

December 6, 2023

The SDSN Global Commission for Urban SDG Finance on the Subnational Governments' role on the negotiation of the Loss and Damage Fund Operational Guidelines

The SDSN Global Commission for Urban SDG Finance is comprised of mayors from different regions of the world, city networks leaders, climate and finance experts, practitioners, and scholars to develop and champion innovative ideas and solutions for increasing urban SDG finance. The Commission met during COP 28 in Dubai and agreed to issue the following statement on December 6, 2023, on the occasion of the COP 28 Multilateral Action, Urbanization and Built Environment Thematic Day.

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1. The Commission is pleased to note that the Loss and Damage Fund (LDF) has been operationalized in CoP28 (as per Draft decision -/CP.28 -/CMA.5), with the mandate to **directly engage with subnational entities** in a manner that **“allows all developing countries to directly access resources from the Fund, including through subnational, national and regional entities and through small grants funding for communities...”**
 2. This decision is strengthened by the following facts:
 - The majority of the world population live in cities, where three-fourth of global economic output, most of its incremental employment and over 70% of CO2 emissions come from.
 - Cities concentrate economic opportunity, wealth and institutional capacity. They also concentrate climate risk to people, economic activity, buildings and infrastructure.
 - The climate-induced Average Annual Losses to infrastructure and buildings in urban areas are estimated at USD 500 billion (CDRI, 2023), or more than five times the USD 100 billion committed to climate adaptation and mitigation in developing countries. These losses are expected to grow dramatically as the 1.5C threshold is reached (IPCC, 2023, 2022).
 - If unaddressed this decade, this could have potentially catastrophic impacts on city, national and the global economy, society, ecosystems and biodiversity.
 3. It is therefore imperative that a significant share of both mitigation and adaptation finance is directly channeled to local and regional governments to implement climate resilient development, in a way that considers the heterogeneity of subnational governments systems and contexts across countries. This is especially necessary in rapidly growing urban areas of Africa, Asia, and Latin America, where 90 percent of incremental urbanization is happening.

4. This could eventually limit the flow of loss and damage funds to address mounting residual climate risk in urban areas, which will further stress the insurance industry.
5. However, the current global financial architecture and institutional arrangements in most countries are not fit-for-purpose to respond to this rapidly emerging challenge.
6. The recognition of the importance of subnational governments and their need to directly receive an appropriate share of the Loss and Damage Fund resources will put in place critical safeguards for a Just Transition at global, national and sub-national levels.
7. To operationalize the mandate of the Draft Decision-/CP.28 -/CMA.5 the Commission urges the inclusion of Local and Regional governments in the negotiation of the Loss and Damage Fund Operational Guidelines, in consonance with the spirit of deliberations of the UN Secretary General's Advisory Group on Local and Regional Governments.
8. The Commission is willing to partner with all relevant Loss and Damage Fund members and stakeholders, including the World Bank, the soon-to-be-created Loss and Damage Fund Board and other technical bodies to enable this process to ensure that cities' needs and contributions are duly considered.
9. The Commission acknowledges and welcomes the work of the LGMA Constituency to the UNFCCC, on behalf of the Global Task Force of Local and Regional Governments, including their inputs provided to previous negotiations on the Loss and Damage Fund (LDF).
10. The Commission sees a critical role for cities in facilitating data underpinning where biggest climate risks and vulnerable communities intersect, as well as accessing scientific evidence to determine the thresholds of appropriate adaptation limits for human and natural systems, the intensity of local residual climate risks and the quantum of Loss and Damage as per the Warsaw International Mechanism for Loss and Damage and the proceedings of the Santiago network.

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