

---

*Segufta Hossain*

## FINANCING FOR CLIMATE CHANGE IMPACTS: BROKEN PROMISES AND THE LOSS AND DAMAGE FUND CONUNDRUM

### Abstract

In spite of having several financial mechanisms of the United Nations Framework Convention on Climate Change (UNFCCC) for providing financial supports to the climate vulnerable developing countries, the loss and damage (L&D) issue received less priority in climate negotiations. The demand of the vulnerable developing countries to establish a separate mechanism to address climate change induced L&D got momentum in Conference of Parties (COP)27 with the decision of establishing a separate L&D Fund. Although the decision of establishing a separate L&D Fund was taken, the operational modalities of the fund are still not finalised and a transitional committee has been formed for recommending the functionalities of the proposed fund before upcoming COP28. Hence, the present paper aims to find out the reasons of the failure of existing financial mechanisms in supporting L&D which instigated the L&D issue to come forefront and identify the challenges that exist with the proposed L&D Fund which could hinder the functions of the fund. Climate vulnerability of Bangladesh has made her aspirant for getting the benefits of the L&D Fund. The paper provides some recommendations on how to overcome the challenges for ensuring the smooth functioning of the Fund as well as how Bangladesh can get the best benefits from the L&D Fund.

**Keywords:** Climate Finance, Paris Agreement, Global Environment Facility, Adaptation Fund, Loss and Damage Fund (L&D Fund)

*“Loss and Damage is happening right now. We can’t adapt to the loss of our cultures, the loss of our identities, the loss of our histories. We can’t adapt to extinction or to starvation. We cannot adapt to loss and damage.”* —Vanessa Nakate, Climate activist from Uganda<sup>1</sup>

---

**Segufta Hossain, PhD** is Research Director at Bangladesh Institute of International and Strategic Studies (BISS). Her email address is: [segufta@biiss.org](mailto:segufta@biiss.org)

© Bangladesh Institute of International and Strategic Studies (BISS), 2023.

<sup>1</sup> “Looking forward: Achieving the 2030 Agenda for people and planet (High-Level Leadership Dialogue),” UN Environment Programme, Last accessed April 20, 2023, <https://www.youtube.com/clip/UgkxgQHleN6klOZMWOIOK33rMQtjfeXQnToA>.

## 1. Introduction

Climate change is one of the most crucial challenges that the earth is facing and its widespread impacts placing a burden on mainly the developing and underdeveloped countries around the globe. The real-life consequences of climate change such as higher temperature, sea level rise, unprecedented rainfall events, extreme cyclones and tornedos, etc. are faced by millions of people around the world. The United Nations (UN) has defined climate change as natural long-term shifts in temperature and weather patterns, but human activities became major reason of climate change since the 1800s.<sup>2</sup> Many countries and communities of the developing world have faced the devastating impacts<sup>3</sup> which result into Loss and Damage (L&D) that can be divided into economic losses and non-economic losses<sup>4</sup>. The unprecedented and widespread threat imposed by climate change places a disproportionate burden on the vulnerable countries and people, nature and infrastructure are already facing the devastating effects of climate change.

The increased intensity and frequency of negative climate change impacts highlight the need for significant financial investments for climate actions. But for many developing countries investing for climate actions to achieve these climate goals is difficult due to lack of resources and technological know-how. Climate finance is necessary for both mitigating the greenhouse gas emissions and helping the vulnerable communities and economies for adopting the climate change related inevitable impacts. It was decided in the Paris Agreement that developed countries would take lead in providing financial support to the developing vulnerable countries for meeting their Nationally Determined Contributions (NDCs), paying for adaptation and mitigation, and mobilising more climate finance. Although the international community has agreed upon the necessity to channel funds, the vulnerable countries have apprehensions about lack of clear distinction between development finance and climate finance. At the same time, the issue of L&D was absent in climate change discussions. L&D is the term that is used to describe the manifestation of the impacts

---

<sup>2</sup> “What is Climate Change?” United Nations, Last accessed March 05, 2023, <https://www.un.org/en/climatechange/what-is-climate-change>.

<sup>3</sup> The affected countries and communities have faced loss of lives and livelihoods, harm to human health and mobility, land degradation and land loss, damage to crops and infrastructures, loss of cultural heritage and indigenous local knowledge, socio-cultural identity, loss of biodiversity and ecosystem.

<sup>4</sup> Economic losses and damages are those which affect resources, goods and services that are commonly traded in markets and which can be on a national or a local scale, such as impacts on individual farmers or communities. Non-economic losses include the incalculable toll of losing family members, the disappearance of cultures and ways of living, or the trauma of being forced to migrate from ancestral homes which can be the most devastating.

of climate change which cannot be avoided by adaptation and mitigation efforts. The issue was first introduced around 1991 in UN climate negotiations when proposal was given to create an insurance scheme for countries vulnerable to the impacts of rising sea levels. The L&D Fund was established after decades of demand, pressure and a long discussion with the aim to provide financial support to the countries that are most vulnerable and impacted by climate change and it was termed by many as the highlight of the COP27. Bangladesh is considered as one of the most vulnerable countries to the impacts of climate change and it is listed as the 7th most climate vulnerable country in the world despite having very little contribution to the global warming. In spite of various government initiatives, the country is in need of international financial support to overcome its climate change induced negative impacts. The establishment of the L&D Fund has ushered new expectations for the country for getting financial support to address the climate change induced L&D of the country. To summarise, the lack of recognition of the L&D issue in climate negotiations and unfulfilled promises of the developed countries in financing for climate change impacts have instigated the climate vulnerable developing countries to demand for a separate L&D Fund which was finally established in COP27. As the previous financial mechanisms of the United Nations Framework Convention on Climate Change (UNFCCC) have not been successful in addressing the L&D issues properly, the L&D Fund has immense importance for the climate vulnerable developing countries including Bangladesh. Therefore, finding out the existing challenges of the L&D Fund is necessary for the smooth operationalisation of the fund.

There is a dearth of literature on L&D Fund. To fulfil the objective of the research, the study has reviewed the literatures on climate finance to find out whether the existing support mechanism is sufficient to manage climate change induced impacts or not. Literatures have been reviewed to see how the issue of L&D Fund evolved over time gradually and how the issues of climate change impacts, L&D and L&D Fund have been portrayed by the scholars. Literatures on climate finance<sup>5</sup> portray the poor financial support mechanisms for climate change impacts, depict the necessity of financing for managing climate change induced impacts and point out that due to the lack of proper definition, the climate finance debate has faced

<sup>5</sup> Nicholas Stern, *Stern Review: The Economics of Climate Change* (United Kingdom: Cambridge University Press, 2006); Richard N. Cooper, "Financing for climate change," *Energy Economics* 34, Supplement 1(November 2012): S29-S33, <https://doi.org/10.1016/j.eneco.2012.08.040>; Harrison Hong, G. Andrew Karolyi and José A. Scheinkman, "Climate Finance," *The Review of Financial Studies* 33, no. 3 (March 2020): 1011–1023, <https://doi.org/10.1093/rfs/hhz146>; Ryo Fujikura, "Financing in Climate Change Adaptation," in *Financing Investment in Disaster Risk Reduction and Climate Change Adaptation: Asian Perspectives*, eds. Mikio Ishiwatari and Daisuke Sasaki (Singapore: Springer Singapore, 2022), 19-35, <https://doi.org/10.1007/978-981-19-2924-3>; Mizan R. Khan and Sirazoom Munira, "Poor Adaptation Finance: A Proposal for Turning Around," *BISS Journal* 42, no. 2 (April 2021): 131 – 51.

various challenging discourses.<sup>6</sup> Scholars argue that ‘L&D’ issue has the potential to reinvigorate the existing mitigation and adaptation efforts<sup>7</sup>. Terming ‘L&D’ as a subject of contentious debate in international climate politics, scholars observe that like climate finance, there is a lack of clear definition and measurability of ‘L&D’.<sup>8</sup> Being a new issue, L&D Fund is still absent in academic publications. The available literature on L&D Fund are mainly on how the fund was established amidst strong opposition from the developed countries.<sup>9</sup> At the same time, scholars warn about delay in disbursement of the fund owing to the arguments over “contested science”.<sup>10</sup>

<sup>6</sup> Sirazoom Munira, Raisa Bashar, Tahmid Huq Easher and Mizan R. Khan, “Climate Finance in the UNFCCC Negotiations: Bridging Gaps with Lessons Learnt,” in *Climate Change in Bangladesh*, eds. Md. Jakaria and Md. Nazrul Islam (Switzerland: Springer Nature, 2021), 1 – 24; Paul Bodnar, Caroline Otta, Rupert Edwardsb, Stephan Hoche, Emily F. McGlynn and Gernot Wagnere, “Underwriting 1.5°C: competitive approaches to financing accelerated climate change mitigation,” *Climate Policy* 18, no. 3 (2018): 368–382, <https://doi.org/10.1080/14693062.2017.1389687>; Richard B. Stewart, Benedict Kingsbury and Bryce Rudyk, “Climate Finance: Key Concepts and Ways Forward,” *Public Law & Legal Theory Research Paper Series*, Working Paper No. 09-69, Harvard Project on International Climate Agreements, 2009, <https://ssrn.com/abstract=1517973>; Armen Papazian, “Towards a General Theory of Climate Finance,” Last modified February 10, 2021, <http://dx.doi.org/10.2139/ssrn.3797258>.

<sup>7</sup> Saleemul Huq, Erin Roberts and Adrian Fenton, “Loss and Damage,” *Nature Climate Change* 3 (2013): 947–949; Rachel James, Friederike Otto, Hannah Parker, Emily Boyd, Rosalind Cornforth, Daniel Mitchell and Myles Allen, “Characterizing Loss and Damage from climate change,” *Nature Climate Change* 4 (2014): 938–939; Emily Boyd, Rachel A. James, Richard G. Jones, Hannah R. Young and Friederike E. L. Otto, “A typology of Loss and Damage perspectives,” *Nature Climate Change* 7 (2017): 723–729; Lisa Vanhala and Cecilie Hestbaek, “Framing Climate Change Loss and Damage in UNFCCC Negotiations,” *Global Environmental Politics* 16, no. 4 (November 2016), doi:10.1162/GLEP\_a\_00379.

<sup>8</sup> Emily Boyd, Brian C. Chaffin, Kelly Dorkenoo, Murray Scown, Joyce Soo and Rupert Stuart-Smith, “Loss and Damage from climate change: A new climate justice agenda,” *One Earth* 4 (October 2021), <https://doi.org/10.1016/j.oneear.2021.09.015>.

<sup>9</sup> Arthur Wyns, “COP27 establishes Loss and Damage fund to respond to human cost of climate change,” *The Lancet Planetary Health* 7, no.1 (January 2023): e21–e22, [https://doi.org/10.1016/S2542-5196\(22\)00331-X](https://doi.org/10.1016/S2542-5196(22)00331-X); Elisabeth Mahase, “COP27: Countries agree “Loss and Damage” fund to help poorer countries hit by climate disasters,” *The BMJ* (2022):379, <http://dx.doi.org/10.1136/bmj.o2814>; Olivia Serdeczny and Tabea Lissner, “Research agenda for the Loss and Damage fund,” *Nature Climate Change* (2023), <https://doi.org/10.1038/s41558-023-01648-x>; Serdeczny and Lissner, “Research agenda for the Loss and Damage fund,”; Julie-Anne Richards, Liane Schalatek, Leia Achampong and Heidi White, *The Loss and Damage Finance Landscape* (Washington: Heinrich-Böll-Stiftung, 2023); Tom Athanasiou, Sivan Kartha and Christian Holz, “Loss and Damage Finance: Who pays? For what? In which countries?” *EcoEquity*, Last accessed May 10, 2023, <https://www.ecoequity.org/wp-content/uploads/2023/02/2023-02-03-Fair-LD-Discussion-Paper-v1.1-1.pdf>.

<sup>10</sup> According to the UNFCCC, climate change means “a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.” In contrast, the IPCC defines it as “a change in the state of the climate that can be identified by changes in the mean or the variability of its properties and that persists for an extended period, typically decades or longer.” “The framework convention definition of climate change refers specifically to changes in climate that result from the emission of greenhouse gases. What this means is that in order to identify loss and damage under the framework convention definition, you have to be able to attribute whatever portion of losses have occurred to the emission of greenhouse gases,” Pielke said. “So, the narrow definition of climate change, which has bureaucratic and political reasons, makes loss and damage compensation subject to contested science, and in the real world, it places it out of reach.” See for details, Elisabeth Mahase, “Climate Change: “Loss and Damage” fund payouts could take decades, scientists warn,” *The BMJ* (2022), <https://www.bmj.com/content/bmj/379/bmj.o3050.full.pdf>.

Against the above-mentioned problem statement and research gap, the objective of the present study is to identify the challenges<sup>11</sup> that exist with the 'L&D Fund'. The study seeks to find answers to the following questions: How the existing financial mechanisms have failed to support the climate vulnerable countries? How and why the L&D issue came forefront in climate negotiations? What are the probable challenges the L&D Fund may encounter while executing the activities of the Fund? and why Bangladesh needs the support from the L&D Fund?

The present study is qualitative in nature in which both primary and secondary data have been used. As the issue of L&D Fund is in a very nascent state, Key Informant Interviews (KII) with relevant stakeholders have been conducted for collecting the primary data as the basic source of information. The secondary sources like books, journal articles, policy documents, reports and newspapers have been used for collecting information on the gradual evolution of the L&D Fund. The paper is divided into six sections including introduction and conclusion. The second section of the paper deals with the genesis and broken promises related with climate change finance. The evolution and development of the L&D issue is highlighted in section three. Section four deals with the establishment and the conundrum related with the L&D Fund. The necessity of the L&D Fund for Bangladesh is discussed in section five and section six concludes the paper with a few recommendations.

## **2. Financing for Climate Change: Genesis and Broken Promises**

The Intergovernmental Panel on Climate Change (IPCC) has warned that due to the 'locked-in' level of warming, in spite of effective actions to global temperature rise, climate change induced losses and damages cannot be prevented.<sup>12</sup> Against this background, it is imperative for all the countries to take necessary actions for reducing their emissions, adapting to climate change and investing on achieving the overarching climate goal to limit the temperature increase to 1.5°C.

It is necessary to have significant financial investment for climate actions as clean energy systems and infrastructures are expensive. Countries need to reduce

---

<sup>11</sup> In the title the term 'conundrum' has been used and according to the Oxford Advanced Learner's Dictionary the meaning of conundrum is a confusing problem or question that is very difficult to solve. In the case of L&D Fund, all the issues related with the fund are still not clear which has made puzzles which need to be resolved.

<sup>12</sup> "Loss and Damage: A moral imperative to act," United Nations, Last accessed March 01, 2023, <https://www.un.org/en/climatechange/adelle-thomas-loss-and-damage>.

their emissions and adapt to climate change, but due to lack of necessary resources and technology, it is not possible for many developing countries to do so. As climate change is the most urgent and intricate crisis faced by humanity, the issue is a major concern for the parties taking part in climate negotiation processes.

## 2.1 *Climate Finance and UNFCCC Financial Mechanisms*

Climate finance refers to financing climate change adaptation and mitigation efforts. According to the UNFCCC, ‘climate finance’ refers to local, national, or transnational funding which can come from public, private or alternative sources for supporting mitigation and adaptation measures to address the effects of climate change.<sup>13</sup> The UNFCCC has provided legal framework and guiding principles for climate governance in the world as well as established financial mechanisms for providing financial supports to the developing climate vulnerable countries. Sufficient financial resource allocation is necessary to combat the impacts of climate change. The UNFCCC, the Kyoto Protocol, and the Paris Agreement demanded developed countries for providing financial assistance to resource lacked climate vulnerable developing countries.

The idea of climate finance was first announced in 1992 at the first UNFCCC meeting held in Rio de Jenerio.<sup>14</sup> Although it was not clear about the type of economic system for supporting the climate vulnerable countries, the declaration acknowledges the necessity of supporting the climate vulnerable countries. Article 11 of the Kyoto Protocol<sup>15</sup> further emphasised on the necessity to provide new and additional financial resources to cover the developing country parties’ agreed upon

---

<sup>13</sup> “Introduction to Climate Change,” United Nations Climate Change, Last accessed March 01, 2023, <https://unfccc.int/topics/introduction-to-climate-finance>; United Nations Framework Convention on Climate Change, *UNFCCC Standing Committee on Finance* (Bonn, Germany: United Nations Climate Change Secretariat, 2014).

<sup>14</sup> “Rio Declaration on Environment and Development,” Last accessed July 7, 2023, [https://culturalrights.net/descargas/drets\\_culturals411.pdf](https://culturalrights.net/descargas/drets_culturals411.pdf).

<sup>15</sup> The Kyoto Protocol was signed in December 1997 to lower the amount of greenhouse emission in the atmosphere. The Kyoto Protocol has introduced three market based mechanisms for limiting or reducing greenhouse gas emission targets which include: Clean Development Mechanism (CDM) which involves investments in emission reduction and removal enhancement projects in developing countries which contribute to their sustainable development, Joint Implementation (JI) that enables developed countries to carry out emission reduction or removal enhancement projects in other developed countries and Emissions Trading (ET) which allows countries, having unused spare emission units, to sell their excess capacity to countries which are over their targets.

full expenses.<sup>16</sup> In accordance with their obligations, developed country parties are required under Article 9 of the Paris Agreement<sup>17</sup> to provide financial supports to assist the vulnerable developing country parties with both adaptation and mitigation.<sup>18</sup> The Bali Action Plan<sup>19</sup> recommended extended efforts for providing financial supports as part of a new climate change agreement and setting the parameters for fresh climate change negotiations.<sup>20</sup> The Copenhagen Accord mentioned about scaling up of new, additional, predictable, adequate funding according to the provisions of the UNFCCC for the developing countries.<sup>21</sup> The biggest achievement of COP15 was the commitment of the developed countries to mobilise US\$100 billion per year by 2020 for climate actions in developing countries. The parties came to a consensus in COP21 that the operating financial instruments will also serve the Paris Agreement. Particularly, the Global Environment Facility (GEF), Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF), along with the Green Climate Fund (GCF) are designated to serve the Paris Agreement. Through resolutions 13/CMA. 1 and 1/CMP. 14, parties at COP24 decided that the Adaptation Fund (AF) would also support the Paris Agreement under the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) with regard to all Paris Agreement topics.<sup>22</sup>

The existing climate finance mechanisms for supporting the developing countries are as follows.

<sup>16</sup> See for details, “Kyoto Protocol to the United Nations Framework Convention on Climate Change,” United Nations, Last accessed May 29, 2023, <https://unfccc.int/resource/docs/convkp/kpeng.pdf>.

<sup>17</sup> The Paris Agreement is a legally binding international treaty on climate change which was adopted by 196 parties in COP21 in Paris in December 2015.

<sup>18</sup> “The Paris Agreement,” United Nations Climate Change, Last accessed May 25, 2023, <https://unfccc.int/process-and-meetings/the-paris-agreement>.

<sup>19</sup> In December 2007, the Bali Road Map was adopted which included Bali Action Plan. The Bali Action Plan was divided into five main categories which include shared vision, mitigation, adaptation, technology and financing. See for details, “Bali Road Map Intro,” United Nations Climate Change, Last accessed May 05, 2023, <https://unfccc.int/process/conferences/the-big-picture/milestones/bali-road-map>.

<sup>20</sup> Erik Haites, “Climate change finance,” *Climate Policy* 11 (2011): 963–969, <https://www.tandfonline.com/doi/epdf/10.1080/14693062.2011.582292?needAccess=true&role=button>.

<sup>21</sup> The Copenhagen Accord which was drafted in 2009 at the 15th session of COP in Copenhagen mentioned about scaling up of new, additional, predictable, adequate funding and its improved access in accordance with the relevant provisions of the UNFCCC to the developing countries for enabling and supporting mitigation, adaptation, technology development and transfer and capacity building for enhanced implementation of the UNFCCC. See for details, Section 8, “Draft decision -/CP.15,” United Nations, p.3, Last accessed May 16, 2023, <https://unfccc.int/resource/docs/2009/cop15/eng/107.pdf>.

<sup>22</sup> “Adaptation Fund,” United Nations Climate Change, Last accessed June 01, 2023, <https://unfccc.int/Adaptation-Fund>.

### 2.1.1 Global Environment Facility (GEF)

Since the inception of the UNFCCC, the GEF<sup>23</sup> has been serving as the operational unit of the financing mechanism, and at the same time, the GEF has also promoted market-based mechanisms that lead to the adoption and dissemination of climate friendly technologies. GEF provides financial support to the country-driven Climate Change Mitigation (CCM) and Climate Change Adaptation (CCA) projects too.<sup>24</sup> GEF has funded US\$6,813.4 million for 1,035 climate change mitigation projects, including GEF project grants, Project Preparation Grants (PPGs) and agency fees in 166 countries.<sup>25</sup> The GEF concluded the 8th replenishment of its Trust Fund (July 2022 – June 2026) and the financing framework for the GEF-8 was agreed to a replenishment level for programming in the amount of US\$5.33 billion.<sup>26</sup>

Special Climate Change Fund (SCCF)<sup>27</sup> and Least Developed Countries Fund (LDCF)<sup>28</sup>, established in 2001, were mandated to serve the Paris Agreement and were to be managed by the GEF. Funding for both the SCCF and LDCF comes from the developed countries and multilateral development banks including the World Bank group, ADB, the European Investment Bank, etc. In the 34th meeting of the LDCF/SCCF council, six projects were approved to boost climate resilience and it was decided that LDCF and SCCF will deploy US\$63 million in urgent funding for the climate vulnerable countries.<sup>29</sup>

<sup>23</sup> Being the operating instrument of the UNFCCC, the GEF plays important role in mobilising and providing financial support for climate change adaptation and mitigation. The focal areas of GEF include biodiversity, climate change mitigation and adaptation, international waters, chemicals and waste management and land degradation. GEF provides financial supports to the projects designed by the countries for addressing specific objectives and developed in accordance with the guidance from the UNFCCC. The use of GEF grants has evolved over the years from multi-focal area to integrated approaches depending on country-specific needs reflected in the design of projects and programmes.

<sup>24</sup> “Report of the Global Environment Facility to the Twenty-Seventh Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change,” Global Environment Facility, Last accessed June 02, 2023, <https://unfccc.int/sites/default/files/resource/GEF%20Report%20to%20COP27%20UNFCCC%20Reporting%20Period%20July%202021-%20June%202022.pdf>.

<sup>25</sup> Mohammad Abu Yousuf, “Accessing climate finance from GCF & GEF: Hurdles and Way Forward,” *The Financial Express*, July 25, 2022.

<sup>26</sup> “GEF-8 Replenishment,” Funding, gef, accessed September 03, 2023, <https://www.thegef.org/who-we-are/funding/gef-8-replenishment>.

<sup>27</sup> Special Climate Change Fund (SCCF) was established for financing projects related to adaptation, technology transfer and capacity building, energy transport, industry, agriculture, forestry and waste management and economic diversification was established under the UNFCCC.

<sup>28</sup> Least Developed Countries Fund (LDCF) was also established in 2001 for providing fund to the least developed countries in preparing and implementing the National Adaptation Programmes of Actions (NAPA).

<sup>29</sup> “LDCF and SCCF provide new targeted support for vulnerable states,” gef, Last accessed June 29, 2023, <https://www.thegef.org/newsroom/news/ldcf-and-sccf-provide-new-targeted-support-vulnerable-states>.



### 2.1.2 *Adaptation Fund (AF)*

In order to provide funding for specialised adaptation projects and programmes in developing countries susceptible to the negative consequences of climate change, the AF was formed in 2001. AF is funded by a portion of proceeds from the Clean Development Mechanism (CDM) project activities as well as commitments from governments, NGOs and individual contributors. In COP26, one of the top goals was to enhance adaptation ambition and AF received unprecedented support with an amount of US\$356 million as new pledges from a record of 16 contributors which include USA, Canada and Qatar as well as an amount of €100 million from the European Union (EU).<sup>30</sup> Recently, the increasing shares of the fund's resources come from voluntary contributions. Until June 30, 2022, the AF has received an amount of US\$211.80 million from the monetisation of certified emissions reductions (CERs), US\$982 million from contributions and US\$41.26 million from investment income of the Trust Fund balance.<sup>31</sup>

### 2.1.3 *Green Climate Fund (GCF)*

An innovative global platform called the Green Climate Fund (GCF) was created with the purpose of assisting vulnerable societies in adapting to the unavoidable effects of climate change and with the mandate to make a significant contribution to the coordinated global response to climate change.<sup>32</sup> GCF was established with the aim of raising fund for investments in low-emission and climate-resilient development, at the same time, to allocate funds to support a paradigm shift in the international response to climate change and it pays special attention to the necessity of societies which are extremely vulnerable to its effects, particularly in the Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African states. GCF is mandated to provide 50 per cent of its financial support for

---

<sup>30</sup> "Adaptation Fund: Key Achievements of 2021 and Entering 2022 with promise," Adaptation Fund, Last accessed June 16, 2023, <https://www.adaptation-fund.org/adaptation-fund-key-achievements-of-2021-and-entering-2022-with-promise/>.

<sup>31</sup> "Adaptation Fund," United Nations Climate Change.

<sup>32</sup> The Copenhagen Accord mentioned about the Copenhagen Green Climate Fund which was formally established during COP16 in Cancun as the Green Climate Fund (GCF) within the UNFCCC framework and the governing instrument was adopted in Durban, South Africa in COP17. GCF used to follow a country-driven approach in which developing countries lead GCF programmes and its implementation. It operates through a network of more than 200 accredited entities and delivery partners for project designing and implementation. see for details, "About GCF," Green Climate Fund, Last accessed March 16, 2023, <https://www.greenclimate.fund/#>.

mitigation and 50 per cent for adaptation by combining grants, concessional debt<sup>33</sup>, guarantees of equity instruments to leverage blended finance<sup>34</sup>, and crowd-in<sup>35</sup> private investment for climate action in developing countries.<sup>36</sup> GCF has made substantial progress in delivering its funds to low emission and climate resilient development projects and programmes and between August 2021 to July 2022, GCF has provided US\$2.06 billion for 23 climate projects to the developing countries around the world.<sup>37</sup>

## 2.2 *Supporting Climate Vulnerable Countries: The Fiasco of Existing Financial Mechanisms*

Although several dedicated climate funds have been established till now, international financing for mitigating and adapting climate change impacts have been very limited. The reasons why the climate finance initiatives are not becoming successful are discussed below.

### 2.2.1 *Futile Promise of US\$100 Billion Fund*

At COP15 in Copenhagen, the delayed actions of the developed nations in reducing the emissions created dismay among the climate vulnerable countries. The vulnerable countries demanded a promise of funding to cope with the impacts of climate change. In response, the developed countries collectively commit for an amount of US\$30 billion for the period 2010-2012 for new and additional resources with balanced allocation between adaptation and mitigation.<sup>38</sup> The developed nations

<sup>33</sup> Concessional debt is defined as loans with an original grant element of 35 per cent or more, International Debt Statistics, World Bank, Last accessed September 29, 2023, , <https://databank.worldbank.org/metadataglossary/international-debt-statistics/series/DT.DOD.ALLC.ZS#:~:text=Concessional%20debt%20is%20defined%20as,to%20total%20external%20debt%20stocks>.

<sup>34</sup> Blended finance refers to the strategic use of public sources of capital to attract private investment in developing countries. See for details, Timothy Randall, “How can ‘blended finance’ help fund climate action and development goals?”, Last accessed September 30, 2023, <https://www.lse.ac.uk/granthaminstitute/explainers/how-can-blended-finance-help-fund-climate-action-and-development-goals/#:~:text=What%20is%20blended%20finance%3F,development%20financiers%20with%20private%20capital>.

<sup>35</sup> When an increase in government spending/investment leads to an expansion of economic activity (real GDP) which in turn incentivises private sector firms to raise their own levels of capital investment and employment, Tutor2u, Last accessed June 16, 2023, <https://www.tutor2u.net/economics/topics/crowding-in>.

<sup>36</sup> “Overview,” Green Climate Fund, Last accessed June 19, 2023, <https://www.greenclimate.fund/about#key-features>.

<sup>37</sup> Green Climate Fund, Eleventh report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate change, Last accessed May 20, 2023, [https://unfccc.int/sites/default/files/resource/GCF\\_Eleventh%20report%20of%20the%20GCF%20to%20the%20COP%20of%20the%20UNFCCC.pdf](https://unfccc.int/sites/default/files/resource/GCF_Eleventh%20report%20of%20the%20GCF%20to%20the%20COP%20of%20the%20UNFCCC.pdf).

<sup>38</sup> “Draft decision -/CP.15,” Conference of the Parties, Fifteenth Session, Copenhagen, 7-18 December 2009, Last accessed May 20, 2023, <https://unfccc.int/resource/docs/2009/cop15/eng/107.pdf>, P.3.

made a significant pledge and committed to a goal of mobilising jointly an amount of US\$100 billion per year by 2020 for the most vulnerable developing countries such as the LDCs, the SIDS and African nations to help them in adapting to the impacts of climate change and mitigate further temperature rises. The Copenhagen Accord mentioned about a wide variety of sources of fund which include public and private, bilateral and multilateral and alternative sources of finance.<sup>39</sup> However, the commitment to provide US\$100 billion annually by 2020 had significant flaws. The statistics of the pledge for 2020 are not yet in and the parties participated in the negotiations for the pledges do not agree on the counting methods. According to a report published in the Guardian, the UK government intends to abandon its prominent £11.6 billion (US\$14.7 billion) climate and nature funding pledge to meet the global US\$100 billion a year commitment to the developing countries<sup>40</sup>. At the same time, the government advisers of the Climate Change Committee in a report pointed out that the government has missed the majority of its climate targets and “lost the leadership” on climate action shown at COP26 in 2021.<sup>41</sup> Earlier in 2022, the UK missed its deadline for providing US\$288 million to the GCF fund as well as a separate US\$20.6 million pledges to the AF.<sup>42</sup>

Although it was clearly mentioned in the climate accords of COP16 that the US\$100 billion fund may include financial support from public as well as private sources, the proportion of finance from these sources was not specified, at the same time it was not indicated how the financial instruments would be counted.<sup>43</sup> The Organisation for Economic Co-operation and Development (OECD) in their analysis mentioned about the failure of the richer countries in their promise to pledge US\$100 billion a year to the developing nations to support them to achieve their climate goals.<sup>44</sup> According to OECD, in 2020, an amount of US\$83.3 billion was given to the poorer countries in climate financing which was 4 per cent increase from the previous year,

<sup>39</sup> “Draft decision -/CP.15,” Conference of the Parties, 2009.

<sup>40</sup> Helena Horton and Patrick Greenfield, “Revealed: UK plans to drop flagship £11.6bn climate pledge,” *The Guardian*, Last accessed July 04, 2023, <https://www.theguardian.com/environment/2023/jul/04/revealed-uk-plans-to-drop-flagship-climate-pledge-rishi-sunak>.

<sup>41</sup> Fiona Harvey, “UK missing climate targets on nearly every front, say government’s advisers,” *The Guardian*, Last accessed June 28, 2023, <https://www.theguardian.com/technology/2023/jun/28/uk-has-made-no-progress-on-climate-plan-say-governments-own-advisers>.

<sup>42</sup> Karen McVeigh, “UK criticized for failing to pay \$300m in promised climate funds ahead of COP27,” *The Guardian*, Last modified November 01, 2022, <https://www.theguardian.com/global-development/2022/nov/01/uk-criticised-for-failing-to-pay-300m-in-promised->.

<sup>43</sup> “Delivering on the \$100 Billion Climate Finance Commitment and Transforming Climate Finance,” The Independent Expert Group on Climate Finance, Last accessed May 24, 2023, [https://www.un.org/sites/un2.un.org/files/2020/12/100\\_billion\\_climate\\_finance\\_report.pdf](https://www.un.org/sites/un2.un.org/files/2020/12/100_billion_climate_finance_report.pdf), December 2020, p. 7.

<sup>44</sup> Wanjohi Kabukuru, “Richer nations fall short on climate finance pledge,” *AP News*, Last modified July 29, 2022, <https://apnews.com/article/climate-and-environment-bca94ba396ba954cba3560e5f2f9fd6e>.

but it was still short of the proposed goal.<sup>45</sup> But the commitment of pledging US\$100 billion per year that was originally given to support climate vulnerable countries has never been fulfilled. Oxfam in a Briefing Note mentioned that according to their analysis the actual value of climate assistance provided to the developing countries is around US\$21-24.5 billion which is only one-third of the pledged amount (US\$83.3 billion). They also found that the recent increase in funding has mainly come in the form of loans not grants.<sup>46</sup> For example, in 2018, climate related loans have increased to US\$24 billion which was US\$13.5 billion in 2015.<sup>47</sup> Mentioning about how the contribution would be counted, the Briefing Note pointed out that there has been a jumble of accounting standards and a prevalence of methods which overstate the value of provided supports by a huge margin.<sup>48</sup>

### *2.2.2 Huge Gap Between Projected and Actual Financial Support*

There is a huge gap between the projected and actual financial support. The difference between the statistics of projected and actual financial supports of the developed countries is mainly due to counting all the financial instruments (loans, grants, investments, insurance, etc.) in their reports to the UNFCCC. Covid-19 pandemic and global financial recession has also exacerbated the situation. There is a subtle risk that economic recovery stimulus packages which have been designed to revive economic condition could undermine the environmental issues and climate finance. Funding for climate change impacts and future planning has become difficult as the agencies supporting climate actions are underfunded and require pledges from the developed countries to be replenished. Climate vulnerable developing countries have limited decision-making power on their climate related development planning due to financial lacuna. The pledge of mobilising US\$100 billion per year by 2020 by the developed countries has been central to all the climate accords since 2009 and it was also a symbol of trust. To secure progress and meet the goals of the Paris Agreement, the US\$100 billion fund was considered by the developing countries.<sup>49</sup> The failure to fulfil the promised pledges is likely to lead to further deterioration of trust between climate vulnerable developing countries and the developed ones who promised to support the vulnerable countries.

<sup>45</sup> Kabukuru, "Richer nations fall short."

<sup>46</sup> OXFAM, "Climate Finance Short-Changed – The real value of the \$100 billion commitment in 2019-20" (Oxford, UK: Oxfam GB, October 2022) 3.

<sup>47</sup> Kabukuru, "Richer nations fall short."

<sup>48</sup> OXFAM, "Climate Finance Short-Changed."

<sup>49</sup> "Delivering on the \$100 Billion," The Independent Expert Group on Climate Finance, 12.

### 2.2.3 Countries Failed to Get Benefit of Adaptation Finance

In spite of having financial mechanisms for providing financial resources to the developing countries, the countries are not receiving necessary benefits out of it. Although adaptation finance saw several developments since December 2018,<sup>50</sup> the Adaptation Gap Report 2022 has found the progress on adaptation as “slow and spotty.”<sup>51</sup> UN Secretary General António Guterres mentioned that, “Adaptation needs in the developing world are set to skyrocket to as much as US\$340 billion a year by 2030, yet adaptation support today stands a less than one-tenth of that amount.”<sup>52</sup> Studies have found that most vulnerable countries have missed out on finance for adaptation through GCF and the major reasons behind it is the lengthy and complicated processes to access these funds; in some cases countries cannot access these critical funds at all.<sup>53</sup>

### 2.2.4 Mitigation Gets Priority in Private Sector Engagement

Climate change negotiations have focused on private sector engagement in financial investment for climate change induced impacts, but this also raises queries about the effective types of private finance. Covid-19 pandemic has also reduced the delivery of private climate finance. At the same time, there is no centralised institutional mechanism to ensure private finance for climate vulnerable developing countries. According to an OECD report, during 2016-18 developed countries mobilised private climate finance focusing only on climate mitigation (93%) which targeted mainly the energy sector that is 60 per cent of the total amount and it mainly benefitted the middle-income countries (69%), whereas, adaptation, the agriculture sector and low-income countries accounted for much lower shares.<sup>54</sup>

<sup>50</sup> “Why adaptation finance matters: Hundreds of millions of people exposed to climate change risks,” IISD, Last accessed March 15, 2023, <http://sdg.iisd.org/news/why-adaptation-finance-matters-hundreds-of-millions-of-people-exposed-to-climate-change-risks/>.

<sup>51</sup> “More funding needed for climate adaptation, as risks mount, UN News,” United Nations, Last accessed March 16, 2023, <https://news.un.org/en/story/2022/11/1130142>.

<sup>52</sup> “More funding needed,” United Nations.

<sup>53</sup> Avantika Goswami, “Most vulnerable countries unable to access Green Climate Fund for adaptation,” DownToEarth, Last modified January 28, 2022, <https://www.downtoearth.org.in/news/climate-change/most-vulnerable-countries-unable-to-access-green-climate-fund-for-adaptation-81314>; Jyotsna Puri, Martin Prowse, Emma De Roy, David Huang, “Assessing the likelihood for transformational change at the Green Climate Fund: An analysis using self-reported project data,” *Climate Risk Management* 35 (2022), <https://doi.org/10.1016/j.crm.2022.100398>; Matthias Garschagen, Deepal Doshi, “Does funds-based adaptation finance reach the most vulnerable countries?,” *Global Environmental Change* 73 (2022), <https://doi.org/10.1016/j.gloenvcha.2021.102450>.

<sup>54</sup> Organisation for Economic Co-operation and Development (OECD), *Climate Finance Provided and Mobilised by Developed Countries in 2013-18* (Paris: OECD Publishing, 2020).

### 2.2.5 *Impacts of Global Recession and Domestic Compulsions of the Developed Countries*

Developing countries need the support of the developed countries for achieving their NDCs and mobilise necessary climate finance for meeting the goals of the Paris Agreement. The socio-economic impacts of the Covid-19 pandemic have compelled many countries to design stimulus economic activities which sometimes undermined climate financing. Climate finance was also not sufficient before the Covid-19 pandemic. According to a report in 2019, the total climate fund which was provided and mobilised was US\$79.6 billion.<sup>55</sup> International climate financial support saw a declining trend during the pandemic too. The percentage of ODA for projects with climate as a principal objective declined from 18 per cent to 14 per cent, while the percentage of projects with climate as a significant focus declined from 25 per cent to 17 per cent.<sup>56</sup> Some countries also announced ODA climate related cuts which will gradually reduce climate finance flows. Mention can be made of the British Conservative government’s decision to reduce overseas aid from 0.7 to 0.5 per cent of Gross National Income (GNI) in 2020 in order to fund domestic spending during the Covid-19 pandemic.<sup>57</sup> Another example is the Russia-Ukraine war. Apart from the negative impacts on climate, the Russia-Ukraine war is also affecting the global climate financing mechanism. Aid to Ukraine and debt relief contributed to the drop of climate and nature funding pledge of the UK by the amount £11.6 billion (US\$14.7 billion).<sup>58</sup> According to a Guardian report, the commitment of £11.6 billion (US\$14.7 billion) was made before the Covid-19 pandemic when 0.7 per cent of GDP was spent on international aid. The commitment of aid for Ukraine has created additional pressure to the aid budget making the fulfilment of climate pledge more difficult.<sup>59</sup>

### 2.2.6 *No Funding for Addressing L&D*

Although discussion about climate change induced L&D started from 1991, the issue did not get much attention before. The existing climate finance mechanisms

<sup>55</sup> Organisation for Economic Co-operation and Development (OECD), *Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data* (Paris, France: OECD, 2021).

<sup>56</sup> Development Initiatives (DI), “Aid Data: 2019–2020: Analysis of Trends before and during COVID,” February 2021, Last accessed August 08, 2023, [https://devinit.org/documents/905/Aid\\_data\\_2019-2020\\_Analysis\\_of\\_trends\\_before\\_and\\_during\\_Covid.pdf](https://devinit.org/documents/905/Aid_data_2019-2020_Analysis_of_trends_before_and_during_Covid.pdf).

<sup>57</sup> Lin Tylor, “Britain’s foreign aid: Where does the money go?” Context, Last accessed August 02, 2023, <https://www.context.news/socioeconomic-inclusion/britains-foreign-aid-where-does-the-money-go>

<sup>58</sup> Horton and Greenfield, “Revealed: UK plans to drop.

<sup>59</sup> Horton and Greenfield, “Revealed: UK plans to drop.

have failed to address the L&D issue even though the GCF was mandated by the UNFCCC to address the L&D issue. The proposed US\$100 billion fund also did not focus on the climate change events which have already taken place and for which mitigation and adaptation efforts have been proven to be ineffective. The climate vulnerable developing countries are repeatedly affected by climate catastrophes, but there was a lack of facility for financing climate change induced L&D, particularly for these vulnerable countries which have very minimal role in climate change. Developed industrialised countries who are mainly responsible for global warming and climate change have always been reluctant in committing financial support for the climate vulnerable countries. This is due to their concerns over becoming legally liable for the impacts of climate change.

### 3. The L&D Issue: Evolution and Development

#### 3.1 Defining L&D

The term ‘L&D’<sup>60</sup> has been used generally in UN climate related negotiations to refer to the climate change induced consequences which have gone beyond the adaptation capacity of people. It is estimated that L&D will cost between US\$1,745 billion to US\$2,684 billion annually by 2050 in the developing countries.<sup>61</sup>

**Table 1: L&D Estimates (Billion US\$ per year)<sup>62</sup>**

Year	Low estimates	High estimates
2020	179	671
2030	447	894
2040	850	1, 567
2050	1, 745	2, 684

<sup>60</sup> The term exactly means the negative consequences that arise from the unavoidable risks of climate change like rising sea levels, prolonged heatwaves, desertification, the acidification of the sea and extreme events such as bushfires, species extinction and crop failures. See for details, “What you need to know about the COP27 Loss and Damage Fund,” UN Environment Programme, Last accessed March 19, 2023, <https://www.unep.org/news-and-stories/story/what-you-need-know-about-cop27-loss-and-damage-fund#:~:text=What%20does%20it%20mean%20exactly,species%20extinction%20and%20crop%20failures>.

<sup>61</sup> Richards, Schalatek, Achampong and White, *The Loss and Damage Finance Landscape*, 34.

<sup>62</sup> Richards, Schalatek, Achampong and White, *The Loss and Damage Finance Landscape*, 34.

The L&D issue is a matter of grave concern for the vulnerable developing countries and financing for L&D is thought to be the third pillar of climate action along with mitigation and adaptation. But the major challenges which have impeded a successful progress on the L&D discussion was the confusion about the L&D concept, sources of necessary funding and the developed countries' fear about becoming legally responsible for global warming and providing the financial compensation for that.

As the UNFCCC has no official definition of L&D, developing and developed countries have different views about it and consequently the urgency has also been undermined. Although L&D is considered to be a single concept, it consists of two different types of harms which include irreversible damage including loss of lands for sea level rise and reversible ones such as damages to infrastructure. All of these effects result into L&D which can be divided into economic losses and non-economic losses, the latter being incalculable and in cases more devastating. Although it is difficult to quantify L&D, it is evident that the extent of global L&D is large and with increasing global warming the situation will worsen in future.

### **3.2 *L&D Discussion in Climate Negotiations***

The issue of L&D and mobilising financial support for addressing L&D is a priority in the UN climate negotiations for many climate-vulnerable developing countries as they are severely facing the consequences of the negative impacts of climate change. Vanuatu initially coined the phrase in 1991 when advocating for the establishment of an insurance programme for countries susceptible to the effects of sea level rise on behalf of the Alliance of Small Island States (AOSIS).

#### **3.2.1 *Bali Action Plan and the Initiation of L&D Issue***

The Bali Action Plan, which called for more action on adaptation and discussed catastrophe risk reduction as well as addressing L&D in developing countries, brought the subject of L&D to the fore in 2007.<sup>63</sup> A work programme on L&D was developed at COP16 with the goal of improving international collaboration and knowledge for comprehending and minimising L&D.<sup>64</sup>

<sup>63</sup> Paragraph 1c (iii) of the Bali Action Plan has mentioned “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”. See for details, “Report of the Conference of the Parties on its thirteenth session, held in Bali from 3 to 15 December 2007,” United Nations, p. 4, Last accessed July 02, 2023, <https://unfccc.int/resource/docs/2007/cop13/eng/06a01.pdf>.

<sup>64</sup> “Loss and Damage Online Guide,” United Nations Climate Change, Last accessed April 02, 2023, [https://unfccc.int/sites/default/files/resource/Online\\_guide\\_on\\_loss\\_and\\_damage-May\\_2018.pdf](https://unfccc.int/sites/default/files/resource/Online_guide_on_loss_and_damage-May_2018.pdf).



### 3.2.2 *Establishment of Warsaw International Mechanism (WIM) for L&D*

With the establishment of the Warsaw International Mechanism (WIM) for L&D associated with climate change impacts, which institutionalised a policy to address the negative effects of climate change, the subject of L&D gained momentum in COP19. WIM is considered to be the primary tool in the UNFCCC process for addressing the L&D in the vulnerable developing countries in a comprehensive, integrated, and coherent manner in order to promote dialogue, filling knowledge gaps, and improve action and support for those experiencing L&D. However, the WIM lacked a finance mechanism to assist the vulnerable nations in managing L&D. Santiago Network on L&D (SNLD) was founded as part of WIM at COP25 in 2019 in Madrid in order to catalyse technical support for averting, minimising, and addressing L&D in developing countries.<sup>65</sup>

### 3.2.3 *The Paris Agreement and the L&D Issue*

The Paris Agreement, which was adopted at COP21, designated L&D as a separate pillar of climate policy besides mitigation and adaptation. According to Article 8 of the Paris Agreement, the Parties have acknowledged the significance of addressing L&D related to the negative effects of climate change.

### 3.2.4 *COP26 and Establishment of 'L&D Financing Facility (LDFF)'*

The G77 and China jointly called for the establishment of a 'L&D Financing Facility (LDFF)' during COP26 in Glasgow. The industrialised developed countries rejected the developing countries' proposal to establish a Finance Facility for L&D (FFLD). The agreements made at COP26 recognised the significance of L&D and established the Glasgow Dialogue on Finance for L&D to discuss about the financing options. The governments also decided to finance SNLD in order to offer technical assistance to developing nations. The Glasgow Dialogue was designed to give parties and non-party stakeholders the chance to discuss issues in an open, inclusive, and non-prescriptive manner. However, the developing countries compared the first session, which took place in Bonn, Germany in June 2022, as a 'talk-shop' due to its disconnection from formal negotiations or decision-making processes.

<sup>65</sup> "Santiago Network," United Nations Climate Change, Last accessed March 20, 2023, [https://unfccc.int/santiago-network?gclid=Cj0KCQjwxMmhBhDJARIsANFGOSv7ZrOqLwZB0hIonbeU8OrXTqDSzWqH69-z8Lxf-GimdQMr4QEGftYaApizEALw\\_wB](https://unfccc.int/santiago-network?gclid=Cj0KCQjwxMmhBhDJARIsANFGOSv7ZrOqLwZB0hIonbeU8OrXTqDSzWqH69-z8Lxf-GimdQMr4QEGftYaApizEALw_wB).

### 3.2.5 *Other Initiatives to Support L&D*

The Climate Vulnerable Forum (CVF) and Vulnerable 20 (V20) Group of Finance Ministers called for establishing a separate dedicated funding mechanism for the L&D crisis-level adaptation action. Scotland and the government of Wallonia<sup>66</sup> announced about their plan to pledge £2 million (US\$2.54 million) and €1 million (US\$1.1 million) respectively to address L&D outside the formal negotiations of COP26, whereas five philanthropic organisations<sup>67</sup> also pledged dedicated funding. Several other developed countries including Austria, New Zealand also pledged financial support for L&D to provide support to the vulnerable people and communities.

## 4. **The L&D Fund: Establishment and the Conundrum**

### 4.1 *Establishment of the L&D Fund*

The IPCC Working Group II Report is the most extensive assessment of L&D which has highlighted that the current financial, governance and institutional arrangements have not addressed the L&D issue comprehensively and at the same time, the existing international, national and sub-national approaches are also insufficient to address the L&D of the vulnerable developing countries.<sup>68</sup>

‘L&D’ was the main topic which was addressed during the negotiations of COP27 summit as mitigation and adaptation efforts have fallen short apart to prevent L&D emanated from the negative impacts of climate change. From the beginning of COP27 there was a call for establishing a dedicated L&D Fund or financial facility from G77, China and regional groups like LDC group and AOSIS. ‘L&D’ is linked with adaptation and mitigation as the issue has come up when the mitigation efforts like reducing the emission are not ambitious enough and the adaptation efforts are not successful. UN climate change executive secretary Simon Stiell said, “We have determined a way forward on a decade’s long conversation on funding for L&D—deliberating over how we tackle the impacts on communities

---

<sup>66</sup> Wallonia is a region of southern Belgium.

<sup>67</sup> The Children’s Investment Fund Foundation (CIFF), the European Climate Foundation (ECF), the Hewlett Foundation, the Global Green Grants Fund and the Open Society Foundation (OSF) announced funding of US\$3 million for strengthening resilience in climate vulnerable countries.

<sup>68</sup> Intergovernmental Panel on Climate Change, (IPCC), *Climate change 2022: Impacts, Adaptation and Vulnerability* (Cambridge, UK: Cambridge University Press, 2022), doi:10.1017/9781009325844; “Climate Action,” United Nations, Last accessed March 23, 2023, <https://www.un.org/en/climatechange/adellethomas-loss-and-damage>.

whose lives and livelihoods have been ruined by the worst impacts of climate change.”<sup>69</sup>

Initially the developed countries refused the demand of establishing a separate new fund for addressing L&D. Instead, they wanted to launch a process for identifying the appropriate funding arrangements with decision or outcome to be delivered later. The developed countries expressed their desire to redirect the existing funds to serve the purpose. However, over the course of the conference, the EU stated that they would support the establishment of the L&D Fund with the condition that the fund will be for the most vulnerable countries and the countries known as big economies and big emitters who are classed as developing countries should not get the benefit of the fund, rather they should be included as potential donors. Finally, after two weeks’ fraught and bitter negotiations, the Summit ended with a deal for creating a new fund termed as ‘L&D Fund’. It was described as historic and monumental achievement which would benefit the climate vulnerable developing countries and communities of the globe who are the frontliners of the climate crisis. The decision of establishing the L&D Fund was agreed after a number of relentless extreme climatic events. The year 2022 itself has seen the devastating effects of a series of climate change induced extreme weather events all through the globe. The number of extreme weather events as well as costs related with it is growing at a very fast pace. UN Secretary General António Guterres while closing COP27 mentioned, “This COP has taken an important step towards justice.”<sup>70</sup> A new initiative titled ‘the Global Shield against climate risks’ was launched by G77 and V20 jointly on November 14, 2022, with a focus on the household and the (sub) national level to enhance financial protection for L&D. A 24-member<sup>71</sup> transitional committee was formed to recommend on the operationalisation of the new financial arrangements for consideration and adoption in the next COP summit to be held in Dubai in 2023.

<sup>69</sup> Mahase, “COP27: Countries agree “Loss and Damage.”

<sup>70</sup> “COP27 ended with announcement of historic Loss and Damage fund,” UN Environment Programme, Last accessed March 21, 2023, <https://www.unep.org/news-and-stories/story/cop27-ends-announcement-historic-loss-and-damage-fund>.

<sup>71</sup> Among the 24 members, ten members are from Developed Country Parties and fourteen members are from Developing Country Parties. The 14 members of the Developing Country Parties will be nominated in line with the following geographical representation – three members from Africa including a representative of the President of COP27, three members from Asia and the Pacific including representative of the incoming President of COP28, three members from Latin America and the Caribbean, two members from Small Island Developing States (SIDS), two members from the Least Developed Countries (LDC), one member from a Developing Country Party not included in the categories previously listed.

## 4.2 *The ‘L&D Fund’: The Conundrum*

Although it has been decided that a separate L&D Fund will be established, some of the issues related with the fund are still not clear.

### 4.2.1 *Lack of Appropriate Definition*

L&D Fund needs proper definition and delineation of its scope which would distinguish it from existing climate finance instruments. The lack of an agreed definition could mislead the climate finance flow. Due to similarities between some of the aspects of climate finance and development finance, the term climate finance is often interchangeably used with development finance. For this, there is a tendency to integrate climate finance and development finance. Developed countries sometimes report their development finance as climate finance as the climate finance contributions of the developed countries can qualify as development finance.<sup>72</sup> Thus, lack of proper definition of L&D and L&D Fund could mislead the funding mechanism.

### 4.2.2 *Source of the Fund*

The source of the L&D Fund is another concern that is yet to be confirmed. The financial contributions of the developed countries for climate change impacts are not only inadequate, but they have also consistently failed in their efforts in undertaking mitigation actions. For this, the developed countries have moral responsibilities to ensure substantive financial contributions for the L&D Fund. Developed countries should provide their fair share of finance for the L&D Fund as grant in addition with their existing ODA and other climate finance commitments. According to a report, USA’s fair share of public L&D financing was calculated as US\$20 billion in 2022 which could rise to about US\$117 billion annually by 2030 and sum up to more than US\$600 billion cumulatively over the period 2021 to 2030.<sup>73</sup>

Traditional financial arrangements like social protection, contingency finance, catastrophe risk insurance and catastrophe bonds could be used for L&D immediately

<sup>72</sup> The Commonwealth and Commonwealth Climate Finance Access Hub, *Accessing Development and Climate Finance – Issues and Challenges in the Commonwealth Countries* (United Kingdom: Commonwealth Secretariat, 2023) [https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/s3fs-public/2023-05/Accessing\\_Development\\_and\\_Climate\\_Finance\\_UPDF.pdf](https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/s3fs-public/2023-05/Accessing_Development_and_Climate_Finance_UPDF.pdf)

<sup>73</sup> Oscar Reyes et al., “United States of America Fair Shares Nationally Determined Contribution,” A civil society model document for the US climate action pledge submission to the United Nations Framework Convention on Climate Change under the Paris Agreement, April 2021, Last accessed July 27, 2023, [https://foe.org/wp-content/uploads/2021/04/USA\\_Fair\\_Shares\\_NDC.pdf](https://foe.org/wp-content/uploads/2021/04/USA_Fair_Shares_NDC.pdf)

after any disaster.<sup>74</sup> However, a broad donor base and innovative financing arrangements are needed for establishing the L&D Fund. Some of the developed countries have already committed to pledge for the L&D Fund. It is necessary to ensure that the existing ODA or other climate finance commitments are not redirected to the L&D Fund. For increasing necessary financial flow for the L&D Fund, it is imperative to ensure funds from alternative sources apart from the grants of the developed countries.<sup>75</sup> Alternative new sources of funding must meet the principle that they should be raised fairly and promote redistribution of wealth. Alternative sources of fund sometimes have been referred as innovative finance which meets the criteria of being fair and equitable and is expected to reduce the amount of the required contribution of the countries though it should not lead the countries to forego in meeting their overall climate finance commitments.<sup>76</sup> Alternative innovative sources of finance are new, fair, redistributive, polluter-pays and public-base which may include climate damage tax,<sup>77</sup> windfall tax,<sup>78</sup> aviation/frequent flyer levy,<sup>79</sup> international shipping levy,<sup>80</sup> global wealth tax,<sup>81</sup> financial transaction tax<sup>82</sup> etc. Developed countries need to play greater contributing roles to ensure that the overall goal is fulfilled. At the same time, the biggest emitters should also pay for their carbon production. International Monetary Fund (IMF) has also pointed out that the companies which emits high greenhouse gas should pay a carbon price of US\$75 per tonne of carbon dioxide they produce to achieve the goals of the Paris Agreement.<sup>83</sup>

#### 4.2.3 *Beneficiaries of the Fund*

The selection of the vulnerable countries eligible for the fund is also not out of question. The L&D financial arrangement provision should be based on the needs of recipient country and community, not on the preference of the contributing

<sup>74</sup> UN Environment Programme, “What you need to know about,”

<sup>75</sup> Information collected from interview with expert.

<sup>76</sup> Richards, Schalatek, Achampong and White, “The Loss and Damage Finance Landscape”.

<sup>77</sup> A charge on the extraction of coal, oil and gas based on the climate pollution that will likely be emitted when used. See for details, Richards, Schalatek, Achampong and White, The Loss and Damage Finance, 44.

<sup>78</sup> Windfall taxes are often considered short-term which are taken on high profits of the fossil fuel industries. ; Richards, Schalatek, Achampong and White, The Loss and Damage Finance, 44.

<sup>79</sup> A tax on international airfares proposed by LDC.

<sup>80</sup> A levy on greenhouse gas emissions from international shipping in order to fund climate action.

<sup>81</sup> A tax based on market value of assets owned by a taxpayer.

<sup>82</sup> A levy on financial instruments or contracts like bonds, stocks, options and derivatives.

<sup>83</sup> Fiona Harvey, “High greenhouse gas emitters should pay for carbon they produce, says IMF,” The Guardian, Last modified June 18, 2021, <https://www.theguardian.com/environment/2021/jun/18/high-greenhouse-gas-emitters-should-pay-for-carbon-they-produce-says-imf#:~:text=High%20greenhouse%20gas%20emitters%20should%20pay%20for%20carbon%20they%20produce%2C%20says%20IMF,-This%20article%20is&text=Companies%20with%20high%20greenhouse%20gas,of%20the%20Paris%20climate%20agreement.>

countries. At the same time, it is also necessary to ensure that the financing decisions are made at the most local level possible so that they can participate in the decision-making process about selecting the priorities and identifying the requirements for ensuring the best use of the financial support. There are several country groups who are categorised as climate vulnerable, and they play active roles in climate negotiations. In the current global scenario, unprecedented climatic catastrophes are seen and countries, which were not considered as climate vulnerable earlier, are becoming devastated by these climatic catastrophes.<sup>84</sup> The World Resource Institute (WRI) and the International Rescue Committee (IRC) have analysed where climate crises are likely to emerge and have identified ten countries<sup>85</sup> most vulnerable to the impacts of climate change despite making minimal contribution to its cause.<sup>86</sup> Some of the new disaster affected countries and probable countries at risk to climate disaster are not members of any particular vulnerable group. The case of Pakistan can be taken as an example. Pakistan suffered unprecedented flooding last year, but the country is not a member of any vulnerable countries group. For this, selection of the eligibility of any country for getting benefit of the L&D Fund will need sharp scrutiny. The L&D Fund should be distributed equitably, adequately and directly to the developing countries and communities who are considered to be the most vulnerable.

#### 4.2.4 *Management of the Fund*

Management of the L&D Fund is also a contentious issue. It is necessary to decide whether the L&D Fund will be managed by any existing financial mechanism, or a new management system will be established specifically for this fund. As the L&D Fund is supposed to disburse funds quickly after any climatic disaster, it is better to have a separate governing body. The L&D Fund governing body needs to develop coordination with other relevant UNFCCC bodies. It is necessary for the L&D Fund board to be responsible for all funding decisions to be taken in line with the principles and policies of UNFCCC and the Paris Agreement. Due to the urgent necessity of the fund just after any disaster, the management mechanism of the fund needs to have ultimate decision taking capability without any lengthy process. For proper management of the fund, equitable representation from both

---

<sup>84</sup> The major disasters of 2022 ranged from floods in Afghanistan, Australia, Bangladesh, China, Europe, India, Pakistan and Thailand, drought in China, Kiribati and Tuvalu, typhoons Megi and Nalgae in the Philippines, heatwaves in India, Japan and Pakistan, combination of extreme winter temperatures and hurricanes in USA, earthquakes in Afghanistan, Fiji and Indonesia.

<sup>85</sup> The ten countries that are at risk of climate disaster includes Somalia, Syria, The Democratic Republic of Congo, Afghanistan, Yemen, Chad, South Sudan, Central African Republic, Nigeria, Ethiopia.

<sup>86</sup> 10 countries at risk of climate disaster, Rescue.org, Last accessed June 12, 2023, <https://www.rescue.org/article/10-countries-risk-climate-disaster>.

the developing and developed countries would be preferable where the majority of representatives should be from the developing countries. Representation from the affected communities particularly from vulnerable population groups having gender and region balance should be ensured for the best outcome of the fund. Local actors should also have involvements in the decision-making process such as steering committee or governing bodies of the fund.

#### 4.2.5 *Type of the Fund – Grant or Loan*

The financial supports provided to the climate vulnerable countries to address the adverse impacts of climate change mainly come in the form of loans. Although it is not still clear what type of fund the L&D Fund would be, but it is necessary to ensure that the fund to address L&D must come in the form of grants instead of loans as climate loans would create extra burden on the climate vulnerable developing countries. For example, on August 22, 2022 the Government of Nepal signed a US\$100 million “Concessional Financing Agreement” with the World Bank for supporting ‘Green, Resilient and Inclusive Development (GRID)’, but activists in Kathmandu launched a series of protests arguing that given its minimal contribution to global climate change, Nepal should receive climate finance in the form of grants not loans. The funds provided to address L&D should be untied from any kind of political and trade related favouritism.

#### 4.2.6 *Accessibility of the Fund*

Some climatic catastrophes hit immediately and cause L&D instantly. Although there are financial instruments for supporting climate change impacts, they have significant barriers to immediate access which results in obstructing the vulnerable countries to take immediate action when necessary. Before the establishment of the L&D Fund, GCF was mandated for financing to address L&D.<sup>87</sup> But, according to an evaluation of the Independent Evaluation Unit of the GCF, more than the half of

---

<sup>87</sup> Para 21 of COP Decision 12/CP.25 has mentioned “Continue providing financial resources for activities relevant to averting, minimizing and addressing Loss and Damage in developing countries to the extent consistent with the existing investment, results framework and funding windows and structures of the Green Climate Fund, and to facilitate efficient access in this regard, and in this context to take into account the strategic workstreams of the five year rolling workplan of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts”, See for details, “Decision 12/CP.25, Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund, Report of the Conference of the Parties on its twenty-fifth session,” United nations, Madrid, December 02 - 15, 2019, Last accessed July 14, 2023, <https://unfccc.int/decisions?f%5B0%5D=body%3A1343&f%5B1%5D=session%3A4274&search2=&page=1>

LDCs have not accessed for Project Preparation Facility (PPF) due to lengthy and resource-intensive process.<sup>88</sup> The GCF is unable to respond to immediate necessity of the vulnerable countries and on an average, it takes more than five years for an LDC which is not yet accredited to GCF in receiving finance directly to address L&D.

The quality and accessibility of climate finance was a highly discussed issue in COP26. Climate justice could also be ensured for the effected vulnerable countries and communities through easy accessibility of climate finance. It was recognised that the existing climate finance architecture is not successful enough to operate efficiently and fairly to speed and scale up necessary financial support to the climate vulnerable countries. According to a UN report, the SIDS mainly face challenges in effectively accessing development and climate finance due to their lack of human and capital capacity to meet the proposal standard and reporting requirements of the donors.<sup>89</sup> AOSIS also flagged their concerns about the accessibility of the climate funds. It is necessary for the L&D Fund to ensure the easiest and immediate accessibility of the fund to the climate vulnerable countries. For providing rapid financial support just immediately after any disaster, contingency fund should be established. The structure of the World Bank's Community-Driven Development (CDD) initiative can be taken as an example which has enhanced direct access approach for the local communities and decision-makers to have direct control over their financial resources which are provided mostly as block grants.<sup>90</sup>

#### 4.2.7 *Quantifying the Non-economic Losses*

Non-economic losses and damages of climate change impacts refer to those negative impacts which cannot be quantified easily. There is still neither a widely agreed definition of L&D nor of non-economic L&D. Non-economic losses are losses of values which cannot be traded in markets but have high relevance for those affected such as loss of life, biodiversity and cultural heritage.<sup>91</sup> Non-economic losses may also include loss of health, mobility, loss of territory, indigenous or local

---

<sup>88</sup> Independent Evaluation Unit, Green Climate Fund, *Independent evaluation of the relevance and effectiveness of the Green Climate Fund's investments in the Least Developed Countries* (Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund, 2022).

<sup>89</sup> "Accessing Climate Finance: Challenges and Opportunities for Small Island Developing States," United Nations, Last accessed July 20, 2023, <https://www.un.org/ohrrls/sids%20climate%20financing%20report%202022>.

<sup>90</sup> Richards, Schalatek, Achampong and White, "The Loss and Damage Finance".

<sup>91</sup> Olivia Maria Serdecznaya, Steffen Bauerband and Saleemul Huq, "Non-economic losses from climate change: opportunities for policy-oriented research," *Climate and Development* 10, No. 2 (2018): 97-101, <https://doi.org/10.1080/17565529.2017.1372268>.



knowledge societal or cultural identity and loss of ecosystem services. Discussion on non-economic L&D was initiated by the SIDS due to their pertinence with issue as they are threatened existentially by climate change. Apart from SIDS, other climate vulnerable countries have also emphasised their L&D issues too.

COP26 established the Glasgow Dialogue for discussing the funding arrangement to avert, minimise and address L&D associated with the negative impacts of climate change. The second dialogue of the Glasgow Dialogue took place in Bonn in June 2023 and focused on the operationalisation of the funding arrangements, support structure for different phases of L&D and capacities of existing institutions to address L&D.<sup>92</sup> L&D has received attention after the decision of establishing a new L&D Fund in COP27. Now it is important to identify appropriate and necessary measures for addressing L&D, especially the non-economic L&D. As the nature of non-economic losses of climate vulnerable countries are not similar, the concept of non-economic loss needs to be clarified beforehand which will enable to take decisions properly. OECD organised a workshop for assessing climate change induced losses and damages<sup>93</sup> and suggested three basic methods for assessing climate change induced L&D which include econometric approaches<sup>94</sup>, integrated assessment models<sup>95</sup> and bottom-up modeling approaches.<sup>96</sup> Apart from these methods, the workshop also suggest some other methodologies including place-based approaches, ecosystems, ‘Migration, Conflicts, Crime’, health and intangible losses, etc.<sup>97</sup> The UN Economic Commission for Latin America and the Caribbean (UN-ECLAC) in 1972 initially developed the ‘Damage and Loss Assessment (DaLA) methodology’ for capturing

<sup>92</sup> Bonn Climate Conference – June 2023, *Summary Report*, 5 – 15 June 2023, Last accessed July 20, 2023, <http://enb.iisd.org/bonn-climate-change-conference-sbi58-sbsta58>.

<sup>93</sup> Organisation for Economic Co-operation and Development (OECD), “Ways and means of assessing losses and damages from climate change,” *Background Document*, Workshop on Assessing socio-economic losses and damages from climate change, Last modified January 13, 2021, <https://www.oecd.org/environment/cc/Background-document-first-workshop-climate-losses-and-damages.pdf>.

<sup>94</sup> Econometric approaches use past data to estimate the effects of climate variability and change on various quantifiable outcomes, such as GDP, mortality and agricultural yields. See for details, Organisation for Economic Co-operation and Development (OECD), “Ways and means of assessing losses and damages from climate change.”

<sup>95</sup> A model in which the drivers are explicitly described in an aggregate framework which not only examines the effect of climate on the economy, but also explicitly model the effect of the economy on climate. See for details, Organisation for Economic Co-operation and Development (OECD), “Ways and means of assessing losses and damages from climate change.”

<sup>96</sup> Bottom-up models are motivated by the fact that the impacts of climate change are determined by the socio-economic context as much as by climate conditions. See for details, Organisation for Economic Co-operation and Development (OECD), “Ways and means of assessing losses and damages from climate change.”

<sup>97</sup> Organisation for Economic Co-operation and Development (OECD), “Ways and means of assessing losses and damages from climate change.”

the closest approximation of disaster induced L&D.<sup>98</sup> Participatory methodologies can also ensure the comprehensiveness and inclusion of local information.<sup>99</sup>

## 5. Bangladesh and the L&D Fund

The climate vulnerability of Bangladesh is well known to the globe. Due to the low-lying coastal landscape and heavily populated delta, the country has become highly vulnerable to climatic catastrophes. According to Global Climate Risk Index 2021, from 2000-2019 Bangladesh was the seventh among the ten countries most affected in the Long-Term Climate Risk Index (CRI) and economic losses incurred during this period from 185 extreme climate events was US\$1,860.04 million.<sup>100</sup> According to studies, over 7.1 million people were displaced in Bangladesh due to climate change impacts in 2022,<sup>101</sup> while up to 30 million people might be forced to be displaced by 2100 if sea level rises to projected 80 cm or above<sup>102</sup>. Women and girls are disproportionately affected by climate change induced negative impacts and globally women are more vulnerable to the negative impacts than men. A study has revealed that 90 per cent of women are adversely affected by the impacts of climate change in coastal regions of Satkhira and Bagerhat.<sup>103</sup> United Nations International Children’s Emergency Fund (UNICEF) in a report mentioned that lives and future of more than 19 million children in Bangladesh are under threat due to climate change impacts and the country has ranked 2nd among South Asian

<sup>98</sup> The DaLA Methodology bases its assessments on the overall economy of the affected country. It uses the national accounts and statistics of the country government as baseline data to assess damage and loss. See for details, “Damage, Loss and Needs Assessment – Tools and Methodology,” GFDRR and The World Bank, Last accessed August 09, 2023, <https://www.gfdr.org/en/damage-loss-and-needs-assessment-tools-and-methodology#:~:text=The%20DaLA%20Methodology%20bases%20its,to%20assess%20damage%20and%20loss>.

<sup>99</sup> Participatory methodologies include particular efforts to ensure the effective participation of women and marginalised community members to ensure that strategies are developed based on a comprehensive and inclusive understanding of local context. Teresa Anderson and Harjeet Singh, “Participatory Methodologies enable communities to assess climate-induced Loss and Damage,” *APN Science Bulletin* 10, no. 1 (2021), <https://www.apn-gcr.org/bulletin/wp-content/uploads/2021/01/17-CAF2015-RR02-CMY-Singh.pdf>.

<sup>100</sup> David Eckstein, Vera Künzel and Laura Schäfer, *Global Climate Risk Index 2021* (Bonn: Germanwatch e.V., 2021), [https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021\\_2.pdf](https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf).

<sup>101</sup> Savio Rousseau Rozario and Madiha Chowdhury, “Climate Induced Displacement in Bangladesh through the Lens of ‘Loss and Damage,’” *Researching Internal Displacement*, Last accessed August 09, 2023, <https://researchinginternaldisplacement.org/wp-content/uploads/2023/04/Rozario-Chowdhury-LD.pdf>.

<sup>102</sup> Prabal Barua, Syed Hafizur Rahman and Morshed Hossan Molla, “Sustainable adaptation for resolving climate displacement issues of southeastern islands in Bangladesh,” *International Journal of Climate Change Strategies and management* 9, no. 6 (2017): 790-810, <https://doi.org/10.1108/IJCCSM-02-2017-0026>.

<sup>103</sup> “Study: 90% of coastal women’s lives, livelihoods affected by climate change,” *Dhaka Tribune*, March 09, 2023.

countries and 15th globally where climate crisis have imposed extremely high risks for children.<sup>104</sup>

Being a climate vulnerable country, Bangladesh always needs to be prepared for sudden climatic disasters which need sufficient funds. Till now, Bangladesh has a number of projects with GEF, among which ‘Building climate resilient livelihoods in vulnerable landscapes in Bangladesh (BCRL)’ is an important project. Since 2015, Bangladesh, being one of the most climate vulnerable countries, has received approval of seven GCF projects and out of these seven projects five are exclusively for Bangladesh and two are parts of global projects. According to Climate Budget Report (2021–22), Bangladesh government has identified 48 potential climate projects worth US\$3.17 billion and expecting that 72 per cent of the cost would be provided by the GCF.<sup>105</sup> The country has also accessed to funds from GCF, LDCF, AF and other bilateral and multilateral funds and among the allocations US\$200.20 million are grant, US\$250 million is loan from GCF and US\$747.22 million is co-financed.<sup>106</sup> Bangladesh mainly focused on adaptation projects earlier and till 2022 the country has only been able to manage to access US\$1.2 billion from various climate funds which indicates the country’s inability to meet its adaptation finance needs which require funding of US\$230 billion between 2023 to 2050.<sup>107</sup>

Bangladesh has taken commendable efforts in streamlining regulatory and institutional arrangements for climate resilient sustainable development by taking required plans and policies. Bangladesh has adopted several policies targeted at reducing the risks of disasters and increasing resilience with the aim of strengthening the capacity of communities, institutions and organisations for effectively responding and managing disasters. In 2014, the country adopted Climate Fiscal Framework (CFF) for providing comprehensive resource mobilisation and expenditure strategy for fighting climate change. The framework was updated in 2020 but the implementation of CFF has been only to a very limited extent. Over the last seven years, climate related allocations have been doubled which is from US\$1.44 billion in FY 2015-16 to US\$2.96 billion in FY 2021-22 which is 0.73 per cent of GDP for

---

<sup>104</sup> Rummana Foaisal Nafiu, “UNICEF: Children in Bangladesh at extremely high risk from climate change,” *Dhaka Tribune*, August 20, 2021.

<sup>105</sup> Haseeb Md Irfanullah, “Sourcing funds for climate action,” *The Financial Express*, December 07, 2022.

<sup>106</sup> “Climate Change Initiatives of Bangladesh,” Ministry of Environment, Forest and Climate Change, 5; Information collected from interview with expert.

<sup>107</sup> Anannyo Samayel, “How to meet Bangladesh’s Climate Finance Needs,” *The Business Standard*, July 07, 2023.

2021-22.<sup>108</sup> The Ministry of Environment, Forest and Climate Change (MoEFCC) has adopted a plan to spend US\$230 billion over the next 27 year as an effort to save Bangladesh from the negative impacts of climate change.<sup>109</sup> However, the extent of the negative impacts of climate change is so vast that these financial supports are still insignificant. The establishment of the L&D Fund has ushered new expectations for financial support for developing countries like Bangladesh.

The wake of frequent sudden natural calamities has compelled the country to shift to the L&D demand. Bangladesh needs to continue its efforts in highlighting importance of the effective application of the L&D Fund for the climate vulnerable developing countries. On the other hand, Bangladesh is categorised as an LDC, but the country has met the pre-conditions to graduate to developing country status and is set to graduate out of the LDC group in 2026. Bangladesh used to take part in the climate negotiations as a member of LDC group. Therefore, after graduating as developing country, Bangladesh might not be eligible to participate in the negotiations as LDC member. The eligibility of Bangladesh for getting the benefit of the L&D Fund after graduating from the LDC group would depend on the specific criteria that have been established for the fund.<sup>110</sup>

## 6. Conclusion and Recommendations

The developing climate vulnerable countries have long been demanding a dedicated L&D financing arrangement. After more than 30 years of the first initiation of the discussion on L&D, in COP27, the longstanding demand was fulfilled with the decision of establishing a L&D Fund which is thought to be a vital step forward towards climate justice. The decision has been termed as the biggest breakthrough of COP summit as the developed countries have long been hindering the discussion of L&D. The existing climate finance arrangements have failed to support the climate change induced L&D which have triggered the demand of establishing a separate dedicated financial arrangement. The L&D Fund is considered as the third pillar of global climate finance instrument along with mitigation and adaptation. The operational modalities of

<sup>108</sup> “Climate Change Initiatives of Bangladesh – Achieving Climate Resilience,” Ministry of Environment, Forest and Climate Change, Government of the People’s Republic of Bangladesh, p.4, Last accessed July 30, 2023, [https://moef.portal.gov.bd/sites/default/files/files/moef.portal.gov.bd/page/8401345e\\_0385\\_4979\\_8381\\_801492e3b876/1.%20Brochure%20on%20CC%20Initiatives%20of%20Bangladesh%20-%20Final\\_compressed.pdf](https://moef.portal.gov.bd/sites/default/files/files/moef.portal.gov.bd/page/8401345e_0385_4979_8381_801492e3b876/1.%20Brochure%20on%20CC%20Initiatives%20of%20Bangladesh%20-%20Final_compressed.pdf); Information collected from interview with expert.

<sup>109</sup> Zafar Ahmed, “Bangladesh is set to adopt \$230bn plan to mitigate impacts of climate change,” *bdnews24.com*, Last modified October 09, 2022, <https://bdnews24.com/environment/iqpdqtq56io#:~:text=The%20Ministry%20of%20Environment%2C%20Forest,awaits%20approval%20from%20the%20Cabinet.>

<sup>110</sup> Information collected from interview with expert.

the L&D Fund will be finalised in the upcoming COP28, meanwhile the transitional committee is working on developing the operational modalities of the proposed L&D Fund. Bangladesh is widely considered as one of the major victims of climate change impacts in spite of its negligible contribution to global warming. The country is sincerely trying to shift its vulnerability towards resilience for which a huge financial support is necessary. Bangladesh government has also invested billions of dollars to reduce the negative effects of climate change, but more is needed. Being one of the most vulnerable countries to the negative consequences of climate change, Bangladesh deserves financial support from the L&D Fund.

Although the establishment of the L&D Fund has given momentum to climate finance, the operational modalities are still under scrutiny. The present paper would like to suggest following recommendations for the smooth operationalities of the L&D Fund:

- The first and foremost concern is to ensure that the L&D Fund meets the immediate need for any climate disaster genuinely. It is imperative for the fund to be in line with the UNFCCC and Paris Agreement principles of common but differentiated responsibilities which take into account historic responsibilities and respective capabilities, equity, human rights, feminism and gender equity, etc. It is necessary for the funding and implementing instruments to work closely with the grassroot levels for the accessibility and proper utilisation of the fund.
- It is necessary to make sure that the existing climate finance and other development finances are not diverted as L&D Fund. The L&D Fund needs to be a new separate fund which should be rights-based and responsive towards the affected communities and vulnerable groups while having a balance of gender and religion.
- The L&D Fund should not be in the form of loans, it must be provided as grants in which developed countries and other polluting and fossil fuel industries need to have significant contributions. Alternative sources of funding are necessary for the L&D Fund.
- The multilateral and bilateral financial support providers have their own requirements, procedures and processes which sometimes place significant

burdens on the recipient vulnerable developing countries as well as create difficulties in accessing the fund. Easy accessibility to the L&D Fund is a prerequisite for getting the best benefit of the L&D Fund.

- The adequacy and accessibility of the existing climate funding under GEF, GCF and other climate finance arrangements is questionable particularly in addressing the issue of L&D. Studies have found that although the GCF is mandated to address L&D issue, it is not suitable for funding immediately after any disaster. Some of the losses and damages such as slow onset events or non-economic losses are not addressed through the existing climate finance mechanisms at all. These issues need to be taken into consideration while making the operational arrangement of the L&D Fund.
- Quantification and assessment for climate change induced L&D are immensely important. It is easier to assess the valuation for the economic losses, but, the baseline of quantification and evaluation of non-economic losses and long-term slow onset events need a mutually agreeable common methodology.
- A rights-based approach results in better outcomes and more sustainable climate action<sup>111</sup> and thus a rights-based approach in the L&D financing is a moral imperative for ensuring the basic necessities and rights of the recipients that include the rights of women and marginalised gender groups, indigenous peoples, youth, elderly and persons with disabilities.
- The L&D Fund should have a separate governance mechanism so that it could easily and immediately provide fund after any natural disaster. The governance structure of the L&D Fund should have proper representation of both climate vulnerable developing countries as well as developed countries which would ensure transparency and accountability of the L&D Fund.
- Climate justice reshapes climate actions in an approach to address human rights and social inequality.<sup>112</sup> The L&D Fund is expected to ensure climate justice as it would provide financial support for the climate vulnerable

<sup>111</sup> A human-rights based approach to climate change, Last accessed July 10, 2023, [https://unfccc.int/sites/default/files/resource/OHCHR\\_Presentation\\_SN.pdf](https://unfccc.int/sites/default/files/resource/OHCHR_Presentation_SN.pdf).

<sup>112</sup> Josh Gabbatiss and Ayesha Tandon, “In-depth Q&A: What is ‘climate justice?’” CarbonBrief, Last accessed August 21, 2023, <https://www.carbonbrief.org/in-depth-qa-what-is-climate-justice>.

countries to address the immediate necessity after any disaster. As the previous financial arrangements of the UNFCCC have failed to address L&D issues properly, the necessity of addressing the climate justice issue has become more urgent.

- Climate migration, a consequence of both extreme climate events as well as slow onset events, is a neglected issue in climate negotiations and existing UNFCCC financial arrangements. The L&D Fund should take the climate migration issue into consideration for ensuring climate justice.

Bangladesh being one of the aspirants for getting the benefit of the L&D Fund should focus on the following issues:

- Bangladesh needs to have proper updated scientific data of the negative consequences of climate change which is affecting the country adversely. Ensuring the availability of local climate data through extensive research and other means is necessary.
- As Bangladesh is vulnerable to various types of disasters and different disasters have different types of consequences, the country needs to have data of the impacts of different disasters separately.
- As climate change impacts affect women, children and marginalised people disproportionately, the distribution of climate related funds should be gender specific. Impacts on children and marginalised peoples should also be taken care of and proper representation of the climate victims in the global summits is needed.
- The country needs to present its vulnerability to the world in a holistic manner. It is important to present before the global leaders the tragic consequences of climate change in Bangladesh through side events and other means. It is important to showcase the ongoing climate resilient development in Bangladesh. At the same time, it is also important to show how scarcity of fund is hindering such development efforts.
- In spite of graduating from the LDC group, Bangladesh's vulnerability to the climate change impacts will not be reduced. The country needs to develop

international mechanism as a climate vulnerable country, so that after its graduation from the LDC, it still gets the benefit of financial support from climate funds.

- It is necessary for Bangladesh to concentrate on climate diplomacy which will eventually put pressure on the developed nations to make up for the losses and damages the nation is undergoing due to climate change and to promise sufficient funding for adaptation and resilience building. Bangladesh should prioritise climate change in its diplomatic efforts since it is now inextricably linked to security concerns.
- As a climate vulnerable country, Bangladesh needs to establish its demand to the global leaders and make them understand the urgency of necessary actions regarding the L&D Fund. It is necessary for the country to advocate strongly for fair global action for climate change impacts. For this, Bangladesh can participate as a member of Like Minded-Group of Developing Countries (LMDC) and also can utilise the CVF and V20 groups for participating in the climate negotiations after its graduation from LDC group.
- It is necessary for Bangladesh to explore alternative and new international climate funding sources like Multilateral Development Banks (MDB), bilateral sources and private sector investment.