

## FUND FOR RESPONDING TO LOSS AND DAMAGE

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**T**he decision at COP28 in Dubai, United Arab Emirates, adopting a governing instrument for a new Fund for responding to Loss and Damage (FRLD)<sup>1</sup>, 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. Throughout 2024, the 26-member FRLD Board with equitable and regionally balanced representation of developed and developing countries, in its first year of proceedings, formalised the FRLD's institutional set-up, including: the conclusion of the hosting agreement with the World Bank; securing the Board's legal personality through an agreement with the Philippines as its host country; and the selection of the Fund's inaugural Executive Director, who by late 2025 transitioned 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 to comply with several COP29 deadlines, the Board and Secretariat in 2025 turned to efforts to set up and operationalise start-up financing modalities with a USD 250 million envelope in grant funding, with the call for proposals opened in late 2025. Intended to serve as a first test case for the Fund's ambition to deliver funds with urgency to vulnerable countries and marginalised communities by building on key lessons learned from other climate funds, and to inform its longer-term policies pursued in parallel, initial investments under the Barbados Implementation Modalities (BIM) are expected by late 2026. The Board still has to agree on the Fund's overall operational model, including its scope and scale, allocation parameters and the simplified and unbureaucratic access modalities the climate urgency demands. While COP28 delivered some USD 661 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 144 million new funding pledges over the past two years, a number of them not yet converted into paid contributions, the financial future of the Fund is tenuous at best. Without a substantial additional capitalisation and long-term resource mobilisation strategy, which the Board was supposed to finalise in late 2025, but will now only tackle in mid-2026, and with a first formal replenishment process starting at the earliest in 2027, there is the danger that the start-up financing phase will deplete most of the Fund's resources. Even if the FRLD succeeds over the next years in developing well articulated long-term operational policies, it could remain a largely empty shell in the face of growing needs and a simultaneous significant decline in development assistance and climate finance commitments.

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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). Since 2022, global heat records are continuously being broken, and the period 2023-2025 has exceeded the 1.5°C threshold set in the Paris Agreement. Extreme weather incidents are 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, including at catastrophic levels 2024 in Brazil with droughts and heat waves exacerbating the fires, and ever more powerful cyclones and storms, such as category 5 hurricane Melissa in the Caribbean in 2025. 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.<sup>2</sup> 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 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

progress 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 2025, at COP30 in Belém, Brazil, the third review of the WIM - started in 2024 - was concluded, including with a focus on providing technical assistance and funding support efforts to developing country Parties, while the Santiago Network advisory council and its secretariat continued their work on strengthening the operational framework for processing loss and damage technical assistance requests from developing countries, with the first case for technical assistance provided to Vanuatu in 2025 (UNFCCC, 2025a).

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 note<sup>3</sup> 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 mid 2026. It details progress made over the past two years as the Fund's 26-member Board with a majority of 14 developing country representatives, including two each from LDCs and SIDS, met four times in 2024 and three times in 2025 under the leadership of its first Co-chairs Richard Sherman (South Africa) and Jean-Christophe Donnellier (France). While most of the decisions taken by the Board in 2024 focused on solidifying the Fund's institutional set-up and important Board procedures, its 2025 efforts centred around the decision for and the operationalisation of the FRLD's start-up financing pilot phase as well as the transition to and the strengthening of the independent Secretariat by late 2025, leaving fundamental decisions on its long-term operational model with core modalities such as on resource mobilisation, access or allocation for the Board to make in 2026.

## 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 ministerial

meetings, COP28 and CMA5 considered and adopted the TC recommendations by agreeing to operationalise the FRLD surprisingly at the first day of the Dubai meeting. Decisions 1/CP.28 and 5/CMA.5 (UNFCCC, 2023a,b) 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 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, 2024a,b). This was highly contested in the TC process. Developing countries feared that the involvement of the World Bank would weaken the Fund's relationship with 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 SIDS and 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, 2024c).

## 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 26-member Board which convened for the first time in April 2024, with three more meetings throughout 2024 and three more in 2025.

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 two years and the ambition of the workplan that the Board set for itself, were closely watched for progress made toward setting initial funding commitments, which after approval of a start-up financing phase and a first call for proposals issued around COP30 in Belém could be made by mid 2026.

### 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 for all developing countries. 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 “complementary 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, particularly 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 framed efforts within the Board to confirm the Fund’s operational model. 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 should be operationalised by deliberately

moving away from traditional fund operationalisation sequencing and modalities and by relying more strongly on existing country-systems, such as direct budget support, versus utilising many traditional, especially multilateral implementers such as multilateral development banks or United Nations agencies. These discussions faced both a first test and an operational reckoning in 2025 and will undoubtedly continue in 2026.

At its fourth meeting in Manila in December 2024, the Board in decision B.4/D.3 had requested the Secretariat guided by the Board Co-chairs to develop and present options for a start-up funding phase for the FRLD at its fifth meeting in April 2025 in Barbados as an initial test period to allow for the refinement of long-term operational approaches to be developed and implemented in parallel. Some Board members and observers were concerned about the extent to which actions prioritised as early interventions 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. The Board’s decision sought 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 and by confirming that the activities implemented during the start-up phase would neither prejudice nor set precedent for the long-term operational model of the Fund (FRLD, 2024a).

In Bridgetown, during the Fund’s fifth Board meeting, contentious deliberations on the scope and scale of a start-up phase mirroring broader disagreements on the Fund’s operational model between developed and developing country Board members, were resolved in a last minute agreement establishing the Barbados Implementation Modalities (BIM) for the start-up funding phase. Decision B.5/D.4 allocated a total of USD 250 million in grant support, with the potential for additional funding to be approved at the Fund’s eighth Board meeting in April 2026 depending on available commitment authority, for activities in the range of USD 5-20 million each by either a single or multiple countries that are “representative of the full scope of the Fund [...], ensuring balanced representation of geographies and contexts” and derived from bottom-up, country-led and country-owned approaches. The BIM set a minimum allocation floor of 50% for SIDS and LDCs, which was highly contested with many developing country Board members reiterating that this would not set a precedent for the long-term allocation framework of the Fund. Developed country Board members, who had pushed for the use of financial instruments beyond grants in the BIM, succeeded in adding a passage to the decision text allowing the BIM grant support to be “subsequently combined with other financial instruments in deploying different funding modalities” as well as a text passage deciding that the BIM “will also aim to explore engagement with the private sector, where relevant” (FRLD, 2025a). Lessons learned, key findings and challenges and recommendations from the initial results of the BIM are to be captured in a report to be presented to the Board for its 11th Board meeting in early 2027 (FRLD, 2025a).

To set up and agree on the core operational elements of the BIM (explained in further detail in relevant thematic sections of this briefing note), the Secretariat, under the guidance of the Co-chairs was tasked to develop for the FRLD's sixth meeting an initial project/programme cycle, funding criteria and a results management framework for the BIM as well as access modalities that would allow and operationalise direct access via direct budget support through national governments in addition to access through entities accredited with the Adaptation Fund (AF), the Global Environment Facility (GEF) and the Green Climate Fund (GCF) and partnering with other entities such as multilateral development banks (MDBs) and international financial institutions (IFIs). With funding requests to be country-led, the Secretariat was also asked to draft guidelines for the designation of a national authority or focal points through which such requests should be submitted (FRLD, 2025a).

During discussions at the sixth Board meeting in Cebu, Philippines, in July 2025, it became clear that further work was needed to develop the operational modalities of the BIM, with the Board in decision B.6/D.1 only taking note of the initial Secretariat proposals and requesting continued consultations with the Board (FRLD, 2025b, Annex I). As it became clear that in particular operationalising modalities for facilitating direct access via direct budget support was complicated because of the set-up of the FRLD as a FIF hosted by the World Bank, the Board empowered the Co-chairs through decision B.6/D.2 to directly engage with the World Bank as the interim trustee of the Fund to explore options for direct access (FRLD, 2025b). In Cebu, the Board also adopted guidance for FRLD focal points and requested the Secretariat to establish regular communication with them as well as support them in their new role (FRLD, 2025b, Annex II).

At its seventh meeting in Manila, Philippines, in October 2025, the Board adopted the BIM funding cycle (decision B.7/D.3), the initial funding criteria for the start-up phase (decision B.7/D.4), and the BIM access modalities (decision B.7/D.5), explained in more detail further below. Contrary to the stated ambition of the FRLD to do things differently, the BIM presents largely as a project-based approach, as the amount for individual funding requests is neither large enough to allow for programmatic approaches, nor is the direct access modality for budget support through national governments – seen as a key conduit for programmatic approaches – yet operational. This all makes it more likely that the BIM funding requests that the Board approves will be implemented through a set of familiar implementing partners also working with other climate funds.

### **Human rights and gender-responsiveness**

The loss and damage suffered by communities in developing countries is undoubtedly undermining their basic 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 more recently universally recognised "right to a clean, healthy and sustainable development" (UNFCCC, 2023a,b). 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 long-term operational model and will consider its core modalities throughout in 2026 and beyond, explicit references to human rights can still be incorporated into modalities, frameworks and policies as they are developed. Unfortunately, no such human rights language, with the exception of a small reference to gender-responsiveness in the indicative description for one of the funding criteria, has made it into the modalities of the BIM for the start-up funding phase. This makes targeted advocacy efforts and sustained and meaningful engagement of rights holder 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 2026 and beyond even more crucial to anchor human rights obligations for all FRLD operations and funded actions into the FRLD's long-term operations.

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).

Over the two years of the FRLD Board's work, the question of how to fully 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, still 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, under the start-up funding phase, to be primarily considered through a 'do no harm' lens via environmental and social safeguards (ESS) in the implementation of funded activities, and 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 CFF 10 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 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 operationalisation 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, with included some tasks relevant to resource mobilisation issues, but pushed the consideration of a long-term resource mobilisation strategy well into 2025. 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. 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).

**Table 1: Status of pledges and contributions received for the FRLD as of February 2026**

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**)	Pledges not yet signed into contribution agreements (in USD million eq***)
Canada	CAD 16	11.60	11.63	-	-
Denmark	DKK 175	25.50	24.66	-	-
Estonia	EUR 0.05	0.05	0.05	-	-
European Union***	EUR 25	27.10	-	-	29.49
Finland	EUR 3	3.26	3.52	-	-
France	EUR 100	108.90	53.07	-	58.98
Germany	USD 100	100.00	98.24	-	-
Iceland	USD 0.6	0.60	0.60	-	-
Ireland	EUR 25	27.30	28.10	-	-
Italy	EUR 100	108.90	-	-	117.97
Japan****	USD 10	10.00	10.00	-	-
Netherlands	EUR 15	16.30	15.78	-	-
Norway	USD 25	25.00	25.00	-	-
Portugal	EUR 5	5.45	2.16	3.54	-
Slovenia	EUR 1.5	1.63	0.44	1.30	-
Spain	EUR 20	21.70	20.79	-	-
United Arab Emirates	USD 100	100.00	15.00	85.00	-
United Kingdom	GBP 40	50.60	52.16	-	-
United States	USD 17.5	17.50	17.56	-	-
<b>COP28 TOTAL</b>		<b>642.45</b>	<b>216.35</b>	<b>113.22</b>	<b>206.44</b>

Pledges to the FRLD received in 2024 and at COP 29 in Baku**					
Australia	AUD 50	34.12	11.08	23.04	-
Austria	EUR 25	27.69	15.90	11.79	-
Japan	USD 5	5.00	5.00	-	-
Latvia	EUR 0.05	0.05	0.05	-	-
Luxembourg***	EUR 8	9.44	-	-	9.44
New Zealand	NZD 10	5.68	5.66	-	-
South Korea	USD 7	7.00	2.15	4.85	-
Sweden	SEK 200	21.98	5.33	16.65	-
Walloon Region of Belgium	EUR 1	1.05	1.05	-	-
<b>Additional pledges TOTAL</b>		<b>112.01</b>	<b>41.22</b>	<b>56.33</b>	<b>9.44</b>

Pledges to the FRLD received in 2025 and at COP30 in Belém					
Iceland***	ISK 320	2.65	-	-	2.65
Japan	USD 5	5.00	-	5.00	-
Spain	EUR 20	23.23	23.23	-	-
Walloon Region of Belgium	EUR 1	1.18	1.18	-	-
<b>Additional pledges TOTAL</b>		<b>32.06</b>	<b>29.41</b>		<b>2.65</b>
<b>TOTAL</b>		<b>819.09</b>	<b>449.39</b>	<b>151.17</b>	<b>218.53</b>

Sources: FRLD/B.7/4, Annex. [https://www.frlid.org/sites/default/files/FRLD\\_B.7\\_4%20Report%20by%20the%20interim%20Trustee%20on%20the%20status%20of%20FRLD%20Trust%20Fund%20resources\\_0.pdf](https://www.frlid.org/sites/default/files/FRLD_B.7_4%20Report%20by%20the%20interim%20Trustee%20on%20the%20status%20of%20FRLD%20Trust%20Fund%20resources_0.pdf) [https://unfccc.int/sites/default/files/resource/cop2025\\_10a1\\_cma2025\\_14a1\\_E.pdf](https://unfccc.int/sites/default/files/resource/cop2025_10a1_cma2025_14a1_E.pdf) and <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/frld#1>, accessed on 7 February 2026.

\*Amount in USD equivalent as reported by the COP28 Presidency and documented at [https://unfccc.int/sites/default/files/resource/Status%20of%20resources\\_final-Rev1.pdf](https://unfccc.int/sites/default/files/resource/Status%20of%20resources_final-Rev1.pdf), p.2; accessed on 7 February 2026.

\*\*Amount in USD as reflected on the World Bank FIF trustee account for the UNFCCC as of 7 February 2026. The amounts listed reflect the amounts recorded only 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). Contribution agreements with the European Union, Italy and Luxembourg were not signed as of 7 February 2025

\*\*\*Amount in USD for pledges not yet signed as reported in FRLD/B7/4, Annex. Ibid.

\*\*\*\*Japan's initial 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.

At its sixth meeting in July 2025, the Board discussed an initial proposal by the Secretariat for resource mobilisation in its informal session, although no formal Board document was issued. Board consultation continued at its seventh meeting in October 2025 with no decision, thus missing an earlier deadline (FRLD, 2025b). Instead, decision B.7/D.7 requested the Co-chairs to now take the lead in preparing a strategy for Board consideration in mid-2026, supported by an inclusive consultation process with a call for submission to collect inputs by January 2026. A group of 100 civil society groups and networks in their submission laid out core principles and expectations for the FRLD's resource mobilisation approach (CSO, 2026). Mindful of the lead-time required to start the first replenishment process in 2027, a background document comparing existing replenishment processes in various funds will be considered by the Board at its ninth meeting expected to formally launch replenishment with the cycle set and driven by the Board (FRLD, 2025c).

As of February 2026, the FRLD has received pledges from 25 countries, the European Union and the Belgian region of Walloon to the amount of USD 817 million equivalent (as pledges were made in a multitude of currencies).<sup>4</sup> The majority of these pledges were made during COP28, when some 18 countries and the European Union made commitments worth USD 661.4 million equivalent<sup>5</sup> 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 nine further pledges worth around USD 112 million were made, with just another USD 32 million in additional commitments received in 2025 (see Table 1 for further details), 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 7 February 2026 around USD 591 million were confirmed in signed contribution agreements with USD 445 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)).<sup>6</sup> 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. The Board's effort to operationalise a start-up funding phase throughout 2025, with core modalities approved with decisions B.7/D.3-5 at its seventh meeting in October 2025, has illustrated some of the resulting complications with the World Bank hosting arrangements and the procedural workarounds that needed to be found and will be tested through the BIM to instruct the FRLD's long-term operations (FRLD, 2025c, Annexes II-VII).

In 2024, 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 that it was willing and able to meet the conditions set out by COP28 (World Bank, 2024a), 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 2024 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 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, 2024a,b). 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)).

Concerns have been growing by both Board members and observers about whether the World Bank hosting is indeed a good fit, or whether it undermines the ability of the FRLD to design a distinct fund with new funding and access patterns that break with business-as-usual FIF approaches.

For one, 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). The FRLD will thus have to be on guard 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 is as a fund operating under the UNFCCC and serving the Paris Agreement, not as a World Bank entity.

For the FRLD, in addition to staff costs (as all FRLD Secretariat staff are 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 totals 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 costs rising to USD 605,894 for the USD 2,564,361 approved for the second half of 2025 as the transition from the interim to the independent hosted Secretariat was completed (FRLD, 2025d) (see also Table 2 on the FRLD's administrative budget). The Board at its third meeting in September 2024 confirmed that this was reasonable (FRLD, 2024f). At its fifth meeting in April 2025, it approved retroactively USD 517,887 as World Bank hosting costs for the second half of 2024 (FRLD, 2025a, Annex III).

A second concern relates to limitations inherent in the World Bank hosting agreement with respect to support for direct access, especially via direct budget support for national governments, that have become more obvious as the Board and Secretariat have worked on operationalising the BIM for its financing start-up phase approved at its fifth Board meeting in April 2025 and further elaborated at its seventh meeting in October 2025. To comply with the hosting agreement, a team of experts (which cannot be from the independent Secretariat as they are World Bank staff) will have to evaluate the functional equivalency of standards and safeguards of the recipient country entity with those of MDBs, essentially requiring that the government has existing assessments with relevant data through relationships with the World Bank, MDBs or the International Monetary Fund (IMF), or otherwise be subject to an ad hoc assessment by these experts that will likely take significant time (FRLD, 2025c, Annex 5). This makes it less likely that direct access via direct budget support through national governments, the preferred access modality for many developing country Board members, can be tested under the BIM, because countries submitting proposals, mindful of the complexities and the likely delay in having such direct budget support proposals considered, might go through one of the safer routes of working instead with MDBs or UN agencies or other recognised implementing partners of the AF, the GEF and the GCF. This workaround is required to comply with a passage in the World Bank hosting agreement with the FRLD that allows the Secretariat staff to only assess the completeness of funding request documents received and to coordinate a technical review of those funding requests, as they are prohibited by the agreement from appraising them directly (World Bank, 2024b).<sup>7</sup>

### **Board and its rules of procedure**

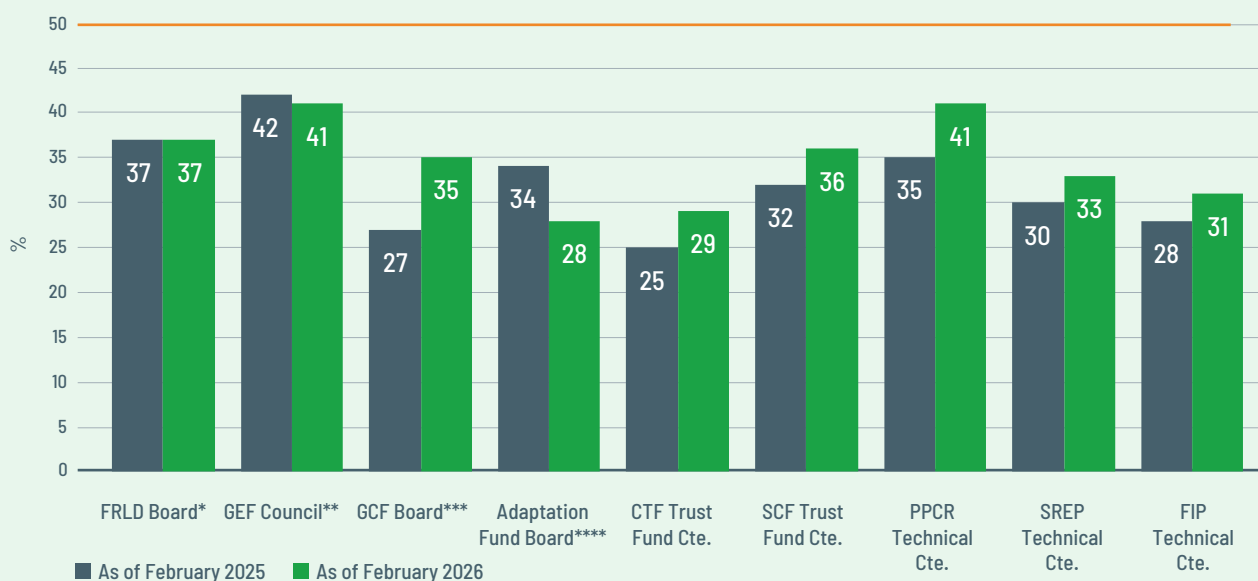
The Fund is governed and supervised by an equitable and balanced Board as its decision-making body with 26 members of 14 developing country and 12 developed country Parties, with two seats each for members from SIDS and LDCs (GI, paras.16-17) nominated by the relevant regional

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 tackled its work in 2025, it did so 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). In its place, Australia took over the vacant seat.

Despite a mandate to consider gender balance, after the Board’s first two years of operation the representation of women on the Board has hovered only slightly over a third or 37% of nominated Board members (with 9 of 26 members, and 10 of 26 alternate members as of February 2026). The FRLD needs a Board that is not only equitably representing developed and developing countries, but is 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), in 2024 the Board in its first year of operations worked on finding consensus on a number of additional rules of procedure (AROP) 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 languages 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 in December 2024 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).

**Figure 1: 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 2026, the FRLD Board listed nine female members and ten female alternates, but with one alternate Board member not yet nominated. When calculated as percentage of only the nominated Board members, the percentage of female FRLD Board members while slightly increasing stayed at 37%.

\*\*As of February 2026, the GEF Council listed eleven female members and 15 female alternates, but with two Council members and four 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 2026, the GCF Board listed eight female members and nine female alternates, but with one Board member and one alternate member not yet nominated. When calculated as percentage of only the nominated Board members, the percentage of female GCF Board members increased to 37%.

\*\*\*\* As of February 2026, the Adaptation Fund Board listed three female members and six female alternates, but with three Board members and three alternate members not yet nominated. When calculated as percentage of only the nominated Board members, the percentage of female Adaptation Fund Board members increased to 35%.

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 were elected only at the end of 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. At its fifth meeting in April 2025, the Board with decision B.5/D.1 established a 10-member budget committee, disbanding the previous ad hoc subcommittee on the administrative budget. Its decision B.5/D.6 also approved guidelines for the participation of Board member advisors in meetings of the Board and its committees, allowing one advisor each per Board member or alternate member to be in the Board room and in committee meetings (FRLD, 2025a, Annexes I and IV). As part of its efforts to operationalise the BIM, the Board at its seventh meeting with decision B.7/D.5 also established a 10-member ad hoc risk committee to support the Secretariat in developing the modalities and the risk management framework needed to facilitate direct access via direct budget support through national governments (FRLD, 2025c).

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 initially scheduled for the Board’s sixth meeting in July 2025 but then postponed to allow for a broad consultation and engagement process until the Board’s ninth meeting in July 2026.

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 were to be developed and adopted no later than the sixth Board meeting in mid-2025. Although Co-chairs continued their consultation with Board members, no decision was taken in 2025, thus continuing the interim procedure which allows the Co-chairs to decide until then the instances and circumstances when resorting to voting becomes unavoidable.

In 2024, the Co-chairs also 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 in December 2024 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) are 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, now to be presented to the Board for adoption at its ninth meeting in July 2026.

### **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 throughout 2024. This was also tied to the hosting arrangements with the World Bank, as the ED as well as the staff of the dedicated independent Fund Secretariat are 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 the ED's 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)).

Already at its first meeting in late April 2024, 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, 2024a, 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 developed country members pushed 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 2024 (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 had 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 set some important markers 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. Staff selection is not only a technical process. Several civil society constituencies in 2024 had 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). An 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 as demanded by the governing instrument (GI, para.32) shapes the Fund's institutional development path, with early staff selection setting the tone for the new Fund. After the first year of staff hiring, there is some concern that the 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 needed in the Secretariat could be undercut by drawing mainly from the expert pool of World Bank employees or World Bank approved consultants out of expediency and to facilitate employment in line with World Bank human resource requirements. Secondly, the selection of the ED is also serving a signalling function as to the priorities, expertise and professional and cultural background the Board prized 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 only meets three 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)) as part of the long-term operational procedures. 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.

The ED in his day-to-day work has to navigate the dual loyalties of his position 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 as a World Bank employee reporting to a World Bank Vice President for compliance with World Bank human resources policies for the staff of the Fund's independent Secretariat. This is also reflected in the performance management process for the ED through annual assessments, which the Board started to discuss at its fifth meeting in April 2025 in closed session, but did not finalise. The Co-chairs conducted an evaluation of the ED's performance for the 2024-2025 period, which was considered in executive session at its seventh Board meeting in October 2025. For the ED's performance evaluation, this means for example that annual objectives and key results that the Co-chairs might set with the ED for a given year will also have to fulfil requirements of the World Bank and will be shared with the Vice Presidency of the Planet under the World Bank. In accordance with the World Bank hosting agreement (World Bank, 2024b), the VP can also provide inputs on the performance of the ED (on administrative matters) and finalise the assessment. What

is unclear is how differing assessments by both the Board and the World Bank host VP might be reconciled, and if this for example undercuts the Board's ability to terminate an ED's contract in case of unfavourable assessments (FRLD, 2025a, Annex III).

### **Transition from the interim Secretariat to the independent Secretariat and the development of the administrative budget**

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 2024, 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 also marked the beginning of a transition period, effectively concluded with the seventh Board meeting in October 2025, from the interim Secretariat with staff from the UNFCCC, the GCF and UNDP, which provided administrative support to the Board since early 2024, and has continued 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 2024, where the work plan and the administrative budget for the Secretariat functions for the transitional period expected originally to last until mid-2026 were adopted. He also presented at the Board's fourth meeting options for operationalising the Fund, including with options for early interventions under a start-up phase requiring the speedy establishment of the functioning independent Secretariat. The transitional six-months work plan adopted by the Board in December 2024 focussed 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 governing instrument demands the selection of an inclusive and diverse staff through a merit-based, open and transparent process by the ED 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)). The outreach and engagement with countries through their national focal point or national authority, and helping countries to designate them speedily, were core tasks that the Board requested from the independent Secretariat at its seventh Board meeting under decision B.7/D.4 as part of the operational procedures for the BIM start-up financing phase, highlighting in particular the need for webinars and trainings to help countries in developing funding requests. The independent Secretariat is also tasked to coordinate with the Santiago Network on Loss and Damage to provide technical assistance to access the Fund's resources (GI, para.34(n)). For the BIM, the Board with decision B.7/D.8 requested the Secretariat to develop a country support system with modalities for how potential technical support provided under the start-up financing phase can be implemented while ensuring complementarity and coherence with the Santiago Network (FRLD, 2025c). The secretariats of the FRLD and the Santiago Network signed a letter of intent outlining a framework for cooperation in February 2025 (Santiago Network, 2025).

The Board in approving the work plan for the independent Secretariat and the administrative budget for the transition period in December 2024 (see Table 2) also green lighted the hiring of a Deputy Executive Director, Mathilde Bord-Laurans (formerly Agence Française de Développement, AFD) whose recruitment was completed in May 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 covered 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 were not precluded. At its fifth meeting in April 2025, the Board approved a comprehensive work plan for the independent Secretariat and the administrative budget for the rest of 2025. It includes salaries for several new full-time positions, including for the six senior leads to head a proposed independent Secretariat organisation on a) governance and board affairs, b) programming and country engagement, c) programme management, finance and administration, d) external relationships, communications, advocacy and partnerships, e) strategic planning and resource mobilisation, and f) knowledge, monitoring, evaluation, learning and institutional reporting (FRLD, 2025d). The budget also approved the projected staff salaries and emoluments for 2026-2028 for future FRLD hires as World Bank employees to be provided with three-year staff contracts. As reflected under the work programme and administrative budget for the independent Secretariat approved at its seventh Board meeting in October 2025 with decision B.7/D.1, secretariat staff is expected to increase to 23 by the end of 2026 through the recruitment

**Table 2: Administrative budget for the FRLD, including for the transition from the interim to the independent Secretariat (1 January – 31 December 2025), and for 2026**

Budget category/subcategory	Approved January-June 2025 budget (in USD)	Approved July-December 2025 budget (in USD)	Approved 2026 budget (in USD)
Board	365,422	782,290	1,592,662
Independent Secretariat	2,533,743	3,564,361	10,602,969
(a) Direct costs (staff, consultants, travel, consulting firms, general operating costs)	(2,103,040)	(2,958,467)	(8,800,605)
(b) World Bank cost recovery (20.48% of direct costs)	(430,703)	(605,894)	(1,802,364)
Interim secretariat (staff, consultancies, travel)	1,317,010	1,049,715	-
Interim Trustee	479,000	510,670	1,009,200
Contingency	168,000	80,000	301,200
<b>GRAND TOTAL</b>	<b>4,863,175</b>	<b>5,987,036</b>	<b>13,506,031</b>

Sources: FRLD/B.4/6/Rev.1, tables 1-6. [https://unfccc.int/sites/default/files/resource/B.4.6\\_Rev.1Workplan%20and%20admin%20budget%20Jan%20to%2030%20June%202025.pdf](https://unfccc.int/sites/default/files/resource/B.4.6_Rev.1Workplan%20and%20admin%20budget%20Jan%20to%2030%20June%202025.pdf); FRLD/B.5/4, tables 1-6. [https://www.frlid.org/sites/default/files/FRLD\\_B.5\\_4\\_Workplan\\_and\\_admin\\_budget\\_of\\_the\\_Fund\\_1\\_July\\_to\\_31\\_Dec\\_2025.pdf](https://www.frlid.org/sites/default/files/FRLD_B.5_4_Workplan_and_admin_budget_of_the_Fund_1_July_to_31_Dec_2025.pdf); FRLD/B.7/5, tables 1-6. [https://www.frlid.org/sites/default/files/FRLD\\_B.7\\_5\\_Workplan%20of%20the%20Secretariat%20and%20administrative%20budgets%20of%20the%20FRLD%20for%20January%20to%2031%20December%202026\\_0.pdf](https://www.frlid.org/sites/default/files/FRLD_B.7_5_Workplan%20of%20the%20Secretariat%20and%20administrative%20budgets%20of%20the%20FRLD%20for%20January%20to%2031%20December%202026_0.pdf)

of additional 14 staff members from the nine the Secretariat had at the end of 2025. The Secretariat would then have five programme managers, ten specialists and four support staff in addition to the ED and the Deputy ED. To support BIM operationalisation, a core team of 11 short-term expert consultants is planned, based on the estimated capacity to review up to 100 funding requests. Supplementary budget requests throughout 2026 are possible (FRLD, 2025e).

### 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 initial work plan, adopted at its second meeting in July 2024, key Fund modalities to be prioritised were access modalities and a policy on financial instruments. While both saw initial discussions at the second Board meeting in July 2024, further discourse on the long-term operational 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, highlighted as other top Board priorities for 2025, did not happen. Instead throughout 2025, the Board - rather than focusing on long-term operational modalities - concentrated its efforts, and the capacity of an independent Secretariat still in transition,

on the elaboration of operational modalities for a start-up phase for FRLD funding until 2027 that it had agreed to in decision B.4/D.3 in December 2024.

In theory, the start-up phase is seen "as the initial period to test and refine operational approaches that are to be developed and implemented in parallel with the longer-term operational policies and procedures, with a view to generating lessons and evidence to refine the development and implementation of such long-term strategies towards a fully fledged operating model, and enabling rapid learning while maintaining flexibility to adjust approaches based on early implementation experience" (FRLD, 2024b). The Board's decision B.5/D.4 from April 2025 establishing the Barbados Implementation Modalities (BIM) still reiterates this ambition. In practice, however, such parallel operational policy development of both start-up and long-term modalities proved unfeasible in 2025, with a more sequenced effort necessary in 2026 and 2027 that will turn to long-term modalities once the BIM start-up phase is in full implementation. The Board's work plan for 2026 adopted in decision B.7/D.2 in October 2025, which will be updated on a rolling basis, takes this into account. It foresees for example the start of work on the project and programme cycle for the long-term operation of the FRLD for mid-2026, with a consideration of a long-term draft resource allocation system to begin in late 2026 and stretching well into 2027; similarly a policy on financial instruments is scheduled as a 2027 deliverable, as is the development of long-term access modalities, which are intended to be informed by lessons and first outcomes of the BIM (FRLD, 2025c).

The Board at its seventh meeting in October 2025 adopted the funding cycle (decision B.7/D.3), the initial funding criteria (decision B.7/D.4) and the access modalities (decision B.7/D.5) for the BIM start-up funding phase. With decision B.7/D.6 it also approved the list of access entities for the BIM, which are essentially entities currently accredited to the AF, GEF and GCF with their existing accreditation limitations (FRLD, 2025c, Annexes II - VII). As the FRLD implements these initial operational modalities in

2026, their adequacy – as those of the operational modalities to be developed for the long-term FRLD programming – 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). The BIM will be an important test case if and how this can be accomplished.

### **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. These discourses also shaped the hard-fought compromise decision B.5/D.4 establishing the BIM at the Board’s fifth meeting in April 2025. While it underscored the eligibility “of all developing countries that are particularly vulnerable to the adverse effects of climate change” to submit funding requests under the BIM for bottom-up, country-led and country-owned approaches to loss and damage and warned against the over-concentration of support provided under the BIM in any given country, group of countries or region, it nevertheless set a minimum allocation floor of 50% for BIM funding proposals from SIDS and LDCs (FRLD, 2025a).

The BIM allows for a broad scope of eligible activities to be funded, essentially replicating the comprehensive listing and description in paragraphs 6–9 of the governing instrument covering both economic and non-economic loss and damage, both in response to fast and slow onset events and

addressing priority gaps in the current funding landscape for responding to loss and damage. This represents a win for developing country Board members who feared that restricting eligible activities in the FRLD test phase could pre-determine and influence the discourse on eligible measures to be funded during the long-term operations (FRLD, 2025c, Annex III).

BIM funding criteria, heavily fought over by the Board before being approved at the seventh Board meeting in October 2025 with decision B.7/D.4, are pared down to just three, more broad ‘buckets’ for assessment than narrowly defined criteria. Their objectives are 1) assuring that the development of proposals and their implementation are led and owned by countries, including as indicated through direct engagement of stakeholders at national, subnational and local levels; 2) that proposals contribute to positive and measurable impacts for responding to loss and damage, including as indicated through contributing to long-term resiliencies and addressing co-benefits such as gender-responsiveness or by piloting and testing new approaches with concrete results in the short-term; and 3) showing that proposed activities are coherent with national activities and complementary to ongoing programming at the national level by avoiding duplication and reducing fragmentation (FRLD, 2025c, Annex IV). Concerns voiced by developing country Board members in the debate on BIM funding criteria, including critique shared by civil society, centred around the inclusion of language that could be interpreted to suggest a preference for co-financing (“indicate any available sources of funding involved in the financial structure of the funding request”) or the use of funding instruments beyond the grant support that the BIM provides.

How those funding criteria will be used in assessing the number of funding requests submitted, and how to ensure that the vetted requests submitted to the Board for approval will consider the full scope of eligible activities, while also ensuring balanced representation of geographies and contexts, and taking into account the minimum allocation floor of 50% of BIM resources for SIDS and LDCs will be a considerable challenge. The Secretariat is supposed to present an assessment methodology to the Board at its eighth meeting in April 2026 and an analysis of how it has applied the funding criteria and lessons learned no later than the Board’s tenth meeting in Spring 2027 (FRLD, 2025c).

### **Country ownership and programming cycle**

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). Recipient countries are to 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 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(l)).

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-up country-led approach that promotes and strengthens national responses to loss and damage" was initiated by the Co-chairs at the second Board meeting (FRLD, 2024h), with the Board recognising that a pragmatic approach to operationalising the Fund in a phased approach might be best. It gave to the Secretariat and the ED at its fourth meeting with decision B.4/D.3 the mandate to develop and present to the Board options and propositions for consideration at its fifth meeting in April 2025 for a start-up phase with "inclusive, bottom-up country-led approaches that promotes and strengthens national responses to loss and damage, drawing on the range of financial instruments set out in the Governing Instrument of the Fund, including budgetary support through direct access" (FRLD, 2025a).

Decision B.5/D.4 established the Barbados Implementation Modalities (BIM) for the start-up funding phase with a focus on country ownership "including through the building of national responses and systems that include the effective engagement of all relevant stakeholders, including in particular people and communities in climate-vulnerable situations". Funding requests are to be put forward by countries in response to a call for proposals through a national authority or national focal point which countries are urged to designate speedily (FRLD, 2025a). At its sixth meeting in July 2025, the Board in decision B.6/D.3 adopted guidance for FRLD national authorities and focal points, suggesting to countries to designate a government agency or entity with a clear mandate and capacity for cross-sectoral coordination for effective loss and damage programming and to be represented by both a senior-level person with authority to sign official correspondence and at minimum one technical level contact for operational coordination (FRLD, 2025b, Annex II). As of February 2026, close to 80 developing countries had notified the FRLD Secretariat of their national focal point or national authority.<sup>8</sup>

At its seventh meeting in October 2025, the Board with decision B.7/D.3 approved the BIM funding cycle and set the duration for the call for funding requests for six months following its launch at COP30 in Belém.<sup>9</sup> BIM funding requests can be submitted until mid-June 2026, unless the Board decides to extend that period, depending also on available FRLD resources. All funding requests have to be submitted by a national authority or focal point. If a country wishes for an access entity to submit on behalf of a country, a letter of endorsement by the national liaison is required. The 11-step funding cycle for the BIM assigns countries the role for the proposal origination and the submission of the funding request, which all involved countries have to endorse in the case of a multi-country funding request. Countries (through the access entity if so desired) are also invited to provide responses to the funding request review done by the Secretariat, and will be the signatories of the legal agreements with the World Bank as the interim trustee after Board approval of the funding request. Throughout implementation, simplified reporting, mid-term and final evaluations of the BIM measure will also be led by countries.

The BIM funding cycle is supposed to be simplified to align with the mandate and principle that the FRLD provides timely and accessible support. It sets ambitious timelines for the review of the funding requests, with the Secretariat expected to check for the completeness of the submitted documentation within seven days and with just two weeks per review, although this can have multiple iterations. The review itself will not be done by Secretariat staff, but by a set of expert consultants brought on as BIM delivery team. This is a complication necessitated by the World Bank hosting of the Secretariat, as the FIF-hosting agreement prohibits the independent Secretariat from making funding decisions, which is interpreted to extend to a funding proposal review (World Bank, 2024b). The implementation of the BIM will thus be an interesting test case for what this might mean for the Secretariat staff's future role in the programming cycle of the FRLD long-term operations.

The review will screen against eligible activities (which are broadly phrased) and in parallel involve a technical review against the BIM funding criteria. The outcome of the review will be shared with countries, which then have up to one month to respond, but can request flexibility, by engaging with the BIM delivery team to provide further information, or amend or resubmit their funding request. The Secretariat will submit the funding requests and assessment results 21 days before a Board meeting; this documentation should also be made publicly available, although it is not clear if this might include redactions, for example in cases of private sector engagement.

Starting at its ninth Board meeting in July 2026 the Board is scheduled to approve funding proposals on a meeting-by-meeting basis. To allow for transparency of the BIM pipeline, a main concern by Board members in discussing the BIM, the Secretariat is requested to provide a status report at each Board meeting on all funding requests submitted, including those not presented at the Board meeting, but also those that did not meet eligibility or funding criteria, with granularity on geographical representation, types of

activities and of loss and damage seeking support, as well as the stage of the review process for all submitted funding requests (FRLD, 2025c, Annex II).

The approved BIM funding cycle leaves some questions unanswered, for example if a proposal can be outright rejected or might have to go through endless loops of review and response, unless the country itself withdraws it. Given the limited envelope of only USD 250 million initially approved for the BIM, it is more than likely that demand for funding will vastly outstrip available BIM resources; thus, it is not clear what will happen with vetted proposals stuck in the BIM pipeline, including once the BIM, supposed to be a time-limited two-year test phase, ends. The Board will have to decide if they then might be 'grandfathered' into a long-term programming cycle, or continue to implement them under BIM modalities, as long as the original funding requests were received before the end of the call's duration until mid-June 2026.

### **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 for its long-term modalities 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

in September 2024 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)).

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 (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 CFF 11 on the GCF). The FRLD Board from the very beginning 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.

With the Board deciding at its fifth Board meeting in April 2025 to establish start-up funding under the BIM as a test phase to pilot operational approaches, Board members were clear that this should involve all access modalities, and in particular seek to operationalise direct access via direct budget support through national governments, a modality so far not available in other UNFCCC funds, but the preference of developing country Board members. A report back at the sixth Board meeting in July 2025 from initial consultations by the Secretariat with the World Bank as interim trustee indicated, however, that ensuring both direct access pathways under the BIM, especially direct budget support would not be straightforward. At issue here is the requirement for all entities accessing the FRLD trust fund to prove they have fiduciary standards and environmental and social safeguards that are 'functionally equivalent' to those of either the World Bank or other MDBs. This in contrast is not an obstacle for securing access via international entities such as MDBs, UN agencies or the IMF with a history of engagement through other FIFs with the World Bank (World Bank, 2024c).<sup>10</sup> In light of this, Board decision B.6/D.2 empowered the Co-chairs to talk directly with the World Bank to explore and present options for direct access, including via direct budget support. 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 FRLD-funding programmes and projects in the recipient country with internationally recognised standards (GI, para.50).

The Board, with decision B.7/D.5 then elaborated the modalities for access to the start-up funding via three access options. The most straightforward option is granting access to the BIM through countries' partnership with entities already accredited with the AF, GEF and GCF, as long as their accreditation has not lapsed, they fulfilled all application accreditation conditions for funding proposal submission at the other funds, and only submit proposals under the BIM within the limitations of their current accreditation status (such as related to scale, risk management or financial intermediation). By relying on the stringency of the accreditation procedures of its UNFCCC sister funds, the FRLD deems their fiduciary standards and environmental and social safeguards to be 'functionally equivalent' to high international standards. National entities that countries propose as partners to access BIM funding on their behalf require the country's written endorsement (FRLD, 2025c, Annex VI). The FRLD Secretariat will then check in with the secretariats of the other funds on the current status of the respective access entity. The Board with decision B.7/D.6 then adopted a full list of the access entities (as of October 2025) that can be considered for accessing BIM funding "within the limitation of their accreditation" under this BIM access modality (FRLD, 2025c, Annex VII). The list includes 63 entities currently accredited with the AF, 18 with the GEF, and 154 with the GCF with significant overlap, as many entities are accredited with several funds.<sup>11</sup>

National governments can also request direct access via direct budget support under the BIM start-up funding phase through two pathways, although only one was feasible at the time the call for proposals opened in mid-December 2025. It facilitates direct budget support through partnerships with the MDBs accredited with the AF, GCF and GEF and having accessed their funding as for them the fulfilment of the 'functional equivalency' requirement is a given. Many of the MDBs already provide direct budget support to developing countries through their own lending. The Board will review at its eighth meeting in April 2026, if it can extend access for direct budget support beyond the MDBs to other accredited entities of the other funds. The decision also allows for direct access via direct budget support through national governments in theory; however, this access option is not yet operational and requires the development of a risk management framework and distinct procedures that the Board is scheduled to consider at its eighth Board meeting in April 2026. Countries that chose to submit under this BIM modality risk that their funding requests will only be assessed much later than those under the other two BIM access paths already established. Eligible funding requests for direct access via direct budget support to national governments will face an assessment by an expert team of outside consultants of the 'functional equivalency' of the recipient national government entity (because of restrictions in the World Bank hosting agreement, this cannot be done by Secretariat staff). This will be based on either existing data of the government's prior engagement

with the World Bank, other MDBs or the IMF, other relevant data from other development finance institutions, including bilateral donor agencies, or through an ad hoc assessment. Countries can comment or challenge the assessment, which will be further reviewed by the experts. The FRLD Board in considering the funding proposal will then have to decide on a case-by-case basis and through approval of the funding request that it judges the 'functional equivalency' requirement to be fulfilled. This will take time, and the complexity of the process, as well as the potential delay in operationalising the full access modality, might very well have a chilling effect on developing countries who might prefer to go the proven, if orthodox, access route for the relatively small funding amounts, and given the limited funding accessible under the BIM. How direct budget support through national government fares under the BIM test phase is not necessarily indicative of the success of this access modality for the long-term operations of the Fund. Nevertheless, it could foreshadow problems down the line in establishing direct budget support as the go-to access modality for programmatic FRLD support.

There are also concerns about whether and how support for affected communities can be prioritised in BIM funding requests. In theory, 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)) signalled a win for the FRLD with the potential to leapfrog to enhancing access to funding for the people and communities already most severely impacted by loss and damage. 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)).

Throughout its meetings in 2024 and 2025, 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. In the context of the discussions around the BIM throughout 2025, civil society groups pushed for the explicit inclusion of community access provisions, including through small grants funding, in the start-up phase of the Fund's operationalisation as 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. However, the BIM does not operationalise community access as a distinct access modality, despite strong demands by civil society groups and networks that this was required to ensure the FRLD gets it right from the start (CSO, 2025b). The BIM decision texts, approved modalities and procedures, including the terms of reference for the call for proposals and Secretariat guidance on preparing funding requests, do not even reference community access to FRLD resources. This is a far cry from communities accessing FRLD funding directly for example via a dedicated community access window or programme, as hundreds of civil society groups

demanding in a letter to the Board in mid-2024 (CSO, 2024b). It is thus even more important that the FRLD Secretariat and Board as part of BIM funding request assessment and approval consider community access, including through small grants provision, as integral to all access modalities detailed under the BIM. A comprehensive CSO submission shared with the FRLD Board and Secretariat detailed how community access can 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 or build on or replicate existing small grants approaches intermediated by international agencies, such as the GEF/UNDP Small Grants Programme (CSO, 2025c).

### **Allocation**

As the Board proceedings in 2024 and 2025 have made already clear, the question of resource allocation remains one of the most contentious issues, sharpened by the under-resourcing of the Fund, 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 in 2025 had to contend with what an initial resource allocation system would look like in the discussions for the modalities for the Fund's start-up funding phase and with its decision at its fifth Board meeting to establish the BIM with an initial funding envelope of USD 250 million in grant support due to limits to the Board's available commitment authority. Finding a compromise within the Board on how to interpret the governing instrument's carefully calibrated language for funding allocation in the context of the start-up phase proved difficult. In the end, decision B.5/D.4 set a minimum allocation floor of 50% for SIDS and LDCs for the BIM, thus putting a concrete percentage where the governing instrument had only stated the principle, and also referenced its broader allocation provisions as a guardrail to ensure a fair distribution of limited funding (FRLD, 2025a).

The governing instrument 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 consider the scale of climate impacts of particular climate events respective to national circumstances and capacities (GI, para.60(b)). It attempts 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)).

While the allocation decision under the BIM is not supposed to set precedent for the development of a long-term resource allocation framework expected to be drafted by

late 2026 and approved in 2027 according to the Board's approved work plan for 2026 (FRLD, 2025c, Annex I), it could give an early indication for a potential consensus for the long-term, including agreement 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 for the long-term operational modalities to be informed by learning from the BIM, where a unified voice of developing countries will be important in the Board.

The GI highlights a number of considerations that will have to be taken into account when drafting and approving the long-term 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 country's fiscal space and level of indebtedness. In elaborating the long-term allocation framework in late 2026 and in 2027, 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 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 adequacy of financial instruments was also hotly debated in late 2024 and 2025 in the context of setting the modalities for a start-up funding phase. While the BIM as approved with decision B.5/D.4 made it clear that the USD 250 million envelope will be provided as grants in response to country-led and country-owned funding requests, a back door for the inclusion of other financial instruments in the BIM was left open. Countries (and working through access entities) can use grant amounts between USD 5-20 million which they can request for BIM funding proposals to “test interventions whereby those grants are subsequently combined with other financial instruments in deploying different funding modalities”, according to the decision (FRLD, 2025a). And at the insistence of developed country Board members, the funding criteria approved with decision B.7/D.4 under the criterion on “expected results and impacts responding to loss and damage” indicate piloting, testing and learning from the utilisation of new approaches during implementation and funding instruments. This criterion could add weight during proposal assessment in a likely competitive quest to receive the limited funding (FRLD, 2025c, Annex IV).

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, including national government entities through direct access via direct budget support. The Board must be careful in developing its long-term operational 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 to the fore 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 subnational systems and processes through prioritising direct budget support. With the approval of the modalities for a start-up financing phase agreed at the Board’s fifth meeting in April 2025, how quickly simplified procedures 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, provided a real test case. Most challenging was determining what would be needed for assessing the ‘functional equivalency’ of government entities to allow countries direct access via direct budget support through national governments.

The Board in approving the access modalities under the BIM at its seventh meeting ended up applying varying procedures differentiated by access modalities. Its decision argued that for access under the BIM start-up funding

phase both the fiduciary standards and environmental and social safeguards of international and direct access entities currently accredited with the AF, GCF and GEF and in good standing with the funds (with relevant accreditation conditions fulfilled in the case of GCF accreditations) can be considered 'functionally equivalent' to those of MDBs, as they have already undergone stringent accreditation assessment by those funds. Direct budget support facilitated through MDBs is likewise considered to comply with the 'functional equivalency' mandate without further assessment, with the Board considering expanding direct budget support facilitation for countries through other entities accredited with the AF, GCF and GEF as early as its eighth meeting in April 2026. For direct access to direct budget support through national governments the FRLD still lacks the necessary full procedures, with a risk management framework and distinct procedures to be developed for Board consideration in April 2026, thus delaying the consideration of BIM funding requests under this access modality, while proposals submitted under the other two access options might come to the Board as early as mid-2026.

For its long-term operational modalities, the start-up phase could indeed provide some important first learning of what is necessary and appropriate for the FRLD 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. It remains to be seen if the approach chosen to determine 'functional equivalency' for access to funding under the BIM is adequate to the task.

### **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 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 two years of Board proceedings. Developing meaningful procedures for observer engagement must be core priority for the FRLD Board in 2026, 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 routinely instruct the independent Secretariat to conduct outreach consultations with observers and consider input received, including through submission processes in between Board meetings, in the development of draft modalities and frameworks up for Board decision in 2026. This did not yet happen in a comprehensive and consistent matter in 2025 with efforts to design the modalities for the start-up financing phase under the BIM. The Secretariat's approach to meaningful consultation and engagement with observers must be improved as the BIM modalities are fully implemented for funding to begin in mid 2026 and for policy development for the long-term operational model of the Fund expected to advance simultaneously. Otherwise stakeholders, most especially affected communities, will be deprived of the opportunity to inform and help shape the Board's key operational decisions. As part of its staff recruitment in 2026, the independent Secretariat has committed to assign a dedicated observer liaison. It has also started monthly observer engagement calls as of late 2025.

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. Since then one representative from each of the nine UNFCCC observer constituencies has been invited 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 have been able to follow the Board discussions on location, but from an overflow room. Each Board meeting has 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. While a designated agenda item for dialogue with civil society per Board meeting is a positive precedent, in practice it has curtailed the opportunity for observers to intervene as respective agenda items are discussed. As all Board meetings were webcast and recorded, a public record of those engagements exists. These interim arrangements continued throughout Board meetings in 2024 and 2025.

Throughout its meetings during this time, 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 and 2025.

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. A proposal for guidelines on consultative forums was also to be considered in mid-2025. At the sixth Board meeting in July 2025, given continued concern about insufficient consultations on observer participation, the Board only approved a procedural decision B.6/D.6, which instructed the Secretariat to collaborate with the representatives from the nine UNFCCC constituencies “to co-convene consultations with other stakeholders on a draft policy for the participation of active observers in Board meetings and related proceedings and on a draft proposal for guidelines on consultative forums” for Board consideration at its ninth meeting in July 2026. Civil society representatives have indicated the need for iterative multi-lingual and multi-format consultations to reach groups of affected people and communities not formally represented through the UNFCCC system, such as climate migrants or people living with disabilities and proposed an engagement plan. They have pointed out that in order for active observer participation to be meaningful and impactful and not just window-dressing, active observers need 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). Civil society representatives from the rights-based constituencies have also objected to the proposal to include private sector representatives as active observers, including in a letter of concern with wide support shared with the Secretariat (CSO, 2025a) in response to a draft policy posted for consultation on the FRLD website.<sup>12</sup>

The Board at its fourth meeting in 2024, and largely following civil society suggestions, 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 was 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. A mandated report back at its fifth meeting in April 2025 on progress made, did not happen, nor have the interim accreditation procedures taken effect yet. They are to last no longer than three years or until the Board has developed a comprehensive framework on overall observer engagement in 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 with the decision to establish a start-up funding phase for the Fund in April 2025, the Board looks to the Secretariat to propose an initial results measurement framework for the BIM for consideration at its eighth meeting in April 2026. 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. Decision B.5/D.4 establishing the start-up phase to secure its lessons learned requests the Secretariat the develop FRLD’s monitoring and evaluation strategy informed by an analysis of initial BIM results no later than for the Board’s 13th meeting in late 2027 (FRLD, 2025a).

### **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). This raises 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).

The FRLD's additional rules of procedure (AROP) for Board proceedings 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 are 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). This was put to a first test with the funding request templates for the start-up funding phase under the BIM, which as requested by Board decision B.7/D.4 have been made available in multiple languages on the FRLD website (FRLD, 2025c).

The beginning of the fast-start funding phase under the BIM, with first funding proposals to be considered by the Board as early as its ninth Board meeting in July 2026, will also showcase if indeed the AROP in the absence of a FRLD-specific information disclosure policy are sufficient to ensure that all funding requests, funding assessments by the BIM expert team and related documentation are publicly shared with observers in a timely and comprehensive manner and made available on the FRLD website by keeping redactions to an absolutely necessary minimum. Even in the absence of its own FRLD information disclosure policy, the FRLD should apply the principle of pro-active information disclosure by maximising voluntary and anticipatory release of all relevant information as best practice from the start of the funding operations of the FRLD.

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, 2024d, e).

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.

#### **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. The hosting agreement approved by the Board at its third meeting in September 2024 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”.<sup>13</sup> 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).

In April 2024 at its first meeting, the FRLD Board 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 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 July 2024 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 in December was already hosted in Manila, with the Board

confirming that in the future two of the scheduled three FRLD Board meetings per year would be convened in the Philippines. In 2025, the sixth Board meeting in July took place in Cebu, Philippines, with the seventh Board meeting returning to Manila, Philippines. In 2026, the Board’s July and October meetings will be 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 2024 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, 2024d, e). 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, 2024a, b).

In the lead-up to COP30, views among developed and developing countries differed on whether COP30/CMA7 should provide any guidance to the Fund beyond noting its annual report, with developed countries in particular arguing that at its current state of operationalisation effort, no further guidance was necessary. In contrast, many developing country Parties argued that guidance was needed in particular to address the resource mobilisation shortfalls of the Fund. The decision texts by COP30/CMA7 combine an appreciation of the progress achieved in 2025, most notably the first call for proposals under the BIM, with guidance elements asking for an expedited consideration of the Fund's resource mobilisation strategy and urging the Board to ensure that process and modalities under both the BIM and the long-term operational model "will avoid disproportionate bureaucratic obstacles to the access of resources" (UNFCCC, 2025b and 2025c).

### **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 arrangements or whether it could set the parameters of its funding and then ask other actors, such as from disaster risk response, humanitarian response, development finance institutions or other climate funds, 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 FRLD start-up financing phase approved at the fifth Board meeting and with modalities further operationalised at the seventh Board meeting, including through the determination of funding criteria for countries' funding request under the BIM approved at the ninth Board meeting in October 2026 will provide some early evidence how this could be handled by the Secretariat and Board, with first BIM proposals expected to reach the Board for consideration by mid-2026. One of three funding criteria is on complementarity and coherence at the national level and list as an indication of what the Secretariat might consider in its assessment of this criterion "available sources of funding involved in the financial structure of the funding request", with critical voices seeing this as an implicit requirement to produce or prove co-financing (FRLD, 2025c, Annex IV).

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 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 meetings to have a high level launch event co-hosted by the Board and the COP29 Presidency during COP29 in Baku. The first annual high level dialogue was prepared and organised by the Secretariat, the Co-chairs and the Office of the UN Secretary General and held on the margins of the IMF and World Bank Spring Meetings in Washington, DC in late April 2025. While bringing

together an impressive array of diverse organisations, institutions and financial actors, it fell victim to the fate of many high level events in delivering mainly a series of prepared statements rather than the exchange needed, with few of the invited institutions outlining specifically how they can complement and support the work of the FRLD. In light of this, the second annual high level dialogue in 2026 should be structured differently (FRLD, 2025x).

## Outlook for 2026

When the FRLD Board convenes for the first time in its third year in late April 2026 in Livingstone, Zambia, it will delve as first order of business into finalising outstanding elements and modalities for its start-up financing phase under the BIM needed to ensure the smooth progression from receiving the first funding requests, with the BIM call for proposals open until mid-June 2026, through their assessment by a Secretariat set to rapidly scale up its capacity, to the Board's consideration of the first batch of proposals by its ninth meeting in July 2026 as planned. Core deliverables at this meeting are a risk management framework for the BIM and a procedure to allow for the consideration of funding requests for direct access to the Fund through direct budget support for national governments as a priority access modality for many developing countries already in the start-up phase, as this will provide the learning for its long-term operationalisation. At the same time, the Board in 2026, under the leadership of the new Co-chairs Camila Minerva Rodriguez Tavaréz (Dominican Republic), and Georg Børsting (Norway), will have to focus on concurrent development of the Fund's long-term operational modalities. Among the Board's primary tasks will be efforts to agree on a budgeting framework, a comprehensive framework for observer engagement, and the potentially quite contentious wrestling for a long-term allocation framework given the experience with setting a minimum floor for SIDS and LDCs under the BIM and the reality that committed resources are limited. Some of the early

experiences with implementing the BIM interim operational procedures will undoubtedly serve as a test case for what works and what 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 members during the design process 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 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 the departure of the United States under the Trump administration from the climate regime and the freezing of all American development and climate funding support, as a number of other developed countries followed suit by announcing their own cuts to climate support instead of the needed scaling up. The USD 817 million in grant pledges received so far need to be paid in rapidly for the Fund to be able to expand the limited USD 250 million envelope of support under its start-up funding phase in 2026. The funding delivered under the BIM must be more than tokenistic and give an early indication of the ambition and vision of the FRLD's investment approach. But this is 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 a bold and innovative long-term resource mobilisation strategy must be delivered in 2026. It must showcase the ambition to progressively increase financial inputs into the FRLD commensurate with the needs of recipient countries and affected communities to lay the framework for the Fund's first replenishment process to be kicked off in 2027.

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## Endnotes

- 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.
- The ExCom is currently implementing its second five-year rolling workplan (adopted in 2022), while the WIM finalised its third review at COP30 (UNFCCC, 2025a).
- 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; Schalatek, 2025). See bibliography for further details.
- This is the total amount of pledges received as of 19 November 2025 as reported on the FRLD website (see <https://www.frlld.org/pledges>, accessed on 7 February 2025).
- This was the amount reported by the COP28 Presidency with pledges received in multiple currencies and accounted for in USD equivalent with exchange rates applied at the time of the pledge (see FRLD Board document FLD/B.1/10, Status of Resources, p.2; available at [https://www.frlld.org/sites/default/files/Status%20of%20resources\\_final-Rev1.pdf](https://www.frlld.org/sites/default/files/Status%20of%20resources_final-Rev1.pdf). The pledge amount in USD will thus fluctuate, depending on the exchange applied at the day of conversion
- For a detailed timeline and the required 'if-then considerations, triggers and actions for a World Bank-hosted FRLD see an overview graphic in last year's CFF13. The graphic is also accessible at: <https://us.boell.org/en/media/image/mapping-timeline-and-required-action-world-bank-hosted-ldf>
- The relevant passage in the World Bank hosting agreement with the FRLD in Section 3.01.(a)(ii) reads: "The role of Secretariat is to provide administrative support to the Fund Board. Accordingly, the Secretariat will not make funding decisions, which are the responsibility of the Fund Board save as provided in paragraph 22(i) of the Governing Instrument. The Secretariat will identify priorities for the Fund Board's consideration in programming and allocation decisions, and will undertake initial review and screening of proposals to assess completeness and conformity with guidelines approved by the Board prior to the Fund Board's consideration. The Secretariat will also coordinate the process for technical review of proposals, as needed. Without prejudice to its roles and responsibilities as described in the Governing Instrument, the Secretariat will play no role in the identification, preparation, appraisal, implementation or monitoring of individual projects, programs or activities, which is the responsibility of Recipients. Recipients will be directly accountable to the Fund Board for carrying out those activities as applicable" (World Bank, 2024b).
- See <https://www.frlld.org/nodecontacts>
- All relevant documentation on the BIM, including funding request templates, guidelines and information materials can be found on the FRLD website at <https://www.frlld.org/nodebim>
- Relevant here is Section 2.04 of the trustee agreement between the World Bank and the FRLD, which reads: "The Fund Board, and not the Trustee, shall be responsible for (a) (i) the development of modalities to facilitate access to the Fund's resources through Recipients whose safeguards and standards have been judged functionally equivalent to those of multilateral development banks in accordance with a process adopted by the Fund Board and satisfactory to the Trustee; (ii) the approval, adequacy and application of all relevant environmental and social safeguards, accountability systems, procurement, financial management, integrity, and other policies or programs, either directly or through the Recipients; (b) assessing the capacity of Recipients to comply with those policies; and (c) monitoring the Recipients' compliance with any terms and conditions of funding and for providing grievance redress and accountability mechanisms. The Trustee shall play no role in the identification, preparation, appraisal, implementation or monitoring of projects, programs or activities, which is the responsibility of Recipients" (World Bank, 2024c).
- The list does not provide details on 1) whether entities have approved projects with any of the funds and 2) whether they were accredited with conditions and the status of fulfillment, with only the GCF currently assigning conditions upon accreditation, many of them to be fulfilled before the submission of the first GCF funding proposal.
- <https://www.frlld.org/nodedocuments-consultation>
- 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.