

REPORT
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Operationalizing the Loss and Damage Fund:

Learning from the Intended Beneficiaries

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Abbreviations

AF	Adaptation Fund
AOSIS	Alliance of Small Island States
CBOS	Community-Based Organizations
COP	Conference of the Parties
CSOs	Civil Society Organizations
EDA	Enhanced Direct Access
G7	Group of Seven
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Green Environment Facility
ICCCAD	International Centre for Climate Change and Development
IOM	International Organization for Migration
IPCC	Intergovernmental Panel on Climate Change
L&D	Loss and damage
LDC	Least Developed Countries
LGBTQIA+	Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual, and other identities
MEL	Monitoring, Evaluation and Learning
NAPs	National Adaptation Plans
NDCs	Nationally Determined Contributions
NELD	Non-economic losses and damages
SEI	Stockholm Environment Institute
SIDS	Small Island Developing States
SOEs	Slow-Onset Events
TC	Transitional Committee on the operationalization of the new funding arrangements for responding to loss and damage and the fund
UN	United Nations
UN OCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNDP	United Nations Development Program
UNDRR	United Nations Office for Disaster Risk Reduction
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UNHCR	United Nations High Commissioner for Refugees
V20	Vulnerable Twenty (group of vulnerable countries)

Executive summary

After decades of advocacy from small island states, least developed countries and civil society in the Global South, the 27th UN climate conference (COP27) ended with a landmark agreement to establish a new loss and damage (L&D) fund to enable vulnerable countries to respond to and recover from the climate impacts they are facing. This decision was heralded as a historical breakthrough and a victory for climate justice.

L&D is already a lived reality for many, with economic costs of losses and damages in the Global South expected to reach an alarming \$290 billion to \$580 billion per year by 2030 (Markandya and González-Eguino, 2019). It is therefore essential for the operationalization of the fund to respond quickly to address urgent needs, and for the process of setting up and governing the fund to be fair and inclusive – and to be perceived as such.

To flesh out the institutional arrangements, modalities, structure, governance and terms of reference of the new fund, a Transitional Committee (TC)¹ of 10 Global North and 14 Global South representatives was created. It will develop recommendations for consideration at the 28th UN climate conference (COP28) about how the new fund can best be operationalized. Two critical questions surface in this process: (i) How the fund can learn from existing funds and enable comprehensive responses to L&D? and (ii) How can the fund best serve the needs and priorities of vulnerable and marginalized communities facing L&D?

Our research – led by the Stockholm Environment Institute, the International Centre for Climate Change and Development and Germanwatch – aims to shed light on these two questions. We provide recommendations to the TC on how the fund can be operationalized to best achieve its aims. We do this through two complementary outputs: (i) this report, *“Operationalizing the Loss and Damage Fund: Learning from Potential Beneficiaries”*, which draws on insights from those representing and working with potential fund applicants in governments and organization throughout the Global South; and (ii) a complementary report, *“Operationalizing the Loss and Damage Fund: Learning from the Funding Mosaic”*, which draws learnings from the existing funding landscape.

This report presents the findings that emerged from a series of focus groups held with representatives from a wide variety of entities in key Global South regions: Africa, Asia, Latin America and Small Island Developing States (SIDS). The focus group participants represented local community organizations, NGOs, local authorities, local funders, and national governments involved in responding to climate-induced losses and damages. We conducted focus groups in an effort to glean the perspectives of potential applicants and would-be recipients on key issues that warrant close consideration in operationalizing a fund that can achieve its goals. The report aims to assemble an overarching picture of on-the-ground needs and priorities that must be addressed, the financial access barriers that must be overcome, and the design features that should be considered and leveraged to achieve intended goals. The focus group discussions

¹ <https://unfccc.int/topics/adaptation-and-resilience/groups-committees/transitional-committee>

underpin the report's wider reflections on the role and functions of L&D finance. The contents of this report are intended to spark further conversation between the designers and funders of L&D finance on the one hand and the intended beneficiaries of such a fund on the other.

Key recommendations

Our recommendations for how the L&D fund can be operationalized are summarized in Figure 1. Four cross-cutting recommendations emerge:

- 1. Adopt participatory and representative decision-making approaches.** Participants in our focus groups urged the L&D fund to ensure the independence of actors involved in decision-making, divide power among different kinds of participants, establish robust systems of checks and balances, and offer meaningful representation for most vulnerable stakeholder groups in governance structures, in particular of youth, women, indigenous communities, LGBTQIA+ groups and other marginalized groups. We thus suggest taking action to address these calls by saving seats for civil society on the board of the L&D fund, and/or by devolving power through the creation of thematic and regional advisory panels to inform decisions. The TC could also consider creating regional branches for the L&D fund to provide context-specific support. However, inclusivity must not be achieved at the expense of speed; such a trade-off could undermine the effectiveness of the fund. To help strike a balance, planning should take place with affected communities to anticipate impacts and address matters as far in advance as possible.
- 2. Provide direct-access windows to local-level applicants.** Participants clearly identified local-level access to L&D finance as a gap that must be filled. They urged the L&D fund to find ways to increase the agency of affected communities to complement countrywide programmatic approaches for national governments. Nationwide measures such as safety nets and emergency plans are needed for a fair and coordinated recovery, but are slow to implement and tend to leave out the fringes of the population. We thus recommend that the L&D fund create a dedicated window for local-level recipients to receive funds independently of their national governments. Such a window could offer small grants or direct cash transfers for survival and recovery to local NGOs and households, in particular those most marginalized. In light of concerns about conflicts of interest, any windows created for local communities should not be constrained by requirements for approval of national governments. For situations in which local-level actors do not want to manage the funding, independent structures endorsed by the beneficiaries should be prioritized. We suggest that the L&D fund's creators can learn from the successes, failures and limitations of the Enhanced Direct Access modalities of the Adaptation Fund and the Green Climate Fund in this regard.
- 3. Build institutional and technical capacities to address losses and damages through learning-by-doing approaches.** If the L&D fund is to support particularly vulnerable countries and populations, it must incorporate capacity building into its access modalities and its activities. Replicating the existing capacity-building and readiness support programs of other climate funds will not be sufficient. To address these issues at the level and speed required, we recommend adopting a learning-by-doing approach. Most vulnerable countries and local organizations

could initially access funding through small pilot projects which, if successful, could serve as a guarantee for more ambitious investments later. The related application processes should adopt flexible due diligence requirements that vary with the associated risks of a given project, and the design of activities funded should strive to build the capacity of beneficiaries to better respond to losses and damages as time goes on. Implementation decisions must be guided by continuous monitoring and evaluation, and by the best available knowledge and science, with the support of scientific, practitioner and civil society experts.

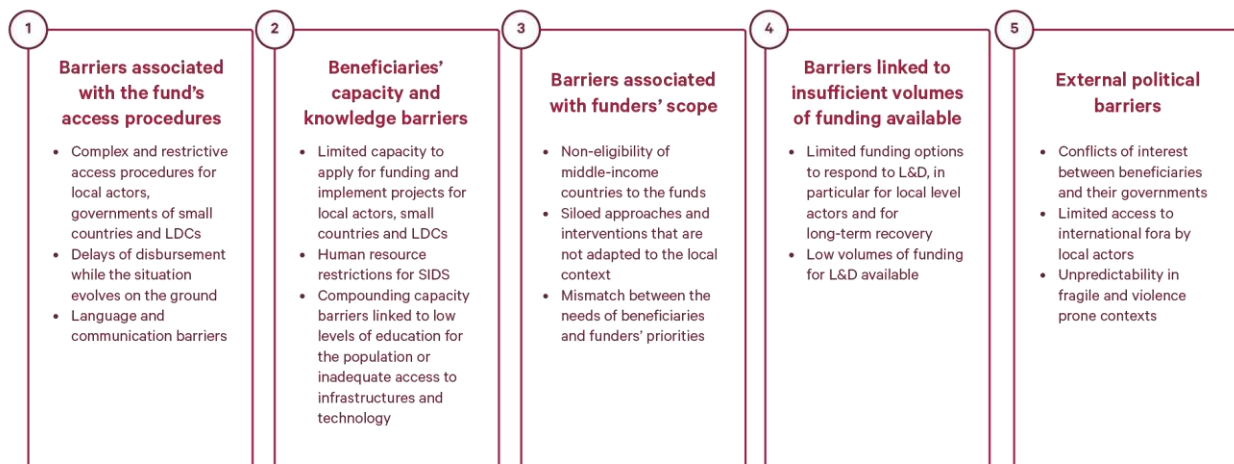
4. **Adopt comprehensive, full-spectrum approaches to L&D finance that promote human rights and dignity.** Participants in our focus groups clearly identified a need for financial flows to support responses that address all aspects of L&D, and insisted in particular on livelihoods, non-economic aspects of loss and damage (particularly, to support measures to provide mental health services and to restore damaged ecosystems), and enabling long-term recovery from climate impacts in a comprehensive way. They also called for the promotion of human rights and of dignity in recovery to guide the actions of the L&D fund, in particular for most vulnerable and marginalized communities (e.g. indigenous people, women). We suggest that, rather than devising strict categories to define activities eligible for support, the L&D fund could employ needs- and value-based approaches to define losses and damages and activities of the fund; such approaches can help target interventions to the self-identified needs and priorities of the population, provide more comprehensive responses to multifactorial sources of vulnerability, and increase the relevance of interventions. We furthermore suggest that the fund create continuity between its own work and the wider L&D funding arrangements available by generating roadmaps that make clear the various ways one can seek to use the comprehensive support available across the climate-development-humanitarian spectrum.
-

The figures below present a summary of the responses provided by participants in the focus groups. They were first asked about their unmet needs and existing responses to addressing L&D. They then had to identify the barriers that have prevented them from accessing funding to meet these needs. Finally, the participants translated the aforementioned needs and barriers into recommendations for the design of the L&D fund. A complete list of the responses, sorted frequency of occurrence, as well as an overview of the main priorities for each region and each stakeholder group, are provided in Annex C.

Needs and existing responses to addressing L&D



Barriers in accessing L&D finance



Recommendations - making the L&D fund work for its recipients and beneficiaries



Figure 1 Summary of the responses given by participants in the focus groups

1 Introduction

Thirty years after the proposal by the Alliance of Small Island States (AOSIS) for a compensation mechanism to cover the non-avoided and unavoidable impacts of climate change faced by the Global South, the Parties to the Convention agreed at their 27th annual summit in November 2022 (COP27) to “establish new funding arrangements and a fund for assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding loss and damage. The fund includes a focus on addressing loss and damage”.²

This decision emerged from two urgent needs. The first is a need for an appropriate response to the increasingly devastating climate impacts that occur around the world, and in particular in Global South Countries. Some of the most recent occurrences are cyclone Freddy – the longest ever recorded tropical storm that killed over 1,400 people and affected 1,700,000 people in Madagascar, Malawi, Mozambique, Mauritius and la Réunion over the span of five weeks (attribution to climate change has not yet been established) – and the ongoing 3-year long drought in the Horn of Africa that keeps 4 million inhabitants in need of humanitarian assistance and that has been made more than 100 times more likely to occur because of climate change (Kimutai et al., 2023).

The second is the need for a funding structure capable of providing an adequate response to these disasters for the most vulnerable populations, particularly in the Global South. Populations living in the Global South tend to suffer more from climate impacts than their Global North counterparts because of the compounding vulnerabilities they face, notably linked to low incomes, lack of resilient infrastructures, lack of access to social safety nets, limited insurance coverage, etc. (IPCC, 2022). Their situation is aggravated by an accumulation of climate injustices as they suffer centuries of colonization and exploitative capitalism, followed by a modern form of extractive imperialism from the Global North that has caused climate change, hindered their pathways to prosperity, and now threatens their existence (Sultana, 2022). This injustice confers them the legitimacy to reclaim finance to survive, adapt and thrive in the wake of climate impacts, and to have agency over how these compensations are channeled to them, distributed and utilized.

Yet despite the known urgency of the climate crisis, climate finance has been largely inadequate to deliver support for addressing loss and damage (L&D)³. Past L&D finance efforts have focused mostly on reducing and transferring risks through adaptation, early-warning systems, and insurance, but few provisions were made for the long-term recovery of populations to disastrous events, responses to slow-onset events and non-economic losses and damages. Meanwhile humanitarian assistance

² Decisions 2/CP.27 and 2/CMA.4 paragraphs 2 and 3

³ We define loss and damage finance as finance for activities to avert, minimize and/or address loss and damage. Because the first two categories are largely covered by mitigation and adaptation finance, respectively, we focus here on the largest gap: addressing losses and damages that have already occurred or are unlikely to be avoided. The term residual damages is sometimes used in this context, but we avoid it, as it fails to account for the immediacy of loss and damage – it is already happening – or the full extent of the barriers and limits to adaptation on the ground.

provides only relief for a limited amount of time to affected populations (Bakhtaoui et al., 2022).

The creation of a new fund dedicated to L&D finance within the UNFCCC comes as a recognition of these gaps, and a commitment to fill them. It happens in a context where a ‘mosaic of solutions’ (term coined by Maldives’ Environment Minister Aminath Shauna) are being developed through parallel initiatives, such as the V20 Loss and Damage Funding Program or the G7 Global Shield against Climate Risks (Franczak, 2023). The Sharm-el-Sheikh COP27 Decisions of 2022 established a ‘transitional committee’ (TC), which was given one year to make recommendations on the operationalization of the new UNFCCC L&D fund, i.e. on what its “structural arrangements, modalities, structure, governance and terms of reference” should be, as well as on suitable sources of funding and on its interactions with the mosaic of funding⁴.

These decisions mandate the TC to make its recommendations on modalities and structure of the fund. We identify these modalities and structures in Figure 2, and include the decision flows, money flows and information flows that link them. The TC’s mandate to include most vulnerable civil society into these activities is limited. The decisions only mention that “the Transitional Committee will be informed by [...] the most effective ways in which to address the gaps, especially for the most vulnerable populations and the ecosystems on which they depend”⁵.

⁴ Decisions [2/CP.27](#) and [2/CMA.4](#) paragraphs 4 and 5; The Decisions also include provisions for a series of funding arrangements that remain vague at the time of writing of this report, and are therefore excluded from its scope.

⁵ Decisions [2/CP.27](#) and [2/CMA.4](#) paragraph 6.d

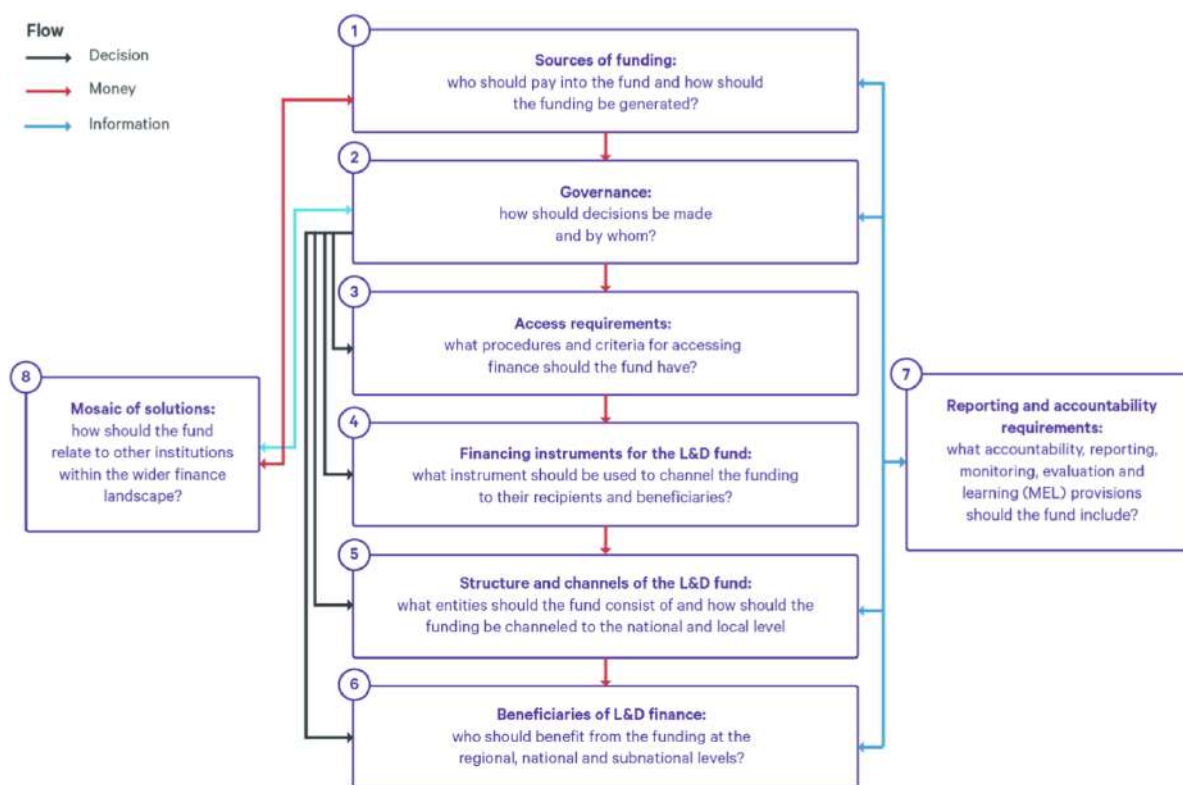


Figure 2 Representation of key elements of the L&D fund, used as an analytical framework

This guidance is vague and does not specify who the “most vulnerable populations” are, what “effectiveness” entails, and through which means these stakeholders are to be involved. Given the lack of clarity in the decisions on who the recipients and beneficiaries of the L&D fund are, we opt for an interpretation that includes all Global South countries, civil society and local communities.

It is on these premises that we present in this report the results of a series of consultations independently organized by ICCCAD and SEI with Global South representatives of potential recipient and beneficiary groups to the L&D fund. These consultations aimed to collect their views on what the L&D fund should look like, how it could fit within the wider climate finance architecture, and how it could best fulfil their needs and priorities.

This report is structured as a contribution to the work of the Transitional Committee, and a reflection on the role and functions of L&D finance. We start by discussing the needs regarding activities to address L&D (Chapter 3), the barriers preventing access to finance (chapter 4), and the recommendations for the design of the L&D fund (Chapter 5). We conclude with key recommendations for the L&D fund (Chapter 6). We would like to note that the reader can also jump to the chapters that interest them more specifically, as they can be read independently.

This report aims to spark a conversation between the designers of L&D finance and its beneficiaries. In the UNFCCC context, the results presented can directly inform the work and recommendations of the Transitional Committee. We furthermore urge

the TC to continue and widen its consultation process with the stakeholders mentioned above. We aimed to build a robust methodology for our focus groups to maximize the validity of our approach and results, but our consultations only represent a very small subset of the diversity of views and lived experiences of communities living in the Global South. We present our methodology and its limits in a greater detail in Annex A, and invite the TC members, the Parties to the UNFCCC and other stakeholders, particular in the Global South, to build on it and organize consultations with more stakeholders.

Finally, this report builds on previous work done by our team⁶ (Bakhtaoui et al., 2022) which identified principles to guide the creation and operationalization of a loss and damage fund, based on existing literature and on interviews with L&D finance experts, civil society representatives accredited to the UNFCCC and with Global North and Global South UNFCCC negotiators. We are simultaneously releasing a complementary report titled “*Operationalizing the Loss and Damage Fund: Learning from the Funding Mosaic*”, which presents recommendations for the design of key elements of the L&D fund based on a review of funding institutions relevant to the L&D finance landscape as well as consultations with their representatives and with TC members.

⁶ Bakhtaoui, I., Shawoo, Z., 2022. Operationalizing finance for loss and damage: from principles to modalities. <https://doi.org/10.51414/sei2022.045>

2 Methodology

Our team organized a series of virtual regional focus groups to gather inputs from key actors at the recipient level on how the L&D fund can be designed to best serve the needs and priorities of vulnerable and marginalized communities. This included exploring critical questions on the best modalities for ensuring accessibility to the fund as well as most suitable channels to reach vulnerable populations efficiently and without undermining human rights. We referred to standard methodologies and guidance for the design and implementation of our focus groups (Krueger, 2002; O.Nyumba et al., 2018). A detailed description of our methodology, stakeholder engagement results and limitations can be found in Annex A.

The focus groups included stakeholders from Global South countries, divided into four regional groups: Asia, Africa, Latin America and Small Islands Developing States (SIDS) (we acknowledge that small islands are not a region, but the group gathers principally small island Pacific nations, Indian Ocean small islands, and Caribbean islands who face similar challenges due to their insular and low-lying nature).

Each regional focus group included breakout groups by actor type; this was done to ensure that actors would feel comfortable sharing their interventions and experiences openly. We targeted four actor types: national governments; sub-national governments; local public and private funding entities and entities accredited to UNFCCC climate funds; and local NGO representatives and representatives of local communities. We decided to focus on organizations and individuals involved in direct and concrete action in responding to L&D and based in the Global South to prioritize the views and expectations from Global South recipients, and to avoid and minimize tensions and discomfort between participants resulting from colonial power dynamics or conflicts of interest (Sim and Waterfield, 2019).

We also wanted to ensure that the breakout group on local NGOs and community representatives would include stakeholders representing marginalized or discriminated communities that face compounding vulnerabilities: women, youth, indigenous people, the LGBTQIA+ community, people with disabilities, poor people, and slum dwellers. Our focus groups did not include representatives of the private for-profit sector (companies).

The focus groups were centered around (a) the needs of participants in order to address L&D, (b) the barriers met by participants to access funding to meet these needs and (c) solutions, structures, modalities and activities that the L&D fund should implement to overcome these barriers and meet these needs. The full questions asked are included in Annex B, and at the beginning of each results chapter (Chapter 3 for needs, Chapter 4 for barriers and Chapter 5 for recommendations).

Our team aimed for about 6-10 participants in each breakout group. 43 participants participated in total (out of an objective of 96 to 120 participants). The overwhelming majority of respondents belonged to the local NGO category. We encountered difficulties in identifying subnational government representatives, particularly in SIDS and in Africa. While we identified many relevant local funders and local NGOs representing vulnerable groups, we found it particularly difficult to reach out to them

and get them to register to our event (in particular indigenous, poor and homeless, LGBTQIA+, and disabled groups). We attribute this limitation to a language barrier as well as the barrier created by the virtual setting.

Because of the limited attendance of various stakeholder groups (in particular local funders and subnational governments), we adapted our protocol to offer more chances for participation, notably by requesting written inputs from participants who had registered but did not attend our event. The validity of our results is limited by the quality and size of our sample.

The focus group conversations were recorded, anonymized, transcribed and analyzed using a mix of an inductive and deductive methodology. The data was coded against each of the main themes: recipient needs, funding access barriers, solution options for the L&D fund.

An inductive coding methodology was followed for recipient needs and access barriers. For solution options for the L&D fund, we coded the responses according to the eight key elements of the fund that we wanted insights on, based on the mandate of the TC: sources of funding; governance; access requirements; financing instruments for the L&D fund; structure and channels of the L&D fund; beneficiaries of L&D finance; reporting and accountability requirements; and mosaic of solutions. Figure 2 provides a representation of these elements, their definition and how they relate to each other within the design of the fund.

3 Needs and existing local responses to addressing L&D

In each of the breakout groups, the discussion began by talking about the current needs of our participants in terms of addressing L&D. We cluster the results in bigger category themes.

Box 1. An overview of the needs and existing responses to addressing L&D

Questions asked:

1. Which community needs go unfunded?
2. What activities require L&D finance?
3. What is your respective organization doing to address those needs?
4. What kind of additional support is needed?

The top resulting insights covered are the need for livelihood protection activities, and the need to address non-economic losses and damages (NELD). We also noted a strong request for funding at the local level, for displacement support, and for ecosystem restoration and capacity building activities. Participants also raised the desire to implement needs assessments. Capacity building and knowledge access was also the main category of activities that our participants already provide. Participants noted that transportation, electricity access, education, water and sanitation, and health were priority sectors in their recovery from L&D.

Needs and existing responses to addressing L&D

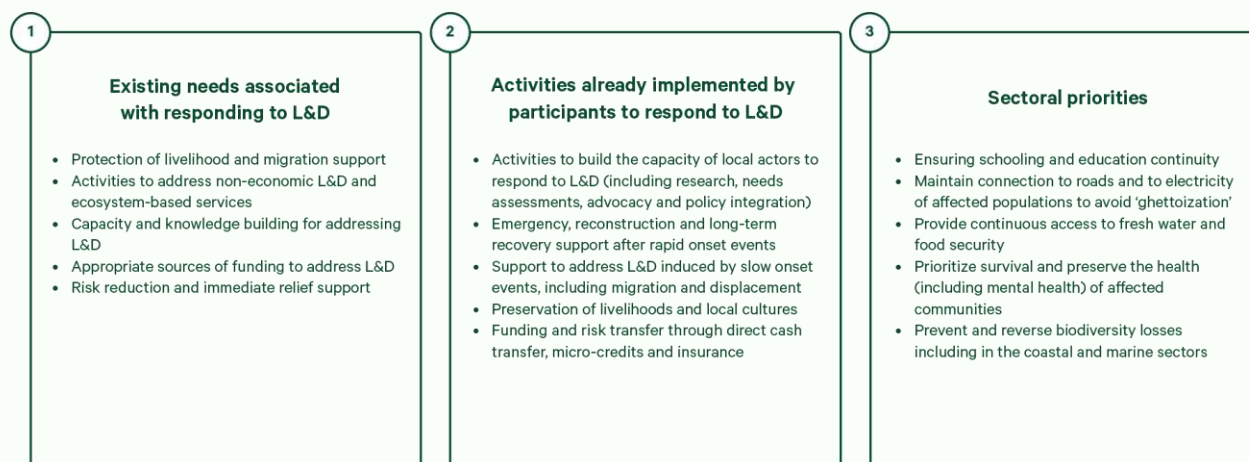


Figure 3 Overview of needs and existing response responses given by participants sorted by occurrence

3.1 Livelihood protection and migration support

Stakeholders identified livelihood disruption as the main unaddressed area of L&D. Climate impacts often push households to identify alternative livelihood options for economic diversification. Local NGOs in Latin America stressed that access to technology, data and knowledge is necessary for communities to make an informed decision on how to change their practices in the aftermath of a disaster.

A representative of an Asian national government found that financial compensation for lost harvests provided to farmers in his country were insufficient to cover the damages to assets necessary for the continuation of their activities. After a disaster, it is essential to offer a complete package of assistance that addresses all facets of daily life in order to aid in recovery and help individuals get their lives back on track.

The SIDS participants insisted on the need for long-term and transformational support to cover the incremental loss of slow-onset events like sea-level rise causing a slow depletion of fishing livelihoods. In particular, an NGO presented their current activities' focus on collecting data to anticipate sea-level rise impacts on fisheries for sustainable management. They explained that their activities are currently limited by the 3-to-5-year project cycles imposed by funders, and that they would benefit from a more flexible and programmatic approach. A SIDS national government representative also raised the issue of protecting most vulnerable groups from hurricanes, flash floods and other extreme climatic events.

Long-term climate-induced migration is also frequently disregarded and misunderstood. One Asian local government representative stressed that they currently struggle to provide support to displaced people beyond immediate aid, and that they require resource predictability for longer-term rehabilitation support. Participants identified the need to build resilient infrastructures in low-risk areas as a priority, especially essential facilities like hospitals, schools, markets and connection infrastructures like roads and transport facilities.

3.2 Non-Economic L&D support and ecosystem-based services

Non-Economic Loss and Damage (NELD) was identified as the second main un-addressed aspect of L&D. This broad and porous category of needs includes support for the preservation of cultural and religious traditions, mental health and social cohesion, the recognition of the intrinsic and invaluable nature of ecosystems, etc.

Despite the need for more support, very few organizations reported doing work on NELD, except for research, which stresses the gap perceived. One local African NGO representative highlighted the need “to do research on how we can evaluate or give a value to something that isn't an economic loss such as a loss of life, or biodiversity or culture within communities because they have”, stressing the need for more NELD assessment methodologies, before being able to act.

All the focus groups included a strong emphasis on the current lack of mental health and psychosocial wellbeing programs. Small island communities furthermore held a lot of value for social NELDs like protection of culture and identity of small farmers and fishermen communities.

Ecosystem restoration and livelihood protection were emphasized for ameliorating the lives and livelihoods of coastal, rural and indigenous communities who depend on nature and have a direct link with ecosystem services in terms of economic subsistence, especially for women. A local funder advocated for holistic strategies to financing such activities, notably through nature-based solutions including reforestation and

ecosystem restoration. An Asian national government representative stated that “additional funding should be for creating natural assets as well economic assets which can generate livelihoods”.

3.3 Capacity Building for addressing L&D

There was general consensus that building the capacity of people exposed to climate risks is crucial for ensuring that civil society, the private sector and governments are able to act accordingly against climate-induced losses and damages.

According to local funders and local NGOs from all regions, capacity-building activities are meant for households and communities to better identify their needs, priorities, and options to address L&D. A representative from an African NGO argued that *“people should know what loss and damage is and what loss and damage policies and funding options exist”*. Another NGO representative insisted that recovery preferences vary per household. Some coastal communities relying on ocean livelihoods for instance would prefer not to be relocated. Capacity-building activities should give them an understanding of the consequences of remaining, so that they can make an informed choice. They recognized the importance of integrating indigenous and traditional knowledge into their response efforts.

Capacity building was perceived as a priority, but also as one of the activities most implemented by participating stakeholders. The local NGOs we spoke to play a central role in raising awareness and building capacity of their communities for rebuilding and rehabilitation. They also often act as an intermediary for their governments, and fill public welfare gaps. A SIDS NGO representative explained that their organization helps local communities access funds.

One of the key activities already implemented in this context is needs assessments. NGO representatives insisted on the importance of communities in this process. Examples reported include: the systematic involvement of community leaders in nationally-led needs assessments by a South Asian country; assessment of funding needed for L&D by communities in Latin America with the support of local NGOs; the development of case studies; and the development of needs assessment courses for communities and organizations involved in relief support.

Several African NGO representatives also presented the advisory work they do in helping affected populations rebuild their houses and livelihoods in safe areas, and following construction safety regulations. They insisted that local populations, businesses and even governments often did not know where safe areas for relocation were and lacked the knowledge and resources to build resilient infrastructures.

According to local and national governments, capacity building therefore includes the creation of frameworks, guidelines, and plans on L&D action (e.g., readiness framework) and their dissemination. L&D planning and policy integration is another vital need. Institutional frameworks at the national and international levels are needed to go beyond just small scale and piloting projects that are running right now and to offer a coordinated, planned and comprehensive response to climate impacts.

3.4 Funding needs for addressing L&D

SIDS NGOs reported the existence of insurance products (especially parametric) in their countries for farmers and fishermen, but with a limited affordability of the premiums at market rate, as well as insufficient payouts when disbursements are triggered. In other focus groups, local actors recalled that the poorest and most marginalized do not have access to insurance.

A national government representative from Latin America reported that they focused on the creation of microcredit schemes through cooperatives, adapted to the realities of local vulnerable communities. An Asian government representative also presented the creation of a separate funding pool dedicated to communities impacted by coastal and river erosion. Several stakeholders decried the lack of availability of direct cash transfer schemes for households. A SIDS NGO raised that the fund could ensure access to parametric insurance for vulnerable communities that cannot afford it.

In alignment with past publications on the lack of funding for addressing L&D (Oxfam, 2022), all participants found that funding options existed especially for minimizing L&D (through adaptation and disaster risk reduction), but that they had little overview on where to look for money for the medium- and long-term recovery activities presented in this section. Governments especially explained that they had been bearing the cost of extreme disasters for decades, with a measurable impact on their national budgets.

3.5 Risk reduction and immediate relief

When a disaster strikes, the state administration, local government, and district administration currently provide the minimum vital relief to affected populations for their survival including access to water, food, and basic healthcare. Yet the duration, sustainability and quality of the relief and the number of entitlements that can be provided to families each day depend on the governments' level of preparedness, offering an illustration of the need for a better integration of L&D in governments' plans and policies.

Local NGOs and national governments across regions have reaffirmed the importance of early-warning systems to anticipate events and help communities to minimize the disastrous impact of climate-induced hazards in a timely manner. They also insisted on the need to be prepared to react to future emergencies and, in particular, to anticipate how to provide immediate relief where needed. Emergency relocation planning is another critical need, with affected communities requiring information on where to go, who to approach, and the provision of basic necessities during disasters.

Local NGOs and communities responded that they often fill the gaps in government funding, particularly when it comes to reconstruction. The majority of participants' responses reflected a need for long-term, transformative and holistic approaches to addressing L&D.

3.6 Sectoral priorities: roads, water, education, health, electricity access

Five main sectoral priorities were also identified in the conversations. Local and national government representatives stressed that a necessary condition for an affected community to recover is for them to have communication and transportation access to the external world. They gave the example of women who cannot recover their livelihood post-disaster because they lost access to the surrounding marketplaces. Another participant insisted on the risk of 'ghettoization' of relocated communities if they do not secure roads and public transport infrastructures. They underscored the need to have access to schools, to livelihood opportunities, and to their location of origin to be able to recover. This justifies a prioritization of the reconstruction of roads, and the access to public transport infrastructures and private vehicles.

Education and schooling continuity were also identified as a priority by African NGO representatives. Not only was it perceived as a necessity to offer a future to younger generations, but community-based childcare and nursery schools were also identified as a way to create space and free time for women to focus on livelihood recovery and resettlement.

Access to fresh and drinkable water was a third sectoral priority for NGOs and national governments, linking it to survival and to health issues. SIDS NGO participants also identified the coastal and marine sector as their priority. Electricity access was another concern priority for national governments.

4 Key challenges and gaps at the local level regarding accessing L&D finance

Following discussions on needs, the focus groups shifted to discuss barriers that participants identified in accessing funding to fulfil the needs presented in the previous section.

Box 2. An overview of the barriers faced in accessing L&D finance

Questions asked:

1. What are the current challenges and barriers that you face in accessing existing climate finance?
2. What kinds of international support are needed to overcome them?
3. How well do existing local institutions function in delivering funds to those in need?
4. What additional structures may be needed to channel L&D finance to the local level?

The conversation was free flowing, and we collected unique 68 entries on the topic. It was possible to cluster the answers around five big types of barriers. The procedure barriers focused on the funders' internal process for accessing funding. The capacity and knowledge barriers focused on the external barriers that participants face. Scope barriers focused on elements that have to do with the funders' approaches, priorities and criteria that limit the scope of what is funded. Finance barriers encompass funding related issues such as cost and money availability. Political barriers have to do with the external political contexts and dynamics that play into accessing finance.

Barriers in accessing L&D finance

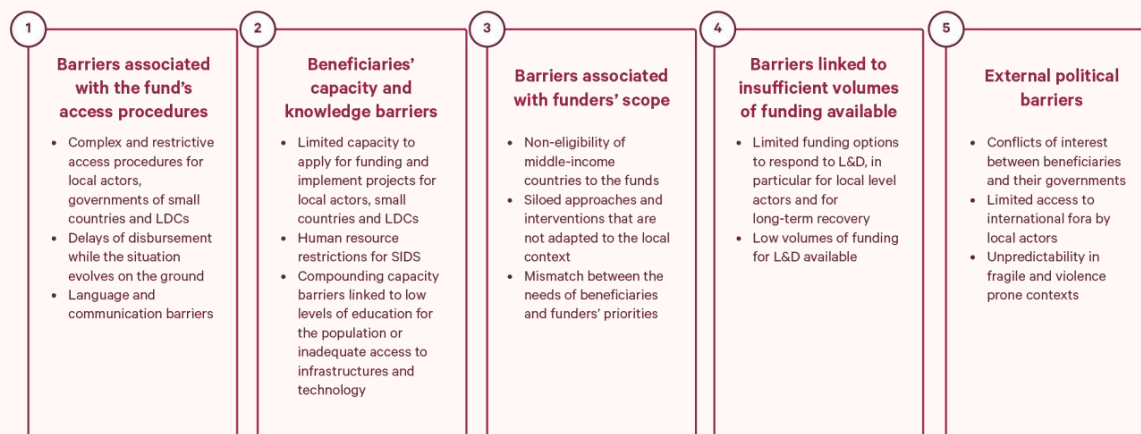


Figure 4 Overview of the responses of participants on challenges and barriers faced in accessing L&D finance

4.1 Barriers associated with the funds' access procedures

Across all regions, the main concerns were related to the complex access procedures and requirements to funds, and in particular the restrictions imposed by eligi-

bility criteria. NGO representatives in Africa, Asia and SIDS identified the current accreditation processes of existing multilateral climate funds as a barrier, especially for local communities and organizations, either because the eligibility criteria exclude them, or because the process is long and complex for organizations with limited capacity and resources.

Once accreditation has been approved, an African government representative called the application process for funding “complex and time consuming [for] developing countries with limited resources and capacity, as well as those who lack experience with international finance mechanisms”. Several NGO representatives found that participatory, inclusive and locally led applications require much more time and resources that are not available to many would-be applicants, with one Asian stakeholder identifying application language as a barrier.

Transparency in decision-making was also a concern. A SIDS NGO representative felt that the selection criteria and priorities of the funders spur applicants to adapt their submissions to the requirements of funders, which as a result may no longer reflect beneficiaries’ needs and priorities.

The length of the application and disbursement processes has also had unexpected consequences on the relevance of the funded projects themselves. In the Latin America SIDS focus groups, local actors found that situations on the ground, baselines and priorities often change from when the projects are designed to the beginning of their implementation, especially when new climate impacts hit in this waiting period. A local government representative reported that in one occurrence, economic inflation doubled the cost of a project.

Finally, a SIDS local government representative regretted that organizations with the most transformative and catalytic potential rarely interact with climate finance spheres. They cited the example of a data collection initiative on fishing boats that enabled early-warning systems. This project was led independently by local NGOs but struggled to find funding, despite its positive results, until it was finally picked up by higher authorities.

4.2 Beneficiaries’ capacity and knowledge barriers

Participants identified a need for populations to accurately connect their struggles with climate change, and to build the knowledge and capacity to adequately identify recovery options. They furthermore identified a large number of barriers associated with the capacity and knowledge needed to access L&D finance.

The climate finance architecture is a complex puzzle. Organizations, especially at the local level, are not always aware of the existence of funding options, according to African NGO representatives. They further added that those aware of these options lack knowledge on the application processes. These barriers can be addressed by funders through awareness campaigns and better accessibility processes.

Many funds attempt to address knowledge and capacity struggles with technical and funding application support. Yet recipients still face capacity limitations when fulfilling application requirements. A small island national representative explained that

organizations struggle to translate their vulnerabilities and needs into a coherent climate plan that aligns with funders' requirements. Another insisted that data coverage gaps constrain the ability of most vulnerable areas to produce competitive evidence-backed proposals.

Participants from all regions flagged the implementation capacity barriers of all stakeholders. Two government representatives from Africa and Latin America both identified financial management skills, infrastructure and technology, and limited access to information and knowledge as barriers. Small island stakeholders in particular pointed out that they face direct human resource limitations because of their population size. Their governments and NGO staffs are already at full capacity, and they sometimes lack the skills and technical support on the ground.

Finally, an African NGO representative replaced capacity and knowledge barriers in the context of structural, economic and social inequalities and injustices between the Global North and South, and between social groups within a same country. Remoteness, lower levels of education, and lack of access to communication streams are additional constraints to the ability of most vulnerable groups (i.e., women, indigenous people, migrants, slum dwellers) to access funding for their L&D needs.

4.3 Barriers associated with funders' scope

Many of the procedure barriers are linked to accreditation and selection criteria that derive from the priorities, mandates, and scope of funders. The majority of stakeholders in SIDS and Latin American focus groups pointed out that the prioritization of funding towards Least Developed Countries and low-income economies may leave out vulnerable communities located in Latin American and Small Island States that may not fit these categories. This concern reflects the ongoing debate on the definition of the 'particularly vulnerable' who will have access to the Loss and Damage fund.

Recipient ownership has increasingly been guiding climate finance allocation, notably through direct access modalities. Yet, an African NGO representative explained that national development plans and strategies, which are used as a basis for recipient ownership, do not reflect the needs and priorities of local indigenous populations, resulting in ineffective or detrimental activities for these communities. An Asian local government representative suggested independent research and consultation processes to guide allocation of funding.

It was also brought up that funding needs for L&D recovery activities are created by the current scope of L&D finance activities, which are limited to risk reduction through early-warning systems, and immediate relief, but exclude long-term needs and non-economic aspects of L&D (Germanwatch, 2021). Participants in Asia and Africa particularly stressed the mismatch between funder and local priorities, in particular of most vulnerable groups, and the lack of opportunity for communication between these two groups.

NGO representatives also pointed out the fragmentation between L&D needs and other dimensions of resilience and well-being, with victims of climate change struggling to find support for indirect needs resulting from disasters. A SIDS participant

feared that siloes created between adaptation and L&D in the climate finance architecture will add a layer of complexity for organizations to develop proposals that fit the mandate of different funds. An Asian stakeholder summarizes: “The governments keep climate change and economic development issues in siloes preventing the most vulnerable to realize that they are all connected, both in terms of threats and opportunities such as through social protection, agricultural activities, and livelihood preservation”.

These concerns echo the challenge of creating a defined list and categories of activities to be funded by an L&D fund. An Asian government representative warns that current funders rely on rigid mandates, definitions and protocols which are unable to produce activities tailored to local contexts and needs, and that an L&D fund should embed flexibility and context specificity in its structure.

4.4 Barriers linked to insufficient volumes of funding available

Asian local funders raised that funding for resilience (e.g., adaptation) is limited in the current architecture, especially for local actors. They contended that the situation is unlikely to change for L&D. An African participant highlighted that investments to survive disasters, to rebuild infrastructures and to recover sources of income are especially costly for an average household in the Global South. Indeed, the lion’s share of the funding tends to be captured by big development institutions, and very few resources are allocated directly to the local level for locally led approaches (Soanes et al., 2017). A SIDS local funder also pointed out that parametric insurance often fails to pay in full for the damages they are ostensibly designed to cover, and that local actors bear the cost of residual damages. One Asian stakeholder said that developed country governments – which have not met their climate finance pledges – bear some responsibility for this gap.

4.5 External political barriers

All the focus groups recognized that external barriers exist that emerge from the local, national and international political context in which L&D occurs. Most interventions came from African NGO representatives, who discussed how allocation of funds can be unfair because of the political interests from those managing the funds, whether at the international, national or subnational level.

At the international level, one gave the example of the Covid-19 pandemic or the war in Ukraine diverting priorities of funders and therefore siphoning money away from climate action. Other participants reported that their governments impede organizations whose work conflicts with the governments’ interests, as is the case with environmental NGOs fighting new oil and gas investments. Thus, the political unpredictability of governments and countries was identified as an additional barrier for local access to L&D finance. One example given was the Financial Intelligence Authority in Uganda, which was created to combat money laundering and the funding of terrorism. This organization can track and freeze bank accounts that receive more than a certain amount of money for the first time, with long, difficult and uncertain processes

to unfreeze them later. An article published in *Monitor*⁷ in April 2023 reports that many NGOs say that this leads to banks refusing to associate with them because of the added layers of bureaucratic compliance procedures, further limiting direct access to funding for small organizations and hindering their capacity (Ladu, 2023).

Local NGOs and funders from Asia and Africa raised concerns regarding corruption and threats to human rights emerging from their governments, which may not only impede access to finance for vulnerable groups, but also threaten their safety and well-being. One African participant warned against the abuse of Indigenous People's fundamental rights. Another reported that organizations for women's empowerment have been threatened by political elites for sharing information about funding availability with other civil society organizations. A third NGO representative pointed out that leaders may favor their own faith or ethnic community groups, particularly at the local level; such preferences affect faith-based organizations that may play a role in implementation efforts.

A representative of a Latin American country government recognized that the L&D fund should consider how national designated entities have acted as a filter rather than a conduit for small communities to access funding in the past. SIDS NGOs identified that the direct access of national governments to big funds has operated as a barrier to local funding because national governments serve as gatekeepers that move potential funding away from local organizations, and because they do not engage sufficiently in consultations with some organizations. These considerations raise questions about the intended destination of L&D finance. There was consensus among our participants that households and local-level communities are the ultimate priorities for L&D finance, but the question of how to enable local ownership remained contested.

To conclude, a multitude of factors contribute to limited capacity, difficulty in accessing needed knowledge, and prevailing political and financial barriers. Many of these barriers stem from deeply rooted external inequalities and inefficiencies. The L&D fund has the potential to ease these barriers but eliminating them completely requires a far greater, coordinated effort to reduce inequalities, promote empowerment and well-being approaches, and transform the international financial architecture as a whole.⁸

⁷ <https://www.monitor.co.ug/uganda/business/prosper/who-wins-war-against-anti-money-laundering--4194898>

⁸ See for example the 2022 Bridgetown initiative: <https://www.foreign.gov.bb/the-2022-barbados-agenda/>

5 Recommendations – making the L&D fund work for its recipients and beneficiaries

Following the discussion on needs and barriers, the conversation turned to practical solutions and recommendations for how to operationalize the new L&D fund. We aimed in particular to ask local actors participating in our focus groups how they thought the fund could best serve their needs and priorities. The discussion was broadly structured along the following three questions.

Box 3. An overview of recommendations on the operationalization of the L&D fund from the participant's perspective

Questions asked:

1. How can the fund be structured and governed to ensure that finance reaches the most vulnerable communities in need, particularly marginalized populations, including in non-democratic contexts?
2. How can the fund ensure that communities have sufficient decision-making power in the use of L&D finance?
3. Are there any examples from existing climate or development finance that could be replicated?
4. What should be the modalities for accessing and for disbursing finance?

The conversations generated a total of 205 entries across the four regional focus groups. These were coded and categorized to generate recommendations across the eight key elements presented in figure 2. Recommendations on each of these elements are summarized in figure 5 and in the subsections below. Together they provide a comprehensive picture of what kind of fund could best serve local actors in the Global South.

Recommendations - making the L&D fund work for its recipients and beneficiaries



Figure 5 Overview of the responses of participants on recommendations for the design and operationalization of the L&D fund

5.1 Sources of funding

The issue of which countries are responsible for paying into the fund was not prominent in the focus groups. Participants did bring up the need to diversity funding sources and include non-traditional donors, which could address the question of “expanding sources of funding” for the L&D fund. For example, an Asian local funder stated that “the big emitters in Asia region, for example China, India, Indonesia, South Korea, Japan, should come into play in terms of providing finance to loss and damage fund”. A SIDS national government actor emphasized that public-sector finance will be insufficient, and that the L&D fund should therefore receive funds from other sources, such as the private sector, regional systems and bilateral finance.

Looking across the four regions, private-sector finance was the most prominent source of finance discussed, primarily due to participants’ impressions that public finance will be insufficient to meet the scale of the needs. An Asian local funder highlighted the need to partner with private corporations to generate income for making L&D interventions sustainable. SIDS national government actors also stressed the importance of the private sector and highlighted the need for special financial instruments at the local level to leverage private capital, notably through impact investment for social justice.

Similarly, an African national government actor raised the importance of blended finance, which would involve combining public- and private-sector financing to support L&D initiatives and leverage additional resources to increase the scale and impact of L&D projects. Litigation was also raised by a SIDS national government actor, as a way of holding fossil fuel producers accountable and generating private-sector finance.

5.2 Governance

The need for participatory approaches to governance was a key takeaway across the focus groups, such as through active participation of civil society within the board or governing structure of the fund. For example, an African national government actor stated the need for “inclusion of diverse stakeholders in the governance process, including representatives of vulnerable communities, civil society organizations, and independent experts”.

Asian, Latin American and SIDS NGOs all also stressed the need for civil society consultation by governance bodies, including on the processes and requirements to access funds. One SIDS NGO also recommended that CSOs be given voting power as part of the governance body. Another SIDS NGO suggested that the review process for proposals submitted to access funding should include representatives of the communities relevant to the proposal, to bring in the perspective of those who understand the local specificities.

Latin American NGOs emphasized the need for a science-led approach to governance of the fund, rather than one based on political will; this would entail a science-based approach to determining the scale of funding, the beneficiaries and their needs.

Moreover, African national government actors stressed the need for “inclusion of diverse stakeholders in the governance process” to ensure transparency and accountability.

African NGOs also raised the idea of decentralized and devolved finance, with checks and balances over allocation and spending implemented at the local level. Finally, an Asian local funder recommended that the governing instruments and mechanisms need to be adaptive, depending on local needs; measures should “be allowed to evolve to ensure that funds are devolved to communities at their earliest possible time” the funder said.

5.3 Access requirements

When it comes to requirements for accessing finance, enhanced direct-access modalities were strongly recommended across the four focus groups, particularly by local NGOs and local government actors; this recommendation aligns with the desire of participants to see community-led approaches prioritized.

For example, Asian NGOs argued that CSOs and existing networks should have direct access to the fund both because they are already working with vulnerable communities, and because this would reduce the bureaucracy of working with other intermediaries. They therefore advocated for the fund to provide technical support to local organizations to build their capacity to receive funding. This was echoed by a SIDS local-government actor, who suggested that the best way to have community-level impact is for communities to directly access the fund with relevant safeguards in place, rather than requiring a national-level response to funnel finance to individual communities.

Similarly, a Latin American national-government actor stated that national designated entities “act as a filter” that can determine which projects are approved and the extent to which community priorities are also prioritized at the national level. As such, an African NGO argued that funds “should be transferred directly to the accounts of NGOs so that they can disburse these funds directly to Indigenous Peoples”, in addition to direct access for Indigenous groups themselves.

This goes hand in hand with the need for access support, which was a key theme emerging from the Asian focus group. Asian NGOs highlighted the need to build the capacity of local organizations so that they can better develop project proposals, increase their ability to win funding, and build HR and financial systems to improve the management of such funds.

The need for simplified access procedures compared to conventional climate finance echoed the widespread accessibility concerns presented in Chapter 4. An African national government representative argued that “climate finance application processes should be simplified to make them more accessible and user-friendly for developing countries”, with clearer guidelines and instructions, streamlined reporting requirements, and reduced administrative burdens. This was reiterated by a SIDS national government representative, who stated that the fund should not constantly change the criteria and requirements for access.

Participants raised the option of using needs assessments as the basis for determining access to funds. For example, an Asian national government representative highlighted that post-disaster needs assessments already being conducted could serve as a basis on which to apply for funds. Other ideas raised included: adopting differentiated criteria to give more at-risk countries easier access funding; providing anticipatory funds to countries that face frequent disasters in advance of sudden-onset events, to be held at the country or sub-regional level and triggered when a disaster occurs; and supporting translation or providing the ability to submit proposals in local languages.

More broadly, the need to adhere to principles of transparency and accessibility was emphasized. African national government actors and NGOs both stressed that eligibility criteria and selection procedures should be clear and transparent, and that allocation decisions should include NGOs and consult affected communities.

5.4 Financing instruments for the L&D fund

The most recommended financing instrument for the L&D fund was small grants or direct cash transfers through cash handouts and direct transactions. An African NGO representative, for example, stated that “funding must be in the form of small grants through direct calls for projects”. An African national-government actor echoed this, stating that small grants can provide flexible and accessible funding for vulnerable communities and hard-to-reach areas. A SIDS NGO representative stated that the fund could include a dedicated small grants program or window. These insights were paired with the need for finance to be unconditional, giving people flexibility over the use of funds.

Another theme raised by participants was the need for recipient-led instrument selection. For instance, a Latin American national government actor argued that “the responsibility and reason for funding should guide what the funding looks like, and how it is disbursed”. This was reiterated by an Asian national government representative, who stated that while grants are always welcome, the suitability of instruments also depends on what activity is being targeted and what the funding needs are. Some SIDS actors also emphasized the need for a balance between loans and grants.

5.5 Structures and channels of the L&D fund

When it comes to how funds can be channeled to beneficiaries, devolution of decision-making over its allocation and usage, from international to national and local levels was a key theme. A SIDS NGO representative wanted the fund to operate through regional entities, which would enable regional coordination, South-South dynamics and transboundary approaches with neighboring countries. Some national government representatives preferred having an overview over funding allocation and spending for a country-wide coordinated approach.

Asian and African NGOs as well as several national-government actors emphasized that “funding should go as directly as possible to the community-based organizations”. An African national-government actor, for instance, raised the example of community-

managed funds that provide a mechanism for local communities to manage and disburse L&D finance according to their specific needs and priorities. Participants also emphasized leveraging microfinance or community-based finance mechanisms to support locally led action. An Asian NGO suggested that the L&D fund could learn from the success of locally led adaptation, which often utilizes micro-grants delivered directly to local organizations.

When it comes to determining specific actors who could be eligible to receive funding, Latin American and SIDS stakeholders urged using existing structures that enable learning from past experiences and tapping already accredited local NGOs that have met due diligence requirements. African NGO stakeholder said that local NGOs “are well placed to interact with the communities and know the local situation and system”. On the flip side, a SIDS NGO representative suggested that while independent and bigger NGOs could play the role of grant managers because as they already meet the due diligence criteria of funders, they would also have to focus on reaching out to local organizations. The role of banks was also raised; an Asian NGO representative highlighted that “to make compliance mechanisms easier for local communities, banks can readily provide direct funding to local organizations and should therefore be involved in the dissemination structure”.

Other ideas raised included: going through a trusted international or national intermediary body that is well connected to the local level; adopting bottom-up decision-making structures that allow local governments and communities to pass their voices upward through the fund’s governance; building alliances or consortiums with a referral system so that groups and communities can be better connected to enable easy access for intended recipients; and emphasizing multi-stakeholder coordination between local governments and local NGOs for the use of funds.

The risk of conflicts of interest from those with decision-making power within the fund’s structure surfaced as an issue in discussions. For example, representatives of two African NGOs suggested that the organization managing the funds should be independent to every extent possible so as to avoid potential conflicts of interest (e.g., between national government structures) and ensure that fund disbursement is not affected by political unpredictability. This would be important for ensuring that entities receiving and managing funds can work equitably with all local communities and beneficiaries.

When it comes to the structure of the fund itself, SIDS actors stated that they envision the fund having several different channels or windows, including: a small grants program for households; a window specifically for national governments; and a window targeting local organizations, with simpler and faster access requirements. Participants underscored the need for a multi-tier system of finance, with multiple levels to access funds adapted to the profiles of beneficiaries.

We observed an emphasis that devolved and participatory structures have the potential to empower vulnerable communities. For instance, an African national-government actor recommended that “the L&D fund should prioritize the empowerment of local communities through the provision of technical assistance, capacity building, and other support mechanisms that enable them to effectively participate in the planning

and implementation of L&D projects". Participants also emphasized the need to prioritize rapid application and disbursement mechanisms that limit bureaucratic hurdles and make the process participatory in nature.

5.6 Beneficiaries of L&D finance

The need for funds to reach vulnerable groups and local communities surfaced as the most prominent concern across the regional focus groups' discussion about beneficiaries. Several actors stated that the L&D fund should "prioritize the allocation of resources to the most vulnerable communities in need, based on their specific needs and circumstances". African NGOs and national government representatives recommended that funding "should go as directly as possible to the community-based organizations", and "consider actual needs and are independent from donor or recipient priorities". As such, they also emphasized the role of needs assessments in determining the most vulnerable and affected groups.

The Asia representatives stressed the need for specific allocation of funds for women and youth, disabled groups, remote communities and LGBTQIA+ communities. They also highlighted the need to reach poor farmers and those who fish for a living, whose livelihoods will be affected by salinization and storm surges; and rural communities that are geographically isolated and often unable to access assistance during disasters. This was echoed by a Latin American NGO representative, who stressed the need to prioritize rural and coastal communities who depend on ecosystem services for their livelihoods. They also emphasized the need to reach Indigenous communities that are marginalized by social, economic and structural inequalities. A SIDS national government actor raised the need to prioritize specific individuals who have particular needs, such as people with disabilities, young people, the elderly, and Indigenous People.

The issue of which countries should be eligible to receive funds, and how to define which countries are "particularly vulnerable", was discussed only in the SIDS focus group. SIDS participants viewed criteria that exclude middle-income countries from eligibility for some funds to be a barrier for access to climate finance. A SIDS local NGO representative stated the need to overcome eligibility restrictions for small island states by focusing not only on GDP, but on the multi-dimensional nature of vulnerability. Similarly, a SIDS national-government actor raised the need for the fund to include a multi-criteria vulnerability index to go beyond GDP and consider which countries would be eligible to receive funds.

5.7 Reporting and accountability requirements

When it comes to reporting and accountability requirements for the fund, African actors in particular emphasized the need for an independent entity responsible for oversight and conducting evaluations. For example, an African NGO representative stressed that "the funding should go as directly as possible to the community-based organizations, with supervision from a committee for monitoring, transparency and guidance purposes". The need for independent control over local-level dissemination was also emphasized, with African NGOs representatives arguing that there should be

monitoring and reporting to compare the proportion of funding that reaches communities or pays for organizations' internal operations.

Both African NGOs and government actors highlighted the need for multi-stakeholder, participatory monitoring and learning processes, with cooperation between different governmental and non-governmental actors to determine whether affected people have effectively received the support required. One African national government representative, for example, stated that the fund “can include the use of participatory monitoring and evaluation methods that involve local communities in the data collection and analysis process”. The need for transparency was also emphasized.

In the Asian focus group, a local funder also stressed the need to hold developed countries accountable, and how civil society can play this role. This could involve bringing in legal language, such as the rights of indigenous communities, to hold polluters accountable to meet their responsibility to pay for damages caused. An Asian NGO representative highlighted that monitoring will also aid in the capacity building of communities. A Latin American national government representative also highlighted the importance of monitoring, particularly to ensure that finance disbursement does not generate further conflict.

5.8 Mosaic of solutions

Though the relationship between the L&D fund and other existing institutions and funds within and outside the UNFCCC was not a focus of the discussions, participants did raise ideas to increase the relevance of the L&D fund within the “mosaic of funding”. An African national government representative saw countries, international organizations and the private sector as key actors to achieve the objectives of the fund: “leverage resources, share knowledge, and build capacity for climate action”. An Asian local funder stressed two points: that bilateral finance should remain accessible even after the L&D fund is established, and that reforms are also needed in development finance and the international aid architecture. One SIDS NGO representative advocated for the new L&D fund to be independent of the UNFCCC and situated outside of the UNFCCC to avoid encountering the same problems and challenges being faced by existing climate funds: e.g., politization, lack of speed, nationally driven processes (Bakhtaoui et al., 2022; Shawoo et al., 2021).

6 Key takeaways for operationalizing an effective L&D fund

The focus group discussions that underpin this report were conducted based on the premise that the form of the L&D fund should follow function. The structures, modalities, and activities we present as potential vehicles for operationalizing the L&D fund in this chapter are informed by the priorities and needs as articulated by our participants – who themselves represent different parts of the world, and different types of experience in governments, civil society organizations and NGOs.

This report aims to inform the process that lies ahead to operationalize the fund so that it can be as effective and beneficial as possible to the victims of climate change. This is the task that the Transitional Committee will undertake, and we invite members of the committee to continue the work begun by this report by consulting stakeholders who can offer as many perspectives as possible about the many lived realities of climate change. We urge the committee to consult those most vulnerable to climate change from marginalized groups (e.g., women, youth, indigenous people, the LGBTQIA+ community, people with disabilities, poor people in rural and urban areas, communities established in informal settlements, and ethnic and religious minorities).

The participants in our focus groups raised a number of dilemmas and questions that must be dealt with if the L&D fund is to achieve its aims. Based on the insights from the focus groups, we offer four reflections about key issues that must be addressed:

6.1 Adopt participatory and representative decision-making approaches

Call: Address the need for independence and inclusivity in various aspects of the L&D fund's decision-making process to ensure fairness and accountability. The L&D fund should ensure the independence of the actors who operate different key functions, such as deciding how funding should be allocated, choosing recipients, determining activities to be undertaken, addressing implementation issues, and conducting monitoring and evaluation. Science and needs should be a basis for this kind of decision-making. Participants advocated for a form of governance that guarantees the legitimacy of the work of the L&D fund and does not impede the agency of national and local beneficiaries of the fund to respond to L&D. Inclusion of civil society in governance structures was brought up as a way to achieve just that.

Context: For many years the lack of democracy of global governance has been criticized, notably because of the absence of plural stakeholder groups, and the lack of checks and balances (Scholte, 2002). In UNFCCC climate funds, for example, civil society has sought more representation and voting power on the governing boards – with little success outside of the Climate Investment Funds (Fry, 2011; Godoy, 2013). Existing funds tend to rely on a small pool of actors (e.g., national governments, multilateral organizations) to govern the fund, receive the funding, and implement activities; this may result in an unfair or inefficient use of resources. In our focus groups we observed that the trust of civil society participants in the ability of multilateral climate

finance to serve their needs has eroded. Most requested that the fund use more participatory decision-making processes. An Asian stakeholder summarized:

“Engage local communities - not just in a tokenistic way - but actually hear them out, incorporate their voices. We need a participatory approach from the very start. The local communities’ voices need to guide the entire process, from inception of the idea, to acquiring the funds, to the implementation.”

Options: The L&D fund could address these issues by improving the representation of civil society in the governance of the L&D fund. For example, the Global Fund to Fight AIDS Tuberculosis and Malaria reserves seats for civil society within the board or governance structures. Despite the use of such measures, however, questions remain about how to make such representation legitimate and representative. A board of civil society representatives cannot fully represent the interests of all vulnerable groups, particularly those who are the most marginalized.

The Global Greengrants Fund could serve as an inspiration for the devolution of decision-making processes to civil society. The Global Greengrants Fund relies on the recommendations of 24 regional and thematic advisory boards made of 200 volunteer experts for its recipient selection, allocation, and learning activities. Such experts are environmental leaders, activists, lawyers, and organizers, who have deep knowledge of the environmental, organizational, and socio-political landscapes. A similar structure could be replicated with specialist panels representing civil society (particularly most marginalized groups such as religious, ethnic, sexual and gender minorities). These panels would be able to provide information, context and tailored recommendations on different aspects of L&D and best approaches to address them.

We note that inclusivity as presented in these examples often comes at the expense of speed, which is crucial for emergency aspects of L&D response, and often requires capacity building for recipients. In the case of the L&D fund, decision-making processes can be streamlined by establishing protocols and by relying on anticipatory planning and trigger-based responses, rather than waiting to agree on an action plan in the wake of an event. Inclusive decision making is furthermore compatible with responses to L&D resulting from slower pace and more predictable events.

6.2 Provide direct access windows to local-level applicants

Call: *Combine country-level funding programs for nationwide response to L&D with options for local-level households and local communities to access funds directly.* Participants advocated for small grants and direct cash transfers as ways to reach these lower levels. Such measures would align both with calls for devolution of decision-making power, and requests for rapid disbursement of funds after disasters without taking away from the agency of local-level actors. They are also compatible with addressing L&D from slow-onset events at the local level and promoting self-determination and needs-based approaches.

Context: There was consensus that L&D finance should ultimately serve the local level. Nearly all participants expressed an interest in increasing the autonomy and agency of households and communities over their L&D response activities. They especially stressed that local actors were capable of receiving and managing L&D finance.

Many of our participants stressed that national governments are inescapably involved in the issues the L&D fund must address. Nationwide coordination, long-term sustainability of interventions, and systematic reduction of inequalities and injustices rely on support from national institutions through public support, the adoption of national resilience strategies, the development of social safety nets, and changes of the law. The fact that the L&D fund is emerging from a multilateral, country-led process also makes it unlikely to function without the involvement of national governments.

Yet, in the wake of disasters, institutional response is generally slow and incomplete; meanwhile, the survival and recovery of affected households largely depend on the availability of cash and the support of local NGOs and informal networks (Knox Clarke and Hillier, 2023). Civil society representatives in the focus groups raised concerns about the lack of access to L&D finance resources at the local level (Omukuti et al., 2022). Some pointed out that there are very few windows dedicated to locally led action in the current climate finance architecture. Some participants feared that national governments may act as gatekeepers in the distribution of L&D funds – a concern when interests and priorities of local communities differ from those of national governments, and particularly in situations in which national governments oppose or have conflicts with certain vulnerable groups and communities, such as certain ethnic minorities.

Options: Establishing local-level access to finances as one of the priorities of the L&D fund would be an easy win for its operationalization. A straightforward option to enable local access to climate finance is to open a small grants window or program accessible to local NGOs and community networks. The UNDP GEF Small Grants Program, and the Dedicated Grant Mechanism of the Climate Investment Funds' Forest Investment Program could be a source of inspiration. Such an approach can also be combined with enhanced direct access modalities. We recommend that the TC learns from experiences of the GEF and AF, which come with some limitations (see Section 6.1).

First, the GCF and AF EDA are provided with the condition that the national government of the country involved approves the projects funded. Such provisions again raise concerns about potential conflicts of interest between national and local actors and marginalized communities that may have difficult relationships with their national governments. Second, devolving decision-making may furthermore only shift power struggles, conflicts of interests and injustices to a lower level (Omukuti, 2020). Third, not all communities want to deal with managing funding; some would certainly prefer to rely on a third party. In these situations, national and local governments, independent organizations or local NGOs could act as an intermediary fund manager; if third parties do not have conflicts of interest, and if safeguard are put in place to prevent misuses of funds, such third parties could be effective conduits for local-level finance.

6.3 Build institutional and technical capacity to respond to losses and damages through learning-by-doing approaches

Call: *Use the L&D fund to build capacity so that local communities and vulnerable countries can accumulate needed human resources, use available technologies, and acquire the know-how to manage and use financial resources.*

Context: The challenge with enabling locally led decision-making and implementation is that it takes time and requires a lot of readiness efforts. Our participants were fully aware of these challenges, as evidenced by the recurring theme of capacity building in our focus group conversations. Capacity building as defined in these discussions incorporated many channels. Frontline communities require capacity building to help inform them about climate change itself, the related losses and damages that can occur, and ways to access resources to address these impacts appropriately. Our focus groups also stressed that communities need capacity building to both apply for funding and to use such funding; at present there is limited know-how and scant resources (human, technical and financial) to follow through with applications and implementation processes. As a result, capacity-building support was identified as a key activity that the fund should implement and enable through its funding.

Options: In other climate funds, capacity building is either the focus of projects or enabled through dedicated readiness funding windows supporting the accreditation process of national recipient entities for direct access and the preparation of projects. For example, the Climate Investment Fund's Pilot Program for Climate Resilience provides funding to integrate resilience in national plans and policies. The Adaptation Fund and Green Climate Fund offer readiness support for countries to become accredited and to develop project proposals. Yet despite these support options, the accreditation and funding cycles for direct access entities is still very slow for both the AF and the GCF. These options also tend to leave most vulnerable nations and populations on the sidelines.

The L&D fund could improve these capacity-building approaches by adopting flexible due diligence requirements that vary with the risks associated with each project. It could also endorse a learning-by-doing approach in which recipients could prove and improve their funding management capacity through small-scale pilot projects combined. Successful implementation of such projects could subsequently ease access requirements for larger sums.

Capacity to adequately respond to current and future L&D could be enabled by offering access to networks of experts (e.g., scientists, practitioners, lawyers, Indigenous Peoples) who can advise on recovery options, strategies, and solutions as well as on future risk scenarios, as implemented by the Global Greengrants Fund (see Section 6.1). In the context of the UNFCCC, the Santiago Network on Loss and Damage could play a role as well. Transparency about evaluations of and lessons from past activities is also crucial to improve the capacity of affected communities to better respond to future L&D.

6.4 Adopt comprehensive, full-spectrum approaches to L&D finance that promote human rights and dignity

Call: *Adopt a flexible approach in defining which activities warrant L&D funding, guided primarily by the needs and values of affected communities and by the imperative to promote and protect human rights and dignity. Enable continuity through the different stages of recovery from climate impacts.*

Context: Defining the boundaries between loss and damage and adaptation has been a puzzle for both the practitioner and research communities (Boyd et al., 2017; Huq et al., 2013). The most widely used categories for L&D response activities distinguish actions to address losses and damages from rapid-onset events (such as hurricanes and sudden floods) on the one hand, and from slow-onset events (such as gradual sea-level rise and desertification) on the other hand. Another set of categories for activities is whether losses and damages have a clear economic value (such as those caused by the loss of jobs and damage to properties) or whether they involve matters that are harder to value (such as losses of biodiversity and impacts on mental health). Some TC members wish to use these categories to define the scope of activities funded by the L&D fund, and even want to narrow this scope to specific categories (i.e., slow onset events and NELD).

Creating rigid labels to track L&D finance at the funder level may be needed to some degree for accountability to funders, especially to ensure that the funding won't be misused. But it could also be impractical and burdensome for beneficiaries by restraining flexibility over the spending of funding. A participant gave the example of funding given to their community to diversify their agricultural income. The funding was tied to a set of predefined activities agreed between the funder and the NGO leading the project. However, neither of them had anticipated that the community would need to buy a motorized vehicle to be able to implement these activities. The strict scope of the funding prevented them from using the funding to purchase a truck, even though it was a necessary preliminary step to achieve resilience.

Focus group participants therefore recommended flexibility in defining the scope of activities that the L&D fund could cover, and that such activities should aim to actually answer the needs of the population, and to promote and protect their human rights and dignity. The TC, by opposition, has emphasized analysis of thematic gaps to define the scope of what the L&D fund should include. This thematic approach raises a continuity issue. Participants in our focus groups worried that creating rigid boxes of eligible activities (e.g., for SOEs or NELD exclusively) would further fragment the finance architecture and impede accessibility. For example, effective support would be undermined if victims of climate change had to reach out to one organization to support the emergency resettlement of populations, to another to support livelihoods, and to a third for reconstruction of houses. Strict mandates would also prevent them from adapting allocations and activities as their situation evolves, an important consideration given the often unstable and unpredictable nature of the crisis.

Options: Participants advocated for L&D actions that break down the silos that exist between L&D, humanitarian, development, and adaptation finance on the

ground. They invited funders to consider other forms of inequality that intersect with widely used interpretations of losses and damages. We suggest that, instead of defining activities according to strict categories, the L&D fund could follow a needs-based approach, and use needs assessments that rely on value-based approaches to define losses and damages (Tschakert et al., 2017; ICCCAD, 2023). Such approaches have the potential to target interventions around the self-identified needs and priorities of the population, and increase the relevance of interventions.

We furthermore suggest that the fund create continuity between its own work and the wider L&D funding arrangements by enabling roadmaps and comprehensive support across the climate-development-humanitarian spectrum. Such an approach would prioritize anticipatory planning and action for vulnerable countries, integrate various climate mitigation and adaptation plans (e.g., NDCs, NAPs) with other development plans, and ease access to follow-up support from big funds (e.g., L&D fund, AF, GCF, GEF, World Bank) and UN agencies (e.g., IOM, UN OCHA, UNDRR) to enable a more comprehensive support of particularly affected countries and most vulnerable populations.

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Annex A – Detailed methodology and stakeholder engagement results

Our team organized a series of regional focus groups to gather inputs from key actors at the recipient level on how the loss and damage fund can be designed to best serve the needs and priorities of vulnerable and marginalized communities. This included exploring critical questions on the best modalities for ensuring accessibility to the fund as well as most suitable channels to reach “the most vulnerable population” efficiently and without undermining human rights. We referred to standard methodologies and guidance for the design and implementation of our focus groups (Krueger, 2002; O.Nyumba et al., 2018).

We present here the key design elements of the focus groups, the methodology, the attendance results for the focus group, and resulting limitations of our report.

Given the lack of clarity of the terms “developing countries that are particularly vulnerable” and “most vulnerable populations” we opted for the broadest understanding of these terms to decide our participant inclusion scope. We included stakeholders from all Global South countries and divided them into four regional focus groups: Asia, Africa, Latin America and Small Islands (we acknowledge that small islands are not a region, but the group gathers principally small island Pacific nations, Indian Ocean small islands, and Caribbean islands who face similar challenges due to their insular and low-lying nature).

We furthermore relied on a stakeholder mapping exercise done by Bakhtaoui and Shawoo (2022) to target four actor types for our focus groups: national governments; sub-national governments; local public and private funding entities and entities accredited to UNFCCC climate funds; local NGO representatives and representatives of local communities (see figure 6). We decided to focus on organizations and individuals involved in direct and concrete action in responding to L&D (a list of potential relevant activities is presented by Shawoo et al. (2021))

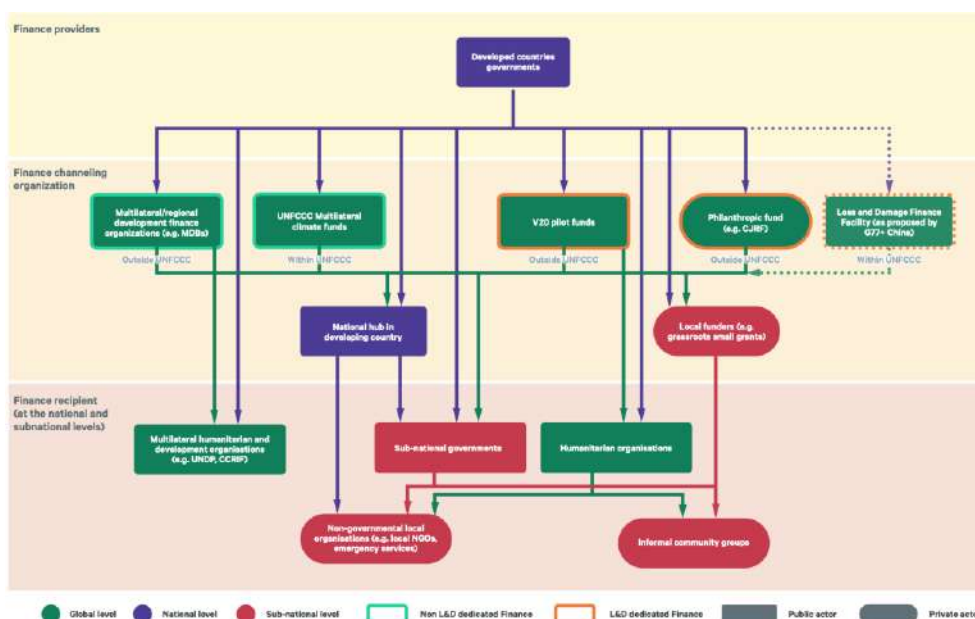


Figure 6 Flow of loss and damage finance and its stakeholders (Bakhtaoui et al., 2022)

We decided to only include stakeholders based in the Global South and whose organizations are based in the Global South, therefore excluding Global North based NGOs with local offices in Global South countries, as well as multilateral humanitarian and development organizations. This decision was motivated by the desire to prioritize the views and expectations from Global South recipients, and to avoid and minimize tensions and discomfort between participants resulting from colonial power dynamics or conflicts of interest (Sim and Waterfield, 2019).

The focus groups were centered around (a) the needs of participants in order to address L&D, (b) the barriers met by participants to access funding to meet these needs and (c) solutions, structures, modalities and activities that the L&D fund should implement to lift these barriers and meet these needs. The detail of the questions asked are included in Annex B, and at the beginning of each result chapter (Chapter 3 for needs, Chapter 4 for barriers and Chapter 5 for solutions).

We defined Loss and damage finance to our participants as finance for activities to avert, minimize and/or address loss and damage. Because the first two categories are largely covered by mitigation and adaptation finance, respectively, we explicitly established a focus on the largest gap: addressing losses and damages that have already occurred or are unlikely to be avoided, in alignment with the mandate of the TC.

The focus groups were held virtually (on Zoom), and in English (participants were informed of the modalities before their registration). The conversations were held and recorded in breakout groups per stakeholder type (i.e., a national government breakout group, a local funder breakout group, etc.). We furthermore held the focus

groups under the Chatham House Rule⁹, and offered our participants the possibility to remain anonymous.

Our team aimed for about 6-10 participants in each breakout group. We also wanted to ensure that local NGOs and community representative break out groups would include stakeholders representing marginalized or discriminated communities that face compounding vulnerabilities: women, youth, indigenous people, the LGBTQIA+ community, people with disabilities, poor people and slum dwellers.

We promoted our focus groups via an expression of interest form that was shared publicly on our organizations' respective websites and social media channels, as well as through mailing lists, networks, key contacts and targeted research, following a snowballing methodology. We used the data collected via the expression of interest forms to select 10 participants for each breakout group that we wished to invite to our focus groups, and 10 backup participants in case of refusal/no-response from stakeholders invited initially. We aimed for a balanced representation of genders, countries, and vulnerable groups.

Our expression of interest form received 393 responses. The overwhelming majority of respondents belonged to the local NGO category. We encountered difficulties to identify the local government's representatives, in particular in SIDS and in Africa. While we identified many relevant local funders and local NGOs representing vulnerable groups, we found it particularly difficult to reach out to them and get them to register to our event (in particular indigenous, poor and homeless, LGBTQIA+, and disabled groups). We attribute this limitation to a language barrier as well as the barrier created by the virtual setting.

A lot of people who expressed interest in the event did not register once invited. Finally, a lot of people who registered did not attend the event. Attendance was as follows: We had 43 participants in total (over an objective of 96 to 120 participants). Disaggregated participation figures are presented in figures 7 and 8 below.

Category	Subcategory	Number of participants
Region	Africa	13
	Asia	14
	LATAM	4
	SIDS	12
Gender	Male	19
	Female	24
Stakeholder group	NGO	23
	National government	10
	Local government	7
	Local Funder	3

⁹ "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed" (chathamhouse.org)

Special focus on a vulnerability (for NGOs only)	LGBTQIA+	2
	Indigenous people	5
	Youth	8
	Women and gender	2
	Disabled	0
	Homeless or in informal settlement	0
	None	4
	Multiple (network or coalition of NGOs)	4

Figure 7 Summary of attendance per category

	Asia	Africa	Latin America	SIDS
NGOs	7	8	2	6
National government	2	1	2	5
Local government	2	4	0	1
Local funder	3	0	0	0

Figure 8 Summary of attendance for each regional focus group per stakeholder type

Because of the limited attendance of various stakeholder groups (in particular local funders and local governments) for all the regional focus groups, we proceeded to merging some of the breakout groups after obtaining the agreement of the participants. For each situation, we considered the following merging acceptable because each participant came from a different country, which limited the risk of bias through peer pressure.

To address the lack of representation from vulnerable groups we invited all the registered participants who could not attend the meeting to provide their inputs on the questions asked in the focus group in a written format. We received two additional contributions which were added to the analysis. We furthermore acknowledge that our focus group did not include representatives of the private for-profit sector (companies). The validity of our results is limited by the quality and size of our sample.

The focus group conversations were recorded, transcribed and analyzed using a mix of an inductive and deductive methodology. The data was coded against each of the main big theme: recipient needs, funding access barrier, solution options for the L&D fund. We used an inductive methodology for recipient needs and access barriers by identify recurring and relevant subthemes. For solution options for the L&D fund we coded the responses according to the seven key elements of the fund that we wanted insights on: sources of finance; recipients of finance; governance of fund; structure and channels of fund; financing instruments; access requirements; reporting and accountability requirements; mosaic of solutions; activities of the fund. These key elements had been defined before holding the focus group based on the mandate of the Transitional Committee. Figure 2 provides a representation of these elements, their definition and links.

Annex B – List of questions asked in the focus groups

Needs related to responding to L&D

Which community needs go unfunded?

What activities required loss & damage finance?

What is your respective organization doing to address those needs?

What kind of additional support is needed?

Barriers to accessing L&D finance

What are the current challenges and barriers that you face in accessing existing climate finance?

What kinds of international support are needed to overcome them?

How well do existing local institutions function in delivering funds to those in need?

What additional structures may be needed to channel loss and damage finance to the local level?

Solutions for the L&D fund

How can the fund be structured and governed to ensure that finance reaches the most vulnerable communities in need, particularly marginalized populations, including in non-democratic contexts?

How can the fund ensure that communities have sufficient decision-making power in the use of L&D finance?

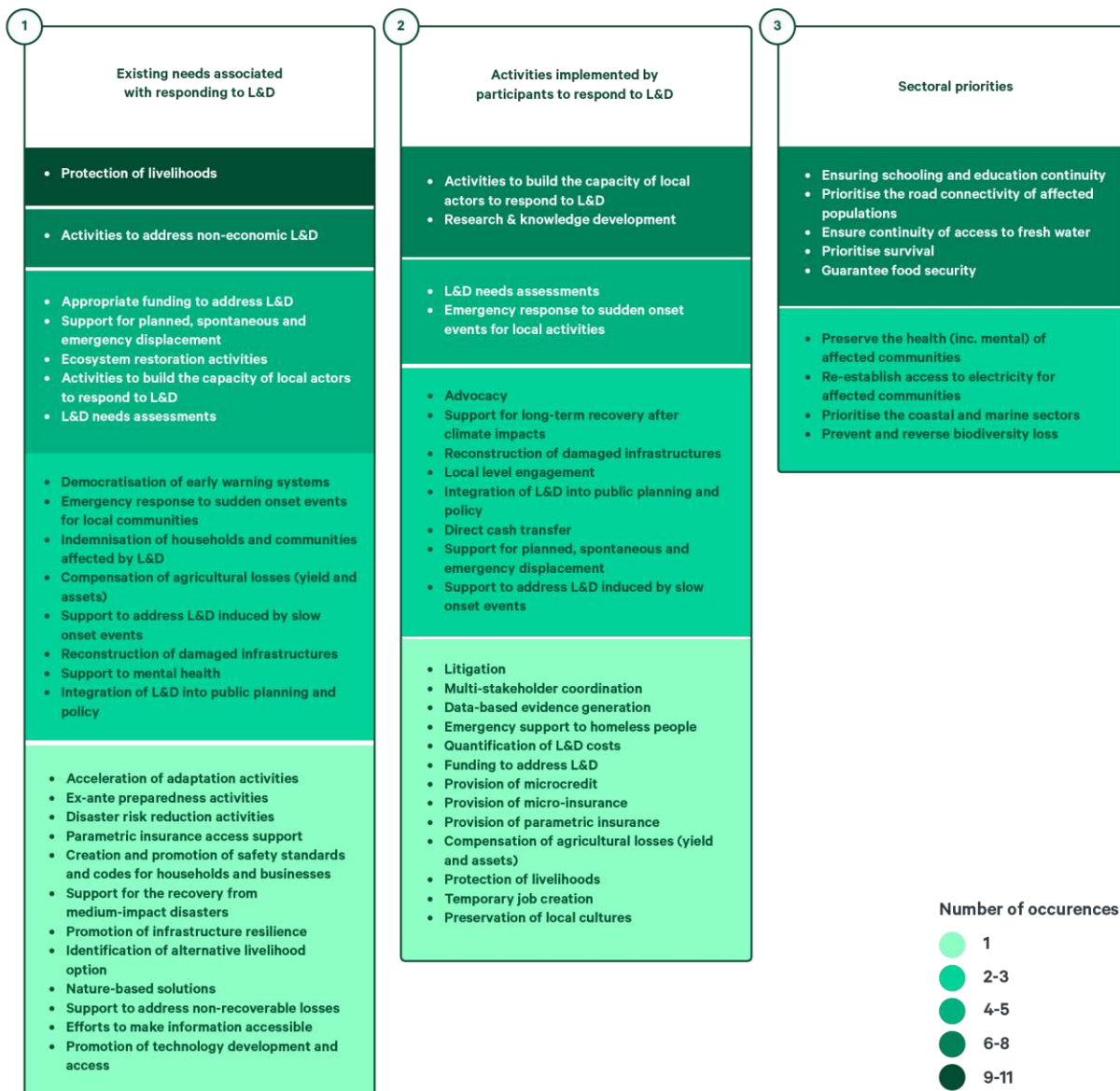
Are there any examples from existing climate or development finance that could be replicated?

What should be the modalities for accessing and for disbursing finance (eg: project based, small grants, unconditional cash transfers or another modality)?

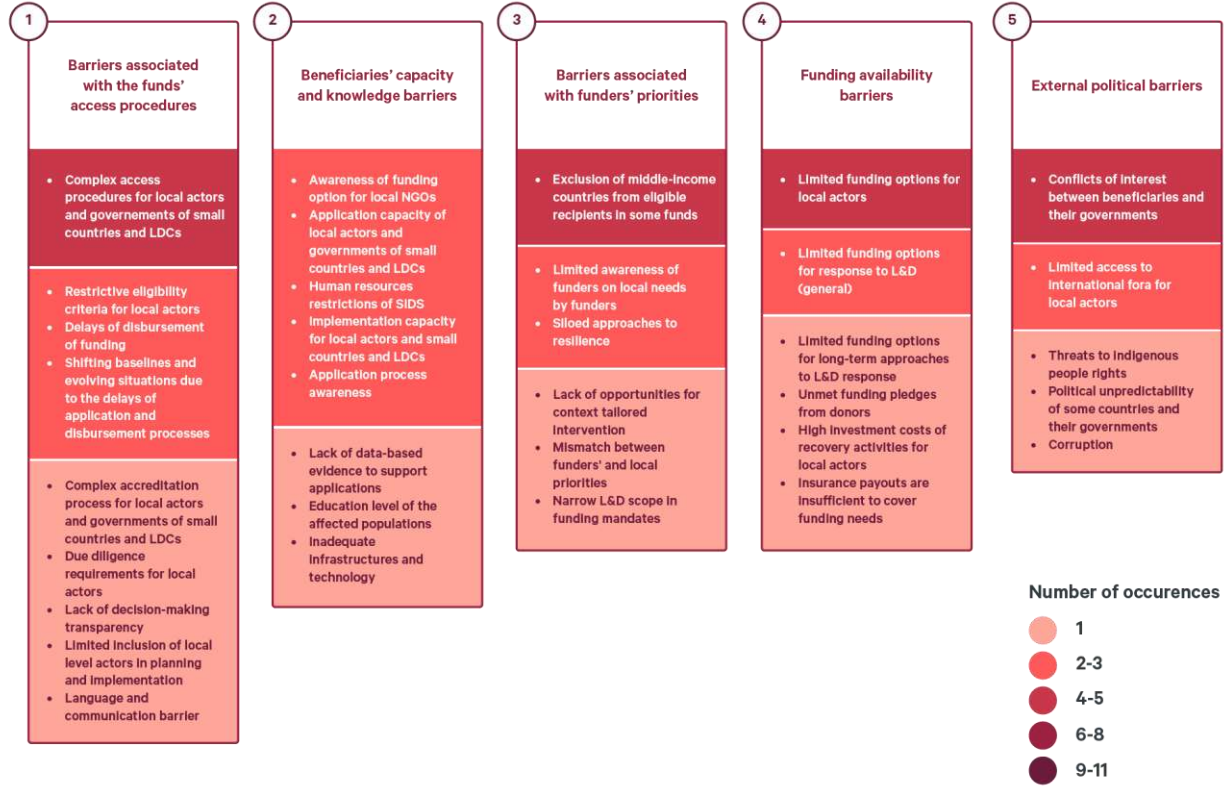
Annex C – Complete overview of responses given in the focus groups

The figures below show an overview of all the responses given in our focus groups, as coded by our team. The responses are presented following the categories and chapters of the report, and sorted by the frequency of occurrence for each answer.

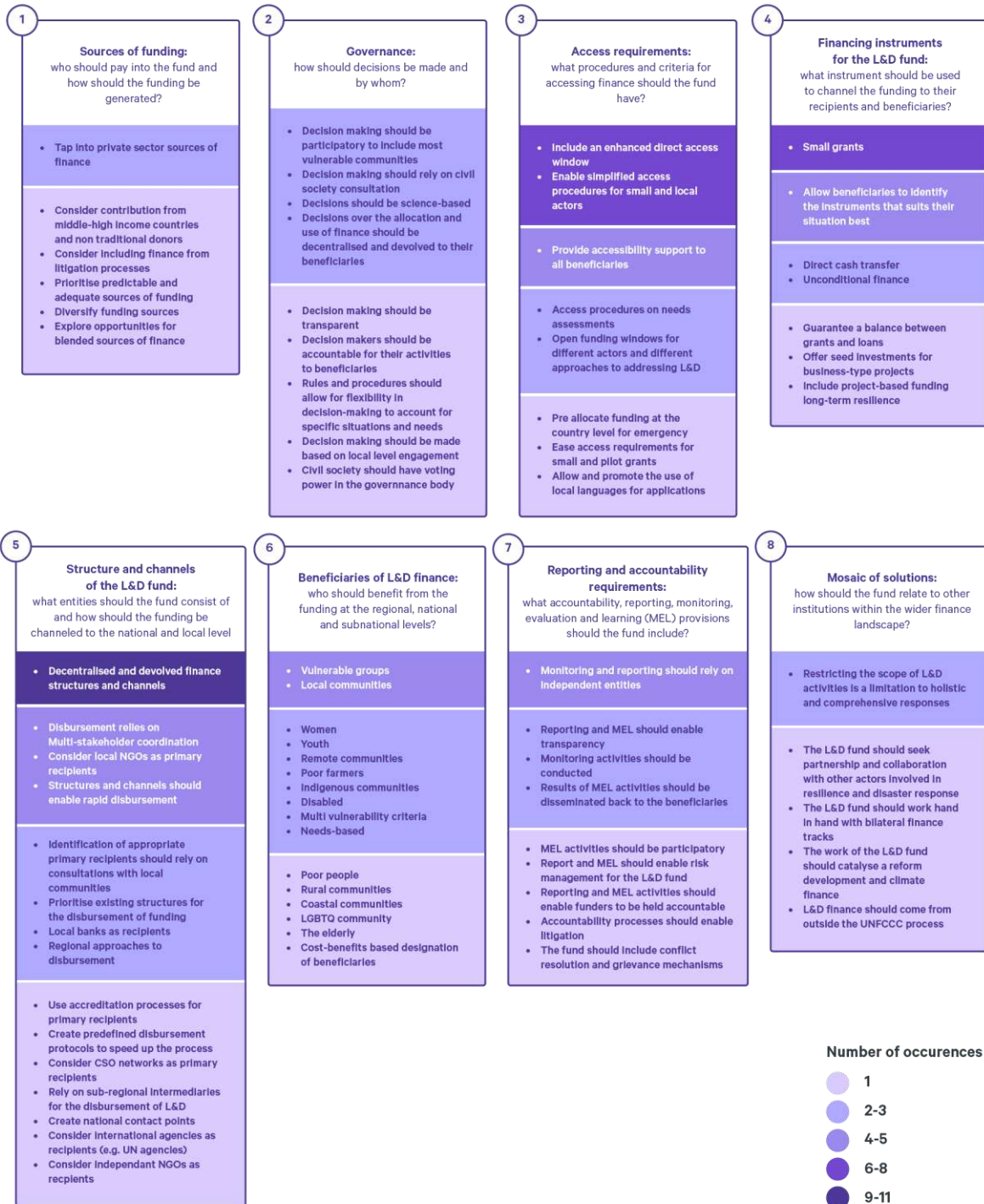
Needs and existing responses to addressing L&D



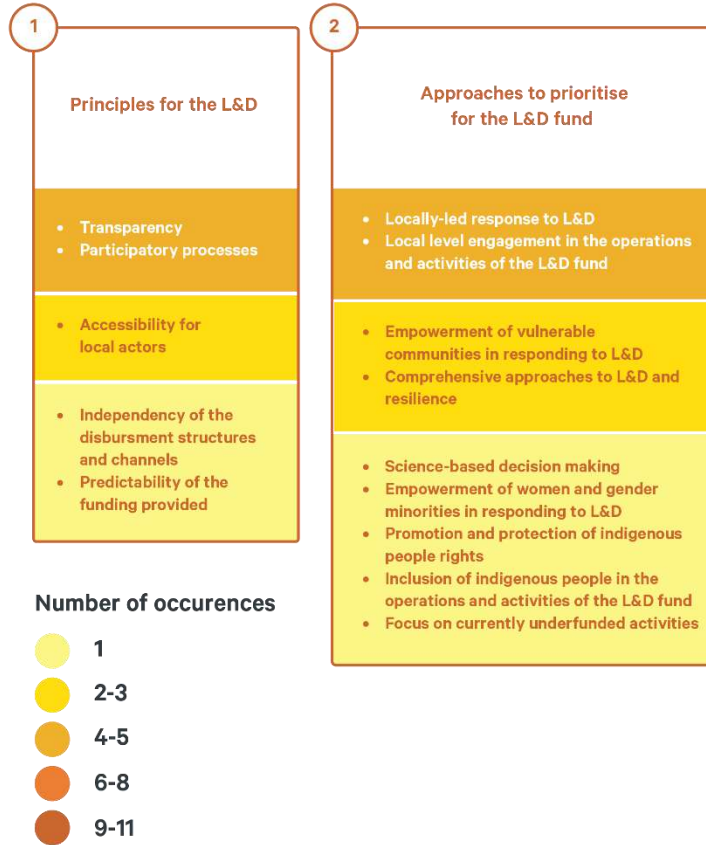
Barriers in accessing L&D finance



Recommendations - making the L&D fund work for its recipients and beneficiaries



Priorities and principles of beneficiaries to guide the operationalization of the Loss and Damage fund



International Centre for Climate Change and Development

International Centre for Climate Change and Development (ICCCAD) is one of the leading research and capacity building organizations working on climate change and development in Bangladesh. ICCCAD's aim is to develop a world-class institution that is closely related to local experience, knowledge and research in one of the countries that is most affected by climate change. It is our mission to gain and distribute knowledge on climate change and, specifically, adaptation and thereby helping people to adapt to climate change with a focus on the global south. By focusing on such work in Bangladesh, ICCCAD allows international participants to gain direct knowledge of the issues in a real-world context. Through the expertise of ICCCAD and its local partners, international organizations will be exposed to relevant and grounded knowledge that can be shared and transmitted around the world for the benefit of other LDCs, and their governments, donors and international NGOs.

ICCCAD aims to be a global Centre of Excellence on Climate Change and Development research based in Bangladesh, where Climate Change has a significant impact. As a global Centre of Excellence, ICCCAD wants to build and lead a network of Southern based partner institutes, together educating the world about Climate Change and Development and increasing capacity in the South.

Stockholm Environment Institute

Stockholm Environment Institute is an international non-profit research and policy organization that tackles environment and development challenges.

We connect science and decision-making to develop solutions for a sustainable future for all.

Our approach is highly collaborative: stakeholder involvement is at the heart of our efforts to build capacity, strengthen institutions, and equip partners for the long term.

Our work spans climate, water, air, and land-use issues, and integrates evidence and perspectives on governance, the economy, gender and human health.

Across our eight centers in Europe, Asia, Africa and the Americas, we engage with policy processes, development action and business practice throughout the world



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Development



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