THE TRUE COSTS OF LOSS AND DAMAGE IN THE AGRIFOOD SECTOR - *What's Next?*

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Key Messages

Agriculture is most impacted by climate change induced losses and damages as it is one of the most weather exposed sectors, with many vulnerable people dependent on this sector for their livelihoods.

About one-third (or 35 percent) of current climate action plans explicitly refer to loss and damage, highlighting the urgency of the issue, especially among countries with agriculture as a priority.

The Loss and Damage Fund, as and when operationalized, should prioritize sectoral allocations to agriculture, and particularly smallholders to protect food security and livelihoods of the most vulnerable. Such finance must be new, additional and grant based.

The challenge: climate finance is not keeping pace with climate threats

Human-induced climate change, including more frequent and intense extreme events, has caused widespread adverse impacts and related losses and damages to nature and people. Between 2000 and 2019, the world suffered losses and damages from climate change amounting to around US$16 million per hour. Between 2008 and 2018, crops and livestock lost to climate disasters cost food for seven million adults a year.

Agrifood systems are intrinsically linked to climate change and are particularly vulnerable to its impacts. The Intergovernmental Panel on Climate Change (IPCC) warns that these losses are expected to increase with rising temperatures and more frequent extreme weather events, with the most vulnerable on the frontlines. Climate damage could rise to US$300 billion by 2030.

Agri-food systems are at the forefront of climate induced losses and damages

Agri-food systems experience the greatest losses and damages due to climate change. According to FAO, US$3.8 trillion worth of crops and livestock have been lost to disaster events over the past three decades: more than 5 percent of annual global agricultural GDP. The impacts are not only economic: farmers can lose their entire livelihoods, knowledge and cultural practices which may result in conflicts: consequences which cannot be compensated for by financial means alone.

An in-depth analysis of Nationally Determined Contributions (NDCs) reveals that about one-third (or 35 percent) of current climate action plans explicitly refer to loss and damage, highlighting the urgency of the issue, especially among countries with agriculture as a priority.

The opportunity: responding to Loss and Damage

The Fund for Responding to Loss and Damage (FRLD) was set up at COP27 in Egypt through the Sharm el-Sheikh implementation plan and COP28 in Dubai started the process of filling the fund through announcements by various Annex 1 countries. The purpose of the fund is to help climate vulnerable developing countries to cope with climate change induced losses and damages. At the same time, an advisory board was set up, which has now announced the selection of Ibrahima Cheikh Diong as its first Executive Director, for a four-year term beginning November 1, 2024.

Since the world's most climate-vulnerable countries are often the lowest emitters of greenhouse gases, the fund aims to counterbalance the unequal burden of climate change-related costs through financial resources provided by the major historical polluters. Yet only US $702 million has been pledged to the Loss and Damage Fund so far, while studies show that for the year 2025 alone total loss and damage funding needs are estimated to be US $395 [128–937] billion.

The fund has the mandate to help developing countries that cannot respond financially to address economic and non-economic losses and damages associated with climate impacts. These include extreme weather events and slow onset events. The Fund will be accountable to and function under the guidance of the COP and the Meeting of the Parties to the Paris Agreement (CMA). It will not operate in isolation, but alongside other funds like the GCF, GEF, and AF as part of the funding allocation architecture for countries.

There are, however, questions about whether such a fund can be agile enough to tackle complex challenges faced by developing countries at the pace required. In addition, there are questions about how loss and damage funds will tackle gaps that current financial institutions and governments do not.

Should funding be allocated by sector? Given the severe impacts on agriculture, investments could focus on enhancing resilience through climate-smart practices, improving infrastructure, and supporting innovative technologies. If loss and damage funding is to prioritize sectoral allocations to agri-food systems, then funds directed to agriculture and food security can be safeguarded to protect livelihoods and promote sustainable development.

What counts as Loss and Damage?

Most knowledge and information on lessons learned from current practices in addressing loss and damage today relate to responding to extreme weather events such as cyclones, droughts and heat waves. A high proportion of current work is geared towards preventing and reducing the risk of loss and damage resulting from these extreme weather events. However, Loss and Damage also includes slow onset events, such as increasing temperature, desertification, loss of biodiversity, land and forest degradation, glacial retreat, sea level rise, ocean acidification, and salinization. Non-economic losses and damages are items that may not be traded but that still affect human welfare. The distinction between non-economic loss and economic loss can sometimes be blurred: damage to natural ecosystems is primarily a non-economic loss, since ecosystem services are rarely traded on the market. Non-economic costs cover loss of life, degraded health, losses induced by human mobility, as well as loss or degradation of territory, cultural heritage, Indigenous knowledge, societal/cultural identity, biodiversity, and ecosystem services. There is also a strategic workstream aimed at enhancing knowledge and understanding of comprehensive risk management approaches, including issues related to finance, data, technology, regulatory environments and capacity-building.

Non-economic damages: case studies

Pastoralism in Kenya

In 2022, severe drought displaced more than two million people in the region, with over a half million people forced to move between drought-affected areas. The costs were economic –amounting to US $S1.5 billion in economic losses– and non-economic, affecting food security and causing some to abandon pastoralism, a livelihood rooted in cultural heritage.

"During a drought, official records are often not available to track losses of livestock, and tangible data are required. But in terms of non-economic losses, for pastoralists, keeping livestock is not just about money; about goods and services or markets. There are strong cultural beliefs and identity related to keeping livestock, and the number of livestock you keep has status implications within society. It is quite common for communities to keep and produce livestock over generations, and to pass herds on to family members. If your cattle die, then the losses are both economic and non-economic: as a person without cattle, community members can lose their identity and status in society."
Dr. Hussein T Wario, Executive Director, Center for Research and Development in Drylands

Loss and damage in the Sundarbans

The Sundarbans are a cluster of low-lying islands in the Bay of Bengal, spread across India and Bangladesh and a World Heritage Site. The region is recognized internationally for its unique biodiversity and ecological importance – including the single largest mangrove forest in the world and home to endangered royal Bengal tigers. With few employment opportunities, most people are dependent on natural resources for their livelihoods. Extreme weather has destroyed property, and sea level rise threatens mangroves and food security. In the last 40 years, approximately 25% of glacial ice has been lost in the mountain range, posing a significant risk to stable and reliable freshwater supplies. Many people have been left with no choice but to migrate.

Where will the money come from?

The Loss and Damage Fund Board is yet to prepare its long-term fund-raising and resource mobilization strategy. Research published by CARE International in 2023 and a recent report from Reuters show that 93 percent of climate finance reported by wealthy countries between 2011 and 2020 was taken directly from development finance, threatening progress made on achieving the Sustainable Development Goals.

Vulnerable countries argue that finance mobilized must be new and additional grant-based finance that is not diverted from other international financing commitments, such as mitigation, adaptation, development and humanitarian assistance.

The Standing Committee on Finance (SCF) is expected to prepare a report on common practices regarding climate finance definitions, reporting and accounting methods among Parties and climate finance providers for consideration by COP29 in November 2024.

The Climate Damages Tax (CDT) is a proposed financial mechanism aimed at levying a tax on the extraction of fossil fuels. The CDT seeks to generate substantial revenue to be directed into the Loss and Damage Fund.

As part of its G20 presidency, Brazil wants to bring forth a proposal to tax the super-rich. At COP28, France and Kenya explored an international taxation taskforce to push for new levies to raise more money for climate action. In its report "Survival of the Richest," Oxfam advocates for taxes on the rich to reduce inequalities.

Call to Action

Prioritize sectoral allocations to agri-food systems, with funds directed to agriculture and food security to protect livelihoods and promote sustainable development.

Mobilize new and additional funds and grant-based finance, not diverted from other international financing commitments, such as mitigation, adaptation, development and humanitarian assistance.

Ensure that the fund is agile enough to tackle the complex challenges faced by vulnerable countries at the pace required; and incorporate lessons learned from existing financial instruments such as social protection policies designed to reduce people's exposure to risks and protect against income loss.

Further Reading

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