

Compensation Fund (to be included under Article 11)

1. In recognizing the need to compensate both economic and social losses resulting from the implementation of provisions of this instrument in developing countries, a compensation fund is hereby established. It shall function under the financial mechanism established by the Conference of the Parties and shall be mandated by the Conference of the Parties to decide on the criteria for compensation and procedures of application for compensation to be submitted by developing countries.

2. Compensation shall be calculated based on the financial losses incurred by the affected sectors in developing countries and what would have been earned if the damage has not occurred, taking into consideration the following criteria for calculating the compensation, inter alia:

- Investments incurred;
- Lost revenues;
- Additional costs to switch to safer alternatives;
- Job opportunities lost.

3. Compensation shall include direct and indirect financial losses, taking into account that there must be a causal relationship between the financial losses and the implementation of any of the provisions included in this instrument.

4. The Conference of the Parties shall agree upon arrangements to give effect to the above paragraphs by its second meeting at the latest, which shall include modalities for application by developing countries and by which a particular compensation decision may be taken in light of priorities and the eligibility criteria in paragraph 2.

5. Developed countries shall provide contributions to the fund based on a burden sharing agreement to be decided upon and adopted at the first Conference of the Parties.