Co-Chairs Note: Sources of funding

Submissions by TC members (non-exhaustive, indicative list of issues raised)

Recommendations include

- The financial inputs for the fund will come from public, private, and innovative sources.

- The Trustee will ensure that the Trust Fund can receive additional financial inputs from philanthropic foundations and other non-public and alternative sources, including new and innovative sources of finance that meet the principles and purposes of the Convention and the Agreement.

- The Fund shall receive financial inputs from developed countries. The Fund may also receive voluntary financial contributions from other Parties in the context of Article 9.2 of the Paris Agreement.

- Calls on Parties in a position to do so/ready to do so to contribute.

- All countries with responsibilities for loss and damage and in a position to do so should contribute to the fund.

  The Fund may receive contributions from, inter alia:
  a. National governments;
  b. Regional economic integration organizations;
  c. Sub-national governments;
  d. The private sector;
  e. Philanthropies;
  f. Non-governmental organizations; and,
  g. Innovative sources, such as the voluntary carbon market or international pricing mechanisms, that may be established or agreed.

Views expressed by TC members during the session (non-exhaustive, indicative list of issues raised during the discussion)

What does the TC want to recommend on identifying and expanding sources of funding?

- There is broad agreement that the fund should be able to receive a wide variety of sources of funding. The Board should be empowered and equipped to explore and potentially take advantage of all possible sources.

- Public finance is viewed by many as the primary source of funding. Some members see contributions of developed country Parties as the main source of funding of the LDF. Other members would prefer all countries in a position to do so to contribute to the fund.

- There was also a proposal that the sources of funding will come from the assessed contributions of Parties as per the UN scale to support the secretariat, the replenishment contribution from developed countries, and different inputs as they fit such as public, private and alternative sources.

- Some members view that funding provided to the fund should be based on the needs of developing countries and on the principles and obligations under UNFCCC and Paris Agreement such as new, additional, predictable, and sustainable based on common but differentiated responsibilities and respective capabilities.

What does the TC want to recommend on innovative sources?

- There are divergent views among the members on the role of innovative funding sources to finance the operation of the fund, including the level of detail of the TC recommendations to be provided on sources on whether to provide specificity or to avoid being prescriptive.

- Potential sources of innovative finance suggested include a portion of share of proceeds from voluntary carbon markets, maritime GHG pricing mechanisms under IMO, levy on air passengers, climate resilient debt clauses, sovereign wealth funds, IMF SDRs, contributions from citizens, and investments of the fund in the capital market. There is a need to clarify who will conduct due diligence in relation to the innovative sources of finance.

- The design of the fund should also allow for flexibility and dynamism over time, such that it can take advantage of new sources of funding as they become available.

- Funding through innovative sources remains insignificant in existing climate funds so far. There is a need to understand the reasons for this and design the L&D fund to be attractive to innovative sources.

- Divergent views on whether the expansion of the board should be linked to innovative sources or not.
