

Breakout group 1:

What are the limitations of the existing financial instruments to address the risks of loss and damage and what could be other options/solutions, considering best practices around?

MAIN ISSUES DISCUSSED

➤ **Limitations of existing financial instruments to address risks for L&D**

- ✓ Lack of common understanding about how to characterize L&D, e.g. irreversible, permanent, etc.
- ✓ Access to available financial instruments
- ✓ Lack of data accessible, complete and adequate data
- ✓ No one financial tool is likely to be able to cover full cost of L&D → importance of optimal combination of instruments/approaches, noting complementarity of each tools
- ✓ Certain instruments were designed to cope with a 2 degree warmer world
- ✓ **insurance**: affordability, coverage, capacity to implement, sustainability, lack of policy and regulatory framework at the national level; not cover full risks
- ✓ **Contingency funding**: mostly loan-based; fiscal issues and long-term funding issue calls for structural discussion



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➤ Other options?

- ✓ Innovative and additional sources/revenue e.g. tax, fossil fuel subsidy reform, debt relief, capitalization of risk insurance schemes, esp for the most vulnerable
- ✓ National financial mechanism, policy and regulatory frameworks to better leverage other financial instrument
- ✓ Analysis of further assistance by multinationals, MDBs, financial sector
- ✓ Solidarity fund : national, multi-country, regional, international
- ✓ Mandate for the GCF to support L&D



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➤ **Good practices**

- ✓ learning lessons from existing initiatives e.g. humanitarian efforts
- ✓ Based in national context and necessities

➤ **Replicability**

- ✓ Climate finance strategies at the country level (Master plan, bundled approaches)
- ✓ Understanding risks at the most local level possible, considering the spectrum of dynamic of risk and iterative risk framework

