



MANILA OBSERVATORY

HEINRICH BÖLL STIFTUNG
SOUTHEAST ASIA



The
Samdhana
Institute

An Asian Center for Social and Environmental Renewal



POLICY BRIEF

Southeast Asian Perspectives on the Operationalization of the Loss & Damage Fund

OCTOBER 2023

Prepared by the Manila Observatory

Key Takeaways:

- On the *Main Principles*, the principles enshrined in the Paris Agreement remain fundamental in addressing the challenge of Loss and Damage – that of equity and common but differentiated responsibilities and respective capabilities (CBDR-RC).
- On the *Programme Priorities*, the Fund should be backed by science. The IPCC reports are a good first basis, as well as scientific reports by domestic research agencies. However, there also remains a space for traditional ecological knowledge.
- On the *Governance Arrangements*, the Fund, however it will look like, should be a standalone Fund, which is independent and distinct from any existing funding mechanisms.
- On the *Eligibility and Access*, the Fund should be easily accessible by all developing countries, and more particularly the indigenous peoples and local communities (IPLC) in these countries.
- On the *Sources of Funding*, the Fund should be open to innovative financing, like taxes and private investment, which should be carefully examined to avoid negative consequences such as increasing the debt-burden of developing countries.

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Introduction

The 28th Conference of the Parties (COP28) that will take place in Dubai, United Arab Emirates, is mere months away. However, much remains to be seen as regards countries' climate commitments, which means the collective goal to limit global warming to 1.5°C is quickly becoming out of reach. On the 20th of September, during the Climate Ambition Summit in New York, the United States of America, the United Kingdom, Australia, and Norway were all excluded from speaking as their respective governments had not done any significant steps to transition away from their heavy fossil-fuel reliant economies to low-carbon ones; Canada, on the other hand, while invited to speak, did not say anything significant with regard to phasing out fossil fuels. The Climate Ambition Summit is just the latest out of the efforts of developed countries recently to backtrack from their climate commitments or create lackluster domestic climate policies.

Meanwhile, several countries are starting to

experience the brunt of the climate crisis. The past year alone has witnessed floods in Libya leading to the deaths of tens of thousands of people¹, wildfires in Greece² and Hawaii³ in magnitudes previously unheard of, record-breaking summer temperatures in mainland Europe and the United Kingdom,⁴ and unabated rains in Hong Kong⁵ and the Philippines,⁶ among many other troubling disasters.

The impacts of the climate crisis are no longer just felt by developing countries, but are very quickly being experienced by developed countries as well, proof that the climate crisis will, sooner rather than later, affect everyone, and will continue to do so, unless urgent and immediate actions are made. The Intergovernmental Panel on Climate Change (IPCC) has already reported that the window for change is rapidly closing, and inaction will put into precarity the lives of billions of people all over the planet.⁷ These impacts, dubbed as “loss and damage”, have taken centerstage in the climate negotiations in the last few years, and rightfully so – many countries are now starting to experience the snowballing of impacts as a result of the climate crisis, including, but not limited to, losses and destruction to lives, housing, economy, infrastructure, biodiversity, and culture. While COP27 in Sharm el-Sheikh in Egypt has been the most progressive COP when it comes to Loss and Damage (L&D) by far, with the creation of an L&D Fund and the concomitant Transitional Committee, much still remain to be done.

This is the premise within which this policy brief takes its root. Southeast Asia, a region already at risk to disasters because of its geographical location as well as its topography, is made even more vulnerable because of the climate crisis. Germanwatch, as part of its Global Climate Risk Index 2021

report, has ranked three (3) Southeast Asian countries as part of the top 10 most at risk countries for climate change from the years 2000-2019.⁸ Economic standing, geographic positioning, and differing political priorities have all contributed to this risk.

Further, in Southeast Asia, climate impact-drivers such as mean air temperature, extreme heat, heavy precipitation and pluvial flood, coastal flood and erosion, ocean acidity, marine heatwave, and relative sea level are projected to increase in intensity and frequency by 2050s under a 2°C warmer world (high confidence). These projected changes in climatic hazards translate into higher risks and potential impacts, thereby threatening further losses and damages.

Therefore, from 18-19 August 2023, the Manila Observatory, through the generosity of the Heinrich Böll Stiftung – Southeast Asia and the Samdhana Institute, and in partnership with the Philippines’ Climate Change Commission, held a sector-wide Southeast Asia-specific workshop in Bangkok, Thailand, entitled “Southeast Asian Perspectives on the Operationalization of the Loss & Damage Fund.” The goal of the 2-day workshop was to bring as much representation to the table and discuss in plenary, after several presentations and breakout groups, what the Loss and Damage Fund should look like and how to operationalize the same, particularly in the context of the Southeast Asian region. The conversation was attended by participants from eight (8) Southeast Asian countries, representing various sectors, including, but not limited to, government, civil society, the youth, and indigenous peoples. The responses to the breakout groups and the plenary discussions were then consolidated and forwarded to the Transitional Committee on 10 September

¹ France 24. (2023, September 17). UN says death toll at least 11, 300 in Libya’s flood-hit Derna. <https://www.france24.com/en/live-news/20230917-aid-arrives-as-libya-copes-with-flooding-aftermath>

² Aljazeera. (2023, August 29). Greece blaze is ‘largest wildfire ever recorded in EU’. <https://www.aljazeera.com/news/2023/8/29/greece-blaze-is-largest-wildfire-ever-recorded-in-eu>

³ Boone, R., Hollingsworth, H., Lauer, C. & Keller, C. (2023, August 25). In deadly Maui fires, many had no warning and no way out. Those who dodged a barricade survived. Associated Press. <https://apnews.com/article/hawaii-fires-timeline-maui-lahaina-road-block-c8522222f6de587bd14b2da0020c40e9>

⁴ The Copernicus Climate Change Service. (2023, August 8). July 2023 sees multiple global temperature records broken. <https://climate.copernicus.eu/july-2023-sees-multiple-global-temperature-records-broken>

⁵ Lens, H. (2023, September 8). HKFP Lens: Historic rains leave Hong Kong reeling, as city hit by second extreme weather event in a week. Hong Kong Free Press. <https://hongkongfp.com/2023/09/08/hkfp-lens-historic-rains-leave-hong-kong-reeling-as-city-hit-by-second-extreme-weather-event-in-a-week/>

⁶ Aljazeera. (2023, July 16). Typhoon Doksuri displaces thousands in northern Philippines. <https://www.aljazeera.com/gallery/2023/7/26/typhoon-doksuri-displaces-thousands-in-northern-philippines>

⁷ Masson-Delmotte, V., Zhai, P., Pirani, A., Connors, S. L., Péan, C., Berger, S., ... & Zhou, B. (2021). Climate change 2021: the physical science basis. Contribution of working group I to the sixth assessment report of the intergovernmental panel on climate change, 2.

⁸ These countries are Myanmar (2nd), Philippines (4th), and Thailand (9th). GermanWatch. (2021, January 25). Who suffers Most from Extreme Weather Events? Weather-related Loss events in 2019 and 2000 to 2019. <https://www.germanwatch.org/en/1977>

2023; they also form part of this policy brief.⁹

Loss and Damage Fund: Southeast Asian priorities

Countries in Southeast Asia have an important responsibility to undertake: historically, they have not contributed to excessive greenhouse gas emissions that have led us to the planetary crisis we are currently experiencing; however, they are also one of those most highly affected by such crisis. There is, therefore, an impetus for Southeast Asian governments and citizens to take the lead in the discussions on climate change, and specifically, on loss and damage as a matter of climate justice. Southeast Asia cannot take a backseat in the climate discussions – as a highly affected region, it has the credibility to talk about the crisis and to provide concrete suggestions on how to move forward in order to meet the temperature goal of the Paris Agreement.

Therefore, with the establishment of both the Fund and the Committee, there requires the inclusion of certain non-negotiables as to how the Fund should be operationalized and cascaded down to the communities so that those who need the money most can actually benefit from its existence.

◆ *Main Principles*

Loss and Damage is an urgent matter that requires the collaboration of all sectors for its response; the scientific community, governments in all levels, the academe, the youth, indigenous peoples, rural and urban poor, women, persons with disabilities – these all play a role in ensuring that the Fund is created justly and that it answers the concerns of developing and vulnerable nations.

The principles enshrined in the Paris Agreement remain fundamental in addressing the challenge of Loss and Damage

– that of equity and common but differentiated responsibilities and respective capabilities (CBDR-RC). Therefore, it is expected that the Fund has a clear accountability mechanism, is consistent, predictable, proactive, and meaningful without being expensive and onerous to operate.

◆ *Programme Priorities*

One of the biggest priorities when it comes to the structuring of the Fund is that it should be context-specific and locally-driven. As with all climate mechanisms, a one-size-fits-all response is neither sufficient nor effective in answering the needs of those on the ground. While Southeast Asian countries, for instance, share several geographical similarities, they also vary widely in many other aspects – Myanmar, Thailand, Laos, Cambodia, and Vietnam all share the Mekong River, and while the other four have access to the sea, Laos is landlocked. The Philippines, Indonesia, and Malaysia are archipelagos, while Singapore and East Timor are smaller island states. Further, these countries' topographies mean that they experience different disasters and are affected by the climate crisis in varying ways – while the Philippines, situated at the easternmost part of the region, constantly faces typhoons coming in from the Pacific, the countries on the west experience more instances of drought. The same is true with the rest of the world. Therefore, the Fund should account for the different contexts that countries face, and should not be a generalized solution to very specific concerns.

The Funding allocations as well may be categorized by climatic hazard, or by impacts which are more identifiable and may come as a result of compound risks. Other potential approaches to allocating the Fund may include establishing separate funding windows for extreme events and for slow-onset events, or separate funding windows for access facilitated by the state and for direct access by communities.¹⁰

⁹ Manila Observatory, Heinrich Böll Stiftung, & The Samdhana Institute. (2023, September 10). Submission to the Transnational Committee. https://unfccc.int/sites/default/files/resource/Submission%20to%20the%20Transitional%20Committee_Manila%20Observatory%20%2809.10.23%29.pdf

It is to be noted that the Manila Observatory had also released a similar policy brief one year ago after a similar workshop held in Bohol, Philippines in August 2022. The policy brief can be accessed through this link: https://www.observatory.ph/wp-content/uploads/2022/12/Policy-brief_Loss-and-Damage_ManilaObservatory.pdf.

The policy brief was drafted by the Manila Observatory as well as project partners the Chiang Mai University – School of Public Policy and The Samdhana Institute. It was a project deliverable under the Strategic Collaborative Fund 2 (SCF2) of the Stockholm Environment Institute and was made possible as well through the generosity of the Heinrich Böll Stiftung – Southeast Asia and The Samdhana Institute.

¹⁰ During the workshop, there was a proposal among the attendees on having (1) funding windows based on climate impacts, such as a window for rapid disbursement and direct budget support to the national ministries when they face extreme events and a window that can support the ministries to have direct access to support or carry out long-term recovery from slow-onset events; and (2) funding windows based on accessibility, such as a window that is accessible by countries and a window that will provide a mechanism for direct access from communities.

Another theme that was emphasized is that the Fund should prioritize slow-onset events as well as non-economic loss and damage, as these have been areas identified as lacking support from existing financial mechanisms. For instance, funding mechanisms like disaster aid are able to respond to disaster events, but often these events are rapid-onset; moreover, the mechanisms are usually only for a short-term basis and unpredictable.

Importantly, and as noted above, the Fund should be backed by science. The IPCC reports are a good first basis, as well as scientific reports by domestic research agencies. However, there also remains a space for traditional ecological knowledge, especially those where scientific, technical, and local knowledge find convergence.

◆ *Governance Arrangements*

The Fund, however it will look like, should be a standalone Fund, which is independent and distinct from any existing funding mechanisms. While a standalone Fund will come with its own disadvantages, such as the fact that such a mechanism will take longer to set up and there might be delays in disbursement, a way to mitigate this would be to create interim arrangements with existing fund(s). Further, the Fund should be placed under the oversight and supervision of the COP/CMA, under the auspices of the multilateral climate regime.

The governance of the Fund, which includes its Board and its composition, should be inclusive and representative as far as practicable, as well as accountable, transparent, and coordinated. While there are no limitations as to the number of Board members, certain sectors should be represented in its composition, including vulnerable groups and constituencies; further, to ensure that the voice of the Global South is well-represented, there must be greater representation from developing countries.

◆ *Eligibility and Access*

As earlier noted, the Fund should be easily accessible by all developing countries, and more particularly the indigenous peoples and local communities (IPLC) in these countries.

Barriers to accessibility – such as requiring rigorous documentation and the submission of proposals and highly technical climate rationales – should be reduced to a minimum without compromising accountability. Neither should it come with onerous conditions and conditionalities – this means that loans are not an option, and insurance, because of the potential for exorbitant premiums, should be, at the most, an option of last resort.

The terms of financing should be adequate and appropriate, new and additional, flexible, predictable, and concessional. In this regard we echo the resounding calls of developing countries and environmental groups and individuals who call for funding that is NAPA – new, additional, predictable, and adequate.¹¹

Further, from the get-go, even while the Transitional Committee and state Parties begin conversations on how the Fund should look like, lessons must be taken from the shortcomings and problems especially with regards to accessibility that existing financial institutions face (e.g. the Green Climate Fund and the Green Environment Fund) to ensure that the issues are addressed and not replicated in the upcoming Loss and Damage Fund.

◆ *Sources of Funding, including Availability*

The sources of the Fund should be predictable, sustainable, and accessible, as earlier noted.

Primarily, the Fund's source should be public funds, but other sources are welcome so long as there are no additional barriers to their access, including the imposition of taxes,¹² levies, and penalties, as well as philanthropic contributions. Innovative financing, including taxes and private investment, should be carefully examined to avoid negative consequences such as increasing the debt-burden of developing countries. One way to prevent the increasing such debt-burden is through grant-based mechanisms.

However, considering the import of public finance in filling up the Loss and Damage fund, government support is and remains crucial in reducing the barriers to climate finance and in ramping up funding and disbursement.¹³

¹¹ Ciplet, D., Roberts, J. T., & Khan, M. (2013). The politics of international climate adaptation funding: Justice and divisions in the greenhouse. *Global environmental politics*, 13(1), 49-68.

¹² Although taxing polluting sectors is consistent with the “polluters pay principle”, it should be ensured that the burden of taxation is not subsequently passed to the consumers.

¹³ Choi, E., Jang, E., & Laxton, V. (2023, May 10). What It Takes to Attract Private Investment to Climate Adaptation. World Resources Institute. <https://www.wri.org/insights/private-sector-climate-adaptation-finance>

It has been mentioned as well that Loss and Damage is not a “profitable” venture as opposed to the other pillars of climate action, mitigation and adaptation. Therefore, there might be some difficulty in sourcing funding from private sources due to the lack of return on investment (ROI).

◆ *Complementarity, Coherence, and Coordination*

The Fund should be holistic and created independently. It is important to note here, however, that while it will stand separate and distinct from other existing climate financing instruments, it should still remain complementary with these mechanisms, particularly those that focus on adaptation and sustainable development. It should address the gaps that lie among existing funding mechanisms for adaptation and disaster response as well – especially locally, where existing country-led mechanisms for financing L&D are insufficient and require augmentation.

Conclusion: What's next for COP?

As we prepare for COP28, and as the planet collectively recovers from the hottest summer on record as well as many other climate disasters that have defined 2023, business-as-usual can no longer be the norm. The successes of COP27 with regard to Loss and Damage should be replicated, while understanding and learning from its shortcomings.

Current studies show that even with the submission of Nationally Determined Contributions (and subsequent updates to these commitments), the planet is currently not on track to meet the temperature goals of the Paris Agreement.¹⁴ The latest climate studies also show that we have now breached six of the nine planetary boundaries.¹⁵

Countries, especially developed ones, who are now also facing the effects of the climate crisis and their own losses and damages, should step up instead of renege on their climate commitments. Developing and least developed countries, while historically not great emitters and contributors to the climate crisis, should both increase pressure on developed country governments as well as mitigate their own emissions, while simultaneously adapting to climate change.

Only one meeting of the Transitional Committee remains,¹⁶ and soon its members are expected to present its recommendations on how to operationalize the Loss and Damage Fund during the COP. However the Transitional Committee envisions the Fund, the call remains crystal – the Fund should put at its center justice and equity. The Fund should be directly accessible by developing countries and all communities that need it, without discrimination as to the types of communities and the work that they do.

We are almost halfway through the critical decade for climate action, and all eyes are on state Parties in the COP28 – they will either decide on keeping 1.5 alive (by equitably phasing out fossil fuels, strengthening their climate commitments, and operationalizing the Loss and Damage Fund, among others) or leaving a planet burnt for generations to come. Only the next few months will tell, but civil society, of which the Manila Observatory is part, will continue keeping watch.



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The authors would like to acknowledge the valuable insights shared by Dr. Rosa T. Perez, Atty. Vicente Paolo B. Yu, Mr. Hafij Khan, Dr. Celine Tan, and Ms. Bhumika Muchhala during the workshop entitled “Southeast Asian Perspectives on the Operationalization of the Loss & Damage Fund” held in August 2023 in Bangkok valuable contributions of

This policy brief is an expanded version of the Submission made by the Manila Observatory to the Transitional Committee.

Both brief and submission would not have been possible without the generosity of the Heinrich Böll Stiftung - Southeast Asia and The Samdhana Institute, as well as the partnership of the Climate Change Commission.

¹⁴ United Nations Climate Change. (2022, October 26). Climate Plans Remain Insufficient: More Ambitious Action Needed Now. <https://unfccc.int/news/climate-plans-remain-insufficient-more-ambitious-action-needed-now>; United Nations Climate Change. (2022, October 26). Nationally determined contributions under the Paris Agreement. Synthesis report by the secretariat. <https://unfccc.int/documents/619180>

¹⁵ Richardson, K., Steffen, W., Lucht, W., Bendtsen, J., Cornell, S. E., Donges, J. F., ... & Rockström, J. (2023). Earth beyond six of nine planetary boundaries. *Science Advances*, 9(37), eadh2458.

¹⁶ The fourth meeting of the Transitional Committee will be held in Aswan, Egypt on 17-20 October 2023.