

# Strengthening Loss and Damage Narrative: Building cohesive voices with policymakers and civil society in Bangladesh

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## Key Messages

1. Bangladesh has a robust climate policy framework, NAP, NDC and MCPP. While these policies primarily focus on ambitious climate targets, they acknowledge the challenge of mobilizing financial resources, with varying degrees of attention to loss and damage.
2. Despite the integration of DRR and adaptation measures in existing policies, there is a recognized need for separate policies specifically targeting loss and damage. The lack of significant developments at the national level necessitates dedicated plans for effective management.
3. The Government of Bangladesh has initiated to establish a multi-actor partnership leading to establishment of a national mechanism on Loss & Damage.
4. Although Bangladesh has dedicated climate funds like the Bangladesh Climate Change Trust (BCCT), challenges such as limited funding, coordination issues, and inadequate transparency mechanisms affect their utilization.
5. Mobilizing Funds and Multi-Actor Partnerships: Recognizing the insufficiency of national sources, there is an emphasis on prioritizing grants from international entities for loss and damage needs. The call for enhanced multi-actor partnerships involves coordination with the private sector, financial institutions, NGOs, and local organizations. The shift towards sectoral budgets is also highlighted for more targeted resource allocation.

## Introduction

Bangladesh has been striving for years to shift its narrative from being climate vulnerability to resilience. Over the years, it has managed to build itself as one of the climate-resilient countries, despite the geographical vulnerability, through building efficient early warning systems, community-led disaster management, and women's leadership in resilience efforts. However, communities in Bangladesh continue to face existential crisis due to increasing climate variability and exacerbating extreme events - both rapid and slow onset, leading to losses and damages for vulnerable countries and communities. The increasing frequency and intensity of climate change impacts – both economic and non-economic – makes it necessary to place loss and damage at the center of climate discourse.

The topic of loss and damage gained significant momentum at the global stage following the 27th Conference of the Parties (COP) under the United Nations Framework Convention on Climate Change (UNFCCC) in Sharm-el-Sheikh, Egypt. Prior to COP27, there was a noticeable reluctance to acknowledge the concept of Loss & Damage, particularly in relation to providing compensation to countries in the global south. However, emerging evidence about the inevitability of loss and damage has cemented the fact that international monetary support will be needed for developing

countries to address loss and damage, with the climate finance structure lacking a dedicated funding stream for addressing loss and damage, as previously highlighted. <sup>(1)</sup>

At COP27, a breakthrough agreement was reached to set up a funding arrangement for financing loss and damage, accompanied by the formation of a Transitional Committee (TC) tasked with the responsibility to report back with recommendations on the institutional arrangements, modalities, funding arrangements, funding sources, complementarity with existing funds at COP28. The decision by COP 27 also highlights the need for new, additional and predictable financial resources, and identifying a variety of sources including innovative finance. <sup>(2)</sup>

The innovative sources of financing loss and damage that have been proposed in the discussions around loss and damage so far include carbon pricing, taxations on wealth and financial transactions, catastrophe risk insurance, contingency budget and finance, air & marine levies and solidarity levies, bunker fuels levies, etc.



The IPCC underscores the need for Loss and Damage (L&D) finance to target impacts beyond adaptation and mitigation capacities due to various challenges. The focus should extend to addressing both immediate and long-term effects of rapid and slow-onset events, prioritizing overlooked slow-onset disasters. The L&D fund can allocate financial resources for research, knowledge-building, and community-based actions, aiming to reduce the burden of loss and damage. Faster mechanisms are essential to effectively support affected communities dealing with diverse climate change impacts.

**This policy brief aims to examine the national policy landscape of L&D, and utilize primary expert insights to identify the opportunities for building a cohesive landscape for L&D finance**

<sup>1</sup> IPCC, 2022: *Climate Change 2022: Impacts, Adaptation, and Vulnerability*. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

<sup>2</sup> United Nations Framework Convention on Climate Change (UNFCCC), 2022: *Report of the Conference of the Parties on its twenty-seventh session, held in Sharm el-Sheikh from 6 to 20 November 2022*. [https://unfccc.int/sites/default/files/resource/cp2022\\_10a01\\_adv.pdf#page=11](https://unfccc.int/sites/default/files/resource/cp2022_10a01_adv.pdf#page=11)

## Loss and damage discourse in Policy Framework of Bangladesh

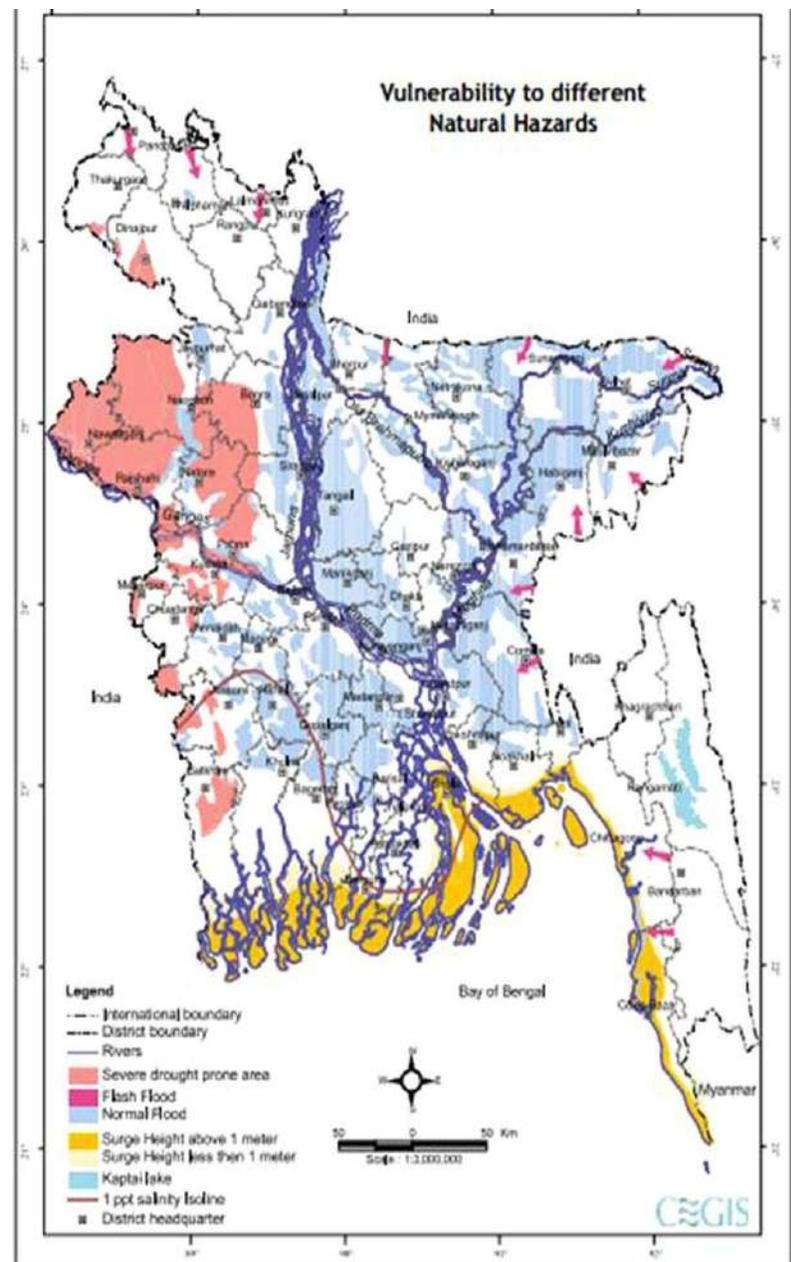
Bangladesh has a strong policy landscape and climate change is no exception. The key relevant climate-change related policies are the National Adaptation Plan (NAP), Nationally Determined Contributions (NDC), and the Mujib Climate Prosperity Plan (MCP), all sharing a common theme of setting ambitious targets related to climate change. It should be noted that while all the policies highlight the need of mobilizing financial resources from both domestic and foreign sources, they also acknowledge the challenge in achieving the latter. The NDC mainly focusing on mitigation, does not mention or address loss and damage, with the NAP's priority being adaptation, but also incorporating loss and damage particularly reconstruction and rehabilitation into some of its goals, instead of offering specific, targeted solutions for loss and damage alone.

The MCP, another national strategy, outlines plan to build resilience, including comprehensive program on disaster risk management, and also introduces concepts of locally-led adaptation hubs to enhance local empowerment and resilience with loss and damage finance.

In addition to these plans, the 8<sup>th</sup> Five Year Plan (8FYP), an umbrella national plan also mentions loss and damage to outline steps in addressing it, which include a comprehensive policy on the integration of Disaster Risk Reduction (DRR) and Climate Change Adaptation (CCA) to address the losses and damages from the impacts of both extreme events and slow onset processes.

These policies have indeed touched upon the subject of loss and damage funding, albeit in various ways. It's worth noting that the concept of loss and damage has been embedded in our Disaster Risk Reduction (DRR) efforts for many years. While these policies are not strongly oriented toward loss and damage funding, they do integrate adaptation measures effectively. The resilience aspect of these policies indirectly addresses loss and damage, especially in the NAP and MCP.

There is a need to develop separate policies specifically targeting loss and damage. The current DRR regime may not be sufficient to address the growing challenges of loss and damage adequately. Various government bodies, including the Ministry of Environment and Climate Change and the Department of Disaster Management and Relief, play pivotal roles in these efforts. However, there is a notable lack of significant developments at the national level for tackling loss and damage issues, which are on the rise over time.



There is a recognized need for separate policies specifically targeting loss and damage, distinct from existing DRR and adaptation initiatives. While initiatives like the formation of a National Mechanism on L&D, under Public People Partnership (PPP) showed progress, substantial developments have been elusive, necessitating a dedicated plan for loss and damage. The Government of Bangladesh had taken initiative to set up a national mechanism on Loss & Damage through a two-year pilot project (Haque et al., 2019). Bangladesh aims to present a fully funded mechanism for addressing loss and damage by COP 29, differentiating between climate-induced and non-climate disasters, with a focus on extreme and slow-onset events.

As Bangladesh looks ahead to COP28, it must prioritize addressing the increasing impacts of loss and damage. Data reflects that to reduce the loss and damage issue more effectively and efficiently it should be incorporated more in the DRR policy (Masrura,2019). To effectively incorporate loss and damage into these policies, an institutionalized approach is also required.

## Key Findings

This policy brief highlights the overview of loss and damage, policy gaps, and exploring the national financial mechanism and resources for loss and damage. Eight key informant information interviews were conducted to gather information with the policy makers and CSOs

- **Existing Funding Mechanism for Loss and Damage:** Although Bangladesh has dedicated climate funds like the Bangladesh Climate Change Trust (BCCT) to address loss and damage, initially focusing on technical assistance, challenges like limited funding, coordination and inadequate transparency mechanisms affect its utilization. However, these funds have no modality of international financing. A national hub can be created within the BCCT dedicated to receive and disburse loss and damage funds with new and efficient transparency and accountability structure.
- **Building Upon National Loss & Damage Mechanism:** The national mechanism for loss and damage is needed for better coordination among all national and international actors in ensuring mobilization of loss and damage finance nationally and locally.
- **Necessity of a Dedicated National Entity:** There is need for a national entity dedicated to loss and damage, for better coordination and a monitoring of activities, initiatives and financial commitments related to loss and damage in Bangladesh.
- **Integration of Loss & Damage Component into National Development Projects:** Inevitable and unavoidable loss and damage makes it imperative for every national development project to take into account a component of loss and damage and possible concerns and effects on the project arising from loss and damage.
- **Mobilizing Loss and Damage Funds from International Levels:** National sources are insufficient to meet the increasing finance needs for loss and damage. This is why, it is important to prioritize grants from international entities to fund loss and damage needs of the country. The system for coordinating international funds needs to be more efficient and streamlined disbursement, with concerns about the readiness of Economic Relations Division (ERD) being raised.
- **Ensuring Equal Access for Local Groups & Community Ownership:** Ensuring equal access to funds for local groups and affected communities, involving a national coordinating body, financing mechanisms, and media engagement. Strengthening local governance mechanisms, including union parishads and Upazilas, and coordination with local actors including local financial institutions, NGOs is vital for effective Loss and Damage (L&D) finance distribution.
- **Funding Provision for Research & Capacity Building:** Loss and damage finance should not only directly fund losses and damages through direct funding, but also to fund research and capacity building activities serving the purpose of addressing loss and damage.
- **Possible National financial sources in light of L&D:** The following sources of instrumental funding were highlighted in the interviews -

- **Carbon Pricing (Polluter pay principle)** - To fund loss and damage initiatives, revenue from carbon-emitting industries can be generated using the Polluter Pay Principles, involving a fee per tonne of carbon emission.
- **Climate bridge funds (CBF)** - The Climate Bridge Fund is a fund that uses blended-financing and revenue-generating mechanisms to provide timely and targeted financial support, facilitating rapid response and recovery efforts in the aftermath of climate-induced events, ensuring that affected populations receive necessary assistance.
- **Levies & Taxes** - Globally, financial options of taxing wealth and environmentally harmful commodities are being explored along with levies on airlines and maritime industry to generate revenue for financing loss and damage from sectors detrimental for climate change. Bangladesh can also explore such instruments.
- **Islamic Finance Instruments** – A growing interest for Islam-based financial instruments such as Sukuk – a Sharia-based green bond, sadaqah and zakat can be utilized by the government for financing loss and damage. However, this would require mobilization of the private sector and coordination with private financial institutions.
- **Insurance** – While insurance is one of the commonly used solutions for protecting against climate induced loss and damage, more research is needed on how it can be utilized against slow onset events that all but guarantee substantial financial losses, such as sea level rise or desertification, or for disasters that occur with very high frequency, such as recurrent flooding.
- **Social Safety Nets** – Social safety nets act as crucial financial cushions and support systems to address climate-induced loss and damage. Examples are social pensions, in-kind and food transfers, conditional and unconditional cash transfers, etc. These provide financial support, aiding in immediate recovery and minimizing economic and social impacts for vulnerable populations, contributing to overall resilience and community well-being.
- **Enhanced multi-actor partnership to address L&D** – Loss and damage affects all sectors, so the approach to addressing it should also be multi-sectoral. While efforts to raise loss and damage funding from national taxes face challenges, exploring options such as taxes on high-polluting industries or leveraging Corporate Social Responsibility (CSR) funding is worth considering. Government should coordinate and partner with private sector, financial institutions, NGOs and local organizations for coordinated efforts towards addressing L&D.
- **Engaging Private Sector through CSR** - The private sector is equally vulnerable to L&D. So instead of providing incentives, government should focus on urging private entities to fulfill their corporate social responsibilities independently, encouraging their involvement in financing loss and damage, opportunities for win-win situations should be explored
- **Shift towards Sectoral Budget** – The government's shift towards sectoral budgets, guided by the planning commission, can lead to more effective and targeted resource allocation for addressing loss and damage impacts in various sectors of the economy.
- **Mechanisms for Accountability, Transparency, Inclusive Representation & Governance** – Effectiveness in loss and damage funding can be enhanced by establishing mechanisms for balanced representation, accountability, and transparency. This will also enable international donors to contribute to L&D funds. Intermediary mechanisms should be eliminated, and funding channeled through the national government for efficient distribution.

## Recommendations

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The following recommendations have been pinpointed to ensure national mobilization of loss and damage finance:

- A scoping study on governance and funding mechanisms related to loss and damage in Bangladesh will help identify the financing gaps and needs, and opportunities of building upon existing modalities to help mobilize loss and damage.
- A periodic review and analysis by the government of the enhanced vulnerabilities and risks, for tracking the changes in the country's climate variability, through extreme weather events Bangladesh faces and responds to it. A mapping of vulnerable communities and relevant actors should also be undertaken annually to identify target groups for the L&D funds.
- The lack of established funding mechanisms and facilities for solely addressing loss and damage, makes it critical to expand upon the initiative of a National Mechanism for Loss and Damage, with Bangladesh creating a global precedent. This mechanism would serve as a central hub for identifying, assessing, and responding to loss and damage issues within the country.
- A comprehensive Loss and Damage strategy should be initiated by the government to outline a national roadmap for outlining objectives, priorities, and actions to nationally address loss and damage impacts.
- Establishing an systematic financing facility for loss and damage in Bangladesh would only be possible by mechanisms that incorporate blended and multi-sectoral representation from various sectors and prevent alignment with personal interests.
- Accountability mechanisms should be put in place, and entities responsible for managing the funds should be transparent and responsive.
- To ensure optimal efficiency of the fund, it is necessary to eliminate intermediary mechanisms that can result in unnecessary delays in reaching the fund directly to the vulnerable community expenditures. Instead, funding should be channelled through the national government, which can efficiently manage and distribute resources. National government organizations should have direct access to the fund, streamlining the process and avoiding extended waiting periods and operational burdens.