

Expanded detail on the PSIDS position on ‘nationally-determined programmatic approaches’ and recommendations for the operationalisation of the Loss and Damage Fund and funding arrangements

Explanatory paper on positions and proposals developed by the Pacific SIDS Loss & Damage negotiators. Contact filomenan@sprep.org for additional information or to contact the PSIDS LnD Working Group.

As expressed through various submissions, discussions, and workshops, PSIDS have developed a strong view on the importance of ensuring that new and additional financing for loss and damage is responsive to nationally-determined priorities and flows through national systems where possible to ensure that loss and damage is addressed in a consistent, context-relevant, and sensitive way and through the most locally-appropriate disbursement mechanisms and funds. This paper seeks to inform the operationalisation of the Loss & Damage Fund and Funding Arrangements by clarifying perspectives from the Pacific and others on the rationale of this approach and by presenting the salient features that differentiate this proposal from, inter alia, traditional ‘budget support’ approaches (on-budget support for government-only activities and operational costs).

Section 1: Function of National Loss & Damage Programmes	1
Section 2: Operational implications	4
Section 3: Benefits associated with nationally-determined programmatic proposals	7
Section 4: Required documentary outcomes at COP 28/CMA 5	8
Section 5: Annexes	9
Annex 1: The proven value of programmatic approaches	9
Annex 2: FAQs on Programmatic Proposal	10
Annex 3: Example components of a Nationally Determined, Long-term Programme for Loss & Damage	12
Annex 4: An example of successful programmatic funding in Vanuatu:	14
Annex 5: A theoretical example of a programmatic proposal to the Loss & Damage Fund	14

Section 1: Function of National Loss & Damage Programmes

Elements and Key Principles for deploying loss and damage financing through long-term nationally-determined programmatic approaches

1. Responsive to differing needs and circumstances: The intensifying and cascading impacts of climate change are compounding existing development challenges and require longer-term, holistic, and cross-sectoral efforts. For finance to most effectively address loss and damage, the arrangements, modalities, and access criteria must be designed to respond to a range of different contexts and needs. To do so funding arrangements must be responsive to localised priorities and reflect the diversity of

considerations needed to effectively address and manage loss and damage in different locations and circumstances.

Recommendation 1: That the new fund for addressing loss and damage clearly demonstrates capacity and capabilities, through its operational design, to be responsive to differing contextual needs and circumstances.

2. National determination of priorities and needs: The Fund should, as one of a range of modalities, support solutions, systems, and funds that are developed and tailor-made at the national level for end users. The effectiveness of financing deployed to address loss and damage at the national level must be contingent on the existence and development of the necessary disbursement infrastructure, legal frameworks and the context-specific analytical tools needed to address loss and damage scenarios experienced in specific national circumstances. In most cases Governments have the legal mandate and contextual understanding required to address loss and damage in a responsive and culturally appropriate manner, therefore, priorities should be communicated through a bottom up approach rather than determined by pre-set thematic areas, restrictive windows or a narrow set of eligible activities. The determination of loss and damage priorities at the national level, including their alignment with policy and national structures, is crucial to ensuring effectiveness, national ownership and sustainability.

Recommendation 2: Due to the evolving nature of loss and damage and its specific contextual manifestations, priorities must be driven by demand from the bottom up, and shaped by national priorities, systems, plans, and policies.

3. Enabling long-term programmatic approaches: Efforts to curtail or address climate-driven loss and damage are unlikely to be successful if funding is deployed through a piece-meal approach, such as through short-term projects that often run parallel to the long-term operations of Governments, civil society and other national stakeholders. Instead, addressing loss and damage is understood to require ongoing and robust funding arrangements. To address and respond to the evolving nature of loss and damage in a given context, governments must establish more comprehensive or “programmatic” solutions, including, for example, social protection mechanisms, that deploy resources in an equitable manner over the most appropriate timescales in line with impacts that are intensifying, cascading and compounding. Experience makes clear that loss and damage needs at the local level do and will continue to evolve over time and vary by context, thus necessitating programmatic solutions that are shaped in real-time, over time, by the circumstances they seek to respond to. Programmatic approaches are increasingly understood as best practice across the spectrum of climate financing typologies.

Recommendation 3: Loss and Damage Financing should be deployed in a way that promotes and incentivises the development of programmatic and holistic approaches to help ensure that efforts to address loss and damage are well aligned with efforts to curtail (avert and minimise) loss and damage.

4. Prioritizing national/country systems: A programmatic approach, one that anticipates long term ongoing efforts and in doing so, invests in delivery systems and national capacity to deliver solutions over time, is preferred over projects or one-off grant arrangements which rely on temporary implementation arrangements (i.e. third party management and administration, project development

units, and short term technical assistance. The use of national systems for the deployment of financing to address loss and damage will provide efficiency over time, reducing reliance on external administration and the associated financial costs and management fees, and in so doing will maximise the benefit that reaches end users. Key aspects of loss and damage – such as complex slow-onset impacts, non-economic loss and damage, and migration – cannot effectively be considered or funded in isolation due to the inextricable linkages to broader resilient development planning and social protection mandates. Thus, the use of national systems where possible (noting situations in which this may not be possible or appropriate) is perceived to be the most efficient and effective way to ensure loss and damage financing creates the impact it is intended to produce. Governments will be incentivised to invest in the development and strengthening of these systems and mechanisms if the main sources of financing are deployed through them.

Recommendation 4: Financing for addressing loss and damage should prioritize the use and strengthening of national/country systems to leverage long term effectiveness and draw on the existing mandates of Government and national stakeholders. The use of national systems should be contingent on the ability to prove existing systems have functional equivalence to the safeguards, fiduciary standards, and reporting requirements expected in relation to international climate financing arrangements.

5. Incentivising the development and use of diverse national modalities for dispersing finance to address loss and damage: Many developing countries have existing disbursement modalities including disaster funds, trust funds, and social protection/risk transfer schemes, as well as modalities capable of channelling resources directly to subnational administrations, civil society and the private sector (including, inter alia, through cash-transfer and risk pooling/transfer mechanisms). These modalities can be strengthened, reshaped, or where non-existent - established, to channel financing for specific loss and damage interventions. Experience demonstrates that top-down project-based disbursement processes create unhelpful burdens and produce administrative bottlenecks that slow implementation and limit implementation effectiveness. The ability to assess and recognise the functional equivalency of these modalities and their legitimacy is crucial to ensuring that loss and damage financing operates within and under national policies, laws, regulations, and monitoring and evaluation systems. Enabling relevant modalities and entities to receive funds at the national (or in some cases regional) levels will help to avoid duplication, leverage scale, and improve results. The LDF should be designed in a way that allows for the consideration, support and utilisation of nationally-determined modalities, to be considered and supported based on review.

Recommendation 5: A central goal of the Fund should be to incentivise meaningful nationally-determined solutions in recognition of the diversity of loss and damage scenarios vulnerable developing countries, communities and key stakeholders face. The operational design of the Fund must acknowledge, support, and provide capital to national systems, funds, and arrangements for addressing loss and damage to create a cohesive response that draws on resources from both the LDF and other financing arrangements. Financing to address loss and damage should not introduce additional debt to or administrative burdens on vulnerable developing countries.

6. Human capacity development is essential. One of the key enabling factors with additional cost considerations for addressing loss and damage is the recruitment, remuneration, and upskilling

of technical expertise required to support implementation. Human resources for this purpose should be integrated into national systems and resources made available to ensure the expertise can be retained. The associated costs and lack of financing to strengthen this capacity is often prohibitive for small economies. Key capacities in relation to risk assessment, loss modelling, including the programmatic planning, governance, management, disbursement, monitoring/evaluating and reporting on loss and damage solutions and impacts must be built at the national and local level. Capacity building should be nationally-determined, and these costs should form part of long-term programmes to support its efficacy and sustainability.

Recommendation 6. Financing for loss and damage should support the costs of long-term training and retention of human capacity required to address Loss and Damage in the unique circumstances as outlined in the programme. Financing for human resources should be delivered through nationally-determined, long-term and predictable modalities that allow for sustainable workforce planning and delivery.

Section 2: Operational implications

In order for the Loss & Damage Fund to be inclusive and responsive to a range of needs while also ensuring alignment with key principles, internationally recognised fiduciary standards, transparency rules, and donor expectations, the following elements are proposed:

1. Programme Framework Document

Particularly vulnerable developing countries would submit, individually or jointly a Programme Framework Document providing:

- a) Details on the nature and scope of the loss and damage scenario(s) to which a programmatic response is required;
- b) The proposed modality, action, policy, or plan(s) for addressing the scenario in question;
- c) The scope of the programme and the target results and outcomes it will create;
- d) Detail on the sustainability and effectiveness of the programme and its associated initiatives;
- e) Evidence of the readiness to implement the programme and / or details of related projects or technical assistance in place to support implementation (via for instance the SNLD).

The programme would be expected to be:

- country-owned and build on national priorities;
- enable national systems to incorporate long term programming for addressing loss and damage into the context of national and regional planning frameworks;
- be informed by an open, representative and transparent process of multi stakeholder dialogue, ensuring public involvement acknowledging that many different actors, nationally and internationally, share roles and responsibilities for addressing loss and damage that will occur now and in the future;
- outline realistic programme goals, objectives, and a set of indicative activities that have causal links (through a theory of change) to outcomes that directly address loss and damage experienced in its most direct and localised form;
- have sufficient detail to ensure there is trust and confidence that finance will be spent pursuing the values and objectives of the Fund;

- result oriented, including a justification of robust and functionally equivalent national monitoring and evaluation systems.

2. Programme Budget

The programme budget would be expected to provide a clear distinction between funding required to establish the programme and funding required to implement it on an ongoing basis. Importantly, the budget should highlight all sources of finance that will be expected to contribute to the proposed solutions, including from the Loss & Damage Fund and other funding arrangements. The budget will also articulate additional finance expected to be leveraged (or estimated savings enabled) by the programme across different timeframes.

Funds requested should be:

- Realistic and reflective of assessments that account for expected disbursements from the Fund, additional external flows and domestic resources;
- Serve to present the credibility of the programme through high resolution breakdown of indicative cost elements - i.e., presentation of example budget for support required for an individual community/island/province along with method used to calculate a specific budget line;
- Reflect the understanding that monies received towards the budget from the Fund should be catalytic and leverage additional financing from a wide variety of sources rather than relied upon solely to provide exhaustive and continual solutions;
- Include detail on cost-effectiveness and seek to maximise the amount of benefit that is directly transferred to the end user / those impacted by loss and damage, noting that value for dollar will vary across different contexts;
- Illustrate activities that will be directly funded ensuring that the specific financing gaps that will be filled through the Fund are understood and differentiated.

The budget would be expected to include:

- Overarching financing needs of the country as articulated in its Programme Framework Documents;
- Commitment to allocate national budget resources in line with climate development strategy, objectives and capacities;
- Locally determined Impact costs (including for addressing non-economic impacts) and the specific added value in achieving nationally determined loss and damage goals, outcomes and objectives;
- Track record and absorption capacity of designated national systems.

Assessing the credibility and effectiveness of Programme Proposals

Applicants should be able to demonstrate the following at the time of application:

- Basis for Implementation: the existence of a relevant policy or legal framework for managing the loss and damage scenario(s) in question (i.e. roles and responsibilities clarified, clarity on principles and objectives).
- Established Safeguards: a system of functionally equivalent safeguards in place to manage adverse social, environmental, economic, and legal outcomes with evidence in place to demonstrate ability to enforce and monitor the safeguards.
- Financial Oversight and Transparency: demonstration of sound fiduciary systems, including the institutions and processes in the country that allow transparent and accountable use of public and donor funds. Justification and information on the country's budget, procurement and

financial reporting frameworks, as well as audit institutions may be included. The same justification would be required of other disbursement modalities, including direct access to civil society or private sector recipients if they are part of the programmatic design proposed.

- Disbursement Mechanism / Modality Description / Proposal: Outlining the most appropriate new or existing arrangements / national funds / financial management systems available or in development that would be prioritised for receiving flows from the Fund (which may include contributions to existing Trust Funds, regional agencies, civil society, private sector, etc).
- Programme Governance Mechanisms: The governance mechanism which is tailored to fit the unique circumstances of each programme and including a risk management framework to comprehensively demonstrate the functional equivalency of existing or new systems to implement and govern the programme, uphold safeguards, monitor and evaluate progress as well as systems to mitigate potential risks, including for example, from the political system and corruption, public finance management, transparency and fiduciary oversight.
- Reporting, Monitoring and Evaluation: A clear articulation of monitoring and reporting processes, such as assurance that programmatic, financial and risk management reports would be completed / updated on a yearly basis by the National Government, potentially with technical assistance from the Santiago Network, the Fund Secretariat or other partners.
- Exceptional circumstances could trigger more frequent updates within a year (such as changing security risks, exposure to climate and economic shocks or emerging social challenges). Reviews may result in adjustments to the size of any fixed tranche and/or reallocating funds to diverse delivery modalities.

Additional considerations for evaluation of programmatic proposals

- Note that the priority should be to utilise existing, and functionally equivalent governance mechanisms, rather than create new or parallel program structures.
- Note that safeguards flexibility will be required, as often addressing loss and damage is focused on transformative changes that reflect existential climate shifts rather than maintaining un-workable socio-economic systems (e.g., relocation of entire communities).
- The governance mechanism should aim especially to develop the institutional and systemic capacities of the existing systems, enabling them to deliver a greater future volume and more harmonized loss and damage services in a cost-effective manner.
- As appropriate, an existing programme advisory body in the country may be nominated to facilitate high-level policy dialogue among programme stakeholders and provide strategic oversight of the implementation of the programme, and provide contextualized guidance to the Fund, other financial institutions, national and regional institutions, bilateral and multilateral donors, civil society, and other partner to ensure coherence across the program portfolio.
- Will use and strengthen national knowledge management systems, including the collation and dissemination of best practices, with the goal of ensuring effective implementation and replication of not just of individual projects, but of the programmatic effort.

Global Level Oversight and considerations for Programmatic Approval Criteria

- The Board of the Fund, or a regionally based designee, would review the programme, approve and earmark / guarantee adequate funding over a sufficient timescale that would be dispersed on an appropriate schedule to meet key priorities and fill gaps in the existing financing landscape.
- The approval process may include a consideration of pre-conditions and criteria for accessing larger-volume programmatic disbursements, the level of functional equivalency of existing

national systems and whether the programme could clearly act as a driver to accelerate nationally determined solutions to loss and damage.

- Priorities for selection of programmes may also consider other barriers which have already hampered access to loss and damage finance or countries that demonstrate particular vulnerabilities or high impact possibilities for investment.
- If a programme proposal is deemed inadequate or does not meet the criteria, there may be a possibility for national needs to be met through a smaller volume project modality, or special windows from the Fund.
- Transfers from the Fund across the duration of the programme may be tied to performance, with an expectation that achieving outcomes and objectives may be achieved by flexibly modifying indicative activities, or re-sequenced according to changing contexts and emerging needs. The use of a variable tranche system based on pre-agreed programmatic indicators will also allow for the inclusion of unexpected sudden onset events and resulting loss and damage.

Section 3: Benefits associated with nationally-determined programmatic proposals

- A. Ensuring the management of sensitive local loss and damage is nationally determined (principles of sovereignty and subsidiarity).
- B. Enabling cost-efficiency by leveraging and drawing on existing resources, diverse funding arrangements and a range of public, private and development stakeholders, including those catalysed by the Santiago Network on Loss & Damage.
- C. National level funding arrangements increase the potential for countries to crowd-in financing from a range of sources.
- D. Providing fiscal predictability over time, ensuring that limited capacities are not diluted by ongoing project application processes.
- E. Allowing strategic opportunities and meaningful timeframes to adjust and improve national arrangements over time in response to periodic reviews.
- F. Increasing the financial capacity of vulnerable countries to put in place a collection of long-term national mechanisms and policies to respond flexibly to evolving loss and damage needs.
- G. Incentivising the design of robust national arrangements as a form of long-term response - providing security and reducing the risk that funds for long term resilience building will be diverted towards immediate loss and damage needs (improving the potential to minimise loss and damage over the long term).
- H. Delivering adequate finance to address loss and damage (not necessarily as an end in itself) that implements the aid effectiveness agenda and commitments set out in the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Paris Summit for a New Global Financial Pact (2023).
- I. Anticipating the occurrence of short-term, rapid onset events and associated needs based on the best available science, and flexibly building these into long-term programming.
- J. Allowing for the consideration and programming of a diversity of financial flows, relevant actors, and appropriate modalities to support more predictable and sustainable planning.
- K. Providing timely access to funding for resource and capacity constrained Governments, such as small island developing States (SIDS) and least developed countries (LDCs), which under

existing funding models have have been unable to adequately address critical barriers to addressing loss and damage in a systematic way;

- L. Focusing on the ‘national mosaic’ of needs, solutions and timeframes to inform and shape the international mosaic of solutions – not the other way around.

Section 4: Required documentary outcomes at COP 28/CMA 5

The COP / CMA cover decision would incorporate the recommendations prepared by the Transitional Committee on, *inter alia*, the following elements as set out in paragraph 5 of decisions 1/CP.27 and 1/CMA.5:

- Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund;
- Defining the elements of the new funding arrangements;
- Identifying and expanding sources of funding;
- Ensuring coordination and complementarity with existing funding arrangements.

On the matter of establishing institutional arrangements, modalities, structure, governance and terms of reference for the Fund, the cover decision (based on the recommendations of the Transitional Committee) could include:

- Nature of the fund, e.g., an operating entity of the financial mechanisms or other model;
- Role(s) of the COP / CMA vis-a-vis the Board of the Fund;
- Allocation provisions for the Fund;
- Composition and nomination of the Board;
- Process for choosing the host country of the Fund;
- Annex with the Governing Instrument of the Fund (see below for suggested content).

Annex to the cover decision: the Governing Instrument

The Governing Instrument is an essential part of the recommendations that would be provided by the Transitional Committee, and this is where the COP / CMA will be able to provide specific guidance to the Fund Board regarding how the fund operates, including its objectives and guiding principles and, importantly, where Parties will be able to embed the programmatic approach as the foundation by which the fund operates.

In order to accomplish this, the elements Parties may wish to include in the Governing Instrument are as follows:

- Objective and guiding principles;
- Governance and institutional arrangements, including;
- Role of the COP / CMA;
- Legal status of the fund;
- Rules of procedure and roles and functions of the Board;

- Secretariat and Trustee;
- Sources of finance;
- Fund structure and access modalities;
- Allocation and eligibility;
- Financial instruments, e.g., grants, concessional loans, etc;
- Accountability, evaluation and safeguards.

An important next step on the road to COP 28 / CMA 5 is preparation of draft examples of these documentary outcomes that incorporate the programmatic approach as envisioned in this paper.

Section 5: Annexes

Annex 1: The proven value of programmatic approaches

Programmatic approaches are not new and have for years become a priority vehicle for disbursing finance for developing countries. A programmatic approach to addressing loss and damage may be loosely defined as a long-term and strategic arrangement of individual yet interlinked initiatives that aim at addressing complex and often locally-manifesting loss and damage in particularly vulnerable developing countries.

The following organizations have made commitments to programmatic approaches:

- ADB¹
- GEF²
- EU³
- World Bank⁴
- UNDP⁵
- CIF⁶

Robust evaluations from these organizations and others find that programmatic approaches to fiscal cooperation:

- fosters country ownership of increasingly complex development planning and implementation
- favours true partnerships, in which a collaboration among equals is prioritized over unjust donor-beneficiary approaches improves prospects for achieving and reporting on measurable

¹ <https://www.adb.org/sites/default/files/linked-documents/41544-088-sd-01.pdf>

² https://www.thegef.org/sites/default/files/publications/Programmatic_Approach_3.pdf

³ rules of EU budget support were set by the European Commission communication on '[The future approach to EU budget support to third countries](#)'

⁴ <https://www.worldbank.org/en/what-we-do/products-and-services/financing-instruments/multiphase-programmatic-approach>

⁵ <https://www.undp.org/papp/publications/transformational-resilience-and-programmatic-approach>

⁶ https://www.cif.org/sites/cif_enc/files/knowledge-documents/evaluation_of_cif_programmatic_approach_brief.pdf

and larger-scale results, including alignment with the 2030 agenda for sustainable development and its Sustainable Development Goals SDGs

- ensures a balanced, holistic and open policy dialogue that promotes horizontal and vertical integration of loss and damage concerns into decision making;
- rewards successful outcomes and performance overtime as agreed outcomes are met.
- utilises and strengthens relevant and credible national or sector strategies and policies
- enables improves public financial management and domestic revenue mobilisation
- enhances transparency, budget oversight and publicly available budget information
- increases opportunities for co-financing from a variety of other sources including domestic and external sources
- creates platforms for interested donors to contribute additional financing based on the scope of a program, and facilitates interactions with the donor and its partners at a more strategic level
- improves the predictability of financing over longer timescales
- enables sector and system-wide transformation by addressing barriers to loss and damage integration into wider economic and development systems
- furthers adherence to fundamental values of human rights, democracy and the rule of law
- increases the effectiveness of implementation through a focus on accountability, performance, and risk management.
- contributes to strengthening dialogue among governments, civil society and the private sector.
- provides greater incentives and opportunities for collaborative approaches among the many actors involved in addressing loss and damage, grounding them with a more flexible operational fit with their own country engagement strategies and institutional mandates.
- overcomes overly rigid funding conditions to be more flexible in order to better address needs on the ground.

Annex 2: FAQs on Programmatic Proposal

- A nationally-determined programmatic approach for addressing loss and damage does not automatically equate to budget support, or a blank cheque, nor would it be expected to be preferred by all eligible parties.
- Eligibility criteria will need to be met before and during the programme, including through conditions fulfilled before payments are made to ensure resources are used for their intended purposes, safeguards are established, potential for unintended downstream risks arising from the activities are mitigated.
- Use of national systems will allow for additional funds to be leveraged from wider funding arrangements.
- Embedding solutions within existing national systems (including, but not limited to, government systems) will increase incentive and potential for transformative results through the strengthening of national systems and benefit from existing coverage of overheads associated with implementation (staff time, procurement systems, legal basis, established mandates etc).
- Programmatic approaches to loss and damage financing can also be applied in States in various situations of fragility or conflict, supporting vital state LnD ownership functions,

promoting loss and damage governance, and directly addressing loss and damage in vulnerable populations.

- National programmes can bring together multiple modalities (humanitarian aid, pooled funds, project aid, technical assistance from, say, the SNLD), including through strategic alignment and interaction with existing emergency response cluster systems.
- In the context of fragile states where Government capacity is limited or compromised the LDF could work through a regional or international counterpart to alleviate loss and damage in vulnerable contexts and communities.
- In regions where a grouping of countries has similar or linked needs, regional organisations could also be used to manage funds and through direct interaction with beneficiary countries, develop responsive solutions targeted at needs that are common across a given group of countries.
- The programmatic approach is not proposed as the only modality for disbursing resources from the Loss & Damage Fund. If national circumstances dictate that shorter term or projectized approaches are most appropriate, there could be a co-existence with other modalities such as Readiness, Rapid Onset Windows, Small Markets/Small Economies allocations, and/or Direct Access to NGOs/Private Sector. Irrespective, there should be an inherent prioritisation of implementation arrangements that seek to improve and strengthen national capacities, systems, and programmatic long-term arrangements for addressing loss and damage.
- The incentives for vulnerable Parties to move towards the development of programmes could be access to increased financing volumes and the introduction of more predictable grant-based funding flows.
- The programmatic approach does not anticipate that Parties would be in a position to develop a full set of nation-wide or multi-sector solutions from the outset as the “everything solution”. Rather, elements of the programme would be developed over time and each element would be understood through the broader context of the evolving national programme.
- The key to defining a nationally-determined programmatic approach will be on the identification of long-term objectives that are shaped by circumstances and needs and justified through contextual circumstances. Programmes would avoid rigidly defining the specific types of activity, or duration of activity, that are to be implemented to enable evolution and flexibility.
- Programmatic approaches do not exclude non-state actors. Part of the eligibility criteria of programmatic approval must include clear demonstration of an open, representative and transparent process of multi stakeholder dialogue, and public involvement in planning and implementation. Programmes are expected to include direct access modalities that allow funds to be made directly accessible to non-state actors, including, for example, to civil society, private sector or communities that are able to provide services that support the intentions of the wider national programme.
- The nationally determined programmes should not be considered to cover only long-term impacts. It is both feasible and preferable that rapid/sudden onset impacts, and the solutions to address these, should be predictably built into the programme. Science and historical experience make it easier to anticipate the needs and costs of the variety of climate hazards countries will face. Experience suggests that the pre-positioning of finance incentivises the design of more effective response systems and protocols. National disaster funds or funding that can be

reallocated within the wider programme in the event of a sudden onset disaster will reduce disbursement time frames increasing effectiveness to address and minimise loss and damage. Limits can be placed on funding from the LDF used to capitalise national disaster relief funds or to support premium payments for national parametric insurance products. However, the ability to support under-resourced disaster funds will ensure these funds can be used in concert with existing traditional funding arrangements (CAT-DDO's, contingent financing agreements, etc). The LDF funds would support efforts to address loss and damage and the activities that are out of scope of existing humanitarian and disaster management arrangements. It is not the intention of programmes to hold (not utilise) funds specially for disasters, but to enable flexibility such that funds can be reallocated in the event of pre-defined triggers or contexts.

- Programmatic approaches would not require a data-intensive climate rationale like with other climate funds. This will enable national and local stakeholders to more holistically plan to address the various drivers of crisis which often combine to make the situation much worse: increasing impacts, lowering resilience, and frustrating efforts to provide the more contextualized support needed. In these circumstances, it is often challenging to identify the specific role of climate change in causing loss and damage, as shocks are overlapping and not experienced as distinct but work together to increase the severity of impacts in already vulnerable countries and communities. Programmes could more holistically plan for and fund solutions for loss and damage 'associated' with climate change.
- Programmatic approaches can also include regional activities and regional stakeholders in their implementation. As long as these arrangements are nationally-determined and responsive to contextualized and local needs, and further enable national systems, there should be flexibility to enable States to utilize regional and global mechanisms as most appropriate and relevant. In the Pacific, for example, most PSIDS involve the Council of Regional Organizations (CROP) agencies in national-level action to address impacts.

Annex 3: Example components of a Nationally Determined, Long-term Programme for Loss & Damage

All of the following may be viable components of nationally-determined programme to address loss and damage

- Thematic or sectoral solutions
- Regional or country-based solutions
- A focus on a single or a wide range of loss and damage impacts (including both rapid and slow onset impacts, economic and non-economic loss and damage
- Actions required to develop a 'national mosaic' of arrangements for addressing loss and damage, noting the need for these systems to be scaled up in response to current and expected climate change impacts.
- The translation of long-term loss and damage needs assessments into targeted initiatives and activities.
- Solutions that address non-economic loss and damage through innovative programmes that seek to alleviate loss and damage through cultural preservation activities, investment in social

protection measures, and the introduction of new support systems for vulnerable populations or sectors .

- Solutions that meet longer term needs in contexts where compounding, cascading and intensifying climate and non-climate events have eroded development potential and undermined economic, environmental, and cultural value.
- Solutions that effectively and systematically address loss and damage experienced by Small and Medium Enterprises (SMEs) through financial support and funding of activities that help to develop alternative income sources.
- Phased approaches, with activities sequenced over time addressing absorptive capacities, leveraging investments to consolidate progress made, scaling up best practices that have been identified in earlier phases, and incorporating unanticipated climatic changes and tipping points.
- Designation of national funds or financial entities which are purposed for addressing a specific priority issue – for example the loss of an agricultural sector or a specific demographic (rural communities) which have lost livelihoods.
- Integrate the management of risks across different time and spatial scales and understand how they can compound and cascade across systems and borders.
- Enhance capacities within the decision-making process to incorporate quantitative and qualitative assessments of the implications of uncertainty for options and outcomes.
- Adopt iterative and adaptive decision-making processes, guided by learning and evolving understanding of the risks and take a strict precautionary approach when choices may lock-in long-term changes to risks.
- Identify and manage risks that may overwhelm local capacities by anticipating future thresholds and decision points where alternative responses may be needed.
- Loss and damage capacity development, training and south-south learning
- Loss and damage integrated knowledge management systems for holistically data gathering, the collection and use of information to generate knowledge, and the internal and external dissemination of loss and damage knowledge.
- Pre-event, pre-positioning and/or pre-arranged financing for unexpected events
- a continuum of action to address priority impacts (including a holistic and contextualized consideration of ‘anticipatory action’, ‘response’, ‘early recovery’ ‘rehabilitation’, ‘reconstruction’ etc)
- Focus on supporting a specific or multiple disbursement modalities, including b direct access for civil society, private sector, and communities.
- Creation of innovative financial sources for addressing loss and damage at the national or regional level
- Improve awareness and understanding of how climate change threatens what people value and develop context-specific approaches to reducing and managing intangible, as well as economic, losses and damages.
- Work to harmonize policies and plans across sectors and integrate loss and damage objectives into national strategies and plans, and development of new regulatory frameworks as appropriate.

Annex 4: An example of successful programmatic funding in Vanuatu:

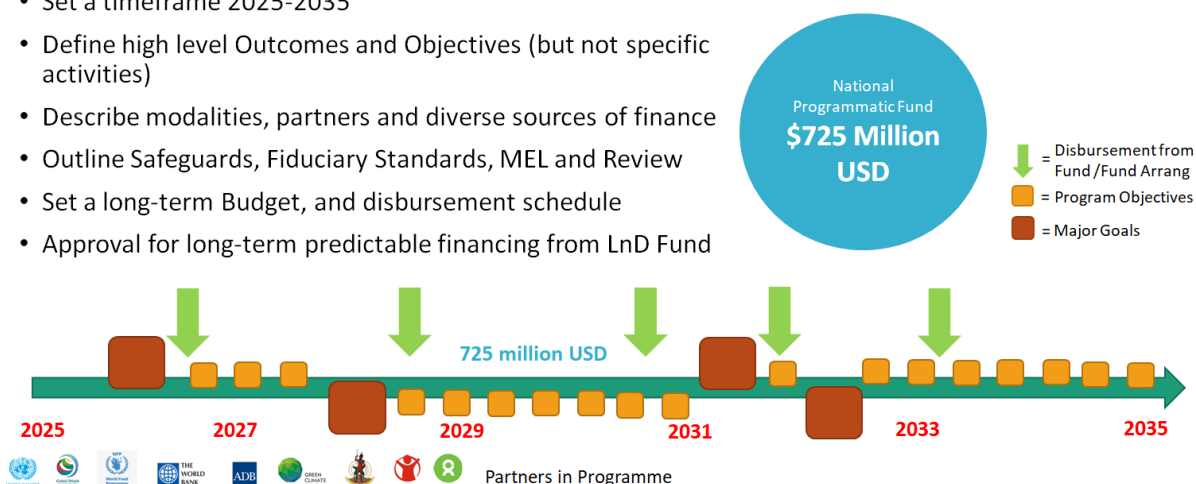
The Delegation of the European Union (EU) for the Pacific and the Government of Vanuatu have agreed to the five-year Vanuatu Value Chain (VaVaC) Budget Support programme, amounting to EUR 30 million, to target resilience in the productive sector. The programme is implemented by a range of sectors, and directly supports smallholder farmers. While not anticipated during the initial design of the programme, the EU Budget Support funds were, upon agreement by both parties, utilised to finance immediate response efforts to address the impacts of category 5 TC Harold. The disaster triggered a swift bilateral agreement that some programme funds could be utilised to provide agricultural food baskets to many of the 17,000 affected households. The Cyclone also triggered new efforts in the programme to address agriculture productivity post-disaster and restore the effectiveness of value chains, especially through private sector modalities. Because finance was available in the country through the programmatic disbursement, funds were immediately accessible to flexibly address loss and damage from the Cyclone. The programme fully relies on the national government's fiduciary management systems, which have been strengthened, including to address loss and damage in the productive sector.

Annex 5: A theoretical example of a programmatic proposal to the Loss & Damage Fund

The following images provide a graphical representation of how a nationally-determined, long-term loss and damage programme may be designed by a particularly vulnerable developing country and potential steps for approval by the LDF Board. This is a hypothetical example of a programme receiving multiple sources of finance (including the LDF) and utilising multiple disbursement modalities (including direct disbursement to civil society and affected individuals). The images highlight how a long-term programme can evolve over time, be responsive to changing circumstances and even be expanded in scope, subject to review.

Vanuatu Example of LnD Programmatic Approach

- Set a timeframe 2025-2035
- Define high level Outcomes and Objectives (but not specific activities)
- Describe modalities, partners and diverse sources of finance
- Outline Safeguards, Fiduciary Standards, MEL and Review
- Set a long-term Budget, and disbursement schedule
- Approval for long-term predictable financing from LnD Fund



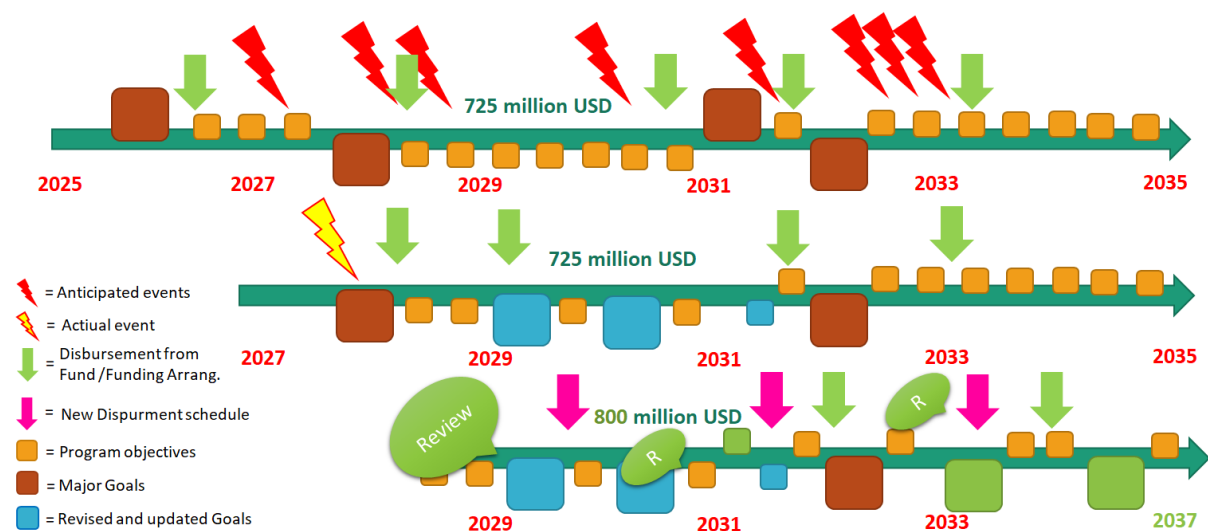
The first step in the programmatic preparation phase is to identify the nationally-determined solutions to address loss and damage that will benefit from a long-term, integrated, and potentially high-volume

investment. The programme may be based upon a “new” national loss and damage investment plan, or even an existing sector policy or risk management strategy. The scope and breadth of the programme will depend on national capacities, priorities and contexts.

It may not be necessary to predefine each and every activity if a robust theory of change is proposed, with well-articulated goals, outcomes, objectives, sources of funding (including the Fund and funding arrangements), governance, implementation modalities, partners, disbursement timelines and well justified budgets.

It is expected that the proposed Programme Framework Document would provide these components to ensure detailed understanding of the programme impact and to enable predictable and adequate financing that achieves real impact in a nationally-determined way.

Programmatic Flexibility, Evolution, Triggers & Leveraging



Flexibility is key to successful programmatic outcomes, including the knowledge that needs will evolve and priorities shift over time.

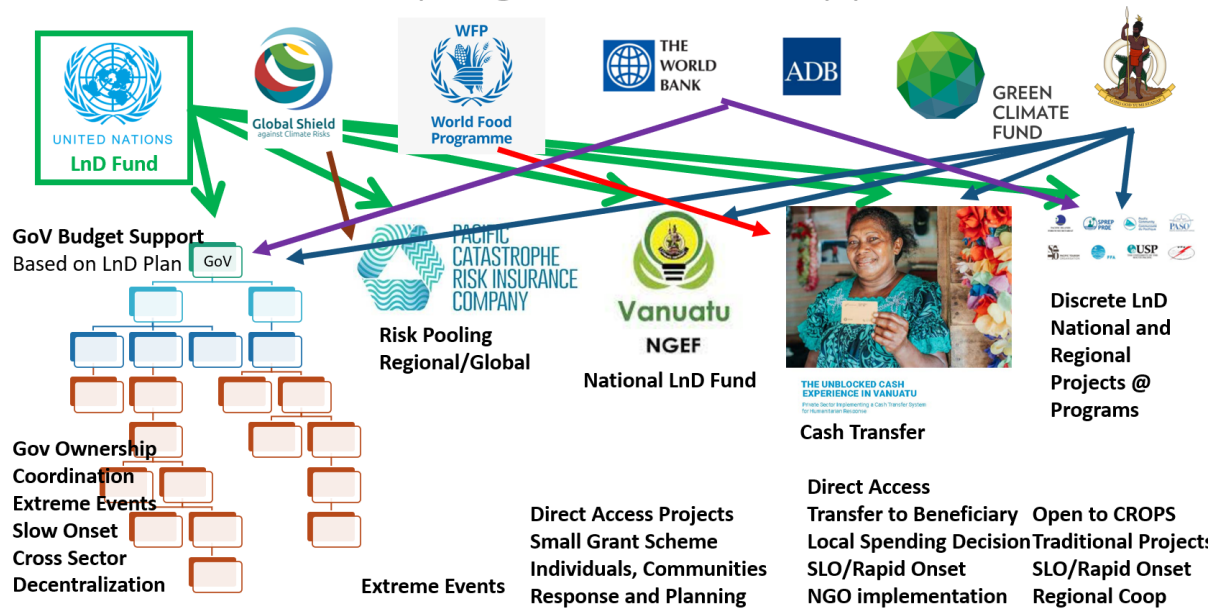
To represent the flexible nature of programmatic approaches, the diagram above demonstrates that programme design may incorporate the “known unknowns” of climate impacts in a systematic way. In the Pacific, for example, we can, with a high degree of confidence, anticipate a range of impacts from slow and sudden onset events over a given time period. The most realistic programme design will anticipate these impacts and the solutions required to address them. It is impossible to know exactly the timing, duration or severity of these impacts, but the Programme Framework can incorporate them based on the best available science and historical experience.

The image above shows the original programme design with anticipated events occurring throughout the duration of implementation. The second line shows an actual event, and how it triggers a shift in the sequence of and a possible revision of the Goals and Objectives, as well as disbursement timelines, to maintain overall impact.

It should also be expected that these impacts will often be overlapping, cascading and compounding, which will necessarily change the need for specific activities (but not necessarily the ultimate goals, outcomes or objectives of the programme).

Review is an essential component of programme design. As contexts evolve and implementation progresses, robust review processes may, in agreement with the Partners, slightly expand or restrict scope, timelines, or budget requirements. The goal of this approach is to ensure maximum trust between the LDF and funding arrangements and partners in meeting programme goals and achieving greatest impact through nationally-determined solutions.

Modalities in the programmatic LnD approach



The programmatic approach seeks to ensure that the entire mosaic of funding arrangements is mobilized to address nationally-determined loss and damage solutions. The Programme Framework Document would outline diverse sources of funds, including the Loss and Damage Fund, as well as broader funding arrangements for example, other UNFCCC funds, bilateral support, innovative levies or taxes, development projects, development bank investments, humanitarian aid and government public funding. Each of these diverse sources might be channelled and dispersed in unique and complementary ways. Some resources may be channelled to Government treasuries or government trust funds, other flows may be channelled through modalities that are more inclusive of private sector and civil society (for example investment directly into regional risk pooling instruments or through NGO-led cash transfer systems which put funds directly in the hands of the most vulnerable to implement their own locally crafted solutions.)

This diagram highlights that in many developing country contexts there is no single source of funding or disbursement modality which is able to address loss and damage or fully enable nationally-determined solutions. The programmatic approach enables a more holistic and coordinated consideration of resources, needs and impactful solutions. This type of programmatic consideration gets at the heart of ensuring complementarity, coherence, and coordination.