



Wilton Park



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Report

Loss and damage: how transformational?

Tuesday 21 March 2023 | WP3213



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This meeting was held in partnership with the Transformational Change Learning Partnership hosted by the Climate Investment Funds (CIF)

Background

The climate crisis—and its impact—is a defining issue of our time. It continues to threaten societies globally and its economic, social, and environmental impacts are a challenge for us all. The world demands a collaborative, coordinated, multilateral response that is inclusive to those countries on the frontline of climate change. The United Nations Climate Change Conference COP27 facilitated a breakthrough agreement to provide “loss and damage” funding for vulnerable countries hit hard by climate disasters they cannot avoid or adapt to. The fund aims to help governments rebuild vital infrastructure and provide social protection to help communities bridge crises and avoid the poverty spiral after climate disasters.

As mitigation efforts fall short of limiting average global temperature rise to 1.5°C, and the investments in adaptation fail to prepare societies for the resulting disaster, loss and damage is an inevitable progression within climate investment funding. The burning question is whether the proposed measures will address the underlying systemic issues at the speed and scale required for rehabilitation, recovery, and innovation in vulnerable countries. In partnership with the Climate Investment Funds (CIF) this Wilton Park dialogue discussed how transformational the loss and damage agenda is, specifically whether loss and damage has paved the way for more sustainable development where no one is left behind; and what more can be done.

Key points

- Communities around the world are already experiencing catastrophic impacts due to rising temperatures. There is an urgent need to both respond to existing disasters and prepare for the likely impacts caused by further warming. Within the next year, the international community (led by the Transitional Committee) must clearly define what is meant by loss and damage (economic vs noneconomic, rapid vs slow onset events) and where it fits along the adaptation, mitigation, disaster risk management (DRM) continuum.
- Transformational change requires a “re-perception” to shift from a political economy that emphasizes profit maximization, exploitation, and individualism to one that recognizes the interconnectivity of all people to each other and the environment. This re-perception will help identify opportunities for transformative changes to key systems.
- Building on the momentum from COP27, advancing the loss and damage agenda requires continued solidarity among stakeholders—emphasising climate change is a global problem that requires global solidarity rather than dividing countries into polluters vs victims.

- Local communities on the frontlines of the climate crisis—those who already have experience responding to climate impacts—have valuable knowledge and should be empowered and engaged in defining project needs and designing interventions that address their specific needs.
- The international development community plays an important role in incentivising topical integration and local level engagement by national governments. By prioritizing projects and interventions that are designed by or in coordination with local communities, the international community can help advance systemic change.
- Loss and damage discussions will need to happen both within and beyond the United Nations Framework Convention on Climate Change (UNFCCC).

How transformational COP27 was on loss and damage

1. The agreement at COP27 was a breakthrough and a continuation of progress from the Santiago Network and the Glasgow Dialogue on finance, to financing for loss and damage. The positive development is that the international community now has a bucket to address loss and damage. The goal now is to fill the bucket and make it available to vulnerable countries. The Transitional Committee has just been formed and is tasked with coming up with answers to myriad questions such as whether the fund will be one fund or multiple; where the money could come from; who would be eligible to receive funds; and who would manage the fund(s). The Committee will meet three times before COP28 and in that time, it must move the discussion forward and urgently demonstrate support to the victims of climate change, who need the money today—not tomorrow or years from now.
2. The international community has entered the era of loss and damage in climate change and thus must reframe the language used. By reducing emissions, countries avert loss and damage rather than mitigating the warming that would have occurred. Countries minimize loss and damage when they are better adapted to changes that will occur. When impacts are being felt in real time, countries have crossed the threshold where mitigation and adaption are not enough and have moved into the reality of addressing loss and damage.
3. Solidarity across levels and sectors led to the success of the loss and damage agenda at COP27, including political solidarity among the G77 and China, and among civil society organizations (CSOs) around the world who came together to maintain pressure on the parties. The paradigm shift was the view that—rather than pitting polluters against victims—climate change is a global problem that requires global solidarity and action. It is necessary to build on that momentum of solidarity in order to advance the loss and damage agenda.
4. Bangladesh has been on a transformational journey with respect to climate change. 20 years ago, its geography, population, and vulnerability to floods made Bangladesh one of the most vulnerable countries in the world. Today, 8 percent of the country's budget goes towards tackling climate change, including measures implemented by more than 20 government ministries. How can the international community think about loss and damage in a way that incentivizes such efforts by countries who invest their own national funds into resilience activities? One such precedent is the collection of contingent disaster risk financing instruments deployed in the South Pacific through the Asian Development Bank (ADB), which have quick disbursements and require recipient governments to demonstrate certain actions (e.g., building resilience or proactive risk management). Unfortunately, the increasing frequency of disasters makes it difficult to use these instruments.

5. The meaning of loss and damage differs from place to place, even regionally. There are economic (e.g., loss of jobs) and noneconomic factors (e.g., loss of culture or cultural links), rapid onset and slow onset events, etc. How should the international community measure displacement, for example? How can the international community ensure safe labour mobility pathways for displaced persons and migrants? Not everything can be solved with money and the UNFCCC will need to address these different meanings to ensure funds are accessible for vulnerable countries.
6. When designing loss and damage responses, the international community must challenge the tendency in multilateral institutions to only fund initiatives at the national level and instead work to empower more local-level solutions.
7. When the multilateral development banks (MDBs) invest in one area, sacrifices are made in another area due to limited development and climate finance resources. Thus, it is important to consider how to integrate loss and damage into existing priorities like the Sustainable Development Goals (SDGs).

How to make the loss and damage agenda more transformational

8. The Transitional Committee must address several questions to make the loss and damage fund truly transformational. Will the mechanism integrate climate risk across all levels at all scales within an economy? What is the transformation timescale? Will the mechanism require cohesion, coordination, and collaboration across various institutions (e.g., a mosaic of funding arrangements) at the local, regional, national, and international levels? Will this entail complete reform in global financial systems? Where does the continuation between loss and damage and adaptation end? Which are the financial institutions that come into play (e.g., humanitarian systems, post-event response systems, adaptation financing systems currently operating in silos), how do they relate to each other, and when do they kick in?
9. In current geopolitics, the UNFCCC is the only place where smaller countries feel they are being heard and where the developing countries feel that they can push the agenda. Given the urgent need for radical and rapid transformation, it is imperative to consider how to achieve this both within and outside the UNFCCC process. Targeting other forums and negotiations is critical to include the voices of those on the frontlines of climate change.
10. The international community has been trying to solve a systemic problem with a neoliberal and individualistic political economy. When talking about a diverse, interdependent world, the economic, political, and legal systems need to change to move from systemic inertia to actively fixing the markets and solving problems for current and future generations. Acknowledging that all human beings are interdependent with each other, and the environment allows for more creative, agile, flexible thinking across sectors. To achieve this, the international community must seek out holistic Indigenous knowledge, break free from neoliberal and individualistic approaches, move beyond prioritization of gross domestic product (GDP) as a metric for development, and shift toward relational well-being. Defining a goal that is more equitable and sustainable creates opportunities to identify key systems (e.g., education, financial architecture, etc.) that can be transformed rapidly.
11. The only way to truly be transformative is to fix the deep systems that led to the climate crisis rather than merely addressing the surface level affects. The deep systems also interact with each other, creating complex challenges—this is an area for further exploration. Both disruption and transformation start with re-perception—shifting the perception to one that recognizes that each person plays a role in the climate crisis. Once this re-perception happens, transformation can take place.

Taking the loss and damage agenda forward

12. Loss and damage are consequences of our inaction regarding resilience and mitigation. It is important to define what loss and damage entails and how it fits into the adaptation, resilience, mitigation, and DRM continuum. Some of the solutions to minimize and mitigate loss and damage overlap with resilience and DRM activities and solutions (e.g., early warning systems (EWS), preparedness, risk insurance, resilience of communities, livelihoods). Since there is overlap of solutions and climate change funding is insufficient to address adaptation, mitigation, and loss and damage, integrating efforts to a certain degree could allow the international community to tap into existing pools of finance and make the case for additional funds when the link is less clear between loss and damage on one hand and adaptation and resilience on the other hand (such as non-economic losses). How can the financial system enable more integrated financing across different crises and topics? Financial systems need to have more downward accountability towards the people receiving the resources. There should also be clear agreement in advance regarding requirements for funds to be released.
13. The development agenda of a country government is often driven by the impetus of the government's relationship with the international development community. To achieve systemic change, the international development community, particularly the international financial institutions (IFIs), play a significant role in driving the necessary re-perception to prevent siloed planning and dichotomisation of political, social, environmental, and economic initiatives. Specifically, the IFIs and large donors can align their own reporting frameworks to encourage participatory appraisal and planning; prioritize projects and interventions that are designed by or in coordination with local communities; and encourage national governments to filter up information about impacts being felt on the frontlines.
14. Creativity comes from an urgent need to solve a problem, which underscores the importance of connecting to grassroots organizations and the most vulnerable communities to hear what they want or need and what they are thinking and/or learning. People at the forefront of climate crises should be just as powerful as people who own the resources, so it is necessary to rethink roles so those on the frontline have decision-making leverage, easy access to finance, and a say in how the financial mechanism is designed. Increased funding for community resilience and capacity-building to support financial independence can help to create localized financing for projects.
15. The loss and damage fund will need to operate in ways that are closely linked to the UNFCCC and in ways that are sometimes independent from this structure. How this is accomplished from a governance and administrative perspective will require careful thought. A number of resources have been channelled by developing countries to initiate movement on the Just Energy Transition Partnerships (JETPs) and other initiatives of the G7. Putting loss and damage on the agenda of forums like the G7 or G20 would raise the profile of the topic. Platforms like these might be easier to engage and coordinate with, as opposed to the complexity of working within UNFCCC processes.
16. How the principles and practices of transformation are embedded in the structure, governance, and institutional arrangements of the fund to make it truly transformational in its impact requires that careful attention be given to power relations between the global north and global south. Given the urgency of loss and damage issues the structure will need to be built for efficiency and speed.

17. The way in which funding is sourced and then disbursed will be critical. It was suggested that in most instances project-based finance and loans may not be appropriate disbursement mechanisms and that substantial grants or other forms of disbursement will be required. This suggests that innovative approaches such as levies on aviation, shipping, and financial transactions may be required to unlock flexible sources of funding.
18. Monitoring, evaluation, and learning systems will play an important role in identifying what success looks like during unprecedented levels of change. Given the complexity of the challenge, quicker feedback loops will be necessary to support rapid action and learning. Rather than universal indicators, transparent and locally responsive signals or rubrics of success will be most useful.
19. Ultimately, the point is not to patch up the existing system but to create a better future. Instead of the unhelpful notion of reconstruction, the international community needs narratives and examples of a better future. To achieve this, it is necessary to address loss and damage created by current impacts and change the system before it is too late.

Final reflections

20. The agreement on loss and damage creates an opportunity for transformative or new thinking. In order to urgently address the needs of vulnerable countries, institutions must go beyond re-labelling existing work as loss and damage and address the deep systems that have led to the current climate crisis.
21. There are still many questions that must be addressed urgently to ensure a loss and damage mechanism supports rehabilitation, recovery, and innovation in vulnerable countries. Achieving that end requires continued global solidarity, a commitment to systemic change, and a willingness to elevate local needs and build upon the knowledge and expertise of frontline communities.

Next steps

22. The CIF, working with the Transformational Change Learning Partnership, will continue to develop insights and guidance on transformational climate finance, including considerations on how to address loss and damage, through a series of webinars and in-person workshops.
23. There will be an in-person meeting at Wilton Park in September that will explore further the relationship between transformational climate finance and just transitions.

Janelle J. Roberts, Mike Ward, Tim Larson, Nacibe Chemor and Eirini Pitta

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