



T20 **Brasil 2024**
Let's rethink the world

T20 Policy Brief

Task Force 02

SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS

Operationalizing Loss & Damage Financing for Marginalised Urban Communities

Simone Sandholz, Head of Urban Futures and Sustainability Transformation Division, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Kai Klause, Advocacy Officer for Urban Transformation, Bischöfliches Hilfswerk Misereor e.V. (Germany)

Magdalena Mirwald, Associate Project Manager, Munich Climate Insurance Initiative – MCII, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Douwe van Schie, Researcher, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Lucas Turmena, Senior Researcher, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Syed Muhammad Abbas, Researcher, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Philip Bananayo, Researcher, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Kees van der Geest, Head of Environment and Migration: Interactions and Choices Division, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Caroline Kibii, Visiting Researcher, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Nabiyya Perennia, Researcher, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany),

Gadjah Mada University (Indonesia) Anika Schroeder, Advocacy Officer for Climate Policy, Bischöfliches Hilfswerk Misereor e.V. (Germany)

Alejandra Ramos Gálvez, Researcher, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)

Sönke Krefth, Chief Climate Risk Strategist, Munich Climate Insurance Initiative – MCII, United Nations University – Institute for Environment and Human Security (UNU-EHS) (Germany)




TF02

Abstract

While the adverse impacts of the climate crisis intensify, global urbanisation is taking place at an unprecedented scale and pace. Today, one in three urban inhabitants in the Global South already lives in informal settlements, whose dwellers could rise to well over three billion in less than 30 years (UN 2023), including due to migration in the context of disasters and climate change.

Marginalised urban communities have contributed little to the climate crisis, yet they are highly vulnerable due to their poor economic situation and exclusion from public services. As a consequence, they are most critically affected by its impacts, including on health, livelihoods and access to functioning basic services. The Loss & Damage Fund and Funding Arrangements established during COP28 offer immense opportunities to operationalise climate justice by developing more equitable development pathways for the most vulnerable urban groups, and this is much needed given the intensifying climate hazards. Yet, there is a high risk that those who need it most will only have limited access to its technical and financial resources, if at all. This is especially true for residents of informal settlements, who are often not taken sufficiently into account in formal governance schemes.

This policy brief therefore specifically addresses the question of how a climate justice perspective can be applied to the creation of appropriate mechanisms for access to the Fund and Funding Arrangements. This concerns the architecture of the Fund in general, and the facilitation of access by developing adequate mechanisms at the urban level in particular. The challenge here is to operationalise formal mechanisms for parts of urban



society living in informal and marginalised conditions. The much-needed immediate support after disaster events must address existing multiple vulnerabilities and contribute to the long-term transformation towards more just, equitable resilient and climate-friendly cities.

Keywords: Loss & Damage, informal urban settlements, vulnerability reduction, climate justice

Diagnosis of the Issue

Loss and damage (L&D) refers to the “negative effects of climate variability and climate change that people have not been able to cope with or adapt to” (Warner and van der Geest 2013:369). Despite increasing mitigation efforts to avert future L&D and adaptation efforts to minimise current and future L&D, global warming is catalysing an increase in climate-related L&D worldwide (Lenton et al. 2023). This has contributed to a growing debate on how to deal with the consequences of climate change that have not, cannot, or will not be mitigated or adapted to. As a result, L&D has emerged as the 'third pillar' of international climate policy, alongside mitigation and adaptation (Broberg and Martinez Romera 2023).

After the historic establishment of the L&D Fund and Funding Arrangements at COP27, COP28 delivered two decisions that will have important effects on addressing L&D. First, the L&D Fund was operationalised and capitalised. Many G20 countries were among the first donors, which shows that the usefulness of the fund is widely recognised. However, a significant number of details, such as access, disbursement and implementation mechanisms, have yet to be agreed. . This critical window of opportunity needs to be used to include the most vulnerable as central beneficiary groups in the funding mechanisms. Yet, no reference has been made to urban communities whose livelihoods are characterised by informality, while representatives of disadvantaged groups such as Indigenous groups, women, and youth have been considered as observers in the Fund Board. The second key decision on L&D emerging from COP28 was to

establish a secretariat for the Santiago Network for Loss and Damage (SNLD) to start providing and catalysing technical assistance that might “shape the implementation of L&D governance in important ways” (Vanhala 2023:11).

Historically, the L&D discourse has largely focused on impacts in rural areas, with little attention paid to those living in urban areas. However, climate-related hazards such as increasing urban water scarcity, flooding and heat waves can have serious negative impacts on the lives of urban dwellers (Singh et al. 2021). The most rapid increase in urban exposure and vulnerability has been in informal settlements, whose inhabitants are particularly affected (Dodman et al.). In 2020, the UN estimated that 1.1 billion people lived in slums and informal settlements worldwide (UN Habitat 2023) , often in challenging conditions. Underlying vulnerabilities such as overcrowding or inadequate access to basic services undermine coping capacities and amplify existing socio-economic disparities and injustices (Satterthwaite et al. 2020).

Climate change is already worsening the situation and will continue to do so, pushing more people below the poverty line and into precarious living conditions. This also affects their access to urban participation formats, decision-making and eligibility for support mechanisms. Informal jobs, multidimensional poverty and lack of social safety nets means that disasters cannot be overcome by their own efforts, and that even the smallest losses have serious consequences (Mirwald, Douwe van Schie, and Sandholz 2023). Moreover, the number of people living in informal settlements is likely to increase, due to rural-urban but also inner-urban migration and natural population growth, hence finding adequate solutions is of utmost importance right now. Inaction leads to a rapid

worsening of the challenge in the near future, setbacks in the achievement of global development goals, and violations of human rights.

For these reasons, and building on the Urban 20 (U20) 2023 Communiqué on a resilient and inclusive urban future (U20 India 2023) it is essential that the challenges of people living in urban informality are considered as L&D governance develops. This is in line with the priorities of the G20, which has put the planning and financing of Cities of Tomorrow at the top of its agenda (G20 India 2023), in addition to its commitment to L&D action and corresponding financial support for particularly vulnerable countries (G20 India 2023).

Informal urban settlements are inextricably linked to the urban system, the economy, services and risk mitigation, hence addressing L&D cannot succeed on a citywide level without their consideration. These areas are not self-contained parts of the city, but elementary components of urban society and economy. Yet, the risk that those most in need will not benefit from the L&D mechanisms currently under development is high. Informal urban settlements face significant barriers to accessing the L&D Fund and Funding Arrangements, particularly due to their lack of tenure and the fact that they are largely outside the formal governance schemes. This usually excludes informal dwellers from actively participating in and benefitting from internationally funded support mechanisms. The aim must be not to consider these dwellers as (passive) recipient groups, but to rather actively involve them in the design of and access to the fund.

Recommendations

While there is broad consensus on the urgent need to support those most at risk from climate-induced disasters, including through the L&D Fund and Funding Arrangements, concrete action has yet to be put in place. In order to try and get it right from the start and find a systemic approach, a justice-oriented approach can help.

Climate justice is often given as a normative justification for climate action and finance schemes, for example when it comes to the responsibility of the main originators, or granting particular access to those most affected, including the vulnerable inhabitants of informal urban settlements. It is important to bear in mind that justice in this context goes beyond the common understanding of receiving a fair share of aid (distributive justice). It is also about having a say in the design of corresponding mechanisms and regulations (procedural justice) and about the recognition of underlying systemic injustices (recognitional justice) (Mohtat and Luna Khirfan 2021). More commonly used in climate change adaptation, the concept of climate justice bears huge potential for application in L&D and for aligning adaptation and L&D actions (see Figure 1).

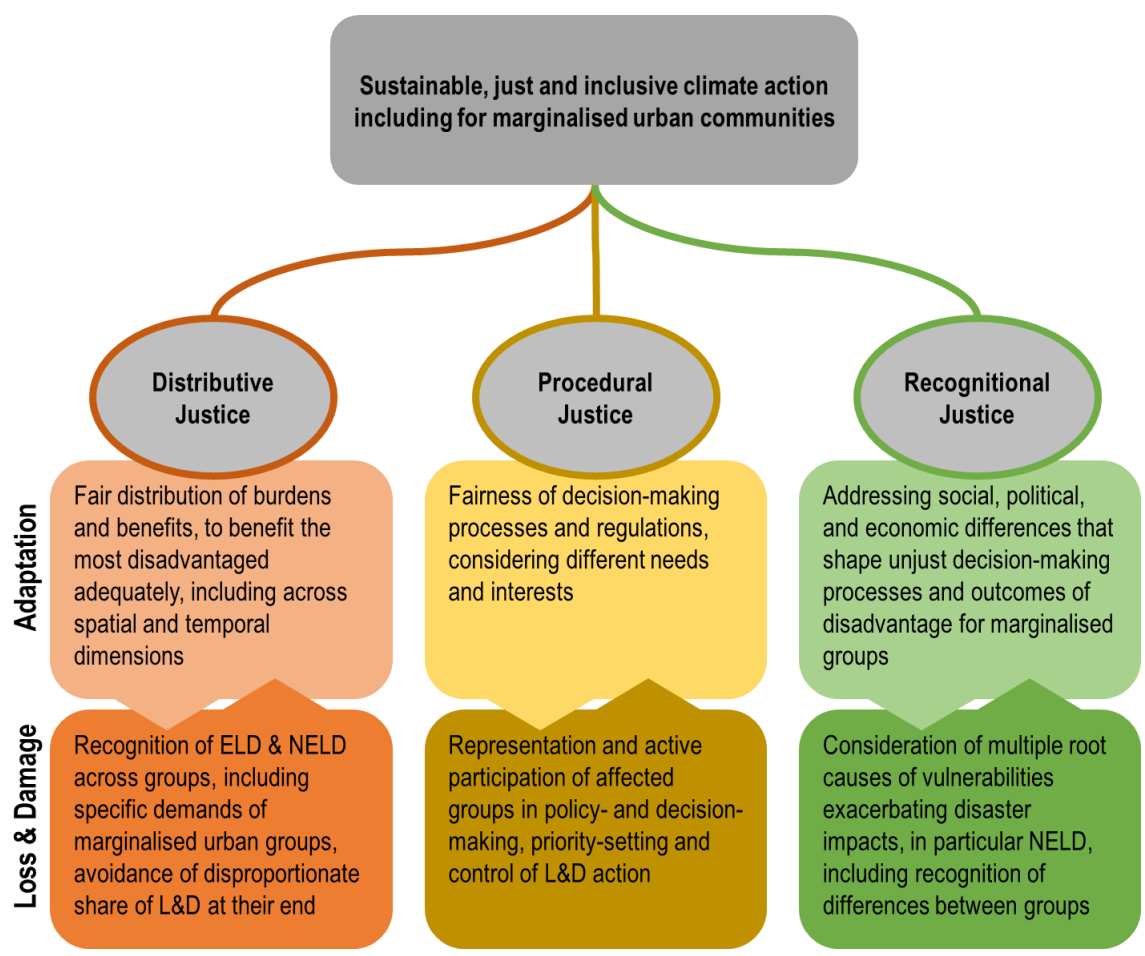


FIGURE 1. Climate justice dimensions and relevance for adaptation as well as L&D (own figure, climate justice understanding based on Romero-Lankao and Gnatz 2019; Mohtat and Luna Khirfan 2021)

To maximise impacts, an approach is needed that links international, national and sub- national/local actors with clear roles in a multi-level governance scheme. Table 1

provides an overview of the implications for L&D action at different scales that can serve as guardrails for designing future action.

TABLE 1. Putting a climate justice perspective on L&D access for marginalised urban communities and implications for from local to international scale

	Implications & actions at different scales		
Climate Justice pillar	International scale	National and urban scale	Local / community scale
Distributive Justice	Recognition of responsibility for fighting climate change, Provision of access of vulnerable groups in distribution mechanisms to adequately consider their ELD and NELD.	L&D compensation design to reduce risk and equalise its distribution across spatial and temporal scales, adequate consideration of ELD and NELD of vulnerable urban groups in L&D instruments to inform fair allocation of resources.	Assessment of ELD and NELD to allow for claiming compensation, that considers root causes of ELD/NELD, follow a “build back better” approach in use of L&D Funds, including in social and community-wide L&D.
Procedural Justice	Transparency of the fund and its mechanisms, including by design of adequate inclusion mechanisms allowing for recognition and active participation in programme and finance mechanism design and related control mechanisms.	Design and implementation of participation and involvement schemes to design programmes and measures.	Representation in the planning and implementation of L&D mechanisms in support of informed decision-making, rooted in existing local (informal) governance.
Recognitional Justice	Incorporation of long-term improvements as paradigm in L&D schemes	Addressing root causes of vulnerability of marginalised groups and consideration in L&D mechanisms, closing existing data gaps, including the assessment of ELD and NELD of different (sub-)groups and communities based on intrinsic values and cultures.	Agency of affected communities in saying what is economically, socially and politically relevant for them, Tailored solutions, adequate for different individuals and groups. Avoidance of pre-designed one-size-fits-all measures, inclusive representation, especially of under-represented groups.

Consequently, five key suggestions on the implementation are deduced, including concrete actions for the G20:

1. Scale Up Climate Finance Commitments

Engage with the World Bank to ensure rapid implementation of COP28 decisions, deliver on commitments to increase climate finance, including for L&D, and promote an ambitious New Quantified Collective Climate Finance Goal (NCQC), the main deliverable of COP29. Recognise the climate vulnerability and debt nexus, including in future G20 action agendas and priorities. Consider L&D as complementary to, not a substitute for, other climate action and risk reduction funding streams.

2. Focus on Marginalised Populations in Funding Arrangements and Networks

Allocate funds specifically to address the needs of informal urban settlements and their inhabitants, Seek synergies with urban priorities in G20 agendas such as the 20 Principles for Financing Cities of (G20 India 2023). Promote and enable the provision of technical assistance including through the Santiago Network. Ensure that any language of the L&D Board and COP decisions caters to all marginalised communities, including dwellers of informal settlements.

3. Facilitate Direct Access to Funding and Promote Inclusive National Mechanisms

As an extension of the U20 call for the G20 to provide direct access to L&D funding for cities (U20 India 2023), it is crucial to provide flexible funding that can be quickly and easily accessed by civil society and community-based organisations, which are often the main supporters and first (if not only) responders in informal settlements. Critically

challenge dominant donor logics, including of G20 countries, and change towards maximizing local impact. Develop eligibility standards that demand meaningful participation of affected communities and international social safeguards, including against involuntary resettlements or forced evictions, respecting their dignity and protects their individual and collective civil, political, economic, social and cultural rights.

4. Promote Inclusive Multi-Level Governance

Commit to multi-level, coherent governance approaches to L&D that transcend scales and actively involve city and non-state actors. Civil society organizations, and networks of marginalised urban communities in particular, should be present, involved and consulted and in all stages of decision-making. Ensuring active and meaningful representation, participation and control in the Governing Instrument for the Fund includes voting positions on the Board and access to all relevant documents. On a broader scale, integrate L&D mechanisms into and link with existing climate and risk reduction action.

5. Embrace Transformative Approaches


Utilise L&D funding and align the donor landscape to address cross-sectoral root causes of vulnerability and avoid exclusive and unsustainable urban development pathways likely resulting in more L&D for marginalised communities. Allow for flexible use of funding that combines responding to L&D with integrated, climate just, inclusive

and human rights-based urban development policies, including community-based upgrading, formalisation and land tenure security.

Scenario of outcomes

Mechanisms must now be created to identify solutions and bring together sustainable urban development, climate protection, and remedying L&D to secure and build sustainable livelihoods in times of accelerating climate impacts. Considering the number and the particular vulnerabilities of informal urban settlements it is of utmost importance to ensure speed, eligibility, adequacy and access to L&D finance (Mirwald, Douwe van Schie, and Sandholz 2023). Otherwise, the risk of growing losses and damages, including loss of life, is unavoidable.


Even though the Fund and the corresponding mechanisms are new, they can build on existing formats that have been developed over the last decades. That includes sustainable urban development approaches and social protection mechanisms. A systemic and transformative approach is required that combines sustainable development, meaningful participation and effective financial instruments, including to deal with L&D. Financial resources available must be used as purposefully and sustainably as possible. This requires not only the fairest possible distribution of available funds, but also a fair design of the corresponding funding measures and a critical reflection on the underlying factors that have promoted inequality, climate vulnerability and lack of access for many to date. This is also a judgement call to the G20 to question unsustainable mechanisms and to act



consistently in the interests of climate justice, rather than being satisfied with financial contributions. This applies not only to the overall design here and now, but also to the unequal distribution of power in decision-making processes about the allocation of available funds and resources in the future, from city level to global governance. While that might sound like going far beyond the core goals of L&D mechanisms, there will be no long-term improvement without such an approach.

Restricting access to formal decision-makers only and excluding the voices and views of people living in informal settlements will increase inequality and not serve climate justice. While the rights of other actors, such as Indigenous groups and women, are already considered, this is not yet the case for people living or working in informality, and this should be addressed with urgency in the interest of achieving global Agendas.

Translating the concept of climate justice into the operationalization of the L&D fund means tailoring mechanisms and funding opportunities to make them as accessible, just and efficient as possible. This requires a transformative approach that puts those most affected at the centre, by giving them meaningful agency in governance, implementation and monitoring processes. This implies inclusive, community-based “building back better” approaches that foster urban resilience by giving affected communities a meaningful say in re-shaping the urban design after extreme weather events. Losses and damages are local and that has to be catered for. The G20 next to other countries have the unique opportunity to make a difference to support better futures for the most vulnerable, including marginalised urban communities.



References

Broberg, Morten P., and Beatriz Martinez Romera, eds. 2023. *The Third Pillar of International Climate Change Policy: On 'Loss and Damage' After the Paris Agreement*. London: Routledge.

Dodman, David, B. Hayward, Mark Pelling, Vanessa Castan Broto, W. Chow, E. Chu, R. Dawson et al. *Cities, Settlements and Key Infrastructure*. *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, UK and New York, NY, USA. Accessed November 05, 2023.

<https://www.ipcc.ch/report/ar6/wg2/chapter/chapter-6/>.

G20 India. 2023. "G20 New Delhi Leaders' Declaration." Accessed May 29, 2024.

<https://www.mea.gov.in/Images/CPV/G20-New-Delhi-Leaders-Declaration.pdf>.

Lenton, Timothy M., Chi Xu, Jesse F. Abrams, Ashish Ghadiali, Sina Loriani, Boris Sakschewski, Caroline Zimm et al. 2023. "Quantifying the Human Cost of Global Warming." *Nat Sustain* 6 (10): 1237–47. <https://doi.org/10.1038/s41893-023-01132-6>.

Mirwald, Magdalena, Douwe van Schie, and Simone Sandholz. 2023. "Mind the Gap: Addressing and Financing Loss and Damage in Informal Urban Settlements."

https://www.misereor.org/fileadmin/user_upload_misereororg/publication/en/climatechange_energy/Misereor_Brief_Mind_the_Gap_Loss_and_Damage_in_Informal_Settlements.pdf.

Mohtat, Niloofar, and Luna Khirfan. 2021. “The Climate Justice Pillars Vis-À-Vis Urban Form Adaptation to Climate Change: A Review.” *Urban Climate* 39:100951. <https://doi.org/10.1016/j.uclim.2021.100951>.

Romero-Lankao, Patricia, and Daniel Gnatz. 2019. “Risk Inequality and the Food-Energy-Water (FEW) Nexus: A Study of 43 City Adaptation Plans.” *Frontiers in sociology* 4:31. <https://doi.org/10.3389/fsoc.2019.00031>.

Satterthwaite, David, Diane Archer, Sarah Colenbrander, David Dodman, Jorgelina Hardoy, Diana Mitlin, and Sheela Patel. 2020. “Building Resilience to Climate Change in Informal Settlements.” *One Earth* 2 (2): 143–56. <https://doi.org/10.1016/j.oneear.2020.02.002>.

Singh, Chandni, Garima Jain, Vibhas Sukhwani, and Rajib Shaw. 2021. “Losses and Damages Associated with Slow-Onset Events: Urban Drought and Water Insecurity in Asia.” *Current Opinion in Environmental Sustainability* 50:72–86. <https://doi.org/10.1016/j.cosust.2021.02.006>.

U20 India. 2023. “Call to G20 Countries for Enabling Cities to Ensure a Resilient and Inclusive Urban Future: U20 Communiqué 2023.” Accessed May 29, 2024. <https://www.urban20.org/wp-content/uploads/2023/07/2023-Final-U20-Communique.pdf>.

UN Habitat. 2023. “Rescuing SDG 11 for a Resilient Urban Planet | UN-Habitat.” Unpublished manuscript, last modified October 23, 2023. <https://unhabitat.org/rescuing-sdg-11-for-a-resilient-urban-planet>.

Vanhala, Lisa. 2023. “Putting the Constructive Ambiguity of Climate Change Loss and Damage into Practice: The Early Work of the UNFCCC WIM ExCom.” *Rev Euro Comp Intl Enviro* 32 (3): 428–38. <https://doi.org/10.1111/reel.12508>.

Warner, Koko, and Kees van der Geest. 2013. “Loss and Damage from Climate Change: Local-Level Evidence from Nine Vulnerable Countries.” *IJGW* 5 (4): 367. <https://doi.org/10.1504/IJGW.2013.057289>



Let's **rethink** the world

