



To the Board
of the Loss and Damage Fund

Integral Human Development: a Holistic Approach to Restoring Dignity

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 **Caritas**
Internationalis

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The villages of Vabea, Waisomo and Narikoso in the island of Ono, Fiji were all devastated by cyclone Harold in 2020. Hundreds of houses, community centres as well as cultural heritage and sacred sites were damaged or washed away by coastal erosion. Today people are still having difficulty adapting to their new lives. The experience of social disruption and loss has led to frustration, withdrawal, family fragmentation and difficulty maintaining traditional practices, which had great meaning in their lives. They are unwell and stressed, both mentally and physically. There is a sense of despair about the future. The people who were displaced are losing their individual and collective sense of identity. They feel negative about their role and place in society.¹

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Climate change is already causing deep trauma in the lives and families of millions of people around the world and affecting their sense of dignity. We have failed, so far, to prevent and respond adequately to this growing tragedy.² Not only have societies historically responsible for the greenhouse gas emissions causing the changes in our climate not managed to curb these emissions, but also they have left vulnerable individuals to bear alone the consequences of an economic model in which they hardly partake. The operationalisation of the Loss and Damage Fund (LDF) following COP28 therefore gives hope for a renewed sense of justice and solidarity.

During its first meeting in April, the Board of the LDF discussed operationalisation and administrative matters of the Fund as hosted by the World Bank in the interim. It is expected that the upcoming third Glasgow Dialogue³ will lay down more concrete proposals as to how the Fund will be filled, and how it will be accessed by communities and countries that need it most. As a confederation of 162 national member organisations at the side of people in a state of poverty and marginalisation around the world – many of which are affected by climate change – Caritas Internationalis is eager to share its experience in dealing with losses and damages and contribute to this process.

The need to address all losses and damages

More than just about the economy

While a new report estimates the total damages to the world economy resulting from climate change at a staggering 38 trillion dollars per year by 2050,⁴ this represents only part of the picture. On the ground, Caritas member organisations observe that climate change impacts inflict multidimensional losses and damages on individuals, communities, and whole societies. Loss and Damage is not simply an economic issue. People's lives are profoundly impacted in all of their dimensions including physical, cultural, social, psychological, and spiritual, none of which can be quantified, in addition to material. A holistic approach is therefore called for in order to address losses and damages.

The blurred line separating economic and non-economic losses and damages

Losses and damages incurred are typically divided in two categories, economic and non-economic. Yet the non-economic component of losses and damages tend not to be included in assessments of losses and damages. Indeed, non-economic losses and damages affect things that "are not commonly traded

in markets or assigned monetary values"⁵ and therefore can be difficult to estimate. The fact that they are disproportionately born by marginalised people who carry little political weight further contributes to their neglect.⁶ As a result of this, efforts to address losses and damages risk missing the things that most matter to people, potentially with devastating consequences, which can reverberate down generations.

Further, in practice, Caritas finds that the dichotomy between economic and non-economic losses and damages is not clear-cut. They are often interconnected with cascading effects, to some of which assigning a monetary value is straightforward and others difficult and ethically questionable. For example, in Malawi, when asked about the impacts of the loss of mental well-being following climatic shocks, people included both the emotional distress of broken marriages due to the mental state of partners and lost income from not being able to engage in productive activities.⁷ In the end, so-called non-economic losses and damages end up affecting economic losses and damages and the usefulness of creating these two categories is therefore called into question. Not addressing so-called non-economic losses and damages risks undermining the economy itself.

Apply the principle of subsidiarity

Ground assessments on lived realities

Assessments of losses and damages must be grounded in the reality of people's perceptions about their needs. One must take care not to overlook seemingly less important impacts, such as the destruction of graveyards that may actually hold great significance. Caritas finds that trying to tackle losses and damages based on assessment methods using predetermined categories and processes fails to account for what communities actually value, are experiencing, and may miss important issues. In fact, two economists, Daniel Kahneman and Amos Tversky, won the Nobel Prize in Economics for showing how losses and damages are asymmetrically valued. Assessments must be designed and implemented together with affected communities. Indeed, people's experiences of losses and damages vary depending on their unique circumstances, characteristics, beliefs, value systems, and perspectives. For example, serious

situations such as in the case of rural Bangladesh where girls have to take refuge due to skin and gynaecological problems caused by flooding, and endure many consequences as a result, could easily be overlooked.⁸

Localise restoration actions together with affected communities

Following the assessments, restoration programs must also be designed and implemented together with affected communities, to make sure they meet their many needs and aspirations, or risk failing to meet their goals. Situations where resettlement programs have been designed and implemented by governments without sufficient involvement of the beneficiaries of the programs vividly illustrate this point. Indeed, in such cases, people are so unsatisfied that they often end up taking the risk to return to their original place of residence.⁹

Applying the principle of subsidiarity – according to which issues are to be dealt with at the most immediate of local level that is consistent with their resolution – is the best way to ensure responses to losses and damages are localised. Further, this empowers communities to take ownership of their recovery and enables them to contribute to the common good, which then helps restore their dignity.¹⁰

A micro-grant funding window for localisation

When Cyclone Freddy hit Malawi in 2023, the need to localise action was highlighted. A new national legislation, called the Disaster Risk Management Act, has sought to improve the mechanism so it can channel support straight to the communities. While the Act should improve the ability of governments to respond with immediacy to future disasters, Malawian civil society has called for further devolution of decision-making to local levels.

The LDF could achieve such devolution through the establishment of a micro-grant funding window that is “responsive to community needs and open to blended preparatory and responsive activities”¹¹. Such a window must support and enhance local democratic practices and principles to ensure sustainability, and should operate in a way that does not undermine existing state response mechanisms whilst ensuring equitable access.

Leave no one behind

Efforts to address losses and damages must give priority to people in the highest states of vulnerability and encompass all situations, including displacement due to climate impacts. While Caritas finds that people prefer to stay in place as long as they can withstand it, millions are forced to leave their place of usual residence and face situations where there is high precariousness, disintegration of their households, discrimination, abuse, exploitation, trafficking, conflict, violence, successive displacements, and forced returns. Not to mention the impact of displacement on host communities – which can even generate conflict – and on those who are left behind.¹²

Make funding accessible

So far climate action funds have hardly reached those who most need them, and local actors have had little oversight on how the funds are actually spent, as chronically experienced by Caritas Oceania.¹³ The present climate finance architecture tends to impose burdensome accreditation processes, is lacking in transparency and accountability, and favours donor requirements over the needs of recipients, with too many layers of oversight and approval.

This difficulty accessing funding can further deepen in the case of losses and damages. Indeed, the communities most affected by losses and damages often lack evidence – such as property titles – needed to prove the losses experienced, financial capability to pay for legal advice, and political weight to influence the process. This puts them at a disadvantage when time comes to place a value on losses and damages and negotiate payments.

The LDF must take care that people who most need access to restoration are not left out. It will have to disburse funds in a way that truly meets local needs through a mix of direct budgetary support to government structures, community-led projects and direct cash transfers.

Attend to immediate and long term needs

Time is of the essence when addressing losses and damages and the LDF should consider setting up rapid response windows so funds can be accessed immediately when a disaster strikes. Indeed, the longer losses and damages remain unaddressed, the more they deepen and amplify with ever more serious consequences such as loss of lives, stunted growth of children and interrupted education or displacement. Yet there is a growing trend of ever widening gaps in funding for humanitarian action to meet the immediate needs of populations in the eve of disasters.

There is also a need to ensure restoration action to support communities over the long-term. Affected communities should be given the opportunity to fully restore the dignity of their lives, and set on a path of Integral Human Development, in the aftermath of disasters caused by sudden onset climate events or when having to deal with slow onset events, whether they decide to remain in place or move. This takes time to achieve.

The adaptation - loss and damage continuum

In practice, adaptation goes hand in hand with trying to address loss and damage. Indeed, Caritas national members observe an increase in the frequency and intensity of extreme weather events, which can trap communities in downward trending spirals of poverty, and precariousness where they barely have time to recover from one event before being hit by another. Therefore, building resilience to prepare for future events needs to happen concurrently with addressing losses and damages and is often seen as a priority by communities.¹⁴

Building resilience in the context of dealing with losses and damages can come in the form of additional stand-alone adaptation investments, such as flood defence infrastructure. It can also be done by adding a resilience component to the design of restoration investments. For example, rebuilding destroyed homes so they can also withstand storms. Finally, some investments are both restorative and resilience enhancing by nature, such as agroecological practices, which are based on natural processes. Because of the central role of land and water-based activities in providing food security and livelihoods in developing countries, such investments in ecosystem restoration, which also increase the resilience of food systems, should be prioritised when addressing losses and damages. Considering this, it is crucial to recognise that effective adaptation measures inherently reduce loss and damage, and that there

is an essential connection between these two approaches.

Finally, leaving one's place of usual residence, or territory, in response to the impacts of climate change corresponds in varying degrees to adaptation and to Loss and Damage. These degrees depend on how much of the decision to move is in anticipation or in response to climate change impacts and how much protection and support people receive when moving. Most commonly people move when they have no other options, receive no protection or support, and endure a long list of losses and damages. Ideally, however, when adaptation is reaching its limits, people could receive full support to migrate or relocate proactively while they still have agency under safe, orderly, and regular conditions. Every effort is made to minimise losses and damages yet some – very significant – losses and damages remain, such as the trauma of leaving one's ancestral land.

While adaptation is not its main purpose, the LDF must be willing to take a holistic programming approach. It should be able to blend responses to adaptation needs with restoration action when it makes sense. While some funding will be dedicated to action which is purely "ex-post" it should also be possible to direct funding to situations where both "ex-post" and "ex-ante" measures require support, depending on particular needs and circumstances.

The unpreparedness of governments

While Loss and Damage has long been at the heart of negotiations on climate change, implementation of restorative action in Least Developed Countries is still in its infancy for lack of access to predictable and substantial funding sources to date. Countries have yet to prepare to address losses and damages through their governance structures and in national planning, legal, policy and budgeting frameworks.

Enable governments to address losses and damages

Few countries even mention addressing Loss and Damage in their Nationally Determined Contributions and National Adaptation plans¹⁵ and Disaster Risk Reduction Strategies focus on immediate

survival after a catastrophic event. Institutions are unprepared to deal with technical issues, such as conducting assessments or the managing baseline data against which to assess the extent of losses and damages. They are also unprepared to deal with legal issues, such as Loss and Damage litigation cases. Further, the lack of secure land tenure and property rights in many countries leaves people legally unprotected, unable to qualify for Loss and Damage payments, and creates a disincentive for investing in restoration and resilience. Finally, national and subnational finance mechanisms to deal with losses and damages remain to be created to avoid and having to reallocate resources in case of disaster. In sum, structures need to be put in place specifically to manage Loss and Damage.

A matter of justice and equity

As Caritas Internationalis, we call on the Loss and Damage Fund to be founded on justice and equity.

Provide grants not loans

From an economic standpoint, losses and damages are externalities from the prevailing carbon intensive economic model of wealthy states and large businesses. Therefore, according to the polluter pays principle, for society to be best off, these states and businesses should bear the full cost of their greenhouse gas emissions. Further, from a moral standpoint, the climate crisis originated in the industrial revolution, which was sustained by colonial exploitation. As Pope Francis puts it, the Global North has an “ecological debt” towards the Global South.¹⁶ Yet, at present, those who bear the heaviest weight of the costs generated by greenhouse gas emissions are poor people in countries hardly responsible for these emissions. Therefore, and in agreement with the Paris agreement principle of Common but Differentiated Responsibility and Respective Capabilities, as well as the principle of equity, funds for the Loss and Damage Fund should clearly be provided proportionately to one’s historical emissions and in the form of grants. States not historically responsible for climate change should not have to go into debt to address its impacts.

Offer relief from debt

Ironically, many of the most climate vulnerable countries are also debt vulnerable, struggling to service their debt, and have very little fiscal space to deal with the impacts of climate change.¹⁷ Well over half of the developing countries most vulnerable to climate change are also at high risk of fiscal crises.¹⁸ While debt relief would be of great help when facing losses and damages, the existing mechanisms are insufficient and countries actually even end up taking on further debt as acknowledged in the COP27 outcome document.^{19,20}

Secure funding at scale

Finally, the 700 million dollars pledged for the capitalisation of the LDF pale in comparison with actual needs. While just the economic losses and damages due to climate change are projected to rise to 38 trillion per year by 2050, the value of total losses and damages, including non-economic losses and damages is much higher, if not infinite. Indeed, non-economic damages such as loss of human lives, indigenous knowledge or biodiversity are never acceptable and therefore of infinite value.²¹ This points to the urgent need to secure funding from predictable sources in trillions of dollars per year, rather than in millions, making sure it comes additional to other climate finance. It is also a stark reminder to get serious about averting and minimising losses and damages.²²

Stewards of our Common Home

Caritas Internationalis exhorts the international community and the LDF Board to respond with a sense of urgency to the losses and damages felt everywhere in the world, especially in developing countries. For millions of people across the Earth, Loss and Damage is not just discourse, but a matter of life and death.

We expect that the LDF will be at the heart of the global political and financial response to the losses and damages already being experienced across the world, and which will only get worse in the years to come. We regard the LDF as therefore having the opportunity to correct the injustices of the hitherto global response to climate change, and that the board in agreeing its mandates and form is presented with a unique opportunity. Not only can this fund,

if effective, deliver justice, but it can also help direct funding to correct some of the structural problems that pre-date the loss and damage era: by setting funding criteria which helps promote the preservation of non-economic assets, foster democratic decision making, and promote a world with adaptive capacity built in.

As stewards of our Common Home, humanity is on the precipice of making one of its most important existential decisions. Leaders, particularly of the Global North, should be guided by the principles of the Paris Agreement and seek inspiration from the Catholic Social Teachings on the preferential option for the poor,²³ as well as on equity and justice. Only then can we begin to envision a world where climate justice prevails for all.

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