

DOCUMENTATION

Status quo of and next steps for the Glasgow Dialogue

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List of abbreviations

ARC African Risk Capacity	L&D Loss and Damage
CCRIF Caribbean Catastrophe Risk Insurance Facility	LDFD Loss and Damage Finance Facility
CMA Meeting of the Parties to the Paris Agreement	M&E Monitoring & Evaluation
CREWS Climate Risk and Early Warning Systems	NEL Non-Economic Losses
CSO Civil Society Organisations	OHCHR United Nations Human Rights Office of the High Commissioner
DRR Disaster Risk Reduction	PICAP Pacific Insurance and Climate Adaptation Programme
EWS Early Warning Systems	SB Subsidiary Body for Implementation
GCF Green Climate Fund	SCCF Special Climate Change Fund
GD Glasgow Dialogue	SIDS Small Island Developing States
GEF Global Environment Facility	STAR System for Transparent Allocation of Resources
GFDRR Global Facility for Disaster Reduction and Recovery	UNEP United Nations Environment Programme
GRFF Global Risk Financing Facility	UNFCCC United Nations Framework Convention on Climate Change
ICRC International Committee of the Red Cross	WIM Warsaw International Mechanism
IMF International Monetary Fund	WMO World Meteorological Organisation
IPCC Intergovernmental Panel on Climate Change	

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1 Introduction

At the 26th United Nations Framework Convention on Climate Change (UNFCCC) Climate Summit in Glasgow, the COP/CMA decided to establish the Glasgow Dialogue (GD)

“between Parties, relevant organizations and stakeholders to discuss the arrangements for the funding of activities to avert, minimize and address loss and damage associated with the adverse impacts of climate change, to take place in the first sessional period of each year of the Subsidiary Body for Implementation (SB), concluding at its sixtieth session (June 2024)”¹.

The dialogue was a compromise on Loss & Damage (L&D) finance in the negotiations that had to be found after many Global North countries rejected the G77+China proposal to establish a “Glasgow L&D finance facility”.

The first Glasgow Dialogue took place during the Bonn Climate Change Conference (SB 56) in June 2022. In three sessions, parties and non-party stakeholders discussed existing arrangements for funding activities to avert, minimise and address loss and damage as well as gaps, barriers and challenges. This briefing paper is based on discussions of the Glasgow Dialogue during the SBs and aims to give an overview of the status quo of the debate within the dialogue. No claim is made to completeness. It summarises the results from the first [Glasgow Dialogue](#) in four key areas:

1. Existing Solutions
2. Gaps in L&D Finance
3. Matters relating to an L&D Finance Facility
4. The way forward and COP27

and makes recommendations concerning necessary next steps.

2 Existing solutions

The participants of the Glasgow Dialogue referred to **a number of mapping exercises from existing solutions** that were conducted in the past by the UNFCCC and other actors.

These included inter alia:

- the [“Summary report on the 2016 Forum of the Standing Committee on Finance on financial instruments that address the risks of loss and damage associated with the adverse effects of climate change;”²](#)
- the [Suva Expert Dialogue 2018](#),³ focusing inter alia on ways of facilitating the enhancement of support, including finance, for averting, minimising, and addressing loss and damage, which resulted in a [technical paper by the UNFCCC Secretariat 2019](#)⁴ on the sources of and modalities for accessing financial support for addressing loss and damage. It identified limited sources of finance and financial mechanisms that explicitly address loss and damage, lack of timely access to post-disaster finance after an event has hit and damages have occurred;

² <https://unfccc.int/sites/default/files/resource/2016%20-%20report.pdf>

³ https://unfccc.int/sites/default/files/resource/SUVA%20Report_ver_13_Nov.pdf

⁴ <https://unfccc.int/node/196468>

- the 2019 review of the Warsaw International Mechanism (WIM) acknowledging the existence of a variety of financial sources that address L&D and highlighting the need for additional and scaled-up finance;
- an analysis by Germanwatch of the “[Potential for loss and damage finance in the existing UNFCCC financial architecture](#)”.⁵

2.1 Existing measures, institutional arrangements, and channels of funding to avert, minimise, and address loss and damage provided, inside and outside of UNFCCC

The following were mentioned by participants of the first Glasgow Dialogue:

Inside UNFCCC:

Participants named specific aspects/parts of L&D measures that are being financed by the Climate Funds of the Financial Mechanism under the UNFCCC, those included:

- **Adaptation Fund (AF):** It was mentioned inter alia that 20% of the AFs portfolio is dedicated to Disaster Risk Reduction (DRR) and Early Warning Systems (EWS), which can also be counted as financing for L&D.
- **Green Climate Fund (GCF):** It was highlighted that the GCF portfolio is compatible with the Warsaw International Mechanism (WIM) and its work streams.⁶ These include EWS, resources for enhancing ecosystem management, Non-Economic Losses (NEL), e.g., regarding strengthening livelihoods, and comprehensive risk management including insurance instruments. Its integrated result management framework contains two indicators tracking resources responsiveness to the needs regarding loss of life and loss of economic assets. The 2020 GCF strategic vision included the provision that the fund will continue to provide resources for averting, minimising, and addressing L&D and that a readiness programme can help identify projects.⁷
- **Global Environment Facility (GEF):** It was specifically highlighted that the GEF is responding to averting, minimising, and addressing L&D including NELs. It was mentioned that the GEF helps to close the financing gap, but the importance of additional financing was also emphasised.
 - The **Special Climate Change Fund (SCCF)** (managed by the GEF) was also mentioned as a fund that is providing L&D finance under UNFCCC.

⁵ <https://www.germanwatch.org/de/21066>

⁶ <https://unfccc.int/wim-excom/areas-of-work>

⁷ <https://www.greenclimate.fund/sites/default/files/document/updated-strategic-plan-green-climate-fund-2020-2023.pdf>

Outside UNFCCC:

Additionally, participants named different existing solutions, channels, and institutions outside the UNFCCC, including the following:

- It was emphasised that **regional risk transfer mechanisms** like the Caribbean Catastrophe Risk Insurance Facility (CCRIF), the African Risk Capacity (ARC), and the Pacific Insurance and Climate Adaptation Programme (PICAP) play a role in immediate assistance in the aftermath of extreme weather events, providing financial liquidity to begin recovery after an event. From their assessment, those risk transfer mechanisms fill a gap between immediate and long-term recovery.
- In regards to the **World Bank**, the **Global Risk Financing Facility (GRFF)** as well as **risk management related investment** were named as funding channels that are already existing.
- It was pointed out that new channels should be considered, for example, regarding the **International Monetary Fund (IMF)**, whose **concessional loans could be used to finance L&D**.
- The **World Meteorological Organisation's (WMO) Climate Risk and Early Warning Systems (CREWS)** were named, which are pooling financing from donor countries and implementing partners with the necessary capabilities. Additionally, the WMO is cooperating on an **Initiative by UN Secretary General on EWS**.⁸
- It was highlighted during the Glasgow Dialogue that the **United Nations Environment Programme (UNEP)** has programmes in different countries, including Small Island Developing States (SIDS) and works with the WMO on developing **early action and Monitoring & Evaluation (M&E) of weather**. UNEP is the host of the UN Decade of restoration and works on ecosystem restoration and resilient agricultural infrastructure. It supports over 50 ecosystem projects supporting 2.5 million people around the world.
- The **United Nations Human Rights Office of the High Commissioner's (OHCHR) "UN Voluntary fund for Indigenous Peoples,"** which is financed by member states, was also named. It provides grants to allow indigenous peoples to participate in UN processes and share their stories.
- Additionally, the following examples were mentioned, without further elaboration:
 - i. **International Committee of the Red Cross (ICRC)**
 - ii. **Global Facility for Disaster Reduction and Recovery (GFDRR)**
 - iii. **The Global Shield against climate risks**⁹ (proposed by the G7)

⁸ <http://news.un.org/en/story/2022/03/1114462#:~:text=%E2%80%9CEarly%20warnings%20and%20action%20save,warning%20systems%20within%20five%20years.%E2%80%9D>

⁹ <https://www.bundesregierung.de/resource/blob/974430/2041312/aa2f4b131c4e0463bcb1a9be5eadac5a/2022-05-19-g7-development-ministers-data.pdf?download=1>

2.2 Limitations and inadequacy of existing solutions

Even though different solutions exist, at the same time a range of limitations and inadequacies of these have been identified. Parties as well as many other participants have raised these. They generally acknowledge the shortcomings of existing mechanisms, while underlining that there still are functioning mechanisms, e.g., in humanitarian assistance.

In general, it was pointed out that the structure of the UNFCCC Climate funds in terms of working on a multi-year project basis is not suited for a broad range of measures to *address* L&D. Another key challenge mentioned was the limited amount of funding as well as a lack of additional sources.

Concrete limitations and shortcomings that were named by the participants included the following:

- It was highlighted that, in addition to being poorly capitalised, the **AF** lacks an explicit mandate that covers and benefits many elements of measures to deal with L&D.
- Limitations in regard to the **GCF** included: the readiness and project support being incompatible with L&D, e.g., the inadequacy of the response to the urgency of climate challenges faced by countries like Small Island Developing States (SIDS) and difficulties in reaching people on the ground; the lengthy and bureaucratic application process (an average of 12-22 months for approval processes, 24 months for project approval direct access modality); the high upfront cost and highly needed capacities for applications; and the requirement to prove climate relevance through studies at a local level, which is impossible to collect for countries lacking historic climate data.
- The **GEF** was described as being under-resourced, and its system for transparent allocation of resources (STAR) was viewed as restricting developing countries in their access. Additionally, the strong focus on mitigation prohibits most funding for L&D in general.
 - As a **clear** challenge for the **Special Climate Change Fund under the GEF**, it was pointed out that it depends on voluntary funding pledges, and it urgently needs additional resources.
- In terms of the **WMO's CREWS**, the gaps in coverage were named as a challenge: Only 40% of WMO's member states¹⁰ have EWS that address all relevant hazards, which leads to a high number of people not being covered by early warnings.
- **Regional risk transfer mechanisms** like CCRIF, ARC, and PICAP were highlighted as playing a role in immediate assistance but also as being clearly insufficient.
- The **InsuResilience** Initiative was criticised for lacking both transparency and accessible information on concrete activities and related beneficiaries. It was also considered incapable of meeting the needs it is supposed to address.
- Relevant overlaps with L&D finance were identified regarding **development aid and humanitarian assistance**. Nevertheless, it was highlighted that it does not match the needs and the costs of most measures, which are borne by national governments and households. Additionally, it was highlighted that development aid and humanitarian assistance are based on solidarity whereas the provision of L&D finance is an obligation.

¹⁰ WMO has 187 member states and 6 member territories: https://public.wmo.int/en/node/340/national-?regions_tid=110&page=1

In general, where activities in the area of L&D are currently covered under existing financial mechanisms, they are typically characterised as high-risk projects, for which direct-access entities are not accredited to access support.

3 Gaps in L&D finance

Basically all parties and participants involved in the Glasgow Dialogue recognised the existence of substantial gaps in L&D finance.

The following gaps and challenges were named by Glasgow Dialogue participants:

- The greatest gap exists regarding the **funding to address** L&D. It was noted that there is currently a large focus on averting and minimising L&D (where gaps remain as well); however, considerable deficiencies exist in addressing residual losses.
- **Finance at scale:** existing resources are insufficient to appropriately avert, minimise, and address L&D and increasing needs, and there are gaps in resources for scaling up existing pilots and mechanisms.
- **Inadequacy of existing international institutional arrangements** to provide L&D finance, not fit for purpose, e.g., due to the project logic.
- Challenge to **access** finance, including timely access to post-disaster finance for recovery and reconstruction.
- Gaps due to **shortcomings of humanitarian assistance:** humanitarian aid is merely a reaction triggered by shocks and a short-lived response to address situational needs by countries, whereas L&D finance is supposed to be cooperation-based and anchored in solidarity; and it aims to address the needs of communities regarding current and future impacts of both slow-onset and rapid-events.
- **Gap in the scale of international and national institutionalisation** of early warning systems, insurances, and DRR.
- Gap in addressing and financing measures to deal with **slow onset events**.
- **Gap in support for non-economic losses**, inter alia damage to cultural heritage, loss of assets and damage to income, social protection and relocation of affected people, loss of land and territorial and associated losses.
- Other gaps named included, inter alia, market barriers, a lack of subsidies for low-income households, and limited sources for high indebtedness of countries.

4 Matters relating to a Loss and Damage Finance Facility

A large group of participants emphasised the **need for a Loss and Damage Finance Facility (LDFF)**.

- It was pointed out that **some Parties entered into the Glasgow Dialogue with the expectation (or pre-condition) that an LDFF would result from the dialogue** based on the discussions at COP26 in Glasgow.
- Some countries mentioned **suggestions for modalities to operationalise a potential LDFF**, including the additional financing for it. Further suggestions were made to establish an LDFF as an operating entity of the UNFCCC Financial Mechanism in which it should provide oversight of funding for addressing L&D from within existing funds under the UNFCCC Financial Mechanism and of new, additional, adequate, and predictable funding to be mobilised and disbursed inside and outside of the UNFCCC framework. It should answer to WIM concerning the performance of its functions and should adhere to the following principles of 1) international solidarity, historical responsibility, and the polluter-pays principle; 2) new and additional finance; 3) needs-based, adequate, predictable, and precautionary finance; 4) locally driven with subsidiarity-enveloping gender responsiveness and equitable representation; 5) public and grant-based; 6) balanced and comprehensive.
- Several countries placed an **emphasis on the need to find the “right framework,” reviewing and reforming existing multilateral architecture to strengthen their abilities to avert/minimise/address L&D**, and exploring **options globally, multilaterally, and outside the UNFCCC**. These Parties raised concerns about Parties assuming the outcome of the Glasgow Dialogue would be a finance facility. Additionally, **concerns were expressed that the institutionalisation of an LDFF could be costly, take a lot of time, and could lead to a duplication** of efforts. A specific suggestion repeatedly made was to incorporate L&D into the GCF modalities and features. It was emphasised that the GCF modalities need to consider the uniqueness and urgency of climate challenges countries like SIDS are confronted with. To address this, it was suggested that the GCF could incorporate a strategic direction focused on enhancing support for L&D, which should be located under the readiness and preparatory support programme. Furthermore, it was emphasised that an emergency response window based on a parametric trigger and a minimum allocation floor should be established and funding for parametric insurance should be enhanced. Above all, it was emphasised that reforms are not enough, but LDFF must be established within the GCF.
- One suggestion was to look into the potential role of the IMF in L&D finance. **Almost all participants seemed to agree on the need for reform, scaling up and improving access to existing solutions**. However, by some parties the reform efforts, including concerning the GCF, were rather seen as a **necessity in addition to institutionalising an LDFF with additional finance**.

5 The way forward and COP27

In general, Parties requested a **clear process for the Glasgow Dialogue, including milestones and strong deliverables, and involving the Santiago Network on Loss and Damage.**

- G77+China reiterated their **proposal for a separate agenda item on the Glasgow Dialogue for substantive discussion at COP27** and stated their expectation for the Glasgow Dialogue to produce a **written report which contributes to the discussions at COP27.** Their attempt was successful in the sense that the sub-agenda item “Matters relating to funding arrangements for addressing loss and damage” is now at least on the [provisional agenda for COP27](#).¹¹
- Climate Vulnerable Forum (CVF) countries called on **COP27 to mandate the Intergovernmental Panel on Climate Change (IPCC) with a special report on L&D,** it remains to be seen how this will be taken up by other parties and stakeholders.
- Several countries reiterated their **expectation concerning the establishment of an LDFF at COP27,** others reiterated their expectation of strong progress on institutional arrangements more broadly.
- Regarding **the second year of the Glasgow Dialogue, suggestions** were made that it should focus on **innovative financing arrangements and on non-economic losses, slow onset events, and reconstruction/re-building following humanitarian assistance.**

6 Next steps for the Glasgow Dialogue

The Glasgow Dialogue decision was a compromise between countries demanding an LDFF and hence a concrete financial mechanism to provide L&D finance and those countries blocking such a mechanism. The decision does not include a mandated outcome or guidance for the dialogues’ structure, which risks turning the Glasgow Dialogue into a “talk shop”. That would be an inappropriate outcome in view of the urgency of finding a tangible solution to dealing with the impacts of the climate crisis. Especially in view of the fact that it is hitting vulnerable developing countries, their people and ecosystems the hardest, i.e., those who are the least responsible. During the first dialogue, it was very positive that it was organised as an open dialogue, facilitating views of different country groups, and that it was transparent and accessible for different stakeholders to participate. Most parties and stakeholders made very constructive contributions. However, key challenges remain: The Glasgow Dialogue process itself lacks mandated outcomes and concrete steps on how to incorporate the results into the official UNFCCC process as well as concrete decisions by the COP/CMA.

The Glasgow Dialogue is not the first dialogue process of its kind. It should not duplicate past dialogues and efforts including the 2018 Suva Expert Dialogue, which resulted in the development of the technical paper on sources of finance. It should instead build on efforts already taken. The Glasgow Dialogue itself needs to result in concrete outcomes that provide adequate, new and addi-

¹¹ <https://unfccc.int/event/cop-27#eq-21>

tional, needs-based support for the most vulnerable people and countries in addressing L&D—including the establishment of a Loss and Damage Finance Facility.¹² The final decision for an agenda item for COP27 on “*matters relating to funding arrangements for addressing loss and damage*” would at least provide room for negotiations and is a precondition for reaching an agreement. In this context, it could make use of the Glasgow Dialogues’ outcomes for concrete solutions and next steps inside the UNFCCC process.

¹² Towards a Glasgow Dialogue that Matters: <https://climatenetwork.org/wp-content/uploads/2022/05/Briefing-Towards-a-Glasgow-Dialogue-that-matters.docx.pdf>

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