



Loss and Damage Fund

[Source: TH](#)

Why in News?

- In the aftermath of the [catastrophic landslides](#) that recently impacted **Kerala's Wayanad district**, a critical discourse has arisen regarding the eligibility of subnational entities to claim compensation through the [Loss and Damage Fund \(LDF\)](#) under the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#).

Note

- The Wayanad district of Kerala experienced a **devastating landslide disaster in early July 2024** due to **heavy rainfall and fragile ecological conditions**.
- The **landslides in Chooralmala and Mundakkai villages** killed at least 144 people and injured 197, after the district received over **140 mm of rain in 24 hours**, saturating the soil and weakening its binding to the underlying hard rocks.

What is the Loss and Damage Fund?

- **Establishment and Goal:** The **Loss and Damage Fund (LDF)** was established at the [27th UNFCCC Conference of Parties \(COP27\)](#) held in 2022 in **Egypt** to provide financial support to regions suffering both economic and non-economic losses caused by climate change.
 - In [COP28](#), member countries reached an agreement to operationalize the Loss and Damage (L&D) fund.
 - The Fund addresses losses resulting from **extreme weather events and slow-onset processes**, such as rising sea levels.
- **Governance:** The **LDF** is governed by a **Governing Board**, which is responsible for:
 - Determining the allocation of the Fund's resources.
 - The [World Bank](#) serves as its interim trustee.
 - The Governing Board is currently developing mechanisms to facilitate access to the Fund's resources, including **Direct access, Small grants, Rapid disbursement options**.
- **Concerns:**
 - Despite its intended purpose, there are ongoing concerns that:
 - Climate funds, including the LDF, may be too slow to be immediately accessible following a disaster.
 - This issue is particularly acute **for local communities at the sub-national level**.
 - It is anticipated that the **LDF** may face similar challenges in ensuring timely access to its resources.

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UNFCCC

Conference of Parties (COP)

- Supreme decision-making body of UNFCCC
- Meets in **Bonn**, the Secretariat (unless a Party offers to host the session)
- Meets **every year** (unless the Parties decide otherwise)
- First COP – held in **Berlin**, Germany (1995)

COPs and Their Major Outcomes


COP 3 (1997)

Kyoto, Japan
Adopted **Kyoto Protocol** (legally bind developed countries to **reduce emission targets**)

COP 7 (2001)

Marrakech, Morocco
Marrakech Accords signed (set stage for **ratification of Kyoto Protocol**)

COP 8 (2002)

New Delhi, India 

- **Delhi Declaration** (development needs of the poorest countries)
- **Technology transfer** for climate change (CC) mitigation)

COP 15 (2009)

Copenhagen, Denmark
Developed countries pledged up to **\$30 billion in fast-start finance** (for 2010-12)

COP 14 (2008)

Poznan, Poland

- **Adaptation Fund under Kyoto Protocol** launched
- **Poznan Strategic Programme on Technology Transfer**

COP 13 (2007)

Bali, Indonesia
Bali Road Map and Bali action plan (on shared vision, mitigation, adaptation, technology and financing)

COP 16 (2010)

Cancun, Mexico

- **Cancun Agreements** (assist developing nations in dealing with CC)
- Established: **Green Climate Fund**

COP 18 (2012)

Doha, Qatar
Doha Amendment to Kyoto Protocol (reducing GHG emissions by 18% compared to 1990 levels)

COP 19 (2013)

Warsaw, Poland

- **Warsaw Framework for REDD Plus**
- **Warsaw International Mechanism for Loss and Damage**

COP 24 (2018)

Katowice, Poland
Rulebook for Paris Agreement (actions to be taken as per NDCs)

COP 21 (2015)

Paris, France

- **Paris Agreement** (global temp. well below 2°C above pre-industrial times)
- **Climate finance** by rich countries
- **yearly \$100bn funding pledge** by rich countries)

COP 26 (2021)

Glasgow, UK

- India announced **Net Zero Targets 2070**
- India called for **"phase-down" of coal-based power**
- **Glasgow Breakthrough Agenda** (by 41 countries + India)

COP 27 (2022)

Sharm-el-Sheikh, Egypt

- **Loss & Damage Fund**
- **USD 3.1bn plan for early warning systems**
- **G7-led 'Global Shield Financing Facility'** for countries suffering climate disasters
- **African Carbon Market Initiative**
- **Action for Water Adaptation and Resilience (AWARe)** initiative
- **Mangrove Alliance** (in partnership with India)
- **India's Long-Term Low Emission Development Strategy**



India's Role in Climate Finance

- India has incurred damages exceeding USD 56 billion due to weather-related disasters between 2019 and 2023.
 - India's [National Climate Action Policy](#) and budgets have predominantly **emphasised mitigation efforts rather than adaptation**.
- As per [Union Budget 2024](#), the Government will come up with a **taxonomy for climate finance** for enhancing the availability of capital for climate adaptation and mitigation.
 - In the absence of clear guidelines for accessing loss and damage funds within India, **frontline communities remain at risk**.
- **India's Initiatives regarding Climate Finance include:**
 - [National Adaptation Fund for Climate Change \(NAFCC\)](#):
 - **National Clean Energy Fund:** It was created to promote clean energy, and funded through an initial [carbon tax](#) on the use of coal by industries.
 - **National Adaptation Fund:** It was established in 2014 with a corpus of Rs. 100 crores with the aim of bridging the gap between the need and the available funds.

CLIMATE FINANCE

Climate finance refers to local, national or transnational financing—drawn from public/ private/alternative sources of financing—to support mitigation and adaptation actions against climate change.

PRINCIPLES OF CLIMATE FINANCE

- ⊘ Polluter Pays
- ⊘ Common but Differentiated Responsibility and Respective Capability (CBDR-RC)

Multilateral Climate Funds Coordinated by UNFCCC

- ⊘ **Global Environment Facility (GEF):** Operating entity of financial mechanism (1994)
- ⊘ **Kyoto Protocol (2001):**
 - ▶ **Adaptation Fund (AF):** Gives developing countries full ownership of adaptation projects
 - ▶ **Clean Development Mechanism (CDM):** To carry out emission-reduction projects in developing nations
- ⊘ **Green Climate Fund (GCF):** estd. - 2010 (COP 16)
 - ▶ Funds under it - **Least Developed Countries Fund (LDCF)** and **Special Climate Change Fund (SCCF)**
- ⊘ **Long-Term Climate Finance:**
 - ▶ **Cancun Agreements (2010):** Mobilize and provide scaled-up funds in short and long term
 - ▶ **Paris Agreement (2015):** Developed nations agreed to establish new collective goal of at least \$100 billion/year by 2025
- ⊘ **Loss and Damage Fund (2023) (COP27 & COP28):** Financial assistance to nations most vulnerable and impacted by effects of climate change

Climate Investment Funds (CIFs) under World Bank

- ⊘ Clean Technology Fund
- ⊘ Strategic Climate Fund

INDIA'S INITIATIVES REGARDING CLIMATE FINANCE

Fund	Objective
<ul style="list-style-type: none"> ■ National Adaptation Fund for Climate Change (NAFCC) (2015) ■ National Clean Energy Fund (2010-11) ■ National Adaptation Fund (2014) ■ Intended Nationally Determined Contributions (INDCs) (2015) ■ Climate Change Finance Unit (2011) 	<ul style="list-style-type: none"> ■ For vulnerable Indian states ■ Advancing clean energy (started with initial carbon tax on industrial coal use) ■ Bridging gap between required and available funds ■ Nationally binding targets adopted under UNFCCC ■ Leads on global climate finance issues

Challenges to Climate Finance

- ⊘ Gap between national needs and climate finance under NDCs
- ⊘ Least Developed Countries receive much less approved funding in per-capita terms from the multilateral climate funds
- ⊘ Slow rate of approvals
- ⊘ Failure in securing viability-gap funding

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. “Momentum for Change: Climate Neutral Now” is an initiative launched by (2018)

- (a) The Intergovernmental Panel on Climate Change
- (b) The UNEP Secretariat
- (c) The UNFCCC Secretariat
- (d) The World Meteorological Organisation

Ans: (c)

Q. With reference to the Agreement at the UNFCCC Meeting in Paris in 2015, which of the following statements is/are correct? (2016)

1. The Agreement was signed by all the member countries of the UN and it will go into effect in 2017.
2. The Agreement aims to limit the greenhouse gas emissions so that the rise in average global temperature by the end of this century does not exceed 2°C or even 1.5°C above pre-industrial levels.
3. Developed countries acknowledged their historical responsibility in global warming and committed to donate \$ 1000 billion a year from 2020 to help developing countries to cope with climate change.

Select the correct answer using the code given below:

- (a) 1 and 3 only
- (b) 2 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

Ans: (b)