adaptation-related. This is qualitatively different from the purpose and the scope of the new Loss and Damage Fund, which exclusive purpose should be to provide new and additional, predictable, adequate, precautionary and equitable financing to address loss and damage in such a way that it meets the needs of the most affected people and populations groups, protects their rights, and is directly accessible to them.

We don't have time to go into all the details, but this obviously has implications for where we think the Loss and Damage Fund should sit, which governing body it should be accountable to, the review, and the legal implications. We do think it should have an international legal personality.

On the question of arrangements of the Loss and Damage Fund governance and composition, the scope defines how you would see some of the governance issues, roles and functions of the Board and secretariat. On this specifically, one of the key roles and functions for the Board that we would expect, relating to the larger question on coordination, is to develop working and coordination arrangements with other relevant bodies under the convention, including the Warsaw International Mechanism (WIM) and other operating entities of the Financial Mechanism, and other relevant international institutions outside of the UNFCCC. We see this as a primary part of the Loss and Damage Fund's role in catalyzing and coordinating financial support to developing countries to address loss and damage throughout the landscape. Whether you call it the landscape or funding arrangements, it is very clear to us that the Loss and Damage Fund should have one of those core coordinating functions, and also an accountability function. For example, in particular related to the additionality of funding. The differentiation of what is adaptation funding and what is funding to address loss and damage.

This is also reflected in the thematic focuses that we see for the Loss and Damage Fund. We have laid out that we would like to see three thematic windows: 1) rapid/disaster response: we agree with the Dominican Republic and others that not everything is covered through humanitarian assistance. There are questions of scale, access and 'T+1' or beyond timescale that come into play here, and that would differentiate a rapid response window in the Loss and Damage Fund from humanitarian actors. 2) We would like to see a medium/long term window to cover SOE and medium to long term funding following climate disasters, that would provide funding for longer term loss and damage and policy frameworks, and support transformative programming such as permanent relocation and just transition. 3) As already mentioned, there is the micro/small grant window to allow for enhanced direct access for subnational and local actors.



On the arrangements for the secretariat, we see an independent secretariat headed by a manager or director, appointed by and accountable to the Board. It would be very important - and this is part of our learning from other funds, but also to ensure that the Loss and Damage Fund becomes a learning institution - that it grows and improves with the establishment of knowledge management practices in support of the core coordination and leadership function that we see for the Loss and Damage Fund as the flagship multilateral fund to address loss and damage. There is also a role to inform and guide other actors in the loss and damage finance architecture.

In experience from existing funds, we would like to see diversity in staff background for the secretariat. It needs to be staffed with people who have an understanding of the lived experiences of developing countries, so not just technical experience or financial experience, which is usually the priority focus in funds. This must lead to the design of policies that ensure that the funding really reaches those that it is supposed to reach.

On the question of who is eligible to access the funds and what are the access and delivery modalities, we feel that all developing parties to the convention and the Paris Agreement should be eligible to receive resources from the Loss and Damage Fund to cover documented economic and NELD, irrespective of whether any of the developing countries voluntarily might contribute to resourcing efforts, and at what scale. It should not be determined or differentiated by income classifications as they exist outside of the UNFCCC. This is a big shortcoming of the existing architecture.

On access and delivery modalities, we don't have enough time to go into that now, and we have already provided some suggestions. We want to see simplified access to funding, differentiated by the various windows. It is very clear that we would take into account budget support for both disaster/fast response, but also as one of the options under medium to long term and SOE window. For access to the micro/small grants window, we already indicated yesterday that facilitated approaches, such as template approaches should make it as easy as possible, and ensure as little paper work as possible.

On instrument of the Loss and Damage Fund, it is important that the discussion on instruments is framed in accordance of the principles of the Convention and the PA, including equity, historical responsibility and polluter pays, respective capabilities, and that funding is new, additional, precautionary and adequate, and provided in response to needs and priorities, particularly of local communities and best available science. That would lead us to conclude that the Loss and Damage Fund should provide funding exclusively in the form of grants, including by prioritizing full cost grants. Sometimes we are imprecise when it comes to grant because a lot of grants require incremental cost approaches, for example in the GCF and the GEF, and that often leads to related complex methodologies in the name of 'climate rationale'. This would be detrimental in a loss and damage scenario. Loans are obviously not appropriate and likewise, private sector solutions that prioritize profit making and require vulnerable people to pay premiums have in our understanding no place in addressing loss and damage in an equitable way.

On sources of the funds, we already gave interventions earlier. We would be very much in line with some of the points expressed by TC members, that the primary and core financing should be coming from developed country parties to the Convention as public grant sources and that secondly, in order to raise the scale of finance necessary, alternative sources of financing that meet the principles of fairness and

predictability and are based on the polluters pays principle and applied to those that can afford it by governments should also be implemented.

We already elaborated on the mechanisms of multi-stakeholder engagement in the fund. I would reiterate that we see this comprehensively enshrined as one of the core points in a Loss and Damage Fund charter or GI, stipulating effective and inclusive participation of all relevant stakeholders and specifically from affected communities, Indigenous Peoples, women's groups etc. We would like to see a voting representation on the Board through self-selection of those affected population groups. A secretariat could set up and host special advisory groups to guide the development of relevant policies and frameworks for consideration by the Board, for example focusing on gender and Indigenous Peoples' rights.

In recipient countries we also want to see broad stakeholder participation. We heard a lot about the potential for programmatic approaches, or thinking about an investment/country plan. In that context, it would be even more important - and there are lessons to be learned from what doesn't work in the country program process of the GCF - to have very inclusive stakeholder participation so that needs and priorities of affected communities are filtering in those investment/loss and damage planning instruments for which they are seeking funding. Inclusive stakeholder participation is relevant for seeking funding under the Loss and Damage Fund and should be the practice, although it isn't unfortunately, under the existing array of funding arrangements.

#### **6. Matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4: (b) Defining the elements of the new funding arrangements.**

Claire Miranda, Asian Peoples' Movement on Debt and Development (ENGO - DCJ), May 26

My name is Claire Miranda, from the ENGO constituency, sharing the views of both DCJ and CAN, as well as other constituencies on the Loss and Damage funding arrangements.

We understand that the rationale behind having new funding arrangements for Loss and Damage is primarily due to the limited scale, inadequacy and inaccessibility of climate finance in general, despite the increasing need of millions of people in the Global South. The decision to establish a standalone Loss and Damage Fund was a huge win for us in Sharm El-Sheikh, but we know the urgent mobilization of adequate resources will remain a challenge, hence the mosaic of new funding arrangements.

After hearing the discussions yesterday, it seems like there is not enough appetite to make the Fund the primary mechanism to address the loss and damage needs of developing countries. We understand it differently. From a climate justice perspective and taking into account historical responsibility, in our view the Loss and Damage Fund should be at the core of wider funding arrangements and not just one piece in the mosaic of solutions. As the leading multilateral fund in the loss and damage finance architecture and at the core of the funding arrangements, the Loss and Damage Fund would fulfill a key coordination task and signaling function to ensure broader complementarity and coherence of its distinct pieces.

Loss and damage is and has always been an issue of injustice, and there is no better way to address the injustices suffered by millions of people than under the auspices of the UNFCCC, a body that recognizes the principles of CBDR-RC and equity. Recognizing the urgency and scale of need, the new funding arrangements should be consistent with, based upon, and guided by the provisions of the Convention and the Paris Agreement. They should operate in a transparent and accountable manner guided by equity and effectiveness, and responsive to the needs of affected countries and communities, including their right to sustainable development, by taking a human rights-based and gender-responsive approach. They should provide new, additional, predictable, non-debt creating and adequate financing that is driven by the needs of the recipients and is directly accessible for the most affected with local ownership and subsidiarity.

The new funding arrangements with the Loss and Damage Fund at the core should channel the majority of multilateral funding through the Loss and Damage Fund. The Fund should be the mechanism mandated to coordinate, oversee and channel the majority of the loss and damage funding, as guided by the COP/CMA.

## **6. Matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4: (c) Identifying and expanding sources of funding.**

Fanny Petitbon, CARE France (ENGO-CAN), May 26

Thank you for the opportunity to engage. My name is Fanny Petitbon from CARE France. I am making this statement on behalf of ENGO and WGC.

In the preliminary list of gaps shared yesterday, the first element mentioned was the limited scale and lack of funding for loss and damage while needs keep growing.

While primary input to the fund should come from developed country Parties to the Convention and the Paris Agreement as public grant resources, the fund should also receive inputs from other sources. In order to raise the scale of finance necessary (hundreds of billions of USD), it is clear that alternative sources of finance - that meet the principles of fairness, predictability, redistribution, are public-based and based on a polluter pays principle - are needed to supplement core public contributions. Many of these sources can simultaneously help tackle the climate crisis by tackling the source of climate pollution. Over the past few months, we have witnessed a strong momentum-building on those sources, in the preparatory work for the Summit for a New Global Financing Pact. The timing could not be better with the work of the TC happening now.

A significant portion of loss and damage finance could be predictably generated from outside sources and automatically channeled to the Loss and Damage Fund. While such levies should be ideally implemented at a global level, implementation at national or regional level may be easier to achieve in the short term. Either way, the TC should flag ways in which these sources could contribute, and envisage steps to implement them. These sources could be the following:

A tax on the fossil fuel industry: either on the extraction and/or on the windfall profit, as proposed by the UN Secretary General. It has been estimated that these taxes could raise \$100 to \$200 billion a year - on a sector that has very low tax rates right now. A significant portion of this funding could go to the Loss and

Damage Fund, with some of it being used domestically to fund a just transition. A short term windfall tax has either been implemented, or is in the process of being implemented, in 10 European countries and the EU.

International Shipping Levy: Shipping emissions are a massive contributor to global emissions, yet are barely regulated. A strong momentum has recently emerged on a ‘bunkers’ tax which could be agreed in the near future. Combining IMF calculations and recent proposals by the Marshall Islands, Solomon Islands and Tonga, a global bunker tax could raise approximately US\$30-140 billion per year - a portion of which could be allocated to the Loss and Damage Fund.

Aviation / Frequent Flier Levy: such as the successful example of France. A tax on international airfares proposed by Least Developed Countries in 2008 was estimated to have the potential to raise US\$8-10 billion a year. If implemented domestically within countries, and dedicated to loss and damage, it could be structured as a frequent flier levy.

2 other options include a Global Wealth Tax on the world’s millionaires and billionaires, with a rate of 2 to 5%, it could raise US\$1.7 trillion dollars annually, and a Financial Transaction Tax (FTT), a progressive levy on financial instruments or contracts like bonds, stocks, options, and derivatives, or even foreign currency exchange. About 30 countries worldwide have already implemented a FTT. A recent academic study estimated that a FTT in G20 countries could raise between EUR 162 and 270 billion per year. A portion of revenues could go to the Loss and Damage Fund.

The potential is there. It should not have to be only one of the selected options but a mix. While political momentum is growing like never before on those innovative sources of finance, it is important for the TC recommendations to explicitly include revenues from alternative sources such as taxes and levies, with potential sources identified, and next steps for implementation laid out.

We also know that the debt burden brought by decades of multilateral lending is a major hurdle faced by vulnerable nations. We believe the TC should include in its recommendations the urgent need for debt cancellations, *not* as an alternative source of loss and damage finance, but as a means to alleviate the full recovery and rehabilitation of communities most affected by loss and damage.

**6. Matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4: (d) Ensuring coordination and complementarity with existing funding arrangements.**

Liane Schalatek, Heinrich Böll Foundation (WCG), May 26

We want to agree with and reinforce the comments made by ambassador Adao with respect to the SNLD and its inability, also because of its own capacity and wobbly funding support, to take on a broader coordination role that would go beyond its mandate, which is on technical advice, capacity-building and support. We would like to see that this is adequately funded so it can fulfill that function.

We want to point out that we have highlighted in our understanding of both the structure and the role of the functions of the Loss and Damage Fund, that the Loss and Damage Fund itself should have the core coordinating function, including in ensuring complementary and coherence with both existing and new to

be developed arrangements, as other actors might be doing additional work or new funding arrangements might be popping up, pluri-laterally or bilaterally.

It is crucially important that the coordinating function remains under the UNFCCC because of the historical responsibility, the accountability and also the transparency that we want to secure. The Loss and Damage Fund under the UNFCCC is accountable to the people and we want to make sure that that is standing firmly. That does not mean that sources and others can't be outside of the UNFCCC, but that core coordination functions must remain under the UNFCCC and should be with the Loss and Damage Fund.

### **Discussion on procedural considerations**

Brandon Wu, ActionAid (ENGO-CAN), May 27

We support the comments just made by Jaime, and would like to emphasize the opportunities for broad stakeholder consultation presented by both the Glasgow Dialogue and the second workshop - contributing to the goal stated by several TC members of getting more inputs on what is happening, and what are the needs, on the ground.

The Glasgow Dialogue is a key moment for consultation with a broad range of stakeholders and Parties on the guiding questions included in the scenario note, including the questions posed by my observer colleagues on the first day of TC2, during agenda item 4, with a focus on paragraph 5(a) regarding arrangements for the fund.

The voices of non-Party stakeholders should be invited, especially from affected population groups such as Indigenous Peoples, women and gender groups, youth and people living with disabilities.

The Glasgow Dialogue is also a moment to create synergies and coherence with other organizations in the UN system that can play a role in ensuring an effective operationalization of the Loss and Damage Fund, both in terms of guidance and in terms of resourcing. We believe this should include UN human rights institutions and mechanisms, which have not yet been heard in the previous Glasgow Dialogue and the TC process.

On the workshop held in a developing country, we would in particular like to see opportunities for impacted communities to engage meaningfully, and for the TC to hear from directly affected people, their issues and solutions, including on the question of how direct access could be formulated to effectively reach communities on the ground.

The workshop should devote at least one full session on such "on the ground" realities and hear directly about the needs and priorities in terms of loss and damage funding support.

In order to do this effectively, there would need to be accessible and inclusive participation modalities - both online and in person - including financial support, languages and interpretation, and timely, comprehensive and accessible information about how to apply for participation and receive visa support.

### **Closing statement**

Harjeet Singh, CAN International (ENGO-CAN), *Statement not delivered*

As we conclude two TC meetings and a workshop, we are concerned that in the conversations so far,

some parties are putting more emphasis on the funding arrangements, which are outside the UNFCCC, and not the new Loss and Damage Fund that needs to be operationalised by COP28.

Some parties believe that the Loss and Damage Fund should be limited in terms of its scope, mandate and size of resources it will potentially channel.

The synthesis report has clearly captured that the loss and damage finance needs are in the range of hundreds of billions of dollars and not in millions anymore, and that particularly there is a gaping hole where funding to address loss and damage should be.

I must remind that we are facing such a situation because of our climate inaction of the last three decades, and because some parties deliberately avoided and even blocked the discussion on the loss and damage finance for a decade.

As we proceed from here on, we urge you to shift gears to raise your ambition and be bolder, creative and create new solutions that are appropriate to respond at speed, scale, meeting the needs and protecting the rights of the most vulnerable.

It is not a question of what we can or cannot do in the current context or systems and resources available. It is about what we must do to respond to the calls of people who are losing their homes, farms and livelihoods, whose human rights are being harmed and whose lives are at stake.

Let us not shy away from creating new systems and institutions that are absolutely and urgently needed.

We would like to remind all the TC members of the principles that must underpin operationalisation of the Fund.

These are: International cooperation and solidarity, historical responsibility and the polluter pays principle; New and additional; Needs-based, adequate, predictable and precautionary; Locally-driven, enveloping gender responsiveness and equitable representation; Public and grant-based; Balanced and comprehensive; and Protecting and fulfilling Human Rights.

We cannot go to COP28 with the intention of creating just another institution or repackage an old one to score a political goal.

The real success would be to create a system – a new system - that is agile, that continues to learn from the new challenges, engages with affected communities, scales up proven solutions and creates new ones, as needed. A system that is resourced at the scale required to meet needs.

And most importantly, we need a system that is based on obligations and is accountable to people who are facing the climate emergency now.