

FUND FOR RESPONDING TO LOSS AND DAMAGE

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The decision at COP28 in Dubai, United Arab Emirates, adopting a governing instrument for a new Fund for responding to Loss and Damage (FRLD)¹, was the latest and most significant milestone after decades of advocacy efforts by developing countries to push for financial support to help them respond to and address increasingly catastrophic loss and damage resulting from the adverse effects of climate change. The new Fund functions under the guidance of and is accountable to Parties under the UNFCCC and the Paris Agreement as an operating entity of the Financial Mechanism, but is set-up as a financial intermediary fund (FIF) under the World Bank, which hosts its new, dedicated independent Secretariat and provides trustee services for an interim period of four years until COP33, as confirmed by COP29 in Baku. Coming together in April 2024 for the first time, the 26-member FRLD Board with equitable and regionally balanced representation of developed and developing countries met over the course of the past year three more times despite the tight timetable to comply with a number of deadlines by COP29. Over three Board meetings, it managed to formalise the FRLD's institutional set-up, chief among them the conclusion of the hosting agreement with the World Bank. Other key priorities completed included securing the Board's legal personality through an agreement with the Philippines as its host country, approving important Board procedures and selecting the Fund's inaugural Executive Director, who by mid-2025 will transition the interim Secretariat with UNFCCC, GCF and UNDP staff to the new and independent Secretariat housed at the World Bank. With institutional priorities dominating the Fund's first year, Board and Secretariat will turn now in 2025 to develop core operational policies for the Fund, including simplified and unbureaucratic access modalities and allocation parameters to deliver funds with urgency to vulnerable countries and marginalised communities by building on key lessons learned from other climate funds. The Board, which still has to agree on the Fund's overall operational model, will start with a quick start up finance for interim arrangements while simultaneously working on its longer-term policies, ambitiously setting itself the target for potential initial investments by late 2025 to early 2026. While COP28 delivered some USD 650 million in initial pledges to the Fund, the Dubai decision did not include any agreement on how adequate and sustained funding for the FRLD will be secured, indicating instead that all contributions will be voluntary. And with only about USD 100 million new funding pledges in 2024, many of them not yet converted into paid contributions, the financial future of the Fund is tenuous at best. Without a substantial initial capitalisation and long-term resource mobilisation strategy, which the Board will only finalise in late 2025, there is the danger that the FRLD could have well articulated operational policies, but could remain a largely empty shell in the face of growing needs.

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Introduction

The Intergovernmental Panel on Climate Change (IPCC) as part of its Sixth Assessment Report (AR6) in its 2022 report on impacts, adaptation and vulnerability (IPCC, 2022) highlights scientific consensus that the negative effects of human-caused climate change that occur despite mitigation and adaptation effort with often irreversible impacts cause both economic and non-economic losses and damages, including loss of lives, livelihoods, culture or biodiversity.

The costs of already occurring economic and non-economic losses and damages are staggering. By some estimates they could reach USD 447-894 billion per year by 2030 for developing countries alone (Richards et al., 2023). 2022, 2023 and 2024 saw global heat records broken three years in a row and extreme weather incidents escalating, including large-scale events such as the 2022 flood in Pakistan impacting 33 million people and displacing eight million, devastating droughts and famine on the Horn of Africa, large-scale wildfires and ever more powerful cyclones and storms. Escalating climate losses and damages are exacerbating already high sovereign debt levels in developing countries, especially in Small Island Developing States (SIDS) and Least Developed Countries (LDCs), where the impact of climate disasters and the cost of reconstruction can overwhelm economies, setting back development prospects.

Developed countries have long resisted significant progress on negotiations for financing to address loss and damage caused by the adverse impacts of climate change (Richards et al., 2023). The UN Framework Convention on Climate Change (UNFCCC) was established without including loss and damage explicitly. Incremental progress over the years saw key milestones, such as the agreement at COP19 to establish the Warsaw International Mechanism (WIM) and an Executive Committee (ExCom). The WIM's function is to promote comprehensive and integrated approaches to assist developing countries with knowledge enhancement on comprehensive risk management approaches to address loss and damage, strengthen dialogue and coordination among relevant stakeholders and enhance action and support, including finance, technology and capacity building, with the ExCom, with the support of thematic expert groups, guiding the implementation of those functions through five-year workplans.² In 2015, loss and damage was recognised in the Paris Agreement with its own Article 8, but with developed countries excluding financing for loss and damage from their obligations around the provision of climate finance contained under the Paris Agreement's Article 9 (UNFCCC, 2015). Subsequent reviews of the WIM acknowledged the urgency of enhancing financial support and established the Santiago Network on Loss and Damage (SNLD) to catalyse technical assistance for developing countries that are particularly vulnerable to the adverse effects of climate change to avert, minimise and address loss and damage at national, subnational and local levels, but did not make process on creating a financial arm under the WIM to implement or identify any sources of finance or financial instruments with a mandate to address loss and damage in response to the growing needs of developing countries and affected communities. In 2024, the review

of the WIM was started and is expected to be concluded at COP30 in Belém, Brazil with a particular focus on technical assistance and funding options to support recovery efforts while the Santiago network advisory council and its interim secretariat started their work in setting the operational framework for processing loss and damage technical assistance requests from developing countries from 2025 on (UNFCCC, 2024a).

The decision from COP27 in Sharm El-Sheikh, Egypt, to establish broader funding arrangements and a fund for responding to loss and damage under both the COP and CMA, coming after many years of advocacy, addresses finance provision and delivery as a core missing element of the loss and damage architecture under the UNFCCC and is thus a critical step in helping to redress inequities in the global climate regime and ensuring the full implementation of the Paris Agreement (UNFCCC, 2022a and 2022b).

This note³ describes some of the main mandates of the Fund's governing instrument and their implications, as well as the process and challenges going forward to operationalise and capitalise the Fund for responding to Loss and Damage (FRLD) as quickly as possible, with initial investments for early interventions expected in early 2026. It details progress made in 2024 as the Fund's 26-member Board with a majority of 14 developing country representatives, including two each from least developed countries and (LDCs) and small island developing states (SIDS), met four times under the leadership of its first Co-chairs Richard Sherman (South Africa) and Jean-Christophe Donnellier (France). Most of the decisions taken by the Board in 2024 focused on solidifying the Fund's institutional set-up and important Board procedures, leaving fundamental decisions on its operational model with core modalities such as on access or allocation for the Board to make in 2025.

The FRLD design process and COP28 decision

At the end of 2022, COP27 and CMA4 agreed to establish a 'fund for responding to loss and damage' as part of wider funding arrangements to respond to loss and damage. Decisions 2/CP.27 and 2/CMA.4 called for a 24-member Transitional Committee (TC) with ten developed and 14 developing country members to elaborate recommendations for establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund, as well as define elements of new funding arrangements, identify and expand sources of funding, and ensure coordination and complementarity with existing funding mechanisms (UNFCCC, 2022a and 2022b). After a year-long TC process, with five meetings, two workshops, a dialogue and two high-level or ministerial meetings, COP28 and CMA5 considered and adopted the TC recommendations agreeing to operationalise the FRLD surprisingly at the first day of the Dubai meeting. Decisions 1/CP.28 and 5/CMA.5 (UNFCCC, 2023) contained the cover decision text and two annexes, one with a governing instrument for the new Fund (Annex I of the decision, Governing Instrument (GI)), highlighting key elements of its governance and operating modalities, and a second annex on funding arrangements (Annex II of the decision, Funding Arrangements (FA)).

While the adoption of decisions 1/CP.28 and 5/CMA.5 was widely celebrated as key building block for a successful COP28 outcome, in the eyes of many observers the agreed Fund is far from perfect. They question whether the Fund is 'fit-for-purpose' to deliver climate justice to impacted local communities and often marginalised people in developing countries already suffering from catastrophic and compounding losses and damages. Some identified shortcomings include a lack of guidance in its GI to ensure the Fund will operate in compliance with human rights, a lack of an indicative scale of finance to be provided, and no acknowledgement of the cost of loss and damage developing countries are already experiencing, which they currently address primarily with domestic efforts, including by aggravating indebtedness. Core concerns, however, centred on the institutional placement of the FRLD as a World Bank-hosted Financial Intermediary Fund (FIF) with World Bank support for a new dedicated independent Secretariat, at a minimum for an interim period of four years pending fulfilment of a set of conditions, which was confirmed at COP29 in Baku, Azerbaijan (UNFCCC, 2024b, c). This was highly contested in the TC process. Developing countries feared that the involvement of the World Bank would weaken the Fund's relationship to the climate regime, its accountability to Parties and compliance with UNFCCC mandates and obligations, including on finance provision. In contrast, developed countries argued that with the support of the World Bank the Fund could be operationalised faster and would attract more finance support. However, the TC process failed to secure a commitment by developed countries to lead in capitalising the new Fund beyond initial contributions, which like all financial support for the Fund is seen as purely voluntary. This carries the risk that the FRLD remains an inadequately capitalised, largely empty shell. These fears are heightened by the outcome of climate finance negotiations under the Paris Agreement, including for a new collective quantified goal on climate finance (NCQG) which was agreed by COP29 for the post-2025 period. While the NCQG decision acknowledges the need for public and grant-based resources and highly concessional finance particularly for adaptation and for responding to loss and damage in Small Island Developing States (SIDS) and Least Developed Countries (LDCs), it does not set financing commitments or targets for either. Funding for responding to loss and damage is included in the NCQG decision to at least triple the annual outflows from funds under the UNFCCC and the Paris Agreement from 2022 levels by 2030 as the FRLD is one of three operating entities under the Financial Mechanism equal to the Global Environment Facility (GEF) and the Green Climate Fund (GCF) with respect to looking at flows in 2030, even though the FRLD was not yet set up in 2022 (UNFCCC, 2024d).

The FRLD governing instrument and progress in operationalising the Fund

The GI covers the governance and institutional arrangements of the new Fund, detailing its legal status, the composition and functions of its Board and its initial rules of procedure, the Secretariat and its role and functions, and the trustee (GI, section III). The GI mandates streamlined operational modalities (GI, section IV), and broad guidance on eligibility, country ownership and access (GI, section

V), financial inputs and instruments (GI, sections VII and VIII), allocation of funding (GI, section IX), monitoring and evaluation (GI, sections X and XI), fiduciary standards and environmental and social safeguards (GI, sections XII and XIII) and on accountability mechanisms (GI, section XIV) as well as on complementarity and coherence (GI, section VI). However, the GI only provides the core structure, the skeleton, of the Fund. The full body of operational policies, frameworks and procedures necessary for its functioning are yet to be set by its new 26-member Board which convened for the first time end of April 2024, with three more meetings throughout 2024.

Given the urgency of addressing loss and damage experienced around the world, and to ensure that the FRLD establishes itself quickly as a competent institution, the first year and the ambition of the workplan that the new Board set for itself, were closely watched for any indication of how quickly initial funding commitment could be made.

Objectives, purpose and scope

Throughout the TC process, developed and developing countries articulated very different visions regarding the scope, objectives and purpose of the new Fund. Developed countries had argued consistently that the Fund should focus on addressing a limited number of priority actions, such as non-economic loss and damage or climate-induced human mobility and for a limited number of developing countries deemed particularly vulnerable, which they saw as important gaps currently not adequately covered by a broader landscape of institutions and processes in responding to loss and damage. This view reflected the understanding that under the existing 'mosaic' of institutions and actors already a lot was happening to respond to loss and damage (Transitional Committee, 2023a). Developing countries on the other hand asked for comprehensive coverage from rapid response after climate-related emergencies, and after immediate humanitarian support ended, to addressing rehabilitation, recovery and reconstruction in the medium- to long-term and preparing for and dealing with slow onset events as well as addressing non-economic loss and damage. In this understanding, the current landscape of funding arrangements falls significantly short of addressing loss and damage.

On objective and purpose, the Dubai decision reproduces the language of paragraph 1 in Sharm El-Sheikh decisions 2/CP.27 and 2/CMA.4 (UNFCCC, 2022a and 2022b). The core elements include that the FRLD has a broad remit to provide a new channel for multilateral finance "[g]iven the urgent and immediate need for new, additional, predictable and adequate financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, especially in the context of ongoing and ex post (including rehabilitation, recovery and reconstruction) action" (GI, paras.2 and 3).

Compromise language in the GI provides an indicative, but not exclusive list of challenges that the FRLD might provide funding for, such as climate-related emergencies, sea level rise, displacement, relocation, migration, insufficient

climate information and data, and the need for climate-resilient reconstruction and recovery (GI, para.6), while subsequent paragraphs try to prescribe financial provision with reference to a “focus on priority gaps with the current landscape of institutions”, clarifying that such support will be “complimentary and additional” (GI, para.7), for example “complementary to humanitarian actions taken immediately after an extreme event” (GI, para.8). Support from the Fund “may include developing national response plans; addressing insufficient climate information and data; and promoting equitable, safe and dignified human mobility in the form of displacement, relocation and migration in cases of temporary and permanent loss and damage” (GI, para.9).

Throughout the TC negotiations, scope and potential structure of the new Fund had been linked by TC members, and differing visions among developed and developing country members proved contentious. The GI adopted in Dubai only partially resolves some of the differences and delegates further decisions in particular on Fund structure to the Board, which has the right and function to “[e]stablish additional thematic substructures to address specific activities, as appropriate” (GI, para.22(k)). This reflects the disagreement in the TC between a set of articulated thematic funding windows all drawing from the same joint funding pot that developing countries wanted and the more structured approach of differentiated sub-funds each with its separate eligibility, access and programming features that developed countries suggested and which would have made it possible for contributors to earmark financial inputs to a specific sub-fund. With the language in the GI vague, the Board retains the flexibility to set up targeted windows and funding programmes as needed, including to focus on community access, but should not establish sub-funds that could lead to imbalanced and biased funding allocation reflecting contributor preferences over recipient countries’ and communities’ priorities and needs.

Fund long-term operational model and agreed start-up phase

During the four meetings of the Fund’s Board in 2024, it became clear that unresolved issues from the design process on the Fund’s objective, purpose and scope frame efforts within the Board to confirm the Fund’s operational model, with some initial discussions started at the Board’s second meeting in July and further pursued at its fourth meeting in December. While there was broad consensus among Board members that the Fund is tasked to take bold approaches, including on bottom-up country-owned funding approaches, there was no agreement yet on the extent to which this could mean a deliberate moving away from traditional fund operationalisation sequencing and modalities (for example through stronger reliance on existing country-systems through which direct budget support could be channelled versus utilising many traditional, especially multilateral implementers such as multilateral development banks or United Nations agencies). These discussions will continue in 2025.

Following a decision at the Board’s fourth meeting in Manila in December, the Board will attempt to agree as early as its fifth meeting in April 2025 in Barbados on a proposal for the start-up phase for the FRLD, which could see the first set of funded interventions by the end of the year or latest in 2026.

The start-up phase is intended to serve as an initial test period to allow for the refinement of long-term operational approaches to be developed and implemented in parallel, and will propose some simplified procedures and criteria and fast-tracking of screening for implementation partners and approaches, including direct budget support. There is concern among some Board members and observers about the extent to which actions prioritised as early interventions in 2025 or 2026 could set a precedent for the Fund’s ultimate operational model to still be agreed, including by possibly prejudging and narrowing scope, purpose or eligibility for FRLD funding and by potentially lowering the Fund’s overall ambition. Of particular relevance in this context are some early discussions during the fourth Board meeting that for example suggested focusing on technical assistance for needs assessments or funding applications as early interventions despite the potential overlap with the technical assistance mandate for the SNLD, which is now operational, as well as prioritising small-scale community access. The Board’s decision seeks to allay those fears by stressing the need for a pragmatic and phased approach to the operationalisation of the Fund, with the needed flexibility to learn from and adjust operational approaches based on early implementation experience. It also highlights the need to consult with and integrate inputs from the Board, observers, entities active in the loss and damage funding landscape and communities on the frontlines of climate change in developing both the contours and the focus of the start-up phase as well as long-term operational model, which will be spearheaded by the Secretariat guided by the Board Co-chairs (FRLD, 2024a, Annex III).

Human rights and gender-responsiveness

The loss and damage suffered by communities in developing countries is undoubtedly undermining their basis human rights (UNGA, 2024). A human-rights-based and people-centred approach is thus fundamental to ensure that the FRLD can deliver the highest impact. Unfortunately, however, the COP28/CMA5 decision to operationalise the FRLD lacks a clear commitment to human rights in the GI beyond a reference to gender-responsiveness in its section on objectives and purpose (GI, para.5). This is not compensated by inclusion of the existing Paris Agreement preambular language reminding Parties, when taking climate actions, to respect, promote and consider their respective obligations on human rights in the Dubai decision’s own preambular language, which also added a reference to the recently universally recognised “right to a clean, healthy and sustainable development” (UNFCCC, 2023). The framing of the Fund’s purpose and goal of providing funding to developing countries and affected local communities, including vulnerable population groups, thus lacks a clear human rights-based approach. As the Board discusses the Fund’s operational model and will consider its core modalities throughout 2025, explicit references to human rights can still be incorporated into modalities, frameworks and policies as they are developed. This will depend on targeted advocacy efforts and sustained and meaningful engagement of rightsholder groups such as women, children and youth, Indigenous Peoples, persons living with disabilities, migrants, other marginalised groups and local communities in FRLD Board proceedings in 2025 and

beyond to anchor human rights obligations for all FRLD operations and funded actions.

Its governing instrument requires the FRLD in all of its operations to “take a culturally sensitive and gender-responsive approach” (GI, para.5), stipulating also that the composition of its Board should give “due consideration to gender balance” (GI, para.19) and that the staff of its dedicated and independent Secretariat should take into account geographical and gender balance (GI, para.32). Women, youth, and Indigenous Peoples are also referred to explicitly as core stakeholder groups to be involved in Board proceedings, including as active observers (GI, para.20), in Fund-wide stakeholder participation mechanisms (GI, paras.28 and 29), and as relevant for determining country-led programming approaches (GI, para.43).

As the FRLD Board started its work in 2024, the question of how to operationalise a gender-responsive approach in FRLD policies and procedures in line with the GI mandate has not yet been addressed. It is for example unclear whether the FRLD will establish, as all other multilateral climate funds have, its own gender policy and implementation or action plan. Also, if there will be an Indigenous Peoples policy as for example the GCF has. Such fund-level policies are important, as they would apply to all Fund activities, not just its funding operations, in efforts to also shape participation, outreach, communication and engagement in broader fund operations with the goal to respect, protect and promote human rights and advance substantive equality through the application of an intersectional lens. Instead, the concerns of distinct population groups such as women and diverse gender groups, Indigenous Peoples, children and youth, climate migrants or people living with disabilities are primarily considered through a ‘do not harm’ lens via environmental and social safeguards (ESS) in the implementation of funded activities, checked only against ‘functional equivalency’ with World Bank ESS as referenced in the GI. This is clearly insufficient and would constitute a worrisome limitation to the FRLD’s consideration of gender equality and human rights, instead of applying lessons learned from other multilateral climate funds (see CFF11 for more details on gender and climate finance).

Financial inputs and scale

The GI notes the “urgent and immediate need for new, additional, predictable and adequate financial resources” for economic and non-economic loss and damage from extreme weather events and slow onset events, and goes on to identify that the purpose of the Fund includes mobilising external finance and providing a new channel for multilateral finance (GI, para.3), but indicates no intended or minimum scale for the new Fund. An effort by developing countries to insert language during the design process in the GI requesting that the Fund should be able to programme at least USD 100 billion a year as an initial commitment, to be increased over time, had failed due to developed countries’ resistance. They had argued that the scale of the new Fund was not part of the TC’s mandate and thus not under the scope of the negotiations under the TC. Instead, paragraph 56 of the GI tasks the FRLD Board to prepare a long-term “fund raising and resource mobilisation strategy” to mobilise “new, additional, predictable and adequate financial

resources from all sources of funding” including public, private and innovative sources (GI, paras.22(p), 54 and 56). The GI notes that the Fund will have periodic replenishment every four years but will also have the flexibility to receive financial inputs on an ongoing basis (GI, para.56). The issue of the scale of the Fund as dependent on the scale of its long-term fund raising and mobilisation efforts was thus separated from the decision in Dubai, which only addressed the question on who would provide “financial resources for commencing the operationalization of the Fund”, and thus an initial ‘start-up capitalisation to begin the Fund’s work only, but not to secure its financial future with a target or indicative scale (Decision, para.13).

Throughout the TC process, developing countries had argued that commitments to the FRLD should be guided by the principles of the Convention - including the principles of equity and common but differentiated responsibilities and respective capabilities (CBDR-RC) and polluter pays and with it the obligation of developed countries under the Convention and broader international law to provide finance to address the impacts of the climate pollution they are responsible for. Developed countries disputed a funding obligation for addressing loss and damage, and succeeded in reflecting this reading in the COP28/CMA5 decision which urges developed countries to provide support and invites them to take the lead in providing financial resources, and also encourages other countries to do so, however clarifying that contributions are understood as ‘voluntary’ (GI, paras.12 and 13). They also anchored a passage in the preambular section of the adopted decision reiterating the understanding from Sharm El-Sheikh that “funding arrangements, including a fund, for responding to loss and damage are based on cooperation and facilitation and do not involve liability or compensation”.

GI language in the respective section on financial inputs (GI, paras.54-56) only confirms in paragraph 54 that “[t]he Fund is able to receive contributions from a wide variety of sources of funding, including grants and concessional loans from public, private and innovative sources, as appropriate”, with a corresponding footnote requested by developing countries that this paragraph does not prejudice ongoing or future negotiations, understandings and interpretations under the Convention and the Paris Agreement (for example with respect to the NCQG). The overall language on financial inputs in the FRLD is a clear retreat from a much more obligatory language that was agreed for the GCF governing instrument in 2011 pre-Paris Agreement (GCF, 2011), which clearly articulated in its paragraph 29 that the GCF “will receive financial inputs from developed country Parties to the Convention” as the primary financial input while allowing that it “may also receive financial inputs from a variety of other sources, public and private, including alternative sources” in addition.

The COP28/CMA5 decision and GI also draw a link to the determination of the World Bank as interim trustee as part of the FIF-hosting agreement by stipulating “that the Fund can receive contributions from a wide variety of sources, in line with due diligence considerations” (Decision, para.20(i)), such as from philanthropic foundations and other non-public and alternative sources (GI, para.39), which then the World Bank is permitted to invest “on the capital markets to

preserve capital and general investment income, in line with due diligence considerations” (Decision, para.20(h)).

The Board at its second meeting in July 2024 approved its work plan for 2024-2025, which included some tasks relevant to resource mobilisation issues. While a discussion about the scale of financial inputs, and who should provide financing, were not formally on the agenda of the four Board meetings throughout 2024, they nevertheless were the implicit background to many of the discussions regarding the Fund’s operational model and ambition and the development of related policies and modalities, such as on access or allocation. Efforts by developing countries to put ambitious language forward throughout the year on quickly converting money already promised and calling for new and additional pledges, as well as highlighting the role of an executive director in resource mobilisation efforts were met with pushback by developed countries. This included relevant discussions during the COP29 climate summit in Baku, where calls by developing countries to report back to COP30 on success of fundraising efforts were rebuffed. The Board’s work plan currently aims to finalise its long-term resource mobilisation strategy only by the end of 2025. A more immediate focus in 2024 was on ensuring that pledges received could be converted into paid-in contributions in the FRLD trust fund set up under the FIF hosting agreement with the World Bank as interim trustee. The legal requirements for this were met with the Board’s adoption of the FIF documentation at its third meeting in September 2024. This included the trustee agreement with the World Bank and templates for trust fund contribution agreements and arrangements for contributors (FRLD, 2024b).

As of February 2025, the FRLD has received pledges from 25 countries, the European Union and the Belgian region of Walloon in the amount of USD 741 million equivalent (as pledges were made in a multitude of currencies). The majority of these pledges were made during COP28, when some 18 countries and the European Union made commitments worth USD 642 million equivalent⁴ to the Fund (with top contributions by Italy, France, Germany as well as the United Arab Emirates), which the Dubai decision welcomed. They were made in the spirit of “kicking off” the operationalisation of the Fund, including the USD 200 million in grants necessary as the minimum contribution for establishing a World Bank-hosted FIF (World Bank, 2022a). Additional funds are urgently needed to enable programming at the scale required. As some research has suggested, loss and damage needs of developing countries are already in the order of USD 400 billion a year and could reach up to USD 670 billion a year by 2030 (Richards et al., 2023). Some new research has calculated what a fair share contribution of developed countries for the FRLD at scale would look like, with contributions in the billions required (Schäfer et al., 2024). However, over the course of 2024, only seven further pledges worth USD 101 million were made, signaling a slowing down, not a ramping up of contributions. Of the overall pledges received, according to the World Bank’s FIF trust fund page for the FRLD, as of 25 February 2025 only around USD 330 million were confirmed in signed contribution agreements with USD 218 million received in paid-in contributions. This does not take into account the USD 10 million that Japan already contributed in 2024, and

which was advanced directly to the interim secretariat to support its work in 2024.

Institutional set-up

One of the most contested issues in the Fund’s design process was whether it would be operationalised as an independent, standalone institution (such as the GCF) or whether its Secretariat would be hosted by an existing organisation, drawing on its institutional capacity for secretariat services. Despite grave reservations from many developing countries, compromise language adopted at COP28 (Decision, para.17) invites the World Bank to operate as the host for the FIF and the new dedicated and independent Secretariat of the FRLD and serve as its trustee (Decision, para.15) for an interim period of four years, and potentially as a permanent solution (Decision, para.17), provided it meets a set of 11 conditions (Decision, para.20(a)-(k)). They were designed to ensure that the FRLD remains in compliance with the principles and requirements under the UNFCCC and Paris Agreement, is accountable to the COP and CMA and will receive annual guidance from Parties. Some of these requirements directly contradicted the World Bank FIF policy directive and procedure and the FIF framework (World Bank, 2019, 2022a and 2022b), and thus the usual engagement practice of the World Bank in agreeing to host a FIF, especially the requirement to allow for direct access of recipient country entities to the Fund.

Setting the scope, structure and elements of the FIF and trustee arrangements and the hosting agreement was a core focus of the first three Board meetings leading up to COP29 and with a compressed time-table (as the first Board meeting was only held in April). The Board at its first meeting gave the Co-chairs the mandate to conduct the negotiations with the World Bank on its behalf, but to report back to and seek the input of the Board throughout the process in line with the COP28 mandate (Decision, para.25). It also sent a Board statement highlighting facilitating direct access as part of any hosting agreement with the World Bank as a non-negotiable requirement (FRLD, 2024c, Annex IV).

The World Bank confirmed on 10 June 2024 (World Bank, 2024) that it was willing and able to meet the conditions set out by COP28, and thus within six months after COP28 as stipulated in the decision (Decision, para.21). If the World Bank had been unwilling to meet the conditions, then the FRLD Board would have had to begin the process of selecting a host country for the Fund as a requirement for an independent, standalone fund following confirmation by COP29/CMA6. The World Bank submitted the relevant documentation for the FIF-hosting agreement to the FRLD Board on 12 August 2024, and thus within eight months after COP28 (Decision, para.19) as required (FRLD, 2024d, Annex II). The Board then determined with a formal decision at its third meeting in Baku in September that the documentation that the World Bank provided showed the conditions can be met and to report this to the COP29/CMA6 for their consideration and endorsed the package, which included the hosting agreement and the trustee agreement between the Board and the World Bank as well as templates for legal agreements and arrangements for contributions to the Fund. The decision also noted that the partnership with the World Bank could evolve along with the operational model

Table 1: Status of pledges and contributions received for the FRLD as of February 2025

Pledges to FRLD received at COP28 in Dubai					
Contributor	Amount pledged (in million)	Amount pledged (in USD million eq*)	Signed amount delivered (in USD million eq**)	Signed unpaid contributions (in USD million eq**)	
Canada	CAD 16	11.16	-	-	-
Denmark	DKK 175	24.66	24.66	-	-
Estonia	EUR 0.05	0.05	0.05	-	-
European Union	EUR 25	26.11	-	-	-
Finland	EUR 3	3.13	-	-	-
France	EUR 100	104.33	20.78	31.41	31.41
Germany	EUR 92	96.50	44.28	52.34	52.34
Iceland	USD 0.6	0.60	0.60	-	-
Ireland	EUR 25	26.21	10.54	-	-
Italy	EUR 100	104.43	-	-	-
Japan***	USD 10	10.00	10.00	-	-
Netherlands	EUR 15	15.78	15.78	-	-
Norway	USD 25	25.00	25.00	-	-
Portugal	EUR 5	5.21	1.03	4.19	4.19
Slovenia	EUR 1.5	1.57	-	-	-
Spain	EUR 20	20.79	20.79	-	-
United Arab Emirates	USD 100	100.00	-	-	-
United Kingdom	GBP 40	49.42	25.28	25.28	25.28
United States	USD 17.5	17.50	17.56	-	-
COP28 TOTAL		642.45	216.35	113.22	

Pledges to the FRLD received in 2024 and at COP 29 in Baku					
Australia	AUD 50	31.42	-	-	-
Austria	EUR 25	26.16	10.50	15.70	15.70
Latvia	EUR 0.05	0.05	-	0.05	0.05
Luxembourg	EUR 8	8.35	-	-	-
New Zealand	NZD 10	5.68	-	-	-
South Korea	USD 7	7.00	-	-	-
Sweden	SEK 200	18.22	-	-	-
Walloon Region of Belgium	EUR 2	2.09	1.05	-	-
Additional pledges TOTAL		98.97	11.55	15.75	
TOTAL		741.42	227.90	128.99	

Sources: FRLD/B.4/13/Rev.1, Annex. https://unfccc.int/sites/default/files/resource/B.4_13_Status_of_resources_report_of_the_Trustee_Rev.1-final.pdf and <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/frld#1>, accessed on 25 February 2025.

*Amount in USD equivalent as of 23 January 2025 as reported at <https://unfccc.int/topics/climate-finance/funds-entities-bodies/fund-for-responding-to-loss-and-damage/pledges-to-the-fund-for-responding-to-loss-and-damage>, accessed on 25 February 2025

**Amount in USD as reflected on the World Bank FIF trustee account for the UNFCCC as of 2 February 2025. The amounts listed reflect the amounts recorded in signed contribution agreements with contributors. Due to exchange fluctuations, they may differ from USD equivalent amounts reported previously, including at the time of pledging (such as by the COP28 presidency).

***Japan's full contribution of USD10 million was made available in 2024 to the Interim Secretariat directly, and is thus not recorded in the amount available in the FRLD trust fund.

and modalities of the FRLD and committed the Board to adopt a detailed operations manual as an integral part of the agreement with the World Bank (FRLD, 2024b). The COP29/CMA6 in their respective decision on the first report that they received from the FRLD formally acknowledged and welcomed the Board's notification that its FIF hosting agreement with the World Bank can meet all conditions, thus triggering the four-year interim hosting period beginning post COP29 (UNFCCC, 2024b,c). If following an independent performance assessment after four years in 2028 the Fund's Board determines that the World Bank in fact has met all of the conditions in paragraph 20, COP33/CMA10 in 2028 would "invite the World Bank to continue operationalising the Fund as a FIF, with or without conditions, as appropriate" (Decision, para.24), and thus make the hosting of the FRLD by the World Bank permanent. To this effect, the FRLD Board decided at its third meeting that the Co-chairs would track and report to the Board progress toward meeting

the conditions going forward and that the independent assessment would be launched "no later than the first meeting of the Board in 2027" (FRLD, 2024b).

The rationale behind the length of the interim period is that after four years all operational policies and procedures of the FRLD and their interaction and compatibility with World Bank policies and procedures required under the FIF-hosting arrangements would have been tested. These include core stipulations and guarantees for developing countries such as allowing "all developing countries to directly access resources from the Fund, including through subnational, national and regional entities and through small grants funding for communities" (Decision, para.20(e)); the full consistency of FIF-hosting requirements with the FRLD GI (Decision, para.20(a)), in particular the ability of Fund to use its own eligibility criteria (Decision, para.20(c)) and allow non-World Bank members

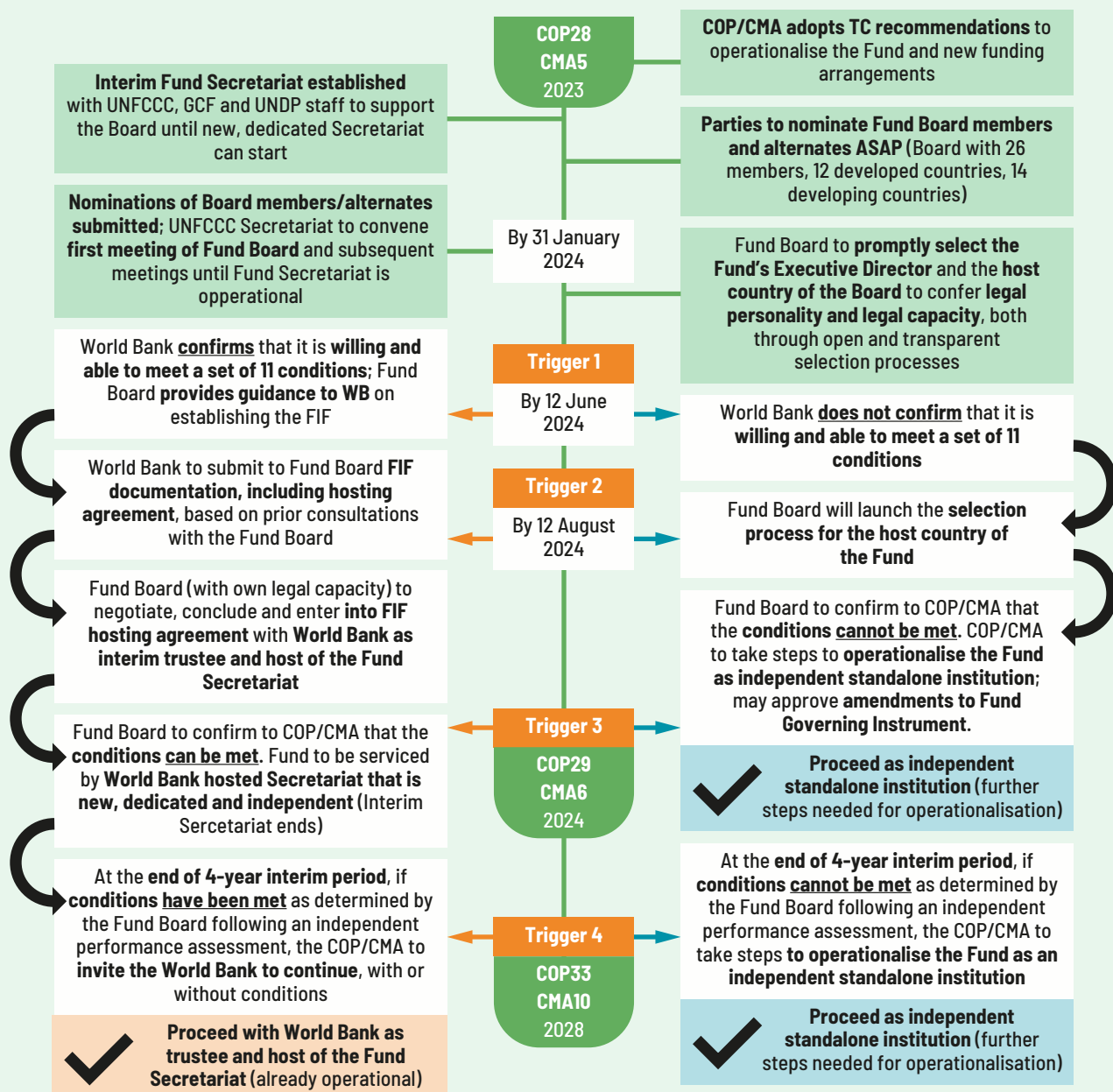
such as Cuba access to funding without interference by the World Bank's Board of Directors (Decision, para.20(g)); and assurance that the GI supersedes World Bank policies in instances where they differ (Decision, para.20(d)).

The timeline and required 'if-then' considerations, triggers and actions for a World Bank-hosted FRLD are mapped out in Figure 1.

Concerns have been raised about the costs charged by the World Bank for hosting the Secretariat of the new Fund. The Dubai decision tried to minimise excessive administrative fees by requiring that in hosting the FRLD Secretariat the World Bank "[e]nsures a cost recovery methodology that is reasonable and appropriate" (Decision, para.20(k)). In addition to substantial administrative costs, existing World Bank-hosted FIFs such as the Global Partnership of Education (GPE) also saw the independence of its own secretariat weakened by World Bank policies as well as

a loss of identity as an independent institution, instead being perceived as a World Bank fund (Archer, 2023). For the FRLD, in addition to staff costs (as all FRLD Secretariat staff will be technically World Bank employees), the World Bank will charge direct operational costs of the hosted Secretariat (such as organising and travel to the Board meetings, hiring of consultants), and will charge 20.48% of the Secretariat's direct costs additionally as indirect costs based on its policy of 'full cost recovery' (for services such as internal communication, human resources, finance and accounting for payrolls and basic information technology support). This will add up to 17% of the total administrative cost of the independent Secretariat, or USD 430,703 for the USD 2,533,742 approved for the first six months of 2025 (FRLD, 2024e), with higher costs expected for the second half of 2025 with the transition from the interim to the independent hosted Secretariat complete (see also Table 2). While the Board at its third meeting confirmed that this was

Figure 1: Mapping the timeline and required action for a World Bank hosted FRLD Secretariat



Source: Heidi White and Liane Schalatek; available at: <https://us.boell.org/en/media/image/mapping-timeline-and-required-action-world-bank-hosted-ldf>.

reasonable (FRLD, 2024f), it will have to guarantee that the independence of its Secretariat is safeguarded in day-to-day operations and that the FRLD builds a strong identity with a public seeing it as a fund operating under the UNFCCC and serving the Paris Agreement, not as a World Bank entity.

Legal status and host country for the Board

The COP/CMA decision from Dubai stipulates that as FIF of the World Bank, “the Fund will operate through the legal personality and legal capacity of the World Bank, and the privileges and immunities of the World Bank will apply to the officials, property, assets, archives, income, operations and transactions of the Fund” (Decision, para.18). During the design process for the Fund, the assurance that this liability is taken on by the World Bank through the FIF-hosting arrangements was relevant to persuading reluctant TC members to agree to this set-up. While the FIF-hosting agreement approved by the Board at its third meeting in September 2024 was not made public, it is assumed that it formalises this requirement. However, the hosting of the Secretariat does not provide legal personality to the FRLD Board, nor does it set up the Fund as a separate international entity. Both are issues that developing countries were very concerned about in TC negotiations to ensure the independence of the Board and the Fund’s operations and that some provisions of the Dubai decision seek to address.

The GI confers that the Fund will have international legal personality and appropriate legal capacity “as is necessary for the exercise of its functions, the fulfilment of its objectives and the protection of its interests, in particular the capacity to enter into contract, to acquire and dispose of movable and immovable property, and to institute legal proceedings in defense of its interests.” The Fund itself, and its officials in the Fund Secretariat “will enjoy such privileges and immunities as are necessary” for the fulfilment of the Fund’s purpose as well as for the independent exercise of the official duties of the Secretariat staff (GI, para.10).

In order to operationalise this requirement, two separate but interwoven arrangements were pursued and finalised in 2024 over the course of the first three FRLD Board decisions, namely the set-up of a World Bank-hosted FIF (Decision, paras.18 and 20(j)) as described above and a host country for the Board (Decision, paras.15-16).

The decision text in paragraph 15 stipulates “that the Board of the Fund will be conferred with legal personality and capacity as necessary for the discharge of its roles and functions”.⁵ This was necessary for the Board in order to have “the legal capacity to negotiate, conclude and enter into a hosting agreement with the World Bank as interim trustee and host of the Fund secretariat”. Thus, in parallel to the Board’s negotiations with the World Bank for the FIF-hosting agreement, the Board selected a host country that could confer such legal personality and legal capacity “through an open, transparent and competitive process” (Decision, para.16) and finalised a host country agreement to make it possible for the Board’s Co-chairs to sign the agreement with the World Bank in what was a very tight timeframe before COP29. And if the World Bank had failed to confirm its willingness and ability to meet the conditions

for hosting the FRLD by 12 June 2024 as required (Decision, para.21), then the Board would have had to launch the selection process for a host country for the Fund to ensure that the Fund has international legal personality and appropriate legal capacity to fulfil its functions and objectives (GI, para.10).

The Board at its first meeting set the process to select the host country in motion by establishing an ad hoc subcommittee and approving terms of reference, including evaluation criteria for the selection and the timeline for necessary steps. It called for interested country Parties under the UNFCCC and Paris Agreement to submit proposals by early June 2024 and describe how they could meet requirements such as the ability to confer the legal personality and legal capacity to the Board quickly, to host official business of the Board by providing immunity from legal process to all invitees to Board meetings hosted and having the necessary facilities available, simplified entry visa procedures as well as international transport availability and accessibility (FRLD, 2024c, Annex III). The ad hoc subcommittee evaluated the proposals received by eight prospective host countries (FRLD, 2024g) and reported its recommendation to the Board, which it considered at its second meeting in a closed session. It selected the Philippines based on the commitments it made in its proposal and requested the Co-chairs to finalise and sign the host country agreement with the Philippines (FRLD, 2024h). An act by the Philippine Parliament in August 2024 granted the FRLD Board juridical personality and legal capacity (The Philippines, 2024). The host country agreement was formally signed at COP29 in Baku. As a result, the fourth FRLD Board meeting was already hosted in Manila, with the expectation that in the future two of the scheduled three FRLD Board meetings per year would be convened in the Philippines.

Relationship to the UNFCCC and Paris Agreement

Developing countries throughout the Fund’s design process had argued for the FRLD to become an operating entity of the UNFCCC Financial Mechanism under Article 11 of the Convention text, and serving in the same function under the Paris Agreement. They saw it as an important confirmation for the status of the new Fund and a signal for the importance of funding to address loss and damage, as well as providing some safeguards that it would operate in line with the principles and provisions of the Convention, chief among them the common but differentiated responsibilities and respective capabilities (CBDR-RC) and equity, particularly if its Secretariat is hosted by the World Bank. Developed countries had opposed this, calling such a designation unnecessary for the new Fund and its relationship with governing bodies under the climate regime. Several of them sought to limit the relationship of the FRLD to the Paris Agreement and its signatory Parties (CMA) only.

The designation of the Fund in both the decision text (Decision, para.5) and the GI (GI, para.11) “as an entity entrusted with the operation of the financial mechanism of the Convention, that also serves the Paris Agreement”, which replicated the terminology used in Article 11 of the Convention, is a significant win for developing countries. This establishes the FRLD’s submission under, and the COP/CMA role in assuring its operation in compliance with,

UNFCCC principles, mandates and obligations. The FRLD thus joined the GCF and the Global Environment Facility (GEF) as the third operating entity of the Financial Mechanism of the Convention and the Paris Agreement, accountable to and under the guidance of the COP and the CMA. The Standing Committee on Finance (SCF) was tasked to develop the draft of the arrangements for ensuring that the Fund is accountable to and functions under the guidance of the COP and the CMA, to be concluded between the COP, the CMA and the Board of the Fund for consideration and approval at COP 29 and CMA 6 (GI, paras. 7 and 12). The Board at its second meeting in Songdo in July approved the draft arrangements (FRLD, 2024h, Annex VIII). They detail the responsibilities of the Board to submit an annual report to the COP and CMA and which information to provide, including on its long-term fundraising and resource mobilisation strategy, and the guidance the FRLD Board will receive on its policies, programme priorities and eligibility criteria from both bodies. They also confirm that the Fund will be subject to periodic reviews conducted by the COP and the CMA following an independent performance evaluation. At COP29 in Baku, the COP and CMA considered the first report submitted by the FRLD, and formalised the arrangements between the COP, the CMA and FRLD Board (UNFCCC, 2024e and 2024f). COP29 and CMA6 in their decisions on the report noted the progress in operationalising the Fund in 2024, but did not yet provide any guidance to the Board. It invited country Parties to submit their views and recommendations on elements for the first formal guidance to the FRLD

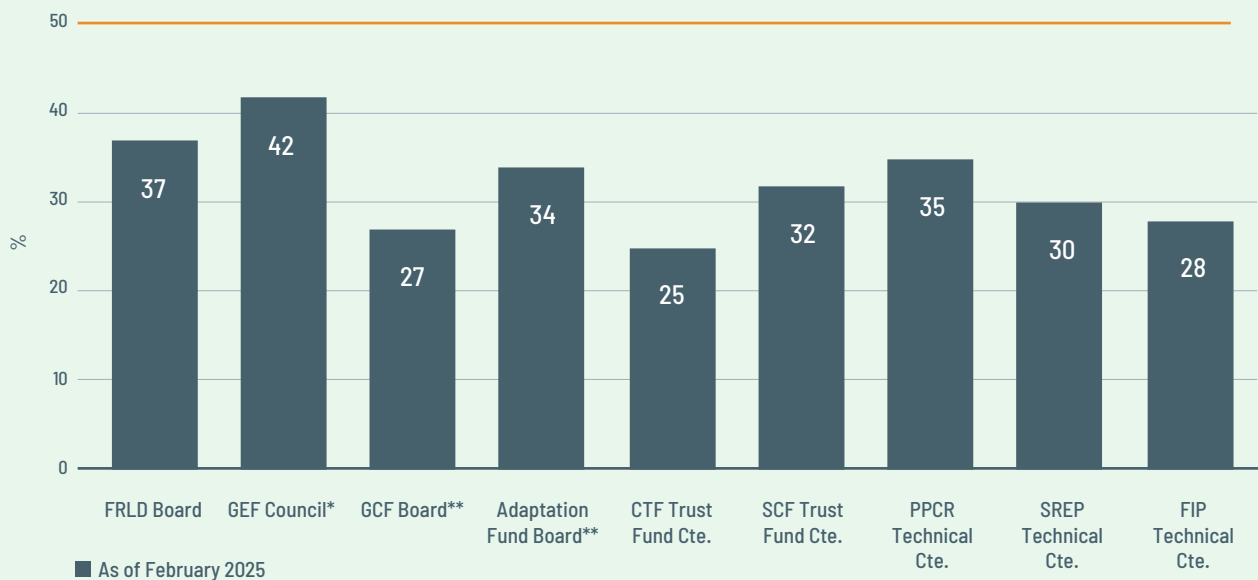
expected at COP30 in Belém to be submitted no later than ten weeks before the meeting (UNFCCC, 2024b and 2024c).

Board and its rules of procedure

The Fund is governed and supervised by an equitable and balanced Board as its decision-making body with 26 members of 14 developing country and 12 developed country Parties, with two seats each for members from SIDS and LDCs (GI, paras.16-17) nominated by the relevant regional groups and constituencies, "with due consideration given to gender balance" (GI, para.18). While the Dubai decision clarified further that the Parties were to nominate their preferred Board members as soon as possible so that the first Board meeting could be convened "no later than 31 January 2024" (Decision, para.10), the Board only convened its first meeting in April 2024. This was due to a significant delay in final nominations by developed countries, which were only received in early March 2024. As the Board tackles its work in 2025, it will do so however without an American Board member or alternate member, as the US government under the Trump administration formally withdrew its representation on the Board in early March 2025 (Dahl, 2025). It is unclear, which other developed country or countries might take over the vacant seat.

Despite a mandate to consider gender balance, after the Board's first year of operation only slightly over a third or 37% of nominated Board members were women (8 of 26 members, and 11 of 26 alternate members). The FRLD needs a Board that is not only equitably representing developed

Figure 2: Percentage of female Board or Governing Council members in dedicated climate funds



Source: Author's calculations based on funds' listings of membership in their governance bodies.

* As of February 2025, the GEF Council listed 15 female members and 12 female alternates, but with two Council members and two alternate members not yet nominated. When calculated as percentage of only the nominated Council members, the percentage of female GEF Council members increased to 45%.

**As of February 2025, the GCF Board listed ten female members and three female alternates, but with one Board alternate member not yet nominated. When calculated as percentage of only the nominated Board members, the percentage of female GCF Board members increased only to 28%.

*** As of February 2025, the Adaptation Fund Board listed four female members and seven female alternates, but with five Board members and four alternate members not yet nominated. When calculated as percentage of only the nominated Board members, the percentage of female Adaptation Fund Board members increases to 48%.

and developing countries, but also gender-diverse. While the FRLD Board is in line with the practice in some other climate funds, particularly GEF and GCF as the other operating entities of the UNFCCC and Paris Agreement Financial Mechanism, it is yet to show its willingness to be a different fund with respect to its gendered governance.

While the GI outlines some core Board rules of procedure (GI, paras.23 - 31), the Board in its first year of operations worked on finding consensus on a number of additional rules of procedure to provide more clarification and develop required basic procedural rules to guide the full operation of the Board. For this purpose, the Board at its first meeting established an ad hoc subcommittee which it tasked with developing such additional rules of procedures (AROP) and decided at its second Board meeting on a number of interim arrangements and rules, including on Board decision making, until the full set of AROP would be agreed. Several of the provisions and procedures under discussion proved to be quite contentious (for example on the number and format of meetings, such as whether they would be conducted in person or virtually; the process of alternate members to replace the principal member; the role of advisors; whether to provide documents in other language than English), and there was no consensus in the ad hoc committee over the course of numerous intersessional meetings. As decision-making on AROP was tied up with decisions on related policy matters, such as a travel policy, it took until the fourth Board meeting to have the AROP approved by the full Board with some matters, such as elaborating rules for Board decision-making handled separately (FRLD, 2024a, Annex IV).

The decision confirmed that the FRLD Board as a “non-sitting Board” will convene at least three times per year with regular meetings being held in person and at least two of them per year taking place in the Philippines as the host country of the Board. The AROP clarify who sets the meeting agenda, when meeting documentation is to be released (21 days prior), that meetings should be webcast, except for executive closed sessions restricted for exceptional circumstances. While the GI determines the rules of the election of two Board Co-chairs and their term (GI, para.23), it does not elaborate the duties of the Co-chairs and the procedures guiding their conduct of the Board’s business, such as: their role in preparing the agenda for and running Board meetings; or their role in representing the FRLD Board formally in external meetings and high-level convenings. The decision on the AROP clarified that with the first term of the Board formally having started on 30 April 2024, new Board Co-chairs will only be elected at its seventh Board meeting in October 2025. Likewise, in order to align the Board term, set by the GI as three years with the option for renewal (GI, para.24), with the calendar year, the AROP decision set the end of the first Board term as an exception for the end of 2027. To manage its workload, and to ensure that work is conducted intersessionally, the Board can establish both standing Board committees, as well as ad hoc ones, with purely advisory functions and without decision-making authority to develop and consult on draft policies and procedures in-between Board meetings.

The AROP adopted by the Board do not elaborate further on the role of observers in Board meetings and proceedings, despite concerted cross-constituency efforts to highlight the relevance of these rules for the meaningful engagement of stakeholder with the Fund throughout the meetings in 2024 (CSO, 2024a). These concerns were promised by the Board to be taken up in a separate policy on active observers and through the elaboration of broader observer participation guidelines at the Board’s sixth meeting in July 2025.

The decision on the AROP provides little further clarification on Board decision-making. While consensus is the default decision-making procedure, the GI already includes voting for cases when the Board decision-making by consensus as default modus fails. This is applying lessons learned from the experience of the GCF, which had to lengthily and controversially develop voting rules for its board. If no consensus can be reached, then decisions can be taken by a four-fifths majority of members present and voting, meaning 21 votes in a full Board (GI, para 26). It is unclear, if this will apply only to funding decisions (as in the GCF) or would also be applied to policy setting. The Board is tasked with “determining when all efforts at reaching consensus have been exhausted” and therefore a decision is put to a vote with a four-fifths majority of Board members present and voting (GI, para.26). The decision on the AROP clarifies that such procedures will be developed and adopted no later than the sixth Board meeting in mid-2025, with the Co-chairs temporarily deciding until then the instances and circumstances when resorting to voting becomes unavoidable.

The Co-chairs consulted separately on procedures for taking decisions between meetings (GI, para.26), which for example might become relevant in the future for funding approvals between meetings, given the unique mandate of the FRLD to expeditiously disburse funding (GI, paras.22(i), 22(r) and 49(e)). The Board at its fourth meeting adopted the Co-chairs’ proposal for a standard tacit no-objection procedure, in which proposed decisions would be adopted after a standard time period of 14-21 days if no written objection by Board members is received; it allows for such decision-making on specific administrative matters as well, although it would not apply to Board approval of the Secretariat’s work plan (FRLD, 2024a, Annex I).

At its fourth meeting in December, the Board also adopted its travel policy after extremely contentious discussions over several Board meetings. It provides funded travel support for developing country Board members, alternate members and one advisor each (FRLD, 2024a, Annex II). Developed country Board members challenged both the number and class of tickets to be provided in the name of financial frugality, while developing country Board members saw this as a matter of equity, especially in light of the fact that the staff of the independent Secretariat (as World Bank employees) is covered under the more generous World Bank travel policy. While the travel policy does not make any provision for providing travel support to active observers from developing countries, the Board confirmed that such support would be integrated in an active observer policy to be presented to the Board for adoption at its sixth meeting in July 2025.

Executive Director

The independent FRLD Secretariat hosted by the World Bank is headed by an executive director (ED), who is tasked with managing and selecting Secretariat staff and running the day-to-day operation of the FRLD. Fulfilling the GI's requirement for the Board to promptly select and appoint an ED of the Fund through a merit-based, open and transparent process (Decision, para.11; GI, para.33) was one of the priorities of the Board's first year. This was also tied to the hosting arrangements with the World Bank, as the ED – as well as the future staff of the dedicated independent Fund Secretariat – will be technically World Bank employees subject to the Bank's human resources policies. The contractual language of the World Bank hosting arrangements is meant to reaffirm the full autonomy of the Fund's Board to select the ED and clarify their responsibilities, such as reporting requirements. The process was required to comply with a respective condition in the COP28/CMA5 decision to ensure the Board's role and the ED's status, including at a level of seniority to represent the FRLD as an independent institution from the World Bank (Decision, para.20(b)). The ED will also have to navigate the dual loyalties of the arrangements with accountability to the Fund Board for development and implementation of Fund policies, procedures, and the execution of the Fund's administrative budget, but also reporting to a World Bank Vice President for compliance with World Bank human resources policies for the staff of the Fund's independent Secretariat. Already at its first meeting in late April, the Fund Board kicked off the selection process with the set-up of an ad hoc subcommittee, which delivered the terms of reference for the ED and a human resources firm and the specifics of the selection process to the full Board for approval at its second meeting (FRLD, 2024x, Annexes IV-VI). In negotiating the terms of reference for the ED, developing and developed country Board members sharply disagreed on whether the ED should have a significant role in fundraising, with developing country members asking for this to be a strong selection criteria while developing country members pushed back against it. The ad hoc subcommittee then worked intersessionally using a head hunting firm utilised by the World Bank to recruit and then establish a shortlist from a wide field of candidates. A final group of six candidates were interviewed by the subcommittee, which narrowed the applicant pool further to the final three candidates who then made their case before the full Board in executive session, with the Board selecting the winning candidate through an interim voting procedure at its third meeting in September (FRLD, 2024b).

The Board's selection of Ibrahima Cheikh Diong as the FRLD's inaugural ED was publicly announced after he signed his World Bank contract for an initial four-year term starting November 1, 2024 (FRLD, 2024i); he introduced himself and his vision for the operation of the Fund to the wider climate community already at COP29. A Senegalese and American national, he previously held several senior positions with the government of Senegal, as well as with the World Bank and its private sector arm, and with private sector banks. More recently, he was the head of the African Union's African Risk Capacity (ARC), which delivers sovereign risk transfer and risk pooling insurance to African member countries

following extreme weather events as well as outbreaks and epidemics. This background has some observers concerned that the new ED could have a bias in favour of insurance approaches, long a developed country priority for loss and damage funding support, despite the fact that with escalating losses and damages insurability is reduced with premiums rising for lower payouts.

The appointment of the FRLD's first ED is important for several reasons. Firstly, as the inaugural ED, Mr. Cheikh Diong is in charge of setting up and staffing the new independent Secretariat as soon as possible – and thus managing the transition from the interim secretariat with staff from the UNFCCC, the GCF, and UNDP. The open and transparent selection of the Secretariat's staff based on merit and taking into account geographical and gender balance, cultural and linguistic diversity and a variety of backgrounds and expertise (GI, para.32) will shape the Fund's institutional development path. His staff selection will set the tone for the new Fund. It will be an early indication of his willingness to bring in a diverse set of experts with a variety of backgrounds, lived experiences from frontline communities, and the ability to think outside of the box in climate funding – instead of drawing mainly from the expert pool of World Bank employees out of expediency. Several civil society constituencies have expressed their hope and expectation in a letter that the new ED brings a strong commitment to a human-rights-based and gender-responsive funding approach to the FRLD by championing access to funding for affected communities, women and diverse gender groups, workers, Indigenous Peoples, and marginalised groups through locally-led approaches (CAN et al, 2024). Secondly, the selection of the ED is also serving a signalling function as to the priorities, expertise and professional and cultural background the Board prizes most for the head of the Fund's Secretariat in guiding the crucial first three years of the FRLD's full operationalisation. Lastly, the full trust of the Board in the new ED will be necessary to move ahead with plans for the Board, which is a non-sitting one and will only meet a few times per year, to develop an accountability framework to delegate possible funding decisions to the ED as a way to speed of funding approvals (GI, para.22(i)), in particular for rapid response measures (GI, para.20(i)). Such devolved decision-making might prove fundamental for the Fund's ability to react with urgency and to approve funding speedily in times of climate emergencies or for direct small grant support for communities, within parameters defined by the Board. In the GCF, for example, funding decisions on readiness grants within a policy framework and financial limits set by the Board are made by the head of its secretariat, who then reports regularly to the Board.

Transitioning from the interim Secretariat to the new, dedicated and independent Secretariat

The GI lays out the functions of the Secretariat headed by the ED in running the day-to-day operations of the FRLD, including the planning and execution of all relevant operational and administrative duties following Board decision such as operationalising the programming cycle (GI, para.35). The adoption of the FIF hosting agreement with the

World Bank at the Board's third meeting in September 24, as well as the confirmation of those arrangements by COP29/CMA6 in Baku in line with the determination that a set of elaborated conditions mandated by COP28 can be fulfilled (Decision, para.17), as well as the selection of the new ED and the start of his term in early November 2024 cleared the way for setting up of the independent Secretariat. It marks also the begin of a transition period, expected to last until mid-2025, from the interim Secretariat with staff from the UNFCCC, the GCF and UNDP, which provided administrative support to the Board in 2024 and will continue to support the Board while handing over its work successively to the independent Secretariat.

The new ED had to hit the ground running to prepare for his first full Board meeting in early December, where the work plan and the administrative budget for the Secretariat functions for the transitional period were adopted. He also presented in Manila propositions and options for operationalising the Fund, including with options for early interventions as early as 2025-2026 for which the speedy establishment of the functioning independent Secretariat is required. The transitional six-months work plan adopted by the Board focuses on the operational readiness of the Fund by (i) establishing the new, dedicated and independent Secretariat; (ii) recruiting a diverse and multidisciplinary team (mostly recruited through short-term consultant contracts) with expertise in climate finance, loss and damage response, and operational management; and (iii) preparing the operational frameworks, including an operations manual, financial instruments, budget preparation and access modalities for Board consideration and approval (FRLD, 2024e).

The selection of an inclusive and diverse staff through a merit-based, open and transparent process by the ED is to be based on experience "relevant to responding to loss and damage and to financial institutions" and "taking into account geographical and gender balance and cultural and linguistic diversity" (GI, para.32), including among the senior leadership and the regional desks for all UN regions, as well as allow for multilingual engagement (GI, para.34). This is supposed to provide the independent Secretariat with the ability to take "a regionally informed approach in responding to context-specific operational needs, capabilities and priorities of recipient countries" (GI, para.35(o)). This guidance applies lessons learned from other funds, including the GCF, in overcoming time-zone differences and cultural and language barriers in engaging with recipient country partners, but will take time to implement. Assisting recipient countries to engage with the FRLD processes and procedures is one of the core functions of the new dedicated Secretariat (GI, para.35(m)), which is also tasked to coordinate with the Santiago Network on Loss and Damage (SNLD) to provide technical assistance to access the Fund's resources (GI, para.34(n)).

The Board in approving the work plan for the independent Secretariat and the administrative budgets for the transition period (see Table 2) also green lighted the hiring of a Deputy Executive Director, whose recruitment could be completed already by the fifth meeting in April 2025 and who is to focus on operational development with the ED to prioritise broader strategic matters, including resource mobilisation efforts.

The staffing cost for the independent Secretariat until mid-2025 cover the salaries for the ED, the Deputy ED, a senior executive assistant and two World Bank senior support staff only, although cost-neutral secondees from other organisations are not precluded. A comprehensive work plan for the independent Secretariat and the administrative budgets for the rest of 2025 are to be presented to the Board for approval at its fifth meeting.

Stakeholder and observer input and participation

The TC process - and its observed shortcomings with respect to participation and inclusion in its meetings (CAN et al., 2023) - inspired much discussion of the need to better integrate observers and stakeholders, and in particular impacted communities, their needs and priorities in the policy design and decision-making processes of the FRLD, including throughout the process of its full operationalisation. While several TC members supported representation of those most impacted by climate change with voting positions on the Board, ultimately the adopted GI only promised that "The Board will enhance the engagement of stakeholders by inviting active observers, including youth, women, Indigenous Peoples and environmental non-governmental organisations, to participate in its meetings and related proceedings" (GI, para.20). This falls short of full-fledged, even non-voting seats at the Board. The initial, but rudimentary rules of procedure of the Board in the GI suggested also that further arrangements will be made "to allow for the effective participation of observers in its meetings," including through an observer accreditation process (GI, para.27). In addition, the GI also outlined the possibility for the FRLD to engage with representatives from many groups, including Indigenous Peoples, youth and women, climate-induced migrants and community-based organisations through consultative forums (GI, paras.28-29). Such forums or groups could be quite impactful to assist the new Fund with policy advice and formulation, as the experience of the GCF with a now-defunct Private Sector Advisory Group (quite influential in shaping the GCF's private sector approach) or their current Indigenous Peoples Advisory Group shows.

The promise that the "Fund will develop mechanisms to promote the input and participation of stakeholders [...] in the design, development and implementation of activities financed by the Fund" (GI, para.29) is welcome, but still remains vague after the first year of Board proceedings. Developing meaningful procedures for observer engagement must be core priority for the FRLD Board in 2025, as it defines the Fund's operational model and sets core operational policies. To ensure stakeholders' input, suggestions and priorities are taken adequately into account, the Board must instruct the independent Secretariat to conduct outreach consultations with observers and consider input received, including through submissions in between Board meetings, in the development of draft modalities and frameworks up for Board decision in 2025. Otherwise stakeholders, most especially affected communities, will be deprived of the opportunity to inform and help shape the Board's key operational decisions.

Table 2: Administrative budget for the transition from the interim to the independent Secretariat (1 January – 30 June 2025)

Budget category/subcategory	Approved January–June 2025 budget (in USD)
Board	365,422
Independent Secretariat	2,533,743
(a) Direct costs (staff, consultants, travel, consulting firms, general operating costs)	(2,103,040)
(b) World Bank cost recovery (20.48% of direct costs)	(430,703)
Interim secretariat (staff, consultancies, travel)	1,317,010
Interim Trustee	479,000
Contingency	168,000
GRAND TOTAL	4,863,175

Source: FRLD/B.4/6/Rev.1, tables 1-6. https://unfccc.int/sites/default/files/resource/B.4_6_Rev.1Workplan%20and%20admin%20budget%201%20Jan%20to%2030%20June%202025.pdf

As there were no fully defined procedures for the participation of observers and stakeholders, including their representation as active observers, for the Board's first meeting in late April 2024, and in the absence of an approved policy on active observers, the Board adopted interim arrangements for observers applicable to each of the Board meetings in 2024 that invited one representative from each of the nine UNFCCC observer constituencies to join the Board in the Board room and intervene at the invitation of the Co-chairs. An additional limited number of observers from each constituency was able to follow the Board discussions on location, but from an overflow room. Each Board meeting also included a dedicated time-slot for an exchange with civil society, which allowed representatives to bring key civil society comments and analysis, including of various policy items discussed during the meetings, to the attention of Board members, setting a positive precedent. As all Board meetings were webcast and recorded, a public record of those engagements exists.

Throughout its meetings in 2024, the Board welcomed the contributions and interventions by civil society, with developing country Board members urging a stronger representation of Southern voices. However, in order to facilitate and strengthen the participation of observers from the Global South and the engagement from affected communities in FRLD Board meetings, as highlighted by civil society speakers repeatedly, both travel support and simplified registration requirements are needed. Neither could be realised for the meetings in 2024.

The Board at its second and fourth meetings discussed initial drafts for an active observer policy, but postponed decision until the sixth meeting in mid-2025 after cross-constituency civil society concerns that the proposed approach needed further improvements and required broad outreach and consultation, which had been missing up to then. Civil society representatives had pointed out that in order for active observer participation to be meaningful and impactful and not just window-dressing, active observers needed to have the opportunity to participate equally in Board discussions and sessions, including in Board committees and in decision-making in-between official Board meetings, receive travel support and equal access to full documentation, as well as propose agenda items and request expert inputs (CSO, 2024c). A proposal for guidelines on consultative forums is also to be considered in mid-2025.

The Board at its fourth meeting, and largely following civil society suggestions, also adopted a 'blanket approach' for an interim procedure for accreditation of observer organisations to the FRLD that would allow groups already registered with the UNFCCC or accredited under any of the UNFCCC's other funds to become an accredited observer organisation with the Fund. The Secretariat is tasked with reaching out via consultations to ensure that non-traditional observer groups, such as community-based or grassroots groups of directly affected people, who are not falling under the blanket accreditation approach can become also formally affiliated with the Fund, and to report back already at its fifth meeting in April 2025 on progress made. These interim accreditation procedures, to take effect only for the sixth Board meeting at the earliest, are to last no longer than three years or until the Board has developed a comprehensive framework on overall observer engagement in the FRLD.

Operational modalities

The GI notes as the primary objective of the FRLD to serve all eligible countries with rapid and simplified access to funding to address loss and damage that meet the needs of communities and countries on the frontline of climate impacts and avoids disproportionate bureaucratic obstacles. The Board is tasked to develop and approve operational policies, access modalities, policies and programmes (GI, para.22(b)). With the FRLD Board focusing in 2024 mostly on the institutional set-up and related deadlines set by COP29, there was very little concrete advancement on operational policies, although the Board in 2024 engaged in some initial discourses on the respective direction that such policy development should take going forward; those Board member exchanges, revealed substantial disagreements between developed and developing country Board members on content and focus of many operational policies. According to the Board's work plan, adopted at its second meeting in July 2024, which is likely to be updated in early 2025, key Fund modalities to be prioritised are access modalities and a policy on financial instruments. Both saw initial discussions at the second Board meeting. The discussion on modalities for the funding approval cycle, resource allocation framework, results management framework and on a mechanism to ensure high integrity environmental and social safeguards and fiduciary standards will be other top Board priorities in 2025. As the Board

discusses and aims to approve most of these operational modalities in 2025, their adequacy will have to be measured by a yardstick provided in paragraph 41 of the GI. It stipulated that the FRLD will “have a streamlined and rapid approval process with simplified criteria and procedures, while also maintaining high fiduciary standards, environmental and social safeguards, financial transparency standards and accountability mechanisms” and that the Fund will “avoid disproportionate bureaucratic obstacles to the access of resources” (GI, para.41).

Eligibility

One of the core fights in the Fund’s design process was around which developing countries would be eligible to access the FRLD, with developed countries seeking to restrict eligibility largely to specific country groups that they deemed more vulnerable than others to climate change impacts, namely first and foremost SIDS and LDCs. In contrast, developing countries throughout the negotiations had maintained that all developing countries that are Parties to the UNFCCC and Paris Agreement should have access to FRLD support and that vulnerable people and communities can be found in all developing countries irrespective of population size or income status, as the experience of the massive flood in Pakistan in 2022 illustrated. On eligibility, the Dubai decision recalls the Sharm El-Sheikh decision language (UNFCCC, 2022a and 2022b), which mandates the Fund “to assist developing countries that are particularly vulnerable to the adverse effects of climate change”. The GI mirrors this exact language by stating “[d]eveloping countries that are particularly vulnerable to the adverse effects of climate change are eligible to receive resources from the Fund” (GI, para.42). Early discussions in the Board in 2024 on eligibility were largely tied to both the scale of the Fund and an allocation approach, with developed countries acknowledging the limited scale of FRLD funding resources seeking to ringfence a substantial share of the scarce finance for LDCs and SIDS and highlighting the vulnerabilities of local communities. This was seen by many developing country Board members as an attempt to restrict the ambition of resource mobilisation efforts for a Fund at scale and the size of related support efforts reaching all developing countries, even if allowing for a special consideration for some country groups.

Country ownership and programming cycle

During the first year of its operations in 2024, the Board highlighted its commitment to country ownership as a core principle of the Fund’s operational model. A discourse on a “bottom-country-led approach that promotes and strengthens national responses to loss and damage” was initiated by the Co-chairs at the second Board meeting, with the Board giving the mandate to the Secretariat and the ED at its fourth meeting to develop and present to the Board options and propositions for consideration at its fifth meeting in April 2025 including for the start-up phase.

The GI gives the Board the mandate to develop the operational policies and guidelines for the programme and project cycle. These mandates, while encompassing and speaking to the heart of the Fund’s work, are also quite

vague – reflecting that there was little agreement to flesh this out further during the Fund’s design process. This gives the new Board a lot of flexibility, and the pressure and responsibility, to get it right from the start to deliver for communities and people. Instead of spelling out a funding cycle, the GI provides a set of guiding principles to direct policies and guidelines for framing it (GI, section V.B.). The GI roots the start of the programming cycle firmly in country ownership, here defined as being responsive to country priorities and circumstances (GI, para.44) through country-led approaches defined through effective stakeholder engagement – it explicitly names women, vulnerable communities and Indigenous Peoples as groups to be involved (GI, para.43) – and prioritises direct engagement at the national and including subnational and local levels (GI, para.45). FRLD funding is supposed to utilise to the extent possible existing national and regional systems and financial mechanisms (GI, para.44). The GI mandates that recipient countries are involved in all stages of the Fund’s programme and project cycle with respect to their projects (GI, para.46). In all likelihood, recipient countries will liaise with the Fund through a national authority or national focal point (GI, para.48) similar to the current practice at the GEF, GCF or Adaptation Fund (AF). The Board must fill in the blanks from how an initial funding request would become a formal funding proposal, and determine the granularity and supporting documents required. Additionally the Board must decide the speed with which to release funding, including delegation of funding approval to facilitate fast access (GI, para.22(e)) and it must decide on accountability for approved funding and the appropriate reporting and monitoring regime (GI, para.22(i)). The Board is tasked to develop relevant indicators and triggers to clarify access to different sources of support provided through the FRLD (GI, para.22(i)), likely provided through funding windows, programmes or other Fund sub-structures, to comprehensively cover the range of funding support for “responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events” (GI, para.2).

Access modalities

The possibility of a diverse set of modalities to facilitate access to the FRLD’s resources for all eligible recipient countries is outlined in the GI (GI, paras.49 and 50) and at the heart of the operationalisation of the Fund. Thus, the elaboration and quick operationalisation of distinct and multiple avenues for countries to request funding will be the key to the Fund’s ability to fulfil its purpose with effectiveness and equity and the urgency required. The challenge and goal is to ensure that developing countries and affected communities are able to access the Fund quickly and without excessive bureaucracy but with robust environmental and social safeguards and fiduciary standards (GI, para.41). A particular focus will be on setting rapid disbursement modalities (GI, para.49(e)), which LDCs pushed for during the TC process, with the Board to decide whether these will be entirely new approaches or how other access modalities can be streamlined and fast-tracked.

Throughout the TC process, developing countries had highlighted direct access to FRLD resources as a priority and

the major reason for their push for a standalone fund, as the World Bank's FIF procedure and directive usually limit access to World Bank-hosted FIFs to international implementing entities, namely UN agencies and MDBs and the IMF (World Bank, 2022a and 2022b). Thus, in negotiating the FIF hosting agreement with the World Bank, the Board in 2024 wanted assurances that, in line with conditions set by the COP28/CMA5 decision, all developing countries will be able to directly access resources from the Fund, including through subnational, national and regional entities and through small grant funding for communities (Decision, para.20(e)); implementing entities beyond MDBs, the IMF and UN agencies can be used (Decision, para.20(f)); and countries that are Parties to the Convention and Paris Agreement, but not member countries to the World Bank, such as Cuba, are able to access the Fund without requiring decisions or waivers from the World Bank Board of Directors on individual funding requests (Decision, para.20(g)). The Board confirmed in approving the FIF hosting agreement with the World Bank at its third meeting that these conditions can be met over the four-year interim hosting period.

The term 'direct access' in the GI is applied to two distinctly different access modalities. Firstly, as direct budget support through national governments or entities, whose safeguards and standards are deemed 'functionally equivalent' to those of MDBs in providing assurances and securing outcomes (GI, para.49(a)). This is clearly the preferred modality of developing country Board members in the FRLD, which see this also as the fastest way to facilitate and enhance access. Secondly, using developing countries' national, subnational and regional entities (such as government agencies on the national, provincial or municipal level, as well as non-governmental actors) or direct access entities that are already accredited with funds such as the AF, GEF or GCF (GI, para.49(b)). As a way of fast-tracking and simplifying procedures, including for the start-up phase of the Fund's operation in 2025-2026, which the Board agreed on at its fourth meeting, it could decide that all direct access entities in good standing with funds under the Convention and Paris Agreement could automatically serve as FRLD implementation partners for recipient countries, especially since there does not seem to be an appetite among most Board members to have an own FRLD accreditation procedure. The GI explicitly tasks the Fund to develop simplified procedures and criteria for fast-tracked screening to determine functional equivalency of national, subnational and regional direct access entities' own safeguards and standards to manage funded programmes and projects in the recipient country with internationally recognised standards (GI, para.50).

While direct access opportunities are indicated, this still allows for the more ubiquitous international access via multilateral banks or agencies or developed countries' bilateral entities (GI, para.49(c)), with the decision opening the pathway for bringing in other international or bilateral entities beyond the MDBs, the UN agencies and the IMF in (Decision, para.20(f)). In developing its own access modalities and programming requirements, the FRLD Board will be well advised to consider the experience and trajectory of access to the GCF, where despite a majority of direct access entities among GCF accredited implementing

partners still only one fifth of the GCF's resources is programmed via direct access (for more detail, see the CFF11 on the GCF). The FRLD Board needs to set new best practice approaches for simplifying and enhancing direct access so that it becomes the dominant access modality to fund resources and to avoid repeating these other experiences, such as in the GCF.

A significant win for the new Fund, and with the potential to leapfrog to enhancing access to funding for the people and communities already most severely impacted by loss and damage, is a clear commitment in the GI to develop access modalities for "small grants to support communities, Indigenous Peoples and vulnerable groups and their livelihoods, including with respect to recovery after climate-related events" (GI, para.49(d)). Operationalising this provision with significant scale and stature, such as by ensuring that a substantial and progressively growing part of FRLD resources is provided through community access will allow for targeted support in order to be 'fit-for-purpose' and serve climate justice. Direct access support for all developing countries through small grants funding for communities is also part of the catalogue of conditions for the World Bank-FIF hosting (Decision, para.20(e)). Rather than thinking of community access, including through small grants provision, as distinctly separate from other access modalities, the Fund Board should consider it integral to all access modalities separately listed in the GI. Community access can be direct and allow groups to directly receive funding for example via a dedicated community access window or programme, as hundreds of civil society groups demanded in a letter to the Board in mid-2024 (CSO, 2024b). It must also be provided as a required component of programmatic approaches under direct budget support or facilitated through national actors via national distribution channels to the local level to reach communities. Lastly, it can also build on or replicate existing small grants approaches intermediated by international agencies, such as the GEF/UNDP Small Grants Programme. Throughout its meetings in 2024, the Board reiterated its broad support for community access to FRLD funding, including in regular exchanges with civil society observers as part of formal Board proceedings. The inclusion of community access provisions, including through small grants funding, in the start-up phase of the Fund's operationalisation will be crucial to showcase its importance, and also to fine-tune and improve for it to be a defining part of the FRLD's full operationalisation of its access modalities.

Allocation

As the Board proceedings in 2024 have made already clear, the question of resource allocation remains one of the most contentious issues, and with the continued power to undermine the solidarity and unity among developing countries as funding recipients, including in the FRLD Board, as it had been during the Fund's design process. The Board will look at an initial resource allocation system as early as its fifth Board meeting in April 2025, when the ED is supposed to present to the Board options and proposals for the Fund's start up phase and initial funding for late 2025 and 2026. While not supposed to set precedent for the development of a long-term resource allocation framework

expected later in 2025 or early 2026, it could give an early indication for a potential consensus to be found, including agreements within the developing country constituency. An allocation system will influence the programming cycle and approaches, discussion about possible distinct funding windows, financial instruments to be used, and access modalities, including approaches to simplify and accelerate access, such as through prioritising direct budget support, where a unified voice of developing countries will be important in the Board.

The GI in a carefully calibrated language mandates the Board to develop and operate a resource allocation system (GI, paras.22(j) and 60), recognising that it will have to be dynamic with periodic reviews by the Board (GI, para.61) in order to take into account the needs and priorities of developing countries, and especially those of climate-vulnerable communities (GI, para.60(a)), and considers the scale of climate impacts of particular climate events respective to national circumstances and capacities (GI, para.60(b)). The development of the allocation framework will be a high-wire balancing act to manage the tension between the eligibility of all developing countries to FRLD resources, recognising that all have special vulnerabilities and needs irrespective of size, development status or location of their own vulnerable communities and population groups, and ensuring that countries with additional challenges, such as SIDS or LDCs, receive a guaranteed “minimum percentage allocation floor” as stipulated in the GI (GI, para.60(f)). This specific commitment is counterbalanced by the requirement “to safeguard against the overconcentration of support provided by the Fund in any given country, group of countries or region” (GI, para.60(c)) as requested by Latin American TC members during the design phase. The GI highlights a number of considerations that will have to be taken into account when drafting and approving the FRLD allocation system, such as looking at the needs and scale of impacts on countries and vulnerable communities in relation to their national circumstances and their capacities to respond (GI, para.60(a) and (b)), which are also influenced to a high degree by a recipient countries’ fiscal space and level of indebtedness.

In elaborating the allocation framework in 2025, the FRLD Board must be mindful of the limitations and pitfalls of some allocation approaches in existing climate funds, including the experience in the GCF with minimum allocation targets for funding themes or for specific country groups (which currently requires a balance between mitigation and adaptation in grant equivalent terms and that 50% of all adaptation funding support LDCs, SIDS and African states), or the GEF’s approach in ensuring that each eligible country gets a minimum allocation or the AF’s effort to deal with always limited funds by setting a country cap for support.

While best available data and information from relevant entities including the IPCC or national and regional agencies, is supposed to support the Board in determining allocation needs and priorities, the section on allocation recognises “that such data, information or knowledge may be limited for specific countries and regions” (GI, para.60(d)

and (e)). It also explicitly encourages the consideration of “pertinent knowledge from Indigenous Peoples and vulnerable communities on exposure and sensitivity to the adverse effects of climate change and on loss and damage” (GI, para.59(d)). This language is indicating applied learning from the experience of the GCF, where a demand for countries to prove the ‘climate rationality’ of their funding requests was especially challenging in the case of proposed adaptation measures due to data availability challenges, not the least for local adaptation contexts.

Financial instruments

The GI lists as one core function of the FRLD function its mandate to approve “a policy for the provision of grants, concessional resources and other financial instruments, modalities and facilities, taking into account access to other financial resources and debt sustainability” (GI, para.22(d)). Such a policy should clarify among other things that the Board assigns priority use to grants as the main financial instrument through which to programme. It should avoid any indication that it intends to operate instrument-agnostic in describing equal relevance and value for a possibly wide range of financial tools. This point was made strongly by developing country Board members as well as civil society observers in an initial discussion of a background paper on financial instruments suitable for the FRLD discussed by the Board at its second meeting in July 2024 (FRLD, 2024j). In contrast, developed country Board members urged to look at the full suite of possible financial instruments, including those, such as equity or guarantees, that could help in leveraging private sector finance for responding to loss and damage.

The GI in paragraph 58 explicitly allows for the potential deployment of “financial instruments that take into consideration debt sustainability (grants, highly concessional loans, guarantees, direct budget support and policy-based finance, equity, insurance mechanisms, risk-sharing mechanisms, pre-arranged finance, performance-based programmes and other financial products, as appropriate) to augment and complement national resources for addressing loss and damage.” However, it is essential that the FRLD delivers adequate finance by providing the vast majority of its funding in the form of grants and non-debt creating instruments in the context of addressing loss and damage as a matter of climate justice. Grant provision must prioritise full cost grants without differentiating between the cost of a development baseline and added ‘incremental’ costs brought on by climate change impacts. Incremental cost calculations might be difficult and are inadequate, given that for example rehabilitation and recovery tries to regain ‘lost development’ for which recipient countries have already paid at least once and often in the form of debt.

Standards and safeguards

The GI mandates the Board to develop “a mechanism that will help ensure the activities financed by the Fund are implemented based on high-integrity environmental and social safeguards (ESS) and fiduciary principles and standards” (GI, para.22(f)). This is suggested to be achieved not by the Fund setting its own high-integrity standards,

as for example the AF and the GCF do with their respective own human-rights based environmental and social policy, but by relying exclusively on the environmental and social safeguard policies of its implementing entities. Those safeguards are supposed to be ‘functionally equivalent’ with the World Bank’s ESS as determined through modalities to be developed by the Board (GI, para.68). The Secretariat is tasked to support strengthening the capacities of direct access implementing entities to reach that functional equivalency.

Relying exclusively on equivalency with World Bank ESS is a missed opportunity for the new Fund to set its own ESS standards targeted at addressing unavoidable short and long term climate impacts on people and environment that not only focus on harm prevention (‘do no harm’) but pro-actively highlight the need to ‘do good’. This just has not been the focus of the ESS standards of existing institutions, including in MDBs and UN agencies.

The GI details that in addition to the World Bank’s ESS, its fiduciary principles and standards will also serve as the basis of the “high-integrity fiduciary principles and standards” to be “applied to its activities, and, to this end, the Secretariat will work towards ensuring that each implementing entity applies such fiduciary principles and standards when implementing activities financed by the Fund” (GI, para.67). Reaching these standards will be much easier for MDBs and UN agencies than for many national and especially subnational entities hoping to get direct access to the FRLD. The Board must be careful in developing modalities to determine the ‘functional equivalency’ with the World Bank’s fiduciary standards that they not become de facto barriers to access for direct access partners, while ensuring that activities financed by the Fund are implemented based on high-integrity standards (GI, para.22(f)). The Secretariat is called on to provide support for “the strengthening of the capacities of direct access implementing entities, where needed, to enable them to attain functional equivalency with the World Bank’s fiduciary principles and standards” (GI, para.67; see also GI, para.35(j)).

Throughout 2024, the issues of safeguards and standards were not yet thoroughly discussed; however, they did come up in discourses of how they would be applied in a Fund operational model that is truly bottom-up and country-led, with developing country Board members emphasising their preference for reliance on and strengthening and promoting countries’ existing national and sub-national systems and processes through prioritising direct budget support. At its fourth meeting in December 2024, the Board gave a mandate to the ED and the Secretariat to develop a proposal for a start-up phase for the Fund to be discussed at its fifth Board meeting in April 2025. An important condition for initial investments in the start up phase of the Fund as early as end of this year is to see how quickly simplified procedures and criteria for fast-tracking screening to determine the ‘functional equivalency’ of safeguards and standards of developing countries’ existing national and regional direct access entities (such as those currently accredited with the GEF, GCF or AF) can be elaborated and agreed in the FRLD Board. The Fund will

need to think about the best, and possibly differentiated approaches (recognising that the need for different levels of safeguards and standards is inextricably linked to the scale, complexity and risks of funded actions) to address the tension between providing accountability to ensure funding reaches those intended and without causing or contributing to human rights violations on one side and the need to simplify and enhance access to funding on the other side. As such, the start-up phase could indeed provide some important first learning of what is necessary and appropriate for the FRLD.

Monitoring and results management

The monitoring, results measurement, and performance reporting on programmatic or project funding and other activities financed by the FRLD and corrective management is crucial for the “continuous improvement of the Fund’s impact, effectiveness and operational performance” (GI, para.63). The Board is tasked to develop and approve a results measurement framework and guidelines, and set appropriate performance indicators (GI, para.22(j)), which will determine what the Board considers as its measure of impact and success for FRLD funding support. It will be crucially important to ensure that the FRLD’s success is defined by performing well against people-centred benefit-focused indicators and targets and success is not equated narrowly with performance indicators looking at the replacement value of restored infrastructure or systems or the scale of leveraged financing received as proof of impact. This will be even more critical in the context of addressing non-economic loss and damage.

The independent Secretariat is tasked to coordinate monitoring and evaluation of programmes, projects and activities financed by the Fund (GI, para.35(j)) and prepare performance reports (GI, para.35(d)), such as the annual reports aggregating portfolio level outcomes existing funds like the AF, GCF, or GEF already routinely provide. The GI points out a particular role for “participatory monitoring involving stakeholders” in ensuring the Fund’s impact, efficiency and effectiveness (GI, para.62). This is an important opening to ensure the meaningful and effective participation particularly of local stakeholders, and to ensure accountability for impacts on the ground, if lessons from other funds can be learned. The FRLD should make participatory monitoring a required component to ensure good performance at the level of funded activities, for example by providing some funding support for local groups in monitoring implementation as part of the funded activity’s budget, and thus go further than for example the GCF, with a similar provision in its own governing charter, currently does.

In its first year of operations, the FRLD Board did not yet focus on monitoring and results management, however some proposals and options for what an initial results management framework could look like are expected in the proposal for the start-up phase for the Fund to be submitted for Board discussion at its fifth meeting in Barbados in early April 2025. A results management framework suitable for the long-term operational model of the Fund could draw on and fine-tune or correct some of these initial efforts.

Accountability and information disclosure

The evaluation of FRLD performance and the accountability for the effectiveness and impact of its funding delivered to recipient countries, the integrity of its financial provision and the possibility to have grievances related to funded activities reviewed and redressed are central to ensure the legitimacy of the Fund and its continued support. Related mandates elaborated under the GI (GI, sections X, XI and XIV) will likely not see much deliberation by the Board in general, and had almost none for the first year of the Board's operation. The only exception was some discourse about access to information, which the Board tackled for its proceedings as part of its deliberations on additional rules of procedure (AROP). The GI seems to indicate that for the Fund's operations, including with respect to funded activities the information and disclosure provisions of the World Bank as the FIF-hosting institution will apply (GI, para.70), raising some concerns, given that the World Bank information disclosure provisions are targeted to the documentation requirements and funding cycles of the World Bank, and thus not 'fit-for-purpose' for the FRLD. Financed activities will also be subject to each implementing entity's policy on access to information, seeing likely widely differing standards (GI, para.70). However, the AROP adopted at the Board's fourth meeting in Manila in December provided some important commitments regarding the routine disclosure of FRLD Board documents and could herald the willingness of the Board to consider a pro-active Fund-wide information disclosure approach that includes the operations of the independent Secretariat. Even before the AROP were adopted, the Board Co-chairs on an interim basis throughout 2024 shared most of the relevant Board documents with observers and the wider public. According to the AROP, meeting documents are supposed to be posted publicly on the Fund's website at the same time the Board members receive them (except for confidential documents), Board meetings are webcast, and the meeting report and the decisions to be published. While English is the working language of the FRLD, core documents such as operational policies can be translated into other language in support of a multilingual approach (FRLD, 2024a, Annex IV).

While periodic independent evaluations of the performance of the Fund are foreseen "to inform decision-making by the Board, identify and disseminate lessons learned, and support the accountability of the Fund" (GI, para.64), this will only apply a few years into its operations. Ultimately, the Board will have to decide, since the language of the GI is not specific on this issue, whether such periodic independent evaluations are to be commissioned on a case-by-case basis (through an independent provider outside of the Fund), or whether it prefers to institutionalise the function through an independent evaluation unit separate from the Secretariat (as for example the GCF has). The findings of independent evaluations will also be part of the required annual reporting by the Board to the COP and the CMA (GI, para.65), as part of its accountability requirements as an operating entity of the Financial Mechanism of the UNFCCC and the Paris Agreement. The COP and CMA, as confirmed in the arrangements adopted at COP29 in Baku, can also

conduct a periodic review of the FRLD (GI, para.66), most likely in the context of the period review of the Financial Mechanism (UNFCCC, 2024e and 2024f).

The GI does not provide for the conduct of other independent accountability functions, such as for integrity and for redress by the Fund itself through separate independent units (as in the GCF as a standalone fund), but instead 'outsources' them to its implementing partners as part of the Fund's setup as FIF with a World Bank-hosted Secretariat. Instead of the Fund's own oversight on integrity related issues, such as corruption and fraud with the power to investigate any such allegations, "the implementing entity's independent integrity unit or functional equivalent" working with the Secretariat will investigate and report to the Board (GI, para.69). Similarly, people or communities harmed by activities financed by the Fund, will have to direct their complaints to or seek redress or compensation from the implementing entity's independent grievance redress mechanism, which will issue recommendations and report to the Board (GI, para.71).

This is problematic for a number of reasons, most importantly because there will be no uniformly applied minimum standard regarding integrity and/or grievance and redress, as the GI does not foresee a framework for the determination of 'functional equivalency' among a potentially wide variety of implementers, with varying procedures and capacities. This could mean that without secured minimum standards at Fund-level by the Board, affected communities and people might be disadvantaged in their ability to report integrity violations (and have them independently investigated and addressed) and to seek redress by the choice of implementing entity.

Complementarity and coherence with wider funding arrangements

How to secure and operationalise complementarity, coordination and coherence between the Fund and the funding arrangements was one of the key issues in the TC process. Developing country TC members saw the FRLD as the main multilateral channel for financing to address loss and damage and as the centrepiece of broader funding arrangements for responding to loss and damage within and outside the UNFCCC, including by providing a key coordination role to ensure complementarity and coherence through guidance to other actors. Developed country TC members saw the Fund just as one of many relevant entities in the mosaic or landscape of actors and institutions, but without a primary coordination role. They proposed instead that such coordination, as part of the broader funding arrangements, could be taken on through the establishment of a High Level Coordination Council situated outside of the UNFCCC. These fundamental disagreements about the stature of the FRLD in funding arrangements were also evident in discussions during FRLD Board meetings in 2024 and the core question of whether the new Fund would need to prove its additionality within the broader funding agreements or whether it could set the parameters of its funding with other actors, such as from disaster risk response, humanitarian response, development finance institutions or other climate funds then asked to provide the needed complementarity and additionality to the FRLD.

The approved GI includes a dedicated section on complementarity and coherence (GI, paras.51-53), which underscores the key role of the Fund “in coordinating a coherent global response to loss and damage, including between the Fund and the funding arrangements” (GI, para.51). It also tasks the Fund to develop methods to enhance the complementarity between its own work and that of other relevant actors (GI, para.52). The annex on funding arrangements in the COP28/CMA5 decision also identifies that one of the purposes of the FRLD is to act as the platform for facilitating coordination and complementarity across other funding arrangements for responding to loss and damage including global, regional, and bilateral mechanisms, and national level programming (FA, para.8). In order to do so, the Board is tasked to develop new coordination and cooperation mechanisms and facilitate linkages between itself and other funding sources (GI, paras.4 and 51-53). The GI gives the Fund a role in promoting coherence in programming at the national level in recipient countries with a focus on addressing priority funding gaps through its provision of “additional and complementary sources of finance” (GI, para.52). This language could be problematic if it requires a mapping or determination for funding requests that the FRLD’s resources are needed because no other actor is able or willing to provide the needed finance at the national level.

The COP28/CMA5 decision tasked the FRLD with establishing an annual high-level dialogue on coordination and complementarity, co-convened with the UN Secretary-General (FA, paras.8 and 13). In addition to convening the annual high level dialogue on coordination and complementarity, the decision also requested that the Board of the Fund create an approach for developing partnerships with other entities that form part of the funding arrangements (FA, para.9), and to develop standard procedures, building on the work of the WIM and others, to “identify sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement to assist developing countries to respond to loss and damage from sudden or slow onset events, including economic or non-economic loss and damage (i.e. funding arrangements), for the purpose of supporting strengthened coordination and complementarity” (FA, para.10). This requires the development of a framework on complementarity and coherence for the FRLD, which the Board did not yet develop in 2024 but will tackle as part of its full operationalisation efforts. The Board did prioritise discussing the arrangements for establishing the annual high level dialogue, deciding at its second, third and fourth meeting to have a high level launch event co-hosted by the Board and the COP29 Presidency during COP29 in Baku, while the first annual high level dialogue will be held on the margins of the IMF and World Bank Spring Meetings in Washington, DC in late April 2025 and be prepared and organized by the Secretariat, the Co-chairs and the Office of the UN Secretary General.

Outlook for 2025

When the FRLD Board convenes for the first time in its second year in early April 2025 in Barbados, it will delve as first order of business into pushing for agreement among the Board for an operational model that prioritises a bottom-up, country-driven approach focused on supporting and strengthening national and sub-systems for delivery of funding to address loss and damage. As it sets out to develop its long-term operational modalities, among the Board’s primary tasks will be efforts to agree on the specific modalities of multiple access avenues for recipients, including direct budget support and community access, and the potentially quite contentious wrestling for an allocation framework given that committed resources are limited. In parallel, the Board will work with the new ED and the new, dedicated and independent Secretariat as both ramp up into full operational mode, to design and agree on an early start-up phase with interim simplified procedures and modalities to ensure that some initial investments can be made as soon as end of 2025 or early in 2026. Some of the early delivery might also serve as a test case for what works and doesn’t, as the Fund’s ambition remains to think outside of the box of traditional climate funding approaches.

Key to the success of the FRLD as it refines its operational model will be for the Board to act with unity and purpose and find consensus and constructive ways forward on some of the issues that the design process and its members could not agree on instead of carrying competing visions of the FRLD’s mission, scale, scope, focus and role in the wider financing landscape for loss and damage, which resurfaced in many of the discussions during the four Board meetings in 2024 into the Fund’s next operational phase. One of the most pressing issues remains securing adequate and predictable financial support for the Fund both near- and long-term. This in the context of an international support landscape, which has deteriorated significantly after recent announcements by the Trump administration that it would leave the Paris Agreement (again) and freeze all American development and climate funding support, requiring other developed countries to step up. The USD 741 million in grant pledges received so far need to be paid in rapidly for the Fund to be able to begin making initial investments in late 2025 or early 2026 that are more than tokenistic and can give an early indication of the ambition of the FRLD’s investment approach. But they are not enough. For the Fund’s successful and impactful future and to secure its place as the lead multilateral fund in the evolving loss and damage finance architecture an initial capitalisation in the billions is needed as well as a long-term resource mobilisation strategy with the ambition to progressively increase financial inputs into the FRLD commensurate with the needs of recipient countries and affected communities.

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Endnotes

1. At the time of the decision’s adoption, the Fund had no formal name, with only generic references for a ‘fund for responding to loss and damage’. The Board of the Fund considered the Fund’s formal name at its 2nd meeting in July 2024 and confirmed it as ‘Fund for responding to Loss and Damage’ while agreeing to use the acronym ‘FRLD’ at its 3rd meeting in October 2024.
2. The ExCom is currently implementing its second five-year rolling workplan (adopted in 2022), while the WIM is undergoing its third review to be finalised at COP30.
3. This note draws from several publications by the Heinrich Böll Foundation Washington, DC in 2023 and 2024 on the FRLD (Schalatek, 2023; Schalatek and Richards, 2024; Schalatek, 2024a and 2024b). See bibliography for further details.
4. The amount reported at the time was higher, owing to the fact that pledges were received in multiple currencies and accounted for in USD equivalent with exchange rates applied at the time of the pledge. The pledge amount in USD will thus fluctuate, depending on the exchange applied at the day of conversion. The USD 642 million reflects the exchange rate used by the World Bank as of 23 January 2025 for the pledges received at COP28 (see also <https://unfccc.int/topics/climate-finance/funds-entities-bodies/fund-for-responding-to-loss-and-damage/pledges-to-the-fund-for-responding-to-loss-and-damage>, accessed on 25 February 2025).
5. This goes further than prior practice of the Adaptation Fund Board, which only received its legal capacity, but not international legal personality through an act by the German parliament (Adaptation Fund, 2011). Having a separate legal personality for the Board is also required to ensure the Board’s ability to operate independently under the guidance of parties under the UNFCCC (COP) and the Paris Agreement and its signatory parties (CMA) in accordance with the Fund as an operating entity of the financial mechanism of the UNFCCC and Paris Agreement.