

Time to Deliver: What the Loss and Damage Fund Needs to Bring to the Most Vulnerable

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The operationalization of the Loss and Damage Fund at the international climate negotiations in the United Arab Emirates (COP28) marked a breakthrough in efforts to assist developing countries burdened by climate impacts. Together with the host country, Germany kickstarted the fund, creating an unusual coalition pressuring China and other non-traditional donors to pledge as well. To be accountable to the most vulnerable, funding arrangements need to respond to the needs of people who are marginalized by their own governments – and particularly to the divisive issue of climate migration.

In the 30-year history of negotiating “Loss and Damage” under the United Nations Framework Convention on Climate Change (UNFCCC), countries most vulnerable to the adverse effects of climate impacts faced many setbacks. Thus, the operationalization of the Loss and Damage Fund on the first day of the 2023 international climate negotiations can be considered a historic breakthrough. This year’s host, the United Arab Emirates (UAE), pledged \$100 million to start capitalizing the fund. The sum was immediately matched by the German government, which also pledged \$100 million.

By contributing to the UNFCCC climate finance architecture for the first time, the UAE bridged longstanding divisions between countries that were considered developing nations in earlier rounds of negotiations decades ago but have since industrialized, and “traditional” industrialized nations with significant historical emissions (also referred to as Non-Annex I and Annex I countries).

The European Union, which had already announced “substantial” contributions by the EU and its member states before the start of the negotiations, pledged \$27.1 million. Other countries followed suit with concrete pledges summarized in the table on page three.

FINDING FUNDING ARRANGEMENTS AND FUNDS

The quick agreement was made possible by the work of the Transitional Committee that developed recommendations between March and November 2023 for the now agreed text. The momentum to fill the Loss and Damage Fund comes after the Committee’s meetings had revealed substantial differences on who should contribute to the fund and on what basis and where the fund should be located (for the next four years, the fund will be provisionally under the umbrella of the World Bank). Besides these disputes,

the process also showed discrepancies between the European Union and United States in willingness to pay for loss and damage.

Considering the many difficulties involved in coming to an agreement, the operationalization of the Loss and Damage Fund is a success for the COP presidency. So, too, is its initial pledged financing of more than \$655 million at this writing, which was helped by Germany’s leadership despite current budgetary constraints. This breakthrough must, however, be seen against the need for loss and damage finance, which – as ever more harmful climate impacts emerge – is estimated to be in the scale of hundreds of billions of dollars each year. It also cannot hide the fact that some industrialized nations made embarrassingly low pledges given their historic responsibility for greenhouse gas emissions.

One country is entirely absent from making a commitment to the fund:

China, the world's largest polluter. The UAE's pledge will increase pressure on China, which is considered a Non-Annex I developing country and, as such, has so far chosen not to contribute to the financing mechanism despite its whopping emissions in recent decades. The benefits of the unusual coalition between Germany and the UAE in catalyzing the fund may go beyond increasing financial pressures on China. At a time when Russian aggression threatens to pit the West against the rest, reaching out to new partners in climate action may help Germany to build trust and coalitions in other policy fields as well.

ADDRESSING A HUMANITARIAN CRISIS IN THE MAKING: DISPLACEMENT AND CLIMATE CHANGE

As more and more people are faced with climate impacts that undermine their livelihoods, financing losses and damages is urgent. This becomes particularly apparent when looking at climate-related migration. The needs of migrants, displaced people, and refugees are, however, often overlooked in UNFCCC negotiations, leaving people unprotected and often with limited resources to respond when facing compounding risks. A fund that is designed to address gaps in financing loss and damage and help the most vulnerable needs to pay special attention to migration and displacement. Current anti-migrant rhetoric in many countries, including Germany, may make this even more important.

Climate-related displacements are already leading to significant economic and non-economic losses. In 2022, nearly 32 million people were displaced by weather-related disasters such as floods or storms. In Pakistan, for example, unprecedented monsoon rains flooded huge parts of the country and forced 8.2 million people to leave

LOSS AND DAMAGE: A POLITICALLY CHARGED DEBATE

Loss and Damage, as conceptualized under the UNFCCC, is used to describe destructive impacts of climate change that have already occurred or can no longer be avoided even with mitigation and/or adaptation efforts. "Loss" commonly refers to different kinds of irreversible losses, which could include economic losses to assets such as destroyed land or non-economic losses such as those of cultural heritage, biodiversity, or human mobility. "Damage" includes effects of climate change that can potentially be repaired, recovered, or compensated for like crop failure. To date, however, there is no official definition of what exactly counts as loss and damage or what addressing it involves. The process of identifying recipient projects of the Loss and Damage Fund needs to account for both state-of-the-art climate change attribution science and the different and context-specific vulnerabilities of affected groups.

their homes that year, disrupting children's education and breaking communal ties. In the Horn of Africa, a severe drought triggered 2.1 million displacements and led to increasing needs for humanitarian assistance. Slow onset events, such as sea level rise, also need to be considered as they, too, will increasingly lead to internal migration. When gradual changes in the environment, such as desertification, make small-scale farming unviable, migration may be a matter of survival. Unless industrialized countries drastically cut emissions, the number of people being forced to move within their own country as a result of slowly degrading environments could reach up to 216 million by 2050.

MEETING MIGRANTS' NEEDS

While the needs of people on the move are underserved, those who lack the resources to migrate and those who do not wish to leave also need consideration. In the future, migration can be an option for reducing more losses and damages. Creating funding mechanisms that account for the whole spectrum of human (im)mobility in the context of climate change is challenging, but the Loss and Damage

Fund can make a meaningful contribution here. In the decision to establish the fund, adopted at COP27 in Egypt in 2022, displacement, relocation, and migration are recognized as gaps in the institutional funding landscape on matters related to loss and damage. The now agreed modalities to operationalize the fund explicitly mention that the fund may support "promoting equitable, safe, and dignified human mobility, in cases of temporary and permanent loss and damage." Furthermore, they mention "climate migrants" as potential stakeholders in "consultative forums."

Getting more resources to vulnerable and marginalized populations and less into bureaucracies will be a key challenge for the World Bank-hosted fund. When the fund's board starts working out operational modalities, it can build on knowledge produced by the Task Force on Displacement. Recommendations made during the meetings of the Transitional Committee can also serve the fund in this phase. The International Organization for Migration (IOM), for example, recommended increasing investments in early warning mechanisms, humanitarian assistance, and solutions for climate-related displacement that are durable. Measures should also be proactive and reduce

“preventable future losses.” Others called for direct funds to subnational government entities as these work more closely with affected populations and the aforementioned capacity building activities.

Concerning displacement, a recent report by The Loss and Damage Collaboration states that funding mechanisms should be accountable and address displacement before, during, and after it occurs. The report also emphasizes the need to acknowledge and mobilize the “lived experience, agency, knowledge, capacities, and expertise” of displaced people. This requirement reflects that criteria should be rights-based, including the need to make sure that women and girls – as well as other marginalized groups – have equal access and enjoy equal representation. Concretely, this could mean hiring people with displacement history into the funds secretariat and forming an advisory board to the Loss and Damage Fund at the World Bank with representatives of civil society that include people with displacement history and grassroots organizations such as Slum Dwellers International.

Overall, pragmatic and flexible modi operandi are needed to meet migrants’ needs and reach those most impacted. In addition to involving subnational actors, the fund needs to be equipped to find and fund measures that are proactive and prevent harm, such as planned relocation. Finally, to account for the whole spectrum of human (im)mobility in the context of climate change and do justice to the many complexities involved, assessments of needs and risks need to be context-specific.

TIME TO DELIVER: A MATTER OF GEOPOLITICS AND JUSTICE

Matching the UAE’s commitment positions Germany as an ally of developing nations and could be beneficial

for Germany’s strategic goal of diversifying partnerships in a geopolitical landscape that is currently challenging. Moreover, the overall commitment of Western industrialized nations could help rebuild trust after rifts over the late fulfillment of a \$100 billion-commitment in mitigation and adaptation finance for developing countries and disappointments over insufficient sharing of Covid vaccines. Such lack of trust and solidarity has undermined joint resolutions against Russia’s war of aggression on Ukraine.

But first and foremost, financing climate-related losses and damages in countries most hit by the climate crisis is a matter of justice. Those least responsible for contributing to greenhouse gas emissions are forced to bear the brunt of consequences, including losing one’s home. Climate change leads to losses of lives and livelihoods, has negative impacts on people’s physical and mental health, and destroys critical infrastructure and ecosystems. Climate-related migration may be one of the starkest reminders of the inherent injustice of how and where climate impacts are felt.

The guidelines of Germany’s Federal Foreign Office on feminist foreign policy mandate using climate diplomacy to “counteract” injustices that are exacerbated by climate impacts. Helping to secure additional financial contributions to the Loss and Damage Fund could be a starting point of putting those words into action. The climate security funding appeal launched in Dubai by the Women’s Peace and Humanitarian Fund and the Federal Foreign Office is the latest development in furthering concrete workstreams in this area. Yet the Loss and Damage Fund is only one piece of the puzzle in the response to the climate crisis. Larger reforms that unlock more private capital will be needed to limit the threats of climate change. To induce a *Zeitenwende* in the COP process, a mindset change will have to come first.

Selection of Pledges to the Loss and Damage Fund at COP28 as of December 9, 2023

Country	US\$M
Canada	11.8
Denmark	25.6
European Union	27.1
Finland	3.3
France	108.9
Germany	100.0
Ireland	27.1
Italy	108.9
Japan	10.0
Netherlands	16.3
Norway	25.4
Slovenia	1.6
Spain	21.8
United Arab Emirates	100.0
United Kingdom	50.6
United States	17.5
TOTAL	655.9

Source: Natural Resources Defense Council, COP28 Climate Funds Pledge Tracker: <https://www.nrdc.org/bio/joe-thwaites/cop-28-climate-fund-pledge-tracker>

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In a joint project, DGAP and the Robert Bosch Foundation work together on advancing the implementation of practical solutions and policies on climate-related migration. Despite growing scientific evidence on the nexus of climate change, environmental degradation, and migration in recent years, the international community has so far failed to adequately address the matter. This leaves people legally unprotected and, in many cases, with limited options and resources to respond to compounding climate risks. To change this, the project aims to facilitate exchange among stakeholders, produce policy-relevant analyses in the coming years, and provide advice to decision-makers.