

**Submission on behalf of EU TC members (France, Germany-Ireland, Denmark-Netherlands) on Operationalizing New Funding Arrangements, Including a Fund, for Responding to Loss and Damage Associated with the Adverse Effects of Climate Change**

Decision

**Operationalizing New Funding Arrangements, including the Fund for Responding to Loss and Damage Associated with the Adverse Effects of Climate Change**

[Decision X/CMA.5]

*The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,*

*Recalling* decision [2/CP.27] [2/CMA.4],

1. *Welcomes* the report of the Transitional Committee (XXXXX), taking note with appreciation of the work of the Transitional Committee in responding to its mandate given in paragraph 4 of decisions 2/CP.27 and 2/CMA.4;
2. *Expresses* its appreciation to the government of Egypt for hosting the first and fourth meeting of the Transitional Committee and to the government of the Dominican Republic for hosting the third meeting of the Transitional Committee;
3. *Recalls* that the purpose of the Fund is to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with the adverse effects of climate change;

The Fund

4. *Approves* the governing instrument for the Fund annexed to this decision (Annex I);

5. *Decides* that the Board of the Fund (the “Board”) is to receive guidance from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its policies, programmatic priorities and eligibility criteria, taking into account the Board’s annual reports to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its activities;

6. *Decides* that the Fund is to be hosted by the World Bank as a Financial Intermediary Fund;

7. *Requests* the Secretariat to negotiate with the World Bank relevant arrangements for the hosting of the Fund;

8. *Requests* the Standing Committee on Finance and the Board to develop working arrangements between the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and the Board;

9. *Requests* Parties to operationalize the Fund in an expedited manner;

10. *Invites* the World Bank to serve as the trustee and provide the secretarial services for the Fund, pursuant to paragraph XX of the Governing Instrument;

11. *Notes* that the fund will receive the legal status and privileges and immunities necessary to fulfil its functions through World Bank as host;

12. *Decides* that the Board is to comprise 22 voting members and 7 active observers pursuant to paragraph XX of the Governing Instrument;

13. *Invites* Parties, through their regional groupings and constituencies, to submit their nominations for the members of the Board to the Fund’s Secretariat by 31 March 2024, and *invites* other groups included below to submit nominations for the active observers through their own processes to the Fund’s Secretariat, as follows:

- a. Two members from Africa;
- b. Two members from Asia and the Pacific;
- c. Two members from Latin America and the Caribbean;
- d. Two members from small island developing States;
- e. Two members from the least developed countries;
- f. One member from the Eastern Europe Group;
- g. Six members from the Western Europe and Others Group;

- h. 5 members from contributing Parties, based on cumulative paid-in contribution;
- i. One member from civil society;
- j. One member from the private sector;
- k. One member from the philanthropic sector;
- l. One member representing Indigenous and first nations Peoples;
- m. One member of local government associations;
- n. One member of youth organizations;
- o. One member from the women and gender constituency.

14. *Decides* that until the members from contributing parties are nominated, the quorum shall be calculated based on a number of seats without these vacant seats;

15. *Requests* Parties to strive to ensure gender parity and inclusiveness in their nominations for the board composition;

16. *Requests* other groups to strive to ensure gender parity and inclusiveness in their nominations for the active observers;

17. *Urges* the Board to move promptly to select the head of the Secretariat through an open, transparent and merit-based process;

18. *Requests* the consideration of gender parity and inclusiveness in the selection of secretariat personnel;

19. *Requests* the Secretariat of the Fund to make arrangements to convene the first Board meeting by 31 March 2024;

20. *Decides* that 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;
- g. Innovative sources, such as the voluntary carbon market or international pricing mechanisms, including those that may be established or agreed.

21. *Invites* Parties in a position to do so to contribute to the fund;

21 bis. *Requests* the Board of the fund to prepare a long-term fund raising and resource mobilisation strategy and plan for the Fund to mobilise new, additional, predictable and adequate financial resources from all the sources mentioned in paragraph 20 to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage associated with climate change;

22. *Stresses* the need to secure financial contributions for the Fund to facilitate its expedited operationalization, and requests the Secretariat to communicate the necessary policies and procedures to receive contributions from a wide variety of sources;

23. *Invites* financial contributions from Parties in a position to do so and a wide variety of other sources to the Fund for its initial phase, including for administrative costs of the Board and the Secretariat;

24. *Recalls* that funding arrangements responding to loss and damage, including the Fund, are based on cooperation and do not involve liability or compensation;

The new funding arrangements referred to in paragraph 2 of decision [2/CP.27] [2/CMA.4]

25. *Acknowledges* that the funding arrangements aim to strengthen the architecture for responding to loss and damage and contribute to averting, minimising and addressing loss and damage in a coherent and well-coordinated manner as part of the overall finance architecture;

26. *Recalls* decision [2/CP.27] [2/CMA.4] that establishes new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage, including with a focus on addressing loss and damage by providing and assisting in mobilizing new and additional resources, and that these new arrangements complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement;

27. *Recalls* that the operationalisation of the funding arrangements and the fund shall consider coordination and complementarity with existing funding arrangements;

28. *Acknowledges* that existing funding arrangements include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement, including existing instruments, multilateral and bilateral cooperation across sectors which are assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage;

29. *Takes note* that new funding arrangements includes scaling-up, reforming or improving existing funding arrangements, applying to the whole spectrum of loss and damage as described in article 8 of the Paris Agreement;

30. *Welcomes* initiatives such as Early Warning for All, Climate Risk and Early Warning Systems (CREWS), SOFF and the V20/G7 initiative Global Shield against Climate Risks and encourages all parties in a position to do so to increase their support for activities to enhance response to loss and damage;

31. *Encourages* the entities that constitute the funding arrangements to explore ways for better coordination among bilateral and multilateral channels with the aim to improve synergies and coherence among the existing and new arrangements. Encourages coordination on a national level, while ensuring coherence at operational level and in programmatic approaches;

32. *Urges* the Fund to engage in partnerships with funding arrangements to address priority gaps in their activities, with the aim of reinforcing these FA's activities and leveraging their resources, in particular with respect to its thematic sub-funds that provide additional and complementary finance;

33. *Invites* Parties and relevant institutions to actively take forward improvements, including but not limited to the recommendations in Annex 2, in such sources, funds, processes, fora and initiatives outside the Convention and the Paris Agreement to address gaps in speed, eligibility, adequacy and access to finance across a variety of challenges, in order to deliver impact on the ground and to complement the work of the Fund in responding to loss and damage;

34. *Invites* Parties and relevant institutions to engage with these sources, funds, processes, fora and initiatives in Annex 2 in ways to ensure that the new funding arrangements target particularly vulnerable people and communities (incl. women, children, youth, indigenous people and marginalised groups) in

developing countries that are particularly vulnerable to the adverse impacts of climate change and have limited capacity for adaptation;

35. Welcomes a wide variety of sources of finance, including innovative sources, to support the new arrangements that complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement;

#### Ensuring coordination and complementarity with existing funding arrangements

36. *Decides* to establish a high-level Coordination Council (the “Council”) with the purpose of facilitating broad support and participation across sources, funds, initiatives and processes under and outside the Convention and the Paris Agreement in assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage as described in but not limited to Annex 2;

37. *Requests* the Executive Committee of the Warsaw International Mechanism to issue invitations to the members of the Council no later than XX;

38. *Calls on* the Santiago Network and its members to contribute to the coherence by aligning technical assistance it catalyzes to build capacity and support programmatic approaches of the fund and the funding arrangements;

#### Further Research

39. *Calls on* the Board and the Secretariat of the Fund to use the best available and accessible science and knowledge on climate vulnerability and the impacts of loss and damage in their work;

40. *Encourages* the relevant constituted bodies, as well as relevant external organisations to conduct further research on climate vulnerability and disproportionate impacts of climate change to increase the basis of best available data and information, especially in developing countries particularly vulnerable to the adverse effects of climate change and in countries with limited data availability;

## Annex 1 Governing Instrument for the Fund

The Fund is hereby established and is to operate in accordance with the following provisions:

### I. Objectives

1. Given the urgency and seriousness of climate change, the purpose of the Fund is to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow-onset events, as part of a broader landscape of funding arrangements and as a complement to, and where funding is unavailable through, other sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement.
2. The Fund is to serve developing countries that are particularly vulnerable to the adverse effects of climate change, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria.
3. The Fund is to operate in a transparent and accountable manner guided by efficiency and effectiveness, acknowledging the importance of new, additional, adequate and predictable financial resources to developing countries that are particularly vulnerable to the adverse effects of climate change. The Fund should catalyze finance, from a wide range of sources including public, private as well as innovative sources, and at the international and national levels. The Fund is to pursue a country-owned programmatic approach, and promote and strengthen national response systems, through effective involvement of relevant institutions and stakeholders including non-state actors. The Fund should be scalable and flexible and should be a continuously learning institution, guided by processes for monitoring and evaluation. The Fund should strive to maximize the impact of its funding for responding to loss and damage associated with the adverse impacts of climate change, while promoting environmental, social, economic, and development co-benefits, and taking a gender-responsive and human-rights-based approach.

### II. Governance and institutional arrangements

## A. Relationship to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

4. The Fund is to be governed and supervised by a Board (the “Board”) that is its decision-making body with responsibility for setting the strategic direction, governance and operational modalities, and work program, including relevant funding decisions.

5. The Board of the Fund is to:

- a. Receive guidance from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its policies, programmatic priorities and eligibility criteria, in line with relevant decisions;
- b. Take appropriate action in response to the guidance received; and
- c. Submit annual reports to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement for its consideration and receive further guidance.

6. Arrangements are to be concluded between the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and the Board for the Fund to receive guidance from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on the matters noted in paragraph 5.

7. The World Bank is to be invited to serve as the Trustee of and provide secretariat services to the Fund, and in this role to serve in a fiduciary and administrative capacity and is to be bound by its Articles of Agreement, by-laws, rules and decisions.

## B. The Board

### *1. Composition*

8. The Board will have 22 voting members and 7 active observers, comprising:

#### Voting members

- a. Two members from Africa;
- b. Two members from Asia and the Pacific;
- c. Two members from Latin America and the Caribbean;
- d. Two members from small island developing States;



- e. Two members from the least developed countries;
- f. One member from the Eastern Europe Group;
- g. 6 members from the Western Europe and Others Group;
- h. 5 members from contributing Parties, based on cumulative paid-in contribution.

#### Active observers

- i. One member from civil society;
- j. One member from the private sector;
- k. One member from the philanthropic sector;
- l. One member representing Indigenous and first nations Peoples;
- m. One member of local government associations;
- n. One member of youth organisations;
- o. One member from the women and gender constituency.

9. Each voting Board member is to have an alternate member, with alternate members entitled to participate in the meetings of the Board only through the principal member, without the right to vote, unless they are serving as the member. During the absence of the member from all or part of a meeting of the Board, his or her alternate serves as the member.

### *2. Selection of Board members*

10. The members of the Board and their alternates are to be selected by their regional group, respective constituency, group, or based on their cumulative paid-in contributions, with due consideration given to gender balance and balanced regional representation.

### *3. Term of membership*

11. Members and alternate members serve for a term of three years and are eligible to serve additional terms, as determined by their constituency, with a maximum of two consecutive terms.

### *4. Co-chairs*

12. Two co-chairs of the Board are to be elected by the Board members to serve for a period of one year through a vote by the members of the Board, whereby the two Board members with the most votes would become the co-

chairs. One co-chair shall be from a contributing country to the fund, and one co-chair from an eligible beneficiary country from the Fund.

### *5. Decision-making*

13. Decisions of the Board will be taken by consensus of the Board members. If all efforts at reaching consensus have been exhausted, the Board is to take decisions based on a vote with a four-fifths majority of the members present and voting required to adopt the decision.

14. The Board is to adopt procedures for taking decisions between meetings.

### *6. Quorum*

15. A four-fifths majority of Board members must be participating in a meeting to constitute a quorum.

### *7. Observers*

16. The Board will make arrangements, including developing and operating accreditation processes, to allow for effective participation by accredited observers in its meetings.

### *8. Additional rules of procedure*

17. Additional rules of procedure are to be adopted by the Board, including with respect to virtual participation.

## *C. Role and functions of the Board*

18. The Board should steer the Fund's operations so that they evolve with the Fund's scale and maturity and will exercise flexibility to allow the Fund to evolve over time.

19. The Board is to:

- a. Oversee the operation of all relevant components of the Fund;
- b. Approve operational modalities, access modalities and funding structures;
- c. Approve specific operational policies and guidelines, including for programming, project cycle, administration and financial management;

- d. Approve specific eligibility criteria;
- e. Annually distribute the available non-earmarked funding among the fund and the individual sub-funds;
- f. Approve funding in line with the Fund's criteria, modalities, policies and programs;
- g. Approve policies for the provision of grants, concessional resources and other financial instruments, modalities, facilities, taking into account vulnerability, access to other financial contributions and debt sustainability;
- h. Develop a mechanism to help ensure the activities financed by the Fund are implemented based on high-integrity environmental and social safeguards and fiduciary principles and standards;
- i. Establish subcommittees and panels and define their terms of reference, as appropriate;
- j. Establish additional thematic substructures to address specific activities, as appropriate;
- k. Establish a mechanism for the review of the monitoring and evaluation of performance and the financial accountability of activities financed by the Fund and any necessary external audits;
- l. Review and approve the administrative budget of the Fund and arrange for performance reviews and audits;
- m. Approve and periodically review the allocation system in accordance with para XX in section III.I. on allocation;
- n. Select the Executive Director of the Secretariat;
- o. Receive guidance and take appropriate action in response to any guidance from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and prepare annual reports to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its activities;
- p. Approve partnerships, as appropriate, with actors of the funding arrangements, in particular with regard to thematic sub-funds;
- q. Exercise such other functions as may be appropriate to fulfil the objectives of the Fund.

20. The specific functions of the Board with respect to the Fund and each sub-fund are articulated in Section III.

#### D. Role and Functions of the Secretariat

## *1. Establishment of the Secretariat*

21. The Fund is to establish a dedicated secretariat. The Secretariat is to service and be accountable to the Board. It is to have effective management capabilities to execute the day-to-day operations of the Fund.

22. The Secretariat is to be headed by an Executive Director with the necessary experiences and skills, who is to be selected by the Board. The Board is to approve the job description and qualifications for the Executive Director. The Executive Director is to be selected through a merit-based, open and transparent process.

23. The Secretariat is to be staffed with professional staff with relevant experience that reflects the multidimensional and context-specific challenges of responding to loss and damage. The staff selection is to be managed by the Executive Director and be open, transparent and based on merit, taking into account geographical and gender balance and cultural and linguistic diversity.

## *2. General Functions of the Secretariat*

24. The Secretariat is responsible for the day-to-day operations of the Fund and is to:

- a. Organize and execute all relevant administrative duties;
- b. Receive and report information on activities financed by the Fund;
- c. Engage in partnerships , with actors of the funding arrangements (sources, funds, processes and initiatives under and outside the United Nations Framework Convention on Climate Change and the Paris Agreement relevant to responding to loss and damage);
- d. Prepare performance reports on the implementation of activities financed by the Fund;
- e. Develop the work program and annual administrative budget of the Secretariat and trustee and submit them for approval by the Board;
- f. Operationalize the project and program cycle processes;
- g. Prepare financial agreements related to the specific financing instrument to be concluded with an implementing entity;
- h. Monitor the financial risks of the outstanding portfolio;
- i. Work with the trustee to support the Board to enable it to carry out its responsibilities;
- j. Develop for Board approval an annual recommendation for converting Plans into projects and programs, subject to available resources;
- k. Coordinate monitoring and evaluation;

- l. Establish and run effective knowledge management practices;
- m. Establish modalities to allow recipients to use implementing entities, including international entities, national systems or local institutions as appropriate;
- n. Take a regionally informed approach in responding to context-specific operational needs, capabilities, and priorities of recipient countries;
- o. Perform any other functions assigned by the Board;
- p. Coordinate with the Santiago Network to facilitate countries seeking to access support from the fund are provided technical assistance.

25. The specific functions of the Secretariat with respect to the Fund and each sub-fund are articulated in Section III.

#### E. Trustee

26. The World Bank is to serve as trustee for the Fund.

27. The trustee is to manage the financial assets of the Fund. The trustee is to maintain appropriate financial records and prepare financial statements and other reports required by the Board, in accordance with internationally accepted fiduciary standards.

28. The trustee is to administer the assets of the Fund only for the purpose of, and in accordance with, the relevant decisions of the Board. The trustee is to hold the assets of the Fund separate and apart from the assets of the trustee but may commingle them for administrative and investment purposes with other assets maintained by the trustee. The trustee is to establish and maintain separate records and accounts to identify the assets of the Fund.

29. The roles and responsibilities of the trustee include the receipt of contributions, holding and investing of funds, transfer of funds to implementing entities as well as accounting, reporting, financial and fiduciary management, and ensuring compliance with established World Bank procedures and internal controls.

30. The trustee is to arrange for World Bank due diligence to allow for the receipt of non-sovereign contributions.

31. The trustee is accountable to the Board for the performance of its responsibilities as trustee for the Fund.

### III. Structure and modalities

32. The Fund is to closely align its activities with the other funding arrangements and provide complementary support to address priority gaps in responding to loss and damage; support developing countries particularly vulnerable to the adverse effects of climate change based on a country-owned programmatic approach that strengthens national systems, institutions and policies; encourage the involvement of relevant stakeholders, including vulnerable groups; and be gender responsive.

33. The Fund and its Sub-Funds have the following operational modalities:

#### A. The Fund

34. The Fund is to support developing countries that are particularly vulnerable to the adverse effects of climate change, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria, to harness a programmatic approach in responding to Loss and Damage, by facilitating and financing the development of country-owned national Response Plans that address both slow and rapid onset events and respond to economic and non-economic loss and damage associated with the adverse effects of climate change; and by providing technical assistance to strengthen preparedness complementary and in partnership with the Santiago Network.

35. Response Plans should build on existing plans, as appropriate, such as Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) and Disaster Risk Management plans.

36. Developing countries particularly vulnerable to the adverse effects of climate change with Response Plans are to seek finance to implement their Response Plans through the sub-funds and other funding arrangements.

#### B. LDCs and SIDS Sub-Fund

37. The LDCs and SIDS Sub-Fund is to finance activities for developing countries particularly vulnerable to the adverse effects of climate change that are listed as LDC and/or SIDS by the United Nations at their time of their submission of the plans referred to in paragraph 34. Support will be provided to assist

national governments in responding to both slow and rapid onset events based on the programmatic priorities identified in their Response Plans.

### C. Recovery and Reconstruction Sub-Fund

38. The Recovery and Reconstruction Sub-Fund is to closely cooperate with the Multilateral Development Banks and their members from developing countries that are particularly vulnerable to the adverse effects of climate change, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria, to provide additional and as appropriate more concessional funding for recovery and reconstruction in response to economic and non-economic loss and damage post climate-related disasters. Support will be provided to national governments based on the programmatic priorities related to recovery and reconstruction identified in their Response Plans.

### D. Pre-Arranged Finance Sub-Fund

39. The Pre-Arranged Finance Sub-Fund is to closely cooperate with the organizations in the funding arrangements, inter alia the Global Shield against Climate Risk and regional risk pools and developing countries that are particularly vulnerable to the adverse effects of climate change, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria, to provide additional funding for pre-arranged financing for loss and damage. Support will be provided to national governments based on the programmatic priorities related to pre-arranged finance identified in their Response Plans.

### E. Small Grants Response Sub-Fund

40. The Small Grants Response Sub-Fund is to provide financial and technical support to local civil society and community-based organizations in developing countries that are particularly vulnerable to the adverse impacts of climate change, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria, to develop and implement local actions to respond to loss and damage in alignment with Response Plans.

### F. Human Mobility Sub-Fund

41. The Human Mobility Sub-Fund is to closely cooperate with other funding arrangements to finance activities related to human mobility, including planned relocation, migration and forced displacements caused by climate change in developing countries particularly vulnerable to the adverse effects of climate change, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria. This includes providing and topping-up financial support for activities related to displacements in the context of climate change in line with national Response Plans.

## G. Coherence and complementarity

42. In performing its work, the Fund is to coordinate with and take into account sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement relevant to responding to loss and damage.

43. The Secretariat is to develop methods to enhance complementarity between the work of the Fund and the activities of other relevant bilateral, regional and global funding mechanisms and institutions, to better mobilize the full range of financial and technical capacities. The Fund is to promote coherence in programming at the national level. The fund is to engage in partnerships with funding arrangements to address priority gaps in their activities, with the aim of reinforcing these activities and leveraging their resources, in particular with respect to its thematic sub-funds that provide additional and complementary finance.

## H. Eligibility

44. The Fund is to serve developing countries that are particularly vulnerable to the adverse effects of climate change, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria approved by the Board.

## I. Allocation

45. For the fund and each sub-fund, the Board is to allocate the available resources among the respective eligible countries, in accordance with an allocation system that should be approved within a year after the first Board meeting.



46. The allocation system is to be based on vulnerability indicators that include, inter alia:

- a) the priorities and needs of eligible countries developing countries;
- b) The priorities and needs of vulnerable populations and the ecosystems on which they depend;
- c) considerations of proportionality of the impact of particular climate events to country capacities;
- d) GDP per capita (e.g. using IFI data);
- e) Debt exposure (e.g. using IMF data);
- f) Human Development Index ranking (e.g. using UNDP data);
- g) Environmental Vulnerability ranking (e.g. using UNEP data);
- h) Exposure to climate hazards (e.g. using IPCC data);
- i) the best available and accessible global and/or regional-level data and information on climate vulnerability which includes data and information from entities like the Intergovernmental Panel on Climate Change, and relevant United Nations agencies and bodies.

47. Within the allocation system, the Board may apply these indicators to the fund and each of its sub-funds in a differentiated manner according to their respective functions.

48. The allocation system will be dynamic. The Board will review the allocation system every [5] years, in order to respond to the evolving challenge of climate change.

## J. Programming and approval processes

49. The Fund is to use streamlined programming and approval processes to enable timely disbursements. The Board is to develop processes for the approval of proposals with a view toward enhancing access for certain activities, in particular small-scale activities, consistent with the descriptions in Section III.

## K. Financial instruments

50. The Fund is to provide financing in the form of grants and concessional lending, and may do so through other modalities, instruments or facilities , such as guarantees, reimbursable grants and equity, based on the Board's policies . All forms of financing should take into account vulnerability, access to other financial contributions and debt sustainability.

51. Financial management practices and financing agreements are to be in keeping with the relevant high-integrity fiduciary principles and standards and environmental and social safeguards.

#### IV. Administrative costs

52. The Fund is to finance the operating costs of the Board, the Secretariat and the trustee with respect to its trustee responsibilities.

#### V. Financial contributions

53. 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;
- g. Innovative sources, such as the voluntary carbon market or international pricing mechanisms, including those that may be established or agreed.

54. Parties in a position to do so will contribute to the fund.

55. Contributions may be provided to the Fund for the Board to distribute between the Fund and its sub-funds, or they may be earmarked for any of the sub-funds.

56. The Fund is based on cooperation and facilitation and does not involve liability or compensation.

#### VI. Monitoring

57. Programs, projects and other activities financed by the Fund are to be regularly monitored for impact, efficiency and effectiveness. The use of participatory monitoring involving stakeholders is encouraged.

58. A results measurement framework with guidelines and appropriate performance indicators is to be approved by the Board. Performance against these indicators is to be reviewed periodically in order to support the

continuous improvement of the Fund's impact, effectiveness and operational performance.

## VII. Evaluation

59. There are to be periodic, independent evaluations of the performance of the Fund, including those conducted by the World Bank's Independent Evaluation Group, in order to provide an objective assessment of the results of the Fund, including activities financed by the Fund, and its effectiveness and efficiency. The purpose of these independent evaluations is to inform decision-making by the Board, and to identify and disseminate lessons learned. The results of the periodic evaluations are to be published by the Secretariat.

60. The results of these evaluations are to be provided to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement as part of the annual report of the Board.

## VIII. Fiduciary standards

61. The Board is to apply high-integrity fiduciary principles and standards to its work, including all its operations and activities financed by the Fund.

62. The Secretariat is to support the strengthening of capacities in recipient countries, where needed, to enable those countries and any relevant implementing entities to meet the Fund's fiduciary principles and standards.

## IX. Environmental and social safeguards

63. The Secretariat is to make appropriate arrangements that ensure that each implementing entity applies its respective environmental and social safeguards policies, which are to be applied to all activities financed by the Fund.

64. The Secretariat will support the strengthening of capacities in recipient countries, where needed, to enable them to attain functional equivalency with the World Bank's environmental and social safeguards, based on modalities that are to be developed by the Board.

## X. Accountability mechanisms

65. Activities financed by the Fund will be subject to the implementing entity's independent integrity unit, which is to work with the Secretariat to investigate allegations of fraud and corruption in coordination with relevant counterpart authorities, and report to the Board on any such investigations.

66. The Fund's operations, including with respect to activities financed by the Fund, will be subject to the World Bank's policy on access to information. The activities financed by the Fund will also be subjected by each implementing entity's policy on access to information.

67. Activities financed by the Fund are to use the implementing entity's Independent Accountability Mechanism to address complaints related to activities financed by the Fund and take appropriate actions based on any agreements, findings and/or recommendations.

#### XI. Expert and technical advice

68. The Board is to develop mechanisms for the Secretariat, in carrying out its functions, to draw on appropriate expert and technical advice, including from sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement, as appropriate.

#### XII. Stakeholder input and participation

69. In addition to the role outlined for stakeholders in Section II, the Board is to develop mechanisms to promote the input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples, in the design, development and implementation of the activities financed by the Fund.

#### XIII. Termination of the Fund

70. Termination of the Fund requires approval by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement based on a recommendation of the Board.

## Annex 2: Relationship between funding arrangements and the fund, coordination and recommendations for new Funding Arrangements

### I. Relationship between the fund and the funding arrangements

1. Actors in the funding arrangements are to engage in partnerships with the Fund, in particular with respect to its thematic sub-funds that provide additional and complementary finance. Such partnerships aim to address priority gaps in their activities, reinforcing those funding arrangements and leveraging their resources, including through top-up funding, financial incentives and enhanced coordination. Through these partnerships, the funding arrangements will also contribute to expanding and strengthening the activities supported by the Fund.

2. Funding arrangements conducting activities in areas that are relevant for responding to loss and damage, notably those listed in article 8.4 of the Paris Agreement, but which do not engage in partnerships with in particular the fund's thematic sub-funds that provide additional and complementary finance, are also part of the mosaic of solutions responding to loss and damage and should therefore be strengthened. They are encouraged to liaise with the fund and with eligible countries to see how they can participate in the design and implementation of national response planning.

### II. Coordination and the High Level Council

3. The funding arrangements will work in coherence and complementarity to the fund. This will be enabled through the best use of existing mechanisms, such as the Warsaw International Mechanism and the Santiago Network, and the establishment of a High Level Council for coordination.

4. The purpose of the Council is to facilitate broad action and support from, and participation across sources, funds, initiatives and processes under and outside the Convention and the Paris Agreement in assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage.

5. The membership of the Council will consist of high-level representatives from institutions engaged in responding to loss and damage, including, inter alia, the entities listed below. This list below is not exhaustive and will be reviewed prior to each Council Meeting. The parties strive to ensure gender parity and inclusiveness in board composition:

- a. The World Bank, other Multi-lateral Development Banks and Regional Development Banks;
- b. The International Monetary Fund;
- c. Relevant UN Agencies, such as UNOCHA, UNDRR, UNCCD, UNSDR, UNDP, UNEP, UNESCO, FAO, WFP, WHO; UNHCR, and IOM;
- d. Relevant multilateral climate funds, such as the Fund, GCF, GEF, AF, and CIF;
- e. Representatives of new and existing initiatives responding to Loss and Damage (i.e., Early Warning for All, SOFF, Global Shield against Climate Risks, regional risk pools);
- f. WIM ExCom co-chairs and WIM ExCom Expert Group representatives chosen on the basis of their expertise as well as their representation of different regions and perspectives;
- g. Santiago Network Advisory Board representatives;
- h. Adaptation Committee representatives;
- i. A member of Youth organisation;
- j. A member from Women and Gender Constituency;
- k. One member representing Indigenous and first nations Peoples.

6. The Secretary General of the United Nations should be invited to convene and chair the Council; and its meetings will be organized by Executive Secretary of UNFCCC in cooperation with the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts.

7. The Council is to meet once every two years to:

- a. Receive report back from the co-chairs of the Fund on progress made in establishing/implementing partnerships with funding arrangements;
- b. Consider and take forward improvements, including but not limited to the recommendations below, in order to deliver impact on the ground and to complement the work of the Fund in assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage;
- c. Identify steps taken by funds, processes and initiatives under and outside the Convention and the Paris Agreement in support of responding to loss and damage;
- d. Facilitate a structured and timely exchange of relevant knowledge and information;

- e. Strengthen capacity and synergies by drawing on the experiences of others, exchanging good policy and practice and leveraging research and data systems;
- f. Identify new opportunities for cooperation, coordination and complementarity and enhancing effectiveness in addressing the priority gaps;
- g. Recommend to the Warsaw International Mechanism ExCom to take action where appropriate to continue enhancing coordination and complementarity.

8. The Council should produce a public report containing the outcomes of each of its meetings no later than two weeks after.

9. The Fund may invite the members of the Council to coordination meeting during the intersessional period between the official meetings of the Council.

10. The Santiago Network, in line with its function to facilitate and catalyze collaboration, coherence and synergies to accelerate action by organizations, bodies networks and experts across communities of practice, will enhance coordination and coherence of support to respond to loss and damage provided by Network members by serving as a forum for Network members to regularly exchange updates on their work and develop collaborative programs.

11. Representatives of the Santiago network in the Council will ensure Santiago Network's coherence with the funding available from the fund and the funding arrangements by aligning technical assistance it provides to build capacity and support programmatic approaches of the fund and the funding arrangements.

12. The Executive Committee of the Warsaw International Mechanism (WIM) and its Expert Groups should provide technical and knowledge support in line with their mandates for the existing and new funding arrangements, including the Fund, in its efforts to enhance action and support to respond to loss and damage associated with the adverse effects of climate change with a focus on addressing loss and damage. The WIM ExCom and its Expert Groups are encouraged to:

- a. Liaise with the Executive Secretary of the UNFCCC for the organisation of the Council meetings and provide inputs as relevant;
- b. Seek submissions from the Council members and other relevant funding arrangements on the progress made by them in assisting developing countries that are particularly vulnerable to respond to loss and damage to be included in the Report of the Executive

- Committee of the Warsaw International Mechanism, alongside the report on activities of OBNEs of the Santiago network;
- c. Develop knowledge products on resources available and their accessibility across sources, funds, initiatives and processes under and outside the Convention and the Paris Agreement in assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage;
  - d. Take into account the Council's reports when updating its 5-year rolling work plan and the plans of action of its Expert groups, not least the Expert Group on Action and Support.

### III. Recommendations

Based on deliberations in the Transitional Committee, and activities and products that informed its work in accordance with 2/CMA.4 para 4-15 the following recommendations have been developed:

#### Fiscal Space

- *Promote* countries' long-term financial sustainability through timely and sufficiently deep debt treatments through the Common Framework for Debt Treatment Beyond the Debt Service Suspension Initiative ("Common Framework") for those eligible, or other multilateral, broad-based debt treatment processes;
- *Invite* Multilateral Development Banks and the IMF to strive for more robust policy actions, in Multilateral Development Bank policy-based or results-based operations and through the IMF's Resilience and Sustainability Trust, so that these infusions of support can be better targeted at concrete steps to increase resilience and preparedness and to foster structural transformation via meaningful policy reforms;
- *Ask* Multilateral Development Banks to develop a method to integrate vulnerability into allocation decisions to allow for some allocation decisions to be based on vulnerability, not just income, building on the Paris Pact for Planet and People;
- *Urge* Multilateral Development Banks to allow projects to be subject to the Contingent Emergency Response Component so that a larger amount of funding is available to be disbursed as budget support in the aftermath of a crisis based on principles of build back better and policy actions;
- *Invite* Multilateral Development Banks to pair parametric insurance with their loans so that parametric insurance can make payments on the loans



in the aftermath of a crisis freeing up fiscal space to recover and reconstruct.

### Transformative Recovery

- *Call on* the WIM ExCom to launch an expert group with the aim of collecting best practices in the field of transformative recovery. This should include a mapping exercise of all stakeholders active in this realm;
- *Urge* parties, financial institutions and other supporting entities to explore arrangements that would allow for large-scale, low-cost concessional financing for transformative recovery in climate vulnerable countries that are currently outside the scope of IMF and MDB eligibility criteria (e.g., SIDS);
- *Call on* UNDP and UNOCHA to systematically increase cooperation with the goal of linking relief, rehabilitation, and development;
- *Strengthen* the work done by the Global Facility for Disaster Reduction and Recovery (GFDRR) on increasing resilient recovery capacities and invite the Santiago Network to facilitate in “Linking relief, rehabilitation and development” approach.

### Non-Economic Losses

- *Call on* the UNESCO World Heritage Fund to (1) enhance its scope of activities from only tangible objectives such as monument, buildings and sites to protection of local knowledge and language as well as traditional practices and (2) extend their geographic scope in the international assistance scheme to grant financial assistance to Parties preserving tangible and non-tangible cultural properties threatened by loss and damage caused by climate change;
- *Call on* the GEF to present at the third Glasgow Dialogue at SB60 in Bonn how they plan to strengthen its work on ecosystem restoration in the context of extreme weather events, slow onset events and non-economic losses caused by the adverse impacts of climate change and potentially discuss this issue during GEF Council Meetings;
- *Urge* UN Development Group (UNDG), the World Bank (WB) and the European Union (EU) to include non-economic losses in the post-disaster needs assessment (PDNA) tool;
- *Urge countries to* include NELs in their NAPs and NDCs and request donors, relevant funds and organizations to take them into account in their response plans.

## Human Mobility

- *Invite* support by contributors for climate-related projects under the Migration Multi-Partner Trust Fund, and inviting other sources, funds, processes and initiatives to link to the Migration Multi-Partner Trust Fund to scale up successful projects;
- *Invite* multilateral climate finance institutions to promote the inclusion of refugees and migrants in their funded activities, consistent with existing investment, results framework and funding windows and structures;
- *Call on* countries to integrate human mobility into national planning processes, including, inter alia, the process to formulate and implement national adaptation plans, through domestic efforts and capacity building by multilateral and bilateral technical assistance providers;
- *Call upon* actors to include all displaced persons and other communities affected by displacement in the planning and implementation of measures to avert, minimize and address loss and damage.

## Slow Onset Events

- *Invite* donors, financial institutions and other supporting entities to consider SOEs in their strategic planning and integration of programmatic loss and damage approaches at regional, national, and local level;
- *Call on* scientific stakeholders and initiatives to include the collection of data on SOE impacts and projections, especially for Sea Level Rise, changes in precipitation patterns, desertification and glacial retreat;
- *Underlines* the importance to build upon local and indigenous knowledge to assess impacts and finding solutions for SOEs impacts from adverse effects of climate change;
- *Call on* UNDRR, disaster risk management initiatives such as GRiF, national and local stakeholders as well as the private sector to include impacts from SOEs into their risk analyses and preventative measures. Call on WIM ExCom to support this via its technical work;
- *Call on* the relevant governing bodies to give guidance to the GCF, GEF, LDCF, SCCF and AF and encourage MDBs to strengthen their work related to preparing for and responding to slow onset events, including sea level rise, glacial retreat, and land degradation and strengthen their work on ecosystem restoration.

## Pre-arranged finance and programmatic country-based approaches

- *Urge* governments and development partners to significantly and systematically scale up grant-based financial support to address affordability barriers to risk transfer instruments in vulnerable countries through long-term, reliable premium financing, to systematically shift climate-disaster finance towards ex ante approaches to allow for a swift disbursement of funds to the most vulnerable people and countries when disasters occur, and to support countries in improving and implementing according CDRFI (climate and disaster risk financing and insurance) strategies;
- *Call on* governments and partners to jointly develop a global development reinsurance structure ('Captive') for development insurers to better manage their capital in view of increasing climate impacts and call on financing countries to support such a Captive with concessional finance;
- *Call on* and work within multilateral and bilateral development banks, as well as encourage private creditors to systematise and mainstream climate-resilient debt clauses, shock-resilient loans and contingent finance instruments in lending operations to strengthen debt relief in the face of climate risk;
- *Strongly recommend* governments and their development partners as well as the private sector to invest in data and models to identify, assess and report on climate-related risks and their financial implications for governments and vulnerable populations, including by leveraging private sector risk analytics as demonstrated by the Global Shield against Climate Risks;
- *Call on* parties, multilateral and bilateral development banks, the private sector, and implementing organizations to support the development of inclusive, gender-responsive domestic risk markets, which make financial protection accessible and affordable to particularly vulnerable people and marginalized groups. This includes providing technical assistance for improved regulation, investing in new technologies, products and distribution channels, and premium and capital support;
- *Call on* governments and their development partners to participate in, support, build on and maximise the experience accrued by the Global Shield against Climate Risks, so that it can sustain its function as a platform within the emerging finance architecture to advance the agenda of pre-arranged finance.

### Planning, institutional capacity and preparedness

- *Underline* the importance of effective regional, national, and local multi-hazard early warning mechanism and in this regard welcome and support the Early Warnings for All Initiative, including by recognizing that initiatives such as CREWS and SOFF are part of the funding arrangements responding to loss and damage and recognizing the need to ensure funding from various sources;
- *Call on* the Santiago Network to build (institutional) capacities and knowledge for early warning and early action and making both finance and technology effective to avert, minimize and address loss and damage;
- *Ask* the Global Shield against Climate Risks to systematically enhance the link between existing Early Warning Systems and Pre-arranged financing instruments.

### Humanitarian assistance

- *Welcome* the exploration of the establishment of a climate financing mechanism within the Central Emergency Response Fund through the UN Office for the Coordination of Humanitarian Affairs (OCHA);
- *Urge* UN OCHA and the International Federation of Red Cross and Red Crescent Societies (IFRC), to convene *a process to engage relevant stakeholders* to identify actionable recommendations for how humanitarian, *development and climate interventions can* be better aligned and resourced to meet rising and compounding impacts of climate change and respond to climate-related loss and damage;
- *Urge* humanitarian actors and contributors to scale up, anticipatory approaches to humanitarian action through mechanisms such as CERF, DREF, START country-based pooled funds, and humanitarian appeals;
- *Urge* Parties to scale up the effectiveness and timeliness of humanitarian funding, including through flexible funding that enables quick scaling up of response to urgent needs and ensures operational continuity.