

FUNDING LOSS AND DAMAGE MAKING 2023 A SUCCESS

E3G, GERMANWATCH AND WRI

The Transitional Committee (TC) created at COP27 has a complex task to reach solutions on loss and damage financing this year. There is strong opportunity for progress: from setting up a new dedicated fund to designing wider funding arrangements to address loss and damage and identifying new sources of finance. The list is long and time is short: so how can the TC work efficiently, contribute to political ambition and address loss and damage?

To ensure successful loss and damage outcomes are achieved at COP28, the TC should aim to:

- > Agree a recommendation detailing the structure, functions and governance of the new loss and damage Fund. The fund should be established at COP28 and its governing body operationalised by COP29 at the latest. To this end, the TC can draw from lessons learned from the existing entities, including within the UNFCCC Financial Mechanism.
- > Focusing on the design of the loss and damage fund, delegate discussions on the broader funding arrangements to the Glasgow Dialogue and other fora.
- > Coordinate inputs from other processes to reach answers to the wider loss and damage funding questions - a shared understanding on how the existing and future loss and damage landscape can support the needs of vulnerable communities, opportunities for new sources of funding for loss and damage, and the pathways for international financial institutions to step up their support for loss and damage.

The TC should be transformational in its coordinating role, ensuring loss and damage processes are aligned and delegating tasks to other processes to avoid overloading the limited formal agenda.

2023 CANNOT BE A LOSS

For 2023 to be a year of progress and success, multiple outcomes are needed:

1. **Agreement on TC recommendations for how the new Fund should work and be governed:** differentiating short, medium and long-term needs; addressing rapid *and* slow onset impacts; ensuring other priorities, like adaptation or humanitarian aid, won't suffer; ensuring timeliness and accessibility; and clarity on how to resource and disburse funds.
2. **More funding disbursed through existing channels:** to address early warning, adaptation and response to rapid onset events.
3. **Identifying new sources of funding for addressing loss and damage:** including voluntary contributions and pathways to tap innovative sources such as global levies/taxes.
4. **A pathway for international financial institutions:** to step up their support for averting, minimising and addressing loss and damage.
5. **Shared understanding of the whole loss and damage financial landscape and how it can better support the most vulnerable:** mapping out existing finance flows and improving funding accessibility/efficiency.

Each of these questions needs an answer to ensure accessible, adequate, and timely loss and damage finance reaches vulnerable communities. The TC does not need to address all issues simultaneously – it can task other fora to progress issues and coordinate across them. The Glasgow Dialogue continues and the COP27 decision created multiple political and process tracks including a UNSG-hosted convening of IFIs and the UNFCCC secretariat's synthesis report.

Building off the work from its 2022 session, the Glasgow Dialogue is well suited to tackle questions related to the broader funding arrangements, including an analysis of existing flows. The UNSG-hosted convening of IFIs can build on the outcomes from the Glasgow Dialogue with a specific focus on MDBs and the IMF. With a strong coordination function, the outcomes from these processes could feed into the TC's final recommendations on funding arrangements, allowing the Transitional Committee to use its time most efficiently and effectively to tackle the design, governance, and resourcing of the loss and damage fund.

Figure 1 sets out potential diplomatic pathways to address the five loss and damage outcomes needed from 2023.

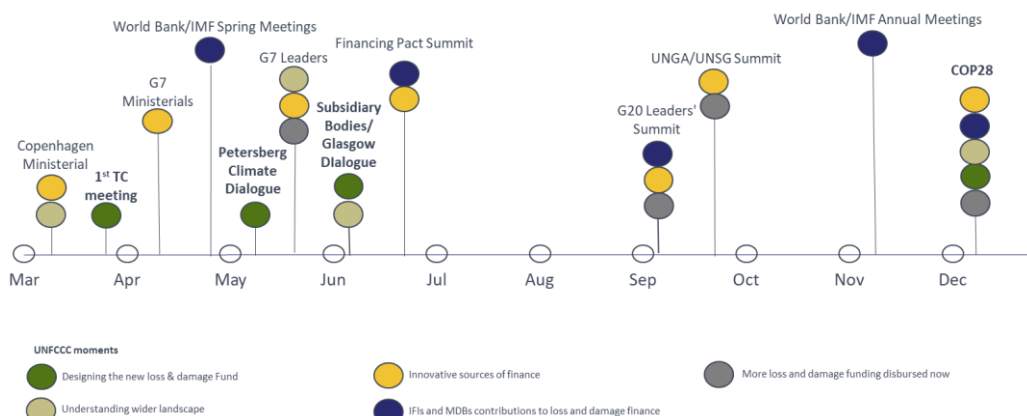


Figure 1 2023 Diplomatic pathways for loss and damage

Agreeing how the loss and damage Fund should operate: Multiple workstreams should be created to focus on specific aspects of the fund design (structure, functions, sources, and governing body). External experts from other UN Funds can share good practices and areas for improvement across all workstreams to avoid current challenges. The 3 meetings of the TC should be complemented by informal discussions throughout the year to enable whittling down of options in the formal discussions. The TC can host these informal discussions and civil society can convene additional spaces for frank and open dialogue beyond negotiating positions.

More funding now: Opportunities for governments to announce new loss and damage funding contributions abound – UNSG summit, G7 and G20 leader and ministerial moments, and COP28 itself. The priority places to put loss & damage funding include:

- > The UNSG initiative for early warning systems (funding for averting and minimising loss and damage),
- > Pledges to the V20 Fund and the new UNFCCC dedicated fund (for addressing loss and damage), and
- > Contributions to the Santiago Network for research and technical support.

New and innovative sources of funding: The COP27 decision created space for the UNFCCC Secretariat to host workshops. Other opportunities for political discussion of potential sources of funding include the Summit for a New Global Financial Pact and side meetings of the UN General Assembly such as a Climate

and Development Ministerial. The contributor base for the Loss and Damage Fund can be discussed under the New Collective Quantified Goal framework.

International financial institutions' and multilateral development banks' contributions: The meetings of the World Bank and International Monetary Fund in April and October and the G20 meetings offer opportunities to consider the roles of IFIs. New political momentum for evolution of the IFIs offers space for expanding their role in addressing loss and damage, supporting resilient infrastructure investment to minimise loss and damage, and wider fiscal space needs for countries in times of crisis. The UNSG will also convene international financial institutions in the spring, where he could be an honest broker, to support progress in this area by COP28.

Loss and damage finance landscape mapping and improvements: the Glasgow Dialogue remains the best place to continue dialogue on the landscape of L&D finance and overall needs, supported by the mandated UNFCCC synthesis report. This does not need consume the full time of the TC. The Global Stocktake (GST) output could also be a source for inputs on this conversation.

This approach would provide a diverse source of inputs, allowing the TC to strengthen the outcomes of its work. The outcomes of these parallel processes can be integrated into the TC's work to ensure a comprehensive approach to establishing new funding arrangements, including the loss and damage fund.

About Us

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action. More information is available at www.e3g.org

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