

Financing Loss and Damage: A Look at Governance and Implementation Options

A discussion paper

by Julie-Anne Richards and Liane Schalatek



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Cover Image: **Tifón Haiyan-Yolanda en Filipinas (Erik de Castro - Reuters)**

Residents walk on a road littered with debris after Super Typhoon Haiyan-Yolanda battered Tacloban city in central Philippines November 10, 2013. Haiyan, one of the most powerful storms ever recorded, killed at least 10,000 people in the central Philippines province of Leyte, a senior police official said on Sunday, with coastal towns and the regional capital devastated by huge waves. Super typhoon Haiyan destroyed about 70 to 80 percent of the area in its path as it tore through the province on Friday, said chief superintendent Elmer Soria, a regional police director. REUTERS/Erik De Castro. Accessed under creative commons license. Available:

<https://www.flickr.com/photos/mansunides/10797254835>

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Financing Loss and Damage: A Look at Governance and Implementation Options

Executive Summary

In 2013 countries agreed to establish the Warsaw International Mechanism for Loss and Damage (WIM) and agreed that it would do three things: a) enhance knowledge; b) strengthen dialogue and coordination and c) enhance action and support, including finance for loss and damage. This third element of its mandate has been sorely neglected. Almost no work has been done on how to fund loss and damage, how it fits with other streams of finance, and how loss and damage finance should be channeled to vulnerable countries. We are no closer now than we were in 2013 to vulnerable people and countries receiving loss and damage finance.

This report explores a number of elements that urgently need to be addressed:

When it comes to implementation loss and damage overlaps with adaptation, humanitarian disaster recovery, disaster risk reduction, migration programs and so on. It's important that loss and damage strategies and programmes are as impactful as possible for people on the ground. To avoid duplication and unnecessary complication, political and institutional coordination in these various areas will be needed.

When it comes to financing loss and damage activities, experience in adaptation finance shows that it will be useful to be clear what we mean by loss and damage. We review existing working definitions of loss and damage, and a range of illustrative examples, and isolate what makes loss and damage different to adaptation, disaster risk reduction, disaster response and development. As a result, we recommend the delineation of loss and damage by establishing a set of criteria, or guiding questions, as follows:

- Was the impact likely caused by, or made worse by, climate change?
- Does the impact require a significant change to traditional, or existing, livelihood, going beyond adjustments and instead require an altogether different order of magnitude reaction?
- Does it involve loss of something the community values and depends on?

Teamed with an illustrative, but not exhaustive, positive list that can be added to over time, as experience and understanding is deepened.

A proportion of an activity that meets the criteria of loss and damage should be able to qualify as loss and damage, whilst allowing a proportion of the project or activity to fit within other categories (e.g.: adaptation). Whilst country-driven, the determination as to whether loss and damage finance is justified should also be assessed by a WIM authorized panel.

What stands out most clearly is that there isn't currently enough funding to even begin thinking about financing loss and damage, with available climate, development, risk reduction and disaster recovery financing all falling short by an order of magnitude. Whilst there is more that should be done in the name of 'solidarity', it is very unlikely that developed countries will step up and fulfill their obligations under the UNFCCC as elaborated under long-term financing goals, let alone all of the loss and damage needs additional to such goals. Therefore, for the generation of international financing for loss and damage – also as a matter to facilitate accounting and to ensure additionality to current funding streams – new sets, of finance that come from outside traditional reliance on ODA and treasuries are needed. Innovative financing (in the form of a carbon levy, aviation levies, financial transaction taxes etc) if implemented well, can fairly and predictably fill much of the loss and damage finance gap. Our work here shows that innovative sources of finance should be able to provide scaled-up financing of USD200-300 billion per year by 2030. The WIM

Executive Committee (ExCom) should set an objective to generate finance at this order of magnitude, beginning with at least USD 50bn per year by 2020.

When considering various options for a possible international financing mechanism for loss and damage finance, such a discussion must be informed by a set of principles which consider the provision of international finance for loss and damage not as ‘charity’ but as ‘climate justice’. Thus, a fund under the UNFCCC and serving the financial mechanism of both the UNFCCC and the Paris Agreement should be considered. While it is conceivable that the COP, following the joint recommendations of the WIM ExCom and the Standing Committee on Finance (SCF), could decide the development of a new UNFCCC Loss and Damage Fund, the experience of the Green Climate Fund (GCF), which took five years to its first funding decision, shows that the path forward for a new global climate fund is lengthy and complex.

The SCF could instead take the lead on elaborating the comparative advantages of existing UNFCCC climate funds, in particular the Global Environment Facility (GEF) and the GCF, and their potential to channel international loss and damage finance. Both have the capacity to receive dedicated loss and damage financing for example under a separate trust fund, clearly delineating inputs and disbursals on loss and damage from other climate finance disbursements. However, there are significant differences with respect to the financial instruments both funds use, the scale of project and programmes they can support, the type of financial inputs they can receive, their ability to finance agreed full costs, their engagement of the private sector, as well as their experience and capacity with direct access and enhanced direct access, which developing countries favor. The GCF for example has a mandate in its governing instrument to consider financial inputs from alternative sources, and the GCF Board could address the issue of alternative financing sources as a matter of priority, including in time for its first formal replenishment to start in 2018 when its current initial resource mobilization period ends.

This discussion paper, while not presenting the final word on a range of issues related to international loss and damage financing, has nevertheless outlined some concrete steps forward over the next two years. Further analysis and discussion is clearly needed, and we welcome future contributions and comments.

In order to make up for lost time, we propose that the WIM ExCom should treat finance as a priority for the coming two years, and, with the SCF, work to ensure that by the time the Paris Agreement comes into effect in 2018 it is clear HOW finance for loss and damage will be provided and HOW MUCH finance will be available. With the objective of having finance flowing by 2020 at a level of USD 50bn per year, and a vision of scaling up to USD200-300 billion per year by 2030.

In the end, while technical discussions and the development of criteria and methodologies matter, ultimately, this is a highly political and deeply moral issue. Important to this process will be, not only intensive work by the WIM ExCom, or the SCF, but also a growing understanding by politicians higher up the food chain, including political leadership. We need Ministers and Heads of State to engage in the solution to this funding gap. And to understand that we have choices. We can take strong mitigation action to minimize loss and damage, we can properly fund adaptation strategies, which will also minimize loss and damage from climate change. Or we can continue to delay and obfuscate – which will not only **not** reduce the cost of loss and damage, it will rather cause unimaginable suffering and guarantee a less stable, more poverty and inequality stricken, more unhappy, and less sustainable world.

Introduction

The founding document of the Warsaw International Mechanism for Loss and Damage (WIM), agreed in 2013, identified the facilitation and mobilisation of support as one of three priorities. Despite this, for its first three years, the WIM has focused on its other functions of: a) enhancing knowledge; and, b) strengthening dialogue and coordination; and has neglected the third element of its mandate, c) namely action and support.

Yet, in an era of rising climate impacts, loss and damage from climate change is already a reality on the ground for vulnerable communities. And, as this report outlines, financial support for development, for humanitarian needs, for disaster risk reduction and for adaptation is all insufficient to meet these valid and essential purposes. There is no way that these sources of finance can stretch even further to encompass finance for loss and damage.

Therefore, the international community needs to move post-haste to generate finance for loss and damage. It need not come from treasury budgets and tax payer dollars. There are currently untapped innovative and alternative sources of finance – including many that utilize a polluter pays approach and ensure that those responsible for climate pollution pay for the damage it causes – that can step in to fill this breach. This report will explore how we might put these sources of finance in place, and seeks to address the following questions:

- What is the need for loss and damage finance?
- How will loss and damage finance interact with other forms of finance?
- What can loss and damage finance learn from adaptation and humanitarian finance?
- How will/should loss and damage finance be delivered?
- What outstanding questions need to be answered?
- What are the key next steps, in developing loss and damage finance governance?

Mandate to deal with loss and damage finance

There are both broad principles of international law, and specific agreements between Parties within the UNFCCC that mandate the provision of loss and damage finance.

Two broad principles of international law are particularly relevant for considering loss and damage finance – the no harm rule and the polluter pays principle. The no harm rule says that States have the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment outside of their State. Where harm is caused there is an obligation to cease wrongful conduct and to make full reparation for any injuries caused. The no-harm rule is included in Principle 21 of the Stockholm Declaration 1972, and Principle 2 of the Rio Declaration 1992. The polluter pays principle is the notion that those responsible for pollution should be held liable for any harms caused by the activity. Principle 16 of the 1992 Rio Declaration encourages states to apply the polluter pays principle. These two principles informed the UNFCCC's dealing with loss and damage. (for more detail see Richards and Boom 2014, p27-33).

More specifically, Parties to the UNFCCC, in Decision 2/CP19, agreed to establish the Warsaw International Mechanism (WIM) for loss and damage. The WIM was agreed with three broad functions:

- a) Enhancing knowledge and understanding of loss and damage;
- b) Strengthening dialogue, coordination and coherence between various bodies on loss and damage; and

- c) Enhancing action and support, including finance, to address loss and damage. This last element included facilitating the mobilization of finance.¹

In the three years since the WIM was established, the Executive Committee (ExCom) of the WIM has focused its efforts on the first two functions (a and b), and has largely failed to progress the third element (c) of action and support, including finance. This focus on understanding and talking, and lack of progress on finance, has been driven by developed countries unwillingness to make progress. Developed countries have moved from outright, public obstruction demonstrated in the early days², to a ‘go-slow’ mode, ensuring relevant negotiations are largely held behind closed doors (in 2015 and 2016 UNFCCC level loss and damage negotiations were held in meetings that were closed to observers), using procedural arguments to ensure any progress made is minute, and providing funding for the Secretariat to give support at a level that could be described as ‘skeletal’. Despite this, developing countries have continued to push for progress, making progress at the Paris and Marrakech COPs in 2015 and 2016.

At the historic COP21, at which the Paris Climate Agreement³ was made, countries recognized the increasing importance of loss and damage in the climate landscape by enshrining it as a separate element in the agreement. As a stand-alone article (Article 8), loss and damage is separate to and distinct from the article on adaptation (Article 7), demonstrating that loss and damage is now a ‘third pillar’ of the climate agreement and alongside mitigation and adaptation, therefore, implying that loss and damage finance should be considered separately from and additional to adaptation finance. This makes sense as it is clear that loss and damage will require finance beyond the inadequate amount promised for adaptation to date. Article 8.3 of the Paris Agreement has countries agreeing to enhance understanding, action and support (that is, finance), including through the Warsaw International Mechanism. But this support, or finance, will be provided on a “cooperative and facilitative basis”, rather than as “compensation or liability” – which is ruled out in Paragraph 51 of the Paris Decision⁴. Therefore, the international community needs to find a cooperative basis to raise significant funds for loss and damage under the UNFCCC, over and above those promised for adaptation and not counting toward the USD 100 billion per year by 2020 climate finance goal, which the Paris Agreement refers to as the baseline.

At the Marrakech COP in 2016 vulnerable countries, realizing that the progress on loss and damage finance had been far too slow, pushed for further progress on loss and damage finance. Whilst loss and damage finance was “much discussed”, the outcome was a modest, but clear, direction from COP22 for the WIM to include a strategic workstream on finance for loss and damage (Kreienkamp and Vanhala 2017).

The first WIM ExCom meeting of 2017 brainstormed what the ‘desired results’ from the ExCom’s five year rolling workplan could be, and included positive outcomes on the finance workstream including: mechanisms in place to generate resources from new sources; provision of finance adequate to demand; action and support enhanced adequately. A real test of the willingness of developed countries to live up to their responsibility, and to be true to past agreements and the mandates they have agreed, will be whether this initial five year rolling workplan survives intact, has the activities put in place to support the outcomes, and whether developed countries are willing to provide the modest funds necessary for the WIM to undertake these activities and develop into a fully-fledged mechanism. Detailed steps required to meet these criteria are included in the recommendations section at the end of this report.

¹ The Decision can be found here: <http://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf>, with the functions on page 6-7.

² Richards & Boom 2014, Harmeling 2014, and authors’ own experience

³ Paris Climate Agreement: http://unfccc.int/paris_agreement/items/9485.php

⁴ For more on loss and damage in the Paris Agreement see Boom, Richards & Leonard, 2016 and Mace & Verheyen 2016.

What is loss and damage? How is it different to adaptation, humanitarian aid, disaster risk reduction, disaster response, and resilience?

Whether loss and damage from climate change⁵ exists, and is separate and distinct to adaptation, was a subject of controversy within the international climate negotiations for some time. Some argued that loss and damage existed within the spectrum of adaptation, others that it fell within disaster risk reduction or humanitarian financing⁶. However, as an understanding of loss and damage has grown, and as impacts of climate change have become increasingly severe, there has arisen an agreement generally and within the UNFCCC that there are limits to adaptation, and that loss and damage is where mitigation and adaptation have not been adequate to avoid negative climate change impacts (Al-Dabbagh 2016, Mace and Verheyen 2016).

The WIM ExCom (2016) describes loss and damage as: the adverse effects of climate variability and climate change that occur despite global mitigation and local adaptation efforts⁷. Warner and van der Geest (2013) who have written extensively on the subject, define it as the **adverse effects of climate change that go beyond peoples' capacity to cope and adapt to climate change impacts.**

Loss and damage results from **extreme events**, for instance super-typhoons and extreme or prolonged droughts, and **slow onset events** including sea level rise, increasing temperatures, ocean acidification, glacial retreat, salinization, land and forest degradation, loss of biodiversity and desertification (UNFCCC, no date).

Loss and damage is the adverse effects of climate change that go beyond peoples' capacity to cope and adapt to climate change impacts.

Loss and damage can include both economic losses, and **non-economic losses**. Non-economic loss includes life, health, displacement and human mobility, territory, cultural heritage, indigenous/local knowledge, biodiversity and ecosystem services. Non-economic loss may be directly linked to climate impacts (e.g. loss of ecosystems) or occur indirectly (e.g. malnutrition as a consequence of impacts in the agriculture sector). In many developing countries, non-economic losses may well be more significant than economic losses (UNFCCC 2013).

Loss and damage refers to **irreversible losses** (e.g. loss of human life, cultures, species or land to rising seas) and **damages** of significant economic cost (e.g. destroyed infrastructure) that are caused, at least in part, by climate change impacts (Durand et al 2016).

Loss and damage from climate change interacts with many areas including the following.

Adaptation:

Adaptation is defined by the IPCC (2014, p5) as the process of adjustment to actual or expected climate and its effects. In human systems, **adaptation seeks to moderate or avoid harm or exploit beneficial opportunities**. In some natural systems, human intervention may **facilitate adjustment to expected climate change and its effects**. In essence, **adaptation can be seen as activities to reduce or prevent, the**

⁵ Whenever the term “loss and damage” is used in this paper, it is used as short hand for “loss and damage from climate change”.

⁶ For further discussion of the different perspectives, or framings, on loss and damage see Vanhala and Hestbaek 2016 and Boyd et al 2016.

⁷ WIM ExCom (The Executive Committee of the Warsaw International Mechanism for Loss and Damage). 2016. Synthesis of relevant information, good practices and lessons learned in relation to Pillar 1: Enhancing Knowledge and Understanding. 6 September 2016. Available:

http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/excom_iom_technical_meeting_pillar_1.pdf

harm of climate change, whereas loss and damage is when the harm of climate change hasn't been prevented by either mitigation or adaptation. Loss and damage is when the impacts of climate change go "beyond" adaptation.

There is absolutely a '**grey area**', **an area of overlap**, between adaptation activities and loss and damage activities. From a practical, on-ground, implementation perspective, especially for slow onset events, it can be difficult to tell the difference between an adaptation project and a loss and damage project, as the illustrative examples below show, and from an on-ground, implementation perspective we don't believe it is important to separate loss and damage and adaptation activities, rather it is better for communities if they are streamlined. However, from a conceptual point of view, and from an international climate funding perspective, it is useful and might be a normative necessity to distinguish between the two. **We see the difference as: adaptation is adjusting to the effect of climate change in a way that allows the community to substantially continue their traditional, or existing, livelihood, whereas loss and damage is when the climate impacts, due to failed ambition in mitigation and adaptation, go beyond adjustments and instead require an altogether different order of magnitude reaction, a complete reorientation in response to significant harms, and take the community (or individual) outside of the realm of the traditional approach⁸.**

Loss and damage is when the climate impacts ... go beyond adjustments and instead require an altogether different order of magnitude reaction, a complete reorientation in response to significant harms, and take the community (or individual) outside of the realm of the traditional approach

Resilience

Resilience is defined by the IPCC (2014, p5) as the capacity of social, economic, and environmental systems to cope with a hazardous event or trend or disturbance, responding or reorganizing in ways that maintain their essential function, identity, and structure, while also maintaining the capacity for adaptation, learning, and transformation.

Traditionally, resilience has had a broad application – it has applied to development activities, as well as to climate specific adaptation activities. Strategies to address loss and damage can also fall under the overall parameter of 'resilience'.

A key question to ask in determining whether an activity is adaptation or loss and damage (as differentiated from 'normal' development) is whether the action was made necessary by climate change impacts. That is – is the income diversification necessary because communities traditional or existing livelihood activities are made unviable by climate change.

Here we identify a **second key difference between adaptation and loss and damage is one of scale and/or substantially different form**. For instance, if a community is no longer able to grow crops on their traditional land (due to increasing droughts/desertification or due to rising sea levels) a loss and damage strategy might be to provide them with the means to retrain in new, non-agricultural livelihoods. Hence the community maintains, or increases, its resilience in the face of the damage to their ancestral land and loss of livelihoods driven by climate change, yet the new livelihood might be outside of the realms of 'adaptation' as it substantially changes their traditional way of life.

Disaster response

There are interactions between loss and damage from climate change, and disaster relief and humanitarian aid. Consider the example of Cyclone Winston. The strongest cyclone ever to make landfall in the southern hemisphere (Climate Council 2016) slammed into Fiji in February 2016, killed 44 people, damaged or destroyed 40,000 homes and ravaged public buildings and infrastructure, including 229 schools, and caused

⁸ This is a working definition. The authors acknowledge it could be improved and welcome input.

USD1.4 billion US in damages – despite sparing the main tourist areas (Fijian Government 2016). The Fijian Government and the United Nations jointly launched a USD38.6m Flash Appeal. The Flash Appeal was 51 per cent funded, raising USUSD19.8 million, and making the TC Winston Appeal the best funded emergency response in the world in 2016 (UNOCA 2016). As much of the damage inflicted on the Fijian communities was due to the extreme nature of Cyclone Winston, fueled by climate change, we contend that some, or all, of this funding should be considered loss and damage finance. And should be provided more automatically, in line with the scale of the problem, and less as a matter of charity dependent upon how much donors want to contribute.

Other instances of disaster response would remain outside of the overlap between climate change loss and damage – earthquakes, and humanitarian disasters caused by conflicts for example. Some weather related disasters may be judged to be within natural variability, and not to be exacerbated by climate change, and therefore not loss and damage. In fact, it might be possible to implement an assessment, similar to climate risk insurance (or parametric insurance), based on climate related parameters. Eg: wind speed or wind gust speed in the case of cyclones and typhoons, minimum or maximum levels of rainfall for drought or flooding, that would then trigger a reasonable level of funds from a source of loss and damage funds. It's worth noting that whilst the approach of having parameters that automatically trigger quick payments is already in place for climate risk insurance, the funds provided are generally very, very small when considered against the overall need, and that an approach that aims to truly address loss and damage would need to result in much higher payments.

The key difference here between traditional disaster response, and loss and damage, is the question as to whether the impact was likely substantially caused by climate change. For instance, if it is a ‘normal’ typhoon – that is wind speeds, rainfall and storm surge, fall within historical parameters and aren’t occurring more frequently than historically expected – it could be dealt with using traditional disaster response channels. If the impacts fall outside of these ‘normal’ parameters, then additional resources will need to be provided for this loss and damage from climate change. Here we refer to historical parameters, rather than an attribution of a specific event to climate change. Whilst climate science is improving in the area of attribution, which is useful, a lack of complete ability to attribute specific events to climate change should not hold us back from recognizing that impacts are becoming more severe and more frequent (e.g. when droughts are considered) and are exacerbated by underlying conditions having changed (e.g. sea level rise leading to storm surges with greater impact)

The key difference between traditional disaster response, and loss and damage, is the question as to whether the impact was likely substantially caused by climate change. That is, if impacts fall outside of normal, historical parameters.

Illustrative examples:

What follows are a few examples to illustrate what loss and damage is, and how it is different and yet related to adaptation and disaster response and related to resilience. These examples are not exhaustive, and we welcome additional examples and explanations.

Damage from supercharged typhoon: In November 2013 Typhoon Haiyan (or Yolanda as it was called locally) devastated the Tacloban region of the Philippines. As a country that has frequent typhoons and storms, the government and locals had many coping mechanisms in place. However, with sustained wind speeds up to 195mph (314kph), Typhoon Haiyan was the strongest ever tropical storm to make landfall. So traditional coping mechanisms were blown away. Typhoon Haiyan forced four million people from their homes, destroyed or damaged one million houses and killed 7,354 people. As it fell outside of normal, historical parameters this storm is likely supercharged by climate change, and therefore falls within the categorization of loss and damage. The International Disaster Database (EM-DAT) quantified the damage of Typhoon Haiyan at USD10 billion (Boom et al 2016).

Relocation forced by rising sea levels and loss of land:

The 6,000 people who live on the Carteret Islands of Papua New Guinea are finding their home increasingly untenable due to rising sea levels which are leading to loss of land, and damage from salt water inundation is leading to food insecurity as traditional crops won't grow. The community group Tulele Peisa (which means 'sailing the waves on our own') is working to relocate 50% of the population by 2020 and 'maintain our cultural identity and live sustainably wherever we are.' With the support of the Roman Catholic Church and the PNG Government, Tulele Peisa is slowly relocating Carteret Islanders to Bougainville. It was estimated by Tulele Peisa in a report by Displacement Solutions that USD USD5.3 million is required from 2009 to 2019 to ensure the basic needs for a successful resettlement are met – USD USD6,500 for land and housing for each family (Boom et al 2016).

Rising sea levels, generic example: Imagine that your community lives in a low lying area. Sea level rise means that your traditional crops are unviable due to salination. For some time your community undertakes adaptation by planting crops that are salt resistant and planting crops in raised beds/pots. You are increasingly facing floods and being forced to move short term, such that you eventually decide to move permanently. Even if this migration/relocation is planned it is loss and damage as you are reacting to the loss (or expected loss) of your land. In addition, it is very likely that you will face loss of community and culture as a result of the move. Funds should be provided up front to enable the community to move and to minimise the human suffering, and should be provided from international support for loss and damage finance.

Loss and damage from increasing drought: Climate

change poses an ongoing and serious threat to Kenya's economy. Already, it accounts for a loss of approximately USUSD0.5 billion per year, which is equivalent to 2% of the country's GDP. This cost is expected to rise and could eventually claim 3% of Kenya's GDP by 2030. From 2008 to 2011 the Horn of Africa suffered the worst drought in 60 years. At its peak it left 13.3 million people with food shortages and led to a large number of people dying. Across the four year period of drought, the Government of Kenya estimated losses of USD12.1 billion in total. Major areas of loss included: agriculture USD1.5bn; livestock USD8.7bn; water and sanitation USD1.1bn; and other areas including agro-industry, fisheries, nutrition, health, education and energy. The poorest people suffered the greatest losses. As the drought lasted more than four years, poverty increased in both qualitative and quantitative terms, and the Government of Kenya had to divert funds and significantly increase its efforts to reduce poverty in the medium- to long-term. (Boom et al 2016).

Loss of fishing resources: Imagine that you are part of a fishing community. Due to warming and acidifying seas the fish that you have traditionally fished move away (or die) and aren't available for your community any more. Initially you might undertake adaptation activities of using boats with motors (rather than fishing from shore or from human propelled boats). But eventually due to the loss of your fish resource you have to change to a new source of food, and therefore you need to change your livelihood. The community, with help from your government, puts in place a resilience programme, in response to the loss of your resource

Is migration adaptation or loss and damage?

Migration is very complex to understand and always has a big impact. It can be successful when individuals and communities use migration to increase their resilience. Successful migration can be considered an adaptation strategy. However, migration, and in particular forced displacement, is erosive when households are made more vulnerable and forced further into poverty. Additionally, the households who cannot engage in migration and are left behind are significantly worse off because they are exposed to the worst impacts of climate change and have few resources to cope.

Even when migration is successful, people face the loss of their ancestral lands, their traditional way of life, their language, community relationships, and sovereignty. Women are often more negatively affected than men from migration and displacement.

For these reasons, where climate change contributes to displacement and exacerbates other factors, it often contains an element of loss and damage that includes severe human costs. Simply portraying displacement as an adaptation strategy, as is often done, is inappropriate.

CARE, Fleeing Climate Change: Impacts on migration and displacement, 2016

from climate change. It is not a resilience programme you (or the government) would have otherwise chosen if it weren't for climate change. It is not adaptation, as you are not adapting to change, you are reacting to the loss of a resource, and your response is a significant change in your traditional way of life.

Glacier melt: The Himalayan Glaciers form an important source of fresh water for millions of people, providing water for hydropower, agriculture, irrigation and domestic purposes. More than 30 million people live downstream of glaciers in Nepal. In the period from 1963-1993, the glaciers in Nepal retreated by nearly 8%, and the IPCC 5th Assessment Report confirmed a further decline in the first decade of the 21st century. Accelerating glacial retreat leads to the formation of new glacial lakes and supra-glacial lakes. These glacial lakes increase in size and retain higher volumes of water and can suddenly and catastrophically release with massive volumes of water in a glacial lake outburst flood (GLOF). Such events may wipe out entire settlements, forcing people to migrate from their homes, and damage or destroy infrastructure. Nepal has experienced 24 GLOF events since 1964. The International Centre for Integrated Mountain Development (ICIMOD) has identified 20 potentially vulnerable glacial lakes in the Himalayan region of Nepal. The only means to reduce the threat from GLOFs is to manage the volumes of water in these glacial lakes. However, there are major challenges in implementing these measures, such as limited accessibility (sites are only accessible in certain seasons), inhabitability for people to stay there due to high elevation, and high costs. Nepal is a Least Developed Country (LDC), and does not have the financial resources needed to cope, hence the importance of support from the international community for adaptation (GLOF risk reduction), without sufficient funding for adaptation, loss and damage will be incurred, either through planned migration, or catastrophic incident (adapted from Harmeling et al 2015).

If Nepal is funded to undertake adaptation and render the glacier lakes safe, and the danger from GLOF reduces. However, the glacier is still being eroded and modelling shows that almost all of the glaciers might be lost by the end of the century, at 3oC of climate change/RCP8.5 (Shea 2015). Therefore, these communities still face the longer term loss of their primary water supply and the basis in agriculture it provides. With sufficient funding they would be able to adapt for some time, and continue their current, or similar, agricultural practices. But eventually the total (or significant) loss of the glacier and its water flow, will lead to the need for a massive change in their lifestyle – either a new, non-agricultural based livelihood, or migration. This would constitute loss and damage, and it illustrates the limits to adaptation when faced with long term and extreme impacts of climate change.

Damage from unpredictable impacts: extreme and unpredictable storms can damage infrastructure. If a country has resources to adapt, it may be able to sufficiently reinforce infrastructure and ensure that, for example, bridges stay undamaged through storms. The unpredictability of climate impacts in some regions require resources to undertake strengthening programs for all of the infrastructure (eg bridges or buildings) that could be impacted, and undertaking work across the whole country or region might be beyond the adaptation resources of some countries. Therefore, the uncertainty of the climate impacts, teamed with insufficient adaptation resources, results in loss and damage to infrastructure.

Do we need a definition of loss and damage finance?

There is no universally accepted definition of what constitutes climate finance, nor is there an internationally agreed definition of either adaptation or loss and damage (Durand & Huq, 2015 in Durand et al 2016). However, there are working definitions of both, as outlined above. In discussions with developed country delegates about agreeing a definition, some have fixated on the grey area between adaptation and loss and damage and have been adamant that it's not possible to draw a hard line. Others have expressed concern that attempting to agree a definition could take significant political resources and waste time.

In the face of these concerns, we will consider the alternatives to agreeing to a universally accepted definition, such as a criteria or a positive list. But first, let us start with why it would be worth establishing a definition, or something similar.

Agreed parameters for what constitutes loss and damage would help in calculating how much funding is necessary, monitor how much funding is received, and help allocate the funds to projects that are genuinely loss and damage. As an example of the potential pitfalls of not establishing a definition or similar,

the Adaptation Watch 2015 report reviews the adaptation finance claimed by OECD countries for 2012, and finds an overclaim of 400%. That is, of the USUSD10.1 billion claimed by OECD countries in 2012 as development aid with a principal or significant adaptation focus under the OECD-DAC Rio Marker categorization, USUSD7.7 billion was not, in fact, adaptation-related. This effort by developed countries to “overclassify” development aid as adaptation funding stands in marked contrast to recent discussions in the Green Climate Fund (GCF), where Board members from developed countries at the April 2017 meeting refused to support funding for a project proposal from UNDP in Ethiopia for a project that would build community resilience in the face of water shortages, with criticism that the proposal was not actually adaptation, but rather development (Darby 2017). Already in December 2017, the same reasoning was used by GCF developed country Board members to signal they would not accept a similarly focused adaptation project proposal by UNDP for Bangladesh (which was then withdrawn rather than risk rejection). The absence of clear definitions or guidelines clearly was exploited for political expediency. And the absence of clear definitions or guidelines has resulted in significant political tension.

Adaptation Watch recommend a number of courses of action to correct this misclassification of funds, including a simple, coherent, consistent and rigorous classification framework, enacted as a positive list, that contributors and recipients should be able to appeal to have new types of projects added, and a UNFCCC authorized panel (or equivalent) to monitor project submissions and decide independently what types of projects can count (Baum et al 2015). This approach could be fruitfully applied to loss and damage, as an alternative to agreeing a “hard” definition.

Creating a **positive list**, through an iterative approach, also has merit in helping to overcome the political challenges of establishing a universally accepted definition. A positive list approach would give guidance as to what could be counted towards loss and damage support, and would help highlight the gaps that are not being funded, whilst avoiding an over emphasis, and getting stuck, on the grey areas. A positive list could be an interim step on the way to an agreed definition.

A positive list could also help with contributing to more accountability and transparency of loss and damage funding, once it starts to flow. By being clear what projects are being funded. A positive list would also help separate loss and damage from adaptation funding, and hence reduce the risk of double counting or relabeling.

A positive list approach to loss and damage at this stage – given the concept’s relatively young history -- would need to be non-exclusionary. As knowledge of loss and damage grows, and as experience of loss and damage support increases, the positive list would necessarily be expanded and adapted. It would in any case not be seen as an absolute, but as necessary first guidance.

Peterson Carvalho and Terpstra (2015 p6) have stated their concern that a positive list is not appropriate for adaptation, because adaptation projects are (local) context specific. Certainly, what constitutes irreversible climate change harm with significant losses of lives and economic opportunities in some countries due to their economic or institutional development status or their extreme vulnerability to climate change might be have a lesser impact in other countries. However, it could be argued that the same is true for mitigation projects (what constitutes a significant emission reduction effort in a SIDS is a negligible one for an emerging market economy), and that perhaps the solution to the need for context could be a more detailed positive list with some considerations for differentiation and categorization.

An example, or model, of an approach to categorize projects can be drawn from the Multilateral Development Banks' three-step method, which requires the specific climate vulnerabilities and risks that each adaptation finance project seeks to address be specified. It has been used since 2012 by the seven biggest multilateral development banks, joined in 2015 by the 20 members of the International Development Finance Club (IDFC). For adaptation finance tracking they use a “three-step approach”, consisting of the following steps:

- (i) setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change a project or program seeks to address;

- (ii) stating the intent to address the identified risks, vulnerabilities and impacts in project documentation; and
- (iii) demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the actual activities financed by that project or program (Weikmans et al 2016).

The MDB three-step method also contains ideas as to how to address concerns about a “grey area” between adaptation and loss and damage. The MDB three-step method encourages reporting of components, sub-components, elements or proportions of projects to be reported as “climate relevant” or “climate finance” (Weikmans et al 2016). Similarly, in cases where there is a grey area, or a spectrum, of activities from adaptation through to loss and damage, it would be worth exploring if it could be feasible to identify certain segments of projects as **loss and damage with a commensurate finance portion**.

The Paris Agreement agreed that loss and damage would receive international support (in Article 8 of the Paris Agreement, UNFCCC 2015), and the Paris Decision circumscribed the definition of international support/finance to exclude liability or compensation (in paragraph 51 of the Paris Decision, UNFCCC 2015)⁹. We do not see any of the examples used throughout this paper to fall under the heading of ‘liability or compensation’, but to fall completely within the definition of international finance for loss and damage activities. A definition, classification framework, positive list, set of criteria or guiding question, or similar, would help clarify this situation amongst Parties.

Recommendation for how to “classify” (or “define”) loss and damage.

Set of criteria, or guiding questions:

Given the discussion above we recommend establishing a **set of criteria, or guiding questions to complement a positive list**, as a way of delineating loss and damage impacts. Using the earlier definitional discussions and examples we make the following recommendation¹⁰:

Establishment of a simple classification framework, enacted as a few guiding questions/criteria, of which the following can be considered a first draft:

- Was the impact likely caused by, or made worse by, climate change? One measure would be if impacts fall outside of normal, historical parameters.
- Does the impact require a significant change to traditional, or existing, livelihood or way of life, going beyond adjustments and instead require an altogether different order of magnitude reaction outside of the realm of the traditional approach.
- Does it involve loss of something the community values and depends on, such as loss of fishing resource, loss of ancestral land, loss of culture associated with traditional activities, loss of the ability to undertake an activity (eg: inability to herd cattle).

Teamed with an illustrative, but not exhaustive, positive list, to which contributors and recipients should be able to add new types of projects, the beginnings of a positive list are outlined below.

A percentage, or proportion, of an activity that meets the criteria of loss and damage should be able to qualify as loss and damage, whilst allowing a proportion or percentage of the project or activity to fit within other categories (eg: adaptation).

A WIM authorized panel (or equivalent) should be established to monitor project submissions and decide independently what types of projects can access a central loss and damage finance pool. The panel should value highly input from vulnerable countries, as they are best placed to understand their historical and current circumstances.

⁹ For a fuller exploration of loss and damage within the Paris Agreement see Boom et al 2016, and Mace and Verheyen 2016.

¹⁰ The authors note that this is a first draft of what might constitute eventually a more elaborated framework, and welcome further input and refinement.

Positive list – a beginning:

The Paris Agreement (UNFCCC 2015), contains the beginnings of a positive list, by listing the following items within Article 8.4:

- (a) Early warning systems;
- (b) Emergency preparedness;
- (c) Slow onset events;
- (d) Events that may involve irreversible and permanent loss and damage;
- (e) Comprehensive risk assessment and management;
- (f) Risk insurance facilities, climate risk pooling and other insurance solutions;
- (g) Non-economic losses; and
- (h) Resilience of communities, livelihoods and ecosystems.

Below we explore the Paris Agreement list, consolidating and expanding upon it, and include other related ideas and other loss and damage activities that deserve to be explored as part of a non-exclusionary positive list eligible to receive international finance:

Insurance has been the focus of loss and damage discussions so far. At present it is the de-facto finance mechanism for loss and damage (although we make the point that it is not a source of finance, but rather an instrument that *requires* a source of finance). Insurance is most relevant for events of relatively low frequency and high severity, as insuring climate risks is less tenable when events become more frequent, as premiums will rise accordingly. An example of catastrophe risk insurance is the Caribbean Catastrophe Risk Insurance Facility (CCrif). It is a regional fund, capitalised via a multi-donor trust fund and membership fees by participating governments, and provides short-term liquidity when a policy is triggered by an earthquake or hurricane catastrophe. Another example for an insurance approach is the African Risk Capacity (ARC) project, a pan-African disaster risk-pool managed by the African Union that addresses the increased risk of hunger and malnutrition. It includes an early warning system and a risk pool that provides automatic payouts in case of drought. The payout is dependent on contingency plans being in place before the disaster. By pooling risk across African countries, substantial savings are made on both administrative costs and the capital required (Richards and Boom 2014).

Insurance is not a source of finance, but rather an instrument that requires a source of finance.

While this provides a much needed financing bridge for immediate emergency response, it does not provide financing for countries to rebuild or bounce back from the disaster, i.e. actually addressing loss and damage more comprehensively. As such it is more of a band-aid approach to a much bigger injury and thus needs to be complemented by other financing resources.

At present it is typically the developing country or the affected community or individual that pays insurance premiums. This is clearly not fair as it shifts costs of dealing with climate change onto the countries, communities and people who have done least to cause it, and can least afford to pay these costs.

Climate risk insurance at the individual level is also already being applied as a loss and damage strategy, examples include the ACRE Africa weather index micro-insurance and the R4 Rural Resilience Initiative: run by the World Food Programme and Oxfam America in Ethiopia¹¹.

At present it is typically the developing country, or the affected community or individual that pays the insurance premiums. This is clearly not fair as it shifts costs of dealing with climate change onto the countries, communities and people who have done least to cause it, and can least afford to pay these costs. Therefore, international finance should be used to pay for premiums. Depending on the context, a graduated/differentiated financing scheme could be considered: From 100% of premiums for the most vulnerable countries and

¹¹ For more information and examples see Results 2016.

communities with least capacity, through to a proportion of premiums in instances where the dangers covered might not all be attributed to climate change, and/or the capacity and responsibility of the entity being insured is higher.

Global re-insurance facility, or global revolving solidarity fund: Small scale, direct (micro), community (meso), or sovereign (macro) level insurance all rely upon re-insurance (the insurance companies take out their own insurance, and spread their risks, at a higher level). The way this reinsurance is set up effects how expensive the insurance is to the individual, community or country taking out the insurance. For instance – the Africa Risk Capacity insures African countries against drought. Periods of drought in Africa are likely to affect more than one country at a time, placing a big call on the assets of the insurance companies involved. If this is balanced, say, with the risks involved in the Caribbean Catastrophe Risk Insurance Facility (which insures countries in the Caribbean against hurricanes and earthquakes) where the call for funds is not linked to drought in Africa and therefore likely to happen at a different time, the risks are spread and the costs can be lowered. Hence the idea of either a global re-insurance facility, or similar is appealing. International finance for loss and damage could be used to establish such a facility, which could be run on a non-profit basis.

Catastrophe bonds have a specific set of attached conditions stating that if the bond issuer suffers from a certain pre-defined disaster, the issuer's obligation to pay interest and/or repay the principal to investors is either deferred or completely forgiven. Cat bonds tend to come with stricter terms and conditions than traditional insurance. They generally have a higher fixed cost than traditional insurance and are usually available only to institutional investors (Durand et al 2016).

Attribution bonds: There have been proposals for “attribution bonds”, which would cover the component of the probability of a natural disaster attributable to climate change, or sea level rise bonds, which would provide dividends in the event that the mean sea level exceeds a predetermined threshold (Estrin & Tan, 2016). These bonds exist only in a conceptual stage, but could perhaps be pursued as future sources for loss and damage finance (Durand et al 2016). Like insurance premiums, the original finance would need to be provided largely through international support.

Contingency finance: When writing budgets, it is common practice to include extra finances (“contingency funds” or “rainy day funds”) on top of what is strictly necessary, in case of cost overruns due to unforeseen circumstances. This approach may be applied to prepare for unpredictable climate-related disasters by setting aside funds for use in emergency situations, which may also encourage more extensive disaster planning and allow earlier distribution of funds when disaster strikes (Makaudze 2012) (in Durand et al 2016). Current contingency funding is largely in the form of voluntary budget and finance set asides (saving, “rainy day” accounts) generated from own resources domestically/locally. For instance, Bangladesh is setting aside contingency funds for climate-related disasters (Kreieinkamp and Vanhala 2017).

Such funding could be provided directly to developing countries with the stipulation that this extra money should be held in a National Loss and Damage Contingency Trust Fund. Such loss and damage contingency trust funds conceivably could be set up under already existing National Climate Funds (NCFs), such as those for example in Bangladesh, Indonesia, the Philippines, Mali or Rwanda.¹²

Beyond insurance:

The focus on loss and damage support has, to date, been squarely on insurance and insurance-like mechanisms. This is an area that developed countries have been most comfortable with as it fits within an overall “market friendly” approach, with a significant role for the private sector. However, insurance is not suitable for all climate change impacts – slow onset events such as desertification, sea level rise, ocean

¹² A growing number of developing countries has established or is in the process of setting up such NCFs. See: <http://www.climatefundsupdate.org/about-climate-fund/global-finance-architecture>. The World Bank and UNDP do provide (interim) trustee services for several of these NCFs (Flynn 2011).

acidification, glacial retreat and disastrous events that occur with very high frequency, such as recurrent flooding, are not best dealt with by insurance (MCII 2012). Additionally, as climate change intensifies and the occurrence of now-unpredictable disasters becomes increasingly definite, insurance will become increasingly unviable. Therefore, it is crucial to consider channels for funding for loss and damage other than risk transfer, catastrophe bonds and contingency finance (Durand et al 2016).

Forecasting and early warning systems are foundational building blocks in addressing loss and damage – whether teamed with insurance or other loss and damage strategies. Increasing resources will be required to monitor and forecast both slow-onset and extreme events from climate change so that countries can build their programmes on the best understanding of future events and expected climate change.

Strategies for providing these services might be by increasing the capacity and remit of the IPCC, improving capacity in national institutions, particularly in the global south.

There is a potential role for the private sector in this area, in providing observational systems, data, and projections, and also as beneficiaries of the information provided – for instance insurance schemes could benefit from (and should therefore pay for, or be required to offer in kind support to reflect the value of) the information.

Social protection: putting in place social protection schemes will allow communities to cope with loss and damage of their livelihoods, building up different livelihoods, without suffering catastrophic deprivation. For instance where increasing water temperatures is leading to movement, or degradation, of fishing stocks a community of fishers might first choose adaptation strategies (bigger boats, further travel, investment in technology to predict migration routes, management of the ecosystem by building artificial reefs) but in the situation where eventually the fishery disappears from the communities waters they face the loss of their fishing resource, and may have no option but to diversify their livelihood, which social protection could help them to achieve. Another example is of a farming community faced with a series of devastating droughts, if they have access to social protection this may act as a loss and damage strategy to help them to recover from the loss of their livestock and farms without suffering catastrophic harm.¹³

Climate-induced migration: is expected to be a pro-active, and re-active loss and damage strategy to climate change causing areas to become uninhabitable. Where it is pro-active and successful, that is where people have agency over their decisions, their migration is largely short term (seasonal or temporary) and their community remains for them to return to, migration can be considered an adaptation strategy. However, where migration is forced, that is people have no choice but to move, and where migration is destructive or erosive, i.e. people are worse off as a result – particularly if they lose assets such as land and houses – then migration is loss and damage. Even in “successful” cases of community relocation, there will be loss and damage. As the community will have lost their land, to which they have ancestral ties, and the community will have lost, or have to significantly adjust, their traditional way of life. In unsuccessful cases, losses could include language, community relationships, cultural practices, and sovereignty (Care Denmark 2016). Economic and non-economic support might be economic diversification, migration support (eg: migration agreements with other countries), purchase of new land, relocation expenses, and other support.

Capacity / institution building for governments and communities in most vulnerable countries will be an essential element in dealing with loss and damage effectively, as will **technology cooperation and technology transfer**. Supporting vulnerable developing countries to develop national- level institutions to assess and address loss and damage; to develop and implement long-term policies, plans, and programmes;

¹³ A cautionary tale as to why a shared definition (or classification with positive list etc) is necessary is recent tension over projects within the Green Climate Fund. In December 2016, when developed country Board members indicated they would not support a UNDP project proposal to establish a social protection scheme for the most vulnerable population segment of the poorest women in coastal areas in Bangladesh, who are losing their agricultural livelihoods and access to freshwater through increasing salt water intrusion due to climate change. Developed country Board members opposed the approval of the project on the ground of it being too much development-focused. The proposal was withdrawn before the Board could decide on whether to approve or reject it.

and to undertake pilot projects that develop and implement innovative approaches to address loss and damage. Support will be required for information-gathering and sharing about the success of various approaches, and the replication of best practices, appropriate for each country's circumstances (Roberts et al. 2013, p. 12).

This is intended as an initial, non-exclusionary positive list, so by definition no ideas should be considered left out! However, we did want to highlight these particular ideas as worth considering in more detail than available here:

- **social funds** that build up community assets, facilities, infrastructure or services, beyond insurance
- post-disaster, community-level financing; reserve funds; emergency services; humanitarian assistance, such as food aid;
- **regional agreements** on resource management, e.g. regional river basins or human mobility agreements; **relocation** of at risk populations; **livelihood programmes**; **infrastructure** measures on different, potentially much larger scales;
- **engagement**, dialogue and planning; **research and innovation**;
- **restoration and rehabilitation**: including coral reef, mangrove restoration/rehabilitation and other ecological safeguards; crop switching, water security.

In particular, much greater attention must be paid to the pressing question of how to support efforts to address loss and damage from slow onset, high-certainty events such as sea level rise and desertification. None of the financial instruments explored by the WIM to date apply to slow onset events. Therefore, an investigation of how finance for loss and damage to support responses to slow onset events is urgently needed (Durand et al 2016).

Where should definitional discussions occur

AdaptationWatch (2015) consider agreeing and enforcing consistent definitions and valid flows, as essential in building trust and supporting real action, and that this agreement and enforcement of consistent definitions must take place in an inclusive venue for it to have legitimacy.

The UNFCCC's Warsaw International Mechanism for Loss and Damage, and the Standing Committee on Finance are two venues that meet these criteria, and have the mandate to undertake definitional discussions.

A process should be jointly undertaken by the WIM and the SCF in order to host these definitional discussions, with the desired result of achieving a set of classifying questions to complement a positive list. The process should include:

The WIM (UNFCCC) Secretariat should draft a background note, drawing from previous WIM work which would compile a working definition of loss and damage, a draft set of classification criteria/questions and a (non-exhaustive) positive list of activities that may be considered loss and damage. In particular, the positive list should cover a comprehensive range of activities including slow onset events; go beyond the current emphasis on insurance and ensure that the needs of the most vulnerable are met.

The WIM ExCom should invite submissions on the background note and organise a two-day workshop in second half 2017, inviting participation from the SCF and interested Parties and observer organisations, with the objective of drafting a classification framework, or similar, to inform the 2017 report to COP.

COP23 should adopt a Decision inviting Parties and funding organisations such as the development banks to report on loss and damage finance separately to adaptation finance, while also requesting that the SCF account for loss and damage finance in its next biennial assessment of finance (2018). These reports should be informed by the outcomes of the WIM workshop mentioned in the paragraph above.

Scale of need versus available funding

As discussed earlier, the nature of loss and damage means that there are some overlaps with development activities, humanitarian, food aid, disaster risk recovery and adaptation finance. Therefore, we start with a review of what finance already exists, and how this compares with the need for finance – whether sufficient finance is being provided to cover existing needs, let alone the additional needs that climate change loss and damage will generate.

Development aid finance gap

Official development assistance (ODA or aid) is the largest public fund transfer from developed to developing countries.

In 2015, net official development assistance (ODA) flows were USD 131.6 billion of which 60% is allocated bilaterally (directly channeled from donor country to recipient country), and 40% is provided via multilateral institutions (such as development banks, or UN bodies) (OECD 2016a p152-156)¹⁴.

It is of note that only approximately 30% of bilateral ODA is provided to least developed countries and other low income countries (i.e. the countries most in need of loss and damage finance), with the majority 70% provided to middle-income countries (OECD 2016a).

Oxfam and DFI (Martin & Walker 2015) estimate that to fund the Sustainable Development Goals (SDGs) as much as USUSD1 trillion in concessional international public finance is necessary – **requiring an increase of roughly 750% on current levels of ODA**. In order to mobilise and channel this money they recommend:

- All DAC donors to reach the agreed goal of providing **0.7% of GNI** in ODA by 2020 (increasing from an average of 0.3% (OECD 2016a)). This would mobilise an additional USD 250 billion a year, bringing ODA to around USD 400 billion;
- **South-South cooperation** providers committing to rapid increases in concessional flows. These rose by 300% during 2000-15, and a similar increase for the SDGs would bring them to USD 80 billion;
- **Innovative financing** of USUSD450-550 billion a year, including taxes on carbon emissions, bunker fuels and air travel (which they estimate could easily raise USD 250-300 billion a year), on financial and currency transactions (USUSD100-150 billion), and regular annual issuance of IMF Special Drawing Rights targeted to supplementing developing country reserves and fiscal space (at least USUSD100 billion); and,
- Focusing 90% of concessional flows on **lower-middle income and low-income countries**, and 50% on countries in “special situations” (fragile and conflict-affected, least developed, landlocked and small islands) – countries which can least afford to fund the SDGs from their own revenue.

To fund the Sustainable Development Goals requires funding to increase by 750% to roughly USD 1 trillion.

Humanitarian finance gap

Humanitarian and food aid makes up roughly 13% of ODA (OECD 2016a p154), some of which may be being spent in the wake of disasters that could be attributed to climate change, and could therefore be considered as finance for loss and damage activities. Total international humanitarian assistance (from government and private sources) increased in 2015 for the third consecutive year, to a record high of USD 28.0 billion (DI 2016). This makes it 12 times greater than it was 15 years ago, but never has generosity been so insufficient (High-Level Panel on Humanitarian Financing Report to the Secretary-General 2015).

¹⁴ ODA is from member countries of the Development Assistance Committee (DAC) of the OECD. Non OECD countries, e.g. China, also provide development assistance in addition to these funds.

For 2017, humanitarian partners will require USD22.2 billion to meet the needs of 92.8 million people in 33 countries. The initial appeal for 2016 stood at USD20.1 billion. This scale is in stark contrast to the roughly USD2.7 billion per year called for in the humanitarian appeal of the 1990s. The last quarter century has seen an overwhelming shift in frequency, scale and magnitude of humanitarian emergencies (UNOCHA 2016) – some of this increase can be attributed to climate change.

The High-level Panel on Humanitarian Financing (2015) estimated the current **funding gap for humanitarian action at approximately USD15 billion**, and attributed the growth in need to the growth in conflicts and natural disasters – some of which are driven by climate change.

At the same time as humanitarian assistance is the highest it's been, there is also a record gap between needs and contributions. In 2015 the amount requested through UN appeals stood at USUSD19.8 billion, a slight decrease from the previous year; but contributions fell by considerably more, leaving an unprecedented shortfall of 45% (USUSD8.9 billion) (DI 2016). Continuing the trend, as at November 2016, UN appeals were only half covered, leaving USD10.7 billion in unmet requirements. The three Flash Appeals issued in response to natural disasters – Ecuador, Fiji and Haiti – received less than half of their USD250 million requirements (UNOCHA 2016).

The funding gap for humanitarian action is approximately USD 15 billion. Need is growing as conflicts and natural disasters are increasing – partly driven by climate change.

Disaster risk reduction (DRR) finance gap

ODA also goes toward funding disaster risk reduction activities such as flood prevention and recovering from disasters by building back better. As some of these disasters are exacerbated by climate change, some of this spending could be considered loss and damage financing.

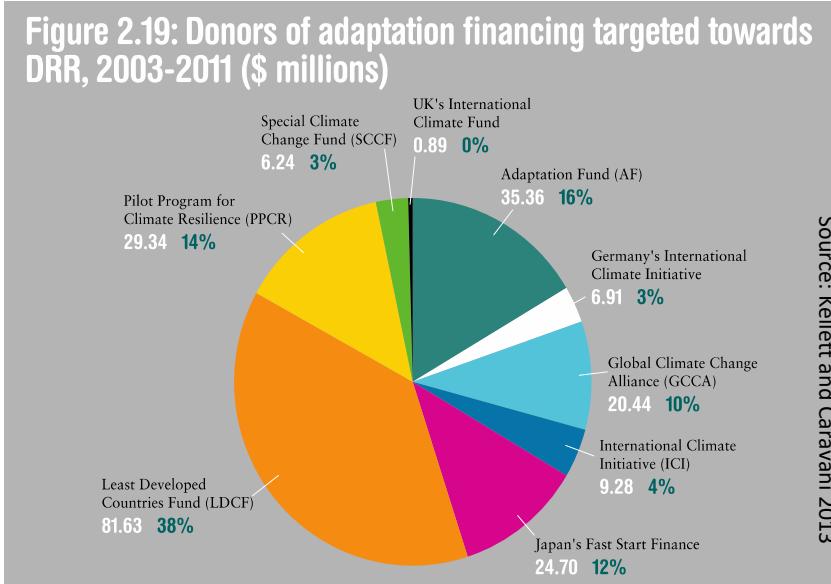
Kellett and Caravani (2013) examine disaster funding across the twenty years from 1991 to 2010 and find that DRR financing pales in comparison to actual damage and losses from large disaster events. Insurance group Munich Re estimates that 8,652 disaster events in developing countries between 1991 and 2010 caused USD846 billion of financial losses. This compares with USD13.5 billion spent on DRR across the same period. It's not possible to calculate how much international development has been lost to disasters, however we can be certain that the impact of disasters is significant, and that development is considerably impacted by insufficient spending on DRR.

From 1991-2010 disaster events in developing countries caused USD 846 billion financial losses. This compares with USD 13.5 billion spent on DRR.

They calculate that funds spent on disaster risk reduction (DRR) are made available at the rate of less than 40 cents in every USD100 of international aid. And that **DRR funds are focused in middle income countries, to the exclusion of poorer countries and in particular those countries that face drought risk miss out**. Kellett and Caravani (2013) conclude that financing for DRR has been both inadequate and markedly inequitable, with little prioritisation taking into account risk, need and capacity.

Interestingly Kellett and Caravani (2013) show that there is a **much more even spread of financing to DRR from adaptation funding than from overall development aid**, which could well be in part because adaptation financing is largely driven by global funding

Figure 2.19: Donors of adaptation financing targeted towards DRR, 2003-2011 (\$ millions)



Source: Kellett and Caravani 2013

sources (such as the LDCF, AF, PPCR, etc.), which have more decision making in the hands of developing countries, as their boards mandate a balance of developing countries. And/or it may be as the funds are provided in relation to the development of National Adaptation Programmes of Action (NAPAs) and therefore **more likely to be driven by developing country priorities**.

Adaptation finance gap

Unlike the areas discussed above, where rich countries have a voluntary “donor” approach to providing financing, adaptation finance comes from an internationally agreed obligation to provide adaptation finance¹⁵, which gives a more equal, less deferential, footing for developing countries (more on this under the ‘Global Climate Finance Architecture’ section of this paper).

The OECD (2016b) has calculated that overall USD 44 billion of climate finance was provided by developed countries to developing countries for all climate activities, although it does not differentiate between climate finance provided additional to development assistance and development assistance with a climate focus (as captured by the OECD-DAC Rio Marker self-categorization system). This number includes mitigation and adaptation and, more problematically, both grants and the full face value of loans (some of which are provided at commercial/non concessional rates). Adjusting for these issues, Oxfam (2016) estimate that between USD4-8 billion is provided as adaptation finance each year (average across 2013-14). Whilst adaptation finance is projected to grow, even the OECD’s generous estimates only project that it will reach USD20 billion by 2020.

The vast majority of this climate finance is contained within donor commitments to increase ODA to 0.7 percent of GNI, therefore it does not count as additional¹⁶. Such climate-relevant development assistance amounted to 18 percent of the total global ODA budget in 2013, and 20 percent in 2014. LDCs get a very low percentage, only 18 percent, of total OECD-calculated climate finance (adaptation and mitigation).

The UN Environment Program (UNEP) in their 2016 Adaptation Gap Report demonstrate that “**current adaptation costs¹⁷ are likely to be at least 2 to 3 times higher than international public finance for adaptation**. Looking forward to 2030, the assessment of national and sector studies shows that adaptation costs in the period around 2030 are likely to be in the range of USUSD140-300 billion per annum, whereas international public finance for adaptation in 2014 was around USUSD22.5 billion. While the two figures are for different points in time and differ in terms of definition and coverage, they illustrate that, **to meet finance needs and avoid an adaptation gap, the total finance for adaptation in 2030 would have to be approximately 6 to 13 times greater than international public finance today**. Moreover, the potential adaptation finance gap in 2050 would be much larger – in the order of between twelve-to-twenty-two times current flows of international public adaptation finance”, with adaptation costs estimated between USD280-500 billion per year by 2050.

Adaptation costs for 2030 are estimated at USD 140-300 billion: 6-13 times greater than international public finance today.

¹⁵ See for instance paragraph 4, Article 4, United Nations Framework Convention on Climate Change available: http://unfccc.int/files/essential_background/convention/background/application/pdf/convention_text_with_annexes_english_for_posting.pdf

¹⁶ One of the key commitments in the Convention.

¹⁷ These adaptation cost estimates do not include loss and damage costs.

Loss and damage finance

Estimates of loss and damage finance needs vary, but it is very clear that loss and damage is already having a significant impact on developing countries, in the context of very little international finance being provided.

A report by Climate Action Tracker (2015) for Oxfam estimates that economic damage for developing countries could be USD 428 billion per year (about 0.61% of GDP) by 2030 and USD 1.67 trillion per year (about 1.3% of GDP) by 2050 at 3°C of warming (the estimated level of warming based on Paris commitments).

Loss and damage could cost developing countries USD 428 billion per year by 2030, at 3°C of warming.

		Global		Developing countries	
		Likely below 2oC	3oC	Likely below 2oC	3oC
		RCP2.6	RCP6.0	RCP2.6	RCP6.0
Adaptation costs (in US\$ 2012 billion)	2030	271,91	333,93	204,96	243,14
	2050	659,64	1.056,55	520,56	794,90
Macroeconomic damage (in % of GDP)	2030	0,45%	0,48%	0,57%	0,61%
	2050	0,69%	1,10%	0,84%	1,31%
Macroeconomic damage (in US\$ 2012 billion)	2030	640,16	690,10	399,92	428,42
	2050	1.581,76	2.782,71	1.069,22	1.673,06

(excerpt from Baarsch et al 2015)

Other estimates of loss and damage include:

- AMCEN/UNEP Africa's Adaptation Gap 2 Report (2015) with all cost effective adaptation Africa loss and damage is estimated at ~USD100bn per year by 2050 for warming below 2°C, at least double that if warming goes above 4°C.
- UNEP Adaptation Gap Report (2014) the indicative cost of adaptation and the residual damage (loss and damage) for the LDCs ~USD50 billion/year by 2025/2030 and possibly double this value (USUSD100 billion/year) by 2050 at 2°C.
- Climate Vulnerability Monitor 2 (McKinnon 2012), from DARA and the Climate Vulnerability Forum climate change caused net global economic losses of USD609 billion in 2010, expected to increase to USD4.3 trillion by 2030. 80-90% of these costs are projected to fall on developing countries, with the LDCs suffering the worst.
- Dr Chris Hope (in Parry et al. 2009) estimated that by 2060 global loss and damage will be about USD1.2 trillion per year

The WIM ExCom should endeavor to expand and deepen the understanding of what the costs of loss and damage will be. In order to create an expanded body of knowledge the WIM should call on the scientific community to undertake work in this area; organise a series of regional workshops to examine the costs; and host a special event to share the enhanced knowledge and understanding with a wide range of stakeholders.

Additional work in this area is essential, but the need for loss and damage international finance is obviously already high and will increase dramatically in the upcoming years, even at relatively low levels of warming. Despite this need at present there are uncertain, but likely very low levels, of international finance being provided.

If there is one thing that should be quite clear – not enough international finance is being provided to countries at the lowest level of development, and these are the countries who will be most impacted by climate change, to help them make their economies more resilient to the impacts of climate change.

The loss and damage finance gap joins a development, humanitarian, DRR and adaptation finance gap, as needing to be urgently addressed.

The loss and damage finance gap joins a development, humanitarian, DRR, and adaptation finance gap, as needing to be urgently addressed. Given these already substantial financial gaps in other areas, it seems there is a vanishingly small chance that loss and damage finance will be raised through solidarity, or a ‘charitable’ approach.

Potential sources of loss and damage finance

As the previous section demonstrates, we have a financing gap for humanitarian assistance, disaster risk reduction and adaptation. This is before we’ve even started thinking about delivering finance for loss and damage. This is within a paradigm where rich countries have been promising (and failing) to deliver 0.7% of GNI as ODA for nearly fifty years and are falling significantly short to progress sufficiently toward the USD 100 billion per year by 2020 in climate finance. Climate finance that is new, additional to other types of aid, and predictable is even scarcer than climate finance figures reported by wealthy nations suggest. Therefore, it seems past time to consider new models of finance.

“The world needs to move towards new models of funding global public goods, including humanitarian aid. We believe that in our interconnected world we need to find new ways to fund solidarity that goes beyond national borders” (High-Level Panel on Humanitarian Financing Report to the Secretary-General 2016). We also need to move to a model where those responsible for causing damage pay for their damage, and that the bill is not left with poor people.

Ciplet, Roberts, Khan (2013) consider one of the key ways to significantly increase the financing available for adaptation and establish more justice in adaptation financing would be to raise funds via a series of international sources such as a levy on fossil fuel extraction, international airline travel, bunker transport fuel or international financial transactions. Climate justice is increased as many of these sources are polluter pays. The automaticity of funding generated would also remove the voluntary, unpredictable, ‘donor’ relationship over the funds. As the funds are more likely to be channeled through international funds, such as the GCF, the LDCF or the AF, they are more likely to meet the need of developing countries. This is in contrast to them being channeled through bilateral arrangements or multilateral development banks (MDBs) with developed countries overrepresented in decision-making, where funding flows are more likely to be shaped to fit the political wishes of the donor country.

As Weikmans et al (2016) have stressed, innovative finance sources could be internationally raised, managed, and spent, and are some of the only tools available to assure that climate funds are indeed additional to earlier foreign assistance or other budgets. They could also ensure that funding is both adequate and relatively predictable. Such innovative sources also have the benefit of being a potential source for increasing public buy-in to the idea of loss and damage climate finance, as they are not drawn directly from government budgets.

Several of the innovative finance levy approaches, in particular the fossil fuel major levy, are ideal for operationalizing a ‘polluter pays’ principle in the present, and some incorporate the core principle of the UNFCCC and reflect ‘common but differentiated responsibilities and respective capabilities’ (CBDRRC) and historic responsibility. This includes looking at international equity in terms of financial contributions at the country level and financial transfers to the less responsible and capable countries (i.e. those most affected by climate change and irreversible loss and damage), but also extending the equity consideration within and across countries to reflect the differentiated responsibility and capabilities of privileged population groups, including in developing countries (as for example a levy on international air travel would).

Some of these approaches are already in place, in a limited form, and some are based on schemes that already exist in some countries, or in other forums. Therefore, whilst there are political challenges in implementing any of them – these challenges should not be considered insurmountable. And, indeed, might be modest when compared to the challenge of increasing ODA sufficiently to cover the costs of loss and damage (alongside other demands), and also modest when compared to the political challenges that will be created by not funding loss and damage properly.

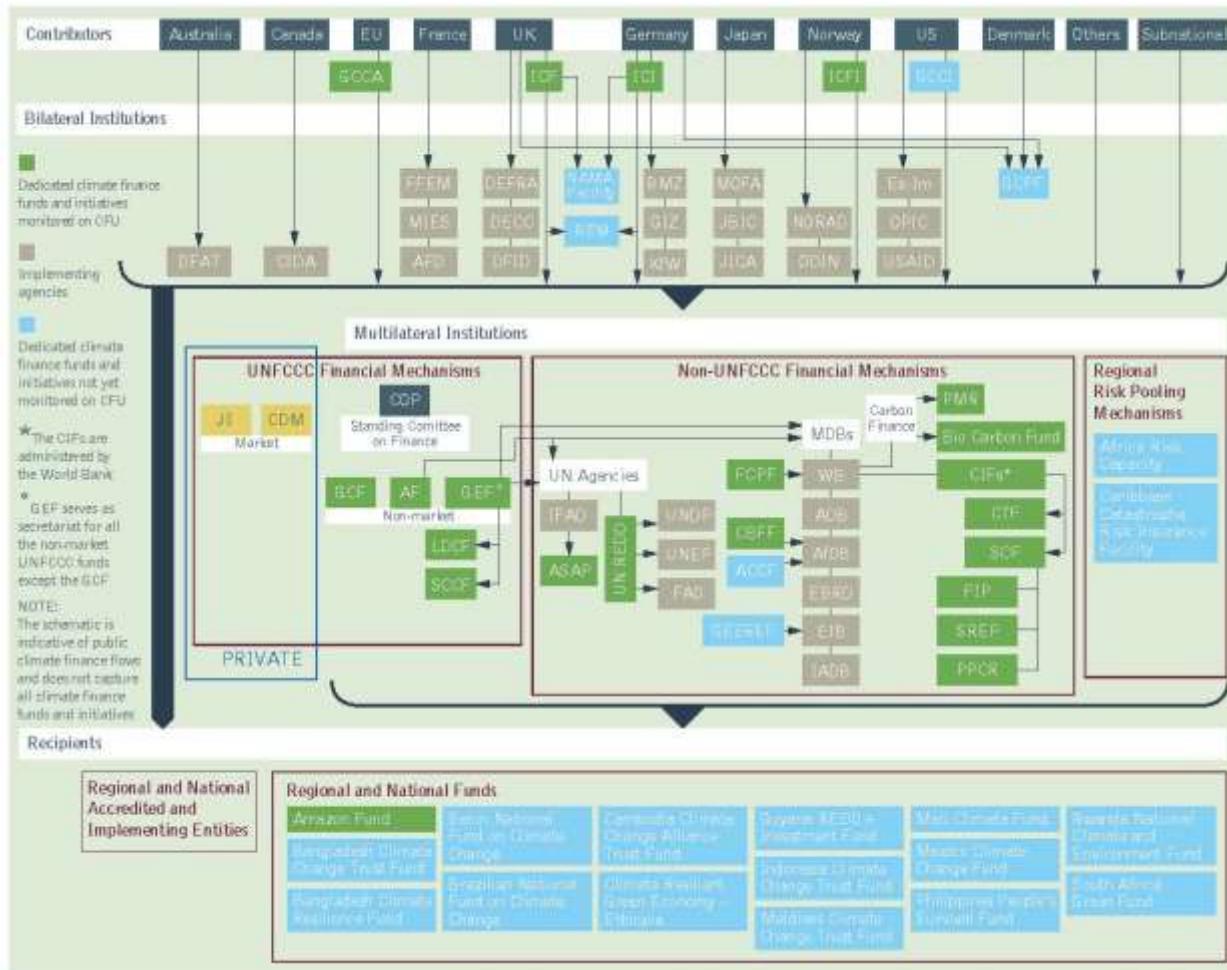
Innovative finance tool	Estimates of annual revenue
Carbon Levy / Fossil fuel levy	A Levy on fossil fuel extraction applied at a level of USD 2 per tonne of CO2 would raise USD 50 bn per year, could be introduced at a higher price or increased annually. Could add a price incentive to shift to renewable energy. Based on the compensation fund run by the international regime governing oil spills at sea (IOPC).
International Air Passenger Levy (IAPAL) And/or Solidarity Levy	Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger and South Korea have implemented an air ticket levy (amounts vary per country), which raises approximately EUR 200 million per year paid towards malaria, tuberculosis and HIV/AIDS drugs.
Bunker fuels (international aviation and shipping fuels) levy	Currently fuels used in international aviation and shipping are largely untaxed. Tax on airplane & ship fuel of USD 30 per tonne CO2 would raise about USD 25 bn (from advanced economies only)
Global carbon pricing	Levy of USD 2 tonne of CO2 would raise USD 40-50bn per year.
Financial transaction tax (FTT)	A small levy on trades of financial instruments, such as bonds, stocks, options and foreign currencies. Proposed FTT levies are usually only a tiny fraction of a per cent but still have the potential to generate substantial revenues. EU proposal for 0.1% share & bond trading, and 0.01% for derivatives = USD63 bn pa in Europe only.

Source: excerpt from Durand et al 2016

The WIM ExCom should put in place a process to explore the various options to fund loss and damage – with an emphasis on innovative sources – and encourage input from a wide range of stakeholders. It should identify a number of potential alternative/innovative sources of finance capable of generating at least USD50bn per year by 2020, with the amount increasing substantially over time, and a pathway to put in place innovative sources to be generating loss and damage finance by 2020.

Global Climate Finance Architecture

The global climate finance architecture is hugely complex with a multitude of actors, funds and instruments, as is demonstrated in the figure below, which outlines how climate finance is distributed for mitigation and adaptation actions in developing countries. This architecture, which is constantly evolving and changing, is partially overlapping and partially in addition to the overall aid/ODA, humanitarian finance, and disaster risk reduction channels of finance.



Global Climate Finance Architecture: <http://www.climatefundsupdate.org/about-climate-fund/global-finance-architecture>

Thus, in looking at a potential delivery system and institutional structure for loss and damage finance, it is worthwhile to discuss the suitability of existing climate funds and funding channels for this purpose. There is already a plethora of existing multilateral and bilateral funds and financing instruments, and the difficulty of political agreement on as well as the operational challenges of setting up a new international fund cannot be underestimated- as the multi-year efforts to fully operationalize the Green Climate Fund (GCF) since 2010 showcase. It is very clear that delivering loss and damage finance should not add complexity without adding value and that it should be guided by complementarity with existing funds and financing instruments. Such considerations are helpful in determining whether a new mechanism for loss and damage finance under the UNFCCC, which would have the advantage of clearly separating out loss and damage financing from existing funding channels for adaptation finance and development/humanitarian funding, but would take a while to be agreed to and become fully operational, let alone start delivering funding, is a likely or less likely option.

Whatever structure is adopted going forward, it's worth noting that the WIM has a mandate to coordinate with other bodies, and is well placed to communicate regularly with other funds. It could, for example, organize annual workshops or similar to coordinate approaches with funds or the SCF.

Governance structure and normative framing

The notion of value-addition and complementarity in discussing the suitability of potential loss and damage finance delivery channels involves both the governance structure funds and financing instruments (existing and potential new ones) as well as their normative framing.

There are codified elements of governance – who makes decisions, on what, what they are mandated to consider. There is also the unwritten or normative framework that governance is based on. The normative framework guides the codified elements by determining what is worth creating rules for, what rules are seen as appropriate, which rules are implemented and how they are enforced. The normative framework guides practices in ways that are hidden from a participant unaware of the normative framework that is being applied.

ODA/aid has a long history, based largely on unwritten conventions forming its de facto normative framework, although there is no formal treaty. The 0.7% of GDP is a promise, first made in 1970¹⁸, that has no codified legal obligation, although member states of the OECD DAC measure and report development assistance voluntarily under agreed common reporting standards. The history of ODA has been dominated by a “good Samaritan” or charitable giving normative framework, which has lent itself to skewed governance of aid agencies and development banks in favor of the largest contributors and thus a donor control over finance. The result is that the priorities of international humanitarian or development financing are not matched to either the needs or capacity of recipient countries (GFDRR and ODA 2013).

In contrast, core framing elements of climate finance governance have been negotiated through the establishment of formal operating entities of the financial mechanism of the UNFCCC, with the GCF and the GEF under the guidance of and accountable to the Conference of Parties (COP) of 196 member states. Thus, in a clear distinction from ODA -- whilst still influenced to varying degrees by the meta-norms governing aid – climate finance is governed by a formal treaty, the UNFCCC, which creates an obligation and legal umbrella for funding to be provided by codifying the ‘do no harm’ and ‘polluter pays’ principles through the CBD/RRRC as guiding fame. This has resulted in those harmed by emissions, vulnerable developing countries, having more of a say in how climate finance is delivered than is the case for development or humanitarian finance. This is true for the multilateral climate funds, but less true for bilateral climate funds, where a more traditional ODA normative framework is more influential (GFDRR and ODA 2013).

The implications of an ‘aid’ vs. ‘restitution’ governance approach and normative framing to potential loss and damage finance delivery mechanisms become very clear if one looks at how this has been discussed in the case of financing for adaptation. A framing that sees adaptation largely as a specialized development intervention under a ‘good samaritan’ approach, favoured by developed countries, lends itself to a donor and recipient relationship, with the donor calling the shots, and conditions to grants as well as public sector loans seen as acceptable. In contrast, an understanding of financial flows for adaptation as climate justice lends itself to more ownership and control over governance by developing countries such as via equal or equitable representation of developing countries on trust fund committees or boards. For example, in the case of the GCF, the Board is equally split between developed and developing country members in an equal representation. Moore (2012) describes the essence of the controversies around adaptation governance as most clearly articulated by India in its submission to the UNFCCC on the implementation of the Bali Action Plan. In it, India argued that ‘the new Financial Architecture for Climate Change derives from the UNFCCC and is fundamentally different from donor-driven aid flows, which rarely take into account the priorities of the recipient countries . . .’ and more specifically that this different normative basis of adaptation has policy implications for climate finance governance and delivery, “including the **inappropriateness of loans** and donor conditionalities and the need for recipient country governance” (Moore 2012).

Developing countries have been united in their demand that adaptation and mitigation funds be administered primarily by UNFCCC and Kyoto Protocol parties COP decision 1/CP.16 establishing the GCF in

¹⁸ OECD, no date, The 0.7% ODA/GNI target - a history: <http://www.oecd.org/dac/stats/the07odagnitarget-ahistory.htm>

para. 100 specifies that “a significant share of new multilateral funding for adaptation” should flow through the GCF.¹⁹ Similarly, the COP could stipulate that multilateral funding for loss and damage should flow predominantly or even exclusively through one of the operating entities of the UNFCCC financial mechanism (currently just the GCF and the GEF), especially funding generated through innovative or alternative sources. This could help strengthen the weight of UNFCCC funds in the global climate finance architecture, which currently only channel a minute percentage of all available climate finance flows. The UNFCCC’s 2016 Biennial Assessment, capturing global climate finance flows for 2013 and 2014, found that in both years combined only USD 1.3 billion flowed through UNFCCC funds (UNFCCC BA review 2016)..

Given the likely role that Innovative or alternative funding sources could play for loss and damage finance, it is important to point out that of the climate funds currently under the UNFCCC only the GCF and the Kyoto Protocol Adaptation Fund (which is slated to serve the Paris Agreement as well) have either the explicit mandate or the practical experience in dealing with innovative/alternative financing sources. The GCF’s governing instrument in para. 30 clarifies that the GCF can receive “inputs from a variety of other sources, public and private, including alternative sources.” And a significant percentage of the AF’s resources comes from a 2% levy on CDM project and programs.

Both the AF and the GCF are also the only existing funds under the UNFCCC and the KP that allow for agreed full cost financing, not just for agreed incremental cost financing as the GEF does.²⁰ In the case of the AF it is always in the form of grants, while the GCF, which employs loans, equity investments and guarantees in addition to grants as financial instruments, allows under its current interim investment guidelines public investment up to 100% agreed full cost grant financing.²¹ This is relevant for a framing of loss and damage as restitution and in line with a climate justice approach.

The AF was also pioneering “direct access” to its funds, an approach that has been taken up in the GCF as best practice to be replicated. In direct access, which is a chief demand of many developing countries, national implementing entities (NIE), proposed for accreditation by the funds by national governments in recipient countries, assume the role of administrator of project and programme funds. Similarly, there has been a strong push to have majority representation from developing countries on trust fund committees and boards that oversee funding decisions as (among the multilateral funds realized in the Kyoto Protocol Adaptation Fund with its equitable representation of developing country members) as well as to reject any correlation between funding contribution and decision-making weight, for example in cases of voting in the absence of consensus agreements, which is the general practice in multilateral development banks (MDBs). These two measures are part of a larger developing country platform to shift climate financing from the micromanagement of funds at the point of disbursement, to establishing more democratic global funding mechanisms and greater national ownership and autonomy in making decision about funding priorities in recipient countries – including ultimately by affected communities.

Greater control over funds is also advocated by developing countries to provide a more streamlined process for accessing funds, given that funding has been slow to reach recipients (Ciplet, Roberts, Khan 2013). Civil society advocates have also supported the prioritization of NIEs, including subnational entities and non-governmental organizations, as a way to ensure that community and vulnerable population groups, including women and indigenous peoples, can increase their access as well as their direct benefits from public climate funds, including through enhanced direct access (EDA) models that could results in a multitude of domestic or sub-national small grants facilities with many recent advocacy efforts focused on the Green Climate Fund (GCF)²²

¹⁹ <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>.

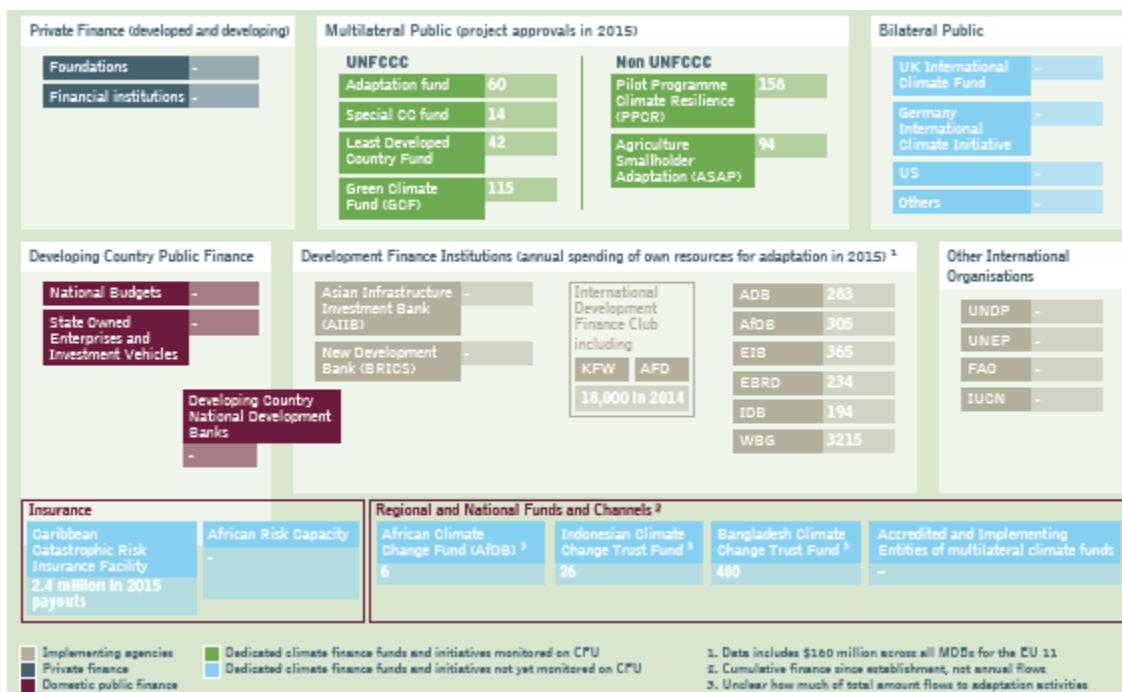
²⁰ <https://www.thegef.org/about/funding>

²¹ GCF decision B.13/36, Annex VIII.

²² See for example a related submission on the GCF’s Strategic Plan by hbs North America, https://us.boell.org/sites/default/files/uploads/2012/10/hbs-northamerica_submission_strategicplan_gcf.pdf.

The following sections provide a detailed overview of relevant multilateral and bilateral funds and actors targeting adaptation measures in developing countries with a focus on their governance, and lessons that can be learned from them for loss and damage finance governance as well as the suitability of existing funds and instruments to channel loss and damage financing.

Below two tables summarize the existing global adaptation finance architecture as well as adaptation funding approved between 2003-2016 by some of the major adaptation funds and funding actors.



Source: Climate Funds Update (CFU), Climate Finance Fundamental 3: Adaptation Finance, November 2016

These experiences with a plethora of existing funds and relevant actors for adaptation finance are instructive for thinking about the governance and distribution channels for loss and damage finance in the current climate finance architecture in a way that supports complementarity and provides value-added.

They speak to the need:

- for developing over-arching guiding principles for loss and damage finance applicable to the multitude of climate finance vehicles and actors that may lay claim to providing some form of loss and damage finance;
- for recognizing the importance of governance and provision norms that are founded in an approach to loss and damage as 'restitution', not 'aid'; and
- to focus on the finance mobilization capacity of innovative sources of financing, while ensuring that funds raised under such approaches would be channeled going through a UN controlled multilateral fund/funding channel for loss and damage.

Adaptation finance – UNFCCC funds:

Multilateral adaptation finance under UNFCCC funds is guided by and accountable to the Conference of Parties to the UNFCCC and the Kyoto Protocol. UNFCCC funds' mandate is to serve as financial channels for the fulfillment of the financing obligation of developed countries to support developing countries in their climate actions under the Convention and the Paris Agreement. Thus, all developing country parties to the Convention (and in the case of the AF, all developing country parties to the KP) are eligible to varying extent for support by these funds. Financing is meant to support priorities identified by the recipient developing countries including through the development and implementation of country-owned plans and strategies relevant for adaptation and regulated in form and mandate under the UNFCCC such as National Determined Contributions (NDCs), National Adaptation Programmes of Actions (NAPAs) or National Adaptation Plans (NAPs).

Thus, adaptation funding under UNFCCC funds is clearly supposed to be guided by UNFCCC and Paris Agreement mandates and principles. These include the realization of CBD/DRRC in the acknowledgement that among developing countries some countries might be particularly vulnerable to climate change – and thus should have their most urgent adaptation needs prioritized. As part of the UN framework and family, this also includes the acknowledgement and obligation to be supportive of human rights, including in particular protecting and supporting the rights of Indigenous Peoples and women and working toward gender equality and intergenerational justice. These concerns are also of primary importance for loss and damage finance provision.

Green Climate Fund (GCF)

At the Cancun COP in 2010, countries established the GCF as an operating entity of the Convention's financial mechanism²³ "to make a significant and ambitious contribution to the global efforts toward attaining the goals set out by the international community to combat climate change."²⁴ It serves in the same capacity under the Paris Agreement. The GCF Secretariat implements decisions made by an Independent Board of 24 members, which is split evenly between developed and developing country representatives, but includes within the developing country constituency a dedicated Board seat each for LDCs and SIDS. While the GCF is not a targeted adaptation fund, it GCF has committed to 50% of its funds going over time to adaptation, and 50% of those funds going to most vulnerable countries, including least developed countries, small island developing states and African countries,²⁵ the first multilateral climate fund with a clear mandate for a balanced allocation approach. As of December 2016, the Green Climate Fund has raised **USD10.3 billion** equivalent in pledges from 43 state governments, of which USD10.1 billion have been secured in the form of signed contribution agreements²⁶. In contrast to other climate funds such as the World Bank Climate Investment Funds (CIFs), contributors to the GCF Trust Fund cannot earmark funding for a specific purpose.

The GCF's decision making process, that incorporates developing countries as equal decision makers in the Board and minimizes the traditional aid 'donor / recipient' relationship, including in its contribution policies, has the potential to lead to outcomes that more closely align with developing country needs (GFD/RR and ODA 2013). Country ownership is anchored as a guiding principle prominently in the GCF Governing Instrument, as well as in its operational policies and guidelines. The GCF allows for national accredited

²³ <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>

²⁴ GCF Governing Instrument (GI), para.2. The GI further clarifies in para. 2: "The Fund will contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC). In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change," https://www.greenclimate.fund/documents/20182/56440/Governing_Instrument.pdf/caa6ce45-cd54-4ab0-9e37-fb637a9c6235.

²⁵ <http://www.greenclimate.fund/about-gcf/global-context#history>

²⁶ <http://www.greenclimate.fund/partners/contributors/resources-mobilized>

institutions to have direct access to its funding, giving recipient countries an alternative to multilateral implementers such as MDBs and UN agencies. National Designated Authorities (NDAs), the developing country government entities liaising with the GCF, can propose national direct access entities, outline country programmes of country-owned funding preferences for GCF support in alignment with national climate change and development plans, and submit own project/programme concept notes for GCF consideration and further development. They also confirm through an active no-objection procedure that they support project/programme proposals for their countries brought to the GCF Board by the now more than 40 GCF accredited entities.

However, even though its track record is still short, the GCF has already been criticised on a number of fronts. Many developing country recipients feel that the accreditation of national implementing entities (NIEs) is too slow and - like the approval of projects proposals -- bogged down in onerous "micro-scrutiny" that is tying countries up in paperwork considered by some as unnecessary and counter-productive (Huq 2016). Indeed, as of May 2017, the disbursement of GCF funding is only a trickle, even for the 43 already approved projects/programmes, owing to ongoing difficult negotiations on the individual legal framework agreements between the GCF and its accredited entities. And in a number of cases, financial disbursement for approved projects/programmes is held up by a set of project/programme-specific conditions imposed by the Board which need to be fulfilled first, before money can flow.

Several observers have proposed a stronger focus on programmatic approaches and in particular the devolution of funding decisions to the national level via Enhanced Direct Access (EDA) as an alternative (Murray et al 2015). Huq (2016) suggests that the GCF should allocate an initial round of funding to countries either through their National Designated Authority (NDA) or their National Implementing Entities (NIEs) or even the Multilateral Implementing Entities (MIEs) to spend according to set guidelines. He recommends that the GCF allocate in the order of USD50 to 100 million per vulnerable country (which in the GCF context is usually considered to be primarily a country from the Least Developed Countries, Small Island Developing States and Africa) to enable them to start spending the money immediately on their own priority projects. With a robust monitoring and evaluation system put in place that will act as a learning tool, funding recipients would have to demonstrate effective use of the first round of funds they received before being eligible for the second tranche of funding.

While the GCF Board still has to agree on an overall policy approach to programmatic funding, it has in fact already instituted a USD200 million pilot program on Enhanced Direct Access (EDA) and approved the first EDA project proposals under an initial programme tranche in 2016, including a small grants facility for an adaptation project in Namibia²⁷. The GCF has also already approved several large-scale multi-country loan and equity investment programmes focused on mitigation, in which the decision-making on individual projects is devolved to the accredited multilateral commercial banks and public development banks as implementing entities.^{28 29}

When the GCF Board approved the eight areas of impact for its funding operations in late 2013, including four defined impact areas for adaptation -- which focus on increased resilience of a) people, communities, regions; b) health and well-being, food and water security; 3) infrastructure and the built environment; and 4) ecosystems and ecosystem services³⁰ --, there was no formal recognition of potential funding areas under loss and damage for slow-onset climate change events such as rising sea levels. With the future of

²⁷ <http://www.greenclimate.fund/-/empower-to-adapt-creating-climate-change-resilient-livelihoods-through-community-based-natural-resource-management-in-namibia?inheritRedirect=true&redirect=%2Fprojects%2Fbrowse-projects>

²⁸ <http://www.greenclimate.fund/-/gcf-ebrd-sustainable-energy-financing-facilities?inheritRedirect=true&redirect=%2Fprojects%2Fbrowse-projects>.

²⁹ <http://www.greenclimate.fund/-/universal-green-energy-access-programme?inheritRedirect=true&redirect=%2Fprojects%2Fbrowse-projects>

³⁰ <http://www.greenclimate.fund/documents/20182/239759/5.2 - Results Management Framework RMF .pdf/a0558a59-ef20-4ba8-b90b-8d3ae0c8458f>

loss and damage in a new global climate agreement uncertain pre-Paris, the GCF Board stayed away from the politically charged discourse about where GCF funding support for adaptation might end and potential GCF funding support under loss and damage might start.

Nevertheless, it could be well argued that in the absence of clear guidelines by the GCF for what can be considered adaptation suitable for GCF support (and where for example the fault lines to development finance on one side of the spectrum or loss and damage support on the other side might lie), the GCF Board has already approved several adaptation projects that include at a minimum some loss and damage components, such as the up-scaling of an Adaptation Fund project in Pakistan on reducing risk of glacial lake outburst flood (GLOF)³¹; the building of multi-purpose cyclone shelters in Bangladesh³²; or a food security focused adaptation project with a micro crop insurance scheme for smallholder farmers in Namibia.³³

Adaptation Fund (AF)

The Adaptation Fund was established as part of the Kyoto Protocol regime, and was initially designed to channel funds from a share of proceeds (a 2% levy) on payments for Clean Development Mechanism (CDM) credits (the Kyoto Protocol offsetting scheme)³⁴. It was and still is the only climate fund with an automated contribution scheme from an innovative source. However, since the demise of the CDM, it has been forced to operate on voluntary contributions from developing countries and has managed a relatively small amount of money. Operational since 2010, by early 2017 the Adaptation Fund has committed USD358 million to support 63 countries, including 22 Least Developed Countries (LDCs) and 13 Small Island Developing States (SIDS)³⁵.

The Adaptation Fund governance structure was seen by many observers as a new model for international finance. With a majority of 10 developing country Board members on its 16-member Board, including a dedicated Board seat each for LDCs and SIDS,³⁶ it redistributes power in international finance, from contributing countries ('donors') by giving greater control and ownership to recipient developing countries (Moore 2012), although one might argue that it is exactly that lack of traditional donor country influence which has curtailed the Adaptation Fund's resource mobilization efforts.

The AF has very good governance standards, as developing countries have significant influence on decision making because of the Board's equitable member structure. The AF pioneered direct access and implementation via accredited developing country national and regional institutions to complement the traditional multilateral implementation with funding channeled through MDBs or UN agencies) and supports National Implementing Entities (NIEs) with strong readiness support. It was also under the AF that the first Enhanced Direct Access project, a small-grants facility set-up in South Africa, was supported.³⁷ With a focus on concrete adaptation projects and programmes for vulnerable communities in developing countries based on countries' self-identified needs and priorities, vulnerability, urgency and risks from delay are taken into account, as well as allocation across regions and countries. These standards were able to be established as the income source did not come from donor countries, and rather came from an innovative source (Ciplet, Roberts, Khan 2013).

³¹ <http://www.greenclimate.fund/-/scaling-up-of-glacial-lake-outburst-flood-glof-risk-reduction-in-northern-pakistan?inheritRedirect=true&redirect=%2Fprojects%2Fbrowse-projects>

³² http://www.greenclimate.fund/documents/20182/574760/FP004_Climate-Resilient_Infrastructure_Mainstreaming_in_Bangladesh.pdf/76e10421-f9eb-4543-81e0-732cb1aa8690

³³ http://www.greenclimate.fund/documents/20182/409835/GCF_B.14_07_Add.06_-_Funding_proposal_package_for_FP023.pdf/4650680b-2f87-45f8-b89d-84eb66450410

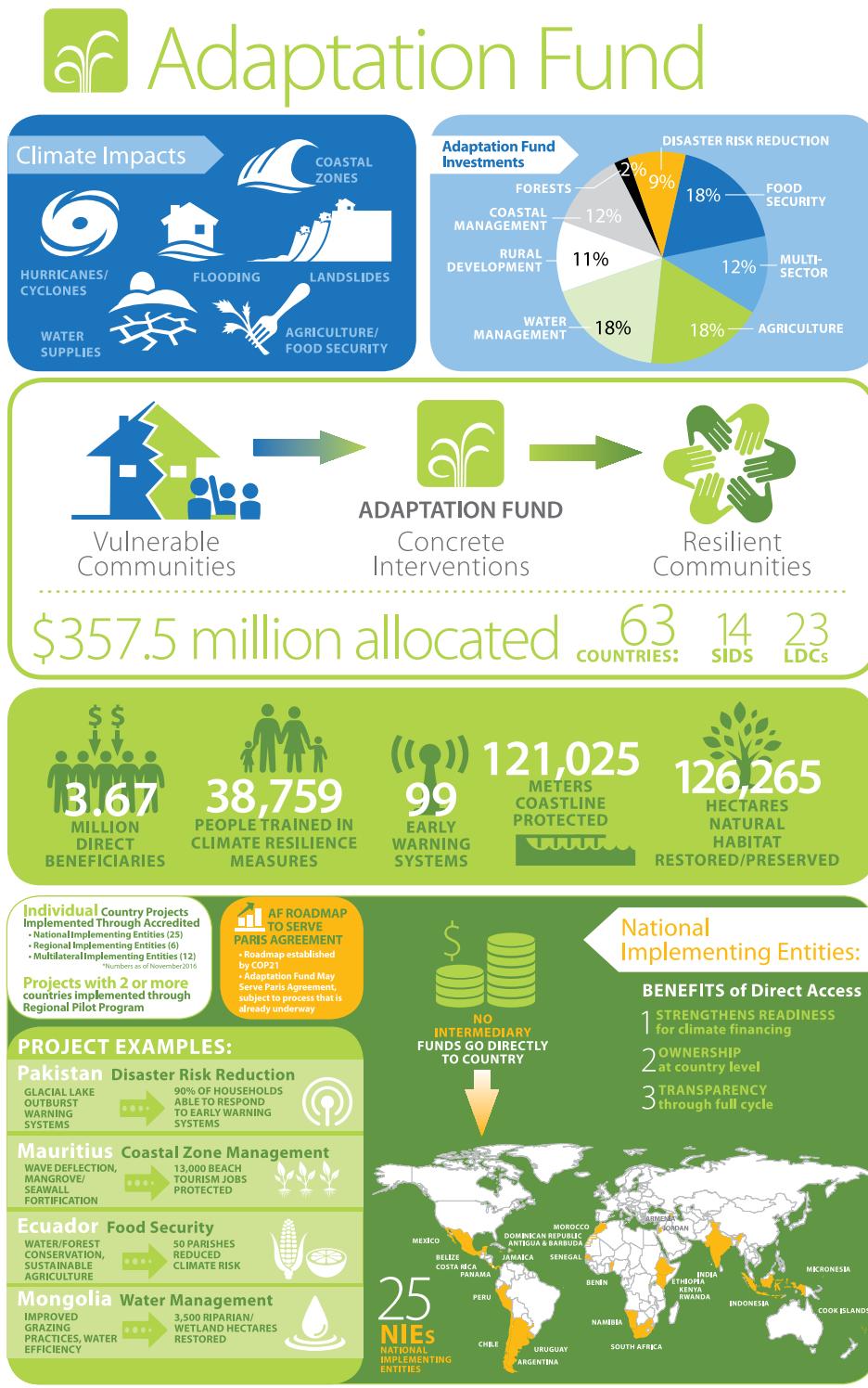
³⁴ http://unfccc.int/cooperation_and_support/financial_mechanism/adaptation_fund/items/3659.php

³⁵ <https://www.adaptation-fund.org/>, accessed on March 1, 2017.

³⁶ <https://www.adaptation-fund.org/about/governance/board/>

³⁷ <https://www.adaptation-fund.org/project/taking-adaptation-to-the-ground-a-small-grants-facility-for-enabling-local-level-responses-to-climate-change/>.

At the Paris climate summit it was agreed that the Adaptation Fund could serve as part of the Paris Climate Agreement³⁸ with the COP22 in Marrakesh agreeing that it should and on the way forward.³⁹



³⁸ http://unfccc.int/cooperation_and_support/financial_mechanism/adaptation_fund/items/3659.php

³⁹ <http://unfccc.int/resource/docs/2016/cma1/eng/03a01.pdf>

⁴⁰ source: <https://www.adaptation-fund.org/adaptation-fund-infographic/>. Accessed on March 1, 2017.

Least Developed Countries Fund (LDCF)

The Least Developed Country Fund (LDCF) became operational in 2002 and is administered by the Global Environment Facility (GEF), which is an operating entity of the financial mechanism of the UNFCCC and will serve in the same capacity under the Paris Agreement. It was established in 2001 to address the urgent adaptation needs of the 51 Least Developed Countries (LDCs) which are particularly vulnerable to the adverse impacts of climate change. Specifically, the LDCF has financed the preparation and implementation of National Adaptation Programmes of Action (NAPAs), which are country-driven strategies that identify the immediate adaptation needs of LDCs. All LDCs are eligible, but before the 18 GEF partner agencies as project proponents under the LDCF can access financing for an adaptation project, a country NAPA must be completed and sent to the UNFCCC Secretariat. LDCs can also access finance through the LDCF for the development of National Adaptation Plans (NAPs).

The LDCF is governed by the SCCF/LDCF Council, which is comprised of 32 members with 14 council members representing donor and 18 recipient constituencies. It uses the GEF operating procedures, which means that full size projects need to be cleared by the GEF CEO before they can be formally approved by the Council. By 2016, the LDCF had approved around USD 1 billion for the funding of projects and programmes in 49 countries, with co-financing of almost USD 4 billion from partners.⁴¹

The LDCF like other funds relying on voluntary developed country contributions is hampered by a lack of predictable financing and its low level of capitalization which is insufficient for the needs – some estimates suggest that a vulnerable country like Bangladesh alone would need more than twice the total funding provided by the LDCF since 2001 for early warning systems. The lack of ease in accessing the LDCF and the need for more streamlined project cycles are also topics of substantial critique and debate.

Special Climate Change Fund (SCCF)

The Special Climate Change Fund (SCCF) like the LDCF was created in 2001. In contrast to the LDCF, it is open to all vulnerable developing countries, although the needs of the most vulnerable countries in Africa, Asia and the SIDS are to be prioritized. The SCCF also funds the first step of the National Adaptation Plan (NAPs) process in non-LDC countries. In addition to adaptation measures, it provides funding for a wider range of activities related to climate change, in particular technology transfer and associated capacity building activities. It delivers grants to cover the incremental costs of interventions to address climate change relative to a development baseline for projects that demonstrate additionality (in contrast to the Adaptation Fund or the GCF which can fund full-cost adaptation measures).

Like the LDCF, the SCCF is governed by the SCCF/LDCF Council, which is comprised of 32 members with 14 council members representing donor and 18 recipient constituencies. It uses the GEF operating procedures, which means that full size projects need to be cleared by the GEF CEO before they can be formally approved by the Council. By 2016, the SCCF with USD362 million of deposited funding had approved around USD302 million for 56 projects in 47 countries.⁴² However, because it is accessible to all developing countries, annual funding demands far outstrip financing availability.⁴³

Adaptation finance – non UNFCCC multilateral funds:

Adaptation finance under non-UNFCCC multilateral funds is largely governed, channeled and implemented through multilateral development finance institutions (DFI) or multilateral development agencies, even in cases, such as the World Bank Climate Investment Funds (CIFs) where within the DFI a new separate trust fund with a different governance structure has been set up. Financing received for these funds is understood as donor contribution and handled and accounted as ODA/development aid. It is mostly not “new and additional” to development finance as urged for climate finance but rather attempting to

⁴¹ <http://www.thegef.org/topics/least-developed-countries-fund-lDCF>.

⁴² <http://www.climatefundsupdate.org/data>.

⁴³ <http://www.thegef.org/topics/special-climate-change-fund-sccf>.

mainstream climate resiliency and adaptation elements into development finance. Eligibility to receive funding varies, but is often more restricted (and not necessarily aligned with financing eligibility under UNFCCC adaptation funds).

Pilot Program for Climate Resilience (PPCR)

The Pilot Program for Climate Resilience (PPCR) is a targeted USD1.2 billion funding window under the Strategic Climate Fund (SCF) which is one of two funds within the Climate Investment Funds (CIF) framework and the only one programme under the CIFs dedicated to adaptation financing. The CIFs were set up in 2008 and were supposed to sunset once the GCF is fully operational; however, a decision about sunsetting the CIFs, including the PPCR has been postponed until 2018. The PPCR is governed by the PPCR Sub-Committee established under the SCF Trust Fund Committee. It is composed of an equal number of six representatives each from donor countries to the PPCR and from eligible recipient countries to the PPCR, as well as the developing country Chair or vice-Chair of the Adaptation Fund Board; these 13 members make the PPCR funding decisions and select the countries receiving funding under the PPCR, with a majority of 7 from developing countries.

As a pilot program, the PPCR includes only a limited number of selected countries and regions. ODA-eligibility (according to OECD/DAC guidelines) and the existence of active multilateral development bank (MDB) country programs are requirements for countries to be included in the PPCR, with priority given to highly vulnerable Least Developed Countries eligible for MDB concessional funds, including the Small Island Developing States. PPCR investments aim to pilot and demonstrate ways in which climate risk and resilience may be integrated into core development planning and implementation by providing programmatic large-scale funding for scaled-up action. The World Bank serves as the Trustee and the Administrative Unit of the PPCR, with the Word Bank Group and the MDBs as the implementing entities for PPCR investments.

The PPCR has been controversial because it establishes a parallel framework for delivering adaptation finance to funds under the UNFCCC. In contrast, to the LDCF, SCCF and the Adaptation Fund, it also offers developing country participants (concessional) loans, which many observers feel is inappropriate as it adds to the debt burden of developing countries and its inconsistent with an understanding of adaptation finance as a compensation for harm caused by developed countries under the polluter pays principle. However, the GCF also offers concessional debt financing, including loans and grants with repayment expectation, for adaptation projects, especially those proposed by the private sector. As of 2016, some USD939 million (or about 80% of PPCR funding) has been approved for 58 projects in 28 countries and two regions, with an expected additional USD2 billion generated in co-financing from other sources.⁴⁴

Global Climate Change Alliance (GCCA)

The Global Climate Change Alliance (GCCA) is a EUR316.6 million commitment launched by the European Commission in 2007 to strengthen dialogue and cooperation on climate change between the European Union (EU) and developing countries most vulnerable to climate change, in particular Least Developed Countries (LDCs) and Small Island Developing States (SIDs). This funding originated mainly from the EU budget and the 10th European Development Fund (EDF) supported by smaller contributions from Ireland, Sweden, Estonia, Cyprus and the Czech Republic.⁴⁵

The GCCA does not set up a new fund or governance structure, but is working through the European Commission's established channels for political dialogue and cooperation at national and international level.

As a global alliance, it involves a wide range of partners across the world. Put forward in 2007 by the Directorate General for Development, Environment and External Relations, the GCCA is implemented by the Directorate General for Development and Cooperation – Europe Aid. EU Member State development

⁴⁴ <http://www-cif.climateinvestmentfunds.org/fund/pilot-program-climate-resilience>.

⁴⁵ <http://www.gcca.eu/about-the-gcca/financial-resources>

agencies – including those of Denmark (Danida), Germany (GIZ), Luxembourg (LuxDev), Portugal (Instituto Camões), Sweden (SIDA) and the United Kingdom (DFID) – are also involved as partners in GCCA-funded national programmes, and co-finance some interventions as part of wider joint initiatives at the national or regional level.

The GCCA supports 51 programmes in 38 countries and 8 regions and subregions across the globe with EUR 234 million committed (as of mid-2015) and more programmes in preparation. The GCCA assists with the mainstreaming of climate change into national development planning in two thirds of these countries. Support is being provided to adaptation programmes in climate-sensitive sectors such as agriculture, coastal zone protection and land and water management. The GCCA is also active in the fields of forest management, disaster risk reduction, and clean energy. These programmes in Africa, Asia, the Caribbean and the Pacific are strengthening the capacity of some of the most vulnerable developing countries to tackle climate change.

In order to be eligible for GCCA funding, a country must belong to either the group of LDCs or the SIDs recipients of aid (in line with the official OECD/DAC and UN lists) and must be highly vulnerable to climate change, ideally with national and/or sectoral climate change policies in place or in planning, and active in the UNFCCC negotiations, and thus able to serve as a model for other countries in its group/region. Funds are allocated exclusively in the form of grants based on population figures and on availability of funds. In many instances, recipient governments co-finance GCCA programmes, usually in kind and sometimes also by explicitly allocating resources from their budget.⁴⁶ In 2014, a new phase of the GCCA, the GCCA+ flagship initiative, began in line with the European Commission's new Multiannual Financial Framework (2014-2020), with the expectation for additional funding to be allocated and committed during the following years.⁴⁷

Adaptation for Smallholder Agriculture Programme (ASAP)

The Adaptation for Smallholder Agriculture Programme (ASAP) is a multi-year multi-donor fund established in 2012 by the International Fund for Agricultural Development (IFAD) and supported by nine OECD countries (with the UK as largest contributor) to channel climate and environmental finance to smallholder farmers, scale up climate change adaptation in rural development programmes and mainstream climate adaptation into IFAD's work.⁴⁸

As of September 2016, it had committed USD345 million in project approvals in 47 countries under implementation. ASAP grants are joined with IFAD baseline investments (grants or loans) which are implemented by government entities. The programming of ASAP funds follows the IFAD project design cycle and is fully aligned with regular IFAD procedures and safeguards.

The Governing Council, made up of all of IFAD's member states, is IFAD's highest governing body however the Executive Board is responsible for the general operation of IFAD and the ASAP including programme of work and project approval. The Executive Board is made up of 18 Elected and 18 Alternate members, with 16 members from OECD countries, eight from OPEC countries and twelve from developing countries.

Supported activities include improving land management and climate resilient agricultural practices and technologies; increasing availability of water and efficiency of water use for smallholder agriculture production and processing; increasing human capacity to manage short- and long-term climate risks and reduce losses from weather-related disasters; making rural infrastructure climate-resilient; and improving the documentation and dissemination of Climate Smart Smallholder Agriculture knowledge. ASAP-supported projects are generally focused on supporting community-based groups, such as farmer associations, local cooperatives, village councils, women's groups or water user groups, in building their adaptive capacity. These groups are engaged routinely during and after the project design processes.

⁴⁶ <http://www.climatefundsupdate.org/listing/global-climate-change-alliance>.

⁴⁷ <http://www.gcca.eu/about-the-gcca/what-is-the-gcca>.

⁴⁸ https://www.ifad.org/en/topic/asap/tags/climate_change/2782790.

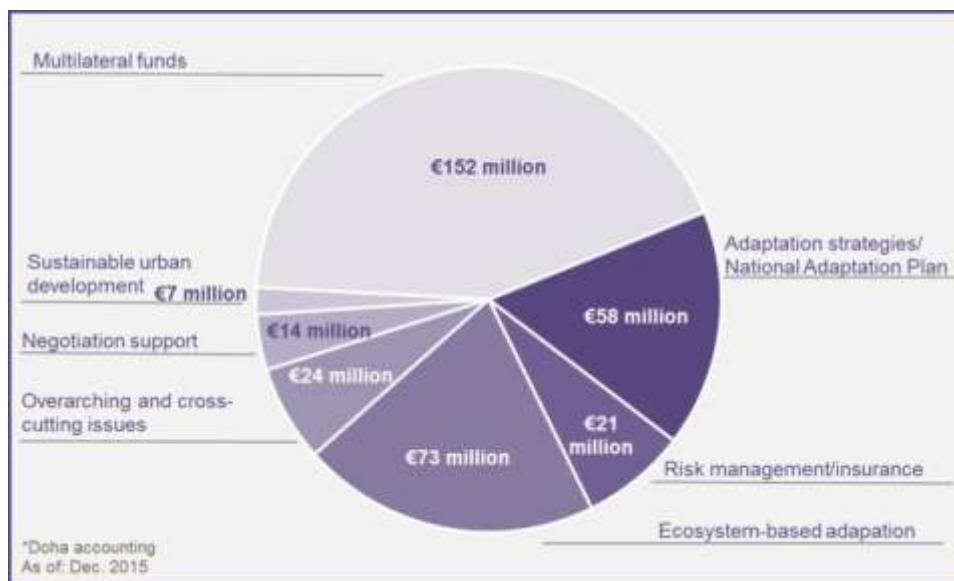
Bilateral Initiatives

In bilateral public initiatives supporting adaptation measures, it is very clear by the governance structure of funding mechanisms, their, priority engagement (both in terms of a regional/geographic or a sectoral/topical focus), as well as with respect to the eligibility and delivery of adaptation finance that the donor countries are overwhelmingly calling the shots. They set the financing priorities and terms, select the eligibility criteria and in many cases also determine delivery partners (often developed country's own development agencies) which undermines the country ownership of recipient countries. Thus, such support follows a development aid approach – even in a case like the German International Climate Initiative where financing provided is considered to be “new and additional” to domestic development funding efforts because of how funding is generated. In addition, transparency and accountability of bilateral initiatives, including how funding decisions are made and what project-related information and documentation is disclosed, lack significantly behind multilateral finance delivery mechanisms, despite the public nature of their funding.

Germany's International Climate Initiative (ICI)

Since 2008, the International Climate Initiative (ICI) of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) has been financing mitigation, adaptation, REDD+ and biodiversity projects in developing and newly industrialising countries, as well as in countries in transition. By 2016, according to the ICI, the initiative had financed EUR1.617 billion in projects, including EUR349 million for adaptation measures. In the early years of the programme, its financial resources came from the proceeds of auctioning allowances under the EU emissions trading scheme. To ensure financial continuity, further funds were made available through the Special Energy and Climate Fund. Both funding mechanisms are now part of the Federal Environment Ministry's regular budget.⁴⁹

Adaptation Funding under Germany's International Climate Initiative (ICI)



Source: <https://www.international-climate-initiative.com/en/issues/adaptation/>

Projects must be relevant to one or several of ICI's key focus areas. The ICI is looking for projects innovative in character (technologically, economically, methodologically, institutionally), integrated into national strategies, and contributing to national economic and social development as well as sustainability of project outcomes. Among the criteria for project evaluation and selection are the duplicability of results, prominence and multiplier effect; the significance of the partner country in cooperating with Germany, or

⁴⁹ <https://www.international-climate-initiative.com/en/about-the-iki/iki-funding-instrument/>.

in the context of international negotiations; and the availability of self-financing, third party financing, and financial leverage effect. In its adaptation focus area, the ICI prioritizes projects in countries/regions that are particularly vulnerable to climate change. This support focuses on ecosystem-based adaptation (EbA), climate-related risk management instruments, such as innovative insurance solutions, and the development and implementation of national adaptation strategies.

The ICI uses a variety of approaches including grants, concessional loans and where appropriate, project-based contributions to international funds. All funding decisions on projects are made by the BMU. The ICI works closely with GIZ and KfW (Germany's development bank), two organisations contracted by the German government to perform development cooperation tasks. Administration of the ICI is carried out by a programme office located at GIZ, and supported by additional personnel capacity from KfW. An international advisory group, of up to 30 members, offers strategic support to the practical work undertaken by the ICI. The international advisory panel is made up of experts from governments, academia, non-governmental organisations, companies, financial markets and international financial institutions.⁵⁰

UK's International Climate Fund (ICF)

In 2011, the Government of the United Kingdom set up the International Climate Fund (ICF) to provide £3.87 billion (at that time roughly USD6 billion) split as contributions by the Department of International Development (DFID), the Department of Energy & Climate Change (DECC) and the Department for Environment, Food & Rural Affairs (DEFRA) between April 2011 and March 2016 to help the world's poorest adapt to climate change and promote cleaner, greener growth. The ICF succeeded the UK Environmental Transformation Fund (ETF). In September 2015, the UK government announced its intention to provide another £5.8 billion from the existing 0.7% official development assistance (ODA) budget to the International Climate Fund between April 2016 and March 2021, including at least £1.76 billion in 2020.⁵¹

The ICF is managed by a high level cross-departmental project team with representation from the Department for International Development (DFID), the Department of Energy and Climate Change (DECC), the Finance Ministry (Her Majesty's Treasury), The Department for Environment, Food and Rural Affairs (DEFRA), and the Foreign and Commonwealth Office (FCO). There is no direct route through which an organisation outside of the UK Government can independently develop a project to be considered for ICF funding. Proposals come forward through DFID country offices or central departments as well as from DECC and DEFRA.⁵²

Proposals for ICF expenditure are prepared for Ministers by an ICF Board comprising of Directors General from DECC, DFID, FCO, DEFRA and Her Majesty's Treasury (HMT). Ministerial decisions on the ICF are guided by the international climate change strategy agreed by the National Security Council, the outcome of DFID's Bilateral and Multilateral Aid Reviews and the strategy set by the cross Whitehall International Climate Change Programme Board.⁵³

As Official Development Assistance, the ICF must comply with the eligibility criteria determined by the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Funding for climate adaptation is for poor and vulnerable countries, including the least-developed countries, small island states and Africa. Activities supported by the ICF include building global knowledge and evidence; developing and scaling-up low-carbon and climate resilient programs; building capacity in the public and private sectors and supporting country level action; and mainstreaming climate change into UK development aid.

⁵⁰ <http://www.climatefundsupdate.org/listing/international-climate-initiative>.

⁵¹ <https://www.gov.uk/government/publications/international-climate-fund/international-climate-fund>.

⁵² [https://www.gov.uk/government/publications/2010-to-2015-government-policy-climate-change-international-action#appendix-8-international-climate-fund-icf](https://www.gov.uk/government/publications/2010-to-2015-government-policy-climate-change-international-action/2010-to-2015-government-policy-climate-change-international-action#appendix-8-international-climate-fund-icf).

⁵³ <http://www.climatefundsupdate.org/listing/international-climate-fund>.

The ICF's funding portfolio is wide-ranging and includes contributions to international climate funds as well as bilateral support and projects involving the private sector, civil society organizations or the philanthropic sector. The ICF's portfolio is split between capital contributions/concessional loans and grant finance. The majority of contributions to multilateral funds (for example for the Climate Investment Funds, including the Pilot Program on Climate Resilience PPCR, which together received USD1 billion) are in the form of concessional capital. Grants are used primarily as a mechanism for bilateral contributions. However, the ICF has also provided grant support to the Adaptation Fund, the LDCF, ASAP as well as a USD1.2 billion contribution for the GCF.

Japan's Fast Start Finance (FSF)

In December 2009, Japan announced the Hatoyama Initiative (now commonly referred to as the Fast-Start Finance), which pledged USD15 billion in public and private financial assistance to help developing countries address climate change. Consisting of USD11 billion in public finance and USD4 billion in private finance, this Fast-Start Finance (FSF) replaced the government's previous financing mechanism known as the 'Cool Earth Partnership' (2008 - 2010).⁵⁴

Japan's FSF supported both mitigation and adaptation activities, but was heavily weighted toward mitigation. About 70 percent of Japanese FSF addresses mitigation objectives. Most mitigation finance, in turn, was financed through loans (both ODA and non-ODA). Mitigation assistance took the form of energy savings, increased energy efficiency technologies, and new, clean energy initiatives. Assistance for adaptation projects included adaptation planning, forestry, rural electrification research, drought management, and co-benefit approaches. 57.8% of the total amount of the grant-based assistance implemented in vulnerable countries including Africa, LDCs and SIDS was allocated into the area of adaptation.⁵⁵

The FSF was composed of two types of assistance. USD7.2 billion are Official Development Assistance (ODA) such as grant aid, technical cooperation, concessional loans and contributions to multilateral funds, including contributions to the CIFs and the Green Climate Fund. An additional USD7.8 billion came in form of Other Official Flow (OOF), which includes official financing in collaboration with the private sector such as preferential loans by the Japan Bank of International Cooperation (JBIC). Other official flows (OOF) such as export and investment insurance, non-concessional loans, and guarantees made up a substantial part of FSF contributions with some ambiguity around the role of leveraged private finance which is included in OOF accounting.⁵⁶

The FSF was coordinated by the Japanese Ministry of Finance and governed by a five ministerial meeting, composed of the Chief Cabinet Secretary, Minister for Foreign Affairs, Minister for Economy, Trade and Industry, Minister for Environment, and Minister for Finance, which met on an irregular basis, and on average once a month. Developing countries who had entered into direct, bilateral discussions with the Government of Japan were eligible for FSF, with some private sector actors also considered.

At the end of 2012, the government of Japan reported FSF provided in the amount of USD 13.5 billion, with USD 9.99 billion assisting developing countries with mitigation, USD 1.37 billion in adaptation funding, USD 2.10 billion for assisting developing countries to tackle climate change issues (both Mitigation and Adaptation) by providing contribution to multilateral fund and program loans to address climate change, including the GEF and almost USD 1 billion for the CIFs; and USD 723 million for REDD+ activities, including a contribution to UN-REDD.⁵⁷

⁵⁴ <http://www.climatefundsupdate.org/listing/hatoyama-Initiative>.

⁵⁵ https://unfccc.int/files/cooperation_support/financial_mechanism/fast_start_financial_mechanism/application/pdf/japan_fsf_dec_2012_.pdf

⁵⁶ <http://www.wri.org/publication/japanese-fast-start-finance-contribution>.

⁵⁷ https://unfccc.int/files/cooperation_support/financial_mechanism/fast_start_financial_mechanism/application/pdf/japan_fsf_dec_2012_.pdf

A Growing Role for Multilateral Development Banks (MDBs)

Multilateral Development Banks (MDBs) have been responsible for a growing share of climate finance, both in committing own resources for climate action, but also as implementing entities for a number of dedicated climate funds, including the CIFs, the GEF, the Adaptation Fund and the GCF.

In 2015, according to an MDB report tracking the expenditures of the World Bank Group (WBG), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the African Development Bank (AfDB) and the Inter-American Development Bank Group (IDBG), the MDBs committed collectively USD25,096 million in climate finance in 2015—USD20,072 million for mitigation finance and USD 5,024 million for adaptation finance. Since 2011, the MDBs report to have financed more than USD 131 billion in climate action in developing and emerging economies. MDBs claim significant “leveraged” co-finance. According to the 2015 Joint MDB’s Report on Climate Finance, the first edition to include co-finance, the net total climate co-finance committed in 2015 alongside MDB resources was USD 55,749 million, thus increasing total claimed MDB climate finance for 2015 to USD 80,845 million (Joint MDB’s 2015).

MDB	Adaptation Finance	Mitigation Finance	MDB Climate Finance
ADB	356	2,561	2,917
AfDB	396	963	1,359
EBRD	244	2,973	3,217
EIB	365	4,772	5,137
IDBG	270	1,474	1,744
WBG	3,393	7,329	10,722
TOTAL	5,024	20,072	25,096

Source: http://www.eib.org/attachments/documents/joint_mdb_report_on_climate_finance_2015.pdf, Table 2, p.11.

MDBs have announced ambitious targets to further increase their support for climate action by 2020. For example, the ADB has committed to double its climate finance from own resources to USD6 billion annually by 2020, planning to commit one-third or USD2 billion for adaptation. The AfDB wants to triple climate financing to reach 40% of investments by 2020, while the IDBG’s goal is to double climate finance to 30 percent of operational approvals by 2020 to an average USD4 billion per annum, and to improve evaluation of climate risks and identify opportunities for resilience and adaptation measures. EBRD wants to commit 50% of its annual business investment by 2020 in green finance, while the EIB targets 35% of its lending to developing countries by 2020 to be for climate actions. The WBG plans a one-third increase in climate financing, from 21 to 28% of annual commitments by 2020, which at current financing levels would mean an increase to USD 16 billion in 2020.

The reported climate finance – both total MDB climate finance and net climate-co-finance – tracks climate finance in a granular manner, i.e. climate finance reported covers only those components (and/or subcomponents) or elements/proportions of projects that directly contribute to or promote adaptation and/ or mitigation. Adaptation finance is calculated using the Joint MDB Methodology for Tracking Climate Adaptation Finance, which is based on a context- and location-specific approach and captures the amounts associated with activities directly linked to climate change vulnerability. Mitigation finance is calculated in accordance with the Joint MDB Methodology for Tracking Climate Mitigation Finance, which is based on a list of activities that are compatible with low-emissions pathways. The MDBs’ methodologies for climate finance tracking are aligned with the Common Principles for Climate Mitigation Finance Tracking⁵⁸ jointly agreed by the MDBs and by the International Development Finance Club (IDFC) and first published in March 2015, and the Common Principles for Climate Adaptation Finance Tracking jointly agreed in June 2015.⁵⁹

⁵⁸ http://www.eib.europa.eu/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf.

⁵⁹ <http://pubdocs.worldbank.org/en/222771436376720470/010-gcc-mdb-idfc-adaptation-common-principles.pdf>.

MDBs working with the OECD are also a driving force behind international efforts to harmonize climate finance tracking methodologies outside of the UNFCCC context.

However, a closer look at the MDB adaptation finance reveals that 77% are committed as investment or policy-based loans with grant support only reaching 13% or USD666 million of MDBs' adaptation commitments in 2015. Many developing countries object to receiving adaptation loans on the basis of climate justice principles and UNFCCC commitments. Adaptation loans increase the indebtedness of many developing countries.

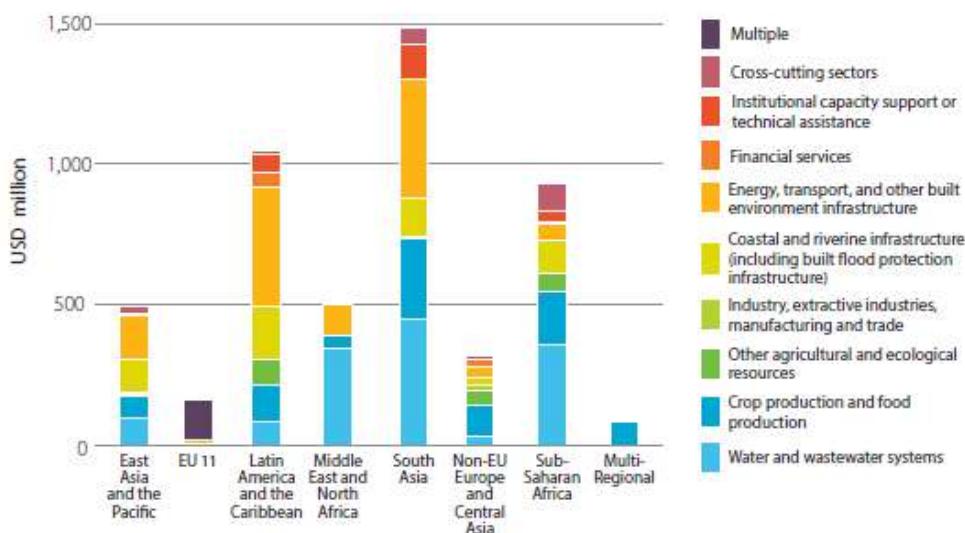


Note: "Other instruments" include equity, advisory services, and instruments such as carbon funds, currency and interest rate swaps, and other derivative instruments.

Source: http://www.eib.org/attachments/documents/joint_mdb_report_on_climate_finance_2015.pdf, Figure 10, p.19.

In 2015, the regions which drew the largest proportions of MDB adaptation finance were South Asia with 29%, Latin American and the Caribbean with 21%, and Sub-Saharan Africa with 19%, while Central Asia received 6%, and Multi-Regional activities receiving 2%. Only about 6% of MDB adaptation finance was committed to least developed countries and 1% to small island states, reflecting also those countries inability or unwillingness, among other reasons to accept MDB adaptation finance in the form of loans.

In 2015, MDB Adaptation finance was mainly distributed to three sector groupings, namely: water and wastewater systems (27%), energy, transport and other built environment and infrastructure (24%) and crop production and food production (18%), but with significant sector variations in different regions. Coastal and riverine infrastructure (including built flood protection infrastructure) is the dominant sector grouping in East Asia while in Southeast Asia 89% of climate adaptation finance is concentrated in crop and food production.



Note: Adaptation finance reported for some projects/project components for which there was not enough data granularity to allow apportioning the adaptation finance among the sector groups are included in "Multiple".

Source: http://www.eib.org/attachments/documents/joint_mdb_report_on_climate_finance_2015.pdf, Figure 13, p.21.

International Development Finance Club (IDFC)

The International Development Finance Club (IDFC) counts 23 national and regional public development banks as members.⁶⁰ In 2014, IDFC members had total global financing commitments of approximately USD 636 billion (in comparison, the World Bank Group: USD 65.6 billion). According to a 2015 IDFC mapping report, the latest available, in 2014 IDFC member banks collectively committed USD98 billion or 15% as green finance, including USD83 billion or 13% as climate finance and USD15 billion or 2% for other environmental objective.

The total amount of adaptation finance committed by IDFC members in 2014 was USD18 billion. The largest share of adaptation finance was attributed to water preservation (79%) with so-called “other disaster risk reduction” projects presenting the distant second largest share (8%). The total amount of IDFC financing attributed to adaptation to climate change projects increased from approximately USD 14 billion in 2012 and USD 16 billion in 2013 to USD 18 billion in 2014. (IDFC 2015).

The governing structures of IDFC member development banks varies widely, with regional development banks such as CAF in Latin America controlled by a Board consisting almost exclusively of representatives of recipient countries⁶¹ and thus participating in decision-making on financing climate actions in their respective countries. In contrast, the Board of directors and key management positions of OECD country national development banks like KfW or KDB, and thus the decision-making power about financing operations, are controlled usually exclusively by nationals from the development bank host and funding country.⁶²

Several of the IDFC members are now also accredited internationally or regionally operating implementing entities for the Green Climate Fund (GCF) under the UNFCCC. They include the German KfW Banking Group, the French Agence Française de Développement (AFD), the Central American Bank for Economic Integration (CABEI), the Development Bank of Latin America (CAF), the Development Bank of Southern Africa (DBSA), the South Korean Development Bank (KDB), or the Banque Ouest Africaine de Développement (BOAD)⁶³, with other IDFC members still in the GCF accreditation pipeline.

Developing Country Domestic Adaptation Financing Efforts

As part of the global stocktake agreed to under the Paris Agreement and to be completed every five years, starting in 2023, “the adequacy and effectiveness of adaptation and support provided for adaptation” (Article 7.14) is to be assessed.⁶⁴ However, as a commentary by IISD⁶⁵ argues, gaining a clear picture of the scale and adequacy of adaptation finance (however defined) is made more difficult by the increasingly diversified sources of adaptation funding which now in addition to designated climate funds, MDBs and bilateral development assistance agencies also experiences a growth in south-south development assistance, although the contributions of southern contributors to adaptation finance are only beginning to be tracked. Increasingly, also domestic and international private sector actors are also becoming increasingly involved in financing adaptation efforts, either independently or in partnership with governments. Civil society pilot efforts such as the Adaptation Finance Accountability Initiative (AFEI) have looked at ways to address existing shortcomings and challenges in tracking international adaptation finance

⁶⁰ <http://www.idfc.org/Who-We-Are/members.aspx>.

⁶¹ <https://www.caf.com/media/2404184/org-composicion-directorio-2014-2017-caf-en.pdf>

⁶² See for the KDB, <https://www.kdb.co.kr/ih/wcms.do>; for KfW, <https://www.kfw.de/KfW-Group/About-KfW/Vorstand-und-Gremien/Verwaltungsrat-und-seine-Aussch%C3%BCsse/>.

⁶³ http://www.eib.europa.eu/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf.

⁶⁴ <https://unfccc.int/resource/docs/2015/cop21/eng/I09.pdf>.

⁶⁵ <https://www.iisd.org/blog/taking-stock-adaptation-progress-some-lessons-and-challenges>.

inflows into recipient countries, including at the subnational levels and in reaching the most vulnerable communities.⁶⁶

At the same time, at the national and subnational levels, developing countries are increasingly recognizing the extent to which they are financing adaptation efforts through their own domestic budgets. However, systems for tracking domestic finance for adaptation are largely inadequate. Drawing on research from three countries in sub-Saharan Africa, ODI's Neil Bird suggests that domestic spending is often significantly higher on adaptation than on mitigation (Bird 2014). However, such spending is not reflected in global climate finance overviews, such as those of the Climate Policy Institute (CPI) for 2015.⁶⁷ Initiatives such as the Climate Public Expenditures and Institutional Review (CPEIR)⁶⁸ and its country database and the World Bank's source book on Climate Change Public Expenditures and Institutional Reviews (CCPEIR)⁶⁹ are a first important step toward providing practitioners with comprehensive information about the tools and information needed to respond to the public expenditure policy and management challenges arising from climate change and account for domestic budget resources utilized for climate action. However, significant investment is needed to establish and enhance domestic systems for tracking domestic adaptation investments.

Climate finance as 'wild west'

In the absence of a uniformly accepted definition of what constitutes climate finance nor global agreement on ways to measure, report and verify (MRV) global climate finance flows, observers have complained that "[o]ver its two decades of growth, climate finance has effectively been a 'Wild West' frontier, without laws or functioning systems of justice. Those with power and money did as they chose, and described their actions as lawful and generous, without any global agreement about what lawful or fair really was." (AdaptationWatch 2015).

While the UNFCCC Standing Committee on Finance (SCF) has increased efforts over the past years to account for climate finance, including through its Biennial Assessment and Overview of Climate Finance Flows Report (BA) process⁷⁰, critiques see the UNFCCC efforts as a "non-system", warning that continued numerous accounting problems such as a lack of clear definitions, categorization, disagreement over private flows and how to account for leveraging, progress tracking, evaluation, channels, innovative sources and a lack of oversight from the UNFCCC make it impossible for recipient country governments and communities to learn how much climate finance has been delivered and how. (AdaptationWatch 2015).

As the experience with fast-start finance in the period from 2009-2012 clearly illustrated, developed countries claim to have over-fulfilled their promises of USD 30 billion in assistance with financing for climate change actions, has been disputed by developing nations, civil society organizations and scholars.⁷¹ More recently, Oxfam's Climate Finance Shadow Report 2016 charged that because of poorly defined rules and reporting guidelines globally reported climate finance support numbers by developed countries overstates actual support and that of the USD41 billion per year that rich countries reported, the net worth specifically targeting climate action was just USD11 to USD21 billion, with just USD4 to USD8 billion earmarked to help poor countries adapt to the impacts of climate change (Oxfam 2016).

As the UNFCCC BA 2016 clearly illustrates, 2013 and 2014, the vast majority (95%) of public climate finance continued to flow through bilateral and MDB channels. Some observers have argued that efforts on

⁶⁶ <https://policy-practice.oxfamamerica.org/work/climate-change/adaptation-finance-accountability-initiative-afai/>.

⁶⁷ <https://climatepolicyinitiative.org/wp-content/uploads/2015/11/Global-Landscape-of-Climate-Finance-2015.pdf>.

⁶⁸ <https://www.climatefinance-developmenteffectiveness.org/about/what-cpeir>.

⁶⁹ http://www.greengrowthknowledge.org/sites/default/files/downloads/resource/World_Bank_CCPEIR_Sourcebook_0.pdf.

⁷⁰ http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/8034.php.

⁷¹ See for example IIED's review, <http://pubs.iied.org/17141IIED/>, and some larger questions on transparency, accountability and additionality of FSF commitments raised also by ODI/WRI in their assessments at <http://www.climatefundsupdate.org/about-climate-fund/fast-start-finance> and <http://www.wri.org/blog/2012/12/fast-start-finance-where-do-we-stand-end-2012>.

establishing good governance in multilateral climate funds with accounted for only 5% of all public funding are therefore largely ineffective with climate finance flowing in a donor controlled fashion and hence skewed away from developing country needs as rich contributor countries prefer channels over which they have more decision-making control. In contrast, in 2013 and 2014, less than 2% of public funds were channeled through UNFCCC funds. And therefore adaptation finance is not being provided in line with the principles agreed within the UNFCCC (Ciplet, Roberts, Khan 2013).

Even though the full operationalization of the GCF, which started funding proposals in November 2015 and has committed a total of USD2.2 billion in 43 projects and programmes by May 2017 2016, added some much needed financing strength to the UNFCCC funds, the overall distribution of public climate finance will not be significantly shifted in favor of UNFCCC funds and time soon, and especially without significant strides in mobilizing innovative sources of financing to be channeled through UN controlled multilateral funds. Observers like AdaptationWatch therefore criticize a focus of many climate finance watchdog organizations on the governance of the Green Climate Fund, as “an important effort but one that misses the fact that at least 95 per cent of climate finance will almost certainly flow through other channels. All of these channels need good accounting and tracking systems.” (AdaptationWatch 2015). While certainly more attention to the governance of other climate financing channels is needed, this assessment, does not sufficiently take into account the global signaling function of the GCF, as well as that the full set of GCF rules and principles, including on information disclosure, redress or gender responsiveness, apply to the entirety of the projects or programmes under implementation to which the GCF contributes, irrespective of the size of the GCF’s actual financial support in an individual project or programme co-financed with MDBs, other development finance institutions (DFIs), commercial banks or the larger private sector. And with many MDBs and bilateral and regional DFIs among the implementing entities of the GCF⁷², this influence could be significantly larger than the GCF’s actual funding sum. For example, the USD2.2 billion in committed GCF funding by May 2017 for projects and programmes with GCF support of a total value of USD7.5 billion, according to the GCF Website.⁷³

What should the institutional structure for loss and damage finance be?

Loss and damage finance should be considered as part of the overall UNFCCC framework, incorporating principles of climate justice, such as CBDRRC, and therefore the institutional structure or mechanism should be anchored in an overarching framework that would give all UNFCCC parties guidance and define principles for providing financial support for loss and damage actions to eligible parties either through existing UNFCCC finance channels or through a potential new entity to be developed under the financial mechanism of the Paris Agreement (with the GEF and the GCF currently defined at its operating entities to be potentially joined by the Adaptation Fund). The COP process and decision to establish the Cancun Adaptation Framework⁷⁴ and related financial support provisions could be instructive. Such guidance could include a specific financing target for loss and damage support as well as principles and criteria such as the additionality of loss and damage finance to adaptation finance and its provision on top of the USD100 billion per year by 2020 climate finance for adaptation and mitigation target which serves as the baseline for scaling up finance provision under the Paris Agreement post-2023. It could also guide the development of streamlined funding procedures to allow for simplified, including direct, access by eligible countries to loss and damage finance. Additionally, UNFCCC parties would have to agree on an overall set of principles

⁷² <http://www.greenclimate.fund/partners/accredited-entities/ae-directory>.

⁷³ <http://www.greenclimate.fund/projects/portfolio>; accessed on April 28, 2017; these numbers reflect the total value of the 43 projects/programmes approved by the GCF Board from November 2015 (its 11th Board meeting) to April 2017 (its 16th Board meeting).

⁷⁴ <http://unfccc.int/adaptation/items/5852.php>.

for transparent accounting through standardized monitoring, reporting and verification (MRV) procedures of how closely financing targets for Loss and Damage finance are met.

The Standing Committee on Finance (SCF), which discussed in its 2016 forum the role and capacity of financial instruments that address the risks of loss and damage, is well placed to play a major role in the discussion about how financial resources for loss and damage could be mobilized, including through innovative financing instruments, as well as in the development of a standardized MRV approach to loss and damage finance. Since its task is also to oversee the rationalization of the financial mechanism, it should take the lead – in close collaboration with the WIM – on how the majority of multilateral financing for loss and damage could be channelled through the UNFCCC financial mechanism. The SCF should initiate a comparative analysis of various fund options' respective strengths and weaknesses to inform decision-making by the COP either in support of the creation of a new loss and damage fund or in giving guidance to the existing operating entities of the UNFCCC financial mechanism to expand their mandate to include loss and damage financing and prepare governance to that purpose.

Any such financing structure would have to address a big overarching dilemma inherent in loss and damage financing, namely that while financial additionality and thus separate accounting and MRV from mitigation and adaptation finance is needed on the global level, in practice for projects on the ground the differentiation between adaptation and loss and damage is a lot more fluid and respective attribution difficult. For individual projects and programmes strengthening the principle of country-ownership and loss and damage determination from the bottom-up must be part of any attribution solution.

In light of this, the following sections will provide a first introductory comparative analysis of various options – both existing financing instruments and channels and a potential new fund – to serve as institutional structure for loss and damage finance.

Global Environment Facility (GEF)

The GEF has been the longest serving operating entity of the financial mechanism of the UNFCCC. As such, it is accountable to and functions under the guidance of its Conference of Parties (COP). In addition to the UNFCCC, it supports the implementation of the mandate of four other conventions as part of their financial mechanism.⁷⁵ This allows the GEF to have broader, more synergistic project/programme approaches addressing issues conjointly under several conventions, considering for example biodiversity loss and climate change challenges together. However, it also means that funding for each of the six focal areas is limited and that the GEF Secretariat is stretched in many different directions and accountable to various conventions and their respective COPs, thus missing a clear prioritization of climate change actions. With respect to loss and damage with its multi-dimensionality such a broader focus could be helpful in expanding the understanding what actions might be supported under loss and damage, although this might complicate financial provision (because of the multitude of accountability structures).

The GEF has experience with administering different and separate trust funds. It could thus conceivably add the administration of an additional Loss and Damage Trust Fund if the UNFCCC COP so decided. In addition to the Global Environment Facility Trust Fund with its regular replenishment rounds by 39 GEF donor countries, it also manages the Special Climate Change Fund (SCCF), the Least Developed Countries Fund (LDCF), and the Nagoya Protocol Implementation Fund (NPIF). In addition, the GEF provides secretariat services, on an interim basis, for the Adaptation Fund.⁷⁶

Since GEF-5, the GEF has allowed for the accreditation of direct access regional and national entities as GEF agencies (of which there are currently five). However, in contrast to the GCF, it has a limited set of partner agencies (18 in total), and it is unclear if beyond the piloted approach the GEF Council would advocate for an expansion of GEF agencies to include more direct access regional and national partner agencies.

⁷⁵ <https://www.thegef.org/partners/conventions>.

⁷⁶ <https://www.thegef.org/about/funding>.

The GEF Small Grant Programme (GEF SGP), which is administered by UNDP, is operating today via 125 country programmes with national steering committees and providing small grants of up to USD 50,000 (but usually in the range around USD25,000) for community-led projects in all focal areas of the GEF, thus giving vulnerable communities the opportunities to access GEF funding.⁷⁷ Since the programme's inception, the SGP has provided more than USD541.7 million in grants by November 2016, complemented by more than US 686 million in cash and in-kind co-financing from communities, national and international NGOs, national and local governments, multilateral organizations, bilateral donors and the private sector partners. The programme also has a strong gender-mainstreaming commitment. In the GEF climate change focal area, the SGP only focuses on community-oriented mitigation efforts. Adaptation approaches are not funded under the SGP (GEF SGP 2016).

The successes (and limits) of the GEF SGP could be instructive for effort to make loss and damage finance accessible to affected communities. This is an important operationalization of enhanced direct access and in-country ownership. Therefore, a small grants approach – as separate national programmes or facilities and building on the experience of the GEF SGP – should be an essential part of any institutional structure for loss and damage finance to ensure that affected communities can gain direct access to loss and damage finance.

Green Climate Fund (GCF)

The GCF joined the UNFCCC financial mechanism as operating entity with the COP's decision in 2010. Like the GEF, it is accountable to and functions under the guidance of the COP. Currently the largest multilateral climate fund, it has a balanced Board structure with equal representation of developed and developing country Board members. After a slow start, by May 2017 it has programmed USD 2.2 billion for 43 projects and programmes, although at this point has disbursed just a few million in project funds.

In contrast to the GEF and the AF, the GCF has the capacity for funding large-scale adaptation projects and programmes, defined in the GCF as projects/programmes with a total value (including co-financing from outside the GCF) of over USD250 million, the only fund in the UNFCCC family to do so. It also employs the widest range of financial instruments (besides grants and loans also equity investment and investment guarantees) and has a dedicated private sector facility (PSF) with distinct policies, including a mandate to "mobilize funding at scale" from the private sector. Private sector entities, both national and international ones, can also become accredited to the GCF as implementing entities. Currently, the GCF has 6 private sector accredited entities among its 48 accredited entities. These factors could be helpful in providing support or jump-starting through initial public investment or risk guarantees a large variety of loss and damage related activities on a national or regional level, including joint public-private approaches, both centered around insurance and related financial instruments and approaches and beyond insurance. As described in an earlier section of this paper, all of the MDBs, many of the DFIs that are part of the IDFC and a number of commercial banks are already accredited with the GCF and can as accredited entities submit funding proposals as long as they receive the formal no-objection of the country or countries in which the project or programme is to be implemented.

While the GCF would have an undoubtedly competitive advantage over the GEF or the AF with respect to medium- (defined in the GCS as between USD 50 – 250 million of total investment volume) to large-scale projects and programmes (over USD 250 total costs), the picture for micro- and smaller-scale projects and programmes is different.⁷⁸ In the GCF, access to micro-projects and programmes up to USD10 million is currently predominantly concentrated among national direct access entities (NIEs), as most are at the moment only accredited for the micro and small scale under the GCF, but micro-scale financing is only a smaller percentage of the overall GCF funding. In contrast, all of the adaptation projects under the

⁷⁷ <https://www.thegef.org/topics/gefsgp>

⁷⁸ In the GCF, micro-scale projects or programmes are defined as those with a total investment volume of up to USUSD 10 million, small-scale projects or programmes are those with a total funding volume of between USUSD 10 -50 million).

Adaptation Fund and most of those under the GEF LDCF and SCCF fall into the micro-scale category. Thus, for the GCF to program a significant amount of its overall financing for micro- and small-scale activities, which often are more community-oriented, the GCF would have to ramp up its approaches to increase funding access for these activities, chief among them through elaborating fund policies that simplify access – something that the COP in its guidance to the GCF has repeatedly demanded.

To increase access of financing for communities, two GCF funding approaches that focus on devolution of decision making to the direct access/national level also would need to be further developed: 1) Enhanced Direct Access (EDA) – currently a GCF pilot programme – could be a vehicle for establishing national small grants facilities to address adaptation/loss and damage and make finance accessible to communities via a “template” approach and thus allowing for replication in a large number of countries ; 2) programmatic approaches geared for direct access entities, in which the AE makes the decisions on individual sub-components and projects. Regarding the programmatic approach, the GCF has already approved several equity investment proposals for financing facilities. It would be theoretically possible in line with this practice to support the establishment of national or regional loss and damage financing facilities. This would however require both an uptick in the number of GCF-accredited direct access entities as well as an upgrade of the fiduciary and financial management capabilities of most to allow them to function as financial intermediaries (f.ex. a national development bank or a national finance ministry could fulfill such functions).

A further possibility to increase micro-scale financing access for both adaptation and loss and damage under the GCF could be also through formalizing a relationship of the GCF with the AF. The AF would financially intermediate GCF resources, either through a memorandum of understanding (MOU) or via a formal accreditation of the AF to the GCF (hbs North America/ecbi 2015). The Adaptation Fund Board has discussed those possibilities as a way to secure the future of the AF in light of uncertain resource mobilization options (AFB 2015).

There are a variety of views as to whether the GCF would need a new mandate from the COP to deal with loss and damage. The GCF governing instrument does not make any reference to loss and damage (which is the result of a significant opposition of developed country members of the Transitional Committee process in 2011 charged with the design of the GCF to such an inclusion). However, the language in the GCF governing instrument is quite broad and the Board under para. 39 has the authority “to add, modify and remove additional windows and substructures or facilities as appropriate”. Adding a loss and damage finance window to the existing windows for mitigation and adaptation is thus possible, although politically, explicit COP guidance may be needed – possibly in response to a WIM ExCom/SCF recommendation. Likewise, the Board could formally define certain “result areas” under loss in line with its current approach to mitigation and adaptation financing. These impact areas could mirror those identified under the WIM and should be determined in consultation with the WIM.

Regarding resources to be allocated for loss and damage in the GCF, by mandate, the GCF is already authorized to mobilize resources from innovative/alternative sources (para. 30 of the GCF governing instrument). Thus, the COP could request the GCF to prioritize this work and address it as part of its first formal replenishment and the development of related policies by mid-2018 when the GCF replenishment is likely to take place. To ensure additionality to adaptation/mitigation financing, funding mobilized through alternative sources (all or a significant percentage) could be collected in a **separate GCF Loss and Damage Trust Fund**. Funding from alternative sources would be its main contribution, although a GCF Loss and Damage Trust Fund would also be open for contributions from developed countries and other public and private sources. Thus, the GCF would have two trust funds, the “normal” GCF Trust Fund financing the administrative operation of the GCF as well as its funding for mitigation and adaptation, and a Loss and Damage Trust Fund. This set-up and a preferential allocation of funding mobilized from alternative sources for loss and damage would also avoid the danger of “earmarking” of developed country public contributions and a preference for mitigation over adaptation/loss and damage financing, which is not possible under the current GCF Trust Fund and should be maintained as part of GCF replenishment efforts.

Multiple trust funds are already standard practice under the GEF (for the LDCF and the SCCF) and the Climate Investment Funds (for the Clean Technology Fund and the Strategic Climate Fund respectively).

A big dilemma of any structure for loss and damage finance is that while financial additionality is needed, and thus separate accounting necessary on the global level, in practice for projects on the ground the differentiation between adaptation and mitigation is a lot more fluid. The set-up with separate GCF Trust Funds for mitigation/adaptation and loss and damage could actually strengthen a bottom-up/country-owned determination on where a country in its own specific context determines adaptation to end and loss and damage to begin. For example, it is conceivable that under a project/programme proposal coming to the GCF Board by an GCF-accredited implementing entity given the green light through a no-objection letter by the country's NDA, specific project/programme segments and related costs could be attributed to either adaptation or loss and damage with the related finance disbursement coming from the respective GCF Trust Fund. As countries are encouraged to elaborate country programmes for their engagement with the GCF, such programmes likewise could separate out adaptation and loss and damage funding priorities and needs.

Separating out loss and damage financing from adaptation financing in the GCF could go even further. For example, following the model of the CIFs, the two different GCF Trust Funds, one for mitigation and adaptation (GCFTF) and a new one for loss and damage (GCF loss and damage TF), could also conceivably have differing governance structures and policies, such as the Clean Technology Fund and the Strategic Climate Fund have. Thus, the decision-making body for the Loss and Damage Trust Fund could be an entirely separate Board, or the same GCF Board but with additional developing country members for a more equitable Board composition (which could include for example stronger representation for SIDS and LDCs). The COP could specifically task the WIM to provide additional oversight and give targeted policy guidance to the Loss and Damage Trust Fund (with the COP to give overall broader guidance to the GCF).

Adaptation Fund (AF)

As a fund under the UNFCCC exclusively focused on supporting concrete micro-scale projects/programmes of less than USD10 million each with full-cost grant financing, the AF does neither have the capacity for scale nor the multi-purpose approach needed for comprehensive loss and damage solutions. However, its smaller size can also be a plus for more nimble action. And the AF's role in pioneering direct access, its strong capacity building support for national implementing entities and thus its contribution to changing the implementation structure of climate finance toward more country-ownership long term, as well as best practice equitable Board representation with a majority of seats for developing country Board members and dedicated seats for LDCs and SIDS (countries most relevant for concrete and urgent loss and damage action), give it the strong support and trust of and legitimacy with developing countries. Many would like to see a bigger role and secure funding future for the AF in the global climate finance architecture.

In a future financing structure for loss and damage, the AF could for example realize such a role in a division of labor with the GCF, in which it could take on the role of a financial intermediary for GCF-channelled funding for loss and damage for specific micro-scale, community-focused interventions with full-cost grant financing. The Adaptation Fund Board (AFB) could make a decision to formally apply for accreditation with the GCF or authorize its Secretariat to negotiate a memorandum-of-understanding with the GCF. The Adaptation Fund Board over the past years already discussed those possibilities as a way to secure the future of the AF in light of its uncertain resource mobilization options (AFB 2015).

For the AF to be able to fulfill such a role under a possible loss and damage financing structure under the UNFCCC, efforts to bring the AF formally under the Paris Agreement as an operating entity of its financial mechanism would have to be finalized. At COP 22 in Marrakesh, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) approved a process to move this work forward.⁷⁹

⁷⁹ <http://unfccc.int/resource/docs/2016/cma1/eng/03a01.pdf>.

New Loss and Damage Fund

One of the main advantages for creating a new mechanism under the UNFCCC for loss and damage finance would be to separate out financing for loss and damage from existing funding streams for adaptation under the UNFCCC and globally, and also to provide a clear differentiation from existing development and humanitarian funding mechanisms.

However, as demonstrated above, the issue of separating out loss and damage finance for the purpose of indicating its additionality to adaptation financing could also be addressed to varying extent by creating a specific loss and damage trust fund for example under the GCF and a focus on mobilizing new and additional dedicated resourcing for such a trust fund from innovative/alternative financing sources.

Likewise, the distinctness from and additionality to development/humanitarian funding could be largely achieved through ensuring that such a trust fund is created, that it channels the majority of multilateral financing devoted to loss and damage and that its resources are programmed under UNFCCC COP mandate and guidance.

Thus, given that those main advantages for creating a new mechanism could be largely achieved through other means, and realizing how difficult (politically and logistically) it would be to set up another international fund with the support and buy-in of all parties under the UNFCCC, the case for establishing a new fund is not exceedingly strong. The design, set-up and full operationalization of a new multilateral climate fund takes time, not to mention how long it takes to get to actual disbursements even after projects and programmes have been approved. The GCF, created with a COP decision in Cancun in 2010 and approving its first projects only five years later in November 2015 with very little disbursement of the USD2.2 billion approved so far, is the latest example, but it is by no means the only one. The CIFs, created in 2008, also continue to show sluggishness in disbursement. Of the total USD1.8 billion approved under the PPCR, by mid-2016 only roughly 10% has been disbursed so far.⁸⁰

Multilateral Development Banks (MDBs) and Bilateral Development Finance Institutions (DFIs)

As demonstrated above, multilateral funding channeled primarily through multilateral development banks (MDBs) has been the channel for development finance in support of adaptation and climate resilience actions that developed countries have preferred. Given the governance structure of the MDBs which reflect donor inputs in voting weight, developed countries donors in the MDBs have more control over spending decisions than recipient developing countries and often preference their priorities over developing country priorities by making the provision of funds dependent upon conditions being met. This very often can come at the detriment of developing country needs with negative impacts for their populations – for example, it is illustrative that so little humanitarian financing is spent reducing risk from disasters, which would save money and suffering in developing countries long-term. The reality of donor dominance in decision-making, as well as the normative context of charity vs. climate justice finance provision make MDBs inappropriate as primary channels of loss and damage.

Nevertheless, it is quite obvious that within development finance delivery through MDBs there might be significant components relevant to addressing loss and damage. Thus, it becomes even more important to have a guiding framework provided by the UNFCCC on what constituted loss and damage finance and with principles and criteria (and possibly an expanding positive list shaped by learning experiencing with recipient country ownership as a key determining factor).

Close collaboration of MDBs with UNFCCC funds is also advisable, including with a particular emphasis on their role as accredited multilateral implementing entities for the GCF the GEF and the AF. Indeed, MDBs

⁸⁰ See the CIF Disbursement Report from December 2016; available at: https://www-cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/fip_17_inf_5_cif_disbursement_report.pdf

are probably best suited to serve an emerging financing structure for loss and damage as **implementers for UNFCCC funds, not as decision-makers.**

The same argument should also be made for bilateral development finance institutions (DFIs) organized in the IDFC, a number of which are already accredited as implementing entities under the GCF. Developed country DFIs in particular without such an implementing role under the GCF, given the reticence of many developed countries to move Loss and Damage finance forward, might otherwise not have a prominent role in the international financing structure for loss and damage.

Summary of options for an international funding mechanism for loss and damage

Table: Summary assessment of options for an international funding mechanism for loss and damage finance*

	GEF with LDCF/SCCF	GCF	Adaptation Fund	New Loss and Damage Fund	MDBs	Bilateral/ regional DFIs
Fully operational?	YES	YES	YES	NO	YES	YES
Under UNFCCC/ Paris Agreement	YES, operating entity of the financial mechanism of the UNFCCC/ Paris Agreement; accountable to and functions under the guidance of the COP	YES, operating entity of the financial mechanism of the UNFCCC/ Paris Agreement; accountable to and functions under the guidance of the COP	YES, established under UNFCCC Kyoto Protocol; accountable to CMP; might serve under the financial mechanism of the Paris Agreement	UNCLEAR, but should be established as an operating entity of the financial mechanism of the UNFCCC/ Paris Agreement	NO	NO
Eligibility	All developing countries and economies in transition that are UNFCCC Parties (to varying degrees)	All developing country Parties to the UNFCCC	All developing country Parties to the Kyoto Protocol	UNCLEAR- should be all developing country Parties to the UNFCCC	Developing countries according to differing eligibility criteria	Determined solely by donor country
CBD/RRRC applied?	YES	YES	YES	YES	NO	NO
Governance/ Independence/ Board	Independently operating institution/ GEF Council with reps. of 32 constituencies (14 developed, 16 developing, 2 transition countries)	Independent international institution/ 24-member Board with equal representation developed/developing countries (including seats for LDCs and SIDS);	Own legal capacity/ Board with 16 members and equitable representation (majority developing countries, including LDCs and SIDS seats)	UNCLEAR – should be independent international fund and have ideally equitable (majority developing country) representation on Board/Governing Council	Independent financial institutions/ seats on MDB Boards reflect financial inputs as voting shares	Often not clear or transparently disclosed; determined by donor country
Trust Fund Management	Experience with operating multiple trust funds; trustee: World Bank	Currently only one trust fund; interim trustee: World Bank	Currently only one trust fund; trustee: World Bank	UNCLEAR – ideally with the capacity to operate multiple trust funds	Experience with multiple trust funds	UNCLEAR
Access Modalities	Primarily multilateral access; started direct access pilot approach	Multilateral and direct access; with enhanced direct access pilot; simplified access mandate	Pioneered direct access approach; uses also multilateral access	UNCLEAR – should prioritize (enhanced) direct access approach	NO direct access, financing only through MDBs	NO direct access, financing only through DFIs
Implementing Partners	18 partner agencies (with 5 direct access entities)	48 accredited entities (14 NIEs, 9 RIEs; 25 MIEs), including 6 private sector entities	42 accredited entities (24 NIEs, 6 RIEs, 12 MIEs)	UNCLEAR – should prioritize NIEs	MDBs implement themselves	Implement themselves or through own country aid agencies
Financial Instruments used	Largely grants; with small non-grant pilot programme	Grants, loans, equity, guarantees	Grants	UNCLEAR – potentially multiple with preference for grant financing	Multiple, includes grants, loans, equity and guarantees; some issue bonds	Multiple, primarily grants and loans, some equity and guarantees
Full cost/incremental cost financing	Agreed incremental cost financing only	Agreed full and agreed incremental cost financing, including grant financing	Agreed full cost financing	UNCLEAR – should include full cost grant financing option	UNCLEAR	UNCLEAR
Project/ programme size	Micro to small (up to USD 50 mio)	Micro to large (> USD 250 mio)	Micro (up to USD 10 mio)	Micro to large (> USD 250 mio)	Micro to large (> USD 250 mio)	Micro to large (> USD 250 mio)
Form of financial inputs accepted	Public country contributions (developed and developing) via regular replenishments	Public country contributions (developed and developing); also variety of other sources, public and private, including alternative sources	Public government and private contributions; also 2 percent share of proceeds of CDM	UNCLEAR – should prioritize inputs from innovative/ alternative sources	Public country contributions (developed and developing)	Public host country(ies) contributions
Private sector engagement	Small pilot program of direct financial engagement	Separate Private Sector Facility (PSF); pilot approach to mobilizing private sector financing at scale; private equity funds and commercial banks accredited as MIEs and NIEs	No direct engagement of the private sector	UNCLEAR – should have the ability to engage the private sector in various forms	All MDBs engage private sector, some through separate private sector arms	Varies

Source: Authors

*information current as of May 2017

Relevant other issues in need of further exploration

It is without a doubt, that there is an urgent need for massive loss and damage finance. Thus, the first priority in any efforts to move international loss and damage finance forward has to be for UNFCCC parties to focus on getting enough funds flowing through the right institutions and to developing countries as simplified and directly as possible (a view we share with Ciplet, Roberts and Kahn 2013). This means that relevant other issues, such as those discussed below, deserve further analytic exploration and broader expert attention, but should not in any way distract from, or delay, efforts to raise and urgently begin to provide significant amounts of funds for loss and damage.

In this paper, we begin by outlining some of these relevant questions and by providing some first attempts to describe basic considerations, challenges and potential approaches to address these issues. We welcome future contributions on these, and other, relevant issue areas.

Who should receive international finance for loss and damage and how should it be allocated?

While loss and damage due to climate change will occur all over the world and affect – to varying degrees – both developed and developing countries, it has to be clearly stated that as part of the financing obligation under the UNFCCC and under the concept of climate justice, international finance for loss and damage should be reserved for developing countries to address a historic climate debt. Such an approach does not equate with a failure to acknowledge that developed countries will also incur potential high costs for loss and damage, but instead is a recognition of their responsibility and capability to fund themselves in line with the Convention's principle of CBD/RRRC.

Channeling the majority of loss and damage finance through existing UNFCCC funds (or designing a new fund based on them and under the UNFCCC), and adopting the current approach used by UNFCCC funds, with attention paid to ensure that administrative is not excessive, offers a way forward on ensuring loss and damage finance reaches the most vulnerable.

Although loss and damage finance as owed to developing countries by developed countries is universally supported by developing countries, less clear, and more controversial is the question if a differentiation among country recipients of international loss and damage finance is needed and if so to what differing degrees.

Often the concept of a differing vulnerability among developing countries to climate change and its impacts and thus already experienced or future loss and damage is used to try such a differentiation. Ciplet, Roberts, Khan (2013) describe the concept of vulnerability as “an analytical tool for describing states of susceptibility to harm, powerlessness, and marginality of both physical and social systems, and for guiding normative analysis of actions to enhance well-being through reduction of risk.” Not surprisingly, as Moore (2012) observes, “characterizing and ranking vulnerability has become highly contentious

Nevertheless, different UNFCCC documents and decisions over the years have used the phrase “particularly vulnerable” to describe a subset of developing countries in different contexts in various combinations: the least developed countries (LDCs); small island developing states (SIDS); countries in Africa affected by drought, desertification, or flood; developing countries with fragile mountain ecosystems; and countries with low-lying coastal, arid or semi-arid areas (Moore 2012).

Given the lack of a clear definition of what constitutes different levels of vulnerability to climate change in different countries or country groups, allocating funding based on the assessment of the recipient country's vulnerability is a process fraught with tension and ambiguity. All the same existing climate funding mechanisms, including funds under the UNFCCC, use the concept of vulnerability already in making adaptation funding decisions, thus possibly foreshadowing a first attempt at replicating a similar approach for loss and damage finance provision.

The creation of the LDCF under the GEF is possibly the clearest example of an explicit acknowledgement translated into finance delivery that in matters of adaptation financing the needs of least developed countries are distinct from other countries and in need of prioritized attention. NAPAs funded under the LDCF are meant to address LDCs most urgent adaptation needs.

Likewise, the Adaptation Fund pays attention to a country's vulnerability when making funding decisions. The AF's prioritization formula for selecting projects and programmes includes the level of vulnerability, the level of urgency and risks arising from delay, and ensuring access to the Fund in a balanced and equitable manner, among others. In addition, the Adaptation Fund Board considered three protocols for fund distribution among eligible Parties: a cap per eligible country; an allocation per region; and criteria to prioritize among specific eligible projects. While the attributes in the AF frameworks are theoretically sound, they lack clear criteria. Such metrics thus prove difficult to quantify and assess, and unavoidably allow for much discretion or interpretation in prioritization.

The Green Climate Fund (GCF) likewise uses 'vulnerability' in its funding allocation process following the mandate of the GCF governing instrument in para.52, which states: "In allocating resources for adaptation, the Board will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS, and African States, using minimum allocation floors for these countries as appropriate."⁸¹ The Board in 2014 then approved an initial allocation framework for GCF resources with decision B.06/06 that mandated the Fund "to aim for a floor of fifty per cent of the adaptation allocation for particularly vulnerable countries, including least developed countries (LDCs), small island developing States (SIDS) and African States."⁸²

In addition to recognizing differentiated developing country vulnerability in its portfolio targets, the GCF in its initial investment guidelines also identifies the 'Needs of the recipient' as one of six investment criteria that guide the Board's decision-making in approving projects and projects. To determine whether this criteria is fulfilled, the GCF looks at both the vulnerability and financing needs of the beneficiary country but also at the vulnerability of specific societal groups and gender aspects, the economic and social development level of the country and the affected population, the absence of alternative sources of financing, and the need for strengthening institutions and implementation capacity as key decision-making determinants.⁸³

The example of various UNFCCC climate funds already applying the context of vulnerability to guide financing decisions and differentiate between recipient countries highlights two important factors: a) under the UNFCCC, adaptation financing practice sees it as permissible to differentiate between developing country recipients on the basis of vulnerability as in line with CBD RRC; and b) an acknowledgment of a country's vulnerability cannot stop at determining the country's status vis-à-vis other developing countries internationally, but must also look intra-country and acknowledge and ensure that financial flows provide benefits to the most vulnerable populations groups within those countries, such as women or Indigenous Peoples, as a matter of urgency and principle.

As the analysis of the global climate finance architecture and existing funding mechanisms in support of adaptation in an earlier section of this paper has shown, the majority of climate-related public funding support continues to be provided through MDBs and bilateral DFIs in an 'good Samaritan'/aid framing versus a restitutive framing under financing obligations related to CBD RRC. Especially bilateral aid delivery

⁸¹ GCF Governing Instrument; available at:

https://www.greenclimate.fund/documents/20182/574763/Governing_Instrument.pdf/caa6ce45-cd54-4ab0-9e37-fb637a9c6235.

⁸² GCF Decision B.06/06; available at: http://www.greenclimate.fund/documents/20182/24940/GCF_B.06_18_-Decisions_of_the_Board_-_Sixth_Meeting_of_the_Board_19-21_February_2014.pdf/0ba2fbf2-9cbe-41e1-83a6-c5d5662fb463;

p.6.

⁸³ GCF Decision B.07/06; available at: http://www.greenclimate.fund/documents/20182/24943/GCF_B.07_11_-Decisions_of_the_Board_-_Seventh_Meeting_of_the_Board_18-21_May_2014.pdf/73c63432-2cb1-4210-9bdd-454b52b2846b, pp.65f.

is far less likely to meet the needs of developing countries, and to be aimed at long term risk reduction. Additionally, richer developing countries and those that fit criteria favoured by developed countries (sometimes called the ‘donor country darlings’) receive preferential access to international finance. It is largely the richer developing countries who receive disaster risk reduction funds. And countries which are at high risk of drought are likely to miss out, with finance going preferentially to those facing extreme weather events (Kellett and Caravani 2013).

While multilateral funding institutions set up under the UNFCCC are doing better than other channels of finance for prioritizing long term needs of developing countries, they are far from perfect, with criticism for example regarding too long funding cycles, excessive paperwork and requirements, too little direct access and ‘micro-scrutiny’ that stands in the way of funds flowing speedily (Huq 2016).

Thus, it seems that channeling the majority of loss and damage finance through existing UNFCCC funds (or designing a new fund based on them and under the auspices of the UNFCCC), and adopting the current approach used by UNFCCC funds, with attention paid to ensure that excessive administrative doesn’t unfairly burden the vulnerable, offers a way forward on loss and damage finance.

What key principles should guide international loss and damage finance?

If other areas of finance are an indication, some loss and damage finance will be provided bilaterally as well as via various multilateral organizations, ideally with the majority channeled through climate funds under the UNFCCC. In order to ensure appropriate governance standards are applied to all loss and damage finance provided, an overarching set of principles should be agreed.

Ballesteros et al (2010), Schalatek (2011), Climate Funds Update (CFU/CFF1 2016) and others have elaborated over the past several years general normative principles that should guide (public) climate finance provision and climate finance institutions. The table below is an attempt by Climate Funds Update (CFU/CFF1 2016) to collect a composite parts of such a normative framework based on key principles and criteria. It can serve as the starting point for a discussion on what governance standards, norms and principles should apply to international loss and damage finance with respect to its generation, administration and the governance of relevant funding instruments, as well as its delivery to and implementation in recipient countries.

Delivery phase	Principle	Criteria
Fund Mobilisation	Transparency and Accountability	Financial contributions by individual countries and international organisations and agencies as well as their composition and sources are disclosed publicly and in a timely manner
	The Polluter Pays	Financial contributions are relative to the quantity of historic and current emissions produced
	Respective Capability	Financial contributions are correlated with (existing) national wealth and the right to (future) sustainable development and universally accepted minimum living standards for citizens
	Additionality	Funds provided are more than existing national ODA commitments and are not counted towards fulfilment of existing national ODA commitments
	Adequacy and Precaution	Amount of funding is sufficient to deal with the task of maintaining global temperature rise well below 2 Degrees Centigrade and pursuing effort to limit temperature increase to 1.5 Degrees Centigrade
	Predictability	Funding is known and secure over a multi-year, medium-term funding cycle
Fund Administration and Governance	Transparency and Accountability	Availability of publicly available comprehensive, accurate and timely information on a mechanism's funding structure, its financial data, the structure of its board and contact information for its board members, a description of its decision making process, project preparation documents, the actual funding decisions and disbursements made, the implementation results achieved, and the existence of a redress mechanism or process
	Equitable Representation	Representation of a diverse group of stakeholders on the Board of a fund or funding mechanism in addition to contributing and recipient countries; countries' Board seats are not dependent on financial contributions
Fund Disbursement and Implementation	Transparency and Accountability	Disclosure of funding decisions according to publicly disclosed funding criteria and guidelines and the disbursements made; duty to monitor and evaluate implementation of funding; existence of a redress mechanism or process
	Subsidiarity and National/Local Ownership	Funding decisions to be made at the lowest possible and appropriate political and institutional level
	Precaution and Timeliness	Absence of scientific certainty should not delay swift disbursement of funding when required
	Appropriateness	The financing instruments used should not impose an additional burden or injustice on the recipient country
	Do No Harm	Climate finance investment decisions should not imperil long-term sustainable development objectives of a country or violate basic human rights
	Direct Access and Vulnerability Focus	Financing, technology and capacity building to be made available to the most vulnerable countries internationally and population groups within countries as directly as possible (eliminating multilateral intermediary agencies where not needed and strengthening national institutional capacity)
	Gender Equality	Funding decisions and disbursement take into account the gender-differentiated capacities and needs of men and women through a dual gender-mainstreaming and women's empowerment focus

Source: CFU (2016), Climate Finance Fundamental 1: The Principles and Criteria of Public Climate Finance – A Normative Framework.

Without providing an exhaustive list, the following section provides, *inter alia*, some of the key principles that should guide loss and damage finance:

Polluter pays: The UNFCCC principle of common but differentiated responsibilities and respective capabilities, which recognises that nations have contributed and continue to contribute unevenly to climate change through historic and current emissions, applies a polluter pays approach to climate finance provision. Durand et al (2016) recount that some country actors in an attempt to make insurance solutions under loss and damage finance align with CBDRRRC **have suggested that polluters shoulder the development and operating costs of insurance approaches**. For example, a 2012 proposal by the Alliance of Small Island States proposal to the Ad Hoc Working Group on Long-term Cooperative Action suggested that contributions from developed countries fund insurance in countries that "lack the financial means to adapt to the adverse effects of climate change and the capacity to manage financial risks from the direct impacts of climate change" (Alliance of Small Island States, 2012). And there exists a proposal from the Climate Justice Programme and Heinrich Böll Stiftung (Richards and Boom 2014) for a global fossil fuel extraction levy (the Carbon Levy) to be paid into an international loss and damage mechanism. Other polluter pays sources of finance are listed in the *Potential Sources of Loss and Damage Finance* section of this report.

Predictability: international financing for loss and damage should be provided in a way that is not dependent upon donor/contributing countries' changing priorities and conditions in order for recipient countries to have planning security as well as to secure the sustainability of approaches and measures via long-term financing. Loss and damage finance generated from innovative financing sources such as levies or taxes provides such predictability in contrast to – in the absence of assessed contributions – voluntary payments by developed countries.

Additionality: loss and damage finance should be additional to ODA, as loss and damage support is not motivated by enhancing development, but is rather motivated to reacting to harm (loss and damage) caused by carbon emissions leading to climate change. Also, since it is distinct from adaptation and mitigation finance (as reflected by its separate status in the Paris Agreement), it should be provided on top of existing climate finance commitments, such as the USD 100 bn by 2020 long-term climate financing goal.

Precaution: The absence of indisputable scientific evidence or methodological clarity (for example with respect attribution to climate change) for what constitutes loss and damage should not delay the generation and disbursement of funding for interventions to address loss and damage.

Gender Equality and Human Rights-based Approach: There is no question that it is the poorest and most marginalized people who are experiencing loss and damage on the ground, irrespective of whether an extreme event or long-term impact can be attributed fully to climate change. Thus a rights-based approach to loss and damage finance provision is a moral imperative. While more detailed analysis on the specific human rights and gender equality dimensions of loss and damage finance is needed, there is significant experience with and related work on climate change, climate finance and adaptation interventions more broadly⁸⁴ to suggest that the fairness, effectiveness and sustainability of loss and damage interventions will depend on a gender- and human-rights-based framing (CFU/CFF10 2016; Johl/Lador 2012; GCCA/UNDP 2012). This includes both a 'do no harm' as well as a proactive component to design and implement loss and damage interventions in a way that not only avoids the violation of rights or discrimination, but instead focusing on the provision of measures in support of equality and the enjoyment of basic human rights (including right to food, adequate housing, decent outcome etc.).

Country/Local Ownership and Subsidiarity: loss and damage finance provision should be driven by recipient country and community needs, not donor/contributing country preferences to ensure true country ownership. Financing decisions should be made at the most local level possible, including by giving communities and affected people the possibility to participate in decision-making on interventions that meet their needs to ensure their successful implementation and sustainability.

Equitable/Direct Access for the Most Affected: Loss and damage financing should be directly accessible for all impacted countries, potentially with special provisions for those considered to be most vulnerable/affected, while safeguarding that within those countries finance will be prioritized to provide benefits directly to the most impacted, poorest and most marginalized population groups such as women or Indigenous Peoples. Ideally, impacted people should receive direct access to such resources in a gender-responsive way as well, for example through national/sub-national small grants approaches, the set up of community-managed funds, or direct subsidies.

Appropriateness: The financing instruments used to deliver loss and damage financing should not impose additional burden or injustice on the recipient (country/community or individuals). For example, the role of loans, which could increase debt burdens, in loss and damage financing must be questioned. Many observers have maintained that because of the restitution context of financing for loss and damage grants should be the primary instrument for public finance provision.

⁸⁴See for example the work of the Office of the UN High Commissioner on Human Rights (OHCHR) on climate change; available at: <http://www.ohchr.org/EN/Issues/HRAAndClimateChange/Pages/HRClimatChangeIndex.aspx>.

We recommend that Parties mandate the WIM ExCom to work with the SCF to generate a draft set of guiding principles for all loss and damage finance, regardless of source or channel. This work should not be onerous, but should build on the work outlined above.

How to deal with the attribution question?

Often, when talking about loss and damage, the question of attribution arises – do we need to assess whether a particularly devastating cyclone or drought was caused by climate change? Can the sea level rise be completely attributed to rising sea levels from climate change, or did subsidence from overuse of ground water play a role?

When considered at a global level, the footprint/fingerprint of climate change can be reasonably clearly distinguished. There are stronger storms due to climate change super heating the oceans and the atmosphere, and stronger storms drive more damage. Globally, this trend is easy to see. Climate change is driving more droughts, as hotter air is sucking more moisture from the ground, and causing rainfall to be erratic or non-existent. Globally sea levels are increasing, stealing land from communities and inundating low lying areas. All of these changes, and others, are having a global effect on the loss and damage from climate change. Hence, dealing with climate change loss and damage from a global perspective – with an international fund – makes more sense than dealing with it on a case by case basis.

A proportion of cost should be able to be attributed to loss and damage finance to allow for the likelihood that an event was made more likely by climate change, or that some of the cost could be attributed to, for instance, adaptation or development. This should primarily be country driven.

Attribution science (whether an event was made more likely by climate change), on a case by case basis, has improved dramatically in the last few years⁸⁵. However, there are likely to be some instances where it is not entirely clear if an event can be entirely attributed to climate change, or whether it was a combination of climate change and other factors. This should not be an obstacle to a vulnerable country or community receiving support for an extreme event. In such cases, an attribution percentage could be established and a proportion of the costs could be attributed to climate change loss and damage and hence funded internationally from loss and damage finance. Indexes (based, for instance on historical parameters) related to the severity or the rarity or the unavoidability of the event due to failures of adaptation could guide such approaches.

In even more cases it is likely that actions to deal with loss and damage from climate change will be tied up with actions to address other issues. For instance – introducing a social safety net would help the community deal with climate change loss and damage and is also likely to act as a development tool. Or, consider the case of the CCRIF which insures against hurricanes and earthquakes, the latter of which are unlikely to be caused by climate change while some of the former might occur regardless of climate change. Again, an attribution percentage could be considered a relevant approach, such that a percentage of the cost of the action that can be attributed to climate change is charged to international loss and damage finance, and the remainder paid by the government.

The developing country plays an important contributing role in assessing whether an event, or series of events goes beyond what can be considered "normal" and what is climate driven and beyond adaptation. Therefore, we recommend that in line with country ownership the country suffering the impact is given the opportunity to determine/judge whether an event falls within the category of loss and damage financial

⁸⁵ See for example: Hannah Parker, Rosalind Cornforth, Emily Boyd, Rachel James, Friederike Otto and Myles Allen. 2015. Implications of event attribution for loss and damage policy. *Weather* – September 2015, Vol. 70, No. 9.; F.C. Lott, N. Christidis, and P.A. Stott (2013) 'Can the 2011 East African drought be attributed to human-induced climate change?' *Geophysical Research Letters* 40, 1177–1181; K.E. Trenberth, J.T. Fasullo, and T.G. Shepherd (2015) 'Attribution of climate extreme events' *Nature Climate Change*, published online 22 June 2015.

support (wholly or in part). Such a country self-determination should complement more technical guidelines and approaches.

Of course, this is not to downplay the serious methodological challenges, let alone the political controversy, that undoubtedly will accompany such attribution efforts. Further conceptual work is needed regarding the feasibility and desirability of such approaches. We recommend engaging the scientific community and the policy community on such questions.

One thing is clear, however: even with a very conservative attribution of loss and damage costs to climate change, hundreds of billions or trillions of dollars will be needed each year to deal with the loss and damage costs that can be directly attributed to climate change. Therefore, while the attribution issue is a relevant one, there will be no universally acceptable attribution key any time soon, nor would it be useful to have such a rigid approach. The argument for the difficulty of dealing with the attribution question should not be used to slow progress to raise funds and establish an international financing mechanism for loss and damage. And any attempt to use it as such can be seen as a deliberate attempt to slow progress and thwart restitutive finance provision as part of climate justice.

How should loss and damage finance be reported?

To ensure that loss and damage finance is new and additional to existing funding streams, loss and damage response efforts should be officially defined and a separate accounting system should be established as finance begins to flow, allowing donors to designate funds as loss and damage-specific according to an internationally agreed conceptualization of loss and damage. Such a definition is explored in the first part of this paper. However many of the transparency-related problems that have been observed in reporting of adaptation finance in recent years are likely to apply to a loss and damage funding stream.

The Paris Agreement included high expectations for transparency for Parties, including in the provision of finance. These are specified in Articles 9 (finance) and 13 (transparency) (van Asselt, Weikmans and Roberts 2016). Countries are to report finance provided and received, though the expectations are far more flexible for Least Developed Countries and SIDS. The actual modalities for reporting climate finance are being negotiated and are due to conclude in time for them to be utilized in the 2018 review of progress.

Many different approaches are possible in accounting for climate finance, but employing modern information systems to track the delivery and use of the funds could create a step change in our understanding of what is happening and whether the finance provided works effectively. In the past few years, tabular-format tables have been provided to help make reporting of funding more uniform, but major gaps remain in transparency (AdaptationWatch 2015, 2016). In particular, donor nations often fail to make clear how much of their funding was provided to vulnerable countries, whether their funding was commensurate with their “fair share,” and how they plan to scale up finance in the future (AdaptationWatch 2016: p. 46). Perhaps more harmful to potential understanding of where climate finance is working versus failing is the lack of provision of project-level information and links to full documents detailing what tasks are being carried out with sums of funds.

Much could be done to improve the reporting of climate finance in general, and the inception of a loss and damage funding stream provides an opportunity to get the reporting right. In particular, an online tracking tool for climate finance could allow information from contributor countries to be combined with reporting from recipient nation governments, implementing agencies and NGOs, and community groups. Locals can be engaged to track the progress of projects designated as loss and damage funding, by providing time-, date-, and location-stamped photographs and descriptions of progress, as well as observations of facilitating efforts and obstacles. This is also part of the participatory monitoring by beneficiaries and affected communities that is key to ensuring that financing is effective, and serves equitable outcomes, including by being gender-responsive. Workshops to train local groups on the existence and use of information about projects in their communities will be crucial to making such a system work.

There should be openness and transparency in how much funding is being provided in what form and for what purpose and how it is being spent. As climate change impacts intensify in frequency and severity --

and, in the case of loss and damage, increasingly put people's culture and very existence in jeopardy -- it will become ever more important for governments to make clear what actions they are taking to combat climate change, support adaptation work, and fund efforts to address loss and damage. We are likely to face volatility as climate change impacts grow, and people who feel they have been left to suffer on their own, without any help from the international community or their own government, are likely to turn in desperation to violence or might be forced into migration, thereby creating further instability.

Next steps: Political process and implementation time line

As this paper lays out, there has been a lot of work done on loss and damage over the past five years to understand what loss and damage is, and how we might deal with it. However, how to finance loss and damage has been sorely neglected. In order to make up for lost time, we propose that the WIM ExCom should treat finance as a priority for the coming two years, dedicating as much time and resources to the finance workstream as to the other workstreams combined, and working with the Standing Committee on Finance, to ensure that by the time the Paris Agreement begins (in 2018) it is clear HOW finance for loss and damage will be provided and HOW MUCH finance will be available. **The WIM ExCom should set an overall objective for the strategic workstream on finance to enable the urgent generation of finance from predictable sources of at least USD50 billion per year by 2020, with plans to increase to at least USD200-300 billion per year by 2030, for loss and damage from climate change, over and above the finance provided for adaptation.**

The WIM ExCom should put in place the following desired results and activities to meet this objective.

Desired result 1: A classification and positive list of loss and damage activities eligible for funding

Activities:

The WIM (UNFCCC) Secretariat should draft a background note, drawing from previous WIM work which would compile a working definition of loss and damage, a draft set of classification criteria/questions and a (non-exhaustive) positive list of activities that may be considered loss and damage. In particular, the positive list should cover a comprehensive range of activities including slow onset events; go beyond the current emphasis on insurance and ensure that the needs of the most vulnerable are met.

The WIM ExCom should invite submissions on the background note and organise a two-day workshop in second half 2017, inviting participation from the SCF and interested Parties and observer organisations, with the objective of drafting a classification framework, or similar, to inform the 2017 report to COP.

COP23 should adopt a Decision inviting Parties and funding organisations such as the development banks to report on loss and damage finance separately to adaptation finance, while also requesting that the SCF account for loss and damage finance in its next biennial assessment of finance (2018). These reports should be informed by the outcomes of the WIM workshop mentioned in the paragraph above.

Desired result 2: Better understanding of the costs of loss and damage and the scale of finance required.

Activities:

The WIM should make an open call to the scientific community to submit papers on the scale of loss and damage finance, with a view to holding a special event to discuss them at COP23.

A series of regional workshops should be held ahead of COP23 to explore needs for various groups of countries, perhaps countries with low lying areas, those experiencing drought and desertification, those experiencing extreme events.

Ahead of COP 23, the WIM/UNFCCC Secretariat should produce a synthesis paper utilising output from above workshops, papers and any additional papers already available.

The WIM should host a special event in conjunction with COP23, inviting scientists to present their findings, and representatives from workshops to present outcomes

The WIM should use these findings to inform its plans to generate and disseminate finance for loss and damage.

Desired result 3: Agree a structure (institutional arrangements) to provide loss and damage financial support and a plan to implement it.

Activities:

Following from the SCF 2016 Forum, which focused on insurance, the WIM and the SCF should co-host a workshop, inviting the GCF, the AF, the LDCF and other interested bodies, Parties and observer organisations to discuss key issues in regards to institutional arrangements for loss and damage financial support. Questions such as whether and how existing institutions, such as the GCF, the AF or the GEF through the LDCF and SCCF could provide loss and damage finance and whether the WIM should establish its own loss and damage finance mechanism should be addressed.

This discussion should also consider needs and potential options for strengthening risk pooling and social protection financing mechanisms on different levels, including considering establishing a global reinsurance facility or similar, and ways in which this could be capitalised.

Following the workshop, the WIM and the SCF should establish a working group, incorporating relevant representatives, including civil society, to take forward discussions and craft recommendations on next steps for consideration and adoption by the COP.

These recommendations should include recommendations as to the institutional arrangements for loss and damage finance as well as also steps for implementing these institutional arrangements, with the objective of having institutional arrangements in place as early as possible, ideally already by 2019.

Once endorsed by the COP and the WIM, the working group referred to in the paragraphs above, should be given the mandate to establish the institutional arrangements for loss and damage finance, working with the relevant bodies.

Desired result 4: Establish a mechanism to generate loss and damage finance of at least USD50 billion per year by 2020, increasing to at least USD200-300 billion per year by 2030 from new sources of finance that are adequate, predictable and equitable.

Activities:

WIM ExCom 6th meeting in September/October 2017 should invite submissions from Parties, observers and other relevant organisations into potential sources of finance, including innovative/alternative sources of finance.

It should request the WIM/UNFCCC Secretariat to compile a resource paper, based on submissions received and previous work done in the area (including the High Level Panel on Alternative Sources of Finance) in time to inform a discussion at COP23;

It should host a full day discussion in conjunction with COP23, with a view to identifying: a number of potential alternative/innovative sources of finance capable of generating at least USD 50bn per year by 2020, with the amount increasing over time, as well as a set of future tasks to explore these sources and enable concrete plans to be put in place;

COP23 then should discuss and agree a pathway forward, perhaps by mandating the WIM ExCom and the SCF to undertake joint work, and/or by establishing a special group of experts;

In spring 2018, the WIM ExCom could host a workshop with Parties, relevant bodies (GCF, AF, GEF with LDCF and SCCF and others relevant), legislators and observers to agree a plan for putting in place the sources of finance identified at COP23, including responsibility for key tasks;

The task group identified in above to meet virtually and in person sufficient times to create detailed plans to present to COP24 for consideration and adoption;

Throughout 2019 the task group, and other relevant bodies to undertake actions (including, for instance, supporting national legislation) as required to allow for sources of finance to be in place by 2020, and to report on same at COP25.

Desired result 5: Agree principles to apply to loss and damage finance, regardless of source or channel.

Activities:

The WIM should open a call for submissions from Parties and Observers at its March 2017 meeting on principles that should apply to loss and damage finance, regardless of source or channel.

The WIM (UNFCCC) Secretariat should draft a note compiling submission inputs to inform the two day workshop of the WIM, to be held before or after the May 2017 intersessional (in conjunction with Objective 1: Creating a definition, or positive list, of loss and damage activities to fund). At this workshop the WIM, and other bodies, Parties and observers, should spend a half day discussing the principles with a view to concluding on a set of principles, and providing guidance to COP23.

COP23 should adopt a Decision noting the guidance on principles generated by the workshop referred to in the paragraph above.

Desired result 6: Agree accounting principles and modalities for loss and damage finance – for both providing and receiving organisations.

Activities:

The WIM should open a call for submissions from Parties and Observers on principles and modalities for accounting for loss and damage finance, regardless of source or channel. This accounting system should be at the project-level, requiring full information for each activity considered to address loss and damage in developing countries. The accounting system should be real-time, current on funded activities and forward-looking to upcoming funding. The system should be online and user-friendly, and allow input from recipient governments and civil society. Draft text and a pilot accounting system should be developed in advance of COP23 in November, 2017.

Developed countries must ensure the UNFCCC Secretariat has the resources to support the intensive work necessary in this area.

List of Acronyms

ADB	Asian Development Bank
AF	Kyoto Protocol Adaptation Fund
AFB	Kyoto Protocol Adaptation Fund Board
AFD	Agence Française de Développement
AfDB	African Development Bank
AFEI	Adaptation Finance Accountability Initiative
AGF	High Level Advisory Group on Climate Financing
ARC	Africa Risk Capacity
ASAP	Adaptation for Smallholder Agriculture Programme
BOAD	Banque Ouest Africaine de Développement
CABEI	Central American Bank for Economic Integration
CAF	Development Bank of Latin America
CBDR	Common but differentiated responsibilities
CBDRRC	Common but differentiated responsibilities and respective capabilities
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CDM	Clean Development Mechanism
CFU	Climate Funds Update
CIF	Climate Investment Funds
COP	Conference of Parties of the UN Framework Convention on Climate Change
CPEIR	Climate Public Expenditures and Institutional Review
DBSA	Development Bank of Southern Africa
DECC	United Kingdom Department of Energy and Climate Change
DEFRA	United Kingdom Department for Environment, Food & Rural Affairs
DFI	Development Finance Institution
DFID	United Kingdom Department for International Development
DRR	Disaster Risk Reduction
EbA	Ecosystem-based Adaptation
EBRD	European Bank for Reconstruction and Development
EDA	Enhanced Direct Access
EDF	European Development Fund
EIB	European Investment Bank
Em-DAT	International Disasters Database
ETF	United Kingdom Environmental Transformation Fund
ExCom	Executive Committee of the Warsaw International Mechanism for Loss and Damage
FCO	United Kingdom Foreign and Commonwealth Office
FSF	Japan's Fast Start Finance
FTT	Financial Transaction Tax
GCCA	Global Climate Change Alliance
GCF	Green Climate Fund
GCFTF	Green Climate Fund Trust Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEF SGP	Global Environment Facility Small Grants Programme
GIZ	German Corporation for International Cooperation, <i>Gesellschaft für internationale Zusammenarbeit</i>
GLOF	Glacial Lake Outburst Flood
ICF	United Kingdom International Climate Fund
ICI	Germany's International Climate Initiative
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group
IDFC	International Development Finance Club

IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
JBIC	Japan Bank of International Cooperation
KDB	South Korean Development Bank
KfW	German Development Bank, <i>Kreditanstalt für Wiederaufbau</i>
KP	Kyoto Protocol
LDC(s)	Least Developed Country (Countries)
LDCF	Least Developed Countries Fund
MCII	Munich Climate Insurance Initiative
MDB(s)	Multilateral Development Bank(s)
MIE	Multilateral Implementing Entity
MOU	Memorandum of understanding
MRV	Measure, report, verify
NAP	National Adaptation Plan
NAPA	National Adaptation Programme of Action
NCF(s)	National Climate Fund(s)
NDA	National Designated Authority
NDC	National Determined Contribution
NGO	Non-governmental organisation
NIE	National Implementing Entity
NPIF	Nagoya Protocol Implementation Fund
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	OECD Development Assistance Committee
OOF	Other official flows
PPCR	Pilot Programme for Climate Resilience under the Climate Investment Funds
PSF	Green Climate Fund Private Sector Facility
RIE	Regional Implementing Entity
SBSTA	UNFCCC Subsidiary Body for Scientific and Technological Advice
SCCF	Special Climate Change Fund
SCF	UNFCCC Standing Committee on Finance
SDG(s)	Sustainable Development Goal(s)
SDR	Special Drawing Rights
SIDA	Swedish International Development Cooperation Agency
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WBG	World Bank Group
WIM	Warsaw International Mechanism for Loss and Damage

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