

# Addressing Loss and Damage: Practical Action





# Acknowledgements

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## Acronyms

AO	Advisory Opinion
AOSIS	Alliance of Small Island States
CCCF	County Climate Change Funds
CADECOM	Catholic Development Commission in Malawi
CARD	Churches Action in Relief and Development
CJRF	Climate Justice Resilience Fund
COP	Conference of Parties
CSO	Civil society organisations
DRR	Disaster risk reduction
G77	Group of 77 countries at the UN climate negotiations
GCF	Green Climate Fund
GRP	Global Resilience Partnership
HLCs	UN Climate Change High-Level Champions
ICCCAD	International Centre for Climate Change and Development
IMF	International Monetary Fund
LDCs	Least Developed Countries
MDB	Multilateral development bank
MEL	Monitoring, evaluation and learning
NDC	National Determined Contribution
NDVI	Normalized Difference Vegetation Index
NGO	Non-governmental organisation
ODA	Official Development Assistance
PCVA	Participatory Capacity and Vulnerability Analysis
PDNA	Post-Disaster Needs Assessment
SCIAF	Scottish Catholic International Aid Fund
SDRs	Special Drawing Rights
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

## ■ First Minister's Foreword

**For more than three decades, the issue of loss and damage has been championed by governments, communities and activists across the Global South. Yet for 30 years, their calls have gone largely unanswered.**

The year since COP26 has presented us with ever more unavoidable proofs of the increasing impact of climate change on lives across the world. The suffering of those who have contributed least to climate change is, unequivocally, an issue of climate justice.

Climate change, as the floods in Pakistan, drought in the Horn of Africa and wildfires scattered across continents show, threatens fundamental human rights of life, health, food, water. We cannot uphold human rights without addressing loss and damage.

Urgent practical action must deliver support to the most vulnerable now. While discussions at COP27 are crucial, we all have a stake in loss and damage and those who want to act can do so now. I hope this report will help them decide how.

At the opening of the conference that this report synthesises, I and my fellow speakers were asked to propose some principles that might guide our loss and damage action.

My own feeling is that we must act urgently with finance sources that are separate and additional. Countries cannot simply repackage funding already committed to other climate priorities. No single solution can address the variety and scale of loss and damage impacts. We must deploy the full range of solutions available from private and public sources.

**Nicola Sturgeon**  
First Minister  
of Scotland



Finally, it is clear that finance for loss and damage should not generate or compound debt for those it aims to support, leaving developing countries less able to respond to future climate impacts. Communities are already paying in loss of land, jobs, cultures, ecosystems and lives. Our support must break, not reinforce, this cycle.

Appetite for action is growing. At COP26 Scotland acknowledged its moral responsibility to address climate loss and damage when I pledged £2m of government finance to support practical action in some of the world's most climate vulnerable countries.

Our commitment aimed to mobilise and inspire further action among those who share our moral responsibility – state and non-state. This sum, dwarfed as it is by the scale of the issue, was followed by commitments from Wallonia, Denmark, and from philanthropies, including the Children's Investment Fund Foundation. I urge all to follow their example.

We recognise this report does not, and cannot, provide all the answers. Rather it is a synthesis of insights reflecting the deep expertise and experience of the delegates that came together at the conference. I hope it plays a part in escalating loss and damage action, at COP27 and beyond.

# UN Climate Change High-Level Champions Foreword

**Nigel Topping**  
UN Climate Change  
High Level Champion



The negative impacts of climate change are contributing to losses and damages happening to every country with increasing severity. However, these are hurting those who have done least to cause the climate crisis, hitting vulnerable communities and countries worst. The latest examples of this are the impacts of floods in Pakistan and Nigeria, and drought in Somalia.

Pakistan alone has suffered at least \$30 billion in climate-related damage from heat waves and torrential floods caused by unusually heavy monsoons and melting glaciers. So far, the floods have tragically caused more than 1,480 deaths, destroyed 1.7 million homes, and displaced 33 million people.

Nigeria is also suffering; this October floods have displaced more than 1.4 million people and over 600 people have died and the floods will very likely lead to unprecedented food and health crises.

In Somalia, climate change is a significant factor in creating a famine. This is expected to affect up to 7.1 million people with around 1.5 million children acutely malnourished by the end of 2022.

These demonstrate the severity of the issue of losses and damages and urgency for action. Behind this there is a moral imperative for those who have caused the crisis to step up and take action immediately and help deliver climate justice.

Unfortunately progress on loss and damage has been slow. While COP26 did elevate the issue through agreement to set up the Glasgow

**Dr. Mahmoud Moheildin**  
UN Climate Change  
High Level Champion



Dialogues and commitments to operationalise the Santiago Network, much remains to be achieved. Non-state actors were also called on to act, with the adoption of the Glasgow Climate Pact, countries urging “non-governmental organisations and private sources, to provide enhanced and additional support for activities addressing loss and damage associated with the adverse effects of climate change.”

While there is no substitute for action by States on Loss and Damage, the UN Climate Change High-Level Champions are committed to working with non-party stakeholders and non-state actors to make meaningful progress, and accelerate action to address the losses and damages communities and countries are experiencing because of the negative impacts of climate change. We were therefore very pleased to partner with the Scottish Government and the Global Resilience Partnership on an international conference in October with its important focus on practical solutions, and how to mobilise increased finance to address losses and damages from the negative impacts of climate change as soon as possible.

Our campaign Race to Resilience is accelerating adaptation capacity and action towards building a climate-resilient future. To ensure this is sustainable we must ensure that equity and justice are built on a foundation that puts addressing losses and damages at its core.

We look forward to working with non-state actors and non-party stakeholders to help make this happen. In this the continuing leadership of Scotland will be very important.

# 1 Introduction: the Conference and this Report

We live in the era of loss and damage.<sup>1</sup> The adverse impacts of climate change are no longer distant or theoretical, and both sudden and slow onset events are causing catastrophic losses and damages for people and the natural world.<sup>2</sup> The people and countries least responsible for climate change are being affected first and most severely. From Somalia to Pakistan, and across the Pacific and the Caribbean, extreme weather events, such as tropical storms, flooding, droughts and heat waves, are increasing in frequency and intensity as global temperatures rise. These hazards are compounding one another in unprecedented ways, and are intersecting with slow onset processes, such as glacier melt, desertification, increasing sea surface temperatures and sea level rise, with devastating consequences.

On 11th and 12th October 2022 the Scottish Government in collaboration with the UN Climate Change High Level Champions (HLCs) and the Global Resilience Partnership (GRP) hosted a conference entitled Addressing Loss and Damage: Practical Action.

The conference brought together representatives from government, civil society organisations, active citizens, private sector corporations, international development organisations and financial institutions. A key conference purpose was to listen to the views of people from the Global South and marginalised groups – often those most impacted by losses and damages. Delegates considered evidence of good practice, shared lessons learned, asked probing questions and engaged in deliberative dialogues that were participatory, inclusive and solutions-oriented.

Each day included keynote presentations and plenary sessions followed by breakout room discussions, in which invited experts presented

case studies. The first day of the conference focused on how to mobilise increased levels of loss and damage finance from existing and innovative new public and private sector sources. On day two the focus shifted to examine how practical action can be delivered more effectively to the people and places that need it.

The conference culminated in deliberative dialogues where delegates worked collaboratively, sharing ideas on how different types of finance could be mobilised to deliver particular types of intervention to address loss and damage, and how the following principles of good practice might be put into action when mobilising finance and delivering interventions:

- Urgency of Action
- Equitable and Targeted
- Responsive to Context
- Adequate to meet Real Need
- Accessible to All
- Historical Responsibility and Polluter Pays
- Creative Communication and Shared Learning
- Transparency and Accountability
- Far-sighted and Do No Harm.

This report presents a summary of discussions that took place between hundreds of conference delegates, and do not reflect the position of the Scottish Government, the HLCs or the GRP.

The information generated by the conference will be further used to develop a policy analysis and synthesis report to be published early in 2023, which will also take account of outcomes from COP27.

## 2 Background: Addressing Loss and Damage

Climate change-related shocks, such as those witnessed recently in Pakistan, are causing billions of dollars' worth of economic losses and damages annually. They destroy infrastructure, housing, assets, factories and livelihoods, and disrupt local, regional and global supply chains with global repercussions. They are also causing untold levels of non-economic losses for people and nature, as thousands of lives are lost and millions of people are displaced or forced to migrate, as land and ecosystems are lost or become unproductive, as schools and health centres are damaged or closed, and as cultural heritage and social connections are destroyed in the upheaval following disaster.

There is an urgent need to act now to address the losses and damages that are occurring and which will only escalate with global heating. Actions must include supporting the effective and resilient recovery of communities and countries that have already borne the brunt of climate change, as well as ensuring that effective, timely and appropriate responses are delivered to help people cope when the next shock hits. It must also include actions to address the losses and damages that are unavoidable in the future, due to our collective failure either to mitigate climate change, or to deliver effective adaptation in time to save the most vulnerable people and places.

Climate loss and damage has been an issue of major concern for the most vulnerable developing countries for over thirty years, yet little has been done practically to tackle the rising tide of losses and damages that now impacts them. Three decades of climate negotiations have not yet seen the issue placed on the formal agenda of the COP, and the demands of the majority of Parties to the UNFCCC (G77+China) for a Loss and

Damage financing facility to be established have not yet been met. Little in the way of earmarked finance has been released to address loss and damage, while the gaps between climate-related humanitarian needs and the finance available to meet them has only widened.<sup>3</sup>

COP26 did not deliver what the majority of Parties had been hoping for in the form of a Loss and Damage finance facility, and the Glasgow Dialogue<sup>4</sup> has also failed to deliver meaningful outcomes over the past year. No matter the outcome of the negotiations at COP27, it is unlikely to address the escalating needs of the most vulnerable communities and countries – the least developed countries (LDCs)<sup>5</sup> and the alliance of small island states (AOSIS)<sup>6</sup> – who are unequivocal in their call for action now to address the climate impacts they face on a daily basis which threaten to destroy households, communities, and nations as climate change escalates.

Over the past year, however, we have increasingly seen reason to hope that change is coming. Notably, at COP26 in Glasgow, Scotland became the first developed country to acknowledge its moral responsibility to address Loss and Damage as an issue of climate justice, when First Minister Nicola Sturgeon pledged £2m of government finance to support practical action in some of the world's most climate vulnerable countries. They were joined by the regional Government of Wallonia and a group of philanthropies, who also pledged funds to address Loss and Damage, and more recently by the Government of Denmark which has pledged 100 million Danish Kroner (US\$ 13 million) to tackle loss and damage. It is hoped that other rich countries will follow suit at COP27.



Roads and Infrastructure damage Bangladesh, credit Shahin Alom

The global narrative on Loss and Damage has also begun to shift, with increased levels of debate on what kinds of practical action can and should be taken to address Loss and Damage in the most vulnerable countries and how finance can be delivered to support that action, urgently, effectively and at scale. This has led a growing community of stakeholders to understand the need to act on loss and damage, including many who have not been historically engaged on the issue, including private corporations. This is reflected in the priority now being given by the HLCs to

mobilising non-state actors to address loss and damage in the run up to COP27 in Egypt, and by the work of the HLCs and the GRP in convening debates on Loss and Damage at the COP's Resilience Hub. The Scottish Government has also committed to continue its convening role on Loss and Damage, working in solidarity with the most vulnerable countries and their citizens, to mobilise finance and catalyse action to address loss and damage in practice.

### 3 Mobilising Finance: Lessons Learned so Far

In this session participants were asked to consider what lessons can be learned from existing sources of finance for mobilising funds to address loss and damage. Following presentations on existing finance sources, participants were asked to consider the limits of those sources and how they might be overcome, and which actors are in a position to put the lessons learned into practice.

Developed countries (Annex I Parties to the UNFCCC) have pledged US D100bn annually from 2020 for mitigation and adaptation. In total so far, they have only delivered about USD 20 bn for adaptation in vulnerable developing countries and USD 80bn for mitigation.<sup>7</sup>

During the conference, participants recognised that whilst **Multilateral Development Banks** (MDBs) and UN agencies do provide finance for some projects that aim to minimise losses

and damages through adaptation measures – early warning systems, cyclone shelters, flood defenses, social protection – these are few in number, small in scale and are not tagged as finance for climate loss and damage. MDBs provide significant finance for post-disaster reconstruction projects, but this is mainly in the form of loans. MDBs could mobilise new and additional finance for addressing loss and damage, and could develop new instruments to deliver that finance. Given the countries most vulnerable to climate change are often highly indebted, finance should be in the form of grants or debt relief, rather than loans which add to their debt burden. The Bridgetown Initiative issued by the Government of Barbados in July 2022 calls for “a global mechanism for raising reconstruction grants for any country just imperilled by a climate disaster”.<sup>8</sup>



Cyclone aftermath, Vietnam, ActionAid

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It was acknowledged that a fraction of **Official Development Assistance** (ODA) is currently used for disaster risk reduction, post-disaster recovery, anticipatory action and social protection related to climate shocks. Much of this ODA is also provided in the form of loans which imposes repayment costs upon recipients. Participants reflected that ODA targets are too low and too often left unmet. Moreover, some participants warned that allocating a larger share of already allocated ODA to address loss and damage would only shift the emphasis of climate finance that has already been committed, rather than create additional funding. Similarly, some participants argued that while humanitarian finance is often used to deliver response operations before and after climate shocks, it is far from sufficient to fill the loss and damage ‘response gap’ (see diagram in Section 7 below).<sup>9</sup>

There was significant discussion on the role of **global climate funds**, such as the Green Climate Fund (GCF). It was recognised that these funds do provide finance for measures related to avoiding and minimising losses and damages, but such finance is limited and often not appropriate for addressing the unavoidable impacts of loss and damage. Most GCF projects related to loss and damage finance measures are aimed at ‘averting’ and ‘minimising’, with funds flowing mainly to mitigation and adaptation projects under existing finance windows.<sup>10</sup> Some participants stated that they do not consider GCF finance suitable for addressing loss and damage because it is difficult to access for the most vulnerable developing countries, slow to arrive, and challenging to report on.<sup>11</sup> Thus, even though the GCF is the only financial institution mandated by the UNFCCC to provide Loss and Damage finance, the countries which are most in need are among those who are least able to access GCF finance.<sup>12</sup> Concerns were also

raised about the governance of global climate funds, considered favourable to the interests of developed countries over highly vulnerable developing countries. A government representative from the Global South noted that, “when there is a funder from the North and a politician from the South, the power is always in the hands of the North.”

Participants recognised that while loans can deliver large sums of finance to countries in need, especially for recovery and reconstruction programmes, they can impose an unjust burden upon recipients when they come with high interest rates, as is often the case for the most climate-vulnerable developing countries.<sup>13</sup> This imposes a burden upon recipients that compounds the climate injustice. Loan repayments reduce the fiscal space available to countries to address loss and damage when shocks occur, and restrict their ability to invest in development. As climate hazards mount, affected countries will be forced to amass unserviceable debts, undermining their financial resilience and their ability to access other forms of finance. On this basis, participants recommended that Loss and Damage finance should be provided in the form of unconditional grants. The transaction costs of access should also be minimised, and local stakeholders should be able to play a meaningful role in ensuring financing arrangements ‘do-no-harm’.

Participants discussed the role of **insurance** and agreed that it provides a valuable mechanism for transferring risks through commercial markets (see case study summary in Box I below). However, participants also noted that insurance is not a silver bullet and should only be deployed as one tool within a suite of measures.

### **Box I: Providing Access to Livestock Insurance for Pastoralists in the Somali Region of Ethiopia, World Food Programme.**

To address loss and damage and help communities cope with climate shocks, WFP developed the Satellite Index Insurance for Pastoralists in Ethiopia (SIPE) project. This index-based livestock insurance product uses technology to monitor vegetation levels in the Somali region of Ethiopia. After identifying vegetation that is below the average growth thresholds, signalling that pasture and fodder availability may be reduced for livestock, SIPE then triggers insurance payouts that are distributed to pastoralists' households through a combination of mobile money and cash distributions. The objective is to have the payouts reach households quickly enough so that pastoralists can take the necessary steps to protect their herds and avoid distress sales, such as by purchasing or producing fodder, paying for veterinary services, or purchasing water or fuel for pumping irrigation water. SIPE effectively provides access to insurance to pastoralists and agropastoralists in exchange for their contribution to the construction and rehabilitation of community assets. These steps, such as terracing and other soil and water conservation activities, are designed with local authorities and decrease communities' vulnerability to climate shocks over time. In addition, pastoralists receive training on financial literacy, income diversification, access to veterinary services and seed and fodder provision to build their longer-term resilience to drought-related shocks.

Insurance is a market mechanism rather than a fund, and needs to be designed and delivered in ways that are appropriate to the circumstances of affected people. Experience from a variety of contexts shows that, to be effective for poor communities, insurance premiums should be subsidised or covered by the state and they should be designed to deliver support rapidly following shocks, or triggered by early warning information. Valuable lessons have been learned in Ethiopia,<sup>14</sup> Rwanda,<sup>15</sup> and the Caribbean.<sup>16</sup> These examples show that to invest wisely in insurance schemes, community members need to understand what they are paying for, what is insured and who will benefit. It is unclear how insurance could work in covering losses and damages caused by slow-onset events, or non-economic losses and damages. Furthermore, with loss and damage risks projected to escalate with continued global heating, there is concern that even more places will soon become uninsurable.<sup>17</sup>

Participants concluded that while some funding is being provided to directly address loss and damage through existing financial mechanisms, the sums are insufficient to address the escalating needs of affected developing countries and accessibility is a challenge for most LDCs. New, additional finance is needed which is adequate for, and earmarked to, addressing loss and damage. It must also be delivered in ways that are appropriate to the needs of the people and places that need it the most.

## 4 Innovative Finance to Address Loss and Damage

Given the current lack of public finance available to support action to address loss and damage, there is an urgent need to develop and deploy innovative sources and flows of finance to fill this funding gap in ways that are appropriate, effective and just. In this session participants were presented with case studies of novel and innovative sources of funding, and asked to consider how far these addressed the limitations identified among the existing mechanisms considered in the ‘Mobilising Finance: lessons learned’ session. They discussed how far current options address the urgency and scale required for loss and damage action, and what role the innovative approaches might play in shifting the financial burden away from the most vulnerable and most impacted. Finally, which actors are ‘agents of change’ in this area was considered.

It was suggested that **private sector finance** could be mobilised by making the case that, if unaddressed, loss and damage will erode productivity, market access and long-term profit rates. Some participants noted that private enterprises, from transnationals to small businesses, are already experiencing the negative impacts of climate change. They can act now to make their supply chains and business models climate resilient, supporting producers, processors, manufacturers and traders at all levels of the value chain to cope with and recover from climate shocks. It was suggested that addressing loss and damage can be integrated into businesses’ climate risk management plans and corporate social responsibility strategies. Loss and damage should also be included in Environmental, Social and Governance (ESG) targets of multinational companies and financial service providers.

Companies with philanthropic arms can follow the example of the Climate Justice Resilience Fund (CJRF) and the Climate Emergency Collaboration Group (CECG) by investing in actions to address loss and damage.

**Philanthropies**, including CIFF and Oak Foundation, have also allocated finance for addressing loss and damage.

**The V20** – a grouping of finance ministers from climate vulnerable countries – is establishing a small grants funding window for addressing losses and damages. This will include a crowd-funding component.<sup>18</sup> In Bangladesh the German development bank KfW has provided an interest-bearing endowment fund to BRAC (one of the world’s biggest NGOs) to support the **Climate Bridge Fund** to strengthen the resilience of people displaced, or at risk of being displaced, by climate impacts. This finance is channelled to registered NGOs working with slum dwellers in four cities of the country.

The G20 Capital Adequacy Frameworks Review has identified key **reforms of the multi-lateral funding** agencies – the World Bank and other MDBs – to improve access to funds for climate resilience in climate vulnerable countries. Existing funds tied up in banks’ systems should be released, overly cautious lending approaches should be revised, and new guarantees should be afforded to climate vulnerable countries by richer countries.

There was significant interest in the potential of **Special Drawing Rights (SDRs)** to act as an innovative public finance option for addressing loss and damage in developing countries.<sup>19</sup> A large share of the International Monetary Fund (IMF) SDRs remain uncommitted and could be allocated to developing countries to address loss and damage. While SDRs

come as loans with conditionalities, the IMF has recently established the **Resilience and Sustainability Trust (RST)**<sup>20</sup> that seeks to help low-income and vulnerable middle-income countries build resilience to climate shocks by providing longer-term, affordable financing to address climate change. This fund could be a mechanism for countries with excess SDRs to channel them to countries in need of resources. It is early days for the RST and it is hoped that the IMF will listen to the governments of climate vulnerable countries in deciding how to roll it out. The Bridgetown Initiative calls for the re-channelling “of at least US\$100 billion of unused Special Drawing Rights (SDRs) to those [countries] who need it.”

**Taxes** (e.g., on fossil fuel companies, large polluters, shipping companies, airlines) could be used to raise finance for addressing loss and damage in ways that are consistent with the polluter pays principle.<sup>21</sup> An air travel levy, as recently introduced in France, can be placed on domestic and international flights or

on frequent flyers (individuals and companies). While raising finance for addressing loss and damage through taxation is considered technically feasible, achieving the necessary political will is a challenge.

Many participants expressed interest in the potential of **strategic litigation** as a means to unlock finance and to maintain climate ambition by holding major polluters legally accountable. It was suggested that recent legal actions by Vanuatu<sup>22</sup> and the Climate Change Litigation Initiative<sup>23</sup> indicate what litigation might achieve. Preferred routes for litigation vary depending on domestic legal frameworks. Ways to strengthen and use litigation aligned to delivering loss and damage finance include examining and learning from unsuccessful litigation cases, building capacity for litigation in climate vulnerable countries and CSOs, improving public access and understanding of relevant legal information, and climate-proofing new legislation.



Students Learning About Weather and Climate Information Through Drawings, Dar es salaam, credit Stephen S Darja, 2019

## Box II: Clarifying Loss and Damage Legal Pathways through an ICJ Advisory Opinion

A grassroots movement led by Pacific youth advocated for an Advisory Opinion on climate change from the International Court of Justice (ICJ). Vanuatu, recognizing the urgency of the climate crisis and responding to the calls of this movement, formally launched a campaign to seek an ICJ AO in September 2021. A core group of supportive countries, led by Vanuatu, are working collaboratively to compose a resolution and question with a focus on climate justice and the needs of the most vulnerable. The draft will be shared with all UN member states to give them a say in the final formulation. By clarifying the legal obligations of all States to prevent and redress the adverse effects of climate change, an AO would advance climate justice at multiple levels. It would strengthen international climate negotiations and encourage more ambitious action. Moreover, it would clarify legal principles that will be central to climate litigation efforts at the national and sub-national levels. The resolution must achieve the requisite number of votes in the UN General Assembly in order to succeed.

A number of participants argued that **debt relief** offers a just mechanism to release finance, by opening up fiscal space in an affected country and by reducing the debt burden of highly vulnerable developing countries. It was noted however that this will not be a straightforward option. Debt cancellation does not automatically mobilise additional resources. While it could in theory allow countries to dedicate more resources to address loss and damage, governments would be free to decide what to spend the released finance on, and may prioritise other budgetary demands.

It was noted that the **cancellation of harmful public investments** such as the provision of government subsidies for fossil fuel extraction and production, air travel and industrial agriculture, have the potential to release significant amounts of finance that could be used to address loss and damage. As with debt relief, this would be a highly political process, and there is no guarantee that if a government agreed to cancel such subsidies that they would choose instead to invest in loss and damage action.

## 5 Determining Needs

Participants were presented with examples of needs assessment approaches and associated needs research. They were then asked to discuss how well the examples captured multidimensional risks, what limitations the example was subject to and how far it could accommodate uncertainty.

Participants discussed the ways in which ordinary people are being impacted by loss and damage, and who pays the price of addressing those impacts. Participants reflected that it is affected populations themselves who bear the majority of the economic and non-economic costs of climate shocks – not governments or international donors.<sup>24</sup> Yet poor people and communities often do not have sufficient capacity or resources to adapt to climate change before the next shock occurs to cause loss and damage. Those households and communities require urgent external support, whether to cope with and recover from disasters, to build resilience to new environmental conditions, or to move out of harm's way. Participants noted, however, that there is a significant gap in our collective understanding of who requires what types of support, where they are located, and how and when that support should be delivered.

Participants described that in many of the most vulnerable countries there is a large gap between the lived experience of people either impacted by loss and damage already, or approaching the limits of adaptation, and the information and data that is held by governments, civil society organisations and finance providers. This gap affects the planning and delivery of support to meet people's needs.

Methodologies and technical tools need to be developed that are accessible, comprehensive and inform preparation for future climate impacts. Tools need to be useful to and used by national and local authorities, their partners in civil society and people in communities. They need to determine the levels and types of impact that climate change has already had on vulnerable households, marginalised groups, exposed ecosystems, infrastructure and services. And they need to inform projections of the risks that climate change will have in the future, over the short, medium and long-term, including the impact of consecutive and compounding shocks.



Community hazard map Myanmar, credit Teresa Anderson, Action Aid

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Needs assessment processes should be inclusive, equitable and contextually appropriate. They should enable community members, especially the most vulnerable groups, to participate in risk assessment and needs-based planning exercises. This would allow assessments to take account of the highly differentiated impacts of climate change. Alignment with the established principles for **locally led climate adaptation**<sup>25</sup> can ensure coherence among steps to minimise and adapt to, as well as address climate impacts and risks causing loss and damage. People in climate vulnerable communities should determine the priorities for programmes to address loss and damage and should be supported to act as primary agents of change.

Conference participants discussed that risk analysis and needs assessment could adhere to the following principles:

- In recognition of the differentiated nature of loss and damage impacts and risks, include a **gender perspective** and focus on traditionally **marginalised groups** including but not limited to women, ethnic minorities, indigenous people, and people living with disabilities, who are often disproportionately affected by climate shocks;
- Be **context-specific** as impacts vary widely depending upon local topography and ecology, culture, livelihood type, economic status, gender norms etc;
- Be **anticipatory** instead of reactionary, delivering support before a shock becomes a disaster; assessing needs across multiple sectors using a coordinated and **holistic approach**.

Climate impacts are too often measured in policy siloes – a sector, an ecosystem etc., and too often have a single climate hazard focus. However, this is not how climate impacts are experienced. Participants noted that it is complicated to find a balance between a participatory and inclusive approach and fast, efficient, action. Probabilistic methods for hazard risk and cumulative impacts analysis should be complemented as far as possible by detailed data on multidimensional vulnerabilities at the household and community level, using data disaggregated by gender and other dimensions of intersectional vulnerability.

There are tried and tested approaches for assessing needs that can be built upon for loss and damage needs assessment. Two assessment approaches considered valuable include: **Post-Disaster Needs Assessment (PDNA)**<sup>26</sup> and **Participatory Capacity and Vulnerability Analysis (PCVA)**.<sup>27</sup> PDNAs are used within the humanitarian and development sectors to support populations and governments in post-disaster recovery and reconstruction. PCVA identifies the root causes of harm, identifies the most vulnerable groups, and examines how to reduce vulnerability to particular risks. It is a participatory approach and the emphasis is on community-held knowledge that can give insight into the local context and the structures and (informal) institutions that are already used to address loss and damage.

### **Box III: Assessing Needs Connected to Loss and Damage in Malawi**

The Scottish Catholic International Aid Fund, Trócaire Malawi, Churches Action in Relief and Development and the Catholic Development Commission in Zambia conducted a community-led needs assessment to understand how Storm Ana and Cyclone Gombe caused economic and non-economic loss and damage in the Malawian districts of Nsanje and Zomba. A Participatory Vulnerability and Capacity Assessment (PVCA) was developed to assess loss and damage. This modified PVCA includes tools such as stakeholder mapping, long-term trend analysis, hazard and risk analysis, and resource and hazard mapping. Women's needs are emphasised by employing methods such as female-only forums to explore how loss and damage events disrupt service provision to them, including for health, education and social protection. The project includes the development of a long-term participatory resilience assessment to explore the impacts of the interventions on reducing vulnerability and addressing loss and damage. Lessons and reflections from the programme will be widely disseminated to inform the global discourse on action to address loss and damage.

The assessment of loss and damage needs can face a variety of challenges. **Measuring** the range and extent of loss and damage can be complicated. It is challenging to estimate the value of non-economic loss and damage as well as those economic and non-economic losses and damages caused by slow-onset impacts. Affected populations do not always recognize loss and damage caused by climate change. While climate change may be an ultimate cause of a shock, local people affected may identify more proximate causes as being more significant. Countries often lack the capacity to record the data that is needed to assess needs in terms of impacts and/or risks. Many of the LDCs do not have the technical capacity to generate or to analyse climate data to assess projected loss

and damage risks. It is urgent that support is provided to build capacity for climate risk analysis and loss and damage needs assessments. An example presented at the conference was a UNDP Milliman collaboration whereby US\$2 million per year to 2025 of pro bono services is being provided to build developing country governments' capacity in analytical techniques of risk management.<sup>28</sup>

**Attribution** of loss and damage to climate change is a limitation in existing models, especially in places where climate change and conflict coincide. The **context-sensitive** aspect of loss and damage makes it difficult to standardise methodology across diverse countries.

## 6 Delivering Loss and Damage Interventions

Participants were presented with examples of loss and damage interventions in order to articulate what successful delivery of such interventions would look like and to draw out best practice. They were then asked to consider how far that example was replicable and in what contexts, how the example accounted for uncertainty and how that and similar interventions contributed to long term resilience.

Delivering interventions to address loss and damage is complex, requiring the implementation **of different measures to address different types of losses and damages** over time. In any one location people will be affected differently by the same hazard and may require a variety of supports to help them recover and build resilience for the next shock.

Conference participants were presented with a continuum of interventions that address loss and damage which intersect with development and humanitarian activities. This includes disaster preparedness and response measures delivered before and immediately after a shock, followed by recovery, rehabilitation and resilience building, and complemented by long-term measures to address unavoidable increases in hazards. As climate shocks increase in frequency and severity, and extreme weather events interact with slow onset processes, these hazards will compound one upon another with devastating results. This will require a ratcheting up of interventions over time. ‘Fat-tail’ events, i.e. low probability but highly destructive, are becoming more common and need to be planned for and responded to effectively.

There can be no one-size-fits-all response to address loss and damage, with economic and non-economic forms of loss and damage in particular requiring very different types of intervention. **Multiple interventions must be layered in a comprehensive approach.** Similarly, no single source of finance will be suitable for all interventions, so finance from different sources must also be layered to enable effective delivery of combined practical measures.

There are **institutional constraints** that determine how well finance and measures to address loss and damage are channelled to where they are needed. Most funds require prior knowledge of the intervention and its potential impact. This complicates the creation of bottom-up, locally-led interventions. There can be numerous administrative hurdles that often make finance inaccessible to low-income countries and grassroots organisations, as they do not always have the required levels of financial literacy to access larger, multilateral funding. This limits the success of loss and damage interventions.

Loss and damage responses are time-dependent, and if finance cannot be mobilised quickly enough and at the right scale for the right interventions, then responses will fail. Some participants considered that delivering funding for non-economic loss and damage and in response to slow-onset events is more complicated than for high profile sudden onset impacts. Non-economic loss and damage, which encompasses elements such as mental health and culture, is speculated to be potentially more harmful to vulnerable people and communities than economic loss and damage.

The need for comprehensive approaches to deliver interventions that directly address loss and damage, means that effective mechanisms need to be established for aggregating and allocating finance and for planning and coordinating action at national and local levels. It is likely that to perform these functions some form of national system, mechanism, framework, network or institution is needed. These could take the form of a **National Platform for Loss and Damage**, similar to and in some cases linked with, the National Platforms for DRR that have been established in some countries under the Sendai Framework.<sup>29</sup>

**Decentralised delivery** of loss and damage finance through local government annual budgets can guarantee that finance is more readily available at the local level when shocks occur – the reach-up and draw-down function. Decentralised funds can also ensure that investments are more appropriate to local conditions, that funds flow more effectively to local people’s priorities, and are spent more efficiently because local decision makers are more accountable to affected populations. Devolved climate finance systems, such as Kenya’s County Climate Change Funds (CCCCF), could be adjusted to deliver action to address loss and damage. Similarly, the Start Network’s model for delivering pooled risk finance to the local level in support of anticipatory action and rapid responses to climate related disasters via networked NGOs, offers another promising approach that could be scaled up globally.

#### **Box IV : Devolved Climate Finance in Kenya: Lessons for Loss and Damage Finance Delivery**

The Ministry of the Development of Northern Kenya and the Arid Lands explored how devolved governance (initially districts and then counties) could improve the effectiveness of annual development planning by addressing increasing climate variability and building climate resilience at the community level. This was done through the ADA Consortium.<sup>30</sup> Kenya adopted a new constitution in 2010 that included a devolved system of government that gave new levels of authority to counties. The ADA Consortium worked with some new counties in the arid areas to establish County Climate Change Funds (CCCCF). These channel climate finance directly to vulnerable communities to address local needs. CCCC functions through a nested system in which finance flows from the national government, through county governments, to communities. Kenya’s CCCC increased the flow of funds for local-level climate action, made more funds available for institutional strengthening, further integrated climate action with long-term development at county and community levels, increased public participation in public decision-making, and increased community-level resilience to climate shocks.

Some countries have very significant loss and damage finance needs but are unable to access bilateral finance due to the risk perceptions of finance providers. For example, countries that are considered fragile or unstable due to conflict may not be considered trusted intermediaries for the transfer of finance for loss and damage responses. Such countries may also have significant areas that are not under central government control where bilateral finance delivery is not feasible.

In such cases **innovative financial delivery mechanisms** need to be explored. These might include financial flow technologies that allow funds to be transferred directly to affected households or communities, or to local NGOs, such as through secure electronic cash transfers. The humanitarian sector has learned a lot over two decades on how to deliver cash effectively to disaster affected households in situations of emergency, which could be utilised to address loss and damage more effectively.<sup>31</sup>

**Disaster risk finance and social protection systems** offer potential delivery mechanisms that can be used to mobilise interventions rapidly in response to early warnings of impending shocks, or once a climate shock has occurred. Delivering interventions in a timely manner to reduce the amount of loss and damage that occurs requires the use of effective triggers to mobilise and deliver finance at the right time.<sup>32</sup> In other contexts rainfall levels or temperatures could also be used to trigger the deployment of various types of finance to address the impacts of floods and heatwaves.



A woman carries supplies through a flooded street in Cap-Haïtien, Haiti, after extreme flooding. Logan Abassi Haiti

**Locally-led interventions** have an important role in addressing loss and damage. Local communities in disaster-prone areas often have a long history of coping with extreme weather. Historically, flooding is a common occurrence in Bangladesh and people have developed mechanisms to cope with such extreme weather.<sup>33</sup> These mechanisms and local knowledge are increasingly relevant now that anthropogenic climate change is making disasters worse. Communities are encouraged to inform and to join in decisions on the planning of interventions. Successful interventions are those which listen to affected people and integrate local solutions. Context matters, and communities are the key to addressing loss and damage effectively. However, local populations can lack capacity and resources. Communities must be supported with technical and financial assistance that enables them to participate meaningfully in planning and implementation. Increasing local capacity enhances the effectiveness of responses.

**Case studies and stories** are powerful tools to show local experiences. Narrative-based approaches can bring human elements into technical discussions. This can show decision-makers what is happening on the ground and thus stimulate both finance flows and action. As presented to Conference in a case study, Ruta del Clima have used local testimonies from people in places affected by losses and damages to show how these impacts affect daily life and intersect with other factors that determine vulnerability.<sup>34</sup>

Addressing loss and damage also means addressing injustices relating to resource access and control including **land rights**. The governance of land ownership is important in fairly asserting proof of tenure after, for example, loss of land or land degradation. Securing land rights also means that communities feel confident in investing in long-term solutions to climate impacts.

### **Box V. Loss and damage and land rights, Sri Lanka, Oxfam.**

Oxfam conducted research on climate-induced loss and damage to land and its impact on land rights of local communities in Sri Lanka, to understand what role land rights play in improving climate resilience and minimising loss and damage. Sri Lanka faces high climate vulnerability and frequently face droughts, floods and landslides and was ranked 2nd in the 2017 Global Climate Risk Index. This poses a serious threat to the livelihoods of households on the margins of the poverty line, with significant impact on their land rights. The research had a national focus with case studies from risk-prone areas.

The research was designed to understand the different ways climate-induced loss and damage to land manifests, their impact on access to land by local communities and the role secure land tenure plays in minimising loss and damage to land and other assets, and their ability to cope with and recover from loss and damage. It also examined the extent to which secure land tenure impacts the ability of communities who suffered loss and damage to access government redress mechanisms, compensation, and other benefits. Gendered implications of loss and damage to land and its impact on women's access to land and women's land rights were considered as patriarchal social norms and gender discriminatory legal and administrative practices place women at a disadvantageous position. Case studies focused on areas of high climate vulnerability including smallholder farmers and urban slum dwellers who are most vulnerable to natural disasters.

## 7 Ways toward practical action on Loss and Damage

This section of the report focuses on the appropriateness of different funding and distribution mechanisms for different types of loss and damage. Gaps in measures to address losses and damages are identified, as are the opportunities to address them by deploying new types of finance, or existing finance, in new ways.

Participants engaged in deliberative dialogues to reflect upon the learning from the conference as a whole and in particular to explore which kinds of finance are most suitable for different types of action to address different types of loss and damage.

**Types of loss and damage:** climate hazards causing loss and damage are very diverse – heat, drought, floods, storms, cold, etc. Different communities are affected differently depending upon the particular characteristics of their location, including the climate hazards they are most exposed to, their geography and topography, socio-economic characteristics, governance structures, political institutions, levels of health, education and access to resources. Losses and damages will also evolve, due to the accelerating effects of global heating, and the compounding and intersecting impacts of different forms of climate impact upon individual households and communities over time.

Many different types of losses and damages can be identified. This can be done according to the climate hazards causing them, the groups of people and livelihoods affected, the ecosystems exposed to the hazards, and the economic sectors at risk. These characteristics mean that a typology of losses and damages is necessarily complex. The extent of loss and damage significantly depends on mitigation and adaptation measures, where efforts can either avoid loss and damage and where not successfully implemented or not sufficient can lead to unavoided or unavoidable losses and damages. There has been an increase in unavoided and unavoidable climate hazards.<sup>35</sup> Responses and measures to address loss and damage can be implemented prior to, during and in the wake of the causal climate events.

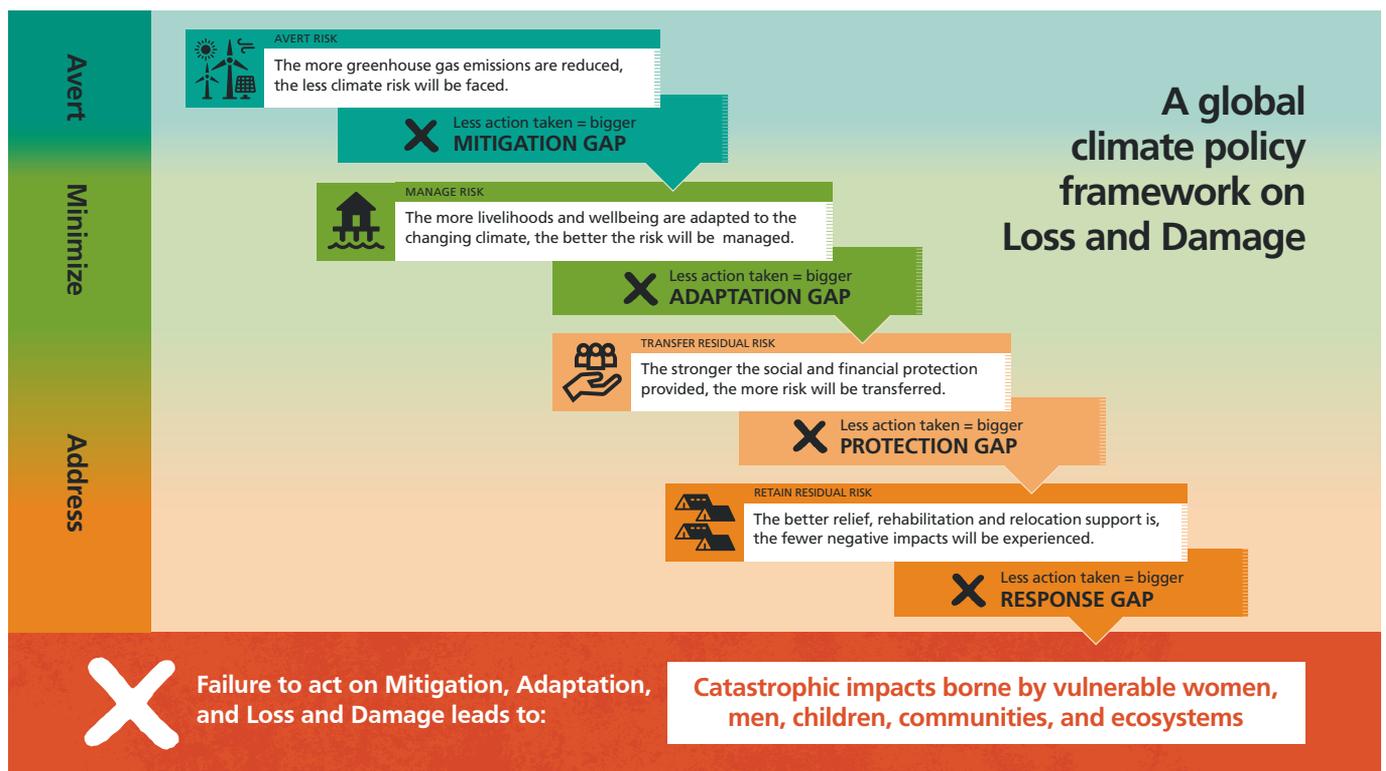
**Gaps in measures to address loss and damage:** It is important to recognise that the bulk of loss and damage impacts and risks are most often borne by the people, households and communities affected. They bear the majority of the costs of preparedness, absorbing the impacts and recovering often by investing household revenues gained through remittances and, where available, through selling assets, selling labour (often of young household members), and foregoing other expenditures. At the national level, development funding is often diverted toward contingencies caused by climate impacts. This is due to the significant and increasing adaptation, protection and response gaps (see Diagram 1 below).

Measures to address the adaptation, protection and response gaps differ. The Intergovernmental Panel on Climate Change Working Group II has indicated how and where increased investments in adaptation are needed. The protection gap is well known and there is a pipeline of risk transfer and insurance measures being developed. However, the response gap is seen as due to the impacts and risks of escalating unavoidable climate hazards running well ahead of the post-disaster finance measures of relief, rehabilitation and relocation.

Participants identified that non-economic loss and damage is the most often neglected category. In part this is due to the highly context specific and intangible nature of

such loss and damage – particularly to people from outside the immediately affected communities.<sup>36</sup> Non-economic loss and damage is highly gender-differentiated and responses to address it must take this into account.

Therefore, current climate finance mechanisms need to be improved and expanded to support directly addressing economic and non-economic loss and damage. Additionally, innovative funding sources should be established to expand the range of options as not all finance mechanisms fit with every type of intervention. Loss and damage finance sources and types of interventions should be complementary and layered into blended delivery packages.



**Diagram 1. A global climate policy framework for loss and damage.**

Source: Zurich Flood Resilience Alliance (2022) Closing the gaps: A framework for understanding policies and actions to address Loss and Damage., Policy Brief. October, 2022.<sup>37</sup>

## **Funding and different distribution**

**mechanisms:** The **quantity of finance** channelled for addressing different types of loss and damage is of fundamental importance. Among the few estimates of the absolute amounts needed there are large discrepancies. However, as with other areas of climate action, all agree that as the world waits to address loss and damage the costs are rising quickly.

The **quality of the finance** is also important. In this regard, conference participants noted that for bottom-up approaches, grants are simple, powerful, and quick, and that direct funding at community level is possible through models and approaches such as the Climate Bridge Fund in Bangladesh and the County Climate Change Funds in Kenya. In the case of co-variate climate related shocks to large populations – such as the recent flooding across different provinces of Pakistan – large-scale mobilisation is required, coordinated by national level agencies with the help of international technical support.

Conference participants concluded that with regard to different types of funding and distribution mechanisms:

- Insurance has uses but also limitations. It is not a suitable mechanism where markets cannot be established, where perpetual impacts render assets as ‘uninsurable’, and where climate vulnerable people cannot access funds for insurance.
- Cash transfers through social protection systems can channel funding to local people quickly once targeting and registration procedures are in place. Some countries (e.g. Mozambique, Ethiopia, Burkina Faso, Chad, Mali, Mauritania, Niger and Senegal) are investing in adaptive social protection systems that can incorporate climate shock responsive measures.<sup>38</sup>

- Post-disaster finance does not address slow-onset loss and damage well. One-off approaches do not result in transformational change, nor do they build resilience.
- Large finance structures are often slow in delivering finance, other channels such as philanthropy or private funding could be quicker in getting finance to affected populations.

The need for comprehensive approaches to deliver interventions that directly address loss and damage, means that effective mechanisms need to be established for aggregating and allocating finance and for planning and coordinating action at national and local levels. Conference participants discussed that to perform these functions the establishment of some form of national system, mechanism, framework, network or institution is needed. These could take the form of a **National Platform for Loss and Damage**, similar to, and possibly linked with, the National Platforms for DRR that have been established in some countries under the Sendai Framework.<sup>39</sup>

In conclusion, there was a general consensus among conference participants that:

- There should be complementarity of finance. Most if not all interventions will layer different measures and will require a blended package of finance from different sources.
- There are large response gaps, and it is not known as yet if any of the innovative sources of finance have the capacity to address these. Innovation is needed to mobilise finance in different ways to address the gaps.

- Triggers for mobilising loss and damage finance for different types of measures need to be agreed (e.g. rainfall and/or vegetation indices trigger deployment of parametric insurance, and this can cascade finance for other response measures). Triggers for slow onset climate events are important to get right.
- Measures for addressing loss and damage need to be designed as precursors for and coherent with those for long term climate resilience e.g. people sheltered from cyclones need to have dwellings and livelihoods to return to.

The conference sought to identify and develop ideas for practical action in addressing loss and damage. Drawing from discussions in the different sessions of the conference and with the support of expert presentations principles for practical action were drafted – see the following section. The Scottish Government and partners will take the findings and recommendations from the conference to COP27 to inform discussions and help increase ambition to directly address loss and damage.

The information generated through the conference – including over 30 case studies – will be used to prepare a synthesis report as a comprehensive compendium of evidence to support policy making for loss and damage. This will be published early in 2023.



A resident bathes her child next to their destroyed house in Carcar, Philippines' Cebu province on Saturday, days after Super Typhoon Rai hit the city, credit Victor Kintanar/AFP via Getty Images

## 8 Insights for Accelerating Action on Loss and Damage

Issues of **climate justice, gender equality** and **human rights** are central to the Scottish Government's approach to addressing loss and damage and are the bedrock of existing principles for loss and damage action across continents.<sup>40</sup> Therefore the Scottish Government convened this conference to draw on the expertise of delegates and over 30 case studies to build on these principles for loss and damage and to consider what they might mean in practical terms.

This summary report captures **critical insights** from the conference discussions on how principles for addressing loss and damage can be developed and put into practice. The full synthesis report to follow this summary in early 2023 will expand on these insights by drawing more deeply from the case studies and evidence submitted, aligning practical examples to existing principles to illustrate best practice.

Certain principles will speak more profoundly to different actors and contexts. During the conference opening plenary, Scotland's First Minister, Nicola Sturgeon, Professor Saleemul Huq of ICCCAD in Bangladesh and Vanessa Nakate, a youth climate activist from Uganda, were asked to articulate the principles that they each considered most important. Their proposals included:

- 1) We must act urgently to mobilise finance to address loss and damage – as shown by Scotland, Wallonia and Denmark;
- 2) Loss and damage finance must be new and additional to meet the new and additional needs, not simply re-allocated from other climate or development priorities;
- 3) Finance must not be burdensome or create further indebtedness for recipient countries and communities;
- 4) Finance for loss and damage should be mobilised from a wide range of public and private sources;
- 5) Loss and damage action and finance should 'do no harm' to current or future generations.

In the final conference session, participants were presented with the outputs of consultative work undertaken by the Stockholm Environment Institute (SEI) and co-funded by the Scottish Government on 'Principles for operationalising loss and damage finance',<sup>41</sup> which built upon SEI's previous seminal work on principles for loss and damage.<sup>42</sup> The presentation highlighted the following principles:

- Historical responsibility and polluter pays
- Equitable and targeted support
- Grant-based, programmatic finance
- Accessibility
- Recipient ownership
- Transparency and accountability

Participants were invited first to review and expand upon these principles. They were then asked to propose and elaborate guidance for practical implementation of these principles – for all actors, non-state and state, and at all scales. The following 'stages of action'<sup>43</sup> to address loss and damage were proposed to encourage participants to generate end-to-end guidance for practical application: mobilising finance; assessing needs; designing and implementing interventions (incl. resourcing); monitoring, evaluation and learning (MEL); and measures for long term resilience.

The following section brings together the in-depth discussion captured from conference sessions and brings them into interaction with the existing principles presented by SEI, as well as those proposed by speakers and by participants themselves, to gather these outputs under thematic ‘Insights.’ These insights begin to reference cases that delegates felt exemplified an element of good practice – the full synthesis report, to be published in early 2023, will do this in greater depth.

## Urgency of Action

1

Action must be taken without further delay to mobilise finance for addressing loss and damage and get it to where it is needed. While a global loss and damage financing facility is much needed, those being impacted now by climate change cannot wait for it to be established. Meanwhile, participants noted the variety of existing financial instruments from public and private sources that were presented during the conference (as outlined in sections 3 and 4 above) and reflected that these can be accelerated and expanded alongside developing new, innovative sources of funding to better meet rising needs.

At the same time, urgency, particularly when assessing needs and disbursing funds, must be tempered by the need to facilitate participation and local ownership, ensuring that no harm is done to affected populations. To this end, a body of evidence is available which draws upon the experience of the humanitarian community in conducting rapid participatory needs assessment and co-designing programmes within complex emergency settings.<sup>44</sup> Funding agencies can work with implementation partners and affected communities to apply these approaches to addressing the economic and non-economic losses and damages that accrue over the longer term beyond the initial humanitarian response.<sup>45</sup> Deploying adaptive management processes and forming communities of practice can support lesson-sharing and accelerate the pace of effective action.

Building on existing distribution mechanisms and programmes in operation within the affected communities prior to the disaster can provide an avenue to accelerate the distribution of funds. For example, in 2022 the Scottish Government rapidly mobilised and disbursed funds to communities in Malawi affected by Storm Ana through a trusted partner, SCIAF, who had previously established close working relationships with the affected communities on the ground. Such examples can also help to build momentum toward the huge scale of global finance needed for loss and damage, and act as a precursor and test-bed for the envisaged international finance facility under the UNFCCC.

## Equitable and Targeted

2

Climate change disproportionately affects women, the elderly, people with disabilities and indigenous groups. The assessment of needs and the design and delivery of interventions must consider the differentiated impacts and intersecting vulnerabilities of the people and communities at the climate frontline. Furthermore, it is critical that the knowledge, needs and capacity of those affected by loss and damage are recognised and that their agency in decision-making is facilitated.

Those mobilising finance, those implementing programmes and those experiencing losses and damages can work together across the different stages of addressing losses and damages. Delivery mechanisms must not exacerbate inequalities and patterns of disadvantage, and the use of gendered and intersectionality-informed needs assessment can be used to minimise elite capture.

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Various case studies presented during the conference emphasised the importance of locally-led approaches that enable affected communities to act as the primary agents of change. The Climate Justice Resilience Fund, supported by the Scottish Government, works with partner organisations to deliver loss and damage initiatives that acknowledge and address intersectionality.<sup>46</sup> One such project by Helvetas has developed a gender-disaggregated database of seasonal and temporary migrant workers, to provide an evidence base for further support for climate-forced displacement, including rebuilding livelihoods and infrastructure damaged by climate-induced disasters.

## Responsive to Context

3

The broader socio-economic and political context needs to be considered in the mobilisation of funds, needs assessments and intervention design and delivery. This is particularly important where people face intersecting risks and accumulated losses and damages related to conflict, economic instability, climate change and geophysical hazards. When informed by a comprehensive risk assessment that takes account of intersectional drivers of vulnerability such as poverty, food insecurity and poor infrastructure, loss and damage interventions can help to build longer term resilience.

People and communities affected by climate loss and damage in conflict zones are often harder to reach due to the challenges of operating in fragile locations. Ensuring the safety of affected people is particularly crucial when supporting relocation and displacement, and climate induced disasters exacerbate the risk of gender-based violence for women and girls who are more likely to be displaced than men. The Climate and Environment Charter for Humanitarian Organizations<sup>47</sup> has been developed by agencies specialised in humanitarian work in conflict affected locations.

## Adequate to Meet Real Needs

4

The scale and types of both finance and action must be adequate to the task of addressing particular losses and damages in specific contexts now and into the future. The sums of finance provided need to adequately meet the immediate needs of people and communities negatively impacted by climate shocks, their recovery and rehabilitation needs and their long term resilience-building requirements.

Adequacy of intervention must cover the full range of needs of those impacted, from infrastructure rehabilitation, provision of food relief, public health support, emergency shelter and livelihoods recovery, to mental health support and grief counselling, and actions to address other forms of non-economic losses and damages. Participants noted that long-term programmes and projects are essential to ensure the scale and effectiveness of addressing loss and damage.

Affected people, households and communities can engage with and lead in defining what 'adequate' means. Participatory MEL methodologies can be utilised to assess and ensure the adequacy of processes to address loss and damage.

The Glasgow Pact included a call for nations to revise their National Determined Contributions (NDCs). While not obligatory, an increasing number of countries are including loss and damage considerations and responses in their latest NDCs. By costing the interventions needed to address loss and damage in their NDCs, vulnerable developing countries signal the need for

new and additional funding and outline how they intend to use it. Vanuatu has made a huge step in this direction with the Revised and Enhanced Nationally Determined Contribution<sup>48</sup> where addressing loss and damage is centre stage.

Countries can conduct analyses of the potential scale of losses and damages (both economic and non-economic) for different climate scenarios, to quantify financial needs in the event of specific shocks and to put in place financial mechanisms that deliver adequate sums for effective action. Based on these risk analyses, governments can work with other stakeholders to develop comprehensive Loss and Damage action plans to prepare to address the losses and damages predicted under particular, geo-specific hazard scenarios. UNDP has supported an initiative to establish national disaster loss and damage databases since the late 1990s, in more than 35 countries, of climate disaster data disaggregated by sub-district, impact and sector, upon which such planning might draw.

## Accessible to All

5

Loss and damage finance should be easily and rapidly accessible to countries and communities in need. Participants at the conference reflected that this accessibility operates in two directions: from the bottom up, in terms of ensuring funds are accessible to the people that need them, and from the top down, by ensuring that those organisations and people that want to contribute to finance and action have the opportunity to do so.

Finance and interventions must be designed and delivered in ways that actively empower those affected to access funds. Accessibility requires that finance providers themselves identify and remove obstacles. This may entail reviewing and revisiting their risk analysis and disbursement processes, building the capacity of the recipients and putting in place additional safeguards as required.

Direct access to funds, support through untied grants, allocations not based upon competitive processes for distribution, and using participatory methods at the insider/outsider interface are all critical for accessibility. Participation and effective representation in decision-making should ensure allocation of resources bypasses domination by elites and reaches the most disadvantaged groups.

Finance providers can also develop technologies and mechanisms to transfer funds more quickly and in a more targeted manner to respond to the needs of recipients. This might involve the development of financial delivery mechanisms that make transfers on the basis of pre-determined climatic indicators rather than project proposals, or systems that allow finance to be delivered directly to households via electronic cash transfer.

From the top-down angle, there could be opportunities for organisations and enterprises that want to contribute to support crowd-funding mechanisms. An emerging example is the Climate Vulnerable Forum<sup>49</sup> funding window for addressing losses and damages, to be formally announced at COP27, which will have a crowd-funding channel.

Finally, accessibility is informed by the 'non-burdensome' principle that avoids creation or compounding of indebtedness. At the national level, countries need non debt-generating finance primarily delivered in the forms of grants. At smaller scales, eligibility criteria that are inclusive and that account for the capacity of their target recipients should minimise financial and administrative burdens. The bureaucracy that makes it difficult for indigenous people, for example, to access funds can be revised. If communities are involved from the design phase, the risk of creating financial or administrative barriers to access can be mitigated.<sup>50</sup>

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## Historical Responsibility and Polluter Pays

6

Scotland's First Minister told the conference that developed nations should recognise their moral responsibilities for climate change in addressing loss and damage. The UNFCCC sets out the importance of historical responsibility and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances. This is reaffirmed in Article 2 of the Paris Agreement.

One presenter during the conference outlined how approximately 90% of the costs of addressing loss and damage is currently borne by the people impacted. Developed countries can increase their share of loss and damage finance on the basis of solidarity with climate vulnerable countries.

As SEI set out, the principles of historical responsibility and polluter pays should guide contributions and could be a vehicle for restorative justice.<sup>51</sup> The SEI presentation identified the following as potential examples of finance flows according to these principles: climate damages tax on the extraction of coal, oil and gas; international airline passenger levy; reallocation of Special Drawing Rights from developed to developing countries; and annual reduction in fossil fuel subsidies by G20 countries, with the funds being used to support efforts to address loss and damage. The call for an Advisory Opinion on climate change from the International Court of Justice by Vanuatu is an example of forward-looking action to hold major polluters accountable for anthropogenic climate change.

## Creative Communication and Shared Learning

7

The issue of whose stories and experiences are communicated is important. The perspectives of those people and communities at the frontline of losses and damages that are heard and acknowledged. The global community must ensure those impacted have a platform to voice their realities of loss and damage without solely burdening them with the responsibility of advocating for action.

By listening to others with similar experiences of loss and damage we can learn about impacts and risks, as well as build a better picture of solutions that can draw down funding support. Effective communication can be through storytelling, paintings and art forms highly valued in different communities. Culture influences how we understand relationships with nature and each other. Connecting with local artists to mobilise local communities can be effective. Creative communication of learning and experiences from the implementation of measures to address loss and damage is essential. This can accelerate momentum toward success particularly with regard to processes to scale up effective measures.

People in Dhaka, Bangladesh are using theatre to make and tell stories of their lived experience of climate change.<sup>52</sup> In a case study presented at the conference La Ruta Del Clima shared stories from a diversity of groups who are experiencing economic and non-economic loss and damage due to climatic impacts.<sup>53</sup> Using stories helped to contextualise climate change; it showed how climate impacts perpetuate inequality and vulnerability and interact with extractive dynamics, and allowed further exploration of the experiences and perception of those most affected.

# Transparency and Accountability

## 8

The SEI presentation proposed that providers and recipients of finance should be forthright about the quantity and use of funds. Facilitation of funding access could be hosted under the UNFCCC to ensure accountability to Parties who agree reporting requirements. Taking advantage of existing national systems of tracking finance is important. Use can be made of self-reporting based upon participatory monitoring, evaluation and learning.

Transparency and accountability builds trust among finance providers and recipients. Donors need reassurance that funds will be used as intended and not misappropriated. One way is to use established financing channels that are known to work to get the money to where it is needed. A facet of trust is shifting the power so the people who need support in addressing losses and damages have direct access to resources and are allowed to make their own allocation decisions. Non-conditional funding can help build trust for recipients.

Local ownership can also be used to confront existing power structures that may exist between governments, private sector, civil society and local communities in a way that ensures that all stakeholders are equitably represented. In this way, local ownership supports the distributional, procedural and transformative aspects of climate justice.<sup>54</sup>

Efforts must be made to build the capacity of actors at all levels to take ownership of interventions and to build trust which enables both upward and downward accountability. A partnership between UNDP and Milliman that aims to build actuarial expertise in developing countries aims to enable insurers, pension funds and social security administrations to better manage risks and in turn offer innovative and affordable insurance solutions for all.<sup>55</sup>

Monitoring, evaluation and learning is critical both for bottom-up accountability i.e. how measures are reported to funding bodies, and for downward accountability i.e. how those responsible for financially supporting and implementing measures to address losses and damages are held to account by those facing the impacts and risks of losses and damages.

The UNFCCC can and should embody and deliver global transparency and accountability for all climate action including to address loss and damage. For instance, to mobilise and distribute loss and damage finance the enhanced NDCs can be used to demonstrate need. The Global Stocktake is to be used to collate evidence both of the incidence and severity of losses and damages, but also the measures being taken to address them.<sup>56</sup> This will require inputs from climate vulnerable countries and support for the articulation of their loss and damage needs (coordinated under the Santiago Network for Loss and Damage). A Loss and Damage Gap Report is proposed as a critical input to this process.

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## Far-sighted and ‘Do No Harm’

9

Acting on loss and damage in ways that are not deleterious to future generations is crucial. In the urgency to address loss and damage the danger of longer-term harm may be overlooked. This means that meaningful participation and engagement of climate frontline communities at all levels is essential.<sup>57</sup>

Being cognisant of and acting to address the projected escalation in future risks of loss and damage, particularly the unavoidable increases in hazards, is important. The impacts of disasters will compound over time and eventually become insurmountable: longer-term projects that build resilience can break this cycle.

Far-sighted approaches also offer narrative shifts from relief and response towards a more sustainable approach that incorporates slow-onset events. Indonesia, for example, has published a Long-Term Strategy for Low Carbon and Climate Resilience 2050.<sup>58</sup> In another example, C40’s Water Safe Cities project commits to creating a water-safe future for the world’s cities. Research in 97 C40 cities facilitated calculation of flood and drought risk by 2050, and the risk of population exposure and accompanying costs. The project gives technical assistance to develop, organise, and coordinate water management strategies.

The ‘Do No Harm’ approach may apply to the UNFCCC Loss and Damage negotiation process. The G77 and China group of Parties have pledged to do no harm to the proposals of sub-groups, even where these are not unanimously supported. An important factor in advancing Loss and Damage action, this is also part of the moral responsibility of developed countries referred to by Nicola Sturgeon, Scotland’s First Minister in her opening remarks to the conference.

## No Additional Indebtedness

10

The SEI presentation explained that the costs of responding to loss and damage should not become a burden for affected groups and finance needs to be available at appropriate timescales and quantities. Two primary levers were discussed that different stakeholders can use to ensure that action to address loss and damage does not increase the debt burden already faced by affected countries, communities and individuals: debt relief, and grant-based (rather than loan-based) programme funding.

Debt relief was called for by some participants although it was recognised that this mechanism would not necessarily solve the need for urgent mobilisation of finance and would have to be deployed in addition to other mechanisms. There is also growing recognition of the role of debt relief in achieving climate justice goals, underlining the structural inequity in the availability of existing finance. Examples provided by Jubilee Scotland in a case study included the Debt Service Suspension Initiative (DSSI) and the Common Framework for Debt Treatments.<sup>59</sup> In November 2020 Zambia defaulted on interest payments to private lenders and in February 2021, Zambia applied for a debt restructuring through the Common Framework. However, no progress has been made in the negotiations as large private creditors have refused to enter an agreement for debt relief, highlighting the importance of private sector engagement for many types of finance to address loss and damage.

Grant-based rather than loan-based programme funding means that affected countries, communities and individuals are not driven further into debt by having to repay more than the value of the finance that is provided. Where this is provided as longer term programmatic finance, action and interventions to address loss and damage can be delivered more strategically over the medium to long term. An example of this is shown through the actions of philanthropies such as ClIFF who have experience of grant-based action through their delivery of the Global Methane Hub and who also backed the V20 fund, which builds on the GEF's Small Grants Programme and is aligned with climate justice principles.<sup>60</sup>

## 9 Concluding Remarks

As evidenced through the conference presentations and discussions, as well as the wider global discourse, addressing loss and damage is fraught with barriers and challenges. Overcoming current limitations requires ambition, commitment and a willingness to bring about change. The conference brought together many actors committed to doing just that. As one attendee put it, “this is a conference of doers not talkers.”

To this purpose, the conference sought to identify and develop ideas for practical action for addressing loss and damage in a way which begins to consider the full range of possibilities. The information generated through the conference will be used to prepare a synthesis report as a comprehensive compendium of evidence to support policymaking for loss and damage. This will showcase over 30 case studies which have the potential to be similarly applied, replicated and scaled up. This will be published in early

2023 and seeks to demystify loss and damage funding for urgent mobilisation and distribution.

However, as highlighted in section 8, a focus on the urgency to act must not lose sight of the prerequisite for a human rights-based approach, and care must be taken to ensure climate justice values are enacted at every stage. Attendees’ in-depth discussions around SEI’s proposed principles for addressing loss and damage explored what this means practically.

The Scottish Government is committed to translating SEI’s principles and the conference insights into practice by embedding them not only within our loss and damage programming, but also in our wider international work. The Scottish Government, HLCs and the GRP will actively invite others to do likewise and will take these \*insights from the conference to COP27 to inform discussions and catalyse increased ambition to directly address loss and damage.



Traditional Leaders in Vanuatu Island demanding climate action, credit Dr. Christopher Y Bartlett

# Notes and References

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