

LOSS AND DAMAGE FUND



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WHAT IS THE LOSS AND DAMAGE FUND?

The Loss and Damage Fund is a key area of concern as there are no indicators that the fund will be anything other than another financialized scheme. Created at the last COP after decades of pressure from developing countries, **the fund is meant to provide finance to address loss and damage in developing countries where communities least responsible for climate change are the most impacted.**



Last year, the COP 27 passed an agreement stating that wealthy nations should provide loss and damage funding to developing and vulnerable countries that have contributed the least to climate change, yet are most vulnerable to its impacts. Some developing countries want to hold big emitters responsible for their past excesses by forcing them to cover the costs of climate change. IEN has and continues to advocate for ensuring this fund provides direct funding to Indigenous Peoples and other frontline communities in developing countries hardest hit by climate change.



RELEVANCE TO COP 28

After COP27, the Transitional Committee (TC) was created and tasked with working out key details of the Loss and Damage Fund. However, discussions between some developed and developing countries were heated with negotiations extended into a fifth meeting at the beginning of November. **Two of the most contentious points are: 1) whether or not the fund will be housed in the World Bank, and 2) who will be the main beneficiaries of the fund.**

Developing countries have pushed for the fund to be created as an independent body. However, the US and EU have been strong proponents of the World Bank hosting the fund. This is viewed as a power grab because the US is the World Bank's largest shareholder, it appoints the World Bank's president and would have much to gain from this arrangement.



RELEVANCE TO COP 28 (CONTINUED)

The main beneficiaries of the fund is an equally thorny topic. Wealthy countries are pushing to limit eligibility to least developed countries (LDCs) and small island developing states (SIDS), whereas developed countries are seeking wider eligibility.

All of the core elements of the Loss and Damage Fund are up for debate at COP28. This includes not only how funds are managed and distributed but also:

- Where the Fund will be housed (for example within the World Bank or a standalone fund within the UN);
- Who pays into the Loss and Damage Fund;
- Who is eligible to receive funds;
- The definition of “vulnerable community”;
- Who can sit on the Fund’s board;
- What types of loss and damage events qualify for funding; and
- Who decides how the funds/finance are to be used

The importance of this cannot be overstated – COP28 presents a crucial opportunity to shape all the substantive elements of the Fund.



WHY IS LOSS AND DAMAGE IMPORTANT FOR INDIGENOUS PEOPLES?

Funding for loss and damage is directly relevant to Indigenous Peoples, as Indigenous Peoples have and will continue to face the worst impacts of climate change. This fund has very direct implications for the wellbeing and self-determination of Indigenous Peoples across the globe.

A key concern at COP 28 is how Indigenous Peoples have been conflated with local communities in terms of receiving loss and damage funds, sidelining the inherent rights of Indigenous Peoples. The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) asserts a number of rights specifically for Indigenous Peoples, and this conflation serves to undermine them. Indigenous Peoples hold a unique legal/political status amongst and within nation-states that is not as a local community or ethnic minority. We support the direct funding of Indigenous Peoples in developing countries, and further, that such funding have no hidden strings attached that would extinguish inherent rights. IEN takes note that any funds or programs developed through the Loss and Damage Fund will only be eligible for Indigenous Peoples in developing countries.

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DEBUNKING MYTHS

WHAT THEY SAY

The Loss and Damage Fund is good for Indigenous Peoples and developing countries as it is a means of accessing funds related to climate impacts.

It makes sense for the World Bank to host the Fund.

WHAT WE SAY

Accessing the Loss and Damage Fund is not guaranteed for Indigenous Peoples or developing countries. Many of the decisions that remain to be made will dictate this, including:

- Whether funds will be grants or loans
- Whether funds will be given directly to communities or indirectly via governments, NGOs, international financial institutions, or others
- If the Fund's board members will be from developed countries, or a mix of developed and developing country representation. Also if board members will be from the private sector.
- If the Fund's board will have non-voting members
- If the Fund will be hosted at the the World Bank

The US government has outsized influence within the World Bank. The US is the largest shareholder of the World Bank and appoints its president, who has historically been from the US. This is undemocratic and antithetical to the purpose of the Fund, because the World Bank would serve as a vehicle for the US's economic interest instead of a vehicle for providing financial relief for those most impacted by climate change.

Moreover, the World Bank would likely distribute financing as loans or bonds instead of grants. **This carries the burden of indebting communities and/or countries that are already at a financial disadvantage as well as placing the decision-making power of how funds are used in the hands of the World Bank as opposed to impacted Indigenous Peoples.**

From the Clean Development Mechanism (CDM) to Reducing Emissions from Deforestation and forest Degradation (REDD+), the World Bank has been involved in 'jump-starting' financial mechanisms inside the UNFCCC for decades.



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DEBUNKING MYTHS

WHAT THEY SAY

The Loss and Damage Fund is part of a justice-oriented climate ethic because it gives money to developing countries.

WHAT WE SAY

First and foremost, financing through the fund will almost certainly not be strings-free direct grants to Indigenous Peoples or impacted communities. It will be loans and/or bonds and likely be funneled through development agencies, governments, national banks, NGOs, and/or other institutions.

It is essential that the control of the funds be taken away from developed countries and shift control to the communities hit hardest by climate change. However, it is likely that funds will be distributed as loans. Despite whatever commitments developed countries may make, there is no enforcement mechanism or certainty around these pledges. Developed countries do not have a good track record of living up to their climate pledges.

Perhaps most importantly, none of this is new. This is the same ongoing story of climate finance. From the Green Climate Fund, Adaptation Fund, and REDD+, none have provided direct grants to communities and **not one of these climate finance programs has abided by Free, Prior and Informed Consent (FPIC).**