

Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts

Significance for development cooperation

Background

The impacts of climate change are clearly felt today. Current climate projections by the Intergovernmental Panel on Climate Change (IPCC) predict a **strong increase in the frequency and intensity of extreme weather events** such as storms and floods, **as well as slow onset processes** such as sea-level rise and desertification. The negative impacts of climate change pose a growing risk to the sustainable development of all countries, especially the Least Developed Countries (LDCs) and Small Island Developing States (SIDS).

Developing countries are not only the most exposed to climate variability and change, but **also the most vulnerable**, often lacking, for example, institutional and financial capacity to effectively manage the impacts of climate change. Every year, extreme weather events cause around 70,000 deaths and push 26 million people into poverty. In the case of small island states, climate change poses an existential threat. Accordingly, states particularly affected

by climate change (e.g. LDCs and SIDS) have been calling for financial support to deal with losses and damages caused by climate change since the 1990s.

In particular, sea-level rise and its impacts were a prominent issue during the early negotiations of the **UN Framework Convention on Climate Change (UNFCCC)** in 1992. Nevertheless, mitigation of greenhouse gas emissions was the dominant focus in the first decade of the UNFCCC's work. This changed in the mid-2000s, driven by the growing scientific evidence for the impacts of climate change summarised in the Fourth Assessment Report of the IPCC. As a result, the topic of adaptation to climate change gained importance. With the Bali Action Plan in 2007 and the Cancún Adaptation Framework introduced at the sixteenth Conference of Parties to the UNFCCC (COP16) in 2010, the topic of Loss and Damage associated with the adverse effects of climate change entered the negotiations. A workplan on Loss and Damage was established to specifically address slow onset processes and extreme weather events.



Flood-prone houses at the Mekong river

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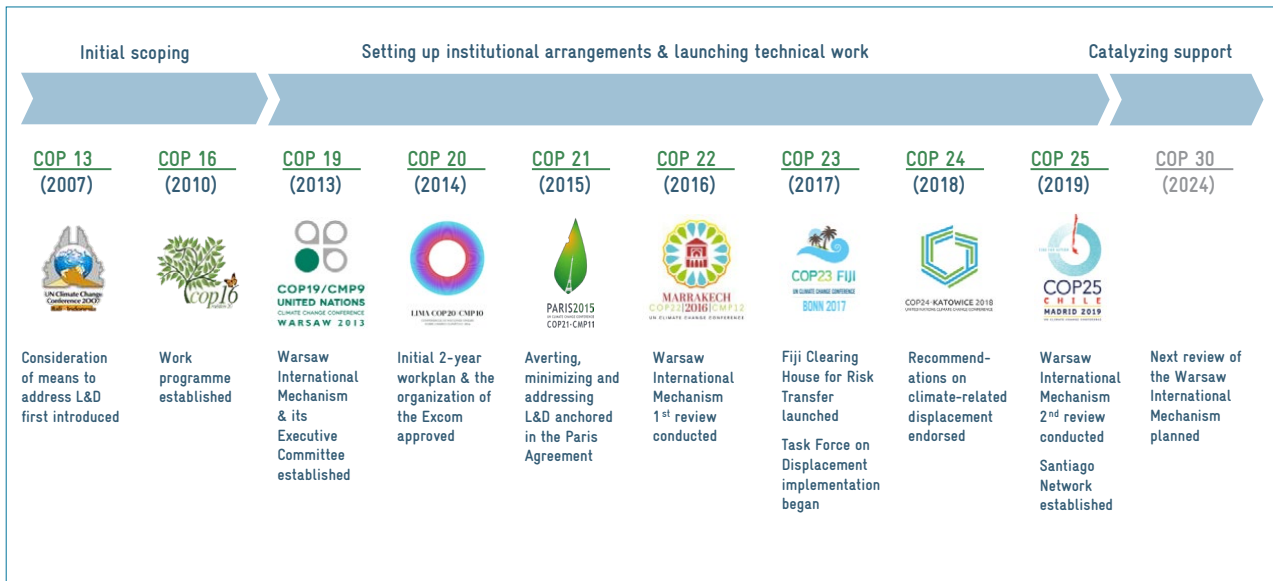


Figure 1: Loss and Damage (L&D) milestones under the UNFCCC (UNFCCC, 2021).

In 2013, the **Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM)**¹ was established at COP19² as the main vehicle of the UNFCCC to pursue this area of work in particularly vulnerable developing countries in a comprehensive, integrated, and coherent manner. Germany has been a member of the Executive Committee of the Warsaw International Mechanism on Loss and Damage (ExCom) from the beginning.

Furthermore, the topic was anchored in the Paris Climate Agreement in a separate article (Article 8). According to its mandate, the WIM should fulfil the following three core functions:

- 1 Enhancing knowledge and understanding of comprehensive risk management approaches,
- 2 Strengthening dialogue, coordination, coherence, and synergies among relevant stakeholders,
- 3 Enhancing action and support, including finance, technology, and capacity building.

Five-year rolling workplan and expert groups

In 2017, a five-year rolling workplan was adopted at COP23, building on the results of the initial two-year workplan. The rolling workplan outlines the mandated activities, which are divided into five strategic workstreams. These include: **1) slow onset events; 2) non-economic losses; 3) comprehensive risk management approaches; 4) human mobility in the context of climate change; and 5) action and support** (see figure 2). An update of the current five-year rolling workplan started in 2021 and is expected to be completed by the end of 2022 with the involvement of stakeholders from business, research, civil society, environmental organisations, and youth associations.

There are five different expert groups corresponding to the five workstreams. The **Task Force on Displacement (TFD)** was the first expert group to be established at COP21. The **Technical Expert Group on Comprehensive Risk Management (TEG-CRM)** organised its inaugural meeting in 2019 with the support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and is currently implementing its action plan. At COP25 the **Technical Expert Groups on Slow Onset Events (TEG-SOE)** and **Non-Economic Losses (TEG-NEL)** were established, both of which have selected members in 2021 and are working on the implementation of their action plans. This also applies to the **Expert Group on Action and Support (ASEG)** established at COP25,

1 UNFCCC Homepage of the WIM

2 19. Conference of the Parties of the UNFCCC

which is of particular interest due to the political sensitivity of the topic of financing and has been implementing its action plan since mid-2021 (further details below).



Figure 2: The five strategic workstreams of the WIM (UNFCCC, 2021).

Relevance for development cooperation

Due to more frequent and increasingly severe extreme weather events and slow onset processes, climate change is already causing losses and damages and affecting the livelihoods of millions of people. Vulnerable groups such as women, children, and people living in poverty are

particularly affected. The EU and other industrialised countries are contributing to climate risk reduction, especially in LDCs and SIDS, through the WIM and further development engagement. The EU emphasises the added value of **mainstreaming a comprehensive risk management approach** in development cooperation, combining measures of climate change mitigation, adaptation, disaster risk management, social protection, and humanitarian assistance, and supporting it through **established financing channels and technical measures**.

Important steps for dealing with losses and damages from an EU perspective are a smart combination of different instruments, such as comprehensive risk analyses, capacity building, and dealing with residual risks. The latter can be covered, for example, by innovative financing instruments. This is one of the reasons why the Federal Government of Germany is promoting the **InsuResilience Global Partnership**, which is helping to establish a climate risk insurance mechanism at regional, national, and local levels. In addition, the German Federal Ministry for Economic Cooperation and Development (BMZ) supports a **Global Programme on Risk Assessment and Management for Adaptation to Climate Change (Loss and Damage)**, which aims at increasing the resilience of vulnerable countries through comprehensive (climate) risk management. In this context, the **Global Programme on Human Mobility in the Context of Climate Change**, which pilots development cooperation approaches to dealing with displacement, migration, and resettlement, is also being financed.



Washed away street in the Carribean region



COP25 negotiations on the WIM

Climate negotiations

During the review of the WIM at COP25, a further strengthening of the mechanism and its ExCom was decided. Agreement was reached on the establishment of the Santiago Network. The vision of the Santiago Network is to **catalyse the technical assistance** of relevant organisations, bodies, networks, and experts for the implementation of relevant approaches to averting, minimising, and addressing losses and damages in developing countries that are particularly vulnerable to the adverse effects of climate change. While under the Paris Agreement it was decided that there should be no instrument for financial compensation for Loss and Damage, it was agreed at COP25 in Madrid that the ExCom should more intensively investigate financing options for measures to deal with rising climate risks. For example, the Green Climate Fund (GCF) intends to **support the efforts of developing countries in responding to the challenge of climate-induced losses and damages**. The implementation of the mandate has been somewhat delayed due to the COVID-19 pandemic but is now in full swing. The Expert Group on Action and Support submitted a draft on recommendations from the Standing Committee on Finance to the GCF and the Global Environment Facility in summer 2021. The COP Presidencies have been working with the UNFCCC to further shape the Santiago Network through various discussion formats since the COP25 decision in Madrid, and these negotiations will continue during

COP26 in Glasgow. Furthermore, the “**L&D governance question**” – whether the WIM should in future be negotiated only under the Paris Agreement or also under the UNFCCC (linked to articles that can be interpreted differently) – will also play a role during COP26.

Outlook and potential

The most recent decisions on the WIM reinforce the need to take seriously the concerns of the most vulnerable countries – particularly because the Nationally Determined Contributions (NDCs) to date predict a global warming of around 2.7° C. The **results of the IPCC Sixth Assessment Report**, which have already been published in part and are expected in full in 2022, also point to a further increase in climate-induced losses and damages in the coming years. The decisions need to be concretised and expanded accordingly, both on financing and concrete technical support. The **topic of Loss and Damage will therefore become increasingly important in German and international development policy in the coming years**. Development cooperation actors should engage constructively and proactively in the development of support programmes for dealing with climate-induced losses and damages in order to ensure coherence with existing initiatives and respond to the needs of partner countries – **before irreversible climate tipping points are reached**.



Exemplary measures for dealing with climate-induced losses and damages from German development cooperation

German development cooperation has a broad bilateral and multilateral portfolio of measures that promote a comprehensive risk management approach of climate-induced

losses and damages. The following examples are intended to give a first impression:

- The BMZ supports the preparation of an **Organisation for Economic Co-operation and Development (OECD) study on “Losses and Damages from climate change”**. The study emphasises the need for a comprehensive approach to managing climate and disaster risk through a smart mix of instruments and recommends, among other things, the improvement of climate risk analysis methods, the expansion of climate risk insurance approaches, and the use of modern technologies for risk management.
- The Global Programme on Risk Assessment and Management (Loss and Damage) is working closely with the **UN Office for Disaster Risk Reduction (UNDRR)** to develop **application-oriented guidelines for comprehensive risk assessment and planning**, to be published in 2021 and subsequently piloted in Colombia.
- The **Climate Risk and Early Warning Systems (CREWS)** initiative supports risk reduction and preparedness with a focus on early warning systems (German contribution: EUR 13 million). In **Burkina Faso**, one million people benefit from strengthened state capacities in the **provision of early warning services**, which enable smallholder farmers to achieve better yields and secure their livelihoods.
- With the **InsuResilience Global Partnership**, the BMZ supports a substantial expansion of the use of risk financing and insurance solutions for climate and disaster risks in developing countries. The Federal Government of Germany initiated the partnership in 2017 as a cooperation between industrialised and developing countries. Today, it is supported by **over 100 members** from various sectors. The aim is to promote financing for **early action, humanitarian aid, and reconstruction**. Germany has already provided over EUR 800 million to achieve the partnership’s Vision 2025.
- Since 2013, the **Global Initiative on Disaster Risk Management (GIDRM)** has been contributing to improved risk management worldwide and supporting the coherent implementation of the Sendai Framework and other global post-2015 agendas. Together with partners in Africa, Asia, and Latin America, it supports cross-sectoral approaches to risk reduction with the aim of ensuring risk-informed development.

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