

The logo for the International Peace Institute (IPI) features the letters 'IPI' in a bold, white, sans-serif font, centered within a white square.

INTERNATIONAL  
PEACE  
INSTITUTE

# Addressing Loss and Damage through the Mosaic: A Simulation from the Delta Republic

Michael Franczak and Michael Weisberg

OCTOBER 2023

Michael Franczak is a Research Fellow at the International Peace Institute.

Michael Weisberg is the Bess W. Heyman President's Professor and Chair of Philosophy at the University of Pennsylvania and a Non-resident Senior Adviser at the International Peace Institute.

The authors would like to thank Koko Warner for providing valuable guidance and feedback; the participants in the workshop and retreat on loss and damage that took place in New York City on May 10, 2023, and in Manhasset, New York, on September 22–23, 2023, respectively; and Aminath Shauna, Minister of the Environment, Climate Change and Technology, and Khadeeja Naseem, Minister of State for Environment, Climate Change and Technology, both of the Republic of Maldives, for their political and intellectual leadership.

IPI is grateful for the collaborative support of partners contributing to its work on climate-related issues. This project was supported by grants from the Open Society Foundations, the Global Challenges Foundation, and the Climate Emergency Collaboration Group.

The views in this publication represent those of the authors and not necessarily those of the International Peace Institute (IPI). IPI welcomes consideration of a wide range of perspectives in the pursuit of a well-informed debate on critical policies and issues in international affairs.

## Executive Summary

The parties to the 2022 Climate Change Conference (COP27) agreed to establish new funding arrangements for addressing loss and damage, including a new Loss and Damage Fund (LDF). In the ensuing months, there has been some progress on defining the LDF's scope and institutional structure, and parties have discussed a proposal for a Loss and Damage Impact Council to coordinate the fund and funding arrangements. However, we still lack a clear and shared picture of what it means to fully address loss and damage: what needs doing, who needs to do it, and how and when it needs to be done.

This paper uses a scenario to help answer these questions, exploring a range of actions, gaps, and challenges in a fictional country facing a slow-onset crisis compounded by repeated extreme events. This scenario offers three main insights.

First, it clarifies the objectives of loss and damage funding arrangements as a whole. For slow-onset events, the objective is to change the development trajectory with systemic and transformative solutions guided by a *sustained* and *sustainable* long-term strategy. This requires significantly higher levels of long-term and low- or no-cost financing through international institutions, governments, and markets. For extreme events, the objective is not only to provide immediate humanitarian assistance but also to use the opportunity to “build back better.”

Second, the scenario points to an initial list of members for a Loss and Damage Impact Council. The Loss and Damage Fund would be joined on the council by the main actors involved in humanitarian action, public health, food security, development finance, climate finance, debt and fiscal policy, displacement and migration, and cultural and other noneconomic losses, as well as regional organizations where relevant. The council should also oversee the development of protocols for member institutions to respond to loss and damage events.

Third, the scenario reveals the areas where the LDF should focus: (1) where there is an institutional as well as a financial gap and (2) where it can have the highest margin of impact. This means an LDF focused on creating and sustaining livelihoods; lowering the cost of long-term loans for reconstruction, rehabilitation, and transformative adaptation; and supporting measures to address noneconomic losses, particularly damage to mental health. It is also essential that the LDF take a country- or demand-driven approach, including the fast-tracking of accredited entities for implementation.

## Introduction

The 2023 UN Climate Change Conference (COP28) takes place amid change and contestation in the global political economy. High prices for food and fuel are still a problem, particularly for countries that are net importers of both. Sovereign debt also remains a challenge due to rising borrowing costs and inaction from major creditors. Some multilateral institutions have embarked on processes of reform, such as the World Bank’s ongoing “Evolution Roadmap,” but others have been slower to move.<sup>1</sup> Meanwhile, the adverse impacts of climate change are rising in scale and intensity and falling disproportionately on the countries least equipped to address them.

In this context, parties to the 2022 Climate Change Conference (COP27) agreed to establish new funding arrangements for addressing loss and damage, including a new Loss and Damage Fund (LDF).<sup>2</sup> They tasked a Transitional Committee (TC) with developing recommendations for the fund and funding arrangements for adoption at COP28.

At the time of publication, the TC has completed three out of its four scheduled meetings and has made some progress on defining the LDF’s scope, identifying support for reconstruction from extreme events, rehabilitation from slow-onset events, and noneconomic losses as key gaps the LDF could help fill. It has also increased clarity on the LDF’s institutional structure, with some TC members favoring an LDF hosted by the World Bank (like the Climate Investment Funds) and others favoring an LDF with its own legal personality and secretariat (like the Green Climate Fund).

On funding arrangements, in its third meeting, the TC discussed the proposal for a high-level Loss and Damage Impact Council (LDIC), a coordinating

platform that would include members of the funding arrangements. However, several questions remain about a potential LDIC, including who the members would be, the criteria for membership, and the role of the LDF.

The proposal for a fund and funding arrangements coordinated by a council presents an opportunity to assemble the mosaic of solutions imagined at COP27. The problem is that we still lack a clear and shared picture of what it means to fully address loss and damage: what needs doing, who needs to do it, and how and when it needs to be done.

This paper is an attempt to imagine a well-functioning and coordinated system—a mosaic—

with functions, institutions, and results that deliver stability in the face of adverse climate change impacts. It is based on IPI’s research and interactions with negotiators, ministers, and subject-matter experts and is intended to provide parties at COP28 with

an initial framework for a mosaic of solutions for addressing loss and damage, with the LDF playing a central and well-defined role.

First, the paper presents the scenario of the fictional Delta Republic, which is suffering a slow-onset crisis compounded by repeated extreme events. It then identifies elements of an ambitious but practical response from the system we have, including actions, modalities, actors, and timing. Though fictional, the scenario is based on the findings of the Intergovernmental Panel on Climate Change (IPCC) and was refined through two expert workshops.<sup>3</sup> It is a challenging, even depressing scenario, but we will be seeing more cases of this scale and severity in the future. It is the scenario we need to be prepared for and for which we must design and orient the fund and funding arrangements. The paper identifies gaps in the response and obstacles to the actions envisaged in the

The proposal for a loss and damage fund and funding arrangements coordinated by a council presents an opportunity to assemble the mosaic of solutions imagined at COP27.

1 For the World Bank’s announcement of the Evolution Roadmap, see: World Bank Group (WBG), “World Bank Group Statement on Evolution Roadmap,” press release, January 13, 2023, available at <https://www.worldbank.org/en/news/statement/2023/01/13/world-bank-group-statement-on-evolution-roadmap>.

2 UN Framework Convention on Climate Change (UNFCCC), *Report of the Conference of the Parties on its Twenty-seventh Session, Held in Sharm el-Sheikh from 6 to 20 November 2022: Decision 2/CP.27*, UN Doc. FCCC/CP/2022/10/Add.1, March 17, 2023.

3 On May 10, 2023, IPI held a workshop titled “Actions to Address Loss and Damage” with a small group of loss and damage experts and principals. On September 22–23, 2023, IPI held a working retreat with a larger group of loss and damage experts and principals at the Greentree Estate in Manhasset, New York. The scenario presented at that retreat is reproduced here.

scenario, including but not limited to finance and financial arrangements.

In its conclusion, the paper uses insights gained through the scenario to propose: (1) the purpose of the funding arrangements for extreme and slow-onset events, (2) an initial list of members for a Loss and Damage Impact Council, and (3) potential actions and interventions for the Loss and Damage Fund. Finally, the paper emphasizes the critical nature of a country- or demand-driven approach to the support provided by the LDF, including the use of accredited entities for implementation.

## The Scenario: Climate Challenges and Economic Struggles in a Tropical Nation

Citizens of the Delta Republic, a lower-middle-income coastal country of 43 million people, increasingly see their livelihoods threatened by climate change. Fatima, a leader of the country's largest fishing cooperative, said, "We fisherfolk depend on the oceans for our livelihoods. We are witnessing nature's fury firsthand." The Delta Republic, like so many countries in the region, is experiencing a blend of slow-onset and extreme events as the world passes 1.5, posing serious challenges for the nation's social and economic stability.

**Salinity intrusion and fisheries crisis:** Rising sea levels have affected crop yields and damaged underground aquifers. The fishing industry, vital to the nation's economy, has also suffered due to warmer sea temperatures, leading to uncertain times for this once-thriving sector.

**Back-to-back cyclones:** Last month, two major tropical storms struck the Delta Republic. The first, a Category 3 storm, caused flooding and mudslides in areas crucial for agriculture. This has led to a bleak outlook, with agricultural yields expected to drop by at least 50 percent over the next two seasons. Households are now spending more than a third of their income on food. Shortly after the first storm, a more powerful Category 5 storm hit near

the capital.

Early-warning systems activated, limiting loss of life during the storm. However, the storm knocked out basic services including electricity, water, and sewage, leading to a widespread cholera outbreak. Although some humanitarian materials were pre-positioned, cholera and congestion in the limited shelters increased fatalities to about 1 percent of the population. In addition, more than 10 percent of the population was displaced.

**Tough choices:** The government faces tough decisions and is considering delaying its ambitious development agenda due to a grim economic forecast. The Delta Republic's treasury and central bank are grappling with how to adjust interest rates to address unemployment and inflation without causing a recession. They anticipate at least a 5 percent economic contraction in the next year. Public sector debt has ballooned due to high interest rates, raising concerns about another credit downgrade or even a default. This threatens the country's ability to raise money through the issuance of bonds.

**Social instability and political unrest:** As the Delta Republic grapples with compounding environmental catastrophes and economic shocks, the nation's social fabric is also showing signs of strain. The opposition party has seized upon these crises as an opportunity to stoke radicalism. It is increasingly vocal in criticizing the government and questioning the administration's competence and commitment to the welfare of the citizenry. Alarming, there are indications that the opposition is joining forces with certain factions in the military, an institution traditionally seen as apolitical. Reports suggest there have been backroom meetings between high-ranking military officials and opposition leaders, with whispers of discontent in the barracks growing louder by the day.

## The Response: Actions, Gaps, and Challenges

Based on our current system, this section lays out the actions that can be taken, the modalities for these actions, and the actors responsible across four phases of the response: before the shock and in the short, medium, and long term after the shock.

## Before the Shock

The Delta Republic's early-warning system and the pre-positioning of some humanitarian materials limited loss of life from the cyclones, but more anticipatory actions could have been taken. For example, regional organizations could have played a more substantial and defined role in developing a regional approach to mitigating climate impacts.<sup>4</sup> Greater regional cooperation, especially strategies to increase the amount of food grown and consumed locally and regionally, would enhance both short- and long-term food security in the Delta Republic.

Poor communications infrastructure also made anticipatory action in the Delta Republic more difficult, especially in the countryside, where the Internet is less available and reliable. Down the line, improved communications infrastructure may become essential to keep aid flowing into the country and sustain the people's access to aid and their trust in the government.

In addition, the Delta Republic could have used prearranged financing to recapitalize its social safety net before the shock, as well as at a predetermined date after the shock. That money would be earmarked so that it went to citizens, not creditors. In the future, this task could be undertaken by a Global Shield against Climate Risks with a mandate to "close the protection gap for poor and vulnerable people against climate-related losses and damages," which has been jointly proposed by the G7 and the Vulnerable Twenty Group (V20).<sup>5</sup>

Like most countries, the Delta Republic already had a national adaptation plan (NAP) in place to reduce

its vulnerability to climate-related disasters.<sup>6</sup> Ideally, that plan would have been ambitious and integrated into the country's overall development strategy where possible. However, given the current gap in global adaptation funding, the Delta Republic's NAP is underfunded and forced to compete with other compelling and immediate priorities, from domestic social programs to external loans and debt obligations.<sup>7</sup> As a low-to-middle-income country, the Delta Republic cannot fully access International Development Association (IDA) programs at the World Bank, so it relies on private markets to finance large portions of its NAP.<sup>8</sup> However, due to high interest rates from central banks in the Global North, combined with the country's credit rating and climate vulnerability, the cost of capital is multiple times that in a typical developed country.

Adaptation is a continuous process, so even fully implementing the NAP would not have been enough for the Delta Republic to prepare for a shock of this magnitude. As the global temperatures continue to rise and the impacts of climate change increase in frequency and intensity, the Delta Republic will need *sustained* and *sustainable* finance in the form of no- or low-cost loans. Toward this end, multilateral development banks (MDBs) could triple their lending through a combination of callable capital and new contributions in the form of special drawing rights, as called for by Barbados's Bridgetown Initiative.<sup>9</sup> The African Development Bank has also proposed a plan to finance adaptation on the continent through special drawing rights, which it says it can leverage by as much as \$4 to \$1.<sup>10</sup>

4 According to one study, regional organizations have taken steps to mitigate climate impacts on food security but have not developed systems to address regional patterns of consumption and production or to integrate regional support and supplies. Saidul Islam and Edson Kieu, "Tackling Regional Climate Change Impacts and Food Security Issues: A Critical Analysis across ASEAN, PIF, and SAARC," *Sustainability* 12, no. 3 (2020).

5 Vulnerable Group of Twenty (V20), "A Joint G7 and V20 Ambition: Working towards a Global Shield against Climate Risks," October 25, 2022, available at <https://www.v-20.org/global-shield-against-climate-risks>.

6 As of 2022, at least 84 percent of parties to UNFCCC have established adaptation plans, strategies, laws, and policies. UN Environment Program (UNEP), "Adaptation Gap Report 2022, Key Messages," November 1, 2022, available at <https://www.unep.org/resources/adaptation-gap-report-2022>.

7 As of 2022, international adaptation finance flows to developing countries are 5–10 times lesser than estimated needs, and the gap continues to widen. UNEP, "Adaptation Gap Report 2022."

8 For a country to access IDA resources, it must be in a situation of relative poverty, indicated by its per-capita income falling below the IDA operational cutoff (\$1,315 in FY24) and/or lack creditworthiness for IBRD borrowing. See: International Development Association (IDA), "IDA Financing," September 7, 2023, available at <https://ida.worldbank.org/en/financing>.

9 Government of Barbados, "Bridgetown 2.0: Urgent and Decisive Action to Reform the International Financial Architecture," April 2023.

10 According to African Development Bank president Akinwumi Adesina, "A \$50 billion re-allocation [of SDRs] through the African Development Bank [could] be leveraged to deliver \$200 billion to African economies." African Development Bank (AfDB), "What Are Special Drawing Rights and Why Do They Matter for Africa?" available at [https://www.afdb.org/sites/default/files/documents/sdrs\\_faq\\_en.pdf](https://www.afdb.org/sites/default/files/documents/sdrs_faq_en.pdf).

Table 1. Actions before the shock

Action	Modality	Actors
Activate early-warning system	Trigger-based, automatic	<ul style="list-style-type: none"> <li>• Government</li> <li>• Local organizations</li> </ul>
Pre-position essential items (food, medicine, shelter)	Cash, food stockpiles	<ul style="list-style-type: none"> <li>• Government</li> <li>• Local organizations</li> <li>• Regional organizations</li> <li>• UN Office for the Coordination of Humanitarian Affairs (OCHA)</li> <li>• UN Office for Disaster Risk Reduction (UNDRR)</li> </ul>
Recapitalize social safety net	Prearranged finance	<ul style="list-style-type: none"> <li>• Government</li> <li>• Global Shield against Climate Risks</li> </ul>
Review national adaptation plan	Concessional loans and grants	<ul style="list-style-type: none"> <li>• Government</li> <li>• MDBs</li> <li>• Climate funds</li> </ul>

## Short Term: The Moment of Impact

The priority after the shock is to deliver immediate humanitarian aid to meet basic needs and reestablish essential services like electricity, water, and sanitation in affected areas. Although the Delta Republic's early-warning system saved lives, disease is now taking many more. Cholera must be stopped by an aggressive public health intervention before it spreads from overcrowded shelters into cities. The displaced must be provided with dignified temporary shelter and be given hope for dignified long-term return or resettlement.

For the government to remain effective and legitimate during this process, it is essential that aid reaches people and ministries clearly communicate and coordinate with each other.

In developing countries like the Delta Republic, formal small and medium enterprises contribute up to 40 percent of national income and create seven out of ten new jobs.<sup>11</sup> However, local economies and small businesses are often the first

to go under and the last to receive support after a disaster (this is especially true for informal or unregistered small and medium enterprises). Meanwhile, the slow-onset effects of sea-level rise and erosion lead to gradual but steady losses in income and earning power over time. In effect, extreme events wipe out today's paycheck, while slow-onset events wipe out tomorrow's. Incomes and jobs should be a priority in the government's short- and long-term responses. While humani-

tarian actors provide some support for displaced workers (e.g., purchasing new fishing nets), they are not in the position to create new livelihoods or markets, which will require more substantial and

directed assistance. Support for creating and sustaining livelihoods is a major institutional and financial gap in addressing loss and damage. The LDF could help fill this important gap.

There are also financial or macroeconomic measures that would benefit the Delta Republic. Because disaster or climate resilient debt clauses (CRDCs) are relatively new, it is unlikely the Delta Republic has them in its current loans, which

Support for creating and sustaining livelihoods is a major institutional and financial gap in addressing loss and damage.

<sup>11</sup> WBG, "Small and Medium Enterprises (SMEs) Finance," available at <https://www.worldbank.org/en/topic/smefinance>.

would have helped calm markets and provide fiscal and policy space for the government.<sup>12</sup> These clauses must be included in all future loans, particularly the large loans that will be required for reconstruction and rehabilitation.

The Delta Republic could look to the International Monetary Fund (IMF) for financial and macroeconomic policy support. The IMF can provide balance of payments support from its Rapid Credit Facility (RCF) or Rapid Financing Instrument (RFI) or debt relief from its Catastrophe Containment and Relief Trust (CCRT). However, the Delta Republic is ineligible for the RCF and CCRT, which are limited to low-income countries, and for all three programs, the amount of support is determined by quota size, not need or vulnera-

bility.<sup>13</sup> In effect, this means that small countries with big debts receive small debt-relief packages. The Delta Republic could also request a package including additional special drawing rights from the IMF's Resilience and Sustainability Trust (RST), but it would need to meet the standards for the IMF's upper-credit tranche—a difficult task for any developing country.<sup>14</sup> It is probable that the Delta Republic has a variety of public and private creditors at rates varying from concessional (MDBs) to exorbitant (private markets) to somewhere in between (bilateral). Without agreement under the G20's Common Framework for Debt Treatments, it is likely that any debt restructuring or reduction would occur bilaterally, as recently occurred in Zambia.<sup>15</sup>

Table 2. Short-term actions

Action	Modality	Actors
Deliver humanitarian aid	Food, water, tents	<ul style="list-style-type: none"> <li>• OCHA</li> <li>• Regional organizations</li> <li>• Bilateral</li> <li>• Local</li> </ul>
Arrest spread of disease	Medicine, sanitation	<ul style="list-style-type: none"> <li>• World Health Organization (WHO)</li> <li>• Regional organizations</li> <li>• Bilateral</li> <li>• Local</li> </ul>
Ensure immediate food security	Food, cash	<ul style="list-style-type: none"> <li>• World Food Programme (WFP)</li> <li>• Regional organizations</li> <li>• Bilateral</li> <li>• Local</li> </ul>
Create fiscal and policy space	Debt pause/climate resilient debt clause, special drawing rights (SDRs)	<ul style="list-style-type: none"> <li>• World Bank</li> <li>• IMF</li> <li>• Creditors</li> </ul>
Support local markets and livelihoods	Macroeconomic policy, credit, cash transfers	<ul style="list-style-type: none"> <li>• Government</li> <li>• Unclear</li> </ul>
Design reconstruction plan	Capacity, coordination	<ul style="list-style-type: none"> <li>• Government</li> <li>• MDBs</li> </ul>

12 The International Capital Markets Association has proposed using CRDCs to defer countries' debt repayments to private creditors for an agreed period of time in the event of predefined, severe climate shocks or natural disasters, including slow-onset events. See: Private Sector Working Group, "Climate Resilient Debt Clauses (CRDCs): Chair's Summary," November 9, 2022. The World Bank also announced that it would include CRDCs in some new loans as part of a new disaster toolkit. See: WBG, "World Bank Group Announces Comprehensive Toolkit to Support Countries After Natural Disasters," June 22, 2023.

13 International Monetary Fund (IMF), "Frequently Asked Questions on the Catastrophe Containment and Relief Trust," available at <https://www.imf.org/external/np/fin/ccr/index.htm>.

14 IMF, "2023 Review of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts," April 26, 2023.

15 For the status of talks under the Common Framework, see: Council on Foreign Relations, "The Common Framework and Its Discontents," March 26, 2023.

## Medium Term: Early Recovery and Reconstruction

In the medium term or early recovery phase, the Delta Republic will face several new challenges. This is when financing is most needed and most scarce—donors may have moved on to another tragedy, but creditors have not. As social unrest grows in the Delta Republic, this is also when a vulnerable government can become a fragile one.

First, the Delta Republic faces the immediate task of reconstruction from the two cyclones. Second, it must address the slow-onset impacts, including the salination of ground and drinking water and the loss of certain aquaculture species, which have slowly eroded health and incomes. Third, it must increase the production of sustainable agriculture and aquaculture for domestic consumption and export and increase scale and access to regional food reserves to draw on when the next shock hits.

Fourth, it must update its NAP to reflect lessons learned and new priorities and to ensure it aligns with reconstruction and livelihoods efforts. For instance, farmers being provided with heat- or disease-resistant seeds and livestock will also need protection against mudslides and erosion to ensure their crops and herds are not simply washed away in the next storm. While these reconstruction and livelihoods plans would overlap with the adaptation plan, they are distinct and require new and additional sources of financing.

Finally, the Delta Republic must find permanent and dignified homes for the displaced. This may mean resettlement somewhere else, integration into new communities, or return to their original communities. In any case, displaced people will experience not only economic challenges but also grief and mental health challenges and personal and cultural loss. These are not easy challenges to address. Governments have poor records relocating displaced populations, and grief can be an intensely personal process. We have learned from the pandemic the importance of community and ritual in processing grief, and a community's informal networks are essential to its social and economic success. Governments must recognize and respect

this in the resettlement process.

The Delta Republic must do all of this while addressing inflation, unemployment, and unrest domestically and facing global pressures like high prices for food, energy, and capital.

Even if substantial financing is available for the Delta Republic to address its challenges, that money will not come quickly or all at once. The government will have to seek financing from multiple sources, including different UN agencies or funds, donor governments, NGOs and foundations, and private markets. Each of these actors will make its own assessment about the country's needs based on its risk appetite, interest rates, and other factors outside of the Delta Republic's control. It is essential that the government coordinate across ministries and take a whole-of-government approach to planning and requesting financing from international institutions, governments, and markets. One

The medium term or early recovery phase is when financing is most needed and most scarce—donors may have moved on to another tragedy, but creditors have not.

way to do this is by establishing a council of ministers across the government (treasury, agriculture, environment, trade, etc.), which will meet regularly and submit funding proposals as a team. However, it is also essential that donors

and funds cut red tape and reduce the steps needed for money to start flowing. This may involve shifting from a project-based approach toward programmatic support, with grants funding multiple and interconnected streams of work rather than just one.

We have a sense of what reconstruction in the Delta Republic could look like—"building back better" where the storms destroyed homes and infrastructure—but less so for rehabilitation from slow-onset loss and damage. This is where livelihoods become central. Extreme events plunge people into unemployment, and slow-onset events will keep them there if nothing is done or changed.

More than just replacing fishing nets, building livelihoods requires investing in individuals and communities, creating new and sustainable markets, and ensuring dignified pay and conditions for workers. This means that actions need to be taken and aligned domestically, regionally, and globally. At home, fisherfolk need detailed local data

on the feasibility of different fish stocks under warming scenarios, how the location of these stocks interacts with maritime limits and boundaries, and more. This data must be shared and improved regionally so that one country's actions do not counteract another's.

Globally, there must be changes to the trading system to enable a domestic and regional strategy to enter old markets and create new ones. Large developed and some large developing countries have a special responsibility to remove domestic

and multilateral trade rules and barriers to exports from small and vulnerable developing countries, including both commodities and finished goods. The international trading system has failed less powerful countries, from the US rejection of the Latin America-backed International Trade Organization in 1948 to today's World Trade Organization, which is deadlocked between the US and China. It is ripe for reform and change, and removing trade barriers to enable sustainable exports from vulnerable countries would be a start.

Table 3. Medium-term actions

Action	Modality	Actors
Implement reconstruction plan	Finance, technology, materials	<ul style="list-style-type: none"> <li>• Government</li> <li>• MDBs</li> <li>• Unclear</li> </ul>
Design livelihoods plan	Capacity, coordination	<ul style="list-style-type: none"> <li>• Government</li> <li>• Unclear</li> </ul>
Limit inflation and unemployment	Macroeconomic policy space	<ul style="list-style-type: none"> <li>• Government</li> <li>• IMF</li> </ul>
Update national adaptation plan with lessons learned	Capacity, coordination	<ul style="list-style-type: none"> <li>• Government</li> <li>• Climate funds</li> </ul>
Begin process of debt restructuring	Debt cancellation, debt swaps, credit	<ul style="list-style-type: none"> <li>• IMF</li> <li>• World Bank</li> <li>• Paris Club + China</li> </ul>
Enable long-term food security	Technology transfer, trade reforms, regional cooperation	<ul style="list-style-type: none"> <li>• Donors</li> <li>• International Fund for Agricultural Development (IFAD)</li> <li>• UNDP</li> <li>• Regional organizations</li> </ul>
Begin dialogue with communities about relocation and cultural loss	Communication and trust building	<ul style="list-style-type: none"> <li>• Government</li> <li>• Communities</li> <li>• International Organization for Migration (IOM)</li> <li>• UNESCO</li> </ul>



## Long Term: Rehabilitation and Transformative Adaptation

Fully addressing loss and damage in the Delta Republic means more than getting the country back on its feet after back-to-back cyclones. It means leaving the Delta Republic stronger and more resilient so that when the next extreme event hits, the country does not fall so far and can build back sooner and better. It also means addressing the rising economic insecurity of the country's residents due to the consequences of sea-level rise for fishing, agriculture, and human settlement.

Beyond the humanitarian response, the Delta Republic will need major investments on multiple fronts. If those investments are made, the country can break the vicious circle of slow decline in its development followed by abrupt and painful falls and begin a virtuous cycle. The jobs under threat in the Delta Republic are mostly related to agriculture and aquaculture, a primary source of income and calories. Ensuring the future of those industries would provide livelihoods and promote food security. Allowing those industries to integrate into and grow through regional markets will also help soften the next shock.

Displaced people need jobs and homes where they return or resettle. Jobs and homes go hand in hand,

Rehabilitation requires not just leaving buildings stronger and more resilient; it also requires leaving people that way.

and both are necessary for displaced people to integrate into and be accepted by host communities. Reconstruction efforts in the Delta Republic should focus on building affordable housing, both for the displaced and for residents in the community into which the displaced are integrating. Otherwise, newcomers will compete with existing residents for jobs and housing, breeding insecurity and resentment. The mental health of the displaced also needs to be addressed, as the trauma caused by displacement will continue to affect people's lives and often makes it difficult for them to trust others or have hope for the future. Rehabilitation requires not just

leaving buildings stronger and more resilient; it also requires leaving people that way.

To stay on this upward trajectory, the government will need to maintain high levels of social spending and investment in agriculture and aquaculture. It will not be able to continue to rely on international institutions for such a large part of its budget. Investment in people and jobs should pay dividends—higher incomes, spending, tax receipts, and foreign direct investment—but as the economy grows, the government should look to alternative sources of finance, including small levies on flights or carbon credit sales. These sources could provide additional and predictable revenue that the government could earmark for sustaining its transformative adaptation efforts.

Table 4. Long-term actions

Action	Modality	Actors
Fully implement livelihoods plan	Investment, training, technology, trade	<ul style="list-style-type: none"> <li>• Government</li> <li>• Unclear</li> </ul>
Facilitate the return or permanent resettlement of displaced people	Livelihoods, homes, respect for communities, trust building	<ul style="list-style-type: none"> <li>• Government</li> <li>• IOM</li> <li>• Unclear</li> </ul>
Provide support for mental health and address cultural loss	Healthcare, trust building, return or resettlement	<ul style="list-style-type: none"> <li>• Government</li> <li>• UNESCO</li> <li>• Unclear</li> </ul>
Fully fund a transformative national adaptation plan	Concessional loans, innovative finance (e.g., taxes and levies), intergovernmental coordination	<ul style="list-style-type: none"> <li>• Government</li> <li>• Donors</li> <li>• MDBs</li> <li>• Climate funds</li> </ul>

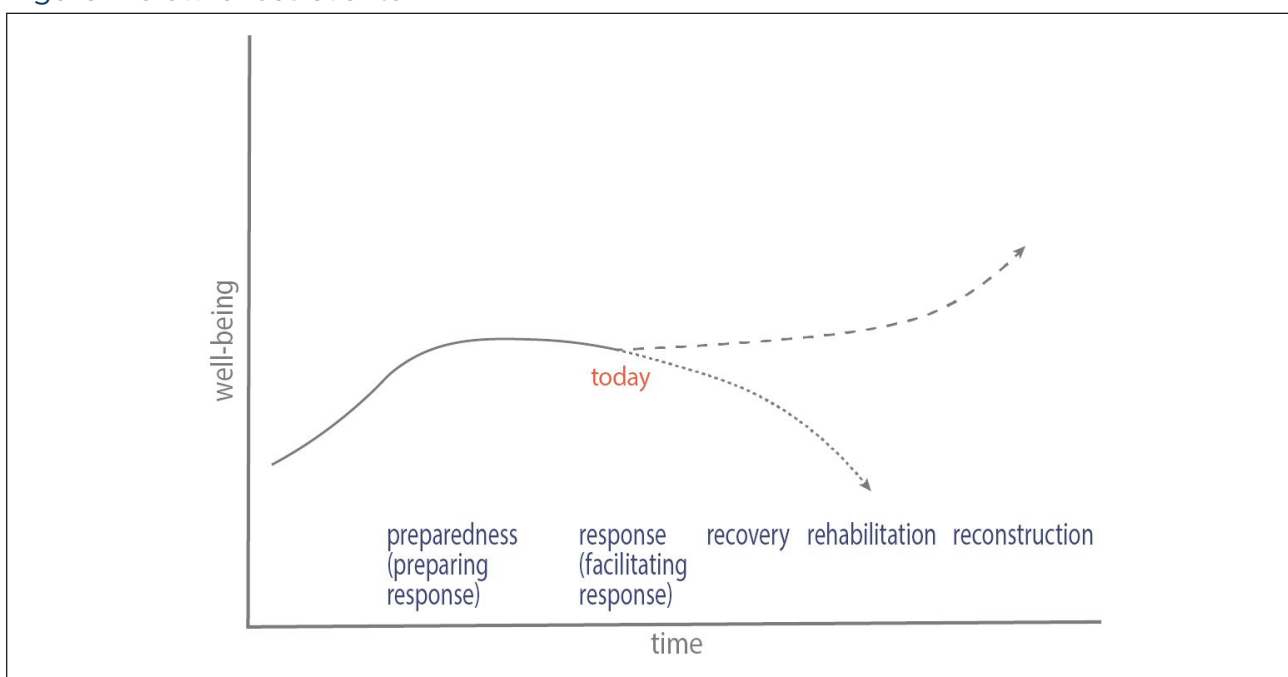
## Conclusions

This scenario provides three takeaways for parties to consider as the Transitional Committee completes its recommendations for negotiation at COP28.

First, it clarifies the objectives of loss and damage funding arrangements as a whole. For slow-onset events such as coastal erosion and loss of fresh water, there is a slow but steady decay in development that will increase in the future (see Figure 1).

For the Delta Republic, this slow decay manifested in declining incomes and jobs for fisherfolk and farmers and rising food insecurity for residents. The goal of loss and damage funding arrangements in this case should be to bend the slope back up—to change the development trajectory with systemic and transformative solutions. The key is that intervention is not a one-off project but a *sustained* and *sustainable* long-term strategy. This requires significantly higher levels of long-term and low- or no-cost financing through international institutions, governments, and markets.

Figure 1. Slow-onset events



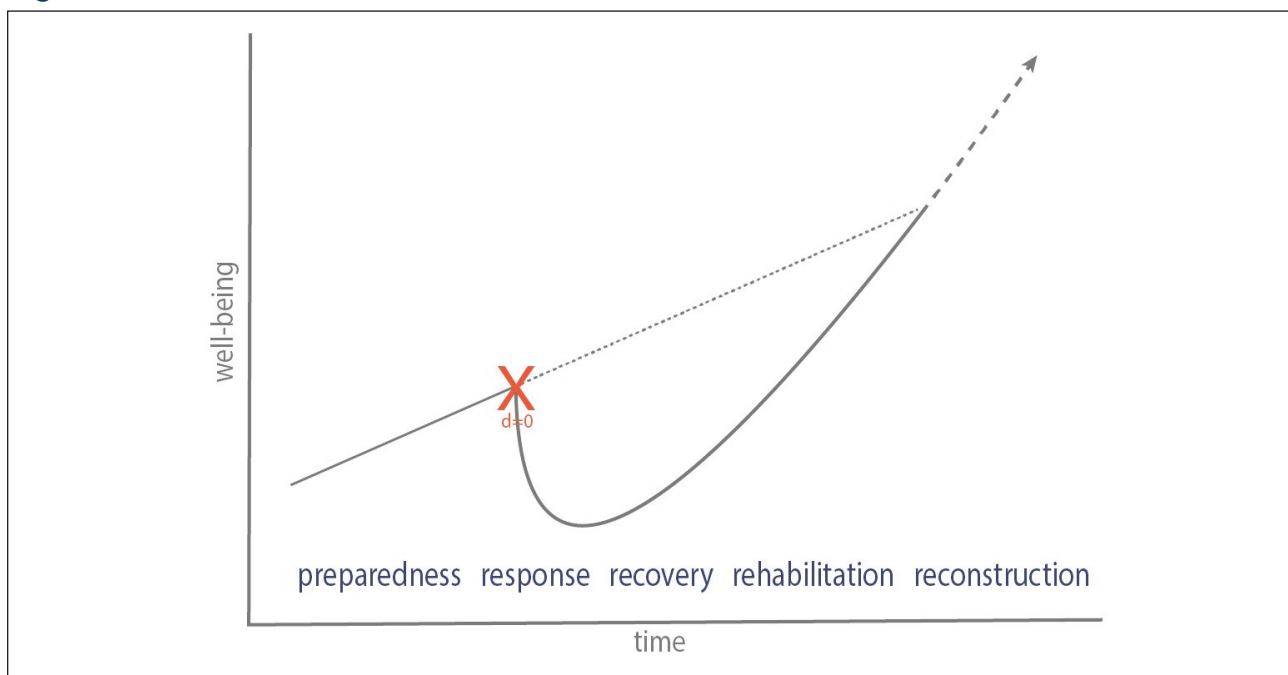
For extreme events such as tropical storms, there is a specific day of impact where development gains are lost (see Figure 2). In the Delta Republic, back-to-back cyclones displaced residents and plunged both them and the government into economic crisis. The first step for addressing loss and damage is to provide humanitarian assistance that keeps the country from falling too far by meeting basic needs. But the funding arrangements must go beyond restoring the country to its development path by changing the slope of that path, using the opportunity to “build back better.”

Second, the actions outlined above suggest some initial criteria and members for a high-level Loss and Damage Impact Council (LDIC). At a

minimum, we can identify several organizations with a direct stake in addressing loss and damage in the ex ante and ex post timeframes that could join the council, alongside the Loss and Damage Fund. These include:

- OCHA, UNDRR (humanitarian, anticipatory)
- WHO (public health)
- Food and Agriculture Organization (FAO), WFP, IFAD (food security)
- MDBs, UNDP (development finance)
- UNFCCC climate funds (climate finance)
- World Bank, IMF (debt, fiscal, and policy space)
- IOM (displacement and migration)
- UNESCO (cultural/noneconomic loss)

Figure 2. Extreme events



For the LDIC to deliver support faster, its members will have to find new ways of operating. In addition to its coordinating function, the LDIC should also be tasked with overseeing the development of institutional protocols or procedures for responding to loss and damage events. Each council member would be charged with developing its own set of actions (e.g., releasing food aid or freezing interest payments), which could be tied to the magnitude and frequency of the climate impact, the intensity and extent of the impact, and the capacity of governments to respond to the impact. Protocols or trigger-based responses will ensure that support is delivered on time and will make governments and markets more confident that resources will be provided.

Recipient countries should be involved at all stages of the program and project cycle, from identifying needs to implementing solutions.

Third, the Loss and Damage Fund’s support should focus on (1) where there is an institutional as well as a financial gap and (2) where it can have the highest margin of impact. In the above scenario, that would mean a focus on creating and sustaining livelihoods; lowering the cost of long-term loans for reconstruction, rehabilitation, and transformative adaptation; and supporting measures to address noneconomic losses, particularly damage

to mental health.

The Delta Republic’s livelihoods plan is at the core of its response to the impacts of both slow-onset and extreme events, and it is unlikely that an existing organization could fund livelihoods at the scale the country needs without taking away resources from other critical activities. This makes livelihoods support a critical function for a new Loss and Damage Fund. However, if the LDF is providing robust funding to support domestic livelihoods, it is unlikely to also be able to lend the Delta Republic (or other countries applying to the LDF) substantial amounts for reconstruction and rehabilitation activities. Thus, the LDF could have the greatest impact by providing grants to lower the cost of these loans for borrowers like the Delta Republic and the risk for its lenders, namely, the multilateral development banks.

Additionally, the LDF should be equipped to provide grants to fund programs that address noneconomic losses, such as cultural loss and impacts on mental health. This is a new area and will require experimentation, trust, and collaboration with relevant entities (e.g., UNESCO, WHO, or IOM).

Finally, it is essential that the LDF take a country-ownership and country-driven approach to requests for support. This means that recipient countries should be involved at all stages of the program or project cycle, from identifying needs to implementing solutions. Countries will have different capacities for implementation, so additional capacity-building support may be needed to equalize access and ownership.

Keeping hope alive in and after an emergency is

only possible when individuals have a sense of control over their lives. Losing one's home or livelihood is not just an economic loss but also a loss of individual freedom and self-determination. Likewise, a country losing its economic base, forcing it into deeper dependence on aid, is a loss of collective self-determination. Thus, the LDF should develop procedures and criteria for simplified and fast-tracked accreditation of national or regional entities to manage funded programs in-country, if this is the route the country chooses.

The **INTERNATIONAL PEACE INSTITUTE** (IPI) is an independent, non-profit organization working to strengthen inclusive multilateralism for a more peaceful and sustainable planet. Through its research, convening, and strategic advising, IPI provides innovative recommendations for the United Nations System, member states, regional organizations, civil society, and the private sector. With staff from around the world and a broad range of academic fields, IPI has offices facing United Nations headquarters in New York and an office in Manama.



**777 United Nations Plaza, New York, NY 10017-3521, USA**  
TEL +1-212-687-4300 FAX +1-212-983-8246

**52-52 Harbour House, Bahrain Financial Harbour**  
**P.O. Box 1467, Manama, Bahrain**

[www.ipinst.org](http://www.ipinst.org)