



## Report of the first workshop on addressing loss and damage in the context of decisions 2/CP.27 and 2/CMA.4

### I. Introduction and background

#### A. Mandate

1. Decisions 2/CP.27 and 2/CMA.4 requested the secretariat to conduct two workshops in 2023, with the participation of a diversity of institutions, relevant to addressing loss and damage associated with climate change impacts.<sup>1</sup> This request was made in the context of establishing:

(a) New funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage, including with a focus on addressing loss and damage by providing and assisting in mobilizing new and additional resources, and deciding that these new arrangements complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement;<sup>2</sup>

(b) A fund for responding to loss and damage whose mandate includes a focus on addressing loss and damage;<sup>3</sup>

(c) A Transitional Committee (TC) on the operationalization of the new funding arrangements for responding to loss and damage and the fund.

2. The terms of reference<sup>4</sup> for the TC stipulated that the TC will serve as a coordination mechanism that guides and oversees, as appropriate, the activities referred to in paragraph 7 of the decisions, which include the mandated workshops.

3. The TC held its 1<sup>st</sup> meeting from 27 to 29 March 2023, in Luxor, Egypt, during which the TC agreed upon its workplan.<sup>5</sup> This included provisional dates for meetings of the TC and related events, including the workshops. In the workplan, it was further decided that workshops would take place in a hybrid format.

### II. Proceedings

4. The first workshop took place in a hybrid format from 29 to 30 April 2023, with the in-person component taking place in Bonn.<sup>6</sup> More than 250 participants registered to attend the workshop, including Parties, accredited intergovernmental and non-governmental

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<sup>1</sup> Decisions 2/CP.27 and 2/CMA.4, para. 7.

<sup>2</sup> Decisions 2/CP.27 and 2/CMA.4, para. 2.

<sup>3</sup> Decisions 2/CP.27 and 2/CMA.4, para. 3.

<sup>4</sup> As contained in the annex to decisions 2/CP.27 and 2/CMA.4.

<sup>5</sup> Available at

[https://unfccc.int/sites/default/files/resource/TC1%20Paper%203%20Workplan\\_Final.pdf](https://unfccc.int/sites/default/files/resource/TC1%20Paper%203%20Workplan_Final.pdf).

<sup>6</sup> Further details on the workshop, including a detailed programme and related documents and presentations, are available at [https://unfccc.int/event/LD\\_wksp1](https://unfccc.int/event/LD_wksp1).

organizations, representatives of constituted bodies under the Convention and other stakeholders. Additionally, the workshop was broadcast live via YouTube.<sup>7</sup>

5. The workshop was moderated by the Co-Chairs of the TC, Outi Honkatukia (Finland) and Richard Sherman (South Africa). It began with opening remarks and a background presentation by Outi Honkatukia and opening remarks by Daniele Violetti (Senior Director, UNFCCC secretariat).

6. Day one of the workshop focused on actions to address loss and damage and the current gaps and challenges related to the existing landscape of institutions providing support. It comprised two thematic sessions, with the morning session focused on addressing extreme weather events and the afternoon session focused on addressing slow onset events.

7. The session on extreme weather events included presentations from the World Meteorological Organization, the Caribbean Climate Risk Insurance Facility, African Risk Capacity, the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA). It also featured case study<sup>8</sup> presentations from the European Union, Honduras and Samoa.<sup>9</sup>

8. The session on slow onset events included presentations from Working Group II of the Intergovernmental Panel on Climate Change (IPCC), the United Nations Development Programme (UNDP) and the secretariat of the United Nations Convention to Combat Desertification. Case study presentations were delivered by Finland, Morocco, Nepal and Vanuatu.

9. Day two focused on sources and instruments for addressing loss and damage. Its first session was centred on insights from existing work under the Convention, featuring a panel discussion with representatives of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM Executive Committee), the Least Developed Countries Expert Group, the Adaptation Committee, the Facilitative Working Group of the Local Communities and Indigenous Peoples Platform and representatives of the UNFCCC secretariat on behalf of the Technology Executive Committee and in relation to the work of the Santiago network for averting, minimizing and addressing loss and damage associated with the adverse effects of climate change.

10. A session on the current landscape of sources and instruments featured presentations from the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank, the Vulnerable Twenty Group of Ministers of Finance of the Climate Vulnerable Forum secretariat and the Joint Sustainable Development Goals (SDGs) Fund. Case study presentations during the session were delivered by the German Institute of Development and Sustainability and the SLYCAN Trust. The final substantive session addressed innovative sources of funding and included presentations from the Seychelles and Oxford Climate Policy and case study presentations from the European Union, Fiji, SEEDS India and the Mercy Corps.

11. The workshop concluded with open discussions and reflections, with participants invited to share their key takeaways for consideration by the TC.

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<sup>7</sup> The webcast of day one is available on demand at <https://www.youtube.com/watch?v=uxYUmDJKrO0>; the webcast of day two is available on demand at [https://www.youtube.com/watch?v=Tt\\_zQnI-rLA](https://www.youtube.com/watch?v=Tt_zQnI-rLA).

<sup>8</sup> Further information is available at <https://unfccc.int/transitional-committee-announcements>.

<sup>9</sup> A presentation from the Malawi Centre for Community Water Resources Management and Sanitation was also on the programme, but owing to technical difficulties was unable to be delivered. The case study is available online at [https://unfccc.int/sites/default/files/resource/casestudy\\_malawi\\_cyclones-climatechangefactors.pdf](https://unfccc.int/sites/default/files/resource/casestudy_malawi_cyclones-climatechangefactors.pdf).

### III. Summary of discussions

#### A. Roles of different stakeholders and of institutions funding activities related to addressing loss and damage, at different levels

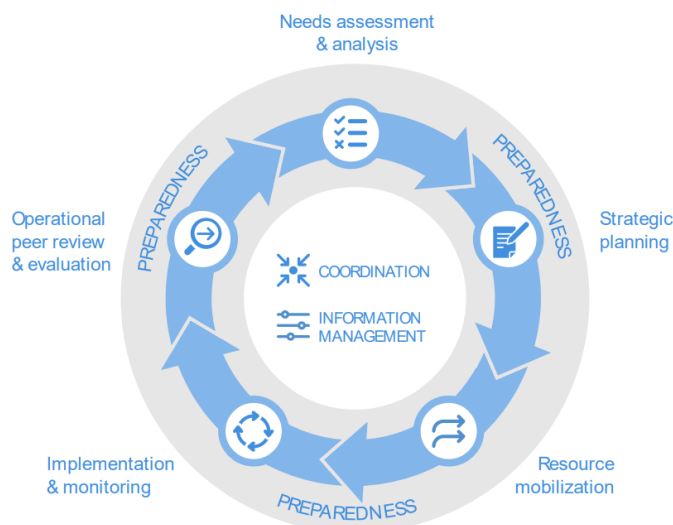
12. The workshop featured a diversity of institutions and stakeholders whose work relates to different dimensions of addressing loss and damage. The presentations and discussions testified to the range of economic and non-economic loss and damage being experienced in different countries and regions, the various approaches taken to respond to and address this loss and damage and the complex landscape of institutions funding and otherwise supporting related activities. See annex I for an overview of the various institutions and types of actor featured at the workshop and examples of the types of support they provide, as showcased through presentations and discussions. Annex I is not comprehensive, but illustrative. It represents only a small subset of the institutions and actors that play an active role in supporting activities related to addressing loss and damage. It aims to distil key insights from the workshop and to complement the information featured in the secretariat's synthesis report on existing funding arrangements and innovative sources relevant to addressing loss and damage, as well as the Co-Chairs' summary of the 1<sup>st</sup> meeting of the TC, which also includes information related to the institutions that delivered presentations during the meeting.

##### 1. International level

13. The workshop highlighted that the roles of different actors and stakeholders differ widely depending on the impacts to which they are responding, the associated needs and other related factors. The roles evolve as climate change-related risk and policy landscapes shift. For example, multilateral development banks (MDBs) are undertaking a shift towards aligning their operations with the Paris Agreement, which encompasses efforts to comprehensively screen and mitigate climate change-related risks. National governments and non-governmental organizations are piloting and implementing new financial instruments and other financial products to support more effective responses to loss and damage. Regional risk pools and insurance providers, meanwhile, are considering opportunities to offer new products and options for increasing accessibility to their services. Discussions at the workshop also pointed to the various existing coordination mechanisms that exist among key actors. For example, within the humanitarian assistance organizations, the cluster system serves to clarify the division of labour among aid organizations, thereby strengthening the humanitarian response. It contains 11 sectoral clusters<sup>10</sup> in the international system, which are each led by different organizations and are activated in humanitarian responses depending on the nature of the needs. These leading international entities are responsible for bringing together both the national and international components of the response to humanitarian crises, in coordination with local authorities, to increase efficiency and effectiveness. Moreover, this coordination is done programmatically, according to an agreed cycle, namely the Humanitarian Programme Cycle (see the figure below).

<sup>10</sup> These 11 sectoral clusters are camp coordination and camp management (led by the International Organization for Migration and UNHCR), early recovery (led by UNDP), education (led by the United Nations Children's Fund (UNICEF) and Save the Children), emergency telecommunications (led by the World Food Programme (WFP)), food security (led by WFP and the Food and Agriculture Organization of the United Nations), health (led by the World Health Organization), logistics (led by WFP), nutrition (led by UNICEF), protection (led by UNHCR), shelter (led by the International Federation of Red Cross and Red Crescent Societies and UNHCR) and water, sanitation and hygiene (led by UNICEF).

## The Humanitarian Programme Cycle



Source: Presentation by OCHA during the workshop. Available at <https://unfccc.int/documents/627970>.

14. MDBs also coordinate closely with one another, including through the Joint MDB Coordination Framework for Climate Action, which serves various functions, including steering and strategy, coordination, and technical expertise and knowledge exchange. The technical component includes thematic collaboration through several technical expert working groups.

15. In addition, constituted body representatives at the workshop shared ideas on how coordination among institutions within the Convention and beyond can be strengthened in relation to addressing and responding to loss and damage. Suggestions included taking advantage of existing platforms under the Convention to inform and strengthen strategies for responding to and addressing loss and damage. For example, one proposal was to leverage the Local Communities and Indigenous Peoples Platform<sup>11</sup> to engage indigenous peoples and local communities in addressing loss and damage. The WIM Executive Committee, through its thematic expert groups, convenes more than 50 organizations with varying expertise and experience related to addressing loss and damage; this represents a key resource to promote coordination and synergy.<sup>12</sup> Existing and upcoming technical guides and documents can also help to further guide and improve coordination and collaboration. Another proposal was related to the Paris Agreement alignment tool, which supports the alignment of national activities to achieve synergy and coherence in navigating and addressing the many elements of the Paris Agreement;<sup>13</sup> a practical example noted in this regard was promoting coherence and synergy through comprehensive risk analysis that supports a portfolio of efforts from pre-emptive action to contingency measures to measures to address loss and damage. Planning and action related to technology was also cited as key consideration in relation to addressing loss and damage.

16. Other ideas highlighted included supporting and prioritizing actions that seek to apply indigenous values and mindsets in decision-making related to addressing loss and damage; enhancing existing collaborative efforts between constituted bodies and various funding entities, including climate funds, MDBs and the private sector; and enhancing collaboration in key areas, such as early warning systems and building technical capacity to overcome existing gaps and needs in accessing funding. More broadly, it was suggested to strengthen the local capacity to respond to needs related to addressing loss and damage by further enhancing coordination and engagement at the local level.

<sup>11</sup> See <https://lcipp.unfccc.int/homepage>.

<sup>12</sup> See <https://unfccc.int/wim-excom>.

<sup>13</sup> See <https://unfccc.int/sites/default/files/resource/PA-ALIGN-tool-brochure2021.pdf>.

## 2. National level

17. Various national-level case studies presented during the workshop demonstrate how components of this landscape of institutions supporting actions to address loss and damage have been deployed to address climate change-related loss and damage to date (table 1).

Table 1

**Case studies on national experiences addressing various types of loss and damage**

<i>Country/Actor</i>	<i>Loss and damage related issue</i>	<i>Actors involved and their roles</i>	<i>How loss and damage was addressed</i>
<b>European Union</b>	Loss and damage caused by forest fires (especially biodiversity loss)	<b>European Union member States.</b> The protection of forests in the EU falls primarily under the competence of its member States. The European Union has promulgated the European Union adaptation strategy and the European Union forest strategy.	Policy level: development of strategies. Operational level: reinforced the Union Civil Protection Mechanism; creation of rescEU; national monitoring services; European Union forest fire information system.
<b>Fiji</b>	Displacement. Economic and non-economic losses	<b>Government of Fiji.</b> The Fiji Government developed the Planned Relocation Guidelines in 2018, established the Climate Relocation of Communities Trust Fund in 2019 and enacted the Climate Change Act in 2021 and with it a declaration of a climate emergency within national law. In 2023, the first iteration of Fiji's Standard Operating Procedures was endorsed by the Cabinet along with dedicated financial management policy guidelines for the operation of the Climate Relocation of Communities Trust Fund.	Planned relocation through the Climate Relocation of Communities Trust Fund.
<b>Honduras</b>	Loss and damage caused by tropical storms and hurricanes. Damage represented 44% of total effects; losses, 52%; additional costs, 4%	<b>The Government of Honduras</b> made efforts to seek financial resources from various sources and financial instruments, including from its national budget, to aid in recovery, rehabilitation and reconstruction efforts. <b>Bilateral donors, United Nations organizations and international non-governmental organizations, including national governments, WFP and the International Federation of Red Cross and Red Crescent Societies</b> provided international assistance and humanitarian aid.	The Government sought financial resources. International assistance and humanitarian aid. National assistance and domestic credit for recovery, rehabilitation and reconstruction. The Government had to redefine the purpose and prioritized areas of the loans that were planned with MDBs.

<i>Country/Actor</i>	<i>Loss and damage related issue</i>	<i>Actors involved and their roles</i>	<i>How loss and damage was addressed</i>
<b>Morocco</b>	Drought-related loss and damage	<b>Government of Morocco.</b> During periods of prolonged drought, the Moroccan Government undertakes national actions and expenditures to mitigate the economic and social impacts of drought, particularly through the improvement of social-, cultural- and health-related assistance, the provision and supply of drinking water and the generation of employment.	Policy level: the Rainfall Deficit Impact Reduction Programme with a national budget of USD 1 billion to provide agricultural insurance and financial support to farmers and other professionals.
<b>Nepal and Bhutan</b>	Melting glaciers and changing snow cover	<b>Nepal and Bhutan are</b> shouldering most of the burden of meeting the costs of these impacts and are developing related strategies and programmes. <b>Multilateral climate funds and international organizations:</b> both countries are working to reduce the risks of glacial lake outbursts by establishing the monitoring of glacial lakes and early warning systems for glacial lake outburst floods by implementing projects with the Global Environment Facility (GEF), the Green Climate Fund (GCF), UNDP and WWF (International). <b>Humanitarian aid providers</b> provide international support for immediate response and relief, intermediate recovery and long-term reconstruction.	Adaptation and early recovery activities (water resource management, climate-resilient agriculture and food security, disaster risk reduction, early warning systems, etc., are mainstreamed in the national adaptation plans (NAPs), national policies, plans and programmes with a significant national budget allocation).
<b>Sámi people</b>	Economic and non-economic losses	<b>Sámi.</b> The status of the Sámi was written into the constitution of Finland in 1995. The Sámi have, as an indigenous people, the right to maintain and develop their own language, culture and traditional livelihoods.	Policy level: the first indigenous peoples climate council in Finland, including a focus on traditional knowledge.
<b>Samoa</b>	Economic and non-economic losses caused by a category 3 cyclone	The <b>Government of Samoa</b> conducted a post-disaster needs assessment to quantify the loss and damage incurred from Cyclone Evan. The post-disaster needs assessment informed the design by the Government of Samoa of the comprehensive recovery plan, which provided medium- to longer-term recovery and rehabilitation support. <b>Bilateral and</b>	International assistance and humanitarian aid. The recovery plan provided medium- to long-term recovery and rehabilitation support. Overall, economic loss and damage was quantified and addressed. Non-economic losses were not adequately

<i>Country/Actor</i>	<i>Loss and damage related issue</i>	<i>Actors involved and their roles</i>	<i>How loss and damage was addressed</i>
		<p><b>multilateral donors, including the World Bank, New Zealand, Australia, the Asian Development Bank, the European Union, the United Kingdom of Great Britain and Northern Ireland and others.</b></p> <p>Funding of USD 206 million was contributed by the donors to the recovery plan.</p>	quantified and addressed.
<b>Spain</b>	Loss and damage to properties and people from floods, storms and tornados, earthquakes and tsunami, volcanic eruptions and falling meteorites	<p><b>Government of Spain.</b> The Insurance Compensation Consortium, a state-owned enterprise, covers damage caused by ‘extraordinary risks’, which may be caused by natural phenomena.</p> <p><b>Private insurance companies:</b> ordinary risks are borne by private insurance companies; private companies sell the policies.</p>	Extraordinary risk insurance
<b>Sri Lanka (presented by the SLYCAN Trust)</b>	Loss and damage to basic crops	<p><b>Government of Sri Lanka.</b> Sri Lanka has invested in public risk transfer mechanisms since 1958, including a universal crop insurance covering all farmers, the National Natural Disaster Insurance Scheme and a loan protection scheme for financial institutions.</p>	Public crop insurance scheme. National Natural Disaster Insurance Scheme. Loan protection scheme for the agriculture sector.
<b>Vanuatu</b>	Economic and non-economic losses from state-owned enterprises	<p><b>The Government of Vanuatu:</b> the Budget Policy Statement 2023</p> <p><b>United Nations agencies:</b> a micro-insurance product</p> <p><b>The private sector (insurance):</b> provide insurance products that have a low uptake in the communities</p> <p><b>Local non-governmental organizations:</b> enabling the cash transfer programme</p> <p><b>Local private stakeholders:</b> implementation of the cash transfer programme</p>	Vanuatu blockchain-based cash transfer programme (the private sector, non-governmental organizations), which can address loss and damage from extreme weather and slow onset events.

18. Developing countries regularly invest significant amounts of their domestic resources to fund activities related to addressing loss and damage. For example, after being hit by Hurricanes Eta and Iota in a span of two weeks in November 2020, Honduras received USD 7 million in international aid by December 2020, with a further USD 11.4 million pledged by countries and organizations. From 2020 to 2022, the government expended USD 124.91 million from its national treasury to support recovery, rehabilitation and reconstruction.

Domestic credit represented 29 per cent of this financing, and external credit represented 16 per cent. Moreover, the country had to repurpose and reprioritize loans from MDBs that were initially intended for various sustainable development efforts, but were ultimately redirected for emergency response, rehabilitation, recovery and reconstruction. Similarly, faced with the worst drought in 40 years, Morocco disbursed USD 1 billion in public funds to respond to associated loss and damage, through a programme that aimed to protect animal and plant capital, manage water scarcity, and provide agricultural insurance and financial support to farmers and other professionals.

19. Additionally, the national experiences presented at the workshop highlighted that there is a wealth of existing initiatives, programmes and instruments within countries that have been tailored to national circumstances and priorities. Even where functioning institutions or programmes exist, however, they frequently face significant shortfalls in funding, preventing them from operating at an adequate scale. These existing initiatives may be expanded and scaled up, and potentially also replicated if additional funding is made available.

### 3. Other actors: subnational level and civil society

20. Detailed examples of the roles of other actors, including civil society and subnational governments, were also explored during the workshop. Examples drawn from the case studies presented are provided in Table 2. This table is once again only illustrative and does not reflect the full range of activities undertaken by these actors in relation to addressing loss and damage.

Table 2

#### Examples of roles and activities of civil society and subnational actors in addressing loss and damage

<i>Case study reference</i>	<i>Actors involved and their roles</i>	<i>Actor type</i>	<i>Details of activities funded</i>	<i>Level: national/local/regional/global</i>
German Institute of Development and Sustainability, on funding human mobility in the context of loss and damage	<b>Accra, Dakar and Lagos:</b> western African cities that are examples of the nexus between human mobility and climate change. Proliferation of informal settlements that are vulnerable to sea level rise, coastal flooding and heat stress.	Cities and migrants	Social protection for migrants in cities.  Cash transfer programmes; for example, in Ghana the Livelihood Empowerment against Poverty social protection programme targets vulnerable groups and provides cash transfers.  Social welfare departments in cities support the social needs of city populations: migrants are often among the beneficiaries.	Cities, subnational and local level
SEEDS India, on the creation of e-disaster wallets	<b>SEEDS India, a non-profit organization based in India.</b> The organization is developing a	Non-governmental organization and the national Government	The platform creates an E-disaster wallet that lets people assess their own losses and maintain a	Open digital platform to be first rolled out in India, with possible application in other countries



<i>Case study reference</i>	<i>Actors involved and their roles</i>	<i>Actor type</i>	<i>Details of activities funded</i>	<i>Level: national/local/regional/global</i>
	national climate loss and damage open data platform in partnership with the Government of India. <b>Government of India</b>		ledger of their assets and losses over time. Possible uses include a marketplace for ensuring financial assistance to affected communities through direct remittances.	(global), for loss and damage impacted communities.

## B. Details related to sources and instruments of funding, including innovative sources, addressed in the workshop

21. Throughout the workshop, the presenters and participants referred to a wide range of sources and instruments of funding relevant to addressing loss and damage, as well as related modalities (table 3).

Table 3

### Instruments, sources and modalities of funding relevant to addressing loss and damage referenced in the workshop

<i>Financial instruments and modalities</i>	<i>Source of finance</i>	<i>Key considerations</i>	<i>Financial instrument/ programme</i>
National budgets	National public (government)	Large-scale disaster responses may require reallocation of budgets for developmental purposes	Both
National contingency funds	National public (government)	Requires additional support to increase coverage and reduce emergency budget reallocations	Instrument
Public social protection programmes	National public (government)	Requires national ownership and governance mechanisms	Programme
Direct cash transfers (ex-post)	National public and international public	Requires national and subnational ownership, including workable payment and governance systems	Instrument
Disaster risk pools and regional (insurance) risk markets	National public and private	Requires additional support to make coverage comprehensive (finance and product development)	Instrument
Parametric insurance (indemnity insurance limited)	National public and private	Requires additional support to make coverage comprehensive (finance and product development)	Instrument
Premium subsidies and risk guarantees	International	Requires additional support to make coverage comprehensive	Instrument
Public insurance schemes (crops, livestock, housing, etc.)	National public (government)	Requires additional support to scale up schemes (finance and product development)	Instrument

<i>Financial instruments and modalities</i>	<i>Source of finance</i>	<i>Key considerations</i>	<i>Financial instrument/ programme</i>
Bilateral and multilateral official development assistance (ODA) (for climate change adaptation (CCA) and climate change mitigation (CCM) and development assistance)	International public	International support needs, with a need for increasing national capacities to address loss and damage	Programme
Multilateral climate funds	International and under the Convention	Limited financing solutions for slow onset events and non-economic losses, and need to increase access at the national and local level	Programme
Humanitarian assistance: emergency funds and appeals and longer-term country-based pooled funds	International public	Trend of rapid increase in the scale of needs in recent years, and a growing funding gap	Instrument
Joint SDG Fund (blended public-private sources)	International public and private	–	Instrument
Community and locally-led adaptation and resilience programmes	International public	Low finance volumes, requires devolved financing mechanisms and addressing data and access challenges	Programme
Nationally determined contribution, NAPs and LTS financing support and programmatic approaches	International (mainly public)	Requires additional support to ensure sufficient and global coverage	Programme
Financing support for technical assistance and capacity-building at the national and subnational and local level	International public	Capacity-building and technical assistance to increase national ownership and the management of planning, responses and financing	Instrument
Global Shield and joint multi-donor fund	International public and private	Currently available to only a limited number of countries	Programme
Emergency assistance and response funds and projects (ex-ante and ex-post triggers)	International public	Humanitarian funding gap, including unacknowledged and unfunded contributions by impacted communities	Instrument
Catastrophe bonds and catastrophe insurance	National public (government), international	Requires design to limit the risks of aggravated debt burden	Instrument
Development policy loans with catastrophe deferred drawdown	International public	Preconditions for solid macroeconomic frameworks and disaster risk management programmes and plans	Instrument

<i>Financial instruments and modalities</i>	<i>Source of finance</i>	<i>Key considerations</i>	<i>Financial instrument/ programme</i>
Extraordinary risk insurance (public-private partnership model, covering extraordinary risks)	National public and private	Essential characteristic is double coverage of both ordinary risks (borne by a private insurance company) and extraordinary risks (borne by a public company)	Instrument
Climate Relocation of Communities Trust Fund (budget and other sources of environment levy charged at 5% on luxury items and services)	National public (government)	Planned relocation highly context-dependent, including social challenges, may be particularly important in the case of sea level rise (contribution of Working Group II to the Sixth Assessment Report of the IPCC)	Instrument
Contingent policy- and results-based financing of disaster risk reduction actions and plans	International public	Requires technical assistance support to achieve policy actions on long-term resilience	Instrument
Climate debt swaps	International public and private	Debt swaps restructure rather than extinguish debt Need to understand how they impact country credit ratings	Instrument
Blue endowment funds (national and subnational)	National public – (government)	–	Instrument
Blue bonds (may include credit facility and partial risk guarantees by international financial institutions. MDBs and multilateral climate funds)	National public, international	May require technical assistance support and public risk guarantee support to attract financial markets	Instrument
Social resilience grants	National public –	–	Instrument
E-disaster wallets <sup>a</sup> (assessment of economic and non-economic losses)	Innovative modality	Under development and will be piloted in 2023	Instrument
International solidarity levies earmarked (e.g. aviation and shipping)	Innovative source	Need to take into consideration equity concerns	Instrument
Domestic solidarity levies (e.g. tax in France supporting global health)	Innovative source	Need to take into consideration equity concerns	Instrument

<sup>a</sup> A digital wallet to record climate change-related loss and damage

22. Throughout the workshop, the set of case studies presented offered deep insights into how these sources and instruments are being applied in different settings in response to various types of loss and damage. These case studies make clear that governments are seeking and deploying many different instruments and sources of finance to address loss and damage, often in the context of addressing one single event. See the annex for an overview of these efforts presented during the workshop.

## C. Gaps and challenges in addressing and support for loss and damage

23. Presenters and participants shared experiences and identified gaps and lessons learned, related to addressing different types of climate change-induced hazards, different types of loss and/or damage, the use of various financial instruments and methodologies, and more. Gaps and challenges that emerged through the discussions are summarized in Table 4.

Table 4

### Gaps and challenges in addressing loss and damage and existing support

<i>Category</i>	<i>Gaps and challenges</i>	<i>Related needs</i>
Speed	<p>The project approval processes for climate funds may mean one to two years of unfunded work for applicants, without a guarantee of application success.</p> <p>Delay between climate impacts and compensation payouts owing to the indemnity-based nature of some existing insurance schemes.</p>	<p>Development of parametric or hybrid risk transfer mechanisms and bundled solutions containing risk transfer and other financial instruments or adaptive measures.</p> <p>Investing in technology and digitization to increase the speed, transparency and reliability of loss and damage assessments and payouts.</p>
Adequacy	<p>Underfunding of the humanitarian assistance system (a growing humanitarian appeal funding gap).</p> <p>Lack of flexible, non-earmarked international funding.</p> <p>Limited availability of concessional finance.</p> <p>Insurance will be insufficient to cover the full and increasing costs of climate change impacts.</p> <p>Lack of funded instruments for various risk layers.</p> <p>Loans intended for sustainable development are being redirected to emergency response, rehabilitation, recovery and reconstruction, leading to climate change-induced debt.</p> <p>Lack of resources in developing countries to deploy relevant technologies in a coherent and integrated manner.</p> <p>Lack of resources to sustain existing knowledge (e.g. for data collection and database management).</p> <p>Lack of continuous support, for example, to bridge reconstruction to further ex-ante preparedness.</p> <p>Insurance payouts are consistently lower than needs.</p> <p>Gaps in support for high-frequency, low-severity events.</p>	<p>Flexible (non-earmarked) funding to enable a balanced direction of resources, including addressing displacement in neglected situations.</p> <p>Scaling up of finance that does not create or exacerbate debt.</p> <p>Scaling up of finance and support that address the challenges of socio-economic development in countries and regions facing recurrent and significant climate impacts.</p>
Access	<p>Insurance protection gap (e.g. a 97% gap in Africa and more than a 95% gap in Vanuatu).</p> <p>Insurance becoming more expensive owing to the increasing frequency and severity of events as a result of climate change.</p> <p>Lack of funding reaching vulnerable populations (e.g. refugees, internally displaced people).</p> <p>The complexities of fragile and conflict-affected States are at odds with the typical risk tolerance</p>	<p>Subsidization of insurance premiums and contributions to the capital base of risk pools to offer lower premiums and new products.</p> <p>Support for the development of new parametric insurance products to cover additional perils and sectors.</p>

<i>Category</i>	<i>Gaps and challenges</i>	<i>Related needs</i>
	<p>and appetite of climate finance providers, who tend to favour safer operating environments with a higher certainty of returns on investment or project success.</p> <p>Fragile and conflict-affected States have not been prioritized in the international climate finance architecture.</p> <p>Reconciling availability, affordability and risk reduction indication in insurance schemes to avoid an insurance protection gap.</p>	<p>Support and scale up the rehabilitation of ecosystems critical to resilience-building.</p> <p>Increased access for local actors to enable space for participation and leadership of displaced people and host communities.</p> <p>Need allocations for civil society and communities for anticipatory actions and resilience-building.</p>
Delivery	Climate programmes are often unable to adapt to volatile contexts (e.g. in fragile and conflict-affected States) owing to inflexible funding protocols and rigid operational bureaucracy	Support existing systems and processes in place to deliver funding at the local level.
Methodological	<p>Post-disaster needs assessments are not suited to assess non-economic losses and non-covered material damage (e.g. knock-on production losses in the wider economy).</p> <p>Intangible assets, such as cultural heritage and psychological health are difficult to quantify.</p> <p>Compounding impacts of slow onset events and extreme weather events are not captured in post-disaster needs assessments.</p> <p>Determining vulnerability to help prioritize funding.</p> <p>Unpredictability and uncertainty with seasonal and short-term forecasts.</p>	<p>Assessment of loss and damage, and their associated costs, will require significant resources.</p> <p>Need to broaden methodologies and to have more flexible tools to capture non-economic losses.</p>
Capacity and knowledge	<p>Capacity gaps for pre-emptive action.</p> <p>Lack of capacity to translate early warnings into early action.</p> <p>Inadequate understanding of how insurance and parametric insurance work (e.g. common misperception that insurance will cover all losses on the ground).</p> <p>Developing countries, small island developing States and the least developed countries in particular have limited knowledge of existing technologies to respond to loss and damage.</p> <p>Fragile and conflict-affected States have limited capacity to prepare for and respond to climate impacts.</p> <p>Project proposal requirements are exceeding national capacities.</p> <p>Early warnings and other signals recognized only from scientific sources; lack of recognition of the importance of indigenous and local knowledge.</p>	<p>Need to enable countries to develop national ownership of addressing loss and damage and to avoid a recurrent dependence on external financing and technical assistance.</p> <p>Enhanced technical assistance in designing and implementing actions to address loss and damage.</p>
Thematic coverage	<p>Gap in available funding mechanisms and institutions for slow onset events; slow onset events typically have no trigger for insurance payouts.</p> <p>Complex social challenge of relocation may contribute to difficulties to secure associated funding.</p> <p>Gaps in funding for cities and migrants.</p> <p>Recovery funding focused on physical assets.</p>	<p>Durable solutions to protracted, recurrent and onward displacement.</p> <p>Migrants need access to social services, including health care.</p> <p>More flexible tools are required to capture non-economic loss and damage.</p> <p>Funding is needed for documentation of traditional</p>

<i>Category</i>	<i>Gaps and challenges</i>	<i>Related needs</i>
	Addressing loss and damage often focus on the obvious and economic-centred values.	knowledge and language to memorialize and account for non-economic losses.
Data	Data gaps related to the attribution of economic losses to climate change-related events. Displacement and human mobility data gaps related to slow onset events. Limited historical data in countries constrain the ability to develop new models to extend insurance coverage to additional climate change hazards.	Need for enhanced access to detailed weather information, climate projections, risk modelling and risk analytics, including better utilization of remote sensing capabilities.
Coordination and coherence	Temporal, sectoral and spatial silos exist, undermining integrated approaches to address hazards and loss and damage. Climate change impacts are often transboundary. Limited horizontal and vertical coordination on migration and climate change.	Improved coordination between different levels of government.
Other	Limited fiscal space for nationally led responses to disasters and insurance. Gaps in early warning systems across regions, especially in Africa, small island developing States and the least developed countries. Increasing frequency and severity of extreme weather events undermining efforts to build adaptive capacity and climate resilience Widespread distrust of the insurance industry in some contexts. Indigenous peoples often living in significant numbers outside traditional homelands, creating new challenges for the provision of education, services and communications in indigenous languages. Intergenerational equity mindset in responding to loss and damage is missing.	Emergency preparedness and anticipatory action in displacement situations (within and across borders). Improving distribution channels and strengthening inclusive and participatory processes that mainstream gender, youth and intersectional vulnerabilities.

24. These gaps and challenges relate to both the nature of existing funding – its adequacy, eligibility and access to it, delivery modalities, coverage – as well as related factors that may affect the ability to efficiently and effectively estimate, access or otherwise take advantage of funding, such as data or methodological gaps. Additional gaps and needs that are specific to certain climate change-related hazards drawn from the Santiago network regional scoping workshop in the Latin America and Caribbean region were also outlined during the workshop.<sup>14</sup>

#### **D. Ways in which to address the gaps, including for the most vulnerable populations and ecosystems on which they depend**

25. In addition to identifying a wide variety of gaps and challenges, workshop participants shared lessons learned and good practices, suggesting various entry points to close the gaps and address the challenges identified. These lessons were drawn from experience at the subnational, national and international level, as well as from related research (table 5).

<sup>14</sup> See <https://unfccc.int/documents/627989>. Other regional scoping workshops are taking place in 2023 in Africa and Asia and the Pacific.

Table 5

**Entry points for addressing loss and damage and supporting related activities**

<i>Category</i>	<i>Entry points to address identified gaps and challenges</i>
Financial instruments – insurance	<p>Keep premiums low through, for example, risk pooling, providing discounts and bundling products when possible, bearing in mind the fiscal constraints of the clients.</p> <p>Important to be flexible and responsive to clients’ needs through, for example, developing new products and providing preferable policy options.</p> <p>Donor support is invaluable for premium support to growing and maintaining coverage, particularly in the aftermath of crises (e.g. pandemics).</p> <p>Success depends heavily on relevant knowledge and the experience of decision-makers, and related capacity-building is key.</p> <p>Stakeholder engagement is a top priority to foster trust.</p> <p>Partnerships are important for effective and adequate insurance solutions.</p> <p>Insurance alone is insufficient to comprehensively support actions to address climate change-related loss and damage.</p>
Funding modalities, mechanisms and instruments	<p>Direct budget support offers flexibility to address evolving needs and impacts.</p> <p>Grant-based financing is critical, in particular, to avoid a climate-induced debt burden.</p> <p>Adaptive social protection programmes are critical in both the disaster response context and as a fundamental strategy that strengthens the long-term resilience of a community.</p> <p>Layering of instruments is needed for risk reduction, resilience, adaptation and post-disaster response.</p> <p>Efforts to address loss and damage are often more effective when they can take advantage of existing institutions and processes for funding and action.</p> <p>Resources to support various instruments need to be allocated programmatically for efficiency and effectiveness.</p> <p>Crisis modifiers can mitigate emerging crises and help to preserve development gains by enabling flexible responses to crises in real time; they also create synergies between the humanitarian and development sectors.</p> <p>To successfully navigate the needs of a diverse range of circumstances and in accordance with the contextual dynamics involved, financing to address loss and damage must be closely managed through mechanisms that are integrated to support existing national approaches and priorities.</p>
Innovative sources of funding	<p>Innovative sources are important but not a silver bullet; there are often many conditions surrounding their use that must be borne in mind (e.g. for debt swaps, creditors must be willing to sell debt at a discount).</p> <p>Levies can be deployed in a manner that is compatible with the notion of tax sovereignty.</p>
Adequacy of funding	<p>There is sufficient global capital to close funding gaps if existing barriers are reduced; governments are key in reducing these barriers, and investors, central banks and financial regulators also have a role to play.</p>
Capacity and knowledge	<p>Make full use of scientific findings and innovations in the management and governance of extreme weather events.</p> <p>Improve knowledge transfer to and exchange with practitioners and decision makers.</p> <p>Focus on awareness-raising of key stakeholders.</p>
Preparation and anticipatory action	<p>Ensure adequate evaluation of risk and timely communication through early warning systems.</p> <p>Early warning is also necessary for slow onset events so that actions can be taken when unavoidable losses are on the horizon.</p> <p>In addition to ex-post action, early response and recovery costs are also important to cover.</p>

<i>Category</i>	<i>Entry points to address identified gaps and challenges</i>
	<p>Ex-ante investment is needed in many sectors (e.g. health, care of the elderly, skills training) and can reduce non-economic losses.</p> <p>Strengthening country systems (social protection, information technology) is critical.</p> <p>Long-term planning and anticipatory actions and systems, including contingency planning, are key for adequately addressing loss and damage.</p>
Tools and methodologies	A post-disaster needs assessment is an important process to understand the extend of economic damage and is integral to the coordination of recovery financing, but existing methodologies reveal gaps to account for wider socioeconomic losses and non-economic losses.
Data	Official statistics and data collected through related processes can be harnessed, including reporting from countries on non-economic losses.
Risk and hazard types	Slow onset and extreme events interact, generating new sources of vulnerability to climate hazards and compounding overall risk (e.g. future sea level rise combined with storm surge and heavy rainfall will increase compound flood risks).
Local-level funding and action	<p>Locally led programmes work most effectively in countries in which there has been a clear devolution of policy, budget and project oversight responsibilities to local authorities.</p> <p>It is important to work with local communities to devise strategies that best meet their needs; the response needs to be demand-driven and defined by circumstances at the local level and sensitized to cultural, legal and societal norms.</p> <p>Dedicated access windows to channel finance to the local level can help ensure that funding to address loss and damage is accessible by local governments, communities and local organizations.</p> <p>Cities are important in the human mobility and climate change nexus because while serving as destinations for migrants who have been partly pushed by the impacts of climate change, many cities themselves are vulnerable to climate change.</p>
Actions to address loss and damage	<p>Multiple suitable options exist, including sustainable urban water management, social safety nets, migration and planned resettlement, and are comprehensively documented in the contribution of Working Group II to the Sixth Assessment Report of the IPCC.</p> <p>Integrated solutions that consider, for example, value chains, local communities, urban and rural landscapes and co-benefits are especially important for effective action.</p>
Vulnerable populations and contexts	<p>Climate change affects vulnerable populations disproportionately; fairness and equity are key principles for climate action, including finance.</p> <p>Loss and damage will be experienced differently by displaced people depending on factors such as whether they are displaced within or across borders and their status (as a refugee, citizen, permanent resident, etc.).</p> <p>It is important to adopt conflict-sensitive guidelines or measures so that financing for loss and damage does not exacerbate drivers of conflict.</p> <p>It is important to recognize the leadership roles of indigenous peoples and local communities in responding to and addressing loss and damage.</p> <p>Lack of financial resources could keep people trapped in vulnerable locations; cash transfer programmes targeting human mobility in the context of loss and damage may be a viable solution.</p>

#### **IV. Takeaways from workshop participants for consideration by the Transitional Committee**

26. The final session of the workshop invited participants to reflect upon the presentations and discussions that took place throughout the workshop and to share their three takeaways for consideration by the TC as it continues its work. These takeaways relate to aspects ranging from specific types of financial instruments and sources of funding to general reflections



related to the recommendations that the TC will ultimately produce. These do not reflect points of convergence or consensus ideas emerging from the workshop, but rather a collection of individual views relating to the themes of the workshop and the work of the TC more broadly. These takeaways from participants are, inter alia:

- (a) In relation to sources of funding:
  - (i) Public funding from developed countries should be the main source of funding for the new fund; innovative and private funding sources are necessary to fill the funding gap beyond public finance
  - (ii) Innovative sources of finance should be progressive, redistributive and based on a polluter-pays approach;
  - (iii) Innovative sources of finance are complementary and do not replace public grant-based finance; these need to be applicable and relevant to all developing countries;
  - (iv) External and additional funding is necessary to address issues of debt and diverting national budgets;
  - (v) It is key to understand how to catalyse new sources of funding and how to leverage existing sources to deliver predictable and fair finance;
  - (vi) Existing climate adaptation finance (e.g. MDBs) should be mobilized during the transition to the fund;
  - (vii) It is necessary to expand the donor base to include all major emitters;
- (b) In relation to financial instruments:
  - (i) Pre-arranged, triggered-based and rapidly available financing instruments are integral to addressing loss and damage;
  - (ii) Financial instruments such as insurance and loans should not shift financial responsibility from Parties included in Annex I to the Convention to developing countries;
  - (iii) Insurance alone cannot provide the scale and impact needed given the increasing frequency and intensity of climate change events;
  - (iv) Global taxes should not be applied; they may, for example, shift responsibilities on consumers in developing countries;
  - (v) There is a need for two parallel action streams: identifying innovative funding instruments and improving existing funding arrangements;
  - (vi) It is important to understand how to scale up (qualitatively and quantitatively) innovative finance modalities (e.g. regional sovereign insurance schemes, forecast-based finance);
- (c) In relation to the operational modalities of the fund:
  - (i) It must prioritize devolved, direct accessible finance solutions to reach the most vulnerable communities, including in fragile and conflict-affected States;
  - (ii) It should have an inclusive governance structure that represents affected communities;
  - (iii) It should scale up existing national and local initiatives and modalities (i.e. cash transfers, social protection programmes);
- (d) In relation to the operational principles of the fund and new funding arrangements:
  - (i) Innovative sources of finance, including for the fund, should be applied, adopting the principles of the Convention and Paris Agreement, including common but differentiated responsibilities and respective capabilities, equity, justice, human rights, inclusiveness, gender equality, building on local knowledge and identifying intersectional vulnerabilities, needs and priorities;

- (ii) The modalities should be fit-for-purpose and flexible;
- (iii) The new funding arrangements and the fund should provide direct budgetary support to national governments and targeted funding to local authorities;
- (iv) The new funding arrangements and the fund should be grant-based, predictable and easy to access, to avoid further debt for developing countries;
- (v) The fund should be accountable to the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;
- (vi) The new funding arrangements and the fund should avoid disincentivizing risk reduction and adaptation measures;
- (e) In relation to complementarity and coherence:
  - (i) Since various solutions exist to address loss and damage, the TC should focus on complementing and not duplicating, aligning with the systems in place;
  - (ii) There is an urgent need for coordination, collaboration, complementarity and coherence of several funds and constituted bodies and regional and national initiatives, with the objective of identifying and maximizing synergies within the existing financial architecture;
  - (iii) The fund should be at the core of the evolving loss and damage financial architecture, with a coordinating role and providing oversight over different financing approaches within and outside the Convention;
- (f) In relation to the recommendations of the TC:
  - (i) The recommendations should cover a broad continuum of action and a climate/humanitarian/development/adaptation nexus;
  - (ii) There should not be a differentiation between extreme and slow onset events, given their complex interactions and compounding impacts;
  - (iii) The TC should design the fund and new funding arrangements by focusing on the main challenges, such as the scale of funding, accessibility, speed, capacities to engage, creating enabling environments, transparency and coordination;
  - (iv) The TC should consider the extent to which the funding arrangements and the fund should include a technical assistance component to support upstream policy and other enabling factors;
  - (v) The TC should consider funding arrangements based on customization and localization to strengthen national and local financial modalities;
  - (vi) The current landscape can be summarized by identifying the intricate linkages and pathways of financial flows from some countries to specific windows and programmes (i.e. through the World Bank to the Global Shield or regional risk facilities, etc.);
  - (vii) The TC should look closer at examples of funds and products that are already effective in reaching the most vulnerable; recommendations should highlight funding instruments that are currently functioning well;
  - (viii) It is important to build on the work of the constituted bodies of the Convention and Paris Agreement to support the effective operationalization of new funding arrangements;
  - (ix) The recommendations should not contradict scientific findings;
  - (x) It is important to derive insights from indigenous peoples, especially for assessing non-economic losses;
  - (xi) The role of local and regional governments in addressing loss and damage should be highlighted;
  - (xii) Enhanced funding arrangements must consider a better and connected response in displacement, recovery and reconstruction;

- (xiii) Mainstreaming climate risks into national planning and budgets is key to preventing, addressing and avoiding loss and damage and in mobilizing resources;
- (xiv) It is important to move beyond a focus on hazards and events to include critical processes and systems for a holistic approach;
- (xv) Delivery of the fund at the Conference of the Parties at its twenty-eighth session is urgently and existentially needed.

## Annex I

### Roles of different institutions and actors relevant to addressing loss and damage featured at the workshop

<i>Level</i>	<i>Institution, actor, or initiative</i>	<i>Role</i>	<i>Target area (hazards, sectors)</i>	<i>Types of support provided</i>	<i>Timeframe</i>	<i>Eligibility/geographical focus</i>
Global	World Bank	Funding and technical assistance for sustainable development and poverty reduction, including aspects relevant to addressing loss and damage	Varies, both extreme weather and slow onset events	Varies, including grants, concessional loans, insurance, contingent credit, contingency funds, cat DDOs, development policy financing, etc. as well as technical assistance	Ranges from anticipatory work to emergency response to activities that support rebuilding or resettlement	Varies
	UN OCHA	Coordinates global emergency response to save lives and protect people in humanitarian crises, including climate-related disasters	Humanitarian crises including from climate change-related disasters (e.g. floods, severe storms, drought, wildfire, extreme temperatures)	Various types of humanitarian support	Operational readiness, disaster preparedness, emergency response, and early recovery	Global
	UNHCR	General Assembly-mandated responsibility to protect refugees and help governments coordinate action on their behalf	Refugees and displaced people	Enabling preparedness for probably impacts and response by and for displaced people in vulnerable situations; strengthening resilience/reducing further risk; advising and supporting relevant application of refugee law; emergency risk management including scenario analyses, monitoring, contingency planning, emergency declarations to trigger access to reserves and simplified procedures for mobilization		
	UNDP	Broadly supporting sustainable development, democratic governance, peacebuilding, and climate and disaster resilience	Varies; presentation focused on El Nino and La Nina related hazards	Various types of technical and financial support	Early action, preparedness, emergency response, recovery and reconstruction	Developing countries; focus of presentation on Asia Pacific

<i>Level</i>	<i>Institution, actor, or initiative</i>	<i>Role</i>	<i>Target area (hazards, sectors)</i>	<i>Types of support provided</i>	<i>Timeframe</i>	<i>Eligibility/geographical focus</i>
Early Warnings For All	Partnership across the United Nations, international agencies, and International financing institutions to ensure every person on earth is protected by early warning systems within five years	Initially targeting tropical cyclones, heatwaves, and droughts	Four pillars: <ol style="list-style-type: none"> <li>1. Disaster risk knowledge (e.g. assessing, compiling and using risk information; developing disaster loss databases and hazard tracking systems, etc.)</li> <li>2. Observations and forecasting (e.g. addressing capacity gaps, readiness and investment support, data and information sharing infrastructure acceleration, etc.)</li> <li>3. Dissemination and communication (e.g. assess communication channels, promote regulatory approaches for mobile early warning systems, etc.)</li> <li>4. Preparedness and response (e.g. strengthen ongoing activities around anticipatory action and preparedness; map in-country preparedness and anticipatory actions, coordination mechanisms, capacity needs, and best practices, etc.)</li> </ol>	Focused on pre-event manifestation (e.g. observation, forecasting, early warning, preparedness, anticipatory action, etc.)	Global, but with initial cohort of 30 countries	
Global Shield	Cooperation initiative to substantially increase financial protection against climate risks	Varies depending upon countries need	Pre-arranged and trigger-based funds and financing; social protection Support for policy reforms, fostering investment, leveraging risk industry engagement, building early warning systems, linking activities to sustainable development and climate agendas Specific instruments include insurance, contingent credit, grants, contingency funds, prearranged finance, cash transfers	Varies, including anticipatory action, repair, rebuilding	8 pathfinder countries (both V20 and non-V20) and one pathfinder region; next pipeline of countries to be announced at COP 28	

<i>Level</i>	<i>Institution, actor, or initiative</i>	<i>Role</i>	<i>Target area (hazards, sectors)</i>	<i>Types of support provided</i>	<i>Timeframe</i>	<i>Eligibility/geographical focus</i>
	Joint SDG Fund	Multi-partner trust fund supporting UN system-level functions in service of the SDGs	SDGs	Catalytic funding for policy interventions and investments; social protection	Rapid support can be triggered through development emergency modality (not climate-specific); support for sustainable development	Developing countries; Large focus on SIDS, though not exclusive
Regional	Caribbean Climate Risk Insurance Facility	Provides parametric insurance for Caribbean and Central American governments and electric utility companies	Low frequency, high severity events;	Parametric insurance for tropical cyclones, excess rainfall, electric utilities and fisheries	Short-term/recovery: liquidity within 14 days of an event	24 members: 19 Caribbean governments, 3 Central American governments, and 2 Caribbean electric utility companies
	African Risk Capacity	Strengthening capacity of African Union member States in planning, preparedness, and response to extreme natural phenomena and natural disasters	Drought (crops and pastoralism); tropical cyclones; floods	Contingency fund for immediate liquidity following natural disaster (high frequency low severity events); Risk pool for medium frequency/medium severity events; Cat bond for low frequency high severity events		35 member States in Africa
	MDBs	Supporting governments through, inter alia, long-term investment perspectives; scaling up to increasing needs; connecting climate with development objectives; converting climate policy to implementation plans, project preparation and finance; convening different levels of governance and actors; facilitating access to international markets and finance	Varies	Finance (loans, equity investments, guarantees, indirect finance and syndications); Project support (capacity-building, project preparation, and implementation support); Concessional finance (investment grants, first-loss covers, and guarantees)  Policy dialogue (strategic planning and regulatory support)	Varies; E.g. Asian Development Bank offers both ex-ante support for building long-term resilience and ex-post support for disaster response and recovery	Varies

<i>Level</i>	<i>Institution, actor, or initiative</i>	<i>Role</i>	<i>Target area (hazards, sectors)</i>	<i>Types of support provided</i>	<i>Timeframe</i>	<i>Eligibility/geographical focus</i>
Other international	Bilateral donors	Funding for various aspects of addressing loss and damage, including in the aftermath of extreme weather events, in relation to displacement and human mobility, and more.	Varies	Varies (including through grant and debt finance, technical assistance)	Varies	Varies
National	National governments	Wide range of roles including seeking financial assistance, conducting post-disaster needs assessments, designing recovery plans, developing and implementing various financial instruments, and more.	Varies	Varies (including through national disaster and contingency funds, budget finance including reallocation of funds, risk insurance, social protection schemes and cash transfers, recovery planning and financing, relocation, disaster risk reduction planning and management and associated financing)	Throughout	Domestic
Multiple levels	Civil society	Varies; e.g. research and knowledge generation and dissemination, project implementation, product development, cost-sharing for programmes and initiatives, etc.	Varies	Varies	Varies	Varies

## Annex II

## Case studies: types of financial instruments and sources being deployed to address loss and damage

<i>Case study reference</i>	<i>Type of financial instrument / type of innovative funding source</i>	<i>Funding source and its modalities</i>	<i>Details of the type of programme(s)/activities supported</i>
Samoa on Addressing non-economic loss and damage caused by tropical cyclone Evan	Bilateral and multilateral ODA and Humanitarian assistance	Funding from the bilateral and multilateral donors was provided through several modalities such as budget support and a program approach. Different modalities were used due to the capacity of the Ministry of Finance to administer the funds, the preferences of the donor, and the needs that were being addressed. The recovery plan moved more towards a programme approach due to the number of donors involved with its delivery.	The focus of the recovery and reconstruction funds was on physical assets, materials and tools for farmers and fishers, and tourism operators. Houses for some families were also built and a building code was developed, however intangible losses or non-economic loss and damage were not funded under the recovery plan. That is, relocation support, restoration of family graves, loss of livelihoods or loss of life caused by the cyclone were not included in the costs of recovery.
Honduras, on Hurricanes Eta and Iota	<ul style="list-style-type: none"> <li>• National budget</li> <li>• International Humanitarian assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Between 2020-2022, the Government expended USD 124.91 million from its National Treasury to aid in recovery, rehabilitation and reconstruction, representing 49% of accrued figures.</li> <li>• Domestic credit represented 29% of financing.</li> <li>• External credit represented 16% of financing.</li> <li>• USD 7 million in international aid received, and USD 11.4 million pledged.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assistance to families affected represented 44% of the resources for emergency attention</li> <li>• Rehabilitation and repair of infrastructure damage represented 30% of the resources.</li> </ul>
European Union, on Forest fires in Europe (Spain, Romania, Portugal, Italy, Greece, France)	National budget	<ul style="list-style-type: none"> <li>• Novelty of mainstreaming of adaptation in policies and budget. EU climate change spending target increased to 30% of total budget.</li> <li>• Integration of the “Do No Significant Harm” principle for funding allocation to wildfires.</li> <li>• The EU civil protection mechanism pools all EU member states and 9 outside countries, that contribute to the pool.</li> </ul>	<ul style="list-style-type: none"> <li>• Firefighting planes and helicopters, medical evacuation planes, and a stockpile of medical items and field hospitals that can respond to health emergencies.</li> <li>• ERCC coordinates the delivery of assistance, such as relief items, expertise, civil protection teams and specialised equipment.</li> <li>• ERCC is supported by national and European monitoring services that provides with updated and reliable information on wildfires in Europe.</li> </ul>



<i>Case study reference</i>	<i>Type of financial instrument / type of innovative funding source</i>	<i>Funding source and its modalities</i>	<i>Details of the type of programme(s)/activities supported</i>
Vanuatu, on Assessing Vanuatu's Coral Reef: The importance of accounting for non-economic loss and damage in loss and damage financing	<ul style="list-style-type: none"> <li>• National Budget allocation</li> <li>• Direct cash transfers through the blockchain cash transfer programme</li> <li>• Private insurance</li> <li>• International humanitarian assistance</li> </ul>	<p>The Government of Vanuatu has, in its 2023 Budget allocated 15% to addressing climate change impacts and building resilience, on par with investments in essential services like health and education.</p> <p>Vanuatu blockchain-based Cash Transfer programme:</p> <ul style="list-style-type: none"> <li>• Cash and decision making for addressing L&amp;D (local stores and businesses are enabled to supply)</li> <li>• Transparency through blockchain (disbursement data enabled)</li> <li>• Implemented by trusted local actors</li> <li>• Can work for extreme and slow onset L&amp;D</li> </ul> <p>National Green Energy Fund was established in 2018 as a financing mechanism to support Vanuatu's nationally determined contribution decarbonization targets through investment in technology and infrastructure. The Fund boosts energy access.</p>	<p>Loss &amp; Damage Funding to address economic and non-economic loss and damage from individuals, schools, community associations, local businesses and others.</p> <p>National Green Energy Fund enables local businesses and industries to invest in clean, climate-resilient energy that meets their economic needs, creating transformative opportunities for rural communities. Brings funds to subnational and island governments</p> <p>Vanuatu's cash transfer programme provides cash to remote island communities.</p>
Nepal and/or Bhutan, on Melting glaciers and changing snow cover	<ul style="list-style-type: none"> <li>• National Budget</li> <li>• GEF</li> <li>• International Humanitarian assistance</li> </ul>	<ul style="list-style-type: none"> <li>• National public (Government): Both countries have invested a significant amount of their national resources to meet the costs of climate change-induced loss and damage. This has diverted resources away from other development objectives of the countries.</li> <li>• GEF Least Developed Countries Fund support has enabled the implementation of projects to reduce risks and impacts from glacial lake outburst floods</li> <li>• Disaster, humanitarian and development aid for immediate response and relief, intermediate recovery and long-term reconstruction</li> </ul>	<p>Several priority areas, including water resource management, climate-resilient agriculture and food security, and disaster risk reduction, have been mainstreamed in the NAPs and NAPAs and relevant policies of both the countries and significant portions of the national budget have been allocated to them.</p> <p>In an effort to reduce impacts, both countries have worked with experts and local communities to establish monitoring of glacial lakes and early warning systems for glacial lake outburst floods. Both countries are also working to reduce the risks of glacial lake outbursts through artificial lake management systems that drain water through siphon pipes, outlet channels, controlled breaching or pumping.</p>

<i>Case study reference</i>	<i>Type of financial instrument / type of innovative funding source</i>	<i>Funding source and its modalities</i>	<i>Details of the type of programme(s)/activities supported</i>
Morocco, on Morocco's experience with loss and damage, notably from drought	<ul style="list-style-type: none"> <li>• National budget</li> <li>• National Social protection systems</li> <li>• Emergency funds</li> <li>• Catastrophe risk insurance</li> </ul>	Ministry of Agriculture launched the PRIDP with a budget of 10 billion dirhams (1 billion USD) to mitigate the effects of drought on the 2021-22 agricultural season. This program aims to provide support to farmers and breeders, and address the impact of the rain delay on different sectors of the agricultural industry.	<p>GEF and GCF projects focus mostly on ex-ante adaptation measures that reduce risks. National Government has to contribute with co-finance.</p> <p>The PRIDP focuses on three areas, namely:</p> <ul style="list-style-type: none"> <li>• Protection of animal and plant capital,</li> <li>• Management of water scarcity</li> <li>• Agricultural insurance and financial support to farmers and professionals.</li> </ul>
German Institute of Development and Sustainability, on Funding human mobility in the context of loss and damage	<ul style="list-style-type: none"> <li>• Social Protection: Cash Transfer Programmes</li> <li>• Social services for migrants</li> </ul>	<p>Funding through partnerships:</p> <ul style="list-style-type: none"> <li>• Networks e.g. Global Cities Fund for Migrants &amp; Refugees</li> <li>• Bilateral, multilateral, international organizations</li> <li>• Private entities</li> <li>• Religious institutions</li> <li>• National government</li> </ul> <p>The Livelihood Empowerment against Poverty social protection programme targets vulnerable groups and provides cash transfers.</p> <p>Social welfare departments additionally support the emotional well-being of migrants through e.g. counselling services</p>	<p>Areas for loss and damage funding in cities for migrants:</p> <ul style="list-style-type: none"> <li>• Affordable and accessible housing.</li> <li>• Social protection, including through cash transfers.</li> <li>• Social service provisions – access to health care, education</li> </ul>
SLYCAN Trust, on Public insurance mechanisms to address loss and damage in Sri Lanka	<p>Public insurance schemes:</p> <ul style="list-style-type: none"> <li>• Universal crop insurance</li> <li>• National Natural Disaster Insurance scheme</li> <li>• Loan protection scheme for financial institutions</li> </ul>	<p>Funding sources:</p> <ul style="list-style-type: none"> <li>• Premiums paid automatically by farmers when buying government-subsidized fertilizer (proportion of payment for a bag of fertilizer going towards the insurance).</li> <li>• Crop levy of 1% of profit after tax collected from all financial institutions in the country.</li> <li>• Treasury funding from the national budget.</li> </ul>	<p>The crop insurance scheme provided by the Government of Sri Lanka covers the cultivation of all registered farmers for six basic crops and can be further expanded through separate premium payments if farmers want to cover other crops, livestock, equipment, storage facilities, or health. Farmers are insured against loss and damage due to</p>

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		<ul style="list-style-type: none"> <li>Reinsurance to transfer risk towards global financial markets</li> </ul> <p>Modalities: The mechanism is indemnity-based, with loss and damage assessed on the ground by agrarian officers and local government authorities. Compensation payments are usually made at the end of the season after an assessment of damages to the cultivation against a baseline established by actuaries at the beginning of the season.</p>	<p>floods, droughts, dry spells, excess water, pests and diseases, and wild elephant attacks.</p> <p>National Natural Disaster Insurance Scheme covers the lives and properties of all households and SMEs against loss and damage caused by natural disasters. The loan protection scheme covers loss and damage from drought, flood, and wild elephant attacks to financial institutions that provide loans related to paddy cultivation.</p>
<p>Fiji, on Development of Fiji’s National Planned Relocation Arrangements and Associated Financing Mechanisms (with the inclusion of innovative multi-source financing)</p>	<p>The Climate Relocation of Communities Trust Fund has been established to operate as a multi-donor trust fund.</p>	<p>The ‘Environment and Climate Adaptation Levy (ECAL)’ Contribution: Innovative Financing for Addressing Loss and Damage</p> <p>The Fiji Government leveraged domestic funding to complement contributions to the fund through an innovative policy-based taxation system. The Government will contribute 3% of the revenue raised through the ECAL which is applied to specific luxury goods and services in Fiji. Additional international and bilateral contributions are now required to take the initiative to scale.</p> <p>The Community Contribution: A collaborative community-driven approach. Communities and groups in need of relocation play a proactive role in the design of solutions as mandated by the processes put in place to guide relocation in Fiji.</p> <p>The Government Contribution: Leveraging external financing through intra-governmental cooperation. The Fiji Government has committed to utilizing expertise available across Ministerial portfolios and teams to support effective consultation, decision-making, technical assessments, and planning.</p>	<p>The Climate Relocation of Communities Trust Fund will support communities, settlements and groups based on request. If relocation is deemed to be appropriate and required, the community, settlement, or group in question will be eligible the funding necessary to complete consultations, relocation planning and design, assessments, physical relocation of assets, and costs of building new infrastructure.</p>
<p>SEEDS India, on Creation of e-disaster wallets</p>	<p>E-disaster wallets (assessment of economic and NELs)</p>	<p>Source: National public (Government of India)</p> <p>Modalities:</p>	<p>Possible use cases:</p> <ul style="list-style-type: none"> <li>A public loss and damage database built by affected communities.</li> </ul>

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Spain, Spanish Extraordinary Risk Insurance	Extraordinary Risk insurance - A Public-private partnership model that covers extraordinary risks	<p data-bbox="745 225 1335 304">The platform creates an E-Disaster Wallet that lets people assess their own losses and maintain a ledger of their assets and losses over a period.</p> <p data-bbox="745 320 1346 584">The data stored on the wallet will help build a Loss Data Platform that captures aggregated values of community-assessed losses, and uses secondary data, such as geographical vulnerability, to create actionable insights for programming loss recovery for affected people or do predictive analysis for future events. Being an open platform, will generate endless possibilities of innovation and use cases – such as digital payments directly to affected people.</p> <p data-bbox="745 651 1223 676">National public &amp; private sources of funding</p> <p data-bbox="745 730 864 756">Modalities:</p> <p data-bbox="745 772 1335 884">Compulsory extension of most policies contracted with private undertakings to cover the Extraordinary Risks. Consorcio de Compensación de Seguros (CCS) provides this cover on a subsidiary basis.</p> <p data-bbox="745 900 1346 1043">A surcharge for the ERI is applied to all policies, depending on the kind of item and the insured capital. The surcharge is not risk reflective in order to avoid adverse selection and minimize the insurance protection gap.</p> <p data-bbox="745 1059 1335 1203">Companies collect the surcharge and transfer it to CCS, which constitutes an equalisation reserve for loss indemnification. The scheme is self-adjustable to the mass insured in the country, making it extremely resilient.</p> <p data-bbox="745 1219 1346 1358">In the event of one insured property or person is damaged by an ‘extraordinary’ hazard, CCS is in charge of claims and indemnifications, on the basis of the policies sold by all companies operating in the Spanish market.</p>	<ul style="list-style-type: none"> <li data-bbox="1384 225 1906 304">• A dynamic analysis of economic and non-economic losses by communities in near-real time for urgent policy decision making</li> <li data-bbox="1384 312 1906 392">• A market place for ensuring financial assistance to affected communities through direct remittances.</li> <li data-bbox="1384 400 1906 480">• A platform for disseminating impact based early warning directly to households in real-time.</li> <li data-bbox="1384 488 1906 536">• Ensuring financial assistance is inclusive and based on needs leaving no one behind.</li> <li data-bbox="1384 544 1906 592">• A platform for multiple actors to meet requirements of communities.</li> </ul> <p data-bbox="1384 651 1906 703">Nearly 85% of all losses of the ERI are of hydrometeorological origin (flood and windstorms)</p> <ul style="list-style-type: none"> <li data-bbox="1384 719 1805 745">• Flood (riverine. Pluvial and coastal)</li> <li data-bbox="1384 753 1581 778">• Wave battering</li> <li data-bbox="1384 786 1823 812">• Windstorm (&gt;120 km/h) and Tornado</li> <li data-bbox="1384 820 1675 845">• Earthquake and tsunami</li> <li data-bbox="1384 853 1608 879">• Volcanic eruption</li> <li data-bbox="1384 887 1599 912">• Meteorite falling</li> </ul>

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Mercy Corps/Zurich Flood Resilience Alliance, on Breaking the cycle: unlocking climate finance for fragile states	<ul style="list-style-type: none"> <li>• National contingency funds</li> <li>• International bilateral and multilateral funds</li> <li>• Bilateral and multilateral ODA (for CCA and CCM and development assistance)</li> <li>• Adaptation and resilience building finance</li> <li>• (Grants, concessional / non-concessional loans)</li> </ul>	<p>National public (Government)</p> <p>International (mainly Public)</p> <p>Bilateral and multilateral donors</p> <p>The UN Peacebuilding Fund (PBF)</p> <p>The UN Secretary-General's PBF is the organisation's financial instrument of first resort to sustain peace in countries or situations at risk of or affected by violent conflict. The Fund supports integrated UN responses to fill critical gaps, to respond quickly and with the flexibility to support peacebuilding opportunities and to catalyse processes and resources in a risk-tolerant fashion.</p> <p>Peace bonds are a new financial instrument proposed by Interpeace – an international peacebuilding organisation – to fund projects that contribute to development and peace objectives in countries affected by conflict and fragility. They do not exist in the market yet, but would be created as a type of bond instrument whose proceeds would be exclusively applied to partly or fully finance or re-finance new or existing projects that have a peace impact and are verifiably aligned with peace bond principles and standards.</p>	<p>From 2017 to 2021 the PBF funded at least 74 projects, in 33 countries, that responded to climate security dynamics or otherwise incorporated environmental peacebuilding into their approach.</p> <p>Peace bonds could finance climate adaptation projects in conflict settings.</p>