

## **LDC Group submission to the Transitional Committee on paragraph 5 of Decision 2/CP27**

This LDC Group submission outlines the Group's position on the four elements outlined in paragraph 5 of Decision 2/CP27 and Decision 2/CMA4.

### **Paragraph 5(a) Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund**

The Fund should be established as an operating entity of the financial mechanism of the UNFCCC and serving the Paris Agreement. It should have an independent legal status with its own governing body and instrument.

#### **a. Nature and scope of loss and damage support provided by the Fund**

The support provided by the fund should enable developing countries to respond to both economic and non-economic damages arising from extreme- and slow-onset events. It should enable rapid ex-post response to loss and damage from extreme events and provide ex-post and ongoing support in an ongoing manner to address loss and damage from slow onset events.

The fund support under the rapid disbursement window for extreme immediate needs should be open as and when a need arises, even if two needs occur one after the other or concurrently in the region.

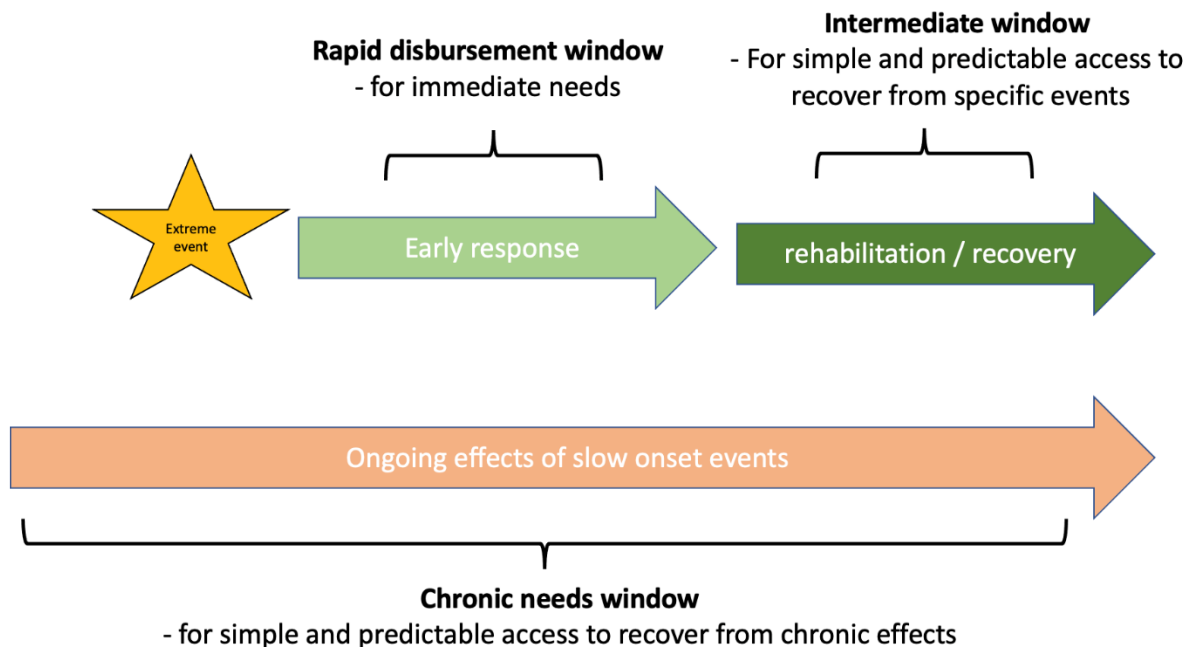
Support for responding to loss and damage must be primarily grant-based. LDCs have hardly contributed to the climate crisis, and already face situations of severe debt distress. Any financial support that would add to the financial burden would merely postpone, not solve the problem that climate change means for our economies and societies.

Lessons must be learnt from LDC's experience with GCF's financing criteria. Accessibility must be simplified and not impose unrealistic data and information burden on LDCs. Support should be adequate to match the scale of challenges. It should be predictable, new, and additional. Available funds should be allocated equitably, taking into consideration specific and special needs of LDCs.

#### **b. Structure**

The fund could be structured with different windows that allow for disbursement at the timescales of support needs (see Figure 1).

- A rapid disbursement window for immediate responses to extreme events.
- An intermediate window for supporting the recovery and rehabilitation from a specific extreme event once immediate responses have concluded. Once the immediate window has released funding, preparations for release under the intermediate set in.
- A chronic needs window for programmatic grants for recovering from the effects from slow onset events and ongoing impacts.



*Figure 1: Structure of L&D Fund with three distinct windows for disbursement at different timescales*

For rapid disbursement, LDCs appreciate the value of using pre-agreed triggers, including in the context of anticipatory action. However, we note that in light of data scarcity and limited capacities, such triggers will be hard and lengthy to arrive at, if at all feasible. We stress that such lack of data or capacities must not become a reason for limited access to support. Soft triggers that are based on declarations of emergency should therefore apply for the immediate window. Adequate financing criteria that do not overly rely on data availability ought to be developed for the intermediate and chronic needs windows.

### **c. Governance**

Since there will be a need to take fast decisions on rapid disbursing requests under the rapid disbursement windows after extreme events, the Fund should have a resident governing body/board. A majority of the funding should be available through a direct access modality based on country allocations.

The governing body should have a majority of developing country representatives, with equitable and balanced representation across the five UN regions, and two seats each for LDCs and SIDS.

#### **5(b) Defining the elements of the new funding arrangements**

If other funding arrangements additional to the fund are established, these should be appropriately governed under the COP/CMA. It will also be key that these funding arrangements provide new and additional support and not consist of a simple re-labelling of existing initiatives. The new funding arrangements should follow the same guiding principles as for the Fund.

#### **5(c) Identifying and expanding sources of funding**

The primary source of funding for the Fund will be developed country contributions under the UNFCCC, according to the principles of equity and common but differentiated responsibilities and respective capabilities. LDCs are open to hearing from developed countries about other secondary sources including innovative sources of finance. We seek clarity on how the private sector can contribute, and why it would.

In the discussion on sources of funding it will be paramount to keep in sight the question of accountability to the COP and CMA, and questions of institutional anchorage of such sources under the UNFCCC. In this context we note that any such innovative sources must not add additional burden on LDCs.

#### **5(d) Ensuring coordination and complementarity with existing funding arrangements**

LDCs are of the view that this mandate is cross-cutting. While some duplication must be expected if best practice is replicated, it is understood that scarce resources are to be used in the most efficient manner.