



FUNCTIONS, STRUCTURE, SOURCES, AND APPROACHES TO THE FUNDING ARRANGEMENTS ON AVERTING, MINIMIZING, AND ADDRESSING LOSS AND DAMAGE ASSOCIATED WITH THE ADVERSE EFFECTS OF THE CLIMATE CRISIS

SUBMISSION OF CALLS AND RECOMMENDATIONS TO THE TRANSITIONAL COMMITTEE BY THE HOME OF SIBUYAN ISLAND PEOPLES¹

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The twenty-seventh session of the Conference of the Parties (COP27) under the United Nations Framework Convention on Climate Change (UNFCCC) saw the landmark decision to establish funding arrangements addressing climate-related loss and damage (L&D). It is an acknowledgement of the urgent need to respond to impacts that are beyond the current capacities of mitigation and adaptation, a grim reality that developing countries and the most vulnerable communities have to confront potentially for decades to come.

In creating a L&D funding facility (LDFF) is not only one of the primary calls of the developing world, a Transitional Committee (TC) was established to develop recommendations on the following: institutional arrangements, modalities, structure, governance and terms of reference of the LDFF; the elements of the new L&D funding arrangements; existing and potential sources of said funding; and ensuring coordination and complementarity with existing funding arrangements (Decision 2/CP.27, par. 5).

Should global climate change occur as currently projected by the Intergovernmental Panel on Climate Change (IPCC)², the costs of L&D would also increase to the point of being even more detrimental to the pursuit of sustainable development by the more vulnerable countries. Economic costs of L&D could reach between USD 290 and 580 billion in 2030, and as much as USD1.74 trillion by 2050³. These values do not yet include the costs of non-economic L&D, which ranges from the loss of biodiversity and ecosystem services to impacts on mental health, and are just as adversely impactful to the well-being of communities and the environment.

Addressing L&D is of utmost importance to the most vulnerable communities in the Philippines, consistently ranked as one of the nations at highest long-term risk to impacts of the climate crisis. The country endured PHP506.1 billion (more than USD10 billion) in climate-related L&D from 2010

¹ Home of Sibuyan Island Peoples is an accredited observer organization to the United Nations Framework Convention on Climate Change (UNFCCC). The positions and recommendations presented in this paper also reflect those of Living Laudato Si' Philippines (LLS), a Philippine interfaith movement campaigning for fossil fuel divestment, social justice, and sustainable development. LLS is currently the Convenor and interim Secretariat of Aksyon Klima Pilipinas, the Philippines's largest civil society network for climate action.

² IPCC (2021)

³ Markandya & Gonzalez-Eguino (2018)

to 2020, comprising 98.2% of all L&D experienced during this period and corresponds to an annual loss of 0.33% of the national gross domestic product⁴. The ten most destructive storms in its history have all occurred since 2009, causing a combined PHP363.7 billion (USD 7.7 billion) of L&D and thousands of casualties⁵, and indicating the rising intensity of risks and impacts of the climate crisis that are increasingly beyond the nation's capacities for either adaptation or mitigation.

The most destructive of these typhoons that struck the Philippines is Haiyan in November 2013, a category-5 storm that caused at least 6300 deaths and around PHP95.5 billion (USD2.2 billion) worth of L&D⁶. This incident moved the ongoing COP19 in Poland to agree to establish the Warsaw International Mechanism for Loss and Damage, then regarded as a milestone in establishing L&D as a key workstream within the UNFCCC sphere.

A decade has passed since then, yet more extreme weather and slow onset events have occurred, wreaking havoc in the Philippines and elsewhere. Now, global policymakers are faced with the imperative of finally upscaling actions to avert, minimize, and address L&D, largely through the establishment of the LDFF and accompanying funding arrangements. When considering the scope, structure, funding sources, and approaches to the eventual operationalization of said facility, they must ensure that it would not be hindered by the challenges that have slowed down the administration and disbursement of funding under existing climate financing mechanisms, such as the Green Climate Fund and the Adaptation Fund.

Otherwise, more vulnerable peoples in the Philippines (i.e., indigenous peoples, women, youth) would be subjected to the brunt of L&D that unjustly hinders their capacity to exercise their human rights, pursue sustainable development, and exacerbates social, political, economic, cultural, and environmental conditions that contribute to their already-high vulnerability. As Pope Francis eloquently puts it in his encyclical *Laudato Si'*: "Both everyday experience and scientific research show that the gravest effects of all attacks on the environment are suffered by the poorest".

As representatives of our partner communities in the Philippines and pursuant to our overarching advocacies on climate and environmental action, we respectfully submit the following calls and recommendations to the Transitional Committee regarding the functions, financial approaches, structure, and other aspects associated with the LDFF and funding arrangements to address L&D.

Scope and functions

The LDFF should be positioned as a new, standalone entity under the UNFCCC. It must perform the following proposed tasks and responsibilities, to be stated as part of the resulting decision text at COP28/CMA5:

- Mobilizing finance and granting to developing nations, especially the most vulnerable States, to avert or minimize economic and non-economic L&D;
- Identifying funding gaps, new financial approaches, and priority recipient nations, based on the needs of developing countries and available resources;

⁴ Ibanez (2021)

⁵ Data is sourced from reports of the National Disaster Risk Reduction Management Council (NDRRMC).

⁶ Del Rosario (2013)

- Monitoring and evaluating the use of granted finance in the project implementation of recipient countries for addressing L&D;
- Coordinating financial support to developing countries with other financial mechanisms under the UNFCCC; and
- Providing financial support towards the effective implementation of the Warsaw International Mechanism on Loss and Damage and the Santiago Network on Loss and Damage, the applicability of which may be decided in future COPs.

Financial approaches and funding arrangements

The LDFF facility must be designed and administered based on the principles of common but differentiated responsibilities and respective capacities and equity, as with other mechanisms and institutions set up under the UNFCCC. Similarly, it must also abide by the “polluter pays” principle, aligned with the historical responsibility of developed countries and fossil fuel corporations (“carbon majors”). These principles would be reflected through the following specific aspects of the LDFF and funding arrangements:

- There must be a minimum amount allocated to it every year to sufficiently correspond to the needs of vulnerable nations and communities. This figure should also increase every year, in anticipation of a likely increase in L&D due to worsening climate change impacts.
- The allocation of funding under the LDFF should preferably be based on climate-impact drivers (i.e., typhoons, droughts, sea level rise), as there are categorizations under this paradigm that are already scientifically-defined and more readily standardized compared to other potential criteria. Equal funding should be allotted for projects addressing L&D from sudden onset events and those from slow onset events. A special focus must also be placed on addressing non-economic L&D, using evidence-based approaches.
- Priority for accessing the LDFF should be given to the most vulnerable countries, especially Small Island Developing States and the Least Developed Countries. Furthermore, special windows for supporting L&D-related projects should be established and become directly-accessible to the most vulnerable groups and sectors (i.e., indigenous peoples, youth, women), as the concerns of these groups may not necessarily be fully captured in existing programs and plans of both developing and developed countries.
- The funding should be sourced from sources including, but not limited to the following:
 - Public finance as committed by developed countries, through *new and additional funding* instead of simply realigning current funds from budgets allotted for other facets of climate action (i.e., mitigation, adaptation);
 - Taxation and penalties on carbon majors and other environmentally-harmful industries, the enforcement of which would be influenced by decisions made through climate litigation and would depend on systems established at the country level;
 - Redirecting public and private subsidies away from fossil fuel corporations;
 - Philanthropic contributions; and
 - Cancellation of debts of the most vulnerable nations.
- All means of support under the L&D facility must come in the form of grants instead of loans to avoid placing even more burden on developing countries in their pursuit of national development and as a means of upholding climate justice. While the urgency for mobilizing L&D funding is high with the growing needs and costs endured by the most vulnerable

countries and communities, caution must be exercised with availing private sources of finance, as they could prove costly and end up prioritizing commercial interests over the well-being of communities. For a more efficient process, grants must be provided at their full amount instead of in installments. They should also be directly accessed by national governments instead of having to go through accredited entities.

- In the submission of proposals to secure grants, Parties must include modalities that enable local stakeholders to make decisions on managing allotted funds. This is in recognition of the critical role of local stakeholders in directly addressing L&D, to which they are more familiar compared to national or global-level actors.

Governance arrangements

- An LDFF Board must be created as its decision-making entity, with a Secretariat to oversee day-to-day operations. The majority of the Board's members must represent developing nations, in recognition of the vast majority of the most vulnerable peoples to the climate crisis living in these countries. The proportional allocation of positions in the Board should be based by region, to reflect the more localized needs and costs on dealing with L&D that would be determined by countries; this would enhance the coherence, complementarity, and coordination that would ultimately impact actions at the national and local levels.
- The relationships between the LDFF and other L&D-oriented mechanisms under the UNFCCC (i.e., Warsaw International Mechanism on Loss and Damage or WIM, Santiago Network on Loss and Damage or SNLD) must also be clearly defined to avoid overlapping of mandates. For instance, the criteria for determining eligibility and access to the LDFF should be developed by a team of experts under the SNLD. Said facility could also finance activities that also contribute to the attainment of the intended objectives of the WIM to optimize the use of available resources, given current circumstances and projections.
- Specific LDFF Board members or Secretariat personnel may be assigned to liaison with other funding institutions such as multilateral development banks (i.e., World Bank, Asian Development Bank) and existing climate financing mechanisms (i.e., GCF, AF). This is to both increase the likelihood of higher mobilization of resources and learn good practices and avoid pitfalls with said financial entities' mobilization and use of funding for previous climate projects, which would help ensure coherence, complementarity, and coordination at the global and regional levels that is needed to achieve the objectives of the LDFF.
- Each Party has to determine national government agencies as national designated entities for fulfilling different roles related to the LDFF, such as interfacing with said mechanism, accessing its funding, and implementing approved projects. These entities should preferably demonstrate capacities for upholding transparency, accountability, inclusiveness, and effectiveness in implementing previous climate-related programs and projects, among other necessary requirements.

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