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UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D 53153 Bonn
Germany

UNDP SUBMISSION: Warsaw International Mechanism for Loss and Damage List of Financing Instruments, Tools and Mechanisms

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1. INTRODUCTION

In response to Executive Committee of the Warsaw International Mechanism for Loss and Damage call for submissions of information on financial tools and instruments that address the risk of loss and damage associated with the adverse effects of climate change, the UNDP has reviewed its global projects portfolio and identified a number of existing instruments that have been or are presently in use at various country projects.

In addition, this review summary also identifies some of the instruments that are presently under design as a result of demand from country level and building on successful interventions from UNDP's years of support to countries. Noting that measures to address Loss and Damage exist across UNDP's climate change, disaster risk reduction and recovery portfolio, this submission draws on experiences across these areas of programming. Further information on any of the examples included can be provided on request.

2. EXAMPLES OF UNDP PROGRAMMING OF FINANCIAL MECHANISMS APPLICABLE TO LOSS AND DAMAGE

UNDP's portfolio covers programming ranging from policy formulation at the national level down to specific sub-national and community based financing interventions in support of individual, all of which can inform financing mechanisms and tools applicable to loss and damage. The examples listed below mostly touch upon micro level interventions, but UNDP is able to provide macro level examples from its portfolio at the request of the committee.

i) Climate Change Adaptation "top up" performance based grant

Effective governance for small-scale rural infrastructure and disaster preparedness in a changing climate

Country: Laos (to be expanded to Cambodia and Tuvalu), funding from LDCF

District Development Fund (DDF) under the Ministry of Home Affairs provides public funding for the construction and the repairs of rural infrastructure that serve the rural communities. District climate vulnerability index (DVI) criterion have been introduced in the fund allocation formula for the districts. \$300,000 has already been channeled through the DDF and over 1.7million will be channeled in the remaining two years of project implementation. This will finance approximately 24 infrastructure units and will benefit over 20,000 people.



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Relevance for Loss and Damage: The “Top-up” for climate adaptation finance is being channeled through the DDF instrument to co-finance the infrastructure that complies with the climate resilience criteria introduced to the DDF funding guidelines. These include siting criteria to minimize exposure to the extreme events, choice of material, elevation and structural reinforcements for such types of infrastructure units as small connecting roads, bridges, flood gates, water collection reservoirs, and water supply and irrigation canals.

ii) Conditional Cash Transfers

Country: Bangladesh, covering 9 districts in Southern Bangladesh.

Conditional cash transfer scheme targeting 50,000 beneficiaries (40,000 women and 10,000 adolescent girls living under extreme poverty and current livelihoods impacted by climate change. Throughout an 18-month cycle (25,000 beneficiaries per cycle), conditional grants will be channeled to 20,000 women (US\$ 385 per woman /18-month cycle/US\$21 per month) and 5,000 adolescent girls (US\$ 325 per adolescent girl/18-month cycle/US\$18 per month). Conditional cash transfers will be supported by training on adaptation to climate impacts.

Relevance for Loss and Damage: Building increased resilience to climate impacts through strengthened livelihoods

iii) Weather index based flood risk insurance

Country: Georgia, funding from Adaptation Fund

Introducing Index-based flood risk insurance to Municipalities in the Rioni basin.

Index based flood risk insurance involving provision of flood insurance risk coverage for the individual households based on specific flood indexes and defined flood zones of municipalities. The recommendation to the Government of Georgia is to expand piloting of the scheme from originally planned three pilot districts to the entire Rioni river basin.

Relevance for Loss and Damage: The suggested scheme proposes a combination of a government subsidy and a reinsurance scheme, ensuring support for losses and damages due to climate related flooding

iv) Community based revolving fund

Country: Pakistan (coverage: 2 districts in Khyber Pakhtunkhwa and Gilgit Baltistan provinces), funding from Adaptation Fund

Glacial Lake Outburst Floods (GLOF I project), a community-based revolving fund was established with an initial endowment of Rs 1 million (2015 US\$ 9,800), which has since increased to Rs 2.7 million (2015 US\$ 26,600) through contributions by local communities and governments.

Relevance for Loss and Damage: The fund operates as an informal risk-sharing pool, supporting disaster response and preparedness activities within these communities, where other sources of risk insurance or credit are lacking, and relief from the central government is slow to reach. The fund only disburses payouts preceding or following an emergency, and is repaid over time by its enrollees.

Country: Pakistan, coverage: 12 districts in KP and GB provinces (Project under design, funding by Green Climate Fund)



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One of the most pertinent project activities involves scale-up of revolving community-based disaster risk management fund - \$ 50,000 USD per Community-based Disaster Risk Management Committee (CBDRMC). With GCF resources, a one-time endowment will be made to set the fund officially and increase the size at US\$ 50,000 for each disaster risk management cell, (total GCF Funding required for 24 DRM Cells is US \$1.2 Million) which is sufficient to cover climate and disaster risks based on GLOF-I project experience. Also, relevant stakeholders (i.e. micro-credit lenders, insurance companies, SMEs, Gov agencies, etc.) will be trained to improve coordination and delivery of the fund and DRM initiatives in GB and KP.

v) Micro Capital Grants

Addressing climate change risks to farming systems at national and community level.

Country: Turkmenistan

Direct small grants scheme operated by UNDP through the Micro Capital Grants to local farmer associations . Small grants are provided for resilient agricultural technologies and water saving/efficiency projects (greenhouses, wells, drip irrigation, etc.); beneficiaries co-finance through labor input or materials. A similar scheme is proposed in a new SCCF project in Turkmenistan addressing resilience of agricultural livelihoods with an additional element – small grants to local farmer associations will be released based on the local participatory adaptation plans developed with the communities.

Relevance for Loss and Damage: Financial mechanism builds increased resilience to climate impacts through strengthened livelihoods

3. PROSPECTIVE INSTRUMENTS TO BE DESIGNED AND ADOPTED IN FUTURE PROGRAMMING EFFORTS, RELEVANT FOR LOSS AND DAMAGE

To complement the above listed examples of instruments UNDP is exploring the use of new tools and instruments for establishing or enhancing climate adaptation, risk management planning and financing capacity at national level and the local level and for mid to large municipalities in particular. Lessons learned from these initiatives will be relevant for the Loss and Damage discussions.

i) Climate adaptation instruments

The first group of instruments is of a macro character and aims to facilitate application of a practical local development planning mechanism which would be suitable for mainstreaming of climate change adaptation into prioritized local investment programs and financing plans. Those would include: Multi-year capital investment programming tool, and Mid-term financial assessment and forecasting tools

From a climate change adaptation finance side the above tools are critical for eliminating barriers and unlocking new and innovative funding sources such as private sector finance through capital markets and debt financing instruments (loans, bonds) and a range of corresponding funding mechanisms, such as: Credit guarantees, Pooled financing, Local development and environmental funds, Equity investments and PPPs



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ii) Partnership with the insurance sector for risk reduction

Since 2015, UNDP has been engaging in the development of the Insurance Development Forum (IDF), a public/private partnership designed to optimize and extend the use of affordable insurance related mechanisms, companies and public institutions contribute to protecting vulnerable populations against shocks and natural hazards. By facilitating resilience and preparedness investments and providing financial security in the face of natural hazards, the IDF is meant to contribute to make development risk-informed and therefore sustainable.

The first official meeting of the IDF will take place on 13 April 2016 in the margins of the World Bank / IMF Spring meetings.