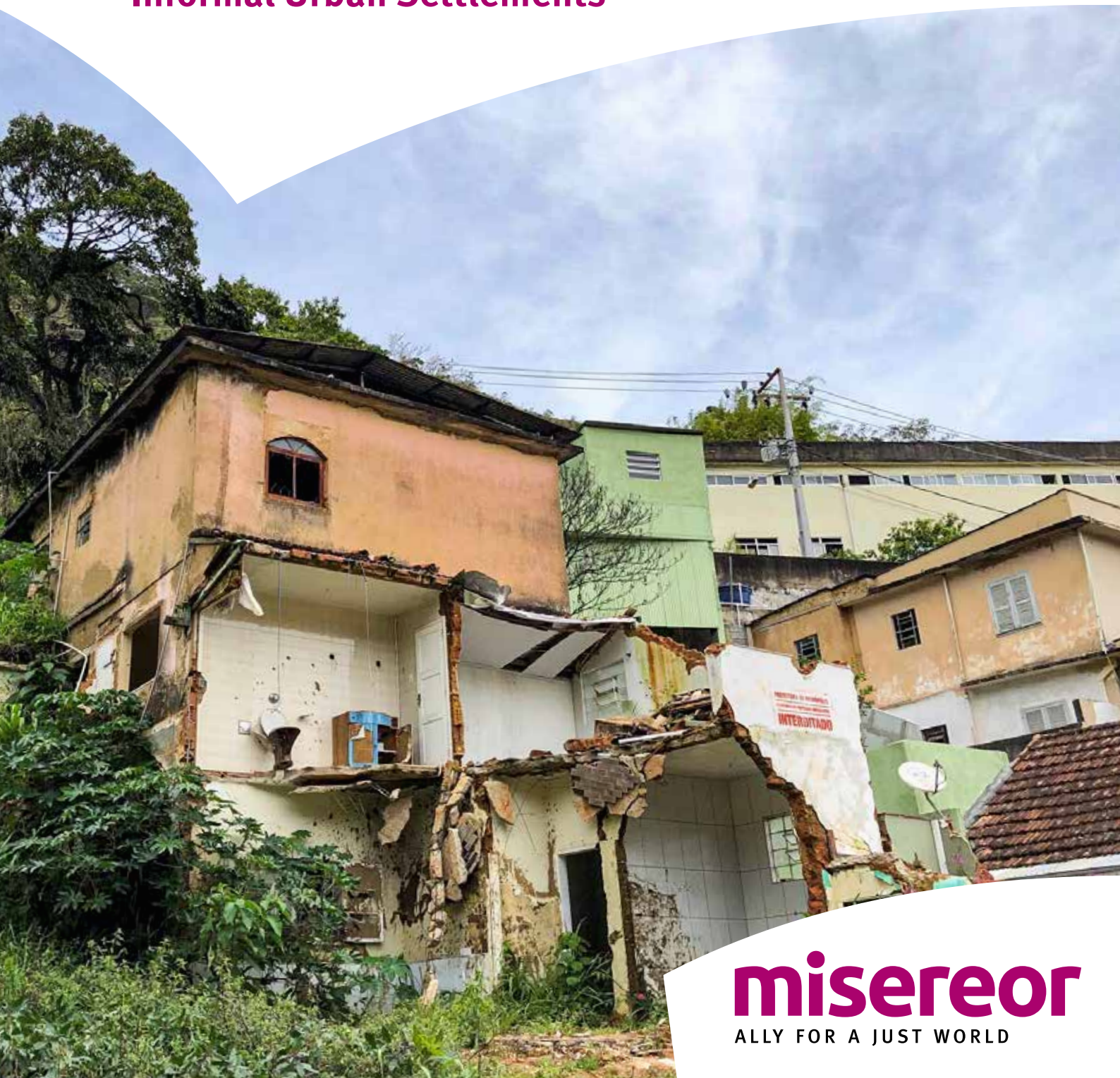


Mind the Gap:

Addressing and Financing

Loss and Damage in
Informal Urban Settlements



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Considering the particular vulnerabilities of informal urban settlements, it is of utmost importance to ensure speed, eligibility, adequacy and access to Loss and Damage finance and to apply innovative approaches which comprehensively respond to their specific characteristics and needs.

Loss and Damage (L&D) debates have paid too little attention to urban areas so far, despite serious negative impacts of climatic hazards on the lives and health of their dwellers (Singh et al. 2021). More than half of the world already lives in urban areas and more than 1.1 billion people reside in informal settlements (UN Habitat 2023). In Sub-Saharan Africa, informal urban dwellers comprise more than half of the urban population, and the continuing urban growth has led to a disproportionate growth of informal settlements: in Asia by a factor of two, in Africa even by a factor of five (UN-Habitat 2022). Climate change is likely to increase this trend and further accelerate the emergence of new informal settlements. This is an additional reason why it is impossible to build sustainable, just and safe cities without taking informal settlements into consideration.

People living in informal settlements are particularly affected by climatic hazards because underlying vulnerabili-

ties – such as overcrowding, inadequate infrastructure and lack of access to formal employment – amplify hazard impacts and exacerbate existing socio-economic and power disparities (Satterthwaite et al. 2020). The IPCC AR6 report has identified a higher urban adaptation gap for urban low-income groups; hence, their exposure to events like flooding, heatwaves, and water or food scarcity has much more disastrous impacts (Dodman et al. 2022). Consequently, capacities of these dwellers to withstand and recover from climate-related disasters are undermined, although they barely have contributed to causing climate change.

Figure 1 shows how vulnerabilities of informal urban settlements link to L&D. Among the key challenges are the lack of tenure security, unsafe living conditions, and often being in the most hazard-prone areas of a city. Furthermore, informal settlement dwellers are often not taken into account in

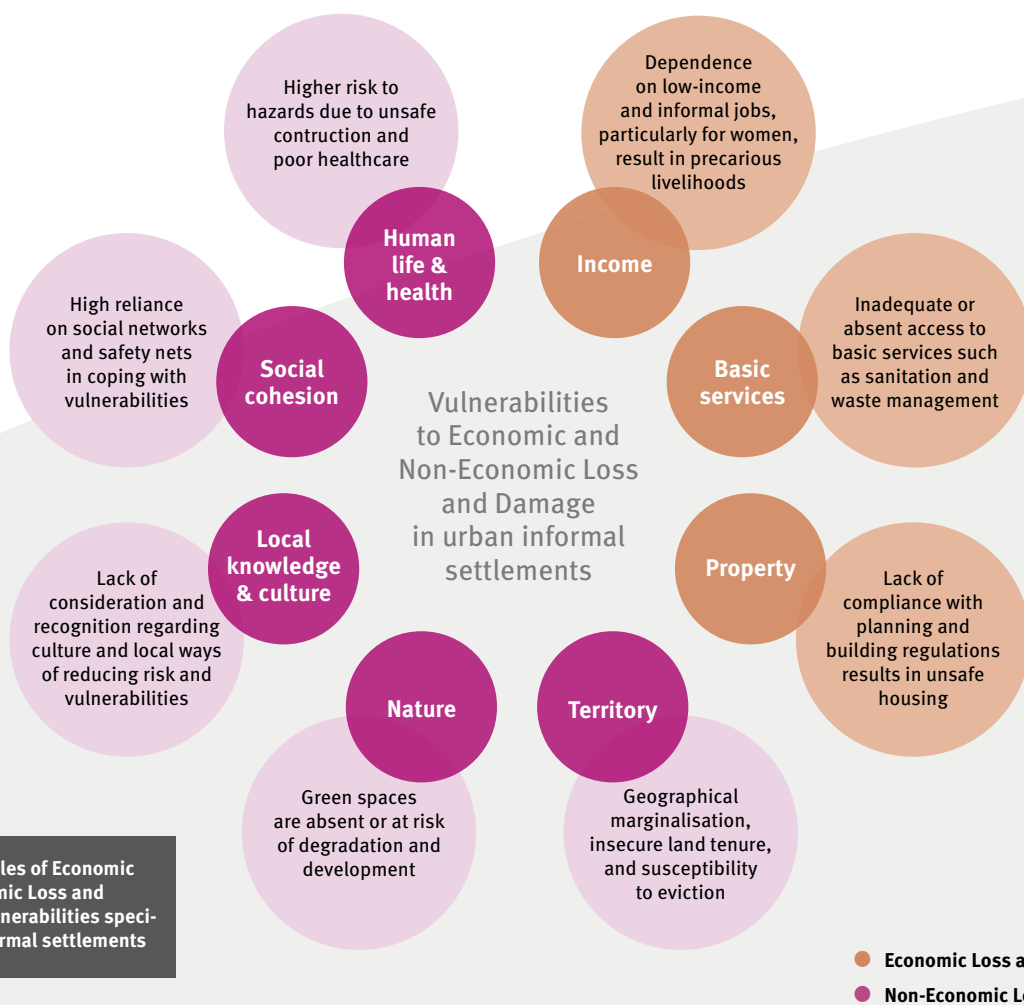


Figure 1: Examples of Economic and Non-Economic Loss and Damage and vulnerabilities specific to urban informal settlements

formal governance schemes and excluded from government benefits. Multidimensional poverty and the lack of formal social safety nets mean that informal settlement dwellers can hardly overcome disasters through their own efforts, and that even the smallest losses have severe consequences. Forced eviction or relocation is a common way to deal with such settlements. Fortunately, in situ upgrading approaches have now become more widely implemented, but they may not keep up with rising risk levels.

Therefore, informal urban settlements and their inhabitants require innovative approaches which comprehensively respond to their specific characteristics and needs. With more than 40% of urban employment taking place in informal settings (ILO 2018) and already immense climate-related losses of GDP (Vulnerable Twenty Group 2022), it would be a fatal mistake to believe that cities can be protected against climate impacts by looking at formal settlements alone. Similarly, the current focus on Economic L&D in discourse and needs assessments falls short of capturing the reality of informal urban dwellers and the relevance of Non-Economic L&D such as culture, health or biodiversity (van Schie et al. 2023). Both should be addressed comprehensively due to their interlinked character. To capture them and the cascading impacts of hazard events, existing data gaps need to be closed, for and with those affected.

It is crucial to realise that addressing L&D cannot succeed at a citywide level without considering informal urban settlements, as they are inextricably linked to the urban system, the economy, services and risk mitigation. Mechanisms must be created now to identify solutions which allow to bring together sustainable urban development and climate protection, to remedy L&D and reverse progress made in the past decades, and secure livelihoods. Considering the number and the particular vulnerabilities of informal urban settlements, it is of utmost importance to ensure speed, eligibility, adequacy and access to L&D finance.

Key Recommendations to ensure that Informal Urban Settlements will benefit from the Loss and Damage Fund and other Funding Arrangements provided to them

- 1. Establish an ambitious and well-resourced Fund:** The L&D Fund must be operationalised in a forward-looking, transparent and quick manner and must receive new, additional, adequate and predictable funds from a wide range of sources, including innovative sources of finance. Only a well-resourced Fund will create the possibility of reliable access for marginalised groups.
- 2. Consider all marginalised communities:** Ensure that L&D finance and decision language caters to all marginalised communities, including dwellers of informal settlements. Consider the consistent formulation “groups and communities particularly vulnerable to the adverse

effects of climate change (including women, youth and Indigenous Peoples, marginalised and informal communities and climate-induced migrants)”.

- 3. Ensure representation in the Governing Instrument for the Fund:** Marginalised communities and civil society must be present, involved and consulted in all stages of decision making, such as by the board, the secretariat or expert groups. Consider a truly forward-looking operationalisation by including voting representatives of civil society organisations from developing countries and members of marginalised communities in the board.
- 4. Facilitate direct access:** Make flexible funding quickly and easily accessible to civil society and community-based organisations, which often are the main supporters and first (if not only) responders in informal settlements. Simplify eligibility and reporting requirements and offer capacity building to local stakeholders to ensure that they can actually access funds and meet funding and adequate reporting requirements.
- 5. Promote inclusive national mechanisms:** National entities, which will receive most of the funding, should meet high standards for accreditation to ensure that marginalised communities will benefit, or at least not be harmed, by subsequent activities. These standards comprise inclusivity and equity, respect for a human rights-based approach, meaningful participation of affected communities and their representatives, and social safeguards such as against involuntary resettlements or forced evictions.
- 6. Focus on marginalised populations in the Funding Arrangements and the Santiago Network:** The Funding Arrangements must adjust existing and mobilise additional funding to reach informal urban settlements, which are currently underserved. The Santiago Network must enable technical assistance to the benefit of informal settlements, such as through data collection and needs assessments. Methodologies for needs assessments must be improved and adjusted to reflect the reality of informal settlements, including through community-based assessments reflecting non-economic losses. More research is required here.
- 7. Embrace a transformative approach:** Use L&D funding in a transformative manner to prevent perpetuating adverse conditions but embrace the “build back better” principle. Allow for flexible funding use that combines responding to L&D with forward-looking urban development approaches like upgrading, formalisation, and land tenure security. Treat relocation out of risky areas as a last resort option. If implemented, relocation must be undertaken with and for the benefit of Relocated Persons through inclusive protocols, sufficient funds, and in a manner that respects their dignity and protects their individual and collective civil, political, economic, social, and cultural rights.

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