

Briefing

Climate change; Policy and planning

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Climate justice, climate resilience, climate finance, local solutions to nature and climate crises

Policy pointers

International donors, governments and development partners should galvanise support behind ALL ACT to optimise existing finance, expertise and delivery mechanisms in a way that responds to the urgency of loss and damage.

They should help create flexible, efficient and accountable national facilities that can harmonise multiple funds to match the needs of bottom-up solutions, co-created by communities at the frontline of loss and damage impacts.

Alongside private sector actors, they should join ALL ACT's proposed knowledge network and peer-learning partnership to explore, deliver and nurture innovative and practical models, approaches and solutions.

We call on all these actors to help us change the narrative around how climate finance and technical assistance should be delivered and create an actionable agenda based on solidarity and climate justice.

ALL ACT now! Progressing locally led action on loss and damage

Countries and communities are exposed to increasingly harmful effects of climate change, leading to loss and damage. These concerns must be urgently addressed, especially in Least Developed Countries (LDCs) and Small Island Developing States (SIDS). After decades of lobbying by LDCs, SIDS and others, the world has woken up to this situation, and negotiators at the 27th United Nations Climate Change Conference (COP27) agreed to establish a loss and damage fund. But much remains to be done. This briefing explains how and why the Alliance for Locally Led Approaches for Transformative Action on Loss and Damage (ALL ACT) — a proposed new partnership between IIED and the International Centre for Climate Change and Development (ICCCAD) — will ensure loss and damage finance and technical assistance are agile enough to address the needs of vulnerable people at the speed and scale necessary.

Across the world, rising sea levels have submerged coastal areas, floods are increasing in magnitude, breaching barriers and destroying lives, livestock and property, and communities are battered by more intense and more frequent cyclones. And the poorest and most vulnerable people in LDCs and SIDS — who have done the least to contribute to the problem and are not equipped to handle these catastrophic climate impacts — are hit hardest. For example, the 2022 floods in Pakistan wiped out communities and landscapes, displaced more than 30 million people, and caused over US\$30 billion in economic losses.¹ But even the most effective adaptation measures cannot prevent all loss and damage. And as global temperatures increase, it is clear that many loss and damage impacts are already locked in and unavoidable.²

A complex issue

A range of hazards lead to loss and damage, from extreme weather events such as flooding, droughts or cyclones, to long-range, slow-onset events such as sea level rise, salination, desertification and glacier loss. The economic impacts of loss and damage — damaged infrastructure, land value loss and reduced productivity — can be readily quantified. But other impacts, such as loss of cultural heritage, language or identity, cannot be expressed in monetary terms.

The impacts of loss and damage are also highly contextual. Countries that are less able to withstand climate impacts due to the state of their infrastructure, socioeconomic development, fiscal capacities, political structures or institutions

Support and finance to address loss and damage risks require diverse, context-specific approaches

are more vulnerable to lower-intensity climate stresses. Impacts are also different for women, children, disabled people, Indigenous Peoples and other marginalised groups, and between regions or geographical areas within a country. So, support and finance to address loss and damage risks require diverse, context-specific approaches that are grounded in everyday realities of LDCs and SIDS and tailored to the vulnerabilities of different people and places.

LDCs need more agile financing

Addressing this issue requires a comprehensive, anticipatory, agile approach to respond to immediate, medium-term and long-term needs. But existing financing mechanisms — with complex and often rigid rules and principles that create barriers for vulnerable countries — are neither efficient nor sufficient to deliver finance at the speed and scale necessary to respond to loss and damage.

Multilateral climate funds' application procedures are often time consuming and complex. For example, access to Green Climate Fund finance is conditional on accreditation and project proposal approval. But it takes around five and a half years, on average, for an LDC to gain accreditation and receive finance to address loss and damage.³ Not only is the application process difficult to navigate, this proposal-based approach is wholly inappropriate for the urgency of the situation.

Other sources of finance — including official development assistance (ODA), innovative finance, philanthropic funds, re-insurance, humanitarian aid, debt relief and national budgets — are also guided by principles, rules and agreements. For example, climate, humanitarian and development finance are guided by principles outlined in the Paris Agreement, the Grand Bargain and the Paris Declaration on Aid Effectiveness.⁴ With different characteristics and terms guiding the provision of such finance, complex rules relating to risk appetites, requirements for justifying the finance, or the need for co-funding are all barriers to access.

A question of climate justice

Humanitarian finances are usually provided after disaster strikes, so flows are unpredictable and fundraising is often event driven. With this lag between the trigger for financial need and fund disbursement, funding does not always reach people in time to respond effectively. And when financial support fails to reach communities when they need it, other domestic sources — usually

household savings and assets — become their first line of defence against loss and damage.

This is evident in Bangladesh, where poor rural households affected by climate risks spend as much as 15% of their total expenditure on risk reduction, increasing to 30% in female-headed households.⁵ Operational and governance delays in getting support and finance to communities are pushing people to invest their savings in protecting themselves against climate challenges that they are not responsible for causing. This is clearly against the principles of climate justice and must be addressed immediately.

An urgent challenge

Negotiators at COP27 rose to the occasion and took bold action in agreeing to establish a separate fund for loss and damage,⁶ but parties will not decide how to resource and operate this fund until COP28 in 2023. Much remains to be agreed if the fund is to meet the needs of the millions of people suffering the impacts of climate change, but developing countries need access to real loss and damage funding now. They cannot afford to wait another year.

The Santiago Network was established at COP25 to provide technical assistance to vulnerable countries to address the adverse impacts of climate change. But its lack of operationalisation means that countries are struggling to manage the loss and damage they are already suffering, let alone prepare for future impacts. So, despite the progress made in Glasgow and Sharm-el-Sheikh,⁷ there has been no concrete action. And this makes loss and damage a make-or-break issue for vulnerable countries.

ALL ACT now!

With the limited funding and technical assistance available to vulnerable countries, we need to innovate and explore ways to make optimal use of existing resources. ALL ACT proposes a coordinated international effort to directly and immediately support vulnerable countries in tackling loss and damage and create a sound basis for pushing the loss and damage agenda forward at COP28 and beyond (see Box 1). Following an approach co-developed by IIED with LDC and SIDS actors through a series of deliberative dialogues,⁸⁻¹¹ ALL ACT will:

1. Create a wider understanding of the existing issues and possible solutions

To resist jumping to preconceived solutions, we will enable problem holders (communities and village institutions) and solution innovators (nongovernmental and community-based organisations, local universities and technology

suppliers) to co-create locally led, locally accountable solutions that are cost-effective, relevant, agile and diverse. We will use rapid learning and feedback loops to ensure planning is adaptive to changing contexts. This will allow solutions to emerge based on communities' needs and perceptions, instead of plans being driven by funder or development partner agendas. We will also build on existing decentralised governance structures to develop investment proposals for tackling loss and damage from the bottom up.

2. Establish national loss and damage facilities to harmonise governance of a range of funds

We will support LDCs and SIDS to create national facilities that can respond to the risks posed by loss and damage holistically over different timeframes. Building on existing channels, these facilities will leverage public and private sector money from climate finance, ODA, innovative finance, philanthropic funds, re-insurance, debt relief, national budgets and others. With autonomy over this money, they will be able to combine different funding sources and actors in

coordinated and complementary ways to support plans developed locally and deliver relevant solutions at subnational and local levels.

These facilities offer a practical way to pool funds from different sources and deliver them according to local needs and priorities. By creating a governance model that collates and combines the management of different funding sources, and with support from existing decentralised networks and institutions with devolved decision making, they will make the delivery model more economical, reducing transaction costs. They will ensure better accountability, connect the right kind of funds to the right investment projects, create space for transparent experimentation, scale up workable good practice, encourage systematic learning through monitoring measures, feedback and social audits, and produce better outcomes. Finally, by giving vulnerable countries autonomy to manage and disburse climate and other finance, this model will allow them to showcase an effective approach for using climate finance to leverage other sources of finance, including from the private sector.

Box 1. ALL ACT's vision

ALL ACT will directly support countries and communities experiencing loss and damage by helping them optimise existing finance, expertise and delivery mechanisms, and ensuring they are ready to deploy additional funds when these become available.

By incentivising collaboration between social development, humanitarian and climate actors, ALL ACT can provide a practical way of receiving and devolving climate finance for locally appropriate, locally led solutions that are agile and dynamic and meet the needs of the most vulnerable and affected people. The ALL ACT approach will help ensure:

- **Institutional legacy**, by supporting innovation in governance arrangements that are integrated vertically across national, subnational and local actors, and horizontally across sectors and stakeholders
- **Subsidiarity**, by engaging local actors and communities to create locally led and locally accountable solutions, which are a more cost-effective, relevant, agile and diverse way to respond to loss and damage
- **Collaborative learning**, by building a knowledge network based on the principles of peer-to-peer learning, support and co-creation to develop diverse and innovative financing solutions in a range of contexts
- **Flexibility for learning**, by creating a space for transparent experimentation with different types of finance and delivery mechanisms, and by investing in learning and feedback to make space for diverse viewpoints and to allow approaches to be adjusted as we learn from practice
- **Tackling structural inequalities**, by investing in the capabilities of women, young people, disabled people and excluded ethnic and Indigenous groups, and involving them in co-creation, joint decision making and accountability for solutions that recognise local diversity in social, cultural, gender and political norms
- **Robust to climate futures**, by combining local, Indigenous and traditional knowledge systems with scientific and technical insights to test solutions across a range of future climate, economic and development scenarios to identify robust approaches that minimise regrets and maximise opportunities
- **Transparent and accountable**, by making transparency and accountability central to the learning process through peer-to-peer interaction, community-level accountability, monitoring, feedback and social audits, and
- **Patient capital**, by providing predictable and risk-taking funding to incentivise trying new solutions and approaches with sight to longer-term finance for scaling up successful pilots.

3. Create a social and collaborative knowledge network

Delivered in partnership with demand-responsive and accountable support organisations and service providers — including elected local governments, private sector actors, nongovernmental organisations and government agencies — ALL ACT will grow its knowledge network through referrals and by invitation, maximising synergies to ensure collaboration increases with the knowledge base.

We will follow a layered approach to institutional responsibilities for horizontal and vertical interactions and networks across sectors and from national to local levels. We will focus on capturing tacit knowledge — accumulated from implementation in diverse contexts — and turning it into explicit knowledge through best practice principles or other guidance. The purpose will be to build a peer learning and collaborative partnership to explore, deliver and nurture a variety of models, methodologies, approaches and solutions. As experience and learnings build, ALL ACT will evolve as a marketplace of ideas and innovative solutions on what works, where, and in what context, connecting expertise and knowledge wherever it is needed to pilot or scale up good practices.

4. Develop a compelling approach to devolving climate finance and muster support behind the shared vision

To break the deadlock within the loss and damage negotiations space, we must change the narrative and create an actionable agenda based on solidarity and principles of climate justice. We will achieve this by feeding data and evidence generated by national facilities and ALL ACT members to create an understanding of what is needed where and work with LDCs and SIDS to develop clear compensation ‘asks’

and spending frameworks to put new money to work fast. Learnings from the LDC Group's LIFE-AR initiative¹² — where LDCs and developed countries pledged to work towards a common vision — demonstrate that such an approach helps generate greater support and action on the ground.

To galvanise support and build consensus around this narrative, we will identify countries, networks, groups and collectives that are willing to do things differently and develop them as champions. These champions will promote the common vision for loss and damage, targeting negotiation discussions at the Warsaw International Mechanism Executive Committee, G7, G20 and G77 in the run-up to COP28, to ensure collective agreement on a roadmap for appropriate policies and an efficient delivery mechanism for on-the-ground support. At COP28, the champions will use evidence collected by ALL ACT to present a stronger case for governance, management and disbursement of loss and damage funds. Once the funding flow is established, we will create a global mechanism for tracking where loss and damage finance goes and who it benefits.

Loss and damage is an urgent concern and needs action now. Many LDCs and SIDS have already committed support to ALL ACT and are willing to invest in approaches and institutional mechanisms that would allow comprehensive risk responses and take funds and decision making to the local level. We call on progressive developed countries who have already pledged funding for loss and damage to join us.

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Knowledge Products

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Notes

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