

Inadequate funding for loss and damage – say developing countries

Bonn, 13 June, (Evelyn Teh, Hilary Kung) – Developing countries at the Glasgow Dialogue (GD) on loss and damage stressed that funding to address loss and damage is inadequate; this required new funding arrangements.

They made this clear on the third day of the first GD, which convened in plenary on 11 June, held under the ongoing meetings of the UNFCCC's Subsidiary Bodies. The session also saw report backs on the outcomes of the discussions that took place on 10 June from four breakout groups.

The plenary meeting also saw Parties providing their expectations for the next GD to be held in 2023 and the expected outcome at COP 27 in Sharm-el-Sheikh in Egypt November this year.

REPORT BACKS FROM THE BREAKOUT GROUPS

Christina Chan (United States), and **Joseph Teo (Singapore)**, who are co-facilitators of the overall GD, along with **Maesela Kekana (South Africa)**, and **Frode Neergaard (Denmark)** were the facilitators of respective breakout groups, were tasked with answering guiding questions provided by the Executive Committee of the Warsaw International Mechanism (WIM ExCom) relating to existing funding arrangements for loss and damage, including on what improvements can be made.

The report back from the breakout groups revealed two main divergent perspectives on the issue of funding for loss and damage.

One view was that funding for loss and damage should not start from scratch, as funding arrangements already exist, such as humanitarian aid, relief and responses to early actions, extreme events, insurance schemes, catastrophe bonds, risk transfer, global protection shield, all of which only require scaling up and that this would be more efficient than establishing a new funding facility, which can be costly and time-consuming.

International funding mechanisms such as the Green Climate Fund (GCF), as well as the Adaptation Fund (AF) and other institutions and organizations such as World Bank and the United Nations Environmental Programme (UNEP) were referred to, including the Sustainable Development Goals Funds (SDGs Funds), Sendai Framework for Disaster Risk Reduction and multilateral, regional and bilateral assistance schemes.

It was suggested that funding for loss and damage should be built on these and work towards strengthening them, to find synergies, and promoting cooperation for effective delivery for those in need. It was also said there is information, including a mapping of this by the WIM

ExCom in a 2019 technical paper, but information gaps remain.

There was also a proposal to establish a coordinating entity with a mandate from the UNFCCC to coordinate all UN agencies related to loss and damage.

The other divergent perspective was that while there are existing humanitarian aid and other financial mechanisms that have been instrumental in responding to the climate crisis and disaster risk reduction, this is not sufficient to address loss and damage in its full measure, especially in addressing slow onset events and non-economic losses (such as losses of cultural, traditions, identities, etc.).

Existing funding mechanisms are insufficient and are mostly focused on averting and minimizing, rather than addressing loss and damage. For example, an early warning system (EWS), although very important, may only minimize but not address loss and damage. EWS may save lives, but not livelihoods. Long-term programmes to address slow onset events, rehabilitation, restoration of ecosystems, displacement of population, loss of culture and heritage, social protection for the vulnerable communities, and planned relocation, to name some specific areas of concern, are neglected, and there is a need for scaling up in terms of support and funds for this.

Affected Parties also flagged that accessing climate finance after a climate-related disaster is complicated and that the current mechanism is not built for a quick pay-out. While insurance can facilitate the flow of aid in times of crisis, the premiums are very high, which then add to the debt burden of developing countries, in addition to the fact that parametric indicators are often not met for insurance funds to be disbursed.

It was suggested that the loss and damage fund should be triggered by a national threshold based on the needs of the affected area and that funding should be predictable, stable and easily accessible.

COUNTRY INTERVENTIONS FOLLOWING REPORT BACKS

Sudan, on behalf of the **African Group**, stated that there is no dedicated funding to support developing

countries in addressing loss and damage. The financing of loss and damage is coming from the poor households, communities, and governments, which are diverting and reprioritizing development funds in favour of addressing loss and damage. The current financial mechanisms provided are but a drop in the ocean in that the scale of need is huge. The efforts to deal with loss and damage are sporadic and experimental without addressing loss and damage. New, additional, and scaled-up financing is required. New financial arrangements should take into consideration regional issues and what works in a different context.

Ghana, the current presidency of the **Climate Vulnerability Forum (CVF)**, stated that a new study on of loss and damage of its 55 member countries found that they have already lost 20% of their GDP potential this century on average, and for the members, most at risk, they would have been twice as wealthy today if not of climate change. Given that they are the least responsible for causing climate change and the least equipped nations, having their wealth cut due to loss and damage is a travesty, and international climate cooperation has the duty to respond to this injustice. Ghana stressed that loss and damage is an emergency agenda and for COP27 to mandate the Intergovernmental Panel on Climate Change (IPCC) to develop a special report on loss and damage.

The **United States (US)** stated that it saw the GD and the exercise as helping Parties to know how to maximize the opportunities to enhance support for loss and damage; and this will involve strengthening and aligning all the institutions, including the operational entities, multilateral development banks (MDBs), risk pools, humanitarian aid and development sector and other institutions so that they are responsive to the issues raised. The US underscored the critical role for improving actions for the institutions and the financial mechanisms and did not think that this necessarily equates to a new fund given the existing architecture. The US also noted the imperative of broadening the donor base and any efforts undertaken in this process henceforth. Given global emissions and investments pattern, the US said that it is simply not tenable that the source of

this effort to come solely from traditional contributors if there should be a broad, effective response that many want. The US also emphasized the averting of loss and damage through 1.5°C aligned emissions reduction in this critical decade and that it did not make sense to focus on substantial new funding for loss and damage without having a strong set of actions by all designed to keep 1.5°C within reach.

New Zealand said that while it was dedicated to supporting developing countries with their adaptation and mitigation needs, how or whether addressing loss and damage is covered by adaptation funding is still an open question. It encouraged creativity and flexibility in responding to the call for finding dedicated finance and exploring options to get good outcomes for those most vulnerable, where solutions may lie in bilateral, regional and multilateral solutions, within and outside the UNFCCC framework.

India said that addressing loss and damage initially starts with a shock, where the immediate relief by humanitarian aid is very important, but it should not become business as usual after the disaster has happened, and there is where addressing it comes into the picture. This makes sure that it is not just relief and response but also recovery and reconstruction – the post-disaster needs assessment. Building back better is critical; hence, the support required to help countries and communities recover and rebuild better, resettle and rehabilitate better, and find new livelihood and survival strategies. Addressing these are quite critical to be captured in the GD.

Technology and finance are also required to raise the preparedness for the communities themselves as first responders at the local level. Funds, technology, and capacity building are now required to help prepare communities to better face disasters. It said that they do not have the luxury to get into disaster risk assessment, vulnerability assessment, and needs assessment, but they certainly need to prepare communities better. India called for easier, less complicated, faster dispersal of grants, as they do not have the luxury to prepare large proposals, as reconstruction requires immediate grants.

Colombia, on behalf of the **Independent Alliance for Latin America and the Caribbean (AILAC)**, said that it is fundamental to determine loss and damage financial arrangements that foster international collaboration by taking into account financial gaps and inadequacy and insufficiency of existing financial arrangements for some aspects of loss and damage.

EXPECTATIONS ON THE WAY FORWARD

Parties expressed their views and expectations on the way forward towards the 2nd GD.

Pakistan, speaking on behalf of the **Group of 77 and China**, reiterated their call for the establishment of a dedicated loss and damage finance facility as a tangible outcome to which the GD must contribute to. It asked that the discussions at this GD need to be in a written report that could then be considered by the COP and CMA (Conference of Parties to the Paris Agreement) as a contribution to the discussion on establishing the loss and damage finance facility.

Antigua Barbuda, speaking for the **Alliance of Small Island States (AOSIS)**, reiterated its reservation from COP 26 that the group acquiesced to the GD decision with an understanding that it would pave the way towards the establishment of a loss and damage finance facility at COP 27. It summed up that: (1) Most existing arrangements do not provide climate finance that addresses all types of loss and damage events, either collectively or individually; and (2) Even if existing arrangements do provide financing to address some loss and damage, it does not qualify as 'climate finance' in line with relevant provisions of the Convention and the Paris Agreement.

These key characteristics include that climate finance is new and additional finance to both development finance and humanitarian assistance, and all developing countries are eligible to access the funds. In addition, the existing funding arrangements do not address many loss and damage response activities, including planned relocation for affected people and measures to address the permanent loss of ecosystems and heritage, among other things.

Timor Leste for the **Least Developed Countries (LDCs)** stated it is clear that the current financing landscape for loss and damage is severely limited and largely focused on ‘averting and minimizing’ but not actually ‘addressing’ loss and damage. It said further that we need to distinguish between adaptation financing and loss and damage financing.

Fiji said that “loss and damage financing is about addressing fundamental losses to livelihood, culture, and tradition when a community must abandon their lands. Loss and damage is the financing required to support businesses that have lost their source of value, the crops that will no longer grow due to saltwater intrusion, and the bleached reefs that divers no longer wish to explore. To link these needs with statements that reference early warning systems is to fundamentally miss the point. It’s like an airbag going off after a car accident has occurred.”

It is expected that, at the very least, this dialogue helps eradicate the conflation between terms, timeframes, operative distinctions and financing typologies. It is also recognized that many Parties agree that adding the sensitivities and complexities of loss and damage to the already dysfunctional international climate financing infrastructure is a decidedly problematic suggestion. Having a new window in the GCF to address loss and damage is somewhat perverse.

Financing for loss and damage should not depend on traditional ad-hoc donors. It further stated that loss and damage needs to be financed through a more systematic approach, including sources like levies, carbon taxes, and other sources of additional financing. Global disaster-related losses in 2021 have been estimated at USD 280 billion US dollars, it said. Yet, in 2020 and 2021, Parties failed to meet the 100 billion US dollar global financing goal.

Vanuatu echoed the calls that the vast majority of existing funding arrangements do not provide climate finance that addresses loss and damage, particularly slow onset events and the myriad of impacts that result in non-economic losses and damages. The GD can only be called successful if it yields a real outcome that delivers loss and damage finance for people in the islands.

Marshall Islands, on behalf of **Pacific Small Island Developing States**, pointed out that a dialogue without deliverables, outcomes and timelines is the very definition of a talk shop. It reiterated that there are significant gaps in climate finance around resettlement issues, there is little to no available climate finance for slow onset events, such as sea-level rise, and there are no current climate finance solutions for the critical issues of non-economic loss, including loss of cultural heritage and ecosystems.

It further said that “To be clear, humanitarian funding is important and deserving of resources. But it is also only a small piece of what is needed for loss and damage. Disaster risk reduction is also critical. Again, however, it is also only a part of the picture and also under-resourced. Insurance schemes, where they exist, are one of many needed interventions but are not the answer to a highly complex set of issues faced by SIDS, and for us, there would be major concerns around the sustainability of such schemes including premiums.”

India also called for a formal report that feeds into the formal UNFCCC process, requesting a separate agenda item at COP 27 and that the existing international finance facility is insufficient and not tailored for addressing loss and damage. Therefore, the loss and damage finance facility is an agenda option. Loans, insurances, bilateral fundings, catastrophic bonds, and humanitarian aid are important, but they do not undermine the calls for the setting up of a dedicated loss and damage finance facility. For the second dialogue, it should allow submission by Parties on how to make it more structured.

Australia said that jumping to a solution around a finance facility within UNFCCC is like assuming the outcome of the GD. Commenting on the need for greater financing, Australia indicated that the sources could be from traditional and emerging donors and players who are going to play a more increasing role in this. It then suggested that financing come from developed and developing countries to collectively understand and deal with the impact of climate change from adaptation and loss and damage perspectives.

Japan noted the wide spectrum of loss and damage; on one end is the direct impact on human and material damage and on another end is the losses from slow onset and non-economic losses. It further stated that a wide range of stakeholders already worked on loss and damage areas but the problem we faced now is that the assistances are all not well calibrated to effectively to address loss and damage. It expected the next GD to deepen the discussion in these areas.

In response to the call by developing countries to establish a dedicated loss and damage finance facility, Japan stated that it was afraid the establishment of this facility would require large amount of resources and time. It cited the example of GCF, which was decided in 2010 at COP 16, but it took 5 years to get started and 8 years to be fully operational. Hence, it suggested strengthening the assistance of GCF to avert, minimize and address loss and damage.

Switzerland acknowledged that the existing response mechanisms to some of the areas of loss and damage, such as slow onset events, are not yet sufficiently clear, and accessibility for all vulnerable countries in need of support also remains challenging. On the way forward, it suggested that the future GD needs to deep dive into specific issues.

The **European Union** concurred that it is important to capture the content of the GD and find convergence. It said that there are already existing financing agencies but they are not well coordinated and significant barriers remain to access, gaps in addressing slow onset events and insufficient resources. It also pointed out that the next stage of the process should be on “*how*” existing resources can be strengthened, including actions taken through bilateral assistance and south-south cooperation. It then pointed out the need to focus on the “*why*”, i.e., why is the current system falling short and why is the delay in access and barriers to access, etc. so as to ensure any additional steps we take to improve upon and not replicate the frustrations expressed by many in the room.

The **SBI Chair (Marianne Karlsen of Norway)** assured that the GD is meant to be meaningful, comprehensive, coherent and respond to the challenges faced by vulnerable communities and developing countries.

Meanwhile, on the sidelines, the SBI Chair has been consulting with Parties on the issue of whether to reflect loss and damage as a dedicated agenda item at its next session.