BRIEFING PAPER

ExCom Meeting #19

Report on the 19th meeting of the Executive Committee of the Warsaw International Mechanism on Loss and Damage

1 Calls for action for the operationalisation of the Loss and Damage Fund ahead of COP28

Between 19 and 22 September 2023, the 19th session of the Executive Committee (ExCom) of the Warsaw International Mechanism for Loss and Damage (WIM) convened in Bonn, Germany. During this meeting, the ExCom discussed topics such as the ExCom Report 2023, the latest updates from ExCom workstreams, and a special session devoted to the collaboration with the Adaptation Fund (AF).

The criticality of ExCom's work became repeatedly clear in 2023, a year characterised by an unprecedented frequency of extreme weather events. Notable extreme weather events included the catastrophic wildfires in Hawaii and the torrential floods in Libya,[1] the Democratic Republic of Congo, Rwanda, and Uganda,[2] resulting in extensive damage and significant loss of life. The increasing magnitude and frequency of such extreme weather events, coupled with Slow Onset Events (SOEs), emphasise the urgency of intensified mitigation efforts to maintain global temperature increases within the 1.5-degree goal. This was also evident in the run-up to the ExCom during an excursion of ExCom members through the Ahrtal Valley near Bonn, which was devastated by a flood in 2021.

However, 2023 was not just a testament to the escalating climate crisis. It marked a pivotal juncture in addressing Loss and Damage (L&D). During COP27, the parties reached a groundbreaking decision to establish a Loss and Damage Fund (LDF) and respective financing arrangements, and a Transitional Committee (TC) received the mandate to formulate recommendations for its establishment. Throughout the year, the committee convened four times and organised two workshops, setting the stage for the fund to be operationalised by COP28. Given the alarming consequences of extreme weather events, there is an urgent need to increase and pool L&D financing, offering support to affected countries, regions, and communities.

In this context a ministerial consultation was held in New York City (alongside New York Climate Week) in September 2023, at the same time as the ExCom took place in Bonn, on the establishment of the LDF

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[1] Noah Berman, Council on Foreign Relations, 18 September 2023, The Weather of Summer 2023 Was the Most Extreme Yet (accessed 9 October 2023).

[2] Nuray Bulbul, Evening Standard, 8 September 2023, Extreme Weather Events of 2023 so Far, from Wildfires to Floods (accessed 9 October 2023).

and its respective financing arrangements. These discussions underscored significant disparities in perspectives of developed and developing nations, particularly concerning eligibility criteria and fund contributions.[3]

In light of the forthcoming LDF, it is important to draw insights from existing funds and their collaboration with the WIM. Accordingly in this report, emphasis is on the ExCom session on collaboration with the AF during its 19th meeting, exploring potential lessons for the LDF.

2 Collaboration with the Adaptation Fund

At the 19th meeting of the ExCom, discussions revolved around insights by Mikko Ollikainen, the Head of the AF. Set up in 2001, the fund operates under the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol. It aims to fund adaptation projects in developing nations.[4] Serving the Paris Agreement under the CMA,[5, 6] the fund has allocated over 1 billion dollars in funding to the most at-risk communities in these countries, also leading the way in (Enhanced) Direct Access (EDA).[7]

2.1 Input from Head of the Adaptation Fund Mikko Ollikainen

Ollikainen delivered a comprehensive presentation on the function and objectives of the AF, particularly highlighting the convergence between adaptation and L&D. He underscored the inherent logic in exploring collaborative synergies with the ExCom. His presentation encompassed an overview of the AF, its strategic objectives for 2023–2027, its involvement with ExCom's five workstreams, and potential collaborative avenues between the AF and ExCom.

The AF's mandate revolves around funding tangible adaptation projects and programmes that prioritise the needs and perspectives of the most vulnerable communities in developing countries that are exposed to the adverse impacts of climate change. This is unique to the AF, as the fund does not only focus on vulnerable developing countries but also within those countries on vulnerable communities and their needs. The AF's goal is to expedite effective adaptation and streamline access to financing, notably through direct access (half of the AF's resources are available for direct access entities). In recent milestones, the AF has observed a substantial increase in its funding, amounting to approximately 1 billion dollars since its establishment. Though taking into account the actual adaptation needs, this amount is far from sufficient. The AF's diverse portfolio spans various sectors, including water management, food security, and coastal management. Notably, 20% of its current project portfolio is allocated towards Disaster Risk Reduction (DRR) and Early Warning Systems (EWS). In addition to single country projects, the AF has dedicated funding windows for regional projects and EDA as well as an Innovation Facility. The AF also provides small readiness grants that support the planning and design for scaling up AF projects currently under implementation. From 2023 to 2027, the strategic priorities of the AF include local adaptation promotion, augmenting access to climate finance, fortifying institutional capacity, advancing gender equality, fostering

[3] Matteo Civillini, Climate Home News, 25 September 2023, Ministerial Shows Fault Lines on Climate Loss and Damage Fund (accessed 9 October 2023).
[4] Climate Funds Update, 2023, Adaptation Fund (accessed 9 October 2023).
[5] CMA: Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
[6] United Nations Framework Convention on Climate Change, 2023, Adaptation Fund (accessed 9 October 2023).
[7] Adaptation Fund, 2023, About the Adaptation Fund (accessed 9 October 2023).

scaling and replication of outcomes, and bolstering complementarity and coherence with other adaptation stakeholders.

Within this strategic framework of bolstering complementarity and coherence with other adaptation stakeholders, the AF's participation in the ExCom meeting was solicited. Ollikainen emphasised that the AF is actively engaged in all five ExCom workstreams, namely: SOEs, Non-economic Losses (NEL), Comprehensive Risk Management Approaches (CRM), Human Mobility, and Action and Support. Furthermore, he identified five potential domains for collaboration between the ExCom and the AF:

- **Enhancement of L&D Knowledge**: WIM topics and technical papers are instrumental for the AF in informing countries during AF project design and implementation.
- **Provision of AF Portfolio Data for WIM Technical Work**: The AF proposes leveraging its portfolio data on averting and minimising L&D to provide insights to WIM expert groups, especially on SOEs, NELs, and related subjects.
- **Collaboration between the AF's Readiness Programme and the Santiago Network on Loss and Damage (SNLD)**: A proposed exploration into synergies between the AF readiness programme and the SNLD, especially focusing on L&D capacity building.
- **Engagement in New Funding Mechanisms for L&D**: Ollikainen reaffirmed the AF's interest to collaborate with the WIM, particularly in strengthening support for countries addressing L&D within novel funding frameworks and through the LDF.
- **Joint AF/WIM Events and Knowledge Production**: The AF is interested in co-hosting events and producing knowledge materials together with the WIM, especially during COPs, climate weeks, and similar events.

2.2 Collaboration between ExCom and the Adaptation Fund

Following the presentation, ExCom members thoroughly discussed potential collaboration between the AF and ExCom. This included the funding structure of the AF and its unique position outside of the financial mechanism of the UNFCCC. The discussion also touched upon the AF's complementarity and coherence with other climate funds and the LDF. The session concluded with deliberations on the AF's direct access modalities, community involvement into the AF's projects, and data sharing between the AF and ExCom.

ExCom members asked Ollikainen about the financial underpinnings of the AF, particularly with regard to the evolution of innovative financial models. Ollikainen provided an insight into the unique funding model of the AF. The AF's financial source originally was a 2% levy on Certified Emissions Reductions (CERs), overseen by the Clean Development Mechanism (CDM) under the Kyoto Protocol. This levy furnished the AF with a significant revenue of approximately 200 billion dollars during its first years (2008–2012). However, with the post-2012 shifts in the carbon market, the levy could no longer sustain operations. Currently, the AF predominantly relies on contributions, with 85% coming from countries (e.g. Germany, Sweden, Spain, Italy, the European Commission), regional entities (e.g. Walloon Regional Government), and a minor portion from the fund's private donation initiative (accounting for a mere 11,000 dollars).[8] Notably, the contributions from countries have seen an uptick, with COP26 accounting for 360 billion dollar and COP27 for 260 billion dollars. Ollikainen stressed the urgent need for this increase to continue. With the growing impact of climate change, the adaptation finance deficit is widening. While available resources have increased, they remain substantially below actual needs.

[8] Adaptation Fund, 2022, Adaptation Fund Receives Over US$ 230 Million Mobilized in 2022 for the Most Climate Vulnerable at COP27 in Egypt (accessed 9 October 2023).

As mentioned before, the AF, in contrast to the Green Climate Fund (GCF), does not count on a replenishment process. The AF relies on annual or multiannual contributions by countries and usually defines annual or biannual resource mobilisation targets. In response to ExCom members, Ollikainen specified that the AF board has occasionally discussed a replenishment system; also at the CMA the idea has been raised infrequently, and without agreement. However, the AF is exploring other novel financial modalities. A recent decision includes expected contributions from Article 6.4 of the Paris Agreement, which delineates a framework for an international carbon credit market. This financial mechanism would regulate transactions of greenhouse gas emission reductions or removals, but remains non-operational to this day.[9]

Ollikainen did not comment on pioneering financial sources for the LDF, given that it falls outside jurisdiction of the AF. Still, he saw a need to assess cautiously financial mechanisms like the 2% levy on the CDM. While potentially effective in generating funds, it imposes operational complexities and demands specialised proficiency. For the AF, the monetisation of CERs entails specialised expertise. With the economic downturn, a system with limited revenue emerged as a viability issue. It is therefore worth considering how risks and costs would relate to financial benefits.

Furthermore, Ollikainen pointed out the unique positioning of the AF. Unlike other climate funds, the AF operates outside the financial mechanism of the Convention, exclusively serving the Paris Agreement. He asserted that this distinction does not substantially affect AF operations. The COP's Standing Committee on Finance sometimes considers this difference when debating whether the AF should be included in its scope.

The discussion then moved on to the AF's strategic efforts to enhance complementarity and coherence with other climate funds. Ollikainen underscored the AF's collaborative efforts with major climate funds, namely the GCF, the Global Environment Facility (GEF), and the Climate Investment Fund (CIF). Additionally, the AF supports the work of the TC of the LDF and looks forward to complementing the fund as soon as it is established. However, Ollikainen emphasised the lack of clarity in defining SOEs and in the interpretation of L&D.

Specific areas of collaboration between the AF and other funds included streamlining country reporting, refining indicators, and methods for capturing outcomes, including L&D parameters. The AF also inspired synergies, with other climate funds upscaling over 20 projects. In the realm of the LDF, the AF has been proactive within the TC, producing a series of research publications. Moreover, the AF has forged alliances with the Paris Committee on Capacity Building (PCCB), as demonstrated by jointly participating at COPs and other international platforms. This collaboration has also manifested in co-authored newsletters centred around capacity-building initiatives. Lastly, Ollikainen highlighted the AF's support for the UNFCCC Secretariat through a sequence of workshops on needs-based financing.

Within the domain of L&D, the AF has worked together with the TC, as part of the Technical Support Unit. In this capacity, the AF was asked to propose options concerning both the LDF and financing arrangements. The AF's contributions are twofold. First, the AF shared insights on the feasibility of the LDF operating outside of the Convention. Drawing from its own experience, the AF emphasised its ability to effectively report to the Convention despite not being positioned under it. If the LDF were housed within the AF's purview, it would be linked directly to the Convention, thereby obviating the need for an alternative reporting structure. Second, the AF shed light on potential roles it could assume within the new L&D financing arrangements. Specifically, the AF explored the enhancement of current projects that aim to avert and minimise L&D, positioning these initiatives as complementary to the prospective fund. Ollikainen further recognised the possibility of expanding the AF's mandate. It would not only encompass measures to avert and minimise L&D but would also include strategies directly addressing its results. Moreover, Ollikainen underscored that, although the AF does not operate as an operating entity, its placement within the Convention's

[9] United Nations Framework Convention on Climate Change, 2023, Adaptation Fund (accessed 9 October 2023).

architecture facilitates its alignment with the reporting and accountability mechanisms envisioned by parties for the LDF.

The latter segment of the discussion revolved around potential collaboration in the domains of data sharing and facilitating direct access of communities to the AF.

With regard to data sharing, ExCom members expressed interest in the AF's project-specific data on NELs and SOEs, with a particular focus on glacier retreats. Ollikainen stated they were open to conducting assessments of these matters in the future. He also pointed to prior AF reports on a variety of themes and underscored the AF's adaptive nature, indicating its receptiveness to recommendations concerning future report topics and focal areas.

The Head of the AF stressed the importance of direct access within the AF's operational framework. One way to amplify direct access is through bolstering support for Locally Led Adaptation (LLA). Moreover, the AF's Head drew attention to its EDA funding window, which has garnered positive feedback and seen consistently growing demand. However, Ollikainen noted that direct access should not inadvertently bypass governments' crucial role.

2.3 Reflections of the ExCom on the conversation with the AF

Given the urgency of L&D, it is crucial for the LDF to commence operations promptly while forging alliances with existing L&D and climate finance institutions. Despite the LDF's operational details remaining under negotiation, analysing the operational structures and collaboration models of established institutions provides valuable insights. As of now, it is expected that WIM and ExCom provide operational guidance to the LDF, and that the LDF connect with the AF in the broader framework of climate finance mechanisms and financing arrangements. In the following, we will explore how the LDF can learn from the AF in terms of collaboration, highlighting the key lessons Ollikainen provided in his presentation.

With the AF actively engaging in all of the five ExCom workstream topics, it would be beneficial for the LDF to follow suit and explore co-operation opportunities, given their presumably similar mandates. Potential avenues for collaboration include integrating existing WIM thematic work and knowledge assets into the LDF's project designs and implementation. Conversely, while the LDF establishes its project portfolio, the data compiled could prove invaluable to the WIM expert groups. Hence, fostering robust synergy between the expert groups and the LDF's thematic units is recommended. Consideration could also be given to collaborative LDF and WIM endeavours, such as co-authored reports on issues or joint events at COPs or similar platforms.

The potential learnings for the LDF extend beyond collaboration with the WIM and the AF. The LDF could extract lessons from the AF's financing model. One of the most prominent debates in the realm of L&D relates to innovative sources of financing. While the AF's model, previously anchored on a singular innovative finance source, offers a repository of knowledge, Ollikainen's insights underscore the need for the LDF to evaluate cautiously any innovative finance option. Factors to consider here include effectiveness in fund generation and the respective expertise and operational complexity. Reliance on innovative financing mechanisms should be carefully evaluated, not only because they mostly do not invoke the principles of 'polluter pays' and 'Common but Differentiated Responsibilities'. They also need to mitigate their inherent volatility, as observed with the AF. Fluctuations could make the fund depend on voluntary states contributions for sustained operations. Experience at AF shows that, aside from more unconventional sources of financing, the LDF should also rely on more conventional sources such as replenishment processes.

Additionally, the LDF could learn from the AF's focus on the most vulnerable communities (and not only countries), its direct and enhanced access modalities, and its gender policy and gender action plan.

Drawing from the AF's collaboration with other climate funds, the LDF could also streamline its country reporting and refine its methodologies and indicators for capturing outcomes. Ollikainen's emphasis on the ambiguity surrounding SOEs and L&D interpretation points to the need for the LDF to pioneer clear, well-defined indicators of L&D. Nevertheless, it has to be taken into consideration that clear, well defined indicators would not be restrictive and potentially exclude certain relevant L&D activities.

Additionally, the LDF should explore collaborative ventures with other climate funds, especially with adaptation and cross-cutting L&D projects. Here it would be beneficial if the AF's mandate would be adjusted to also give it the possibility to address L&D. Generally, it would be beneficial to look into projects which link adaptation and L&D. The AF already has some projects in its portfolio which cover both. Here, it needs to be identified if the AF would still implement those kind of projects, or would those only be implemented by the LDF? This is especially important because cross-cutting, comprehensive projects are much needed to address L&D holistically.

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