

Can Kerala access funds from the Loss and Damage Fund? | Explained

Is it easy for local communities at the sub-national level to access funds from international climate funds?

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Search for people who went missing in the Wayanad landslides in Mudakkai. | Photo Credit: File Photo

The story so far: In the wake of the devastating landslides that recently struck Kerala's Wayanad district, a crucial conversation has emerged around whether subnational entities can seek compensation through the United Nations Framework Convention on Climate Change (UNFCCC)'s Loss and Damage Fund (LDF). While this demand is justifiable, accessing climate funds is far more complex than it appears.

What is the Loss and Damage Fund?

The Loss and Damage Fund (LDF) was established at the 2022 UNFCCC Conference (COP27) in Egypt to provide financial support to regions suffering both economic and non-economic losses caused by climate change. These include extreme weather events and slow-onset processes, such as rising sea levels. The LDF is overseen by a Governing Board that determines how the Fund's resources are disbursed, with the World Bank serving as the interim trustee. The Board is currently developing mechanisms to facilitate access to the Fund's resources, including direct access, small grants, and rapid disbursement options. Despite its intended purpose, concerns persist that climate funds are often too slow to be accessible immediately after a disaster, particularly for local communities at the sub-national level. It is anticipated that the LDF may face similar challenges.

What has been India's role?

India has suffered over \$56 billion in damages from weather-related disasters between 2019 and 2023. Despite this, India has prioritised mitigation activities over adaptation in its National Climate Action Policy and budgets. This focus has led to a subdued participation in Loss and Damage dialogues at COP meetings. With certain regions in India being highly vulnerable to climate change, active engagement in these dialogues could bring substantial benefits.

Within India, there is an urgent need for a clear legal and policy framework to streamline climate finance, particularly for adaptation and loss and damage, in line with the principles of locally led adaptation, which are crucial for vulnerable communities. The introduction of a climate finance taxonomy in the Union Budget 2024 has raised expectations for increased international climate finance. However, without clear guidelines on accessing loss and damage funds within India, frontline communities will continue to be vulnerable. In international climate change negotiations, India should advocate for more decentralised methods of fund disbursement from the LDF, as opposed to the centralised systems used for other climate funds.

What have been State interventions?

Adaptation and loss and damage needs are more acutely felt at the ground level by State governments. For instance, in Kerala, it is the State government that bore most of the financial burden for disaster recovery. A notable example is the Rebuild Kerala

Development Programme, launched in the aftermath of the August 2018 floods. This initiative was funded through loans from the World Bank and the KfW Development Bank, a German institution, illustrating the critical role of international climate finance in post-disaster recovery. The program focused on reconstructing the State's infrastructure, including roads and bridges, all of which had been severely damaged by the floods.

However, the absence of a standardised method for conducting comprehensive assessments of disaster-related damages, particularly those from slow-onset events, means that significant loss and damage needs that could qualify for assistance from the LDF may go unassessed. This lack of a structured assessment process could impede India's ability to access the LDF in the future. The situation in Wayanad district underscores the broader challenges India faces in accessing and managing climate finance, particularly for loss and damage. By establishing a more explicit domestic policy framework that focuses on locally led adaptation and clearer guidelines for accessing loss and damage funds, India can better protect itself from the impacts of climate change.

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