

Climate Resilience Needs Solidarity

Responding to Losses and Damages from Climate Risks is a Truly Global Challenge

Opinion piece

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The Federal Ministry for Economic Cooperation and Development (BMZ) is responsible for German development policy. The BMZ works bilaterally with partner countries worldwide and engages multilaterally to further a sustainable and just transition as well as peace and human rights. The Sustainable Development Goals and the Paris Climate Agreement form the framework for its actions.

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In 2021, Mali experienced the most severe lack of rain in five years. Deep cracks in the soil, dried-out wells, and withered grazing areas were only the most visible signs of this drought that put 1.9 million people at risk of hunger and severe food insecurity. A drought that left thousands of women and children in Mali obliged to walk even more miles to fetch water.

But in some communities, the most adverse impacts of the disaster could be cushioned. In response to the drought, 161,000 rural Malians received cash transfers to purchase food and alleviate the pressure on their livelihoods. In addition, the affected communities received support to increase their long-term resilience against droughts – for example through the building of wells and water towers or the diversification of income opportunities for vulnerable families. This response was possible due to climate risk insurance that the United Nations World Food Programme (WFP) purchased from the African Risk Capacity (ARC Replica) with financial support from German development cooperation. It is a vivid example of how early responses to loss and damage from disaster can protect vulnerable people from the most devastating impacts.

Evaluations show that the effects of pre-arranged finance are significant. Households receiving a cash transfer through a system set up to pay out before the disaster hits are less likely to go even a day without food and experience less asset loss compared to households that do not receive any transfers. Even three months after a disaster, beneficiary households report higher food security and earning potential.¹

Mali is particularly vulnerable to the effects of climate change. But so are many

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other countries. People in Central America and the Caribbean are increasingly suffering from hurricanes, and communities in South Asia are faced with floods that fuel hunger and poverty. Many of the countries that are most affected by climate change are in the so-called Global South. Most of them have only contributed marginally to the greenhouse gas emissions that have caused climate change. Yet they are often particularly hard hit.

Against this backdrop, it came as no surprise that the topic of climate-change-related loss and damage took center stage at the latest UN Climate Change Conferences, culminating with COP28 in Dubai. On the very first day, delegates agreed to formally establish a new Fund for responding to loss and damage. Three decades have passed since the island state of Vanuatu first raised the issue of climate-related loss and damage in the negotiations leading up to the UN Framework Convention on Climate Change in Rio in 1992.²

In my opinion, this new Fund represents a historic landmark for at least three reasons. Firstly, because the issue at stake is so important. The livelihoods of billions of people depend on it. Secondly, because the Fund is part of a global support architecture. This is important

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because it brings all stakeholders to the table and mobilizes a broad support base. And thirdly, because the Fund is more than just another financial mechanism: it is about solidarity with the most vulnerable people and countries.

Let us look at each of these points in more detail.

WHAT IS AT STAKE

An estimated 3.6 billion people worldwide are highly vulnerable to climate disasters³ and many of them are already suffering from the impacts of rising sea levels and temperatures, fiercer storms, and heavier rainfall. That is why German development policy supports partner countries in their efforts to decarbonize their economies and strengthen their resilience. But even with these efforts for mitigation and adaptation, some loss and damage from climate change is inevitable.

Loss and damage are the impacts of climate change that go beyond what people can adapt to – for example, the hunger experienced during the drought in Mali. These impacts might be caused by extreme weather events such as a flood or a heatwave, or they might be the result

of slow-onset changes like desertification or glacial retreat. These impacts may even be permanent; for example, when once-productive farmland becomes barren. And they can destroy previous development progress, for example when farmers whose crop was destroyed take their children out of school because they can no longer afford to send them there.

Estimates indicate that the costs of addressing loss and damage globally will be very high, even if only economic costs are covered. Non-economic loss and damage can be just as devastating to people and communities. Take the loss of Arctic sea ice, which complicates access to hunting areas for Inuit communities and affects their cultural identity.

Both economic and non-economic loss and damage are disproportionately borne by countries with fewer means to address them. These include low-income countries (LDCs) as well as small island developing states (SIDS). Within these countries, women, children, and marginalized groups such as indigenous peoples and people with disabilities are the most vulnerable.

For them, loss and damage due to climate change means an even higher risk of poverty and food insecurity. Loss and damage further emphasize gender disparities and global inequalities, to name just two of the Sustainable Development Goals (SDGs) that are at risk. The stakes are huge and establishing a sound architecture that assists these countries and people in responding to loss and damage is imperative.

GLOBAL CHALLENGES REQUIRE A GLOBAL SUPPORT ARCHITECTURE

This is why I am convinced that the formal establishment of the new Fund at COP28 in

Dubai came at just the right moment. The new Fund aims to complement the existing landscape of climate financing instruments, including for example the Green Climate Fund or the Global Environment Facility. These existing funds are geared towards financing low-emission pathways to limit global warming to 1.5 degrees and support in particular the most vulnerable countries in their efforts to increase resilience against the negative effects of climate change.

But despite these efforts, disasters will continue to cause loss and damage. And there is a massive financing gap when it comes to responding to these impacts. That is why the establishment of the new Fund to respond to loss and damage is so important. Linking it seamlessly to existing adaptation funding measures can promote a holistic approach towards climate resilience. And for me, as the German development minister, pushing for the contentious negotiations in the run-up to COP28 to be a success was a top priority.

The Fund will be governed by a board consisting of 26 member states, which will include countries from both the Global South and the Global North, among them Germany. This global governance structure will give the Fund a broad support base and enable it to meet the needs of the countries and communities that it is meant to serve: those particularly vulnerable to climate risks.

There are three key principles for the Fund's implementation that I regard as central: First, the Fund needs to strengthen vulnerable countries' national efforts – not substitute them. Second, the focus needs to be on policies and programmatic funding approaches, not just on individual

projects. Third, the Fund needs to invest in solutions that anchor responses to loss and damage as part of comprehensive climate risk management. This means that the response needs to begin *before* a disaster strikes – through the development of contingency plans and financial arrangements to facilitate support as quickly as possible. To put these key principles into practice, the Fund needs to leverage a wide array of instruments, ranging from mitigation and adaptation to disaster response and social protection.

To meet these demands, the Fund will need to build on coordinated interplay with other instruments in the broader support landscape. A case in point is the Global

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Shield against Climate Risks. The Global Shield was launched at COP27 in 2022 as a joint initiative by the Vulnerable Twenty (V20),⁴ an association of states that are particularly badly affected by climate change,

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and the Group of Seven (G7) under the presidencies of Ghana and Germany respectively. It aims to support vulnerable people and countries in coping with and recovering from disasters by enhancing pre-arranged finance and social protection schemes that have proven effective, as in the case of Mali. The focus is on rapid support through pre-arranged financing mechanisms. The support can be paid out quickly and in a targeted manner to affected people and communities when a disaster occurs, for example via an adaptive social safety net or humanitarian actors.

Since its inception, the Global Shield has received pledges from several donors amounting to about 300 million euros. The new Fund needs to build on and strengthen the activities of the Global Shield, which has already taken important steps: The Global Shield is piloting its approach of pre-arranged finance in several pathfinder countries that were selected by the V20 in 2022.⁵ Pathfinder countries undertake a thorough risk and gap analysis to identify the most urgent protection gaps, and they receive support for implementing tailor-made protection packages. Building on these processes can not only enable the Fund to embed loss and damage within a framework of comprehensive risk management;

it would also place country-led processes at the center.

In my view, the global structure of both the Global Shield and the Fund for responding to loss and damage has a salient role in facilitating an inclusive dialogue between the main contributors and beneficiary countries. And this brings me to my third point, namely that the Fund is more than just another financial instrument. It is about solidarity with the most vulnerable countries and the recognition that countries worldwide share a global responsibility for responding to loss and damage.

IT IS ABOUT SOLIDARITY

The establishment of a fund responding to loss and damage during COP27 in Sharm El Sheikh marked a pivotal moment in climate diplomacy, as it represented a collective re-acknowledgment of the responsibility to support nations bearing the brunt of climate impacts.

More often than not, these countries lie in the Global South. Due to their geography, many of them are more vulnerable to climate-related risks. They have fewer capacities and financial means to adapt and cope with these risks. For example, they lack social protection systems that prevent people in emergency situations from falling into extreme poverty. The V20, representing 68 climate-vulnerable countries, is home to 1.7 billion people – that is almost a fifth of the global population. Of these, only 2% have access to some form of social protection.

By contrast, high-income countries like those of the G7 are less vulnerable because they are better equipped to adapt. They have high-quality data to predict disasters and enable them to mount an effective disaster response. They have well-funded public in-

stitutions to help communities prevent and recover from disasters. They also have wide coverage through social protection schemes and insurance to support people if disaster strikes. And they have historically contributed the most to the greenhouse gas emissions that fuel climate change.

For these reasons, the new Fund is a monumental achievement. It mobilizes financial resources to support the most vulnerable nations and people in responding to climate-related loss and damage. It links financial assistance with technical assistance through a broader global support architecture and thereby encourages global learning. And it recognizes that responding to loss and damage from climate change is not a responsibility that ends at national borders. It is a global responsibility that builds on solidarity with the most vulnerable countries and people. This solidarity goes beyond the traditional divide between “industrialized” and “developing” countries as set out in the UN Framework Convention on Climate Change. By announcing joint financing of USD 100 million each for the new Fund, Germany and the United Arab Emirates emphasized that non-traditional donors are also called upon to support the Fund.

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Of course, the new Fund cannot be the only answer to climate-related loss and damage and this is not the time to pat ourselves on the back for a job well done. However, it is an important part of the global toolkit to support the world’s most vulnerable countries in coping with climate crises. Crises like the devastating drought in Mali left countless people reeling from the unfolding loss and damage. This is why responding to loss and damage is a priority for me as the German development minister. Therefore, I call on more partners to join in the effort and provide support to the Fund – especially the “big emitters” and those members of the G20 who are currently contributing most to global emissions. It is time to own up to our global responsibility and support the most vulnerable!

portrait credit: BPA/Steffen Kugler

¹ Popley, Ashley; Hill, Ruth; Dercon, Stefan (2021): Anticipatory cash transfers in climate disaster response, Center for Disaster Protection (5 July 2021).

² In 1991, Vanuatu proposed an insurance mechanism that would cover climate-related loss and damage for inclusion in the forthcoming UN Framework Convention on Climate Change (UNFCCC). This proposal was, however, unsuccessful.

³ IPCC. In *Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* (eds Pörtner, H.-O. et al.) 3–33 (Cambridge Univ. Press, 2022).

⁴ The Vulnerable 20 Group of Finance Ministers (V20), formed in 2015, is a dedicated cooperative group of economies that are especially vulnerable to climate change. V20 Group members are also member states of the Climate Vulnerable Forum (CVF). V20 Group membership stands at 68

⁵ The pathfinder countries include: Bangladesh, Costa Rica, Ghana, Jamaica, Malawi, Pakistan, the Pacific Island States, the Philippines and Senegal. Ghana was the first country to go through the country process and submitted an initial funding request at the end of 2023.