



Submission by Ethiopia on behalf of the Least Developed Countries Group on the type and nature of actions to address loss and damage for which finance may be required

The Least Developed Countries (LDCs) welcome the opportunity to share their views on the type and nature of actions to address loss and damage for which finance may be required, in accordance with the invitation in paragraph 10 of decision 5/CP.23, and in the context of activity 1(a) of strategic workstream (e) in the five-year rolling workplan of the Executive Committee of the Warsaw International Mechanism (WIM) for Loss and Damage associated with Climate Change Impacts, with a view to informing the technical paper as input to the review of the WIM.

As a group of particularly vulnerable countries with inadequate finance, technology, and institutional capacity to cope with the adverse effects of climate change, the LDCs wish to stress the importance of a focused, supportive and facilitative arrangement to address loss and damage.

Current global mitigation ambition is in line with an average global temperature increase of 3-4 degrees Celsius. This will result in more severe and frequent climate change impacts and greater loss and damage. It is therefore integral that the scale of finance for addressing loss and damage matches the magnitude of the needs of vulnerable countries in light of current mitigation ambition and the expected global temperature rise.

Loss and damage severely affects Least Developed Countries

The LDCs are already experiencing both economic and non-economic loss and damage resulting from the adverse impacts of and vulnerabilities to climate change even at today's level of warming: Extreme drought and flood conditions, for example, have led to severe losses at the household level, further decreasing the population's resilience to climate change¹. More than ten significant climate anomalies and events have been recorded by the US National Oceanic and Atmospheric Administration NOAA in September 2016 alone, affecting multiple LDC countries². Global average warming has already risen by over 1°C and could rise by 1.5°C in the next five years according to the UK Met Office.³ In order to avert, minimize and address loss and damage to the extent possible, LDCs and other developing countries urgently need financial support.

2017 was a year of record climate-related extreme events affecting LDCs across the globe. In the summer of 2017 South Asia suffered from serious flooding after extreme rainfall that affected an estimated 41 million people in the region.⁴ During the same year, several million people were highly affected by droughts in the horn of Africa and the Sahel region. Widespread negative health impacts and damage to public health facilities and infrastructure were some of the consequences. Severe drought conditions continued to affect parts of East Africa, forcing hundreds of thousands of people to be displaced or migrate⁵. Small island developing states and coastal zones continue to be highly exposed to the ever-encroaching effects of sea-level rise. Economic growth is severely hampered by drought stress arising from rising temperatures and extreme events. The International Monetary Fund has recognized that developing countries cannot deal with these effects alone⁶. The science is clear that the magnitude and frequency of extreme events will continue to increase over the coming years and

¹ See e.g. Yaffa, S. (2013). Loss and damage from drought in the North Bank Region of The Gambia. Loss and Damage in Vulnerable Countries Initiative. Case Study Report. Bonn: United Nations University Institute for Environment and Human Security.

² See <https://www.ncdc.noaa.gov/sotc/global/201609>

³ See: <https://www.metoffice.gov.uk/news/releases/2018/decadal-forecast-2018>.

⁴ See: <http://www.dhakatribune.com/tribune-supplements/tribune-climate/2017/05/10/policy-approaches-loss-damage/>.

⁵ WMO Statement on the State of the Global Climate in 2017. Provisional Release 06.11.2017 available at https://ane4bf-datap1.s3-eu-west-1.amazonaws.com/wmocms/s3fs-public/ckeditor/files/2017_provisional_statement_text_-_updated_04Nov2017_1.pdf?7rBjqhMTRJkQbvuyMNAmetvBgFeyS_vQ

⁶ International Monetary Fund (2017): World Economic Outlook, chapter 3

decades⁷ making it imperative that developing countries are equipped to address the losses and damages that they incur today and are prepared to reduce the range of potential losses and damages that the future will bring.

Common principles for addressing loss and damage

The LDCs have contributed the least to causing fossil fuel emission-induced climate change and yet are the most affected by its impacts. Despite their limited technological and financial resources, LDCs are engaging in nationally financed and partly supported adaptation and mitigation actions in order to address climate change related vulnerabilities in their national contexts. However, their efforts to adapt to climate change impacts are not sufficient, also taking into account the limitations of adaptation to avert, minimize and address loss and damage. Both experience and the science show that national capacities are already overstretched. The Fifth Assessment report of the IPCC states with *very high confidence*, that “some risks from residual damages are unavoidable, even with mitigation and adaptation.”⁸

The more LDCs will experience loss and damage from climate change, the more our economies will suffer, and hence the more our people will suffer. As our economies are impacted, sustainable development poverty eradication efforts are thwarted, and actions are needed that enable LDCs to thrive rather than suffer. This calls for availability of support, in particular finance for addressing loss and damage.

Finance is key. Finance is needed to implement actions that are suited to the specific circumstances and unique challenges of developing countries and particularly the most vulnerable such as LDCs.

⁷ IPCC, 2012: Summary for Policymakers. In: *Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation* [Field, C.B., V. Barros, T.F. Stocker, D. Qin, D.J. Dokken, K.L. Ebi, M.D. Mastrandrea, K.J. Mach, G.-K. Plattner, S.K. Allen, M. Tignor, and P.M. Midgley (eds.)]. A Special Report of Working Groups I and II of the Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge, UK, and New York, NY, USA, pp. 1-19.

⁸ IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]. IPCC, Geneva, Switzerland, 151 pp.

Modalities for accessing support need to take into account the limiting factors and needs of developing countries that are particularly vulnerable to climate change. These include the need for fast and direct access to finance that meets the needs. This means that developing countries experiencing loss and damage must be able to predictably and effectively rely on the disbursement of adequate funding to meet their needs in response to climate change in a timely manner. Relying on piecemeal aid and loans is neither sustainable nor feasible for LDCs, let alone under rising risks from climate change.

Resources need to allow for risk transfer as well as resilience-enhancing measures in the context of reconstruction and recovery. Where reconstruction and recovery are no longer feasible (e.g. in cases of forced displacement), the rights and well-being of those affected need to be preserved, including through clear legal arrangements.

The following common principles should apply to actions to address loss and damage, with respect to finance required:

- Funding should be additional to adaptation finance as Loss and Damage is beyond adaptation;
- Finance for addressing loss and damage should be commensurate with the needs, especially of the LDCs and other most vulnerable;
- Actions should be feasible in the developing country context;
- Actions should not increase the debt of developing countries and their populations;
- Actions addressing risks need to ensure risks are shared at the regional or global level;
- Finance needs to be accessible immediately after climate-related loss and damage has been incurred;
- Finance needs to be predictable;
- Finance needs to allow for reconstruction that increases the resilience of populations against consecutive climate-related risks.

Type and nature of actions to address loss and damage for which finance may be required

a. Actions that are needed to comprehensively assess risks

While LDCs are already experiencing loss and damage and science tells us that worse is to come, but little data exists to comprehensively assess the risks we face. The need for comprehensive systematic observation, data sharing and capacity building has been stated repeatedly and continues to be a key requirement.

This means that actions must build up the observational data base including climate attributions to loss and damage in developing countries; promote data accessibility; build capacity for loss and damage risk assessment; enable the undertaking of comprehensive risk assessment

In this context, finance is needed for:

- Systematic observation and data collection on the impacts of climate change, including both slow onset processes and extreme events as per paragraph 6c of Decision 3/CP.18
- Accessing and sharing available data; and
- Developing climate information services to support decision-making;

b. Actions that increase resilience and support efforts to address loss and damage

There is no one size fits all approach to address loss and damage. In addition, a combination of comprehensive climate risk management approaches will be needed to avert, minimize and address loss and damage. This will need to include measures to support the most vulnerable such as LDCs which could include social safety nets as part of broader social protection measures.

In this context, finance is needed for:

- Institutional capacity building (in terms of system and human capital) for undertaking comprehensive risk assessment and climate attribution to loss and damage

- Developing and implementing social protection measures, such as social safety nets, including cash transfers for those most affected by loss and damage, within comprehensive risk management frameworks;
- Identifying and implementing country driven risk management strategies as per paragraph 6a of 3/CP.18;
- Capacity building to design and implement integrated comprehensive risk management approaches; and
- Technology development and transfer to integrate new technologies that have been successful elsewhere into LDC contexts

c. Actions that effectively transfer risks away from developing countries

It is clear that LDCs are and will continue to be overburdened with the impacts of loss and damage from climate change. While national capacities can and must be built with appropriate support, and while it is key to increase the resilience of LDCs to loss and damage, it is clear that the increasing severity of climate change impacts will outpace any such developments and high residual risks remain.

This means that financial instruments that effectively transfer risks to the regional or global level and that are feasible in a developing country climate change context need to be developed and implemented. One of the key outcomes of the Standing Committee on Finance (SCF) Forum on financing the risks of loss and damage is that insurance will need to be implemented in tandem with other approaches.

In this context, finance is needed for:

- Developing and implementing risk transfer tools at the national level, including but not limited to subsidizing insurance premiums;
- Subsidies and a global solidarity risk transfer scheme; and
- Creating Institutional system- and capacity building for risk transfer.

d. Actions that effectively safeguard lives and livelihoods, including uninsurable losses, in the aftermath of climate disaster, including extreme events and slow onset processes

The LDCs are regularly faced with devastating effects in the aftermath of climate-related extreme events. Last year's climate events provide examples of the burden that LDCs bear as a consequence of rising greenhouse gas emissions and global temperatures. LDCs are heavily exposed to the adverse effects of climate change. Climate change impacts and limited national capacities make addressing loss and damage in order to safeguard the lives and livelihoods while undertaking sustainable development efforts an impossible task without support. When climate-related extreme events occur, or unavoidable and slow-onset impacts such as unbearable heat and drying, threaten our lives, territories and economies, a system must be in place that provides immediate and reliable support to those affected.

This means that actions must protect people displaced by climate change; provide fast and effective rehabilitation and recovery after climate-related disasters; provide support at scales that allow for improving the resilience of developing countries to consecutive foreseeable impacts.

In this context, finance is needed for:

- Establishing legal protection for displaced people;
- Establishing and expanding social protection schemes for affected populations;
- Alternative livelihood programs;
- Technology transfer;
- Rehabilitation and recovery to “build back better” and ensure the continuity and progression of sustainable development;
- Approaches to address permanent and irrecoverable losses.

The need for dedicated support under the UNFCCC to enable Least Developed Countries to address loss and damage

The mandate of the WIM from 3/CP.18 and 2/CP.19 is to address loss and damage in developing countries particularly vulnerable to the impacts of climate change. The LDCs are amongst the countries most vulnerable to climate change. With very limited national capacities to address climate change, the LDCs are unable to address loss and damage due to climate change without dedicated, sustained and adequate

support. Going forward these limitations need to be acknowledged and adequately addressed.

Funding for loss and damage activities should be additional to financial support provided for mitigation and adaptation, and allow for effective risk transfer and fast disbursement of predictable resources to allow for rehabilitation and recovery while increasing resilience.

Collaboration with the SCF should be strengthened. A joint task force composed of members of the SCF and the WIM Executive Committee as well as finance experts should be established in order to explore new sources of finance, such as tax- or levy-based approaches, institutional arrangements and develop modalities for access.

The LDCs look forward to fully engaging in the expert dialogue to be held in May 2018 and to the technical paper as an input to the review of the WIM in 2019. For the LDCs it is important that the WIM be fully operationalized to include institutional arrangements that provide finance to developing countries for addressing loss and damage and legal protection for people displaced by climate change. The LDCs expect the outcome of the review to strengthen the WIM and its ability to fulfill its third function, enhancing action and support to address loss and damage.