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# A Gap Analysis of Finance Flows for Addressing Loss and Damage

## Technical Paper

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## Summary

This paper gives an overview of the finance flows to address L&D within and outside of the UN Framework Convention on Climate Change (UNFCCC) and is not meant to be a comprehensive assessment.<sup>1</sup> Its preliminary findings reveal that there are large funding gaps for addressing loss and damage (L&D), but that there is no “one solution that fits all” approach to address these gaps. Annex 1 provides further background on understanding addressing L&D from the adverse effects of climate change.

The most significant funding gap is that for addressing non-economic losses, which is almost completely absent from current funding flows. Non-economic losses could include financing for active remembrance, documentation of and recording traditional and local knowledge, cultural preservation, societal protection, counselling, enabling access/safe visits to abandoned sites, recognition and repair of loss (whether or not accompanied by financial payment). It can also include measures to reduce “similar” risk of non-economic L&D in other areas through lessons learned and shared knowledge and understanding, as well as official apologies. Another key funding gap exists for slow-onset events, in particular those leading to migration or displacement and the need for transformational development in the aftermath of relocation.

Another key conclusion of this research is that even though finance for recovery, rehabilitation, and reconstruction in the aftermath of disasters is available, the quality of this funding is an issue. Institutions like the World Bank, other multilateral development banks (**MDBs**) or national funds, are financing reconstruction and building back better after disasters, such as through regional development banks’ catastrophe risk pools and the crisis response window under the International Development Association (**IDA**). However, there is a growing concern that this financing is not sustainable in the long run given the looming debt crisis for many developing countries, in particular the most climate vulnerable.

A related finding demonstrates that funding through the MDBs is heavily loan-based with only 15 percent of finance provided as grants. By comparison, funding through the UNFCCC is almost 100 percent grants-based.<sup>ii</sup> Viewed in the context of increasingly unsustainable debt levels for developing countries, in particular for the most climate vulnerable countries, a review of the quality of funding for reconstruction and transformational development should include discussions initiated by the government of Barbados and be raised at the “Summit for a New Global Financing Pact: Towards More Commitments to Meet the 2030 Agenda?” in Paris in June 2023.<sup>iii</sup> While not within the remit of the Convention, UNFCCC Parties, including key actors like the Transitional Committee, could consider how these outcomes can have mutual benefit.

Additional finance gaps which, to a lesser or greater extent, are connected to climate change events, will affect available finance for addressing L&D. First, the Convention for Biodiversity (CBD) continues to work to close the funding gap for addressing L&D in relation to biodiversity, including through the new trust fund established as part of the Kunming-Montreal Global Biodiversity Framework. But it will only partly be filled with global finance commitments and necessitates funding from developing countries’ national budgets as well as private sector finance.

Second, more frequent and intense natural disasters as well as a handful of prolonged conflicts since 2010 have been driving a growing humanitarian finance gap. Humanitarian stakeholders hope that a new fund for L&D can fill this gap. Parties should consider whether the solution lies in enhancing the budget for humanitarian assistance as opposed to new and additional funding earmarked for addressing L&D (although earmarking comes with its own issues).

Third, related to the increased conflict and climate change impacts noted above and due to the COVID-19 pandemic, for the first time in a generation, development trends are negative, which leaves the 2030 Sustainable Development Goals (SDGs) at risk of being underachieved. As a result, the UN Secretary General has put financing of the SDGs high on the international agenda with a call for a global stimulus package.

Fourth, there are large finance gaps under the UNFCCC. The U.S. \$100 billion goal has yet to be reached, and funding for both mitigation and adaptation remains insufficient. The 2022 Adaptation Gap Report points out that the current adaptation action is inadequate, and that the adaptation finance gap is widening. Concurrently, there are constraints on developed countries budgets due to the COVID-19 pandemic, but also due to the global economic effects of the Russian invasion of Ukraine and the looming financial recession.

Fifth and finally, humanitarian assistance and disaster risk reduction (DRR) have historically focused on the immediate aftermath of disasters and conflict. However, there is growing understanding of the actions needed to reduce vulnerability and increase resilience prior to the disaster, as well the peacebuilding efforts and development actions aimed at reducing vulnerabilities in conflict prone areas. As a result, efforts are shifting, in particular for the DRR community, from ex post to ex ante action. This slight “shift” is in the preliminary stages. The

focus on addressing L&D in these areas could denote a new shift, toward a need to include a long-term, predictable form of support in the aftermath of climate-induced disasters (from both slow- and sudden-onset events). This new framing necessitates assessments that includes climate scenario- and cost-benefit analysis for the different options to address L&D, hereunder reconstruction, to build forward better, or engage in other strategies such as voluntary migration and relocation and transformational development practices. It is also worth noting that the focus on addressing L&D can work with, and does not replace, the shift to stronger ex ante action.

## Introduction

Funding for L&D is available within and outside of the UNFCCC. However, there is a significant gap between the needs and available finance for responding to and addressing L&D. The gap is likely to widen in light of future climate scenarios and larger macroeconomic drivers unless the global community comes together to enhance the actions taken to fill this gap, increase current funding streams, and secure new and innovative finance directed toward responding to L&D.

The level of development, in particular for the least developed countries (LDCs), has stalled, and the poverty level has increased for the first time in a generation.<sup>iv</sup> The COVID-19 pandemic has had devastating impacts on development trajectories, and future projections of increasing climate change impacts indicate greater burdens on developed and developing countries, with particular repercussions for LDCs and those countries that are particularly vulnerable to the adverse effects of climate change. Further risks include the ongoing war in Ukraine, the global economy's vulnerability, the risk of recession, and increased levels of debt. Finance needs are growing rapidly but the incremental increases in funding globally are not enough to close the funding gap. An assessment of finance flows for addressing L&D must be taken in the context of finance for humanitarian assistance, DRR, development assistance, achieving the SDGs, halting biodiversity loss, mitigation, and adaptation action.

## The Loss and Damage Finance Gap

It is difficult to estimate costs for L&D, given interlinkages between the levels of global warming, adaptation, and development pathways. Partly as a result, financial, governance, and institutional arrangements for L&D are lacking, in particular for climate vulnerable developing countries.<sup>v</sup> But mitigation and adaptation finance also needs to significantly increase,<sup>vi</sup> so it is likely that L&D costs are higher than otherwise would have been necessary.

It is currently not possible to accurately estimate the cost of L&D given uncertainties in methodologies, processes, time horizons, climate scenarios, and countries' socio-economic and political choices, which include adaptation policies and measures that influence the extent of L&D. Further, assessment and valuation of non-economic impacts remains very difficult owing to the many uncertainties involved and to the essential role of value judgements. Due to the complexity, it is very difficult to express aggregate damage in a single number representing the total non-economic loss.

Despite these uncertainties, finance needed for L&D is likely to be considerable: estimates range between U.S. \$20–580 billion in 2030 per decade rising to U.S. \$1.1–1.7 trillion in 2050 per decade.<sup>vii</sup> Current levels of funding for L&D under the UNFCCC fall far below these estimates and is insufficient. There are no aggregate sums for the current total funding levels of L&D under the UNFCCC or outside of it. One reason is that L&D funding has for many years been categorized as other things (e.g., adaptation, resilience, DRR, humanitarian aid).

The funding gap for L&D is closely linked to the deficits in funding for adaptation, which is still significant despite increased finance in the last decade. The Adaptation Gap Report for 2022 found that adaptation funding is insufficient and is slow to arrive. The estimated the adaptation finance gap in developing countries to likely be 10 times greater than current public international adaptation finance flows.<sup>viii</sup> In monetary terms, the annual adaptation costs are estimated between U.S. \$160–340 billion by 2030, rising between U.S. \$315–565 billion by 2050 for developing countries alone, and continues to widen.<sup>ix</sup>

For example, Africa’s estimated L&D needs in the period 2020–2030 is U.S. \$289.2–440.5 billion, in the low and high warming scenarios respectively.<sup>x</sup> This is approximately U.S. \$30 billion higher than their estimated adaptation finance needs for the same period. It is not clear how much of the total cost for L&D is related to measures to address L&D.

### **Calls to Revise the Financial System**

The availability of finance for L&D is affected by broader macroeconomic factors, such as the COVID-19 pandemic, the war in Ukraine, and increasing risks of unsustainable debt levels for the poorest and most vulnerable countries. There have been several calls for an overhaul of the international financial system to address climate change. Prime Minister of Barbados Mia Mottley’s Bridgetown Initiative seeks to address systemic issues requiring transformation of the financial system and the establishment of a new global mechanism for raising reconstruction grants for countries imperiled by climate disaster.<sup>xi</sup> In February 2023, the UN Secretary General issued a call for global financial stimulus to deliver the Sustainable Development goal (**SDG**) Agenda 2030.<sup>xii</sup> Finally, the French Prime Minister Macron's summit in June 2023 will focus on a new global financing pact can address the mobilization of innovative financing for countries vulnerable to climate change.<sup>xiii</sup>

### **Finance Flows for Addressing Loss and Damage**

The following section provides an overview of the different finance flows for addressing L&D within and outside of the UNFCCC. More research is needed in order to fully understand the finance needs and gaps in addressing L&D.

## National and Domestic Budgets

Data on domestic climate expenditure, including on L&D, is not readily available as it is not collected regularly or with a consistent methodology across countries.<sup>xiv</sup> However, national funding arrangements and domestic innovative sources are likely to play a significant role in addressing L&D.<sup>xv</sup> Many countries already have national funds to deal with the aftermath of natural disasters.<sup>xvi</sup>

## Regional Development Banks

The African Development Bank (**AfDB**) funds relevant for L&D include African Development Fund (**ADF**), African Water Facility (**AWF**), Transition Support Facility (**TSF**), Nigeria Trust Fund (**NTF**), Sustainable Energy Fund for Africa (**SEFA**), ClimDev Special Fund (**CDSF**), NEPAD Infrastructure Project Preparation Facility (**NEPAD-IPPF**), Africa Climate Change Fund, and Climate Investment Fund these provide grant, concessional funding for addressing and mitigating climate change. The AfDB provides U.S. \$7.06 billion to its member countries for development specifically, the Climate Investment Fund provides U.S. \$1.6 billion to disaster risk management in grants and concessional loans.

Further, regional catastrophe risk pools in Africa (**ARC**), the Caribbean (**CCRIF**), and the Pacific (**PCRAFI**) have established themselves as key vehicles for countries to strengthen their financial resilience. Additionally, the Asia Pacific Disaster Response Fund under Asian Development Bank provides grants for developing member countries for the emergency and early recovery from natural disaster. In addition, the Southeast Asia Disaster Risk Insurance Facility (**SEADRIF**) will provide ex-ante climate and disaster risk and insurance financing solutions.

The Inter-American Development Bank (**IDB**) has an active portfolio of U.S. \$55.8 billion in financing, with particular focus on water and sanitation, social investment, and transport, but also focus on environmental and natural disasters, urban development and housing, health and agriculture and rural development.<sup>xvii</sup> Another U.S. \$10.1 billion in pipeline will be spread across 88 projects. It is not clear how much of this is for addressing L&D.

The European Investment Bank (**EIB**) provided loans in 2022 totaling U.S. \$36.5 billion for climate action and ecosystem-based solutions which is about 58 percent of the bank's lending. Through the EIB Group Climate Roadmap regarding L&D its priorities include building greater resilience in developing countries, to support opportunities to reduce vulnerability, and strengthen the adaptive capacity of people and regions most at risk from climate change with access to concessional finance. U.S. \$1.8 billion was directed to climate adaptation in developing countries water scarcity, disaster risk management, and resilience; it is not clear what may have committed to address L&D.

## Development Funding/Official Development Assistance<sup>xxviii</sup>

Official development assistance (ODA) amounted to U.S. \$204 billion in 2022, and included grants, loans, debt relief and contributions to multilateral institutions.<sup>xxix</sup> This amount is 13.6 percent higher than in 2021, and it was the fourth consecutive year ODA surpassed record levels. The increase was primarily due to in-donor refugee costs because of the war in Ukraine. Excluding these costs, it rose by 4.6 percent compared to 2021. Climate-related ODA in 2021 was 27.6 percent of all ODA, with U.S. \$14 billion for climate action as *the principal objective*, and U.S. \$23 billion for climate action as *a significant objective*.<sup>xx</sup> 42 percent of this addressed adaptation, and there is no information on how much went to address L&D.

Around half of the ODA is through bilateral development projects, programs, and technical cooperation, followed by multilateral ODA. Humanitarian aid is less than one-seventh of the total ODA budget. In 2019–2020, grants accounted for 57 percent and 99 percent (U.S. \$8.5 billion and U.S. \$1.2 billion) of the face value of bilateral adaptation finance and of adaptation finance from multilateral climate funds, respectively. However, only 15 percent of the funding through multilateral development banks was through grants.<sup>xxi</sup>

The UNSG has noted that ODA failed to keep pace with rising needs and demands.<sup>xxii</sup> One concern is that ODA is diverted from traditional development priorities and humanitarian aid appeals to address the impacts of the ongoing war in Ukraine. Another concern is that most of the biggest donor countries are not meeting ODA commitments of 0.7 percent of gross national income.<sup>xxiii</sup> If this is met, it would provide over U.S. \$150 billion per year.<sup>xxiv</sup> Further, the eligibility for ODA is calculated based on Gross National Income (GNI) per capita, with countries above a given threshold not eligible for ODA.<sup>xxv</sup> The eligibility requirement leads to the exclusion of some climate vulnerable countries still likely to face costs from L&D in the short- and long-term.<sup>xxvi</sup> There are several exceptions, such as the small island exception, which allows certain small island economies and International Development Association (IDA) eligible small states to continued access to IDA. Exceptions has also been given in response to the Syrian refugee crisis.<sup>xxvii</sup> Although donors are increasingly considering multidimensional vulnerabilities, a more systematic and consistent use of these could be helpful, for example through the UN developed multidimensional vulnerability index (MVI).

## Multilateral Development Banks

### *International Monetary Fund*

The International Monetary Fund (IMF) supports its members through policy advice, capacity development and financial support. Since the start of the pandemic, it has provided U.S. \$267 billion in new financing, and U.S. \$650 billion allocation of special drawing rights.<sup>xxviii</sup> The IMF also has a Resilience and Sustainability Trust, which will help low- and vulnerable middle-income countries address structural challenges such as pandemics and climate change.

### *World Bank*

The **Global Shield Financing Facility**, announced by the World Bank Group at COP27, builds on the earlier **Global Risk Financing Facility**, established in 2018, which has supported country operations in Africa, Asia, and Small Island Developing States.<sup>xxix</sup> The program has been paired with U.S. \$3 billion in World Bank lending and helped to mobilize more than U.S. \$1 billion in private sector capital.

Other programs include the **Disaster Risk Financing and Insurance Program** which helps countries with financial protection in the event of a disaster, and the **Sahel Adaptive Social Protection Program**, which is a multi-donor trust fund also managed by the World Bank that supports the strengthening of adaptive social protection systems in the Sahel.

### *International Development Association*

International Development Association (**IDA**) is a member of the World Bank Group and helps the world's poorest countries with knowledge and financing to address their development challenges. Climate change is an integral part of 20th replenishment (**IDA20**), and closely aligned with the World Bank Group's Climate Change Action Plan 2021–2025.<sup>xxx</sup>

The **Crisis Response Window (CRW)**, introduced in 2011, is a longer-term emergency response tool used to support IDA countries through crises, including natural disasters.<sup>xxxi</sup> For example, CRW responded to the 2017 regional drought and food insecurity in Africa and the Middle East through predictable and regular cash for food transfers to the poorest and most vulnerable, restoration of livelihoods, and cash transfers to displaced families to resettle/settle in their old or new communities.<sup>xxxii</sup> CRW supports countries to build back better, as well as early response financing to address slower-onset events (such as sea level rise) that are at an early stage. The CRW has increased from U.S. \$2.5 billion in IDA19 to U.S. \$3.3 billion in IDA20, reflecting the need to support countries amid increased vulnerability to shocks—such as rising food insecurity. The CRW can respond flexibly to demand and scale up resources.

The **Immediate Response Mechanism (IRM)** complements the CRW and offers IDA countries financial support within weeks rather than months of an emergency such as natural disasters or economic shocks.<sup>xxxiii</sup> Recovery efforts include the activation or scaling up of safety nets to mitigate the impact on vulnerable groups, repair or restoration of basic physical assets, protection of critical development spending such as on health and education, and creation of programs to jump-start economic activity.<sup>xxxiv</sup>

The **Window for Host Communities and Refugees (WHR)** helps eligible host countries create meaningful longer-term development opportunities for refugees and host populations. Whereas the **Fragility, Conflict and Violence (FCV) Envelope** provides financing to countries facing acute FCV risks.

Finance needs for IDA countries, in particular the LDCs, are increasing. It is estimated that between 2023–2025, external financing needs in low-income countries is U.S. \$429 billion, and

to return to a development and industrialization pathway, they will need an additional U.S. \$310–376 billion in the same period.<sup>xxxv</sup>

For 2022, IDA commitments totaled U.S. \$37.7 billion, of which U.S. \$13.2 billion in grants. Africa region is increasingly benefiting and received 73 percent of the total commitments. Annual commitments have increased steadily and averaged about U.S. \$34.7 billion the last three years. The funds will be delivered to the world’s 74 poorest countries under the IDA20 program, which focuses on helping countries recover from the impacts of the COVID-19 crisis and to build a greener, more resilient future. As such, over 60 percent of climate financing focused on adaptation and resilience.<sup>xxxvi</sup>

### *Public Development Banks*

There are more than 500 multilateral, regional, national, and sub-national Public Development Banks (**PDBs**) in the world, with public mandates to catalyze investments in sustainable development, including for adaptation and resilience. PDBs have total assets of U.S. \$23 trillion and represents 10–12 percent of global financing.<sup>xxxvii</sup> One in two PDBs integrate climate in their activities, and PDB’s climate financing in 2022 totaled U.S. \$224 billion, a 20 percent increase over the previous year.<sup>xxxviii</sup> It is not clear how much was for adaptation and resilience. It is also worth noting that although PDBs are mandated to invest in infrastructure, agricultural development, and public social housing, it is unclear whether there are any special policies for investments in these areas in the aftermath of climate change events.

There is a growing appetite for revising the policies for disbursement of assets in lieu of climate resilience. The coalition of PDBs “Finance in Common” points out that there is a need for large PDBs to provide smaller national banks with more long-term resources in a revised financial architecture matching with priorities for climate change and biodiversity.<sup>xxxix</sup> The coalition also notes the need to integrate the many micro-sized African PDBs into the larger financial system to increase their assets.

Given their support areas, PDBs have a much larger role to play in financing adaptation and L&D actions. For example, new L&D policies could be put in place for financing recovery, rehabilitation, and reconstruction as well as transformational development to address L&D in the long-term.<sup>xl</sup> Given its public mandate, it could also be relevant to assess whether PDBs can be part of the solution to finance planned migration/relocation and non-economic losses.

### **Philanthropy**

Philanthropic funding to address L&D made headlines at COP26 when a group of philanthropies came forward with a commitment of UK £3 million to address L&D.<sup>xli</sup> Another relevant philanthropy is Action of Churches Together Alliance (**ACT**), a coalition established in 2010 with of over 150 churches and faith-based organizations working in 127 countries. ACT’s secretariat administers a global Rapid Response Fund (**RRF**). The RRF aims to fund gaps in current funding structures, including those for addressing L&D, and in particular those in relation to forced

migration/displacement. ACT mobilizes more than U.S. \$2 billion each year.<sup>xliii</sup> Another large philanthropic organization is the Bill and Melinda Gates Foundation (BMGF), which has potential to fund activities for addressing L&D through their philanthropic efforts on climate change.

## Private Sector

There is little information on the extent of private sector investment in addressing L&D. The same is true for private sector investment in adaptation, as limited information inhibits meaningful aggregation.<sup>xliiii</sup> However, information on measures taken to address L&D could become required in company reports, for example through expanding the Taskforce on Climate Related Financial Disclosures-framework voluntary requirements on climate risk.

## UN Offices

### *Finance for Disaster Risk Reduction*

**The United Nations Office for Disaster Risk Reduction (UNDRR)** is the UN's focal point for DRR, previously known as UNISDR. It is tasked with overseeing and supporting the implementation, follow-up, and review of the Sendai Framework for Disaster Risk Reduction 2015-2030, previously known as the Hyogo Framework for Action 2005–2015.<sup>xliiv</sup> In doing so, it coordinates and supports countries efforts in strengthening its national institutional framework for increased preparedness and resilience.

The Global Facility for Disaster Reduction and Recovery (**GFDRR**) is a grant-funding mechanism managed by the World Bank that contributes to the implementation of the Sendai Framework by integrating DRR management and adaptation into development strategies and plans and recover from disasters quickly and effectively.<sup>xliv</sup> Contributions from most members and other donors are pooled in the GFDRR MDTF, which holds funds from many donors. GFDRR aims to significantly scale up its support for climate change to achieve the national goals embedded in the Paris Agreement, including to respond in the wake of disasters and reduce the fiscal and financial impacts of disaster. Efforts will focus on addressing the critical knowledge gaps and building pipelines of effective resilience investments ahead of the first global stocktake in 2023, building on the momentum around the Nationally Determined Contributions (**NDCs**).

### *Finance for Humanitarian Assistance*

In 2023, humanitarian aid reached a record high U.S. \$51.1 billion to provide immediate relief for 339 million people in need of assistance in 69 countries.<sup>xlvi</sup> The amount reflects a 25 percent increase compared to the beginning of 2022. The COVID-19 pandemic, droughts, floods, and the war in Ukraine have resulted in these record humanitarian requests.

The funding gap for humanitarian aid is wide and widening further. As of mid-November 2022, U.S. \$24 billion in funding reached 80 percent of the target. Climate change is driving increased risk and vulnerability, such as heat related deaths and the displacement of people, which reached

103 million. in 2020, UN humanitarian appeals related to extreme weather were underfunded – and eight times higher than they were 20 years ago.<sup>xlvii</sup>

The number of refugees worldwide has grown steadily since 2011, and shows no signs of slowing.<sup>xlviii</sup> The total number of people displaced (internal and cross-border) reached 103 million in 2022.<sup>xlix</sup> Internal displacements in 2021 due to disasters, including climate disasters, were 23.7 million people, whereas globally 5.9 million people were displaced due to disasters.<sup>1</sup> The main contributing factor for displacement is, however, conflict and violence, with five conflict-ridden countries responsible for 72 percent of the refugees.

Most of the funding from public sources comes from the Organization for Economic Co-operation and Development's Development Assistance Committee (**OECD DAC**) governments, funneled primarily through multilateral organizations and NGOs.<sup>ii</sup> The multilateral organizations include, inter alia: the UN Office for the Coordination of Humanitarian Affairs, the UN High Commissioner for Refugees, International Organization for Migration, UN Development Programme (**UNDP**), UN Populations Fund, UNICEF, UN Relief and Works Agency for Palestine Refugees in the Near East, the World Health Organization, the World Food Programme, the Food and Agricultural Organization. U.S. \$1.9 billion (around 7 percent) of the donations went to pooled funds including the UN Central Emergency Response Fund (**CERF**), Country-Based Pooled Funds (**CBPF**) and other pooled funds. Funding to the International Red Cross and Red Crescent Movement alone accounted for U.S. \$1.2 billion. National governments and inter-governmental organizations received the least amount, just under U.S. \$ 1 billion.

Food security has received the largest volume of funding per year for the past decade, with conflict-ridden countries the main recipients. However, disaster-induced food insecurity overlaps to a great extent with addressing L&D given climate-related slow and sudden onset events. Adaptation and precautionary L&D measures could be undertaken to reduce food insecurity, with greater success rates in non-conflict areas. Early recovery, such as sustainable recovery from crises, strengthening resilience, and laying the foundation for longer-term development, received the least amount of funding in 2021.<sup>iii</sup>

Where resilience is low, the greater the likelihood of people experiencing crisis and needing more lifesaving humanitarian assistance, for longer.<sup>iiii</sup> Thus, there is an increased focus on building climate and economic resilience prior to the crisis. However, conflict-ridden areas present further challenges, as undertaking adaptation and addressing L&D in those areas is high-risk, with a low success rate and low local participation.

Climate finance is called upon to alleviate pressure on humanitarian systems, but there are risks in using UNFCCC systems and funds to increase adaptation and L&D efforts and finance in areas where the main driver is conflict, not climate.<sup>liv</sup> Arguably, peacebuilding initiatives, development initiatives for conflict areas, and increased funding for humanitarian assistance through the existing humanitarian system, could be a better means to address these scenarios. Then adaptation and L&D actions could be introduced when the conflict has lessened. However, the

need to address risks, such as food insecurity, migration, biodiversity loss, non-economic loss, and reconstruction, remains important.

In other words, addressing risk and L&D in conflict-areas could be done through the humanitarian system. As such, increased funding for climate-induced disasters for humanitarian support is necessary. The question is whether this should be allocated from climate finance funds (such as the new L&D fund, the Green Climate Fund (**GCF**), or the The Global Environment Facility (**GEF**)) in addition to the existing funding coming mainly from OECD DAC countries for humanitarian assistance, or whether the humanitarian funding can be increased directly.<sup>lv</sup> It could also be helpful to enhance humanitarian assistance funding for early recovery. In doing so, countries should take care to earmark finance to address the effects of climate-induced disasters.<sup>lvi</sup>

### *Global Environment Facility*

The GEF is a family of funds dedicated to confronting biodiversity loss, climate change, pollution, and strains on land and ocean health through grants, blended financing, and policy support. It provides support to developing countries and countries in transition, including some countries that have graduated from ODA recipient status, if aligned with its eligibility requirements.<sup>lvii</sup> However, 90 percent of GEF financing was provided to ODA-eligible countries in its seventh replenishment period (until June 2022).<sup>lviii</sup> A country is eligible for grants if it receives World Bank (International Bank for Reconstruction and Development and/or IDA) financing or if it is an eligible recipient of UNDP technical assistance through its target for resource assignments.<sup>lix</sup> Over the past three decades, the GEF has provided more than U.S. \$22 billion and mobilized U.S. \$120 billion in co-financing for more than 5,000 national and regional projects.<sup>lx</sup>

The GEF has invested more than U.S. \$5.2 billion to conserve biodiversity and to use it sustainably. This investment has leveraged over U.S. \$13.4 billion in additional funds, supporting 1,500 projects in more than 158 countries.<sup>lxi</sup> The GEF has supported the improved management of more than 2,500 million hectares of terrestrial and marine protected areas around the world, an area larger than the size of Latin America. They have also helped countries sustainably use and manage biodiversity across more than 543 million hectares of productive landscapes and seascapes. Relevant for addressing L&D is its work on restoring ecosystems, including safeguarding coral reef systems through rescuing and protecting seven ‘climate refuge reefs’ which can act as source reefs from which other coral systems across the planet can regenerate in the future when (assumably) climate conditions will stabilize.<sup>lxii</sup>

The GEF’s climate change adaptation strategy for the 2022–2026 period, which covers the Least Developed Countries Fund (**LDCF**) and the Special Climate Change Fund (**SCCF**), aims at supporting developing countries transition to a climate resilient development pathway while reducing exposure to the immediate risks posed by climate change.<sup>lxiii</sup> Over 2022–2026, the two funds are supporting countries across four key adaptation themes: (i) agriculture, food security, and health; (ii) integrated water resource management to address water security, droughts, and flooding; (iii) nature-based solutions; and (iv) early warning and climate information systems. Other themes that LDCF and SCCF will support include, but are not limited to, climate resilient infrastructure,

sustainable alternative livelihoods, ecosystem restoration, forestry, and disaster risk management.<sup>lxiv</sup> These efforts overlap to a great extent with actions relevant to address L&D.

Other context-specific priority adaptation topics may also be supported. The GEF aims to support transformational adaptation, while contributing to climate-resilient recovery from the impact of the COVID-19 pandemic.

**The LDC Fund**, governed by the GEF, provides LDCs with grants to support efforts to adapt to the effects of climate change. Financing support for L&D includes projects for climate information services networks, L&D elements of National Adaptation Programmes of Action (**NAPAs**) and National Adaptation Plans (**NAPs**), early-warning systems, risk transfer, and comprehensive risk management. It supports the implementation of NAPAs and NAPs as well as the UNFCCC LDCs work program, and all funded activities need to be mapped to these country-driven priorities. It has financed 365 projects and enabling activities with approximately U.S. \$1.7 billion in grants which is expected to benefit over 52 million people and climate resilient management of over 8 million hectares. However, measures to address L&D, such as non-economic losses, human mobility, loss of territory and loss of societal and cultural identities appear to fall outside the scope of its mandate. This could change if the NAPAs and NAPs are extended to include plans and actions to address L&D including non-economic losses.

**The SCCF**, also governed by the GEF, addresses the specific needs of developing countries. In the 20 years since its inception, the SCCF has invested U.S. \$363 million in 88 projects. These have benefited approximately nine million people and helped bring over five million hectares of land under more sustainable management.<sup>lxv</sup> It was originally grant-focused but has evolved to include innovative financial instruments, such as concessional loans and equity, and can also provide weather risk insurance and reinsurance products. It supports a broader continuum of efforts, including risk reduction and transformational approaches.<sup>lxvi</sup> Roughly one-third of SCCF initiatives are aimed at expanding access to improved climate information services. The SCCF is increasingly focused on supporting innovation that can scale up climate change adaptation solutions. It is also worth noting that 50 percent of beneficiaries for both LDCF and SCCF projects are expected to be female.<sup>lxvii</sup>

In GEF's 2022–2026 adaptation strategy, the SCCF will focus on supporting the adaptation needs of SIDS and strengthening technology transfer, innovation, and private sector engagement. The adaptation support to SIDS includes a wide range of areas such as implementing early-warning systems and nature-based solutions, enhancing infrastructure and freshwater sources, diversifying and building resilience in the local economy, and reducing import dependence. Other priorities include initiatives to address vulnerabilities and impacts of climate change on migration and displacement, which can be defined as addressing L&D.<sup>lxviii</sup>

### *The Green Climate Fund*

The GCF is part of the financial mechanism of the UNFCCC. It is a global platform that invests in low-emission and climate-resilient development projects. It aims for a 50/50 division between

mitigation and adaptation, and at least 50 percent of financing goes to LDCs, SIDS, and Africa. The GCF offers a range of instruments that includes grants, loans, guarantees, equity, and results-based payments. In terms of L&D-related financing, it has, for example, financed projects for risk assessment, risk prevention or reduction, and implementation of early-warning systems to reduce loss of life. Other examples include ecosystem-based adaptation and risk reduction through flood mapping and early-warning systems, and weather index-based insurance programs. At COP25, Parties invited the GCF to continue to provide financial resources for L&D activities, consistent with its existing investments, results framework, and funding windows and structures, taking into account the five-year workplan of the Warsaw International Mechanism (WIM) Executive Committee (ExCom).<sup>lxxix</sup> Access channels include the Project Preparation Facility and the Readiness and Preparatory Support Programme.<sup>lxxx</sup> Parties also directed the GCF and the ExCom to take steps to clarify access to funding for L&D through the GCF.<sup>lxxxi</sup>

### *The Adaptation Fund*

The Adaptation Fund is a constituted body that provides grants-only finance for adaptation and activities that avert and minimize L&D. Its total contributions are U.S. \$1.5 billion.<sup>lxxii</sup> L&D activities include preemptively strengthening resilience through risk assessments, risk prevention, climate monitoring, and early warning systems. Planning and implementation of adaptation and L&D measures for human mobility/planned relocation due to climate change, reconstruction and building forward better, as well as transformative adaptation seem to fall within the Adaptation Fund mandate. However, non-economic losses, such as loss of biodiversity, loss of territory, or loss of societal and cultural identities, may fall outside of the Adaptation Fund's mandate.<sup>lxxiii</sup> However, as long as an activity can be justified as adaptation, it can be funded.

### *The Santiago Network*

At COP25, the Parties established the Santiago Network to catalyze technical assistance to implement relevant approaches to avert, minimize, and address L&D for developing countries that are particularly vulnerable to climate change. Technical assistance to developing countries for averting, minimizing, and addressing L&D associated with climate change covers a wide range of measures, such as risk assessment and analysis, early warning systems, risk insurance facilities and solutions, and ecosystem-based adaptation and DRR. The Santiago Network has the following functions:<sup>lxxiv</sup>

- contribute to the effective implementation of the WIM
- identify and catalyze demand-driven technical assistance
- facilitate and catalyze collaboration, coordination, and coherence by organizations, bodies, networks, and experts on technical assistance to developing countries
- facilitate the development of and access to knowledge and information
- facilitate access to action and support for L&D (finance, technology, and capacity building), both within and outside of the UNFCCC.

## Climate Investment Funds

Launched in 2008, the CIF are some of the world’s largest multilateral funds helping low- and middle-income countries adapt to and mitigate climate change. The funds were established because world leaders recognized that climate change and development are inextricably intertwined, and that climate-smart investment is needed at scale to deliver on the opportunities for green growth identified in the UN’s SDGs. CIF channels concessional finance through six MDBs for both upstream advisory and downstream investment activities to support climate action. The World Bank Group, including the International Finance Corporation, the African Development Bank, the Asian Development Bank, the European Development Bank, and the Inter-American Development Bank, are the implementing partners of CIF’s investments. CIF comprises two funds: the Clean Technology Fund (**CTF**) and the Strategic Climate Fund (**SCF**).

## Initiatives/Mechanisms

**Climate Risk & Early Warning Systems (CREWS)** is a mechanism that funds LDCs and SIDS for risk-informed early warning services, implemented by four international governmental partners.<sup>lxxv</sup> CREWS’s vision is to scale up support for LDCs and SIDS to provide early warnings to reduce lives and livelihoods lost to extreme events and to contribute to the Paris Agreement’s action agenda.

**InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions** is a partnership by the V20 and G20 with more than 120 members. It aims to strengthen the resilience of developing countries and protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters through Climate and Disaster Risk Finance and Insurance solutions.<sup>lxxvi</sup>

**Global Shield Against Climate Risks**, initiated by G7 and V20, aims to reduce vulnerability for poor and vulnerable people in the Global South by improving climate risk finance and preparedness to access assistance more easily and quickly.<sup>lxxvii</sup>

**Early Warning for All** is a U.S. \$3.1 billion initiative by the Secretary General. It is a plan to ensure everyone on the planet is protected by early warning systems by 2027.<sup>lxxviii</sup>

## National Adaptation Plans/Nationally Determined Contributions

There are gaps in addressing L&D in NDCs and NAPs within developing countries—specifically LDCs and SIDs. NDCs and NAPs are intended to collect all types of national actions to address climate change especially within developing countries to include information related to financial support needed and received. An IIED report finds that only ten of 25 NDCs submitted by LDCs mention L&D, with varying detail. Sometimes, terms such as “unavoidable climate change

impacts,” or “residual risk” was used instead of “loss and damage.” Droughts and floods are the most frequently mentioned hazards, but a wide range of impacts were identified. According to the UNDP Climate Promise, out of the 92 NDCs analyzed, over 30 countries specifically emphasized needs for L&D in their new/updated NDCs. Only Haiti’s NDC mentioned funding support for L&D.

L&D is mentioned by five LDCs’ NAPs, although all 14 NAPs note impacts that include floods, drought, crop losses, biodiversity loss, high wind, saltwater intrusion, land erosion, heat waves and infrastructure. Funding support for L&D is only mentioned in a few countries’ NAPs.

## **Conclusion**

At COP27, the Transitional Committee was tasked with the monumental assignment of identifying and expanding sources of existing funding gaps. These gaps are extensive and exist across UN agencies, intergovernmental organizations, and bilateral, multilateral, and international financial institutions. Large financial gaps also remain regarding addressing non-economic losses, slow onset events, migration/displacement, biodiversity/ecosystem services and climate-resilient reconstruction and recovery.

## **Annex 1 – Understanding Loss and Damage**

### **Context**

Small states, of which SIDS make up a large share, are responsible for a miniscule proportion of global greenhouse gas emissions, are among the most exposed and climate vulnerable countries, and bear a disproportionate share of the costs arising from climate change events. Damages from climate and natural disasters are equivalent to nearly five percent of GDP annually, on average, a number that is increasing.<sup>lxxxix</sup> For some SIDS, global warming presents an existential challenge, as sea level rise could cause these islands to drown.

Deep, rapid, and sustained mitigation actions would reduce future adaptation costs and L&D. At the same time, it is urgent to close the adaptation gap with accelerated and transformational adaptation action (that is also long-term, flexible, multi-sectoral and inclusive).<sup>lxxx</sup> Projected adverse impacts and related L&D from climate change escalate with every increment of global warming, but they will also strongly depend on socio-economic development trajectories and adaptation actions to reduce vulnerability and exposure.<sup>lxxxii</sup>

However, even if all adaptation actions are effectively implemented, there will still be unavoidable L&D.<sup>lxxxiii</sup> This is because global warming is already posing limits to adaptation and adaptive capacity for some human and natural systems. When adaptation limits are met the resulting L&D will increase, strongly concentrated among the poorest vulnerable populations.<sup>lxxxiiii</sup>

The climate related hazards already taking place will increase in severity and frequency in the near term (at 1.5 degrees Celsius), causing disruptive and erratic climate hazards, often referred to as sudden- and slow-onset events. Sudden-onset events include forest fires, marine and terrestrial heat waves, heavy rainfall, flooding, landslides, cyclones, hurricanes, and biodiversity loss due to these events. Slow-onset events include sea level rise, ocean acidification, glacial retreat, changes in floods and rivers, freshwater scarcity, temperature rise, desertification, biodiversity loss, permafrost and land degradation, and salinization. For both slow- and sudden-onset events, the losses and damages can be categorized as economic or non-economic.

### **Economic and Non-Economic Loss and Damage**

Economic losses can be quantifiable losses of property, assets, infrastructure, agricultural production/revenue, labor productivity, goods, and services. Non-economic losses include impacts that are not easily quantifiable in economic terms, such as impacts/loss of life, physical and mental health, well-being, food and water security, biodiversity, ecosystem services, indigenous knowledge, cultural heritage, and societal/cultural identity.

### **Elements of Addressing Loss and Damage**

Parties differentiate between averting, minimizing, and addressing L&D. Averting and minimizing focuses to a great degree on preventive and precautionary measures prior to the climate change

effects. However, addressing is often understood as measures taken after the climate change event(s) has happened, i.e., ex post action. In other words, it can be understood as the response to the effects of climate change leading to ‘residual’ L&D. Sometimes, actions to address L&D will need to be taken in the context of ongoing climate change, such as sea level rise. The distinction is therefore not clear cut. It is also worth noting that the term ‘responding’ to L&D has been used by the Parties, which focuses on ongoing and ex post action.

Once the climate change risk event has passed or happened, the response to L&D will depend on whether the risk event in question can be reduced or avoided. As L&D actions prior to the impact include measures to reduce and avoid the impact, there is a natural overlap with adaptation actions. It follows that a key question is whether the pre-impact L&D, adaptation and resilience actions were exhausted? In other words, whether hard limits to adaptation and resilience have been met. The decision on whether a risk level has become intolerable or not will need to take into account several factors, including: the community’s connection with the area in question, the risk of cultural loss, the benefits, cost, technical feasibilities, scientific assessments and the likelihood of climate scenarios. It also needs to include an assessment of what the finance could fund alternatively, from a global and equity perspective.

When all adaptation and resilience efforts are exhausted and the risk levels are still intolerable (hard limits are met) or likely to become intolerable in the foreseeable future, it would be advisable to undertake transformational L&D action.<sup>lxxxiv</sup> In these instances there is a need for ‘next-level response’ to address L&D.<sup>lxxxv</sup>

**Measures** for *addressing* L&D, where efforts to avert and minimize L&D have been exhausted, can be divided into the following categories:

- **Planned relocation/assisted migration:** e.g., relocation or resettlement as a consequence of climate change; support systems for forced migration and climate-induced displaced persons.
- **Transformational development and alternative livelihoods:** e.g., support for rebuilding and/or alternative livelihoods post climate change related events/post migration/displacement, assistance with diversification of income in already affected areas. Support reducing food insecurity due to climate-related events.
- **Non-economic measures:** e.g., active remembrance, documenting and recording traditional and local knowledge, cultural preservation, societal protection, counselling, official apologies, enabling access/safe visits to abandoned sites, recognition and repair of loss (whether or not accompanied by financial payment), addressing root causes of vulnerability or other ways to reduce the impacts from climate change on the affected individual/society. It can also include measures to reduce ‘similar’ risk of non-economic L&D in other areas through lessons learned and shared knowledge and understanding.
- **Construction and creation:** e.g., altering the nature of the area in question, such as building artificial islands and creating a metaverse for the State in question.

- **Safeguarding biodiversity:** e.g., relocation of animals and biota, seed collection, introducing new species that are better fit for the area, ecosystem support (i.e., introducing feed or artificial watering systems), etc.

A final category for measures to recover, rehabilitate, and reconstruct in the aftermath of slow or sudden climate events could be defined as *reactive adaptation* and *resilience* planning and implementation, as this is a cyclical process, and defined as measures to *avert, minimize, and address* L&D. Thus, this type of L&D differs from the above measures which are undertaken when hard adaptation limits are met to *address* L&D. If measures to recover, rehabilitate, or reconstruct are undertaken in areas with hard adaptation limits (or likely to meet hard limits in the foreseeable future), it could lead to maladaptation, stranded assets, and locked-in investments.<sup>lxxxvi</sup> In these instances, evacuation and temporary shelter should be short-term measures in lieu of planned relocation/assisted migration or other measures to address L&D not recovery, rehabilitation, and reconstruction. Thus, measures to reactively adapt, avert, minimize, and *address* L&D include:

- **Recovery, rehabilitation, and reconstruction:** e.g., restoring essential services and facilities; restoring the livelihoods, health and economic, social, cultural, environment/ecosystem and physical assets (such as infrastructure and housing); re-establishing systems and activities of a community or society affected by disaster.
  - In the short-term, it should focus on restoration and clean-up, including humanitarian assistance; and
  - in the long-term it should focus on transformational development and building forward better.

A final category in *addressing* L&D—which is controversial due to political, technical, legal, and societal issues—is **economic compensation:** e.g., payment by polluting states to states affected by climate change. The International Court of Justice (**ICJ**) is currently undertaking an assessment of the legal obligations of emitting States and rights of affected States and will publish an advisory opinion on the matter in due time.

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<sup>i</sup> This report builds on previous work by C2ES. See Cathrine Wenger, Institutional Ecosystem for L&D (C2ES, October 2022), <https://www.c2es.org/document/the-institutional-ecosystem-for-loss-and-damage/>.

<sup>ii</sup> Bilateral funding is around 60 percent grants.

<sup>iii</sup> <https://focus2030.org/Summit-for-a-New-Global-Financial-Pact-towards-more-commitments-to-meet-the-1030>.

<sup>iv</sup> World Bank, IDA20: An Overview, Building Back Better from the Crisis: Towards a Green, Resilient, and Inclusive Future, p. 1. (June 2021), <https://documents1.worldbank.org/curated/en/354451625065992760/pdf/IDA20-An-Overview-Building-Back-Better-from-the-Crisis-Towards-a-Green-Resilient-and-Inclusive-Future.pdf>

<sup>v</sup> IPCC p.64.

<sup>vi</sup> IPCC p. 80.

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- <sup>vii</sup> Markandya, A., and González-Eguino, M., ‘Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage: A Critical Review’ in Mechler, R. et al. (eds) *Loss and Damage from Climate Change* (Springer, Cham 2019). Available at: [https://doi.org/10.1007/978-3-319-72026-5\\_14](https://doi.org/10.1007/978-3-319-72026-5_14).
- <sup>viii</sup> Global Center on Adaptation, ‘The Adaptation Gap Report 2022’, p. 24. Available at: <https://gca.org/reports/the-role-of-domestic-budgets-in-financing-climate-change-adaptation/>.
- <sup>ix</sup> Global Center on Adaptation, ‘The Adaptation Gap Report 2022’ p. 51. Available at: <https://gca.org/reports/the-role-of-domestic-budgets-in-financing-climate-change-adaptation/>.
- <sup>x</sup> African Development Bank, ‘Financing Climate Resilience and a Just Transition in Africa: New Strategies and Instruments’, p. 95. Available at: [https://www.afdb.org/sites/default/files/2022/05/25/aeo22\\_chapter3\\_eng.pdf](https://www.afdb.org/sites/default/files/2022/05/25/aeo22_chapter3_eng.pdf).
- <sup>xi</sup> The 2022 Bridgetown Agenda, available at: <https://www.foreign.gov.bb/the-2022-barbados-agenda/>.
- <sup>xii</sup> UNSG ‘SDG Stimulus to Deliver Agenda 2030’ (February 2023). Available at: <https://www.un.org/sustainabledevelopment/wp-content/uploads/2023/02/SDG-Stimulus-to-Deliver-Agenda-2030.pdf#:~:text=Thepercent20SDGpercent20Stimuluspercent20aimspercent20tooffsetpercent20challengingpercent20market,andpercent20non-concessionalpercent20financepercent20inpercent20apercent20mutuallypercent20reinforcingpercent20way>.
- <sup>xiii</sup> For more information on the Paris Summit, please see: <https://www.climate-chance.org/en/event-calendar/summit-financial-pact-international-aid-fund/>.
- <sup>xiv</sup> UNFCCC Secretariat ‘Elaboration of the sources of and modalities for accessing financial support for addressing loss and damage’ (2019), page 28. Available at: <https://unfccc.int/documents/196468>.
- <sup>xv</sup> UNFCCC Transitional Committee ‘Synthesis report on existing funding arrangements and innovative sources relevant to addressing loss and damage associated with the adverse effects of climate change’ (23 May 2023), page 4. Available at: [https://unfccc.int/sites/default/files/resource/TC2\\_SynthesisReport23May23.pdf](https://unfccc.int/sites/default/files/resource/TC2_SynthesisReport23May23.pdf).
- <sup>xvi</sup> One example is Mexico’s FONDEN, a natural disasters fund, which allocates federal funds for the rehabilitation of public infrastructure and low-income housing affected by disasters upon pre-defined triggers. It works in tandem with a complementary program for prevention and risk reduction and includes a revolving fund for the immediate aftermath of disasters. Funding from FONDEN can be used to rebuild infrastructure at higher standards (‘build back better’ principle) and to relocate public buildings and/or communities to safer zones. FONDEN is funded through the federal expenditure budget with no less than 0.4 percent of the annual federal budget.
- <sup>xvii</sup> Inter-American Development Bank, see <https://www.iadb.org/en/projects>.
- <sup>xviii</sup> The OECD defines ODA as government aid designed to promote the economic development and welfare of developing countries. Loans and credits for military purposes are excluded. Aid may be provided bilaterally, from donor to recipient, or channeled through a multilateral development agency such as the United Nations or the World Bank. Aid includes grants, “soft” loans and the provision of technical assistance. More information at: <https://data.oecd.org/oda/net-oda.htm>.
- <sup>xix</sup> OECD ‘ODA Levels in 2022 – preliminary data’ (April 2023). Available at: <https://www.oecd.org/dac/financing-sustainable-development/ODA-2022-summary.pdf>.
- <sup>xx</sup> OECD ‘Climate-related official development assistance in 2021: A snapshot’. Available at: <https://www.oecd.org/dac/climate-related-official-development-assistance.pdf>.
- <sup>xxi</sup> Standing Committee on Finance ‘Summary and recommendations by the Standing Committee on Finance – fifth Biennial Assessment and Overview of Climate Finance Flows’, p. 10. Available at: [https://unfccc.int/sites/default/files/resource/J0156\\_UNFCCCpercent20BA5percent202022percent20Summary\\_Web\\_AW.pdf](https://unfccc.int/sites/default/files/resource/J0156_UNFCCCpercent20BA5percent202022percent20Summary_Web_AW.pdf).
- <sup>xxii</sup> United Nations Secretary-General’s SDG Stimulus to Deliver Agenda 2030, p. 10. Available at <https://www.un.org/sustainabledevelopment/wp-content/uploads/2023/02/SDG-Stimulus-to-Deliver-Agenda-2030.pdf#:~:text=Thepercent20SDGpercent20Stimuluspercent20aimspercent20tooffsetpercent20challengingpercent20market,andpercent20non-concessionalpercent20financepercent20inpercent20apercent20mutuallypercent20reinforcingpercent20way>.
- <sup>xxiii</sup> As of 2022, the average of GDP was 0,36 percent.

- <sup>xxiv</sup> United Nations Secretary-General’s SDG Stimulus to Deliver Agenda 2030, p. 10. Available at <https://www.un.org/sustainabledevelopment/wp-content/uploads/2023/02/SDG-Stimulus-to-Deliver-Agenda-2030.pdf#:~:text=Thepercent20SDGpercent20Stimuluspercent20aimspercent20tooffsetpercent20challengingpercent20market,andpercent20non-concessionalpercent20financepercent20inpercent20apercent20mutuallypercent20reinforcingpercent20way.>
- <sup>xxv</sup> G8 members, EU members, and countries with a firm date for entry into the EU are exempted from being eligible for ODA.
- <sup>xxvi</sup> For example, the Seychelles and Antigua and Barbuda have graduated in the recent years.
- <sup>xxvii</sup> Please see: <https://www.un.org/development/desa/dpad/publication/un-desa-policy-brief-no-138-improving-the-criteria-to-access-aid-for-countries-that-need-it-the-most/>.
- <sup>xxviii</sup> <https://www.imf.org/en/Blogs/Articles/2023/01/16/Confronting-fragmentation-where-it-matters-most-trade-debt-and-climate-action.>
- <sup>xxix</sup> Please see: <https://www.globalriskfinancing.org/news/world-bank-group-launches-global-shield-financing-facility-help-developing-countries-adapt.>
- <sup>xxx</sup> Please see: <https://thedocs.worldbank.org/en/doc/d550082a6769650624fbd6bf0eb28df2-0410012022/original/IDA20-Special-Theme-Climate-Change-06-22-2022.pdf.>
- <sup>xxxi</sup> Please see: <https://www.worldbank.org/en/news/factsheet/2022/05/26/10-things-to-know-about-the-ida-crisis-response-window.>
- <sup>xxxii</sup> WBG ‘Fact sheet: the World Bank Group’s Response to the Famine Crisis’. Available at: <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/fact-sheet-the-world-bank-groups-response-to-the-famine-crisis.>
- <sup>xxxiii</sup> Please see: <https://ida.worldbank.org/en/financing/crisis-financing/immediate-response-mechanism.>
- <sup>xxxiv</sup> Please see: <https://ida.worldbank.org/en/financing/crisis-financing/immediate-response-mechanism.>
- <sup>xxxv</sup> IDA ‘IDA20: An Overview – Building Back Better from the Crisis: Towards a Green, Resilient, and Inclusive Future’, page 5. Available at: <https://documents1.worldbank.org/curated/en/354451625065992760/pdf/IDA20-An-Overview-Building-Back-Better-from-the-Crisis-Towards-a-Green-Resilient-and-Inclusive-Future.pdf>
- <sup>xxxvi</sup> Please see: <https://www.worldbank.org/en/news/press-release/2021/12/15/global-community-steps-up-with-93-billion-support-package-to-boost-resilient-recovery-in-world-s-poorest-countries.>
- <sup>xxxvii</sup> ‘Finance in Common FICS Progress Report 2022’ page 9. Available at: <https://financeincommon.org/sites/default/files/2022-10/Financepercent20inpercent20Commonpercent20Progresspercent20Reportpercent202022.pdf.>
- <sup>xxxviii</sup> ‘Finance in Common FICS Progress Report 2022’ page 9. Available at: <https://financeincommon.org/sites/default/files/2022-10/Financepercent20inpercent20Commonpercent20Progresspercent20Reportpercent202022.pdf.>
- <sup>xxxix</sup> ‘Finance in Common FICS Progress Report 2022’ page 10. Available at: <https://financeincommon.org/sites/default/files/2022-10/Financepercent20inpercent20Commonpercent20Progresspercent20Reportpercent202022.pdf.>
- <sup>xl</sup> For example, PDBs can scale up non-concessional but below market-rate, long-term financing to developing countries as well as climate vulnerable middle-income countries.
- <sup>xli</sup> The group included the Children’s Climate Investment Fund (CIFF), Open Society Foundation (ECF), the European Climate Foundation (ECF) and Global Greengrants Fund (GGF)
- <sup>xlii</sup> Please see: <https://actalliance.org/who-we-are/>.
- <sup>xliii</sup> The Adaptation Gap Report 2022, p.24.
- <sup>xliv</sup> The Sendai Framework for Disaster Risk Reduction 2015-2030. Available at [https://www.preventionweb.net/files/43291\\_sendaiframeworkfordrren.pdf.](https://www.preventionweb.net/files/43291_sendaiframeworkfordrren.pdf.)
- <sup>xlv</sup> Elaboration of the sources of and modalities for accessing support for addressing L&D, p. 33.
- <sup>xlvi</sup> UNOCHA ‘Global Humanitarian Overview 2023’. Available at: <https://reliefweb.int/report/world/2023-global-humanitarian-overview-presentation-global-humanitarian-overview-under-secretary-general-humanitarian-affairs-and-emergency-relief-coordinator-martin-griffiths-geneva-1-december-2022.>

- <sup>xlvii</sup> Report of the Independent High-Level Expert Group on Climate Finance. Global humanitarian assistance report 2022, p. 45.
- <sup>xlviii</sup> OHCA, ‘After 20 years, rising displacement shows no sign of slowing’, November 2022. Available at: <https://humanitarianaction.info/article/after-20-years-rising-displacement-shows-no-sign-slowing>.
- <sup>xlix</sup> 2023 Global Humanitarian Overview presentation – Global Humanitarian Overview by Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator Martin Griffiths – Geneva, 1 December 2022. Available at <https://reliefweb.int/report/world/2023-global-humanitarian-overview-presentation-global-humanitarian-overview-under-secretary-general-humanitarian-affairs-and-emergency-relief-coordinator-martin-griffiths-geneva-1-december-2022>.
- <sup>l</sup> IDCM, ‘GRID 2022 – Children and youth in internal displacement’. Available at: [https://www.internal-displacement.org/sites/default/files/publications/documents/IDMC\\_GRID\\_2022\\_LR.pdf](https://www.internal-displacement.org/sites/default/files/publications/documents/IDMC_GRID_2022_LR.pdf).
- <sup>li</sup> Development Initiatives ‘Global Humanitarian Assistance Report 2022’ p. 86. Available at: <https://devinit.org/resources/global-humanitarian-assistance-report-2022/>.
- <sup>lii</sup> Global Humanitarian assistance report 2022, p. 41.
- <sup>liii</sup> Global humanitarian assistance report 2022, p. 26.
- <sup>liv</sup> More research needs to be done, but there are risks of maladaptation due to lack of local involvement, risks involved with financing national and local projects in a conflict-country with weak governance, risks for the actors involved in the adaptation and L&D actions that are likely less trained in working in conflict areas than humanitarian workers.
- <sup>lv</sup> In undertaking this assessment, the cost of funneling finance through an extra layer of climate funds should be addressed.
- <sup>lvi</sup> The quality of funding is one of the core priorities of Grand Bargain 2.0, focusing on increasing the duration (i.e. volume of multi-year funding provided by donors), extent of earmarking (fewer restrictions on what the funding should be used for), contractual quality and flexibility of grants (i.e. reporting requirements and no-cost extensions).
- <sup>lvii</sup> A full list of its recipients can be found at: <https://www.thegef.org/projects-operations/recipient-countries>.
- <sup>lviii</sup> GEF ‘Note on Eligibility for Official Development Assistance’. Available at: <https://www.thegef.org/sites/default/files/council-meeting-documents/Notepercent20onpercent20ODApercent20Eligibilitypercent20Cpercent20FINALpercent20FORMATTED.pdf>.
- <sup>lix</sup> GEF ‘Amendments to the Instrument for the Establishment of the Restructured Global Environment Facility’ (2022), page 10. Available at: [https://www.thegef.org/sites/default/files/documents/2022-11/EN\\_GEF.C.63.11\\_Amendmentspercent20topercent20thepercent20Instrumentpercent20ofpercent20thepercent20Establishmentpercent20ofpercent20thepercent20Restructuredpercent20GEF.pdf](https://www.thegef.org/sites/default/files/documents/2022-11/EN_GEF.C.63.11_Amendmentspercent20topercent20thepercent20Instrumentpercent20ofpercent20thepercent20Establishmentpercent20ofpercent20thepercent20Restructuredpercent20GEF.pdf).
- <sup>lx</sup> Please see: <https://www.thegef.org/who-we-are>.
- <sup>lxi</sup> <https://www.thegef.org/what-we-do/topics/biodiversity>.
- <sup>lxii</sup> Page 7 [https://www.thegef.org/sites/default/files/documents/2022-11/GEF\\_Climate\\_Change\\_Catalyzing\\_Transformation\\_2022\\_11.pdf](https://www.thegef.org/sites/default/files/documents/2022-11/GEF_Climate_Change_Catalyzing_Transformation_2022_11.pdf).
- <sup>lxiii</sup> <https://www.thegef.org/what-we-do/topics/climate-change>.
- <sup>lxiv</sup> Page 16 [https://www.thegef.org/sites/default/files/documents/2022-06/EN\\_GEF.LDCF\\_SCCF\\_32.04.Rev\\_01\\_GEFpercent20Programming\\_Strategy\\_Adaptation\\_Climate\\_Change\\_LDCF\\_SCCF\\_GEF8\\_July\\_2022\\_Junepercent202026\\_Operational\\_Improvements.pdf](https://www.thegef.org/sites/default/files/documents/2022-06/EN_GEF.LDCF_SCCF_32.04.Rev_01_GEFpercent20Programming_Strategy_Adaptation_Climate_Change_LDCF_SCCF_GEF8_July_2022_Junepercent202026_Operational_Improvements.pdf).
- <sup>lxv</sup> <https://www.thegef.org/what-we-do/topics/special-climate-change-fund-sccf>.
- <sup>lxvi</sup> UNFCCC Secretariat ‘Elaboration of the sources of and modalities for accessing financial support for addressing loss and damage’ (2019). Available at: <https://unfccc.int/documents/196468>.
- <sup>lxvii</sup> Page 5. Available at: [https://www.thegef.org/sites/default/files/documents/2022-06/EN\\_GEF.LDCF\\_SCCF\\_32.04.Rev\\_01\\_GEFpercent20Programming\\_Strategy\\_Adaptation\\_Climate\\_Change\\_LDCF\\_SCCF\\_GEF8\\_July\\_2022\\_Junepercent202026\\_Operational\\_Improvements.pdf](https://www.thegef.org/sites/default/files/documents/2022-06/EN_GEF.LDCF_SCCF_32.04.Rev_01_GEFpercent20Programming_Strategy_Adaptation_Climate_Change_LDCF_SCCF_GEF8_July_2022_Junepercent202026_Operational_Improvements.pdf).

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- <sup>lxviii</sup> Page 40. [https://www.thegef.org/sites/default/files/documents/2022-06/EN\\_GEF.LDCF\\_SCCF\\_32.04.Rev\\_01\\_GEFpercent20Programming\\_Strategy\\_Adaptation\\_Climate\\_Change\\_LDCF\\_SCCF\\_GEF8\\_July\\_2022\\_Junepercent202026\\_Operational\\_Improvements.pdf](https://www.thegef.org/sites/default/files/documents/2022-06/EN_GEF.LDCF_SCCF_32.04.Rev_01_GEFpercent20Programming_Strategy_Adaptation_Climate_Change_LDCF_SCCF_GEF8_July_2022_Junepercent202026_Operational_Improvements.pdf).
- <sup>lxix</sup> UNFCCC, Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts and its 2019 review, Decision 2/CMA.2, [https://unfccc.int/sites/default/files/resource/cma2019\\_06a01E.pdf](https://unfccc.int/sites/default/files/resource/cma2019_06a01E.pdf); UNFCCC, Guidance to the Green Climate Fund, Decision 6/CMA.2, [https://unfccc.int/sites/default/files/resource/cma2019\\_06a01E.pdf](https://unfccc.int/sites/default/files/resource/cma2019_06a01E.pdf).
- <sup>lxx</sup> UNFCCC, Guidance to the Green Climate Fund, Draft decision -/CMA.3, [https://unfccc.int/sites/default/files/resource/PACMA\\_2021\\_L.08\\_E.pdf](https://unfccc.int/sites/default/files/resource/PACMA_2021_L.08_E.pdf).
- <sup>lxxi</sup> UNFCCC, Decision 2/CMA.2.
- <sup>lxxii</sup> Please see: <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/adapt>
- <sup>lxxiii</sup> UNFCCC Secretariat ‘Elaboration of the sources of and modalities for accessing financial support for addressing loss and damage’ (2019), page 22. Available at: <https://unfccc.int/documents/196468>.
- <sup>lxxiv</sup> For a detailed list of Santiago Network functions, please see UNFCCC, Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts, Draft decision -/CMA.3, ¶ 9(a)-(f).
- <sup>lxxv</sup> These are The World Meteorological Organization, The World Bank, The Global Facility for Disaster Risk Reduction and Recovery, and the UN Office for Disaster Risk Reduction.
- <sup>lxxvi</sup> <https://www.insuresilience.org/>.
- <sup>lxxvii</sup> For more information on the Global Shield Against Climate Risk initiative, please see: <https://www.bmz.de/en/issues/climate-change-and-development/global-shield-against-climate-risks>.
- <sup>lxxviii</sup> For more information on the Early Warning for All initiative, please see: [COP27: \\$3.1 billion plan to achieve early warning systems for all by 2027 | UN News](https://www.un.org/en/press/2022/07/22-07-2022-cop27-3.1-billion-plan-to-achieve-early-warning-systems-for-all-by-2027).
- <sup>lxxix</sup> World Bank ‘Global Economic Prospects’ (January 2023), p. 132. Available at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/254aba87-dfeb-5b5c-b00a-727d04ade275/content>.
- <sup>lxxx</sup> IPCC AR6 SYR ‘Synthesis Report of the IPCC Sixth Assessment Report (AR6), longer report, p. 43 and 59. Available at: [https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC\\_AR6\\_SYR\\_LongerReport.pdf](https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf).
- <sup>lxxxi</sup> IPCC AR6 SYR ‘Synthesis Report of the IPCC Sixth Assessment Report (AR6), longer report, p 37. Available at: [https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC\\_AR6\\_SYR\\_LongerReport.pdf](https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf).
- <sup>lxxxii</sup> IPCC AR6 SYR ‘Synthesis Report of the IPCC Sixth Assessment Report (AR6), longer report, p 61. Available at: [https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC\\_AR6\\_SYR\\_LongerReport.pdf](https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf).
- <sup>lxxxiii</sup> IPCC AR6 SYR ‘Synthesis Report of the IPCC Sixth Assessment Report (AR6), longer report, p 44. Available at: [https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC\\_AR6\\_SYR\\_LongerReport.pdf](https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf).
- <sup>lxxxiv</sup> Please note that this could be part of the national adaption planning process, and as such avoid spending on adaptation efforts that are unlikely to be successful given hard and soft limits.
- <sup>lxxxv</sup> Please note that the next level response planning can take place based on an assessment that hard limits will be met in likely future scenarios, and as such reducing the losses to life and prioritizing efforts and reduce the costs for non-transformational measures or maladaptation. The timing of transformational L&D actions is therefore key.
- <sup>lxxxvi</sup> IPCC finds increasing evidence of maladaptation in various sectors and regions. Maladaptation is observed in urban areas, agriculture, ecosystems, and human settlements. Examples include new urban infrastructure that cannot be adjusted easily or affordably; using high-cost irrigation in areas projected to have more intense drought conditions; fire suppression in naturally fire-adapted ecosystems; hard defenses against flooding; and stranded assets. Maladaptation affects marginalized and vulnerable groups adversely and entrenches existing inequalities.