KEY MESSAGES FOR THE FOURTH MEETING OF THE TRANSITIONAL COMMITTEE OF THE LOSS AND DAMAGE FUND (TC4)

17 - 20th of October, Aswan Egypt (GMT+3)
INTRODUCTION

The fourth meeting (TC4) of the Transitional Committee (TC) of the Loss and Damage Fund agreed at COP 27 will happen in Aswan Egypt on the 17th to 20th of October 2023 with pre-meetings happening beforehand.

You will find live streams and session documents here (when they become available). We don't know how much of TC4 will be live-streamed as it is possible that some sessions will be closed.

TC4 will see TC members trying to find agreement on the recommendations that they will send to COP 28. This means they will be negotiating the text that they will send to COP 28. Therefore TC4’s sessions will be organised around 13 key issues (see them here on page 2) where an agreement has not been reached (e.g. where the Secretariat of the Loss and Damage Fund will be hosted) with options provided for each issue (e.g. Under the World Bank or a stand-alone fund).

To aid discussions the TC co-chairs will also release a set of papers that attempt to capture areas of consensus and, where divergences remain, articulate the options that have been identified through the TC’s deliberations to date. A day before the start of TC4 the documents released publicly include:

- A synthesis report, on the outcomes of the activities and deliverables referred to in paragraphs 7(b), 11, 12 and 14 of decisions 2/CP.27 and 2/CMA.4 (e.g. what happened at the Ministerial Consultations on Funding Arrangements for Responding to Loss and Damage in New York).

- An "Informal note by the Co-Chairs of the Transitional Committee on the Fund" with a dummy text for the recommendations that the TC will provide to #COP28 with placeholder text showing where the TC needs to agree.

- An "Informal note by the Co-chairs of the Transitional Committee on the proposals by Transitional Committee members in relation to the identified outstanding issues" with proposed text options for each issue that needs to be agreed.

- A "Co-chairs summary of core issues to be addressed and agreed at the Fourth meeting of the Transitional Committee". This is a table detailing options and notes for each outstanding issue.

To make sure that a fit-for-purpose Loss and Damage Fund is operationalised at COP 28, one that meets the needs of communities in developing countries impacted
by loss and damage, we need to keep the pressure up on TC members and their governments.

Below are some notes on strategy for TC4 and key messages for each of the 13 issues that will be negotiated at TC4 that can be useful for social media messaging and advocacy. You will also find example Twitter posts, quotes from well-known Loss and Damage heroes, and the Twitter handles of TC members.

**NOTES ON PRIORITIES FOR TC4**

TC4 is not the last chance to ensure that we get a Loss and Damage Fund that is fit for purpose as work will continue at COP 28. However, TC4 is the last opportunity for technical experts to deliver a Loss and Damage Fund that meets the needs of developing countries in a process dedicated to the Fund.

Without strong recommendations being provided by the TC to COP 28, more work will need to be done at COP 28. This is risky as the Loss and Damage Fund won’t be the only issue being negotiated and it is possible that other negotiation items could be traded off against the Fund. The bottom line is if the bulk of decision-making goes to COP 28 we could get a Fund that is not very good.

At TC4 we need to make it clear to TC members, and particularly to the governments of developed countries, that civil society is paying attention to what is happening at TC4.

Civil society needs to set its expectations high for the Loss and Damage Fund and keep them high even if developing country TC members have to make concessions. However, we should recognise/be mindful that Developing country negotiators have done all they could if things don’t go as we would like.

It is important to focus efforts on ensuring that TC4 delivers recommendations that will operationalize a fit-for-purpose Loss and Damage Fund at COP28 and not on the broader Loss and Damage Funding Arrangements. The Fund needs to be at the centre of the Funding Arrangements and we need to get it right before we can talk about other new or improved funding arrangements.

On sources of finance, we should focus on ensuring that developed countries are the primary source of finance for the Loss and Damage Fund and that they meet their obligations and responsibilities.

At TC4, it is highly likely that developed countries will once again raise the issue of expanding the contributor base for the Loss and Damage Fund to
include countries such as China, India, and Gulf states such as Saudi Arabia. Any decision in the TC on the contributor base for the Loss and Damage Fund would open up discussions on the contributor base status quo which would have repercussions for other ongoing climate finance discourses, especially on the New Collective Quantified Goal on Climate Finance (NCQG) which will be agreed at COP 29. **Expanding the contributor base would also likely lead to a split among developing countries within the G77.** We should therefore be ready to push back on expanding the contributor base by reiterating the obligations and responsibilities of developed countries for climate finance stated in the UNFCCC and the Paris Agreement (Article 9).

At TC4 **Conversations on innovative finance may be overshadowed by discussions on other issues.** However, this should not stop civil society from **pushing for the TC to provide a pathway forward on innovative sources** if the TC fails to dedicate a session to the issue during TC, recognising that The COP 27 decision mandated the TC to discuss innovative sources. This is important as **without innovative sources the scale of the Fund could be too small to meet the needs.** Whilst, innovative sources also potentially provide a way through the delay in operationalising the Loss and Damage Fund that divergence around the issue of “expanding the contributor base” could cause.

On eligibility, it is important to continue to highlight that all developing countries must be eligible to access support from the Loss and Damage Fund. To do so we can point to the example of Pakistan and other developing countries (e.g. South Africa) that are not Small Island Developing States (SIDs) or Least Developed Countries (LDCs) that have faced large loss and damage events (e.g. the devastating floods in South Africa, Nigeria and Libya). Pakistan will be on the TC for TC4 and they may help us do this.

**KEY MESSAGES FOR TC4:**

Below are key messages for each of the 13 issues that will be discussed at TC4 as well as some other important messages on participation and Human Rights. In some sections, you will find some “things to know” that can help unpack the issue further.

**1. The location of the new, dedicated, independent secretariat of the Loss and Damage Fund (Will the Loss and Damage Fund be a standalone fund or under the World Bank?)**

Developing countries want the Fund to be a stand-alone fund that is an operating entity of the Financial Mechanism of the UNFCCC. Developed countries want the
Secretariat of the Loss and Damage Fund to be hosted by the World Bank as a Financial Intermediary Fund (FIF).

Key messages:

- A World Bank-hosted Loss and Damage Fund can’t deliver the support needed by developing countries to address loss and damage:
  - The World Bank can’t disperse funds directly to recipient countries and communities through direct access. Instead, funding would need to go through a UN agency or Multilateral Development Bank to access funds.

- Developed country TC members say that a Loss and Damage Fund under the World Bank will be set up faster, as it relies on the capacities and administrative policies of the policy. But this can curtail the flexibility of the Loss and Damage Fund to grow in scale and improve policies and procedures that will make it fit for purpose as loss and damage needs change with the escalation of the climate crisis.

- The World Bank has caused problems that we are trying to repair with the Loss and Damage Fund.
  - In 2022 the World Bank provided $3.7 billion (USD) in finance to fossil fuel projects.
  - The World Bank’s business model is focused on loans which continue to push developing countries deeper into debt leaving them little fiscal space for climate action (mitigation, adaptation and addressing loss and damage).
  - The World Bank’s governance structure is shareholder-driven, meaning it would put developed countries—which are to be the main contributors—in a position of greater control over the Loss and Damage Fund.

Things to know:

- There is already agreement amongst TC members that the World Bank will be the trustee of the Loss and Damage Fund, but this is a firewalled, narrow role with no influence on the Fund’s Secretariat function or implementing partners.

2. Whether to designate the Loss and Damage Fund as an operating entity of the Financial Mechanism of the UNFCCC?
Developing countries want a Loss and Damage Fund that is an operating entity of the Financial Mechanism of the UNFCCC, whilst developed countries want the Fund to not be an operating entity.

Key messages:

- A Loss and Damage Fund as an operating entity of the Financial Mechanism of the UNFCCC will be guided by the UNFCCC’s principles of equity, historical responsibility, and Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC). These principles are important as they will help hold the countries most responsible for the climate crisis accountable for finance to address loss and damage.

- Under the UNFCCC and the Paris Agreement (Article 9) developed countries have obligations to provide finance to developing countries for climate action. A Loss and Damage Fund as an operating entity of the Financial Mechanism of the UNFCCC will keep the Fund tied to these obligations.

- All developing countries must be eligible to access support from the Loss and Damage Fund. A Loss and Damage Fund that is an operating entity of the Financial Mechanism of the UNFCCC will offer assurances that all developing countries will be eligible based on equity and common but differentiated responsibilities and respective capabilities (CBDR-RC) and on its accountability to both the COP (UNFCCC) and CMA (Paris Agreement).

- Loss and Damage is the third pillar of climate action alongside mitigation and adaptation, the Loss and Damage Fund must be equal in status to the Green Climate Fund (GCF).

- The GCF and Global Environment Facility (GEF) are designated operating entities of the UNFCCC, and they are working well.

Things to know:

- As an operating entity of the financial mechanism of the UNFCCC the Loss and Damage Fund would offer greater assurance for accessibility to all developing countries, based on equity and common but differentiated responsibilities and respective capabilities (CBDR-RC) and on its accountability to both the COP (UNFCCC) and CMA (Paris Agreement).

3. Governing body or bodies served by the Loss and Damage Fund?

Developing countries want a Loss and Damage Fund accountable to and receiving guidance from both the COP (UNFCCC) and CMA (Paris Agreement) as an
operating entity of the financial mechanism of the UNFCCC.

Developed countries have suggested that they want a Loss and Damage Fund governed by just the CMA.

Key messages:

- The Loss and Damage Fund should follow the principles of the UNFCCC and Paris Agreement and report to and receive guidance from the COP and CMA.

Things to know:

- A Loss and Damage Fund governed just by the CMA would be distanced further from the principles of the UNFCCC (i.e. Equity, Historic Responsibility and CBDR-RC) and its obligation that developed countries provide finance for developing countries to implement climate action.

4. Scope and structure of the Loss and Damage Fund, including definition of any windows or sub-funds and potential delegation of related decisions to the Board (Will the Loss and Damage Fund have windows or subfunds and who will make decisions about dispersing money?)

Developing countries want a Loss and Damage Fund that covers the full scope of loss and damage including economic and non-economic loss and damage, rapid and slow onset events including rehabilitation, recovery and reconstruction action. They have made various proposals for the Fund to have windows that can cover all of the above.

Developed countries want the Fund to be limited in scope for example just covering slow onset events, non-economic loss and damage and human mobility. They have made proposals for sub-funds under the Loss and Damage Fund that cover just these things.

The EU proposal includes five sub-funds: an LDCs and SIDS Sub-Fund, a Recovery and Reconstruction Sub-Fund, a Pre-Arranged Finance Sub-Fund (focused on insurance and the Global Shield), a Small Grants Response Sub-Fund, and a Human Mobility Sub-Fund. In their proposal, the EU seeks to limit eligibility for these sub-funds to Small Island Developing States (SIDs), Least Developed Countries (LDCs) and other particularly vulnerable countries based on specific eligibility criteria. This means that countries like Pakistan would not be eligible for support to address loss and damage.
The US proposal suggests three sub-funds, one for slow-onset events, one for Recovery and Reconstruction, and one for Small Markets. The Small Markets sub-fund limits eligibility to countries with populations of five million or fewer to respond to loss and damage.

Civil Society has made a proposal for the Loss and Damage Fund to have four windows, one for responding to extreme events (e.g. hurricanes), one for mid-term recovery and reconstruction, one for responding to slow onset events (e.g. sea level rise), and importantly, a small grant window that allows communities to directly access the Loss and Damage Fund.

Although the EU has also proposed a Small Grants Response Sub-Fund intended to provide financial and technical support to local civil society and community-based organisations, if the Loss and Damage Fund was hosted as a World Bank FIF communities would have to go through implementing entities like Multilateral Development Banks and UN agencies.

Key messages:

- The scope of the Loss and Damage Fund must cover the full spectrum of loss and damage needs including economic and non-economic loss and damage, rapid and slow onset events and reconstruction and recovery.
  - For example, if the Loss and Damage Fund can’t release money for rapid onset events then it will not be able to respond to loss and damage caused by flash floods such as those that happened in Sikkim.

- The Loss and Damage Fund must have windows and not sub-funds. Sub-funds would earmark contributions to the Loss and Damage Fund to address specific types of loss and damage and/or in specific ways. The Board of the Loss and Damage Fund, and not contributors, must be the ones to determine the allocation of money to the various funding priorities/windows to ensure that the needs of developing countries are met.

- Sub-funds or windows under the Loss and Damage Fund must not be used to limit eligibility to receive support from the Fund. All developing countries must remain eligible to receive support from every window or sub-fund.

- The EU’s proposal for a “Pre-Arranged Finance Sub-Fund” focuses on the Global Shield against Climate Risk, however, developing countries have repeatedly said pre-arranged finance (insurance) is not what they are asking for.

- The Loss and Damage Fund must have at least four funding windows, one for
responding to extreme events (e.g. hurricanes), one for mid-term recovery and reconstruction, one for responding to slow onset events (e.g. sea level rise), and one that is easily accessible to impacted communities and NGOs for projects such as addressing loss of culture.

- The Loss and Damage Fund must be demand-driven and based upon the needs of developing countries, The Loss and Damage Fund must be country-owned and driven.
- The Loss and Damage Fund must address both economic and non-economic loss and damage together as neither can be delinked from the other.
- The Loss and Damage Fund must support efforts to avert, minimise and address displacement caused by the climate crisis.

Things to know:

**Windows are very different from sub-funds!!!**:

- **Windows** see all the money that comes to the Loss and Damage Fund going into a central fund from which the Board of the Loss and Damage Fund determines allocation to the various funding priorities/windows.

- **Sub-Funds** are separate pots of money under the Loss and Damage Fund that are earmarked to address specific types of loss and damage. This means that when making contributions to the Loss and Damage Fund contributors (e.g. the US and EU) would be able to specify what sub-fund that they are contributing to e.g. Slow onset events. Therefore sub-funds create complexity and take power away from the Board of the Loss and Damage Fund to allocate funds in a way that makes sense and is needed by developing countries.

5. **Sources of funding and financial inputs to the Loss and Damage Fund (Who will pay and where will the money come from?)**

Developing countries want a Loss and Damage Fund primarily funded by the developed countries that are most responsible for the climate crisis.
Developed countries want to avoid paying for loss and damage and are calling for the contributor base for the Loss and Damage Fund to be expanded to include countries like China, India and Saudi Arabia.

Civil society has called for innovative sources of finance (e.g. levies of air travel, fossil fuel profits or financial transactions) to be used to help fill the Loss and Damage Fund both in addition to the primary funds coming from developed countries and as a way for developed countries to reduce the funds they need to provide from public spending pots.

Key messages:

- Developed countries are most responsible for the climate crisis, they have responsibilities and obligations under the UNFCCC and the Paris Agreement (Article 9) to provide finance to developing countries for climate action which means that they must pay their fair share for loss and damage.

- All money released by the Loss and Damage Fund must come in the form of grants and not loans. The Fund must not increase indebtedness in developing countries.

- Innovative sources of finance (e.g. levies of air travel, fossil fuel profits or financial transactions) can and should play a role in providing funding for the Loss and Damage Fund, developing these sources may be essential in meeting the scale of funds required. Innovative sources of finance must be guided by the principles of equity.

- All funding for the Loss and Damage Fund must be new and additional to Official Development Assistance (ODA) and existing climate finance commitments for mitigation and adaptation.

Things to know:

- Any decision made by the TC on expanding the contributor base for the Loss and Damage Fund would open up discussions on the contributor base status quo which would have repercussions for other ongoing climate finance discourses, especially on the New Collective Qualified Goal (NCQG) which will be agreed in 2024 at COP29.

6. Whether to indicate the scale of the Loss and Damage Fund? (How much money will the Loss and Damage Fund need?)
Developing countries want a Loss and Damage Fund that provides at least $100 billion (USD) a year, with funds scaling up over time to meet loss and damage needs as the climate crisis escalates.

Civil society has highlighted that at least $400 billion (USD) a year to meet the projected loss and damage costs in the 2030’s with some or much of this going through the Loss and Damage Fund.

Developed countries will seek to limit the scale of the Loss and Damage Fund to reduce the amount they need to pay.

Key messages:

- The Loss and Damage Fund must start with a floor of at least $100 billion (USD) a year, with funds scaling up over time to meet loss and damage needs as the climate crisis escalates.
- In 2022, economic loss and damage alone cost developing countries over $100 billion USD.
- Low-range loss and damage estimates project that loss and damage will cost developing countries over $179 billion USD a year in the 2020s, $447 billion (USD) a year in the 2030s, rising to $1.7 trillion USD a year in the 2050s.
- The Loss and Damage Fund must be able to grow in size to meet the loss and damage needs of developing countries as the climate crisis escalates. As a stand-alone operating entity of the financial mechanism of the UNFCCC, the Loss and Damage Fund will be better able to do that.
- The Loss and Damage Fund must be at a scale that puts it on an equal footing with the Green Climate Fund (GCF), thereby recognising that Loss and Damage is the third pillar of climate action.

7. Eligibility for support of particularly vulnerable developing countries (Who will be eligible to access support from the Loss and Damage Fund?)

Developing countries want a Loss and Damage Fund that is accessible to all developing countries.

Developed countries seek to limit eligibility to the “particularly vulnerable countries” who they define as the Small Island Developing States (SIDs) and the Least Developed Countries (LDC).
Key messages:

- All developing countries must be eligible to receive support from the Loss and Damage Fund.
  - The UNFCCC clearly states that all in accordance with the principle of Common but Differentiated Responsibility and Respective Capabilities (CBDR-RC) that developed country Parties are to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC.
  - Article 9 of the Paris Agreement stipulates that developed country Parties shall provide financial resources to assist developing country Parties in continuation of their existing obligations under the UNFCCC.

- A Loss and Damage Fund that only allows Small Island Developing States (SIDs) and the Least Developed Countries (LDC) to access support means that developing countries such as Pakistan who faced loss and damage cost of $40 billion USD due to the devastating floods of 2022 would not be eligible for support from the Fund. Other examples include:
  - South Africa would not be eligible for support following the KwaZulu-Natal Floods in 2022 which saw 455+ lives lost and 3.6+ billion USD of economic loss and damage.
  - Nigeria would not have been for support following floods in 2022 which saw 660+ lives lost and 2.3+ billion USD of economic loss and damage.
  - Libya would not be eligible for support following the floods caused by Storm Daniel, which led to the loss of 11,300+ lives and yet unknown economic loss and damage costs.

Things to know:

- Developed countries use the phrase “particularly vulnerable countries” which is different from the UNFCCC formulation “countries that are particularly vulnerable to the adverse effects of climate change”. The developed countries’ interpretation is less neutral than the UNFCCC formulation as it suggests a focus on a specific group of countries e.g. Small Island Developing States (SIDs) and the Least Developed Countries (LDCs).
8. Distribution of resources among subfunds/windows/modalities of the Loss and Damage Fund;

Various windows and sub-funds have been proposed by developing and developed countries and civil society, how they will be distributed will be negotiated at TC4. (see point item 4 for a detailed breakdown of the proposals. See below for the important differences between windows and sub-funds).

Key messages:

- The Loss and Damage Fund must have windows and not sub-funds. Sub-funds would earmark contributions to the Loss and Damage Fund to address specific types of loss and damage and/or in specific ways. The Board of the Loss and Damage Fund, and not contributors, must be the ones to determine the allocation of money to the various funding priorities/windows to ensure that the needs of developing countries are met.

- The Loss and Damage Fund must have at least four funding windows, one for responding to extreme events (e.g. hurricanes), one for mid-term recovery and reconstruction, one for responding to slow onset events (e.g. sea level rise), and one that is easily accessible to impacted communities and NGOs for projects such as addressing loss of culture.

- The scope of the Loss and Damage Fund must have sub-funds or windows that cover the full spectrum of loss and damage needs including economic and non-economic loss and damage, rapid and slow onset events and reconstruction and recovery.

- **Sub-funds** or **windows** under the Loss and Damage Fund must not be used to limit eligibility to receive support from the Fund. All developing countries must remain eligible to receive support from every window or sub-fund.

- All money released by the Loss and Damage Fund must come in the form of grants and not loans. The Fund must not increase indebtedness in developing countries.

- The Loss and Damage Fund must be demand-driven and based upon the needs of developing countries, The Loss and Damage Fund must be country-owned and driven.

- The Loss and Damage Fund needs to make support easy to access, It must not require long complex applications that increase the administrative burden of developing countries.
● The Loss and Damage Fund must be able to release funds within 24-48 hours of a climate disaster.

● Civil society organisations and impacted communities must be able to receive funds directly from the Loss and Damage Fund.

Things to know:

● Although the EU has also proposed a Small Grants Response Sub-Fund intended to provide financial and technical support to local civil society and community-based organisations, if the Loss and Damage Fund was hosted as a World Bank FIF communities would have to go through implementing entities like Multilateral Development Banks and UN agencies.

Windows are different from sub-funds!!!:

● **Windows** see all the money that comes to the Loss and Damage Fund going into a central fund from which the Board of the Loss and Damage Fund determines allocation to the various funding priorities/windows.

● **Sub-funds** are separate pots of money under the Loss and Damage Fund that are earmarked to address specific types of loss and damage. This means that when making contributions to the Loss and Damage Fund contributors (e.g. the US and EU) would be able to specify what sub-fund that they are contributing to e.g. Slow onset events. Therefore sub-funds create complexity and take power away from the Board of the Loss and Damage Fund to allocate funds in a way that makes sense and is needed by developing countries.

9. **System of allocation to prioritise vulnerabilities (Which countries will be prioritised to access support from the Loss and Damage Fund?)**

Developing countries want a Loss and Damage Fund that is accessible to all developing countries.

Some developed countries seek to limit eligibility to the Loss and Damage Fund by prioritising “particularly vulnerable countries”.

The EU seeks to limit eligibility to the “particularly vulnerable countries” which they define as the Small Island Developing States (SIDs) and the Least Developed Countries (LDC).
The US proposal suggests a Small Markets sub-fund Small Markets eligible to countries with populations of five million or fewer to respond to loss and damage.

At TC3 both Australia and the Netherlands indicated that they wanted to prioritise “particularly vulnerable countries” but not necessarily limit eligibility to a specific group.

Key messages:

- All developing countries must be eligible to receive support from the Loss and Damage Fund.
  - The UNFCCC clearly states that all in accordance with the principle of Common but Differentiated Responsibility and Respective Capabilities (CBDR- RC) that developed country Parties are to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC.
  - Article 9 of the Paris Agreement stipulates that developed country Parties shall provide financial resources to assist developing country Parties in continuation of their existing obligations under the UNFCCC.

- A Loss and Damage Fund that only allows Small Island Developing States (SIDs) and the Least Developed Countries (LDC) to access support means that developing countries such as Pakistan who faced loss and damage cost of $40 billion USD due to the devastating floods of 2022 would not be eligible for support from the Fund. Other examples include:
  - South Africa would not be eligible for support following the KwaZulu-Natal Floods in 2022 which saw 455+ lives lost and 3.6+ billion USD of economic loss and damage.
  - Nigeria would not have been for support following floods in 2022 which saw 660+ lives lost and 2.3+ billion USD of economic loss and damage.
  - Libya would not be eligible for support following the floods caused by Storm Daniel, which led to the loss of 11,300+ lives and yet unknown economic loss and damage costs.

- Sub-funds or windows under the Loss and Damage Fund must not be used to limit eligibility to receive support from the Fund. All developing countries must remain eligible to receive support from every window or sub-fund.

- The Loss and Damage Fund must be demand-driven and based upon the needs of developing countries, The Loss and Damage Fund must be
country-owned and driven.

Things to know:

- Developed countries use the phrase “particularly vulnerable countries” which is different from the UNFCCC formulation “countries that are particularly vulnerable to the adverse effects of climate change”. The developed countries' interpretation is less neutral than the UNFCCC formulation as it suggests a focus on a specific group of countries e.g. Small Island Developing States (SIDs) and the Least Developed Countries (LDCs).

10. Coordination and coherence of the Loss and Damage Funding Arrangements

Developing countries want the Loss and Damage Fund to be the heart of Loss and Damage coordination which is structured around: the coordination of funding arrangements, technical and procedural coordination, and high-level dialogue / political coordination.

Developed countries push for an expanded role of existing institutions and arrangements. For example, the humanitarian sector reacting after an extreme climate event or multilateral development banks providing loans to recover from climate events.

There is general agreement that a high-level council (or similar) be mandated to ensure greater coordination and coherence of the Loss and Damage Funding Arrangements but very different approaches to constituting it.

The developing countries’ proposal sees a function for such a council, but as a political corollary (that follows the lead of) to the technical lead by the Loss and Damage Fund in coordination.

The US proposal establishes a “Resilient Futures Coordination Council” with heavy focus on on the World Bank and other Multilateral Development Banks (MDBs).

Key messages:

- The Loss and Damage Fund must be the central coordinating entity at the heart of the Loss and Damage Funding arrangements.

- Existing institutions and arrangements are inadequate to address loss and damage:
Humanitarian assistance is already inadequate for its existing mandate (e.g. conflict, earthquakes, etc).

The objective of the Fund is both to create new and additional funding, not reallocate it from existing uses, and to fund in a completely different way that is more fit for purpose to address loss and damage.

- Loss and Damage Funding Arrangements should be grant-based and non-debt-inducing and consistent with the principles and purposes of the UNFCCC and Paris Agreement.
- Any high-level council (or similar) mandated to ensure greater coordination and coherence of the Loss and Damage Funding Arrangements must follow the technical lead of the Loss and Damage Fund in coordination.

Things to know:

- Coordination and coherence of the Loss and Damage Fund is important, the question to ask will be who takes the lead in ensuring it by setting the tone/signal or sign-post against which the “coherence and coordination” for funding for addressing loss and damage will be judged.
- Ideally, the TC should not spend too much time on “coordination and coherence” of the Loss and Damage Funding Arguments, as this would take away time from making progress on the Fund. If developed countries want to talk a lot about “coordination and coherence” this is likely a delay tactic.

11. The size and composition of the Board of the Loss and Damage Fund.

Developing countries want a Board for the Loss and Damage Fund that has equitable representation of developing countries i.e at least equal numbers of developed and developing countries. The Least Developed Countries proposal called for a resident Board to be able to make quick decisions following a climate event.

The US proposal sees the Loss and Damage Funds Board include ten members from the Western Europe and Others group and four seats for the biggest financial contributors to the Fund (also developed countries) vs 10 seats for developing countries. This does not equal equitable representation as the biggest contributors must also be developed countries.

The EU proposal also favours developed countries with six members from the Western Europe and Others Group and five members from contributing Parties, based on cumulative paid-in contribution vs 10 developing country members.
Key messages:

- The Board of the Loss and Damage Fund must have equitable representation of developing countries.
  - The Fund must serve the needs of developing countries to do so, developing countries must have equal or greater say than developed countries on the Loss and Damage Fund releasing money and making decisions.

Things to know:

- The US and EU may try to argue that if China, India and others like Saudi Arabia were contributors to the Loss and Damage Fund then they could take up contributor seats on the board.

- Having seats for contributors on the Board of the Loss and Damage Fund would mean that the Fund was following the shareholder governance model of Multilateral Development Banks (MDBs) which would be in direct opposition to the UN system of allocating equal voting power to each country.

12. The name of the Loss and Damage Fund

Developing countries want the Loss and Damage Fund to be called the Loss and Damage Fund to ensure that Fund and therefore Loss and Damage is held to equal importance as the Green Climate Fund and thereby Mitigation and Adaptation.

The US has proposed naming the Loss and Damage Fund the “Resilient Futures Fund”.

Key messages:

- The Loss and Damage Fund must be called the Loss and Damage Fund.
  - Loss and Damage is the third pillar of climate action and this must be reflected in the naming of the Fund.
  - The Loss and Damage Fund must be held to equal importance as the Green Climate Fund.

13. Content of recommendations on the new Loss and Damage Funding Arrangements (What will the TC recommend on the Loss and Damage Funding Arrangements?)
All parties, both developed and developing agreed to a COP 27 decision that clearly acknowledged that:

“Existing funding arrangements fall short of responding to current and future impacts of climate change and are not sufficient to address the existing funding gaps related to providing action and support in responding to loss and damage associated with the adverse effects of climate change.”

Throughout the TC process, developing countries have continued to make it clear that existing Loss and Damage Funding Arrangements are inadequate including that Humanitarian assistance is already inadequate for its existing mandate. Developing countries also make clear that the objective of the Loss and Damage Fund is both to create new and additional funding, not reallocate it from existing uses, and to fund in a completely different way that is more fit for purpose to address loss and damage.

Civil society has proposed that there should be a set of criteria to be developed to identify whether funding arrangements could count toward loss and damage. E.g. The criteria is that Loss and Damage Funding Arrangements are non-debt creating.

However, developed countries push for an expanded role of existing institutions and arrangements. For example, the humanitarian sector reacting after an extreme climate event or multilateral development banks providing loans to recover from climate events. Developed countries therefore want to include in the recommendations to COP 28 a long list of Loss and Damage Funding Arrangements that they want to improve with a focus e.g. pre-arranged finance (insurance) including the Global Shield Against Climate Risk, humanitarian assistance, recovery and reconstruction through Multilateral Development Banks (MDBs) (e.g. the World Bank) and the Common Framework for Debt Treatment, and the Migration Multi-Partner Trust Fund.

Key messages:

- Providing strong recommendations on the operationalisation of a Loss and Damage Fund that meets the needs of developing countries should be the main priority of the Transitional Committee.

- The objective of the Loss and Damage Fund is both to create new and additional funding, not reallocate it from existing uses (e.g. Mitigation, Adaptation or Official development assistance (ODA)), and to fund in a completely different way that is more fit for purpose to address loss and damage.

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- Humanitarian assistance is already inadequate for its existing mandate (e.g. conflict and earthquakes), it will not provide the reconstruction and recovery needed to address loss and damage.

- Loans for reconstruction and recovery from Multilateral Development Banks are not suitable to address loss and damage.
  - Loans will further increase the indebtedness of developing countries which will in turn reduce their ability to decarbonise and adapt to the climate crisis, this will result in more loss and damage.

- The Global Shield Against Climate Risk cannot provide the scope of what is needed to address loss and damage.

- Insurance (pre-arranged finance) is inadequate to address loss and damage (it can play a small role):
  - The limits of insurability are being reached. High premiums are matched by low payouts which is further exacerbating indebtedness in developing countries.
  - A lack of access and insurance culture in developing countries means that insurance use is not widespread amongst the peoples most impacted by loss and damage.
  - Insurance cannot address loss and damage resulting from slow-onset events (e.g. desertification, salinisation and sea-level rise), nor can it address non-economic losses and damages such as loss of lives and cultural heritage.

Things to know:

- What the focus of this conversation on Loss and Damage Funding Aramanets is will be important. The primary focus should be on the Loss and Damage Fund as the primary actor with some complementary action through new funding arrangements. The focus should not be on strengthening existing funding arrangements such as humanitarian aid, loans from Multilateral Development Banks (MDBs) or the Global Shield.

OTHER IMPORTANT MESSAGES FOR TC4:
The Loss and Damage Fund must be people-centred and human rights-based. Meaningful participation of civil society and frontline communities' must be enabled at every stage of the negotiations and the design and implementation process of the Fund to guarantee that the Fund respects and upholds countries' Human Rights obligations to protect people and the planet from the impacts of the climate crisis.

The work of the Transitional Committee to operationalise the Loss and Damage Fund and the work of the Fund itself must be informed by the best available science on the climate crisis including the latest IPCC AR6 report.