



Framing an Inclusive Agenda on Loss and Damage in Climate Policy

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Working Paper

October 2023

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Acknowledgements

This paper is part of the [Amplifying Africa's Voice Initiative](#), a project gathering several African policy institutes, co-convened by the [African Center for Economic Transformation \(ACET\)](#) and the [Finance for Development Lab](#). The author would like to thank John Asafu-Adjaye and Rob Floyd (ACET) and Melody Braun (Columbia Global Centers, Paris) for their helpful comments.

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Abstract

The paper reviews complex discussions on loss and damage (L&D) and conducts an in-depth evaluation of the corresponding scope and award criteria. Specific attention is paid to the origins of L&D negotiations, ranging from the 1991 proposal of an insurance mechanism for climate change impacts to the historic establishment of the Loss and Damage Fund in 2022. Assuming loss and damage to be two different types of harm, this paper examines their scope that covers both economic and non-economic losses. Overall, while the assessment of the economic costs of L&D—which is traditionally calculated as the sum of adaptation costs and macroeconomic damage—has been a relatively straightforward task, determining non-economic costs has been more contentious. The factors that contribute to difficulties in evaluating and assessing non-economic losses include the global politicization of the debate, divergence of interests, as well as legal challenges in attributing liability. This paper established that, in many developing nations, the amount of non-economic losses significantly surpasses that of economic losses, making the former a cornerstone of climate change policy. A particularly remarkable gap here is the lack of a definition within the United Nations Framework Convention on Climate Change (UNFCCC), which has led to disparate interpretations and perspectives on L&D compensation. Along with the importance of the establishment of a unified definition of L&D, another important challenge that needs to be addressed is the absence of clarity on compensation.

Furthermore, this article also outlines the gendered impacts of L&D, highlighting that, as compared to their male counterparts, women are more adversely impacted by climate change. Accordingly, in order to promote gender-responsive interventions, stakeholders should gather gender-disaggregated data and incorporate gender-sensitive approaches into L&D initiatives.

Another key concern identified in this paper is that the Loss and Damage Fund may not be sufficient to cover all losses and damages that follow a climate event. This emphasizes the need for a balanced and transparent disbursement mechanism that would ensure a timely and efficient delivery of support to affected communities. However, although the fund may not be sufficient to cover all damages and losses following a climate shock, the amount of funding should be adequate to assist vulnerable countries to respond and rebuild accordingly. Based on this evidence, this paper recommends establishing standardized evaluation guidelines that would consider both economic and non-economic losses to effectively promote consistency across different regions and contexts. It is imperative to establish a transparent and accountable disbursement mechanism, along with unambiguous and robust compensation criteria. Such criteria should specify the percentage of losses and damages covered by the fund in the event that not all losses and damages following a climate event are covered. They should also transparently establish how to quantify non-economic losses and damages in a manner that would promote equity and a just transition.

Finally, a key recommendation formulated in this paper is the need for a nuanced approach in evaluating L&D by considering sector-specific impacts. An additional insight is the urgent need for specifically African states to critically evaluate challenges in the current financing mechanisms and global financial architecture. Particular attention should be paid to ensuring that L&D financing is equitable and fair and

does not increase the debt burden or impose unjust or unfavorable conditions on developing countries that are already bearing the brunt of the climate crisis.

Executive Summary

Today, in view of the reliance of most national economies in Africa on agriculture—a sector highly susceptible to climate change—African countries face a multifaceted climate crisis. Africa's contributions to global emissions are minimal, yet the preparedness of African countries for the consequences of climate change is inadequate. Financial capacity of most African nations falls short of the costs associated with adaptation and addressing loss and damage (L&D). By 2050, economic costs in developing countries are expected to reach USD 1–1.8 trillion. Considering Africa's limited contribution to the climate crisis, it is imperative to develop a just and equitable compensation mechanism that would account for the destructive impacts of climate change on Africa's economies, livelihoods, health, food security, biodiversity, and cultures.

The loss and damage negotiations, which initially originated from a Vanuatu proposal in 1991, culminated with the establishment of a dedicated Loss and Damage Fund in 2022 during the 27th Conference of the Parties (COP-27) in Egypt. The Fund's operationalization is guided by recommendations from the Transitional Committee at COP-27. Despite some variability in the current understanding of L&D, they are broadly understood as “impacts of climate change that have not been, or cannot be, avoided through mitigation or adaptation efforts”. Importantly, loss and damage encompass two different concepts: the former refers to irreversible damage and the impacts of climate change that cannot be recovered, whereas the latter refers to reparable harm. L&D are further classified into economic and non-economic losses.

Importantly, developing countries experience more non-economic losses than economic losses, thereby requiring more focus on compensation for non-economic losses. Overall, while determining the economic costs of L&D from climate is largely considered to be a relatively straightforward task, estimating non-economic costs is more contentious. Considering that, in developing countries, non-economic losses frequently outweigh economic ones, the assessment and evaluation of non-economic losses play a pivotal role in climate change policies and are critical for the compensation of African countries.

Natural disasters and the level of their impact on national economies vary across countries and sectors of economy. This is further complicated by the fact that reconstruction costs captured in most datasets do not encompass non-economic losses, such as individual costs associated with health, well-being, and mobility; societal costs related to territory, cultural heritage and identity, and indigenous knowledge; and environmental costs related to biodiversity and ecosystem services. Considering that these sectors are of crucial importance to African economies, societies, cultures, and heritage, they must therefore be prioritized in L&D discussions.

Another challenge is that, despite several attempts to proffer comprehensive parameters for the definition of L&D, the UNFCCC still lacks an officially binding definition of loss and damage. As a result, defining L&D remains open to interpretation, susceptible to politicization, and subject to variable understandings. This underscores the need for defining L&D, as all developing countries that are parties to the UNFCCC—and irrespective of their contribution to the Fund—are eligible to receive funding from the Loss and Damage Fund facility to cover climate change economic and non-economic costs.

As of now, debates surrounding L&D, including its definition and financing, remain contentious. While the UNFCCC negotiations remain cautious with the term "compensation", L&D financing goes beyond mere compensation. While developing countries advocate for compensation arrangements, developed countries support a solidarity fund, which does not assign liability. The absence of clarity on compensation perspectives, particularly due to a historical opposition from developed countries, poses a significant hindrance.

Furthermore, L&D activities require a different level of response. The Loss and Damage Fund covers both economic and non-economic costs for eligible developing countries. However, the fund may not fully cover all losses and damages. Accordingly, transparent selection criteria and guidelines are essential to ensure fair and effective fund allocation, considering factors such as the percentage of losses covered and quantification of non-economic losses.

In addition, taking into account the differences in impact of climate crisis on genders, which results in higher vulnerabilities and difficulties for women, especially in terms of non-economic losses, gender considerations should be given the utmost attention. Compared to men, women bear a greater burden of climate change impacts, particularly in areas where men typically have more resources to adapt to climate impacts, such as food and nutrition security, health, reproductive health, water and energy access, disaster risk management, migration, and conflict contexts. In addition, men tend to have better access to and exploration of coping mechanisms in different locations, whereas women are frequently constrained to seek support within their community due to higher financial and social barriers for migration.

Finally, despite the disproportionate impact on African nations, negotiations for compensation are challenged by inadequate data to accurately estimate losses. Considering that the Loss and Damage Fund may not cover all damages and losses from a climate event, it should seek to provide sufficient assistance to vulnerable countries' recovery and rebuilding efforts. Although it is anticipated that the Loss and Damage Fund may not cover all losses and damages, various instruments are available to finance these efforts.

Key recommendations:

1. A global framework and adequate evaluation guidelines for both economic and non-economic aspects should be developed. Such global framework should ensure consistency and comparability across various regions and contexts through collaborative efforts of the involved policymakers, experts, and communities.
2. Transparent and robust criteria for compensation awarding, which would balance between fairness, equity, and resource availability, should be formulated. An efficient, accountable, and timely disbursement mechanism should be designed and implemented to deliver funds to the affected parties.
3. The base criteria should cover both economic losses and non-economic losses, including cultural heritage, indigenous knowledge, and social capital. These criteria should ensure non-exclusionary and iterative criteria development, with due attention to the unique needs of marginalized demographic

groups. Participatory engagement is crucial to expand or clarify definitions of economic and non-economic losses.

4. African states should thoroughly evaluate challenges and lessons associated with the current finance mechanism, including but not limited to location, funding, governance, and actions.
5. Government institutions in Africa should collect gender-disaggregated data to inform targeted interventions addressing the specific needs and vulnerabilities of the two genders.
6. National governments should prioritize the involvement of young African people in shaping COP outcomes to safeguard the interests of future generations. In order to better prepare youth for a transitioning world, the governments should also promote capacity-building, training, and creation of green jobs aligned with climate action.

1. Background

In recent years, there has been a growing awareness among national governments and their development partners that the global climate crisis requires a complex system of adjustments with not only technological and economic consequences, but also with profound social implications. In the context of the current climate crisis, Africa faces particularly compounded challenges. One of the key reasons for this is that, for their economic growth and job creation, most African economies are heavily reliant on agriculture, a sector highly sensitive to climate change. Furthermore, although Africa faces some of the most destructive impacts of climate change, the continent's contribution to the current climate crisis in terms of emissions is relatively small. At the same time, Africa is the least prepared to deal with the impacts of climate crisis or to implement adaptation strategies. More specifically, the costs of adaptation and dealing with L&D caused by the global climate crisis by far exceed the financial and economic capacity of most African nations. Since a transition to a green and sustainable society and economy requires an integration of climate, development, and equity strategies, investments into integrated social protection should play a vital role in building the human resource foundation needed for this transformation¹ in Africa, as well as for mitigation of the immediate impacts of the climate crisis in African nations.

Overall, the current climate crisis has highlighted global inequalities and social injustices, prompting historically marginalized nations to demand more equality and fairness. Accordingly, international financial institutions and governments have been forced to reassess the global financial architecture. Considering that, along with the escalating impacts of the climate crisis, developing countries are grappling with other crises—including but not limited to biodiversity loss, poverty, unprecedented high cost of living, high inflation rates, increasing interest rates, and unsustainable debt levels, these nations urgently require consistent and substantial financial assistance. At present, many of these countries lack the necessary infrastructure and financial capacity to mitigate or adapt to climate change. Equally lacking is developing countries' financial capacity to recover from the long-lasting effects of climate-related disasters on their economies, environment, populations, and livelihoods.² Considering that global financial support falls far short of what is needed to bring developing countries' adaptation measures in line with the goals of the Paris Agreement³ as the international financial system can no longer effectively address these multiple challenges, there is an urgent need to re-evaluate structures, players, roles, and responsibilities in the global financial framework. This re-evaluation should prioritize fairness, equity, and climate justice in

¹ Costella, C., McCord, A., van Aalst, M., Holmes, R., Ammoun, J., Barca, V. (2021) 'Social protection and climate change: scaling up ambition'. (2021). Social protection and climate change: Scaling up ambition. Retrieved from: https://socialprotection.org/sites/default/files/publications_files/Paper%20-%20Social%20Protection%20and%20Climate%20Change_%20Scaling%20up%20Ambition%20%282%29.pdf

² Shan, L. (2023). Rebranding Global Financial Architecture? Shortfalls of Current Climate Finance Initiatives. Retrieved from: <https://us.boell.org/en/2023/06/21/rebranding-global-financial-architecture-shortfalls-current-climate-finance-initiatives>

³ Browne, K, et al. (2023). Seven ways to reform the global financial system for climate and sustainable development goals. Retrieved from: <https://www.preventionweb.net/news/seven-ways-reform-global-financial-system-climate-and-sustainable-development-goals>

financing and financial instruments.⁴ Therefore, it is imperative that L&D financing adopts similar principles of fairness and equity in this context.

From a historical perspective, the evolution of L&D negotiations can be traced back to 1991 when the Republic of Vanuatu proposed, on behalf of small island nations, the inclusion of an insurance mechanism for the cost of climate change-induced sea level rise. The term “loss and damage” was first introduced in the Bali Action Plan that followed COP-13 held in Bali in 2007. Specifically, the Bali Action Plan called for *“disaster reduction strategies and means to address loss and damage associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change”*. During COP-13, there was a call for a more thorough understanding of risk management, reduction, sharing, and transfer.

Subsequently, COP-16 held in Cancun launched a work program aimed at understanding the scope of L&D. Later on, COP-18 held in Doha proposed the establishment of an institutional framework on L&D, which eventually culminated in the establishment of the Warsaw International Mechanism (WIM) on L&D at COP-19. The WIM did essential groundwork towards addressing L&D. Key highlights from the WIM work plan included identifying techniques, tools, lessons, and best practices in comprehensive risk management; formulating recommendations on how to enhance knowledge and capacity to address slow onset processes; developing country-specific analyses of the risks and damages; and establishing expert groups to develop recommendations that would address and reduce non-economic losses. The WIM efforts contributed to the establishment of an international mechanism to *“address loss and damage associated with impacts of climate change, including extreme events and slow onset events, in developing countries that are particularly vulnerable to the adverse effects of climate change”* (Decision 2/CP.19). Of note, despite the argument that L&D extend beyond adaptation and the push for a separate framework, the WIM was positioned under the Cancun Adaptation Framework.⁵

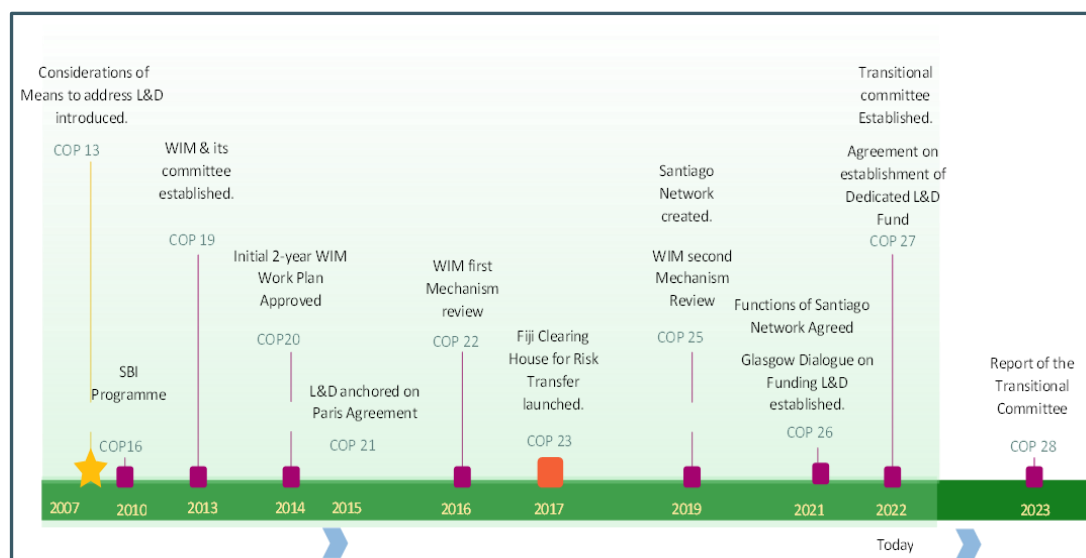
At COP-21, the L&D initiative anchored in Article 8 of the Paris Agreement urged the involved parties to recognize the importance of averting, minimizing, and addressing L&D associated with the adverse effects of climate change, including extreme weather events and slow onset events, as well as to evaluate the role of sustainable development in reducing the risk of L&D.

The parties to COP-25 in Madrid agreed to establish the Santiago Network. This network was meant to connect developing countries to providers (e.g., organizations, bodies, networks, and experts) of technical assistance towards the implementation of approaches towards averting, minimizing, and addressing L&D on the local and regional levels. Furthermore, at COP-26, developing countries under the umbrella of the Group of 77, together with China, jointly called for the establishment of a dedicated Loss and Damage Fund. However, this call did not receive adequate support from developed countries. After years of negotiation, a breakthrough was achieved only in 2022, at COP-27 in Egypt when the parties finally agreed on the establishment and operationalization of a dedicated Loss and Damage Fund (Figure 1).

⁴ The 2022 Bridgetown Initiative for the Reform of the Global Financial Architecture (2022). Retrieved from: <https://pmo.gov.bb/wp-content/uploads/2022/10/The-2022-Bridgetown-Initiative.pdf>

⁵ Durand, A., & Huq, S. (2015). A Simple Guide to the Warsaw International Mechanism on Loss and Damage. Retrieved from: <https://www.icccad.net/wp-content/uploads/2015/09/A-simple-guide-to-the-Warsaw-International-Mechanism.pdf>

Figure 1: Past and Future Climate Negotiations



Source: Author

COP-27 constituted a transitional committee of a total of 24 members comprising three members from Africa, three from Asia and the Pacific, three from Latin America and the Caribbean, two from small island developing states, two from the least developed countries, and one from a developing country party. The Transitional Committee was set to deliberate, among other issues, the definition of “loss and damage”, “who pays?”, and “who gets paid?”. Considering that African states increasingly identify the need to put forward a joint agenda on Loss and Damage Financing Mechanisms (and advocate for a continued commitment towards the Kyoto Protocol and Paris Agreement), an understanding of the subtleties and complexities of power dynamics in negotiations (both international and local) were imperative for the development of such an inclusive agenda and framework.

At COP-27 and the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA)-4, the Transitional Committee was given the mandate to make recommendations on a set of issues pertinent to the operationalization of the new funding arrangement (e.g., institutional arrangements, modalities, structure, governance, and terms of reference for the fund) and to define new elements of the new funding arrangement. The Transitional Committee was also tasked with the development of recommendations on identifying and expanding sources of funding, coordination, and complementarity with the existing funding. These recommendations are planned to be considered for adoption at COP-28 and CMA 5 to be held in 2023. Some of the critical issues will include sources of money for the Loss and Damage Fund, as well as how the fund will be aligned and/or coordinated with the existing funds such as GCF and Global Shield Financing Facility.

This paper evaluates the scope of the definition of loss and damage and the methods employed to calculate and quantify L&D. In doing so, this paper seeks to frame and articulate a case to inform the future of negotiations on L&D financing from specifically an African perspective and to promote inclusivity and equity in L&D compensation. The specific objectives of this paper can be formulated as follows:

- 1) To outline key policy issues surrounding L&D;

- 2) To evaluate the L&D framework, including the parameters of liability and compensation;
- 3) To propose appropriate mechanisms for fund disbursement;
- 4) To outline a framework for future engagement that would ensure appropriate framing and definition of L&D.

2. Understanding the Scope of L&D

Although the UNFCCC does not offer a comprehensive definition of L&D, several actors have attempted to proffer comprehensive parameters for such a definition. Overall, the current understanding of L&D is quite broad and includes general references to the adverse consequences of climate change. Most commonly, loss and damage are defined as *"impacts of climate change that have not been, or cannot be, avoided through mitigation or adaptation efforts"*.⁶ L&D have also been defined as the residual of insufficient mitigation and inadequate adaptation to the effects of climate change.⁷

While loss and damage are frequently treated as a single concept, the term L&D encompasses two distinct types of harm. On the one hand, loss refers to irreversible damage and the impacts of climate change that cannot be recovered, such as loss of land due to sea level rise or depletion of freshwater resources caused by desertification. On the other hand, damage pertains to reparable harm, such as the impact on shorelines or infrastructure associated with climate change.⁸ Accordingly, L&D should be understood as two distinct concepts. Furthermore, the apparent lack of a guiding definition of L&D within the UNFCCC has led to varying perspectives on the relationship between mitigation, adaptation, and L&D compensation, resulting in differences in definition and interpretation of L&D.⁹

The impacts of climate change, which lie at the core of L&D, can arise from both gradual changes such as sea level rise, rising temperatures, and desertification (described as "slow onset" events) and sudden events like cyclones, heatwaves, and flooding (referred to as "rapid onset" events.) Slow onset events gradually develop over time, and their impacts are based on a confluence of several events. Relevant examples of slow-onset events also include loss of biodiversity, land and forest degradation, salination, glacial retreat, ocean acidification, and salinization.¹⁰ For example, the glacier recession worldwide raises the risk of territorial conflicts in the emerging areas, such as India's borders with Pakistan and China. Likewise, rising

⁶ European Parliamentary Research Service (2022). Understanding Loss and Damage Addressing the unavoidable impacts of climate change. Retrieved from: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733598/EPRS_BRI\(2022\)733598_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733598/EPRS_BRI(2022)733598_EN.pdf).

⁷ UNFCCC. (2013). Technical paper: Non-Economic Losses In The Context Of The Work Programme On Loss And Damage. FCCC/TP/2013/2. Retrieved from: https://unfccc.int/files/adaptation/cancun_adaptation_framework/loss_and_damage/application/pdf/non_econ_losses_synopsis.pdf; <https://unfccc.int/resource/docs/2013/tp/02.pdf>.

⁸ European Parliamentary Research Service. (2022). Understanding Loss and Damage Addressing the unavoidable impacts of climate change. Retrieved from: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733598/EPRS_BRI\(2022\)733598_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733598/EPRS_BRI(2022)733598_EN.pdf)

⁹ Ibid.

¹⁰ UNFCCC. (2012). Slow onset events. Retrieved from: <https://unfccc.int/wim-excom/areas-of-work/slow-onset-events>

sea levels threaten the existence of several nations, including Tuvalu, Kiribati, the Marshall Islands, and Fiji. Unlike slow onset events, rapid onset events occur at a particular place and a specific time of the year and are typically associated with extreme weather conditions; historically, rapid onset events are relatively low in terms of their frequency. Relevant examples of rapid onset events include floods, severe droughts, heatwaves, storm surges, and tropical cyclones.

In the literature, the losses incurred by either slow or rapid onset events can be classified as either economic or non-economic L&D. On the one hand, economic L&D include losses and damage in resources, goods, and services commonly traded at the markets, such as physical assets and incomes, and for which market values can be assigned. Economic L&D impacts can be either structural or livelihood-related. Structural impacts embrace adverse effects on the infrastructure, such as buildings, homes, roads, factories, and machinery, while livelihood impacts affect the resources which a community derives its livelihood from, such as crop loss, loss of employment, or land.

On the other hand, non-economic losses and damages are non-tradeable losses whose market value cannot be easily assigned. Non-economic losses typically reflect on individuals, society, and the environment and include the loss of life, health, human mobility, cultural heritage, indigenous knowledge, biodiversity, psychological impacts, education, tradition & religion, ecosystem services, and territories. Non-economic L&D resulting from climate change can be differently interpreted by individuals and cultural groups, making it difficult to assess and evaluate non-economic L&D in a standardized manner. Typical methodological approaches to evaluate intangible losses include various forms of qualitative analysis, such as interviews, surveys, and focus group discussions.¹¹ However, an important limitation of these techniques is that they require longer research periods that might not meet the rapid turnaround requirements imposed by policymakers. Accordingly, there have been several requests for a thorough "science of loss" that would employ the techniques used in a variety of disciplines (e.g., psychology, economics, ethnography) to offer a thorough evaluation of non-economic L&D.¹²

In addressing loss, it is important to understand what people value and how those values change over time. It is equally necessary to identify major drivers of undesirable change and evaluate the potential for minimizing suffering. While quantitative non-market valuation methods can offer important insights into intangible losses, there is a broad scholarly consensus that values and beliefs are dynamic and intricately interconnected.¹³ To ensure fairness and transparency in dealing with global non-economic L&D, a standardized set of evaluation guidelines needs to be established. Importantly, creating this set of evaluation guidelines would require adopting a process-based evaluation scheme, rather than relying on a

¹¹ Tschakert, P. et al. (2019), "One thousand ways to experience loss: A systematic analysis of climate-related intangible harm from around the world", *Global Environmental Change*, Vol. 55, pp. 58-72.

<https://doi.org/10.1016/j.gloenvcha.2018.11.006>

¹² Barnett, J. et al. (2016), "A science of loss", *Nature Climate Change*, Vol. 6/11, pp. 976-978,

<http://dx.doi.org/10.1038/nclimate3140>.

¹³ Persson, J., Sahlin, N., & Wallin, A. (2015). "Climate change, values, and the cultural cognition thesis", *Environmental Science & Policy*, Vol. 52, pp. 1-5.

pre-determined list of standard non-economic L&D items. By doing so, the standards required for a global framework would become universally applicable.¹⁴

3. Impacts of Climate Change

Climate change has caused a wide range of adverse consequences for the African continent. By the end of 2022, the Horn of Africa experienced the longest and most severe drought on record, putting millions of people in danger of starvation. Many people's capacity to cultivate crops, rear animals, and purchase food was hampered by this persistent drought and high food costs. Furthermore, sea levels around African shores have been rising at a faster rate than the global average, particularly in the area surrounding the Red Sea and the southwest Indian Ocean, where the rate is close to 4 mm/year. According to current projections, prospective sea level rise will lead to an increase in the frequency and severity of coastal flooding in low-lying cities, as well as result in an increase in groundwater salinity due to seawater intrusion. By 2030, 108–116 million Africans are expected to be at risk from sea level rise, which will adversely affect human mobility. For instance, in 2021, Tropical Storm Eloise had a severe impact on Mozambique and Madagascar in Southern Africa, forcing many people to relocate. Mozambique was hit the hardest and is still struggling to recover from Cyclone Idai in 2019, which displaced over 43,000 people.

Furthermore, the accumulated failure of rainy seasons has had a negative impact on East Africa, affecting aspects such as food production, availability, quality, and safety, as well as people's nutrition and health. Climate changes such as droughts increase the risks of food shortages, particularly in regions that are already grappling with significant levels of food insecurity.¹⁵ Changes in weather patterns elicited by climate change can cause poor nutritional outcomes in childhood, including malnutrition, stunted growth, and developmental delays (e.g., impaired cognitive development, reduced educational attainment), all of which may persist into adulthood and eventually limit the affected individuals' opportunities in their adult lives.

Considering that Africa has generated the lowest amount of emissions, which makes the continent the least significant contributor to the climate crisis, it is necessary to implement a fair and equitable compensation mechanism that would take into account the destructive impacts of climate change on African economies, livelihoods, health, food security and nutrition, food systems, biodiversity, and cultures.

Gendered impacts of non-economic costs

The extent of L&D arising from climate-related hazards depends on the social, political, or economic vulnerability of the people and societies exposed to them. For instance, considering that women are less

¹⁴ Chan, S, Waters, E & Serdeczny, O. (2016). Non-economic Loss and Damage: Addressing the Forgotten Side of Climate Change Impacts

¹⁵ Von Braun, J. (2020). Climate Change Risks for Agriculture, Health, and Nutrition. In: Al-Delaimy, W., Ramanathan, V., & Sánchez Sorondo, M. (Eds.), Health of People, Health of Planet and Our Responsibility. Springer, Cham.

likely to access financial and social assets, even though they are responsible for 80% of food production,¹⁶ women have to carry the double burden of climate change and gender inequality. The ongoing drought in the Horn of Africa, which the United Nations evaluates as one of the most severe droughts experienced in the region in decades, has caused families to migrate away from health facilities, which led to a decreased rate of skilled birth attendance. This, in turn, will likely increase the risk of maternal mortality and school dropouts among children.¹⁷ In the aftermath of Cyclone Gombé in Mozambique, the third country most prone to natural disasters in Africa), women—90% of whom are employed by the agriculture sector—highlighted the disruption of their financial savings and independence, as well as greater susceptibility to food insecurity, poverty, and gender-based violence.

According to several studies, compared to men, women are more adversely affected impacted by climate change in the following six areas: (1) food and nutrition security; (2) health; (3) water and energy; (4) disasters connected to climate change, (5) migration, and (6) war. Males are better equipped to cope with the negative impacts of climate change across these areas.¹⁸ For instance, several previous studies found that, in the event of nature disasters and/or negative impacts of climate change, males are well-positioned and tend to explore coping opportunities and strategies elsewhere, while females are more likely to explore coping mechanisms within their community's social setup, because women are more limited by higher financial and social costs for migration.¹⁹

The differentiated impacts of climate change on the two genders arise from gender inequalities caused by unequal power relations and structures, discriminatory customs and laws, and unequal access to and control of resources. This emphasizes the need for designing gender-responsive interventions that would help women to better cope with and adapt to the effects of climate change. However, such initiatives are hampered by the lack of gender-disaggregated data.²⁰ Another limitation is the lack of careful consideration and integration of gender power dynamics and gender-differentiated socio-economic factors in project design and policies, which risks maintaining the *status quo* at best or exacerbating inequality and vulnerability at worst.²¹

¹⁶ ISSAfrica.org (n.d.). African women bear the brunt of climate change. ISS Africa. Retrieved from: <https://issafrica.org/pscreport/psc-insights/african-women-bear-the-brunt-of-climate-change>

¹⁷ Jahic, N. (2023, February 9). Saving Women and Children in Kenya Amid Drought. The Borgen Project. <https://borgenproject.org/women-and-children-in-kenya/#:~:text=The%20drought%20has%20forced%20families>

¹⁸ Nasung Atuoeye, K. et al. (2021). "Who are the losers? Gendered-migration, climate change, and the impact of large scale land acquisitions on food security in coastal Tanzania", *Land Use Policy*, Vol. 101, 105154. <https://doi.org/10.1016/j.landusepol.2020.105154>.

¹⁹ Kakota et al., 2011; Abdul-Korah, 2011; Bottazzi et al., 2018

²⁰ Awiti, A. (2022). "Climate change and gender in Africa: A review of Impact and gender-responsive solutions", *Frontiers in Climate*, 4(895950), pp. 1-14. https://ecommons.aku.edu/eastafrica_ihd/147/

²¹ Araos, M. et al. (2021). "Equity in human adaptation-related responses: A systematic global review", *One Earth*, 4, pp. 1454-67. <https://doi.org/10.1016/j.oneear.2021.09.001>

4. Key Policy Issues

This section examines the crucial policy matters and ongoing areas of contention concerning loss and damage.

4.1 Definition of L&D and L&D Finance

The question whether L&D are distinct from adaptation has been controversial in the international climate debate for years. In recent years, since the WIM ExCom (2016), there has been a growing consensus that L&D occur where mitigation and adaptation are inadequate to prevent the negative consequences of climate change.²² In the context of adaptation activities, while the existence of several grey areas is broadly acknowledged, L&D activities are generally believed to require an entirely different order of magnitude reaction, a complete reorientation in response to significant harms, and taking the community (or individuals) outside of the realm of the traditional approach.²³ As discussed earlier, WIM categorizes L&D that arise from extreme events and slow onset events into two broad categories: economic losses, defined as loss of resources, goods, and services commonly traded in markets (i.e., income and physical assets), and non-economic losses, understood as the remainder of items not commonly traded in markets.²⁴ Examples of non-economic losses are life, health, human mobility, territory, cultural heritage, indigenous knowledge, cultural identity, ecosystem services, and biodiversity. Economic losses include business operations, agricultural production, tourism, infrastructure and property. However, the definition of L&D and the corresponding activities obscure the controversies around compensation and liability and adopt a definition mostly pinned on risk assessment and insurance.

Although formulating a unified and unambiguous definition of L&D is a step in the right direction, another aspect that would likely hinder the debate on an appropriate financing mechanism is the absence of clarity on perspectives of compensation.²⁵ According to several reports, there has been a historical opposition to adopting an L&D policy coming from influential developed states such as the USA, which is largely due to these countries' unwillingness to take on liability.²⁶ Whenever engaged on the issue, developed states have offered policy solutions and institutional perceptions that minimize questions of liability and compensation. For instance, in 2011, several developed countries uncomfortable with the direction of

²² Subsidiary Body for Scientific and Technological Advice (2016). Retrieved from <https://unfccc.int/sites/default/files/resource/docs/2016/sb/eng/03.pdf>.

²³ Schalatek, L., Richard, J. (2017). Financing Loss and Damage: A Look at Governance and Implementation Options. Retrieved from:

https://www.germanclimatefinance.de/files/2017/06/loss_and_damage_finance_paper_update_16_may_2017.pdf

²⁴ UNFCCC. (2017). Summary Note: 'Breaking new ground: Risk financing for slow onset events'. Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts. Retrieved from:

https://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/si_de_event_summary_note.pdf

²⁵ Vanhala, L., Hestbaek, C. (2016). Framing Climate Change Loss and Damage in UNFCCC Negotiations. Retrieved from: <https://direct.mit.edu/glep/article/16/4/111/14859/Framing-Climate-Change-Loss-and-Damage-in-UNFCCC>. *Global Environmental Politics* (2016) 16 (4): 111-129. https://doi.org/10.1162/GLEP_a_00379

²⁶ Fearing Liability, U.S. Resists U.N. Fund for Climate Damages, Jean Chemnick, E&E News on November 19, 2021 <https://www.scientificamerican.com/article/fearing-liability-u-s-resists-u-n-fund-for-climate-damages/>

discussions on compensation and a compensation mechanism opted to move risk management into other policy streams outside of the L&D conversation and eventually sought to completely cut off discussions related to compensation.²⁷ In view of the divergence of interests within the COP, framing the problem and proposed solutions as devoid of attribution obviously facilitated its relative acceptance among parties.

While constructive ambiguity may work for the wider acceptance of issues in the international debate, there is evidence from the broader climate change discourse that ambiguity poses challenges to implementation. In the case of climate finance, the absence of a burden-sharing framework among developed countries has problematized holding individual developed countries responsible for shortfalls in attaining the \$100 billion a year target between 2020 and 2025, reiterated in the Paris Agreement. The absence of burden-sharing frameworks has also adversely influenced the progress towards attaining the Paris Agreement's broader temperature and emissions goals.²⁸ However, due to the contentious nature of the L&D debate, achieving consensus on a universal definition of L&D finance may take years and thus delay actual implementation.

4.2 Assessing Non-Economic L&D Associated with Climate Change

Evaluating economic costs (income and physical assets) of L&D is a fairly straightforward task; in the past, these costs have been conventionally computed as the sum of adaptation costs and macroeconomic damage in the past.²⁹ By 2030, economic costs of L&D in developing countries have been estimated to reach USD 400 billion a year or range between USD 290 and 580 billion. By 2050, economic costs of L&D in developing countries are expected to reach USD 1–1.8 trillion. While computing non-economic costs has been more contentious, several attempts have recently been made as well.³⁰

However, in many developing countries, non-economic losses by far outweigh economic losses, thereby making non-economic losses a central pillar of climate change policy. Valuation is used to express non-economic impacts in monetary terms, thereby rendering them comparable to economic impacts and costs. Valuation of non-economic losses attempts to assign a monetary variable to use and non-use human value systems—such as, among others, welfare, well-being, and ethics. A Technical Paper by UNFCCC summarizes valuation techniques used in climate change into the following four broad categories: (1) economic valuation; (2) multi-criteria decision analysis (MCDA); (3) composite risk indices; and (4) qualitative/semi-quantitative methods. Most of these valuation techniques employ the revealed preference method (e.g., hedonic pricing, travel cost, costs of illness), the stated preference methods (e.g.,

²⁷ Warner, K., Zakieldean, S.A. (n.d) Loss and damage due to climate change : An overview of the UNFCCC negotiations. European Capacity Building Initiative. Retrieved from:

<https://oxfordclimatepolicy.org/publications/documents/LossandDamage.pdf>

²⁸ UNFCCC Standing Committee on Finance (2022). Report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation. Retrieved from:

https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20100BN%202022%20Report_Book_v3.2.pdf

²⁹ Baarsch, F., et al. (2015). Impacts of low aggregate INDCs ambition. Oxfam. Retrieved from:

<https://oxfamilibrary.openrepository.com/bitstream/handle/10546/582427/rr-impacts-low-aggregate-indcs-ambition-251115-en.pdf;jsessionid=C2BF26E9CF0705630671F3821B7C7AE9?sequence=1>

³⁰ Heinrich Boll Stiftung. Unpacking finance for Loss and Damage. Retrieved from: <https://us.boell.org/en/unpacking-finance-loss-and-damage>

hypothetical behavior, questionnaire surveys), and benefits transfer.³¹ Table 1 summarizes the main non-economic losses associated with climate change, natural disasters, and slow onset events.

Table 1: Main Non-Economic Losses Associated with Climate Change, Natural Disasters, and Slow Onset Events

	Type of non-economic loss	Description	Climate driver	Approaches to valuation
Individual Non-Economic Costs	Loss of life	Loss of life is a clear example of a non-economic loss, as it violates human right to life.	Direct losses from extreme weather events, indirect losses arising from climate-induced deterioration in health (see "Health" below for climate drivers of these)	The number of lives lost is a clear self-explanatory metric; yet, it can be monetized using the value of statistical life methods.
	Health	Human health incorporates physical, mental, and social well-being, and its non-economic value stems from its contribution to well-being.	Extreme air temperature and weather events, floods and droughts, climatic effects on agriculture, and the spread of infectious disease vectors	Disability-adjusted life-years are an established and widely used method of measuring health impacts in terms of years of healthy life lost. Health impacts are rarely monetized (though doing so is possible).
	Human mobility	Displacement is the clearest case of non-economic loss in the continuum of human mobility, as non-economic items (e.g., as security, dignity and agency) are impaired by displacement.	Extreme weather events, particularly hydrometeorological events, and slow onset events past a tipping point can result in displacement.	Although direct non-economic losses of displacement are intangible, the number of climate change-related displaced people can indicate the scale of the issue during an assessment of

³¹ UNFCCC. (2013). Technical paper: Non-Economic Losses In The Context Of The Work Programme On Loss And Damage. FCCC/TP/2013/2. Retrieved from: https://unfccc.int/files/adaptation/cancun_adaptation_framework/loss_and_damage/application/pdf/non_econ_losses_synopsis.pdf; <https://unfccc.int/resource/docs/2013/tp/02.pdf>

				displacement risk, thereby allowing for an internal evaluation of potential L&D.
Societal Non-Economic Costs	Territory	Loss of territory has non-economic value in a sense that territory provides sovereignty and a sense of place.	Inundation results in outright loss of territory, while other slow onset events (e.g., drought, salinization, land degradation and desertification) can make the affected territory uninhabitable.	Since sovereignty and sense of place have intangible benefits unique to a context, valuation can be challenging due to subsequent incomparability; thus, assessment may be best achieved through recognition of when the territory is lost or threatened.
	Tangible cultural heritage	Cultural heritage can be tangible (e.g., historic buildings) or intangible (e.g., body of traditional knowledge). Tangible cultural heritage has non-economic value because it contributes to social cohesion and identity.	Extreme weather events (e.g., floods, storms). Slow onset events can also damage cultural heritage as changing climate conditions put structures under stress.	The risk of physical damage to cultural heritage can be estimated; however, assessing the value of such damage is challenging because the cultural items are unique and can have both use and non-use value.
	Indigenous and local knowledge and other social capital	Indigenous and local knowledge embraces the spiritual, cultural, and practical knowledge unique to a particular cultural group or community. It frequently has strong links with the environment and is valuable because it reinforces social cohesion and identity.	Slow onset events change the characteristics of an environment, thus undermining the basis of indigenous and local knowledge.	Evaluation of indigenous and local knowledge should consider that the value of such knowledge is derived from interconnections within/ cohesiveness of social networks.
Non-Economic	Biodiversity	Biodiversity, or diversity among living organisms,	Climate change alters the conditions an ecosystem	Measurement of biodiversity, let alone

		<p>may have intrinsic value, and species may have a right to exist. Biodiversity also provides a stock of genetic material and underpins many ecosystem services.</p>	<p>is suited to, leading to the ecosystem's shift to a new area where the climate has appropriate conditions. If the ecosystem cannot shift, it will fail and transform into a different, frequently degraded, ecosystem.</p>	<p>valuation, is complex. Common metrics assess the richness of species in an area and the number of threatened species. While biodiversity may have intrinsic value, identifying the instrumental value of the ecosystem services afforded by biodiversity is the primary approach to valuation.</p>
Ecosystem services	<p>Ecosystems can be thought of as providing the following four main types of services: (1) supporting; (2) provisioning; (3) regulating; and (4) cultural. Provisioning services (e.g., supply of food, timber, fuel and water) often have a market value, although the failure of these services can cause non-economic losses. Supporting, regulating, and cultural services tend to be non-economic services.</p>	<p>Ecosystem services can be affected by changes in biodiversity as the latter is the natural capital from which ecosystem services flow. Slow onset events (e.g., temperature and precipitation changes) are particularly disruptive to supporting and regulating services for extreme weather events and can damage the ecosystems that provide cultural, recreational, and spiritual services.</p>	<p>Ecosystem services can be valued using revealed and stated preference methods to estimate the monetary value of the service; estimates from one location can be transferred to other locations.</p>	

4.3 L&D Financing Options

Currently, L&D financing remains limited and is not computed outside general climate finance mechanisms; it also largely relies on charity and is thus unpredictable.³² Relevant financing instruments that address L&D include grants, debt finance, contingency finance, and insurance (see also Table 2). General typologies of approaches that classify investments as L&D finance include assessing risk, reducing risk, risk retention, social protection and transformational approaches, and transferring financial risk.³³ While it is difficult to critique current L&D finance mechanisms in isolation, a broader review of the current climate finance mechanism could provide potential considerations for the development of an adequate L&D finance mechanism.

Table 2: Summary of Challenges Associated with Climate Finance Mechanism

Financing instrument	Description
Mobilizing finance to achieve the goal of \$100 billion annually	<ul style="list-style-type: none"> • The lack of a burden-sharing framework for developed states has posed a challenge to holding these states accountable. • Mobilization of private climate finance to and in developing countries has proved to be challenging. Wherever it is present, it is focused on project co-financing, rather than on more complex issues (e.g., technical assistance and policy-related efforts). • In recent years, there have been several attempts to mobilize private finance against macroeconomic shocks and headwinds (e.g., the COVID-19 pandemic, the ongoing Russia-Ukraine war, a pending global recession).
Ensuring that mobilization addresses the needs of developing countries	<ul style="list-style-type: none"> • Coverage of finance channeled to all public institutions, private sector, or civil society in developing countries may be lacking, although such information would improve capacity and provide a full picture on international climate finance inflows to the involved countries. • A significant challenge is the relatively limited capacity of developing countries to quantify costs and build project pipelines that would attract and enable public and private climate finance to be targeted to the needs. • Accessing international climate finance through multilateral climate funds is frequently a resource- and time-consuming process stretching beyond election cycles, which presents an additional challenge for the elected government.

³² UNFCCC Standing Committee on Finance. (2022). Retrieved from : https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20100BN%202022%20Report_Book_v3.2.pdf

³³ UNFCCC. (2019). Elaboration of the sources of and modalities for accessing financial support for addressing loss and damage. FCCC/TP/2019/1. Retrieved from : https://unfccc.int/sites/default/files/resource/01_0.pdf

	<ul style="list-style-type: none"> • Greater volumes of grant finance would be needed to avoid increasing debt burdens and build the capacities of developing countries. • Considering the differences in the reporting on the provided, mobilized, and received finance, there is a clear perception gap between the provider and recipient perspectives on climate finance as to what needs should be considered.
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4.4 Award Criteria

As discussed previously, the UNFCCC currently lacks an officially binding definition of L&D. Accordingly, L&D remain open to interpretation, are susceptible to politicization, and depend on varied understanding of the parameters encompassing L&D.³⁴ All developing countries that are parties to the UNFCCC, and irrespective of their contribution to the fund, are eligible to receive funding from the Loss and Damage Fund facility to cover climate change economic and non-economic costs. However, the Loss and Damage Fund may not be sufficient to cover all losses and damages incurred by a climate event. Furthermore, obtaining finance for intended recipients requires the formulation of clearly defined transparent selection criteria and guidelines that would ensure fairness, effective use of resources, and use of the fund for causes fully aligned with its objectives and policies. In a scenario where the fund does not cover all L&D following a climate event, such criteria can cover issues such as the determination of the percentage of L&D covered by the fund. The criteria should also establish how to quantify non-economic losses and damages. To ensure consistency and fairness in disbursement, common valuation methodologies across countries should be adopted.

While the fund may not cover all L&D following a climate shock, the amount of financing should be adequate to assist vulnerable countries to respond to the crisis and to rebuild. Other relevant factors that could be considered in developing award criteria include capacity to cope, type of L&D, vulnerability, risk (frequency of recurrence and severity), and needs assessment to ensure the fund is well targeted. Equitable and focused L&D assistance can be enabled by using information from nationally representative household surveys—for instance, for the identification of the households most in need and/or the areas most affected by climate change. To help improve targeting and ensure that the selected policies and criteria for accessing funds are inclusive and locally relevant, it is equally necessary to include representatives of intended beneficiaries in the design stage of a project.³⁵

4.5 Appropriate Funding Mechanism

There is an expected limitation of the Loss and Damage Fund not covering all losses and damages. However, the funding of L&D funds can be secured through various instruments—or rather, through a good mix of instruments that aim at transferring risk, risk pooling, risk reduction, and risk retention is necessary.

³⁴ European Parliamentary Research Service. (2022). Understanding Loss and Damage Addressing the unavoidable impacts of climate change. Retrieved from: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733598/EPRS_BRI\(2022\)733598_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733598/EPRS_BRI(2022)733598_EN.pdf).

³⁵ Bakhtaoui, I. et al. (2022). Operationalizing finance for loss and damage: from principles to modalities. SEI report. Stockholm Environment Institute, Stockholm. <https://doi.org/10.51414/sei2022.045>

In action area 7 of its initial 2-year work plan, the Warsaw International Mechanism Executive Committee listed the funding instruments they intended to investigate. These instruments included catastrophe risk insurance; contingency finance; climate-themed bonds and catastrophe bonds.³⁶ Developing countries have argued that, as large emitters, developed countries should partly pay for the Loss and Damage Fund, as the latter states make the most sizable contributions to climate change. However, there have been debates on whether large emitters classified as developing countries—such as, for instance, China—should also become Fund payers.

Although the terms "loss" and "damage" extend beyond mere compensation, the UNFCCC negotiations have been cautious with using the word "compensation". The Paris Agreement provides areas of partnership in L&D that include early warning systems, emergency preparedness, slow onset events, events involving irreversible and permanent damage and losses, comprehensive risk assessment, risk insurance facilities, non-economic losses, as well as resilience of communities, livelihoods, and ecosystems. However, while developing countries have been advocating for compensation arrangements, which automatically assign culpability through a "victim-perpetrator" relationship, developed countries have tended to support the creation of a solidarity fund, which does not assign liability. Arguments against compensation funding include framing compensation as unfeasible, impractical, and impossible to implement due to the legal hurdles associated with payments, as well as the fact that compensation automatically assigns culpability.³⁷ Article 8 of the Paris Agreement does not include or provide for the methods of establishing liability or compensation as L&D financing encompasses more than compensation.³⁸ The Transitional Committee is expected to formulate suggestions on the issue of channeling the funds to be deliberated on in the next COP. Therefore the design of the fund will be critical for its success.

While natural disasters and their impact level vary across different countries and sectors, at present, reconstruction costs captured in most datasets do not encompass non-economic losses, such as individual costs associated with health, well-being, and mobility; societal costs related to territory, cultural heritage and identity, and indigenous knowledge; and environmental costs related to biodiversity and ecosystem services. According to the Emergency Events Database for 2015-2022, approximately 280 million people in the affected regions were affected (death, injury, displacement) by natural disasters. Since 2015, about \$310 million was invested annually in reconstruction post-disaster costs.^{39, 40}

³⁶ Roberts, J. T., Natson, S., Hoffmeister, V., Durand, A., Weikmans, R., Gewirtzman, J., & Huq, S. (2017). "How will we pay for loss and damage?" *Ethics, Policy and Environment*, Vol. 20(2), pp. 208-226. <https://doi.org/10.1080/21550085.2017.1342963>

³⁷ Pill, M. (2022). "Towards a funding mechanism for loss and damage from climate change impacts", *Climate Risk Management*, 35, 100391. <https://doi.org/10.1016/J.CRM.2021.100391>

³⁸ UNFCCC. (2015). The Paris outcome on loss and damage (Article 8 of the Paris Agreement and Decision 1/CP.21 Paragraphs 48-52 (FCCC/CP/2015/L.9/Rev.1. Retrieved from : https://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/rev_1_f_8_decision_xcp.21.pdf

³⁹ For an extreme event to be captured in this database, the following criteria must be met: ≥10 people dead; ≥100 or more Individuals affected; the declaration of a state of emergency; and a call for international assistance. (Of note, although the EM-DAT is the largest disaster database that is currently available, it is still not exhaustive, particularly for African nations. In addition, some of the most recent extreme events to strike Africa, such as Nigeria's October floods and the ongoing effects of the drought in the Horn of Africa, have not been added in the EM-DAT. Data on reconstruction costs are also largely unavailable within the region.

In this context, in view of the compelling evidence from the IPCC indicating that we have transitioned into loss and damage, having exhausted the limits of adaptation,⁴¹ the African Group of Negotiators asserts that it is counterproductive to assess L&D within the framework of adaptation. The expenses involved in mitigating damages are substantial. Moreover, even with adaptation efforts, Africa will continue to grapple with considerable remaining damages that impede its developmental initiatives. Therefore, compensation should be allocated based on historical accountability and the principle of common but differentiated responsibilities.⁴² The L&D experienced from climate change is attributable to historical emissions that manifest themselves in the form of extreme weather events. Therefore, the costs should be additional to the projected mitigation and adaptation costs. This approach would require a baseline for historical emissions.

5. Conclusion

The international debate on L&D remains widely political in nature and is largely influenced by power relations and state interests, with developing countries being the dominant trend. While high-income countries remain the largest greenhouse gas emitters, the developing African countries experience the worst effects of climate change. Although the recent establishment of a dedicated Loss and damage Fund instilled a great sense of optimism among climate-vulnerable nations, the issue of inadequate data makes it challenging to accurately estimate the magnitude of economic and non-economic losses incurred by the affected nations when disasters strike. This, in turn, poses challenges to compensation negotiations.

A key issue in L&D negotiations is the evaluation of non-economic losses and the establishment of an effective award and disbursement mechanism. Challenges associated with the evaluation and assessment of non-economic losses highlight the need for standardized guidelines and a global framework. Equally essential are defining clear criteria to award compensation and designing effective disbursement mechanisms that would ensure fair and efficient distribution of funds. In addition, it appears vital to address the differential gendered impacts of non-economic losses, as women bear a disproportionate burden of climate change. Promoting gender equality and enhancing resilience of both genders in the face of climate-related challenges requires gender-responsive interventions elaborated based on gender-disaggregated data.

6. Recommendations

Based on the highlights of this paper and ongoing negotiations on L&D, the following actionable recommendations can be formulated to enhance the effectiveness and fairness of these processes.

⁴⁰ Emergency Events Database (EM-DAT). Retrieved from: <https://www.emdat.be/>

⁴¹ African Group of Negotiators (2023). Statement on Adaptation and Loss & Damage Technical Dialogue 1.3.

⁴² Ibid.

1. African nations should drive the development of a global framework and standardized evaluation guidelines for the incurred losses once the Loss and Damage Fund is operational. Such guidelines should consider both economic and non-economic losses. The global framework should ensure consistency and comparability across different regions and contexts. Establishing the framework should become a collaborative initiative among policymakers, experts, and communities that would allow for comprehensive and inclusive evaluations. It is imperative for African governments to ascertain that L&D financing does not increase or worsen their existing debt burden and does not impose unjust or unfavorable conditions, punitive repayment terms, or inequitable interest rates. Moreover, affected communities should have a significant say in how the respective funds are used.
2. African governments, in collaboration with think-tanks and policy research institutes, should collect and maintain data on the impacts of climate change. Doing so will enable defining transparent and robust criteria to award compensation that would capture the nature and extent of the L&D suffered. Appropriate compensation criteria are those that can strike a balance between the principles of fairness and equity, on the one hand, and availability of resources, on the other hand. The disbursement mechanism needs to be efficient, accountable, and timely in the delivery of funds to the affected parties. By investing in data on the extent of economic and non-economic losses, African nations will find themselves in a better position to negotiate for compensation.
3. In maintaining the principles of constructive ambiguity, and considering the relatively short history of the concept of L&D, African stakeholders should be involved. For instance, they could propose the development of criteria as an alternative to a "hard definition" of L&D finance, which is a viable option. Relevant criteria could be the backdrop against which the necessary funding is determined and then allocated. Reviewing and validating the criteria could help to highlight the currently unfunded gaps while avoiding overemphasis on economic losses and getting stuck on the grey areas. The criteria could also serve as an interim step to an agreed definition, thus contributing to more accountable and transparent funding as soon as the L&D finance mechanism is established.⁴³
4. The developed base criteria should encompass existing measures of economic losses along with non-economic losses, be them individual and environmental, particularly those affecting African nations. However, there is remains considerable ambiguity in defining societal non-economic losses, most of which are non-use assets. Accordingly, significant efforts should be invested into building context-specific measures to value cultural heritage, indigenous and local knowledge, and other forms of social capital.
5. The base criteria established as a determinant for financing should be non-exclusionary and iteratively developed. While the constitution of the current transition committee facilitates a relatively power-balanced environment for developing countries to participate in the definition of an initial set of criteria, there is a limited provision to ensure the application of an intersectional approach to determine submissions within countries. Country submissions for criteria inclusion should preferably undergo participatory engagement that considers unique needs of marginalized demographic groups that are frequently among the hardest hit by L&D. The involved countries could consider leveraging

⁴³ Schalatek, L., Richard, J. (2017). Financing Loss and Damage: A Look at Governance and Implementation Options. Retrieved from: https://www.germanclimatefinance.de/files/2017/06/loss_and_damage_finance_paper_update_16_may_2017.pdf

information from participatory engagement activities to expand or clarify definitions of economic and non-economic losses.

6. Ahead of COP-28, it is imperative that African states critically evaluate the challenges and lessons faced by the current finance mechanism as the definition of loss and damage finance mechanism is being explored. This definition could encompass location, funding, governance, and actions associated with the mechanism. Considerations could revolve around (i) domicile, or where will it sit? (ii) Funding, or who will pay for it? (iii) Governance, or who will control it? (iv) Actions, or what will it do?. Concerning location, the transitional committee could reflect on options within and outside the climate regime. With regard to funding options, the committee could consider contributions from developed countries, developing countries, sovereign wealth funds, philanthropies, taxes and levies, as well as IMF/World Bank contributions. When developing a definition, questions on climate finance in submissions from parties during COP-27 could be considered. For instance, attention could be paid to addressing the issues of burden sharing, transparency, and accountability questions. Finally, the committee could define the range of actions to be funded by the mechanism under broad categories of averting, minimizing, and addressing economic and non-economic losses.
7. Nuanced sector-specific impacts and dynamics in assessing loss and damage should be carefully considered. The transitional committee should consider the varying dynamics of each sector and the impacts of L&D on the value chain within a sector.
8. To ensure gender-responsive interventions, African governments, organizations, and stakeholders involved in L&D interventions should collect gender-disaggregated data to better understand the differential impact on men and women. Doing so would inform the development and implementation of targeted interventions for the specific needs and vulnerabilities of both genders. Incorporating these recommendations into the operationalization of the Loss and Damage Fund would lead to equitable, sustainable outcomes, enhanced resilience, and social justice.
9. In order to promote inclusive climate initiatives, African governments should prioritize the inclusion and involvement of young people in shaping the outcomes of the COP. This step is essential to address climate change and to safeguard the interests of future generations. Furthermore, efforts should be made to provide young people with enhanced opportunities to prepare for and succeed in a world that, in its transition to a green economy, adapts to the new challenges of climate change. This can be achieved by promoting younger people's capacity-building, training, as well as by the creation of green jobs aligned with climate action. Youth can be leveraged to plug capacity and skills gaps in various areas, such as the energy sector.⁴⁴

⁴⁴ Mo Ibrahim Foundation. (2022). The Road to COP-27: Making Africa's Case in the Global Climate Debate. Retrieved from: https://mo.ibrahim.foundation/sites/default/files/2022-05/2022-Ibrahim-Forum_Facts-Figures.pdf



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