

Submission from France to the Transitional committee on a new architecture to respond to loss and damage consequences

This paper provides a basis for further discussions on fund and funding arrangements design to ensure the most constructive progress between now and COP28 on the recommendations to be made by the Transitional committee.

General approach

The current response tackling the increasing levels of loss and damage affecting developing countries that are particularly vulnerable to the adverse effects of climate change and their communities is insufficient. We are therefore committed to the full implementation on the COP 27 decision on the new funding arrangements (FA) including a fund to respond to loss and damage. However, we also acknowledge – notably through the last months discussions within the TC work - that there are **many initiatives and processes we can build on to scale up and strengthen the existing funding arrangements** at all levels and across sectors.

To that end, we believe that **new funding arrangements including a fund form an integral part of the mosaic of solutions to address priority gaps** in the existing loss and damage financial architecture within and outside of UNFCCC and allow for more adequacy, efficiency and speed in our global response to loss and damage.

To improve the global loss and damage response architecture as a whole, we propose the fund and funding arrangements to be structured around three flexible¹ streams:

- The first stream of the structure is constituted by the fund supporting directly implementing partners and programmes to address thematic priority gaps in activities which are not sufficiently or not at all covered by the existing or new funding arrangements,
- The second stream is constituted by the fund working with a number of existing FA to address funding gaps in their activities. Through this stream, the fund will aim at reinforcing these FA's activities and leveraging their resources,
- The third stream is constituted by existing or new FA that are part of the mosaic but are conducting their activities autonomously, without interacting with the fund apart from coordination purpose.

1. The fund (streams 1 & 2)

The first stream of the structure is constituted by a fund addressing identified priority gaps in activities which are in thematic scope not sufficiently covered by the existing funding arrangements, especially in vulnerable countries that have difficulties to access funding for such activities.

The fund will follow mainly a programmatic approach by intervening along the lines of country-specific resiliency planning/response plans to loss and damage, based on vulnerability assessments (through NAPs, CCDRs, PDNA and/or other relevant data and reports). Its activities should mainly focus on strengthening the ability of particularly vulnerable countries and their communities to address the consequences of events related to the adverse impacts of climate change, while enabling these countries and communities to better prepare, adapt and respond to these impacts, noting the

¹ The 3 streams serve more as an image to frame the discussion than as an inflexible and siloed scheme. Their composition will evolve first with the likely sequential approach to be taken by the COP/CMA and also with the development of loss and damage related activities by the Fund and FAs, FAs taking over by themselves eventually most of the needs of vulnerable countries in their respective field.

continuum between adaptation and averting, minimizing and addressing loss and damage. The fund would initiate activities in the following priority gap areas:

- Preparation activities and capacity building;
- Non-economic losses;
- Small-grants programme for prevention and response activities at community level.
- Small-grants programme for unexpected and urgent event;

The fund alone will not be enough to tackle all loss and damage-related challenges and should not duplicate existing mechanisms. Activities that can be better and more efficiently covered by new or existing funding arrangements should only be supported by the fund where this adds a value to it, notably to help FAs to fill priority gaps in their response to LnD. This is why **the second stream is constituted by the fund working with other existing funding arrangements in the mosaic**. The fund will reinforce the FA activities through top-up funding, financial incentives (guarantees, blended finance, concessional funding, etc.) and coordination, to fill the priority gaps in the activities of these FA (understood not as thematic gaps but funding gaps for identified thematic areas). This will provide additional, new, adequate, scaled-up and efficient funding to complement and enhance the solutions in the existing funding landscape.

There are three priority gaps to focus on as a starter, and **the COP/CMA should invite the fund to set-up operational partnerships with a number of existing FA** active in these areas with a view to bridging funding gaps in their activities:

- **Pre-arranged finance:** Reinforcing pre-arranged finance mechanisms and disaster risk finance & insurance (CDRFI), such as by paying premium and capital support, direct grants, commissioned research, analytics or capacity building requiring grants to third parties, via the Global Shield Financing Structure or regional pre-arranged financing and insurance solutions such as ARC (African Risk Capacity). Upscaling social and adaptive protection mechanisms (for instance the current attempts of the World Bank and ILO to further develop support in the implementation of social protection could be upscaled);
- **Recovery and reconstruction:** Setting economic incentives for MDBs to intervene in vulnerable countries, including middle-income countries (de-risking tools or fiscal space mechanism such as CDRC for example); Topping-up and blended funding for encouraging Reconstruction and Rehabilitation activities by MDBs, including addressing the nexus between humanitarian and reconstruction. ;
- **Human mobility including planned relocation, migration and displacement:** Increasing support for projects related to displacement in the context of climate change, including under the Migration Multi-Partner Trust Fund; Promoting the inclusion of refugees and migrants in multilateral climate finance institution funded activities; Integrating human mobility into national planning processes, including, inter alia, the process to formulate and implement national adaptation plans, through domestic efforts and capacity building by multilateral and bilateral technical assistance providers.

While the structure proposed in this list aims to address three priority gaps identified, it is by no means exhaustive. The **article 8.4 of the Paris Agreement**² provides a useful and consensual existing list of

² Article CMA/8.4 = « Accordingly, areas of cooperation and facilitation to enhance understanding, action and support may include: (a) Early warning systems; (b) Emergency preparedness; (c) Slow onset events; (d) Events that may involve irreversible and permanent loss and damage; (e) Comprehensive risk assessment and management; (f) Risk insurance facilities, climate risk pooling and other insurance solutions; (g) Non-economic losses; and (h) Resilience of communities, livelihoods and ecosystems. »

areas of cooperation and facilitation relevant to respond to loss and damage, that could serve as a basis to orientate the activities of the fund and the funding arrangements. Thus, the TC should recommend to the COP/CMA to **encourage all existing FAs and entities not mentioned in this paper but with the capacity to engage, to liaise with the fund or with countries to see how they can participate in the response to national resilient plans and thus broadening the list of priority areas of cooperation between the Fund and FAs.**

The fund's activities would be supported by a lean secretariat and guided by a Board constituted of representatives from donor and particularly vulnerable countries, as well as active observers representing civil society and marginalized/vulnerable groups. The Board would have the responsibility to approve the investment plan associated to the national resilient planning.. This will help the Board to determine what programmes are launched in the context of the first stream and which funding arrangements are supported in the context of the second stream and in which ways (instruments), to review project proposals if needed, to approve funding decisions above a certain amount, and to submit to the CMA an annual report on its activities.

2. The funding arrangements not interacting with the fund (stream 3)

The third stream is composed of funding arrangements outside the 2 first streams' structure while being part of the mosaic of solutions responding to loss and damage.

The funding arrangements we are referring to under this third stream should be reinforced from inside, by enhancing their mandate and channelling more resources in new windows or programmes related to loss and damage. This pillar could include humanitarian aid actors, which fulfil a vital individual role in responding to climate change induced disaster and in preparedness and therefore should coordinate with the fund and the other FAs. In operational terms, the CMA could recommend to existing humanitarian entities to scale up funding that enables quick scaling up of response to urgent needs, in line with the national resilient planning.

Implementation method

- 1) **Target the particularly vulnerable:** The most vulnerable populations and the ecosystems on which they depend are already feeling the adverse impacts of climate change. The new funding arrangements and fund should target **the particularly vulnerable people and communities (incl. women, youth and marginalised groups), in developing countries that are facing the adverse impacts of climate change and have limited capacity for adaptation.** In this regard, they should prioritise particularly vulnerable developing countries and their communities. This approach is in line with the mandate given by decision 2/CMA.4 paragraph 2. Eligibility criteria or prioritisation through allocation targets could help to direct the finance flows towards the people in countries, that are particularly vulnerable. To frame this, we are looking forward to the work currently carried on by MDBs on a common definition of vulnerability but also aiming to rely on IPCC analyses.
- 2) **Start from the bottom:** The fund shall be **country-driven, based on country priorities, and directly accessible.** The **bottom-up approach** requires a local/national/regional engagement from the risk assessment and response identification phase onwards, through local institutions, actors and communities, including indigenous people and other vulnerable groups. The needs relating to the response to loss and damage differ not only geographically, but also within countries and communities. To that end, **a bottom-up approach favouring the**

national or even local level will enable vulnerabilities to be addressed as accurately as possible. The bottom-up/nationally-led approach is also helping to **create tailor-made solution.** Each region and each country face different climate impacts, according to their level of preparedness, economic and social system, etc. **The loss and damage response architecture should look at singularities to each situation** rather than duplicate existing tools that can work in an area, but not necessarily in another one. To that end, programmatic approach is key.

- 3) **Resilient planning as the key enabler:** As a cross-cutting issue, we believe resilient planning and programmatic approaches are key enablers for averting, minimizing and addressing loss and damage. **The funding arrangements and the fund's activities should foster resilient planning and capacity building,** as it appears that adaptation and mitigation alone are not sufficient to prevent and manage all the different risks associated with climate change. The fund should facilitate the design or improvement of individual resilience planning/response planning to loss and damage, vulnerable country by vulnerable country, and should intervene directly along the lines of the plan to address identified priority gaps through dedicated programmes. It will enable mainstreaming a climate risk perspective into national planning and budget processes and into requests for international support. Activities supported by the fund could rely on reinforced vulnerability assessments in NAPs of recipient countries that will help building tailor-made actions. The WIM could have a role to play in the design of such resilient planning, including through the Santiago Network that could be tasked to provide the technical assistance needed to design and implement this resilient planning.
- 4) **Speed of delivery and respond action:** With climate impacts increasing by the day, strengthening and scaling up existing instruments are a quick, efficient and effective way to respond to loss and damage. There can be adjustments and improvements made to existing funding arrangements to better respond to loss and damage challenges and for established instruments there is the potential for these changes to be implemented quickly. For some tools, notably within the fund's activities scope or for urgent response, **activation thresholds could be developed and agreed upon vulnerability and urgency criteria.**
- 5) **A large range of sources:** In order to meet the scale of the challenge of responding to loss and damage, the new funding arrangements and fund need to be **operationalised in a way that enables an expansive funding base, including public –from developed and high income/high emitting developing countries–, private, philanthropic and innovative sources, to contribute to the funding arrangements and the fund.** To allow this, we should design the fund for it to be able to receive a wide variety of sources, including innovative ones, without the need to take further action or decisions for adding further sources. This range of sources could come from grant-based fundings to blended finance mechanism and resources from innovative I taxation tools on globalization flows, such as levies on aviation and maritime shipping or fossil fuel trade and/or production, financial transaction tax, and international carbon pricing.
- 6) **A flexible housing agreement for the fund:** To attract a large range of sources, the fund **should be linked with article 8 of the Paris Agreement. Placing the fund under the CMA will allow for an expansive donor base,** which will be needed to cover the high and growing needs related to the response to loss and damage. **The fund and the funding arrangement mandate must not include or imply compensation and liability.** The fund should report annually to the CMA and should receive guidance by the CMA, ensuring accountability to the climate regime; funding arrangements outside the institutional sphere of the CMA should be invited to report voluntarily to the CMA. Its design should allow to receive funding from new

sources, including from new and additional donors and innovative sources. In order for the fund to be rapidly operational and to deliver quickly, **we should consider a transitional fund** with an initial temporary housing under an existing climate entity that will be reviewed in the future.

- 7) **Need for a coordination mechanism**: The fund and the new funding arrangements' **operationalization must also consider coordination, efficiency, coherence and complementarity with existing instruments** inside and outside the UNFCCC and the Paris Agreement, as well as multilateral and bilateral cooperation across sectors, arrangements for humanitarian action and disaster risk reduction, early-warning systems, forecast-based action, pre-arranged finance, etc. as well as seek to avoid duplication. To that end, **we need a coordinator and enabler for defining needs and improve access to funding from other funding arrangements**. To that end, we need to place the fund at the centre of the architecture: **it should receive a strong mandate to drive all loss and damage response and actors in the right direction**. The fund will work with a list of funding arrangement entities by offering them financial or other support to deliver better on loss and damage, through partnerships to implement the roadmap for the resilience of vulnerable countries. Not pre-empting the future hosting arrangement of the fund and the funding arrangements, the future fund could absorb or associate closely the Santiago Network which is playing a coordinating and catalysing role in the architecture to respond to loss and damage as a part of its mandate, and continue to prioritize its operationalization at COP28. Also, **annual reporting shall be organized**. This annual reporting would create opportunity to coordinate, guide and readjust the global mosaic. While the Fund would be key to gather information on the activities from the whole mosaic, an **updated Glasgow dialogue could for instance fill that annual meeting role**.