



ALLIANCE OF SMALL ISLAND STATES

SUBMISSION

FINANCE: LOSS AND DAMAGE FUNDING ARRANGEMENTS –
SCOPE OF FUNDING ARRANGEMENTS & ENVISIONED OUTCOMES
FOR THE TC FOUR AREAS OF WORK

MANDATE(S)

Transitional Committee ('TC') Decision TC1/2023/3/Rev.3: TC Members, Parties and observer submissions for TC 2 by 25 April 2023

19th May 2023

VIEWS

ON THE SCOPE OF THE FUNDING ARRANGEMENTS (PARTICULARLY THE FUND) AND ENVISIONED OUTCOMES FOR THE TC FOUR WORK AREAS

AOSIS welcomes this opportunity to provide the scope of the loss and damage funding arrangements in particular the Fund, and the form of the envisioned outcomes for the TC's four work areas.

1. SCOPE OF THE FUND

AOSIS avails itself of the opportunity to reiterate that a clear and historic decision was made at COP 27 establishing new funding arrangements for responding to loss and damage including a new, fit-for-purpose and distinct Fund. The Transitional Committee (TC) has been tasked to make recommendations on the **operationalization** of the new funding arrangements, including the Fund, for consideration and adoption at COP 28. The Fund will therefore be equipped to program funding at a scale commensurate to the overall problem in order to make a significant contribution to the global response to climate change. Amongst the other funding arrangements, this Fund will act as a beacon of hope for those struggling with the ongoing, locked-in, and future loss and damage resulting from the increasing adverse effects associated insufficient global action to reduce greenhouse gas emissions, and the shortfalls in adaptation funding for developing countries.

In line with the principle of 'form following function', Table 1 outlines AOSIS' initial views on the provisions for the Fund's instrument of establishment related to **the scope of the Fund**.

Table 1

SECTION	SUGGESTED TEXT
LINKAGE TO INACTION	<p><i>Acknowledging</i> that climate change has already caused and will increasingly cause loss and damage and that, as temperatures rise, impacts from extreme weather events as well as slow onset events, will pose an ever-greater social, economic and environmental threat;</p> <p><i>Underscoring</i> that near-term actions that limit global warming to close to 1.5°C would substantially reduce projected loss and damage related to climate change in human systems and ecosystems, compared to higher warming levels, but cannot eliminate all of said loss and damage;</p> <p><i>Recognizing</i> that the imperative for the Fund to support responses to loss and damage is linked to an inadequate global response of mitigation which is misaligned with objectives of the Convention and the Paris Agreement, and the</p>

SECTION	SUGGESTED TEXT
	implications and associated requirements presented in the best available science, and <i>further recognizing</i> that insufficient levels of mitigation and adaptation directly increases the scale of loss and damage that require response
ROLE OF DIGNITY IN RESPONSE	<i>Emphasizing</i> that the application of the financial resources of the Fund shall be done in a manner that fully respects and protects the dignity of the recipients
CONTRIBUTION TO THE GLOBAL RESPONSE	The Fund is developed in the context of the shared objective of strengthening the global response to the threat of climate change and providing redress for climate injustices. The purpose of the Fund shall be to significantly contribute to a systematic global response to the loss and damage associated with the adverse effects of climate change, including extreme weather events and slow on-set events, faced by developing countries that are particularly vulnerable to such adverse effects
ROLE IN RELATION TO THE OTHER ARRANGEMENTS	It is reaffirmed that the Fund was established as a dedicated fund to assist developing countries that are particularly vulnerable to the adverse effects of climate change in addressing such loss and damage, through the channeling of new, additional, predictable and adequate financial resources. Being so established and designated, it will play a central role amongst the other existing and future funding arrangements established and designated to assist developing countries that are particularly vulnerable to the adverse effects of climate change for the aforementioned purpose while also being mutually supportive of such arrangements
BROAD SCOPE OF SUPPORT	The Fund will provide support to developing countries that are particularly vulnerable to the adverse effects of climate change to address non-economic and economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow on-set events. This support will also be provided in the context of ongoing and ex post (including rehabilitation, recovery and reconstruction) action
ELIGIBLE PROGRAMMES	The Fund will provide financial resources to support programmes that address loss and damage in developing countries that are particularly vulnerable to the adverse effects of climate change which aim to achieve the following in relation

SECTION	SUGGESTED TEXT
	<p>to any affected aspects of income¹, physical assets², individuals³, society⁴ and/or the environment⁵:</p> <ul style="list-style-type: none"> • recover, restore, rehabilitate, or ensure safe mobility particularly in cases of temporary loss, • replace, institute alternatives, recognize or ensure safe mobility particularly in cases of permanent loss, • assist in ensuring access to justice in relation to the affected aspects <p>Such support should, to the greatest extent possible, avert and minimize further loss and damage and have a focus on long-term sustainability and climate-resilience building</p>

It should be noted that there will be other sections in the Fund’s instrument of establishment on areas like, *inter alia*:

- operational modalities (for e.g. financial entry points i.e. potential sources of funding, recognizing the need for support from a wide variety of sources, including innovative sources, and financial exit points i.e. form of finance/instruments, access modalities [including provisions on eligibility, and application and approval processes], thematic windows, funding channels, monitoring and evaluation of results and impact, etc.);
- institutional arrangements (for e.g. the establishment and function of the Fund’s secretariat, independent units, and governing body, the definition of the Fund’s relationship to the COP & CMA and their institutional arrangements as well as other funding arrangements, etc.);
- governance (for e.g. key rules of the Fund’s governing body on decision-making, composition, etc.);
- structure (for e.g. the Fund’s legal personality, legal capacity, and privileges and immunities, fiduciary agent/funds manager, etc.);

AOSIS will be providing additional submissions on these sections in due course.

¹ This includes, among other things, business operations, personal livelihood, economic activity, etc.

² This includes, among other things, infrastructure, physical property, etc.

³ This includes, among other things, life, health, well-being, human mobility, etc.

⁴ This includes, among other things, territory, cultural heritage, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, societal/cultural identity, etc.

⁵ This includes, among other things, biodiversity and its components, ecosystem services, etc.

2. ENVISIONED OUTCOMES FOR TC PROCESS

AOSIS is of the opinion that the TC should develop the following outputs in order to fulfil its mandate of making recommendations on the operationalization of the new funding arrangements, including the Fund, as outlined in paragraph 5 of the Decisions 2/CP.27 and 2/CMA.4

ELEMENTS FOR THE OPERATIONALIZATION	INTENDED OUTPUT
A1) Fund Structure A2) Fund Modalities A3) Fund Governance A4) Fund Institutional Arrangement A5) Fund TOR for Fund's Governing Body to finalize	<p>Output 1: Fund's Instrument of Establishment</p> <p>Output 2: Initial guidance to the Fund's Governing Body – The main objective of this Output is to assign additional responsibilities for further operationalization to the governing body on key issues as well as to detail other appropriate decisions, requests, invitations, and encouragements associated with the Fund</p>
B1) Defined Fund B2) Other Funding Arrangements (Inside) B3) Other Funding Arrangements (Outside)	<p>Output 3: Funding Arrangements' Guidance Annex – The main objective of this Output is to promote a consistency and coherence across funding arrangements in the form of guiding principles/framework/operating model for loss and damage funding arrangements</p> <p><i>(NOTE: To be drafted in an appropriate manner that would respect the individual mandates of other institutions and entities)</i></p>
C1) Identifying sources C2) Expanding sources	<p>Output 4: Draft Decision Text Annex – This Output will use paragraph 13 of Decisions 2/CP.27 and 2/CMA.4 as a basis to build off of in relation to sources</p> <p>There will be corresponding subsections under Output 1 Fund's Instrument of Establishment that will identify the Fund's intended source of funding</p>
D1) Coordination with existing funding arrangements D2) Complementarity with existing funding arrangements	<p>There will be corresponding subsections under Output 2 Initial guidance to the Fund's Governing Body and Output 3 Funding Arrangements' Guidance Annex that will outline how the funding arrangements coordinate amongst themselves to ensure complementarity</p> <p><i>(NOTE: Coordination can only happen when all involved are on the same page, do their part, and complement each other to achieve the ultimate objective of effective and efficient provision and utilization of loss and damage finance. This issue should not be used as an artificial barrier for the operationalization of new funding arrangements including the Fund, or prevent these arrangements from supporting funding areas that may be already fund existing arrangements especially given the scale and wide scope of climate-induced loss and damage)</i></p>

