

Ministry of Foreign Affairs – Department for Green Diplomacy and Climate (KLIMA)

Meeting in the Council for Development Policy on 31 October 2024

Agenda Item No. 5

- 1. Overall purpose:** *For discussion and recommendation to the Minister*
- 2. Title:** Danish contribution to the new Fund for responding to Loss and Damage
- 3. Amount:** DKK 175 million (2024)
- 4. Presentation for Programme Committee:** 4 June 2024
- 5. Previous Danish support presented to UPR:** No

Fund for responding to Loss and Damage (FrLD)

<p>Key results:</p> <ul style="list-style-type: none"> Particularly vulnerable, developing countries will have access to dedicated funding for responding to loss and damage according to their national priorities and circumstances Funds can be quickly disbursed support preparedness capacities and early action at various levels to respond ahead, during and after the occurrence of climate events The Fund is able to provide financial resources and assist in mobilizing external finance to address loss and damage. <p>Justification for support: Responding to loss and damage is by the Danish development cooperation considered a central priority for climate action, with a dedicated focus on the most vulnerable countries. Denmark has played a proactive role in the negotiations on loss and damage as well as been a frontrunner in providing financial support to initiatives aimed at responding to loss and damage.</p> <p>The Fund was a centrepiece in the COP28 outcomes and its position as an operating entity under the UNFCCC as well as the high expectations on its delivery, argue for Denmark's engagement with the Fund. Through its early contribution and seat in the new Board, Denmark will be well-positioned to help influence the shaping and evolution of the Fund. Denmark's initial commitment and Board representation also send an important signal, facilitate dialogue and contribute to strengthening ties with developing countries, thereby providing an important platform for Danish leadership on loss and damage and in global climate policy more generally.</p> <p>Major risks and challenges: The Fund and its Board face a number of risks and challenges but having overcome the first major risk related to its establishment, the FrLD is off to a promising start. Going forward, the Fund and its Board will need to address the most immediate issues related to the structuring and full operationalization of the Fund. The Fund also faces risks of UNFCCC-spill over in the Board, which can potentially lead to inefficiencies in the decision making. In</p>	File No.	23/21804			
	Country	Global			
	Responsible Unit	KLIMA			
	Sector	Climate			
	Partner	Fund for responding to Loss and Damage			
	DKK million	2024	Total		
	Commitmen	175	175		
	Projected disburseme	175	175		
	Duration	2024			
	Previous	No			
	Finance Act	06.34.01.75			
	Head of unit	Karin Poulsen			
	Desk officer	Emilie Wieben			
	Reviewed by CFO	YES: Jacob Strange-Thomsen			
	Relevant SDGs [Maximum 1 – highlight with grey]				
					
					
					

Objectives

To provide financial support to assist particularly vulnerable, developing countries in responding to economic and non-economic loss and damage

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	100%			100%
Total green budget (DKK)	175 million			

Justification for choice of partner:

Responding to loss and damage is by the Danish development cooperation considered a central priority for climate action, with a dedicated focus on the most vulnerable countries. Denmark has played a proactive role in the negotiations on loss and damage and in supporting initiatives for responding to losses and damages.

Summary:

The Fund was established to assist particularly vulnerable developing countries 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. As an operating entity under the UN Climate Convention, the Fund seeks to provide financial resources and assist in mobilizing external finance to address loss and damage, while supporting achievement of sustainable development and the eradication of poverty.

Budget (engagement as defined in FMI):

Total (core support)	DKK 175 million
-----------------------------	------------------------

Danish Contribution
to the Fund for responding to Loss and Damage
2024

Project Document

9th October, 2024

Ref:

Indhold

1	Introduction	3
2	Context, strategic considerations, rationale and justification	3
2.1	<i>Background and context.....</i>	3
2.2	<i>Loss and damage in the negotiations and establishment of the Fund</i>	4
2.3	<i>Justification for establishing the Fund and its positioning in the landscape</i>	5
2.4	<i>Rationale for Danish support.....</i>	6
2.5	<i>Danish priorities.....</i>	7
2.6	<i>Description of the preliminary set-up and governance of the fund.....</i>	8
3	Objective of the fund.....	9
4	Theory of change and key assumptions	9
5	Summary of the results framework	10
5.1	<i>Operational Framework</i>	10
6	Budget.....	11
7	Institutional and Management Arrangement	12
8	Financial Management, Planning and Reporting	12
8.1	<i>Financial Instruments</i>	13
8.2	<i>Allocation of Funding.....</i>	13
8.3	<i>Fiduciary standards</i>	14
8.4	<i>Monitoring and Evaluation.....</i>	14
9	Risk Management.....	14
10	Closure	15
	ANNEX 1: STATUS OF PLEDGES	16
	ANNEX 2: RISK MANAGEMENT MATRIX.....	17
	ANNEX 3: BUDGET DETAILS	18
	ANNEX 4: PAP	19
	ANNEX 5: DEADLINES FOR THE FUND IN THE UNFCCC PROCESS (2024).....	20
	ANNEX 6: DRAFT CONTRIBUTION AGREEMENT	20

List of Key Abbreviations and Acronyms

AF Adaptation Fund

CIF Climate Investment Funds

CMA Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

COP Conference of the Parties

FIF Financial Intermediary Fund

GCF Green Climate Fund GEBs

GEF Global Environment Facility

LDC Least Developed Country

LDCF Least Developed Countries Fund

MDBs Multilateral Development Banks

SIDS Small Island Developing State

SCCF Special Climate Change Fund

TC Transitional Committee

UNFCCC United Nations Framework Convention on Climate Change

WIM Warsaw International Mechanism for Loss and Damage

WIM ExCom Executive Committee for the Warsaw International Mechanism for Loss and Damage

1 Introduction

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning support to the newly established Fund for responding to climate-related loss and damage.

A pre-condition for Denmark's contribution in 2024 requires the Fund for responding to Loss and Damage to be established as a Financial Intermediary Fund (FIF) in the World Bank, in accordance with the process set out in the COP28 decision for establishing the fund (Decision 1/CP.28). Once the Fund has been fully operationalized as a FIF and included in the OECD-DAC Annex-2, an Organisation Strategy will be formulated and thereby replacing this programme document.

2 Context, strategic considerations, rationale and justification

2.1 Background and context

Loss and damage is a general term that has emerged in the UN climate negotiations albeit without an official definition. It refers to the impacts from slow- and sudden-onset climate extremes and disasters and encompasses both economic and non-economic loss and damage. Economic losses and damages are those affecting resources, goods and services that are commonly traded in markets, such as damage to critical infrastructure and property or supply chain disruptions. Non-economic loss and damage refers to a broad range of harmful impacts that are not so easily quantified, especially in financial terms but has major implications for societal and ecological welfare.

In recent years, the traction around loss and damage has gained significant momentum in the international climate agenda as the adverse effects of climate change intensify across the globe. More intense and frequent storms, sea level rise, droughts, rainfall variability, crop diseases and pests are on the rise. The pace and scale of such impacts are greater than previously assessed, with widespread, pervasive impacts to ecosystems, people, settlements, and infrastructure. This translates into increased and diverse losses and damages – loss of human lives, of biodiversity, of economic outputs and assets, of cultural heritage, and damage to human health, to property and to economic productivity, just to name a few. Such losses and damages are evident across continents, affecting both rich and poor countries and communities. However, vulnerable communities and developing and small island states are especially affected, linked to exposure, vulnerability and lack of ability to cope with the effects of climate change (IPCC 2022). Even as severe impacts are increasingly tangible at 1.1°C of warming, global mean temperatures continue to climb. Emission reduction pledges remain grossly inadequate to meet the 1.5°C goal, which the IPCC characterises as not considered “safe” for most nations, communities, ecosystems and sectors, and posing significant risks to natural and human systems (IPCC 2019). Instead, current policy scenarios put the world on track towards up to 2.7°C of warming (UNEP 2021) with potentially catastrophic consequences where no adaptation actions are possible. At the same time, while adaptation measures have been scaled up considerably, they remain inadequate and underfunded when compared with the magnitude of what is needed and insufficient in preventing all losses and damages. All while the window for adaptation action narrow as temperatures increase (IPCC 2022). Additional efforts to avert, minimise and address loss and damage are therefore crucial. In this regard, increased finance for responding to loss and damage will be necessary, particularly for assisting the most vulnerable countries and populations who are disproportionately affected, despite having contributed the least to climate change.

Estimates suggest annual loss and damage costs associated with climate change will range from USD 290 to USD 580 billion by 2030¹ without taking into account non-economic losses and damages. These losses are most devastating in low-income settings, where an average of 189 million people per year have been

¹ Markandya, A., González-Eguino, M. (2019). Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage: A Critical Review.

affected by extreme weather-related events since 1991. The Vulnerable Group of Twenty (V20) economies are estimated to have lost 20% of their Gross Domestic Product (GDP) over the last 20 years and significantly increased their indebtedness due to the adverse impacts of climate change. Over the same period humanitarian needs have escalated, with 83% of all disasters in the 2010s attributable to climate and extreme weather events, and many appeals left seriously under-funded.²

2.2 Loss and damage in the negotiations and establishment of the Fund

The issue of loss and damage has been a feature of the climate negotiations since the drafting of the UN Framework Convention on Climate Change (UNFCCC) more than three decades ago. In 1991, Vanuatu, on behalf of the Alliance of Small Island States (AOSIS), proposed to set up a fund for an insurance scheme under the Convention, to provide financial compensation to developing countries impacted by sea level rise. The proposal, though, was rejected and it was only with the Bali Action Plan in 2008 that the notion of loss and damage appeared in a decision text for the first time. COP19 in 2013 saw significant progress in the negotiations on loss and damage where Parties agreed to establish the Warsaw International Mechanism for Loss and Damage (WIM) associated with climate impacts to promote the implementation of responses to the issue. An Executive Committee (WIM ExCom) was also established to guide the implementation of the functions of the WIM. Building on this, the Paris Agreement recognizes loss and damage in Article 8 and specifically frames the need for averting, minimizing and addressing loss and damage associated with the adverse effects of climate change. However, the Paris Agreement specifically states that loss and damage "does not involve or provide a basis for any liability or compensation".

In 2019 at COP25, Parties agreed on the need for a more effective operationalization of the WIM functions. This included the establishment of the Santiago Network, which aims to catalyse technical assistance for the implementation of WIM in developing countries, at the local, national and regional level. At COP26 in Glasgow, a coalition of vulnerable developing countries pushed for establishing a new financial mechanism for loss and damage, and it was agreed to establish a two-year Glasgow Dialogue to discuss possible arrangements for loss and damage funding.

The final breakthrough in the negotiations on loss and damage finance happened at COP27 with the historical decision to establish a fund as part of wider funding arrangements for responding to loss and damage. As part of the decision, a Transitional Committee (TC) was established and tasked to elaborate on recommendations to COP28 for establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund. This was a process similar to the one that led to the establishment of the Green Climate Fund (GCF) several years earlier, although with a much tighter deadline. Over the course of 10 months, the TC deliberated over the potential aspects of a new fund, how to situate the fund within the wider financing landscape and how to ensure coordination and complementarity with existing funding arrangements and mechanisms.

At COP28 on a package of recommendations, including on the setup of the Fund for loss and damage was presented. Amongst others, the recommendations propose the World Bank as an interim host for the fund for a four-year period as well as a Board composition with 26 members of which 12 are from developed countries and the remaining 14 seat are from developing countries. Moreover, the recommendations place the new Fund as an operating entity of the Financial Mechanism of the UNFCCC which also serves the Paris Agreement, meaning that the Fund will be accountable to and function under the guidance of the COP and CMA and thereby a subject under the UNFCCC negotiations.

In an unprecedented early decision, Parties considered and adopted the TC recommendations on the first day of COP28, cementing the new Fund as a milestone outcome from COP28³. The United Arab Emirates (UAE) as the COP Presidency but also a non-annex 1 Party to the UNFCCC, was the first to

² Getting ahead of disasters. The Charter.

³ [cp2023_11a01_adv\(1\).pdf\(unfccc.int\)](#)

demonstrate endorsement of the decision by announcing a commitment of USD 100 million to the Fund. This prompted several developed country Parties to pledge initial contributions to get the Fund off the ground quickly. By the end of COP28, the Fund had received more than USD 600 million in early pledges⁴, a record achievement for a climate fund that has yet to be operationalized.

2.3 Justification for establishing the Fund and its positioning in the landscape

The new Fund is expected to be a key player in the climate and disaster risk finance architecture, being the only fund with a dedicated mandate for responding to loss and damage. As such, the Fund is expected focus on priority gaps within the current landscape of institutions that are funding activities related to responding to loss and damage, spanning the climate, development and humanitarian systems. Currently, there are a number of multilateral climate funds and initiatives that addresses certain elements of loss and damage. The GCF, Adaptation Fund (AF), Least Developed Countries Fund/ Special Climate Change Fund (LDCF/SCCF) and the Climate Investment Funds (CIF) all support adaptation efforts and resilience building, including climate risk management. These funds are however inadequate in size and cannot be scaled up in a way that offers the rapid, large-scale financing that certain extreme events causing loss or damage incur. This is due to the financing mechanisms (mostly grant-based with the exception of the GCF) and the type of funding accessible through the funds, which is primarily distributed through multi-year projects. They are also not able to cover the full range of loss and damage responses. For instance, none of the climate funds have rapid disbursements and triggers and are therefore unable to support activities that deal with ongoing and ex-post climate events. The lengthy pre-project phase and approval procedures of these funds also prevent them from providing upfront and immediate support ahead of a sudden-onset event. Furthermore, none of the funds have the scope to respond to non-economic losses and damages although the Global Environment Facility (GEF) does finance activities with aims of preventing or reversing loss of biodiversity, in some cases due to climate change. As for non-economic losses from both slow and sudden onset events, there are currently no mechanisms for providing medium to long-term recovery from complex and sensitive issues surrounding displacement, loss of cultural heritage and indigenous knowledge, etc. As such, the need for establishing a new fund with a dedicated mandate to respond to losses and damages is justified. Moreover, as climate impacts continue to scale in intensity and severity, adaptation efforts are increasingly rendering insufficient, further outlining the need for providing a new channel of support to the most vulnerable in responding to loss and damage.

On areas where there is overlap, the Fund is expected to play a key role in coordinating a coherent global response to loss and damage between the Fund and the funding arrangements. The Fund will need to promote efforts that enhance complementarity and coherence, such as the exchange of information and good practices and consultation with existing and new mechanisms. More importantly, the Fund will need to ensure close coordination with the funding mechanisms on topics where there is complementarity. For instance, addressing insufficient climate information and data is an area within the scope of the Fund. However, several other climate funds such as the GCF, LDCF/SCCF and AF also provide targeted investments in climate information systems as do the Early Warnings for All initiative and Systematic Observations Financing Facility (SOFF), which are part of the funding arrangements. The Fund will also need to draw on the experience from a number of crisis response instruments when it comes to establishing triggers and rapid disbursement modalities. Such include the MDBs' crisis response funds targeted for catastrophes, disasters and pandemics as well as insurance schemes and regional risk pools (like those under the Global Shield). These instruments are designed to provide liquidity to countries in the immediate aftermath of a crisis, triggered when pre-agreed disbursement conditions or access criteria are met.

It will also be critical for the Fund to foster close dialogue and coherence with the humanitarian system who has relevant expertise and frontline experience in responding to loss and damage. Denmark is a long-standing supporter to key partners engaged in anticipatory action and climate and disaster risk

⁴ As at the 12 April 2024, the Fund had a received a total amount of USD 661.39 million in pledges.

financing, including WFP, the Central Emergency Response Fund (CERF) and IFRC's Disaster Response Emergency Fund (DREF). Coordination between the Fund and the humanitarian organizations will be important to ensure a better preparedness and more efficient response. As climate-related hazards become more frequent and intense, the humanitarian sector has a mandate to provide humanitarian assistance, save lives and livelihoods alleviate suffering ahead of and in the immediate aftermath of disasters at the request of governments. Humanitarian interventions mainly focus on limiting the scope of impact of a climate hazard, including through preparedness, early warning systems, anticipatory action, responding to immediate needs and supporting resilience building, including response and early recovery (rehabilitation). Only in specific circumstances, such as in protracted crises, or by local actors working across the nexus, does humanitarian action contribute to and complement the work of development and peace building actors in long-term recovery, (rehabilitation and reconstruction), and planned relocation including where linked to climate related disasters. As such, the Fund is well positioned to complement humanitarian efforts by addressing the recovery and reconstruction continuum and possibly also in terms of making more pre-arranged finance available, where needed. This further underlines the argument for the Fund's niche role and the gap it is expected to address in the interphase between climate, development and humanitarian efforts.

Finally, it is important to note the severe strain that increasing climate impacts pose on the humanitarian system. Humanitarian actors are responding to multiple, overlapping, and protracted crises in an underfunded and overstretched humanitarian system, where the impacts of the climate crisis are compounded by other risks, such as conflict, fragility, displacement, and economic shocks. The rising scale of humanitarian needs and increasing complexity of response poses a major challenge to the international community's collective ability to prevent, anticipate, absorb, adapt, and respond to crises due to the growing gap between needs and funding. With sufficient capital, the new Fund is expected to help alleviate some of the most pressing needs derived from climate change and thereby enable the most vulnerable countries and communities in responding to loss and damage.

2.4 Rationale for Danish support

Responding to loss and damage is by the Danish development cooperation considered a central priority for climate action, with a dedicated focus on the most vulnerable countries. Denmark has played a proactive role in the negotiations on loss and damage as well as been a frontrunner in providing financial support to initiatives related to loss and damage, such as the Global Shield against Climate Risks and Early Warnings for All. The former was supported through a dedicated 'loss and damage package' of DKK 100 million committed in 2022 whereas the latter was part of a DKK 175 million contribution to loss and damage funding arrangements, announced at COP28. The remaining allotment will be channelled through a new NGO call for loss and damage responses in Africa as well as a new contribution to WFP's Anticipatory Action Programme, which draw funding from the nexus pool in 2024.

In the negotiation track, Denmark has been co-chairing WIM ExCom as well as the Cartagena Dialogue track on loss and damage. Denmark's active engagement in the loss and damage agenda also resulted in a seat in the TC, shared with the Netherlands. Throughout the course of the TC, Denmark and Netherlands jointly advocated for 1) widening the contributors' base from the traditional donors to include innovative funding sources and non-sovereign entities among others; 2) strengthening the link and complementarity with the humanitarian system; and 3) prioritization of countries that are particularly vulnerable such as LDCs and SIDS. While the specific details of the Fund's operational framework are yet to be agreed, the DK-NL priorities in the TC were to a large extent captured in the recommendations. To demonstrate its support and commitment to the COP28 decision, Denmark announced a commitment of DKK 175 million to the new Fund, two days after its adoption. These efforts along with an expression of interest, helped pave the way for a seat at the new Board, which is shared with Sweden and Finland.

With the Fund being a centrepiece in the COP28 outcomes along with its prominent position as an operating entity under the UNFCCC and high expectations on its delivery, argue for Denmark's

engagement with the Fund. Through its early contribution and seat in the new Board, Denmark will be well-positioned to help influence the structuring and evolution of the Fund. Denmark's initial commitment and Board representation also send an important signal, facilitate dialogue and contribute to strengthening ties with developing countries, thereby providing an important platform for Danish leadership on loss and damage and in global climate policy more generally. In the engagement with the new Fund, Denmark follows a similar approach in terms of its involvement in comparable vertical funds in the climate finance landscape, most notably the GCF and GEF. Having a voice in the governing of the funds under the UNFCCC, provides an opportunity for Denmark, together with likeminded countries, to steer toward maximizing impacts of investments, strengthening priority areas while also promoting efficiency of the boards.

The key policy document for the contribution to the Fund is the Danish strategy for Development Cooperation and Humanitarian Action, *The World We Share* (2022-2025). The contribution is aligned with the objectives to “increase support for adaptation to climate change and for building resilience locally before disaster strikes” and to “increase support for adaptation to climate change and for building resilience locally before disaster strikes”. Activities under these two objectives are targeted at least developed and vulnerable countries and poor people.

In line with efforts to address climate injustice, Denmark's engagement with the Fund also sends an important message to the most vulnerable countries of Denmark's commitment and support, in recognition that those who have contributed the least to climate change are the ones who bear the brunt costs of the impacts. Through its seat at the Board, Denmark will actively work towards prioritising the allocation of resources towards where it is most needed, in ways that are efficient and locally-led, while promoting a human rights-based approach and also in close coordination with the humanitarian system, including in contexts affected by conflicts and fragility.

2.5 Danish priorities

The below lists the preliminary priorities for Denmark's engagement with the Fund and in the Board. These are elaborated based on the priorities established as part of the TC process and will be revisited and possibly expanded as part of the formulation of an Organisation Strategy for future contributions.

1. Develop a business model, including access and eligibility criteria, for the Fund that gives priority to the most vulnerable countries and populations, in particular LDCs and SIDS while also paying special attention to Fragile and Conflict-affected Settings;
2. Develop a resource mobilisation and fundraising strategy for the fund that proactively seeks to broaden its contributors' base to all sources of funding, including through new and innovative sources such as solidarity levies on GHG emissions as well as with contributions from philanthropic organizations;
3. Develop access modalities that build on the experience, good practice and lessons learned from development cooperation and humanitarian action taking into consideration, direct access, programmatic approaches, localization, rapid disbursement mechanisms and prearranged finance;
4. Ensure coherence between the Fund and broader landscape of existing and new funding arrangements responding to loss and damage, and further ensure that the Fund contributes to the coordination and evolution of this broader landscape, including through coordination with the humanitarian system;
5. Ensure transparency in implementation and the development highest standard guidelines for financial management, fiduciary, environmental and social safeguards.

2.6 Description of the preliminary set-up and governance of the fund

Given that the fund and its Board are still in very early stages, several elements of the decision will need further elaboration as the fund matures and scales within the climate finance architecture.

The Fund will be governed and supervised by a Board, which will act as its decision-making body. The Board will have responsibility for setting the strategic direction of the Fund and its governance and operational modalities, policies, frameworks and work programme, including in terms of relevant funding decisions. The Board will exercise strategic leadership and flexibility to allow the Fund to evolve over time.

The Board will have an equitable and balanced representation of all Parties, comprising 26 members; 14 from developing countries, including SIDS and LDC representation, and 12 from developed countries. Decisions of the Board will be taken by consensus. If all efforts for reaching consensus have been exhausted, and no consensus is reached, decisions will be taken by a four-fifths majority of members present and voting. The Board will be conferred with legal personality and the legal capacity as necessary for discharging its roles and functions. At the second Board meeting (B.2) the Philippines was selected as the host country of the Board.

The Fund will make arrangements for observers' participation and establish consultative forums to engage and communicate with a wide range of stakeholders. In this regard, the Fund will develop mechanisms to promote input and participation of stakeholders, including private sector actors, civil society organisations (CSOs) and promote space in decision-making for representative organisations of those most vulnerable to climate impacts, such as women, youth, Indigenous Peoples, persons with disabilities and intersections hereof in the design, development and implementation, monitoring and evaluation of activities financed by the Fund.

The Fund will be serviced by a new, dedicated and independent Secretariat, which will be accountable to the Board. The Secretariat will have effective management capabilities to execute the day-to-day operations of the Fund. The Secretariat will be headed by an Executive Director of the Fund, who will be selected by the Board. At the third Board meeting (B.3), Mr. Ibrahima Cheick Diop from Senegal was appointed as the Fund's first ED and will be tasked with overseeing the set-up of the new Secretariat. The secretariat will include regional desks to support and facilitate access to Fund, as appropriate. Currently, an interim Secretariat has been set up by the UNFCCC Secretariat with support from GCF and UNDP to provide core tasks, until the hosting agreement has been adopted by the Board.

The Trustee will administer assets of the Fund only for the purpose of, and in accordance with, relevant decisions of the Board. The Trustee will be accountable to the Board for the performance of its responsibilities as trustee to the Fund. The trustee should ensure that the Fund can receive financial inputs from philanthropic foundations and other non-public and alternative sources, including new and innovative sources of finance.

As per the COP28 decision, the World Bank has been invited to operationalize the Fund as a World Bank hosted financial intermediary fund (FIF) for an interim period of four years, which is a prerequisite for the Danish support in 2024. The World Bank has confirmed its willingness and ability to meet the conditions stipulated in the decision. In this regard, the World Bank has taken the steps necessary to promptly operationalize the Fund as a FIF and has submitted to the Board of the Fund ahead of B.3 the relevant FIF documentation. The FIF package which has been approved by the World Bank Board of Directors, includes the hosting agreement between the Board of the Fund and the World Bank and has been based on consultations with and guidance from the Board of the Fund.

At B.3, the Board approved the FIF document package, a key milestone achievement ahead of COP29 in November 2024. As part of this, the Philippines as the host country has granted the Board with the necessary legal personality and the legal capacity to enter into a hosting agreement with the World Bank for the delivery of trustee services and interim hosting of the Secretariat as a FIF. Once signed by both entities, which is expected by end-October 2024, the Fund is officially operational and funding contributions can be deposited.

3 Objective of the fund

The Fund's overall objective is 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.

The Fund is expected to operate in a manner that promotes coherence and complementarity with new and existing funding arrangements for responding to loss and damage associated with the adverse effects of climate change across the international financial, climate, humanitarian, disaster risk reduction and development architectures.

The Fund will develop new coordination and cooperation mechanisms to help enhance complementarity and coherence and will facilitate linkages between itself and various funding sources, including relevant vertical funds, to promote access to available funding, avoid duplication and reduce fragmentation. The Fund will pursue a country ownership approach to programmes and projects and seek to promote and strengthen national response systems through, among other means, the effective involvement of relevant institutions and stakeholders, including non-State actors. The Fund should be scalable and flexible; practise continuous learning, guided by monitoring and evaluation processes; strive to maximize the impact of its funding for responding to loss and damage associated with the adverse effects of climate change while promoting environmental, social, economic and development co-benefits; and take a human rights-based and gender-responsive approach.

4 Theory of change and key assumptions

The underlying theory of change behind the Fund is that **if** new and innovative sources of funding are mobilized from a broad range of contributors, including both sovereign and non-sovereign; **if** resources are disbursed to implementing entities as well as through direct access modalities to assist the most vulnerable countries and communities; **if** support within the scope of the Fund is implemented in a timely manner and in close coordination with the funding arrangements; **then** the most vulnerable countries and communities will be able to better anticipate, prepare and respond ahead of a climate event, thereby minimizing loss and damages as well as recover from losses and damages, including through reconstruction, from an incurred climate disaster. Such efforts are also expected to contribute positively towards broader development objectives including poverty alleviation and empowerment of women and youth.

It is important though to note that it is a pre-condition for Danish support in 2024 that the Fund is established as a World Bank FIF in accordance with the process laid out in the COP28 decision.

The key assumptions for the successful operationalization of the Fund include:

- The Fund and its Board is able to mobilize funding from a wide range of contributors, including through new and innovative sources;
- Contributors follow up on their pledges and ensure timely disbursements of contributions to the fund;
- Implementing partners are ready and willing to implement effective and impactful action to respond to loss and damage;
- Recipient countries have the necessary structures in place to receive and disburse funds in a timely manner while also ensuring that projects are country-driven and aligned to these priorities;
- Activities are aligned with and complementary to other relevant projects and programmes – especially in relation to the funding arrangements as well as those supported by the multilateral climate funds;

- Political space for civil society is sufficient to allow the voices of representatives of vulnerable local communities to be heard at national or regional levels in relevant forums and platforms;
- There is dedicated focus on the most vulnerable countries, including LDCs and SIDS.

5 Summary of the results framework

For results-based management, learning and reporting purposes Denmark will base the actual support on progress attained in the setup and implementation of the Fund as described in the COP28 decision⁵. Once the Fund is fully operationalized and a monitoring framework has been defined, progress will be measured by focusing on a limited number of key outcomes and corresponding outputs and their associated indicators. The results framework of the Fund is expected to be developed and adopted in accordance with the operational framework as described below and will also be assessed as part of the formulation of an Organisation Strategy on the Danish engagement with the Fund.

5.1 Operational Framework

As per its Governing Instrument, the Fund 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. It further notes that the Fund will avoid disproportionate bureaucratic obstacles to accessing resources. This is a reference to the challenges in accessing funding and cumbersome approval processes that characterize the sister funds – the GCF in particular – as often voiced by recipient countries. During the TC process, there was wide consensus among developing countries on the need for a mechanism with simple procedures and easy access that would allow for rapid disbursement. It will be the task for the Board to develop and approve the operational modalities to deliver on these objectives while at the same time ensuring that donor-related requirements are met.

In terms of eligibility criteria, the Governing Instrument specifies that developing countries, which are particularly vulnerable to the adverse effects of climate change, are eligible to receive resources from the Fund. Further clarification, definition and agreement on the term ‘*particular vulnerable developing countries*’ lies with the Board. The Fund will ensure that high-integrity fiduciary principles and standards are 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. The secretariat will support 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, on the basis of modalities that will be developed by the Board.

Similar to the other funds under the UNFCCC, country ownership is a key principle of the new Fund. In this regard, the Fund will seek to promote and strengthen national responses for addressing loss and damage by pursuing country-led approaches, including through effective involvement of relevant institutions and stakeholders, in particular women, vulnerable communities and Indigenous Peoples and persons with disabilities and intersections hereof. The Fund will seek to utilize, where appropriate and available, existing national and regional systems and financial mechanisms. The Fund will promote, in all its operations, direct engagement at the national and, where appropriate, subnational and local level to facilitate efficiency and the achievement of concrete results. The Fund may also provide support for activities relevant to preparing and strengthening national processes and support systems. This may include support for developing proposed activities, projects and programmes, such as planning activities for addressing loss and damage; estimating financial requirements for implementing loss and damage activities; and establishing national loss and damage finance systems. Developing countries may designate a national authority or national focal point to be responsible for overall management and implementation

⁵ [cp2023_11a01_adv \(1\).pdf \(unfccc.int\)](#)

of activities, projects and programmes supported by the Fund, which is another feature applied within the other UNFCCC-funds.

In order to facilitate access to the Fund, the Board will develop a range of modalities, which may include the following:

- (a) Direct access via direct budget support through national Governments, or in partnership with entities whose safeguards and standards have been judged functionally equivalent to those of multilateral development banks;
- (b) Direct access via subnational, national and regional entities or in partnership with entities accredited to other funds, such as the GEF and GCF;
- (c) International access via multilateral or bilateral entities;
- (d) Access to small grants that support communities, Indigenous Peoples, persons with disabilities and other vulnerable groups and their livelihoods, including with respect to recovery after climate-related events;
- (e) Rapid disbursement modalities, as appropriate. The Fund will develop simplified procedures and criteria for fast-tracked screening to determine functional equivalency with internationally recognized standards of national and/or regional funding entities' safeguards and standards to manage funded programmes and projects in country, as appropriate.

The direct access modalities have been noted as a key element of the new Fund. This reflects a need for more efficient and effective release of funds by minimizing the layer of implementing partners (such as international implementing agencies and their fees) so that the maximum amount of resources reaches where it is needed. This is also relevant in the context of rapid onset events where the triggering of funds may follow a system similar to a humanitarian/crisis response. However, the TC process left the access modalities vague in their language and it will be up to the Board supported by the secretariat to flesh out how these modalities will operate before the Fund can process any funding proposal. While both GCF and AF have direct access modalities for national entities, developing countries have been fixed on this demand, suggesting that the Fund needs to operate with a modality that enables quick and easy access. The notion of direct access has also been a subject under discussion in the context of the hosting agreement with the World Bank, as the standard FIF regulations do not accommodate direct access modalities. Nonetheless, the World Bank has demonstrated willingness to be flexible and where necessary, waive certain FIF regulations such as to enable direct access, in order to come to a hosting agreement ahead of COP29.

In order to enabling many entities, including at local level, to directly access the Fund (without intermediaries), the requirements and expectations to meet internationally recognized standards would need to be significantly simplified to allow for the broader set of entities to become accredited to the Fund. Simplification will, however, have implications, because the Fund may face difficulties in maintaining high fiduciary and ESS standards and due diligence, which will in turn increase the risks associated with the implementation of programmes. Furthermore, given that each access entity operates under different legal and policy frameworks, this will enhance the complexity for the Fund in setting and managing standards and requirements. The Board will have to balance these considerations when developing and defining the access modalities.

Finally, the Board may want to strongly encourage governments directly accessing funds through national budgets to use existing disaster response and recovery funds, social protection programs and cash transfer mechanisms that have been put in place to address the immediate needs of the most vulnerable in the response and early recovery processes.

6 Budget

The Fund is able to receive contributions from a wide variety of sources of funding from public, private and innovative sources, as appropriate. The Fund will have a periodic replenishment every four years and will maintain the flexibility to receive financial inputs on an ongoing basis. The Board will prepare a long-

term fundraising and resource mobilization strategy and plan for the Fund to guide its mobilization of financial resources from all sources of funding. Contributions to the Fund are voluntary in nature.

Denmark will initially contribute with DKK 175 million to the Fund in core funding in 2024. As of writing, 19 donors have made pledges to the Fund and Denmark ranks as the 8th largest donor (see Annex 2).

Any future contribution to the Fund, including as part of a replenishment, will be on the basis of an Organisation Strategy, to be developed when relevant and subject to the Fund's inclusion in annex 2 List of ODA-eligible international organisations.

7 Institutional and Management Arrangement

As per the COP28 decision to operationalize the Fund, the World Bank has been invited to operationalize the Fund as a World Bank hosted FIF for an interim period of four years, with the Bank acting as interim trustee and host of the Fund's secretariat. At the end of the interim period, if the Board of the Fund, following an independent assessment of the performance of the World Bank as host of the Fund's secretariat, will take steps to invite the World Bank to continue operationalising the Fund with or without further conditions (para 24 of the decision).

The approach proposed by the World Bank is based on its experience with other FIFs with similar structural and operational features (i.e. the GEF, Adaptation Fund, GCF) and reflects the roles and responsibilities of the Fund's Board, the secretariat, the trustee and implementing entities as set forth in the Governing Instrument. The World Bank as trustee will establish and administer a trust fund to receive and hold funds from contributors and would manage these funds pending instructions from the Board of the Fund. The Board would select the implementing entities that are eligible to receive funding from the trust fund on the basis of criteria set by the Board of the Fund. The Board will decide on funding allocations and enter into financing agreements with recipients setting forth the terms and conditions under which the funds are provided to the recipient. The Bank as trustee will make direct transfers to recipient entities upon instructions from the Board of the Fund.

Given that Denmark is already involved in the governing of other relevant FIFs such as the GEF, CIF and AF, there is substantial experience and lessons learnt that can feed into the process of the new Fund's interim arrangements and help guide the Board on aspects related to the administrative Trustee functions. A task force on the multilateral climate funds has been set up in KLIMA, where topics such as FIF administration across the funds are discussed on a regular basis, to ensure informed and coordinated board positions as well as consistency among relevant FIFs.

8 Financial Management, Planning and Reporting

Denmark will require annual financial reports, and yearly externally audited financial statements from the Fund, which should be submitted by the latest 6 months after annual closing (30 June in the following year). This is also specified in the Trustee agreement between the Board and the World Bank as the trustee, which stipulates that "the Trustee shall furnish to the Fund Board, through the Secretariat, annual (or at any other frequency agreed between the Fund Board and the Trustee) financial reports of the Trust Fund on the receipts in, transfers from and fund balance of the Trust Fund in the relevant Holding Currency."

The agreement further notes that "unless otherwise agreed by the Fund Board and the Trustee, the Trustee shall provide to the Fund Board, within six (6) months following the end of each World Bank fiscal year, an annual single audit report, comprising: (a) a management report together with an audit opinion from the World Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the World Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the World Bank."

8.1 Financial Instruments

The Fund will provide financing on the basis of the Board's policy for the provision of grants, concessional resources and other financial instruments, modalities and facilities. In its provision of finance, the Fund will make use of amongst others, triggers, climate impact relevant indicators, debt sustainability considerations and criteria developed by the Board, and take into account guidance from the COP and the CMA.

The Fund may deploy a range of additional 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.

The Fund should be able to facilitate the blending of finance from different financial tools to optimize the use of public funding, especially in order to ensure effective results for vulnerable populations and the ecosystems on which they depend.

The selection of financial instruments for the Fund is a critical aspect of ensuring its effectiveness in addressing the needs of vulnerable countries and communities affected by climate change impacts. Not all possible additional financial instruments may have the same degree of attractiveness for use in the context of the Fund. In particular, there are a number of principles that needs to be considered in guiding the selection process and ensuring that the Fund operates in a manner that is responsive, equitable and sustainable.

8.2 Allocation of Funding

The Board will develop and operate a resource allocation system. This system will take into account, inter alia:

- (a) The priorities and needs of developing countries that are particularly vulnerable to the adverse effects of climate change, while taking into consideration the needs of climate-vulnerable communities;
- (b) Considerations of the scale of impacts of particular climate events relative to national circumstances, including but not limited to response capacities of the impacted countries;
- (c) The need to safeguard against the overconcentration of support provided by the Fund in any given country, group of countries or region;
- (d) The best available data and information from entities such as the Intergovernmental Panel on Climate Change and other relevant sources, including pertinent knowledge from Indigenous Peoples, organisations of persons with disabilities and vulnerable communities on exposure and sensitivity to the adverse effects of climate change and on loss and damage, recognizing that such data, information and knowledge may be limited for specific countries and regions;
- (e) Estimates of recovery and reconstruction costs based on data and information from relevant entities, in particular national and/or regional entities, recognizing that such data or information may be limited for specific countries and regions;
- (f) A minimum percentage allocation floor for the least developed countries and small island developing States.

The allocation system will be dynamic and will be reviewed by the Board. It is expected that a Board agreement on the allocation system will be challenging, particularly given the divergence on views regarding 'developing countries that are particularly vulnerable'. In the current landscape of climate funds, only the GEF and more recently the LDCF and SCCF operate with an allocation system. The GEF applies a model for calculating allocation to all its recipient countries, which does provide transparency and clarity on resources allocated to countries in each financing period but where largest recipients are all high-income developing countries. The GCF on the other hand has set a target of 50 percent of

adaptation funding to be allocated to LDCs, SIDS and African States whereas the Adaptation Fund operates with country caps – both though with limited success in terms of prioritizing vulnerable countries. For Denmark, it will be a priority to ensure that an allocation system will favour the most vulnerable countries to climate impacts, including LDCs, SIDS, where possible.

8.3 Fiduciary standards

The Fund will ensure that high-integrity fiduciary principles and standards are 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. The Secretariat will support 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, on the basis of modalities that will be developed by the Board.

8.4 Monitoring and Evaluation

Programmes, projects and other activities financed by the Fund will be regularly monitored for impact, efficiency and effectiveness. The use of participatory monitoring involving stakeholders is encouraged.

A results measurement framework, with guidelines and appropriate performance indicators, will be developed, considered and approved by the Board. The performance of programmes, projects and other activities against these indicators will be reviewed periodically in order to support the continuous improvement of the Fund's impact, effectiveness and operational performance.

Periodic independent evaluations of the performance of the Fund will be conducted in order to provide an objective assessment of the results of the Fund, including of the activities financed by the Fund, and its effectiveness and efficiency. The purpose of these independent evaluations is to inform decision-making by the Board, identify and disseminate lessons learned, and support the accountability of the Fund. The results of the periodic evaluations will be published by the secretariat. They will also be provided as part of the annual report of the Board to the COP and the CMA. The Fund will be subject to periodic reviews conducted by the COP and the CMA. These periodic reviews will be informed by, inter alia, the results of the independent evaluation and the annual reports of the Board to the COP and the CMA.

The Ministry of Foreign Affairs of Denmark shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the project.

After the termination of the project support, the Ministry of Foreign Affairs of Denmark reserves the right to carry out evaluations in accordance with this article.

9 Risk Management

The Fund and its Board face a number risks and challenges, with a significant amount of work ahead to deliver within an ambitious and tight timeline. Already within its first year, the Board had to address the most immediate hurdles related to the structuring and full operationalization of the Fund. Without the interim hosting arrangement in the World Bank, the Fund would have had to be established as a standalone entity, which would take years and significantly delay and undermine its operationalization. In terms of overcoming this first major risk, the Fund is off to a promising start. With a sense of urgency and in a spirit of unity, the Board approved the operationalisation of the Fund as a FIF and the hosting agreement with the World Bank during the 3rd Board meeting in September 2024. Throughout this process, the World Bank actively engaged in a constructive dialogue with the Board and demonstrated their willingness to overcome barriers by deviating from standard FIF structures (such as to enable direct access modalities). These collective efforts to address and overcome risks send an early but positive indication of the Fund's foundation for managing risks.

Going forward, upcoming risks relate to the capitalization of the Fund, the contributor base and the ambitions in this regard. During the TC process, several developing countries opposed to broadening the contributors base, arguing developing countries' historical responsibility. Based on the initial list of pledges to the Fund, which, with the exception of the UAE, are all from developed country Parties do point to a traditional pattern in the donor base. Without a broadening of the contributors and funding sources, it is unlikely that the Fund will be able to respond to loss and damage at the scale required by developing countries and there is a risk of simply repurposing of adaptation or development finance toward the Fund.

In connection with the above, there is also the risk that the new Fund becomes 'another GCF', replicating the same inefficiencies while also adding to the funding competition among the vertical funds in the landscape. It will be critical recognize the pitfalls and shortcomings of especially the GCF but also the GEF, AF and others, in the process of setting up the structure and various modalities of the Fund.

Similar to the dynamics that are characterizing the GCF Board, there is a risk of political influence of the UNFCCC COP to the Board of the Fund, which was already observed during the TC process and can potentially lead to inefficiencies in the decision making. In particular, the divergence between developed countries and high-income developing countries on resource allocations are pertaining risks to the Fund's ability to effectively disburse funds in a timely manner to those most in need. Whereas these topics will not be addressed by the Board until a later stage, the first two meetings have indicated that the usual UNFCCC positions are lurking in the background even if the Board has been able to come to agreement on all agenda items so far. Moreover, while the access modalities have yet to be developed, there is a substantial risk that the most vulnerable countries, fragile and conflict-affected settings and communities will not have the necessary institutional capacity to access fund, including in ahead of a rapid onset event.

Furthermore, in the process of operationalizing the Fund and its' modalities there is a risk that the Board and Secretariat will primarily be attentive to the Fund itself and less on its complementarity with other funding arrangements, including relevant initiatives, other funds, the humanitarian system, Santiago Network, etc. Without sufficient coordination to ensure coherence between the Fund and the broader mosaic of funding arrangements leading, and having a clear approach to do so, there is substantial risk of inefficiency and duplication of efforts.

With the expectations and sense of urgency that disbursements should be provided as early as possible, the Board will have to navigate through various risks as the Fund's structural framework takes form. Both those that are known from the experience with the GCF and GEF but more so the risks related to an operational modality that also incorporates rapid disbursements and direct access, which so far is a relatively untested area among the UNFCCC funds.

As part of the Organisation Strategy to be formulated in conjunction with any future contribution, Denmark will elaborate on risks that emerge as the Fund's business model takes shape, and as Denmark's engagement with the Fund also matures.

10 Closure

A long-term engagement between Denmark and the Fund is foreseen. While no sunset provisions have been elaborated in the Governing Instrument, the Board may recommend the termination of the Fund for consideration by the COP and the CMA.

Once the Fund has been fully operationalized as a FIF and included in the OECD-DAC Annex-2, an Organisation Strategy will be formulated and thereby replacing this programme document.

ANNEX 1: STATUS OF PLEDGES

3. The table below, provided by the COP 28 Presidency, provides information on the status of pledges to the Fund for responding to loss and damage, as at 12 April 2024.

Status of pledges to the Fund for responding to loss and damage as at 12 April 2024

<i>Contributor</i>	<i>Amount pledged (million)</i>	<i>Amount pledged (USD million)</i>
Canada	CAD 16	11.6
Denmark	DKK 175	25.5
Estonia	EUR 0.05	0.05
European Commission	EUR 25	27.1
Finland	EUR 3	3.26
France	EUR 100	108.9
Germany	USD 100	100
Iceland	USD 0.6	0.6
Ireland	EUR 25	27.3
Italy	EUR 100	108.9
Japan	USD 10	10
Netherlands (Kingdom of the)	EUR 15	16.3
Norway	USD 25	25
Portugal	EUR 5	5.45
Slovenia	EUR 1.5	1.63
Spain	EUR 20	21.7
United Arab Emirates	USD 100	100
United Kingdom	GBP 40	50.6
United States	USD 17.5	17.5
Total		661.39

Source: COP 28 Presidency.

ANNEX 2: RISK MANAGEMENT MATRIX

Risk Factor	Likelihood	Impact	Risk response
Continued scepticisms about the hosting of the Fund within the World Bank leads to delays in agreeing to modalities and criteria for project approval and disbursement of funds.	Unlikely	Medium	Continue the ongoing, structural dialogue between the Bank, the Board and other stakeholders to ensure that concerns are considered and addressed.
The Fund will not be able to mobilize resources at the scale needed leading to unfunded pipelines and delays in disbursements	Likely	Medium	The Board is expected to develop and approve a resource mobilization strategy and will also have to explore ways for leveraging innovative funding sources.
Political influence of the UNFCCC COP to the Board potentially leading to inefficiency in decision-making.	Likely	Medium	Focus of increasing the predictability of the Board's policy development and work plan. Denmark and others will seek alliances with developing countries on subjects with common interest and advocate for a "one-board" approach.
Insufficient coordination with the broader mosaic of funding arrangements leading to inefficiency and duplication of efforts.	Likely	Medium	The high-level dialogue that the Board will be responsible for organising together with UNSG is supposed to address this risk. Denmark will also advocate to ensure close coordination with key initiatives in the funding arrangements supported by Denmark such as the Risk-informed Early Action Partnership (REAP), Global Shield, Early Warnings for All and WFP's Anticipatory Action Programme.

ANNEX 3: BUDGET DETAILS

Years	2024	Total
Core contribution	175,000	175,000

ANNEX 4: PAP

Process Action Plan (PAP) for the Danish support to the Fund for responding to loss and damage

Action/product	Deadlines	Responsible/involved units	Comment/status
Meeting in Programme Committee	June 4 th	LÆRING/ KLIMA	<i>List of received responses from the consultation</i>
Finalisation of the project/programme document	June-August		
Quality assurance: Appraisal	August/September		
Draft Appraisal Report, including summary of conclusions and recommendations	September/October	LÆRING/KLIMA	<i>Min. 13 working days before meeting in Council for Development Policy</i>
Final appraisal report integrating comments from responsible unit and partner	Early October	LÆRING/KLIMA	
Final Project Document, annexes and appropriation cover note forwarded to LÆRING	14 October	LÆRING/KLIMA	
Presentation to the Council for Development Policy	31 October	KLIMA	
The minister approves the project	November	LÆRING submits the proposed project/programme together with the minutes of meeting	
Launch of high-level dialogues on coordination and complementarity with the broader landscape of existing and new funding arrangements	11-12 November (high level segment, COP29)	KLIMA	
Initial deliberation on the Fund's business/operational model, including access modalities, eligibility, etc.	B.4, 2-5 December	KLIMA	<i>To be continued throughout 5-7th Board meetings in 2025 and beyond</i>
First high-level dialogue	In conjunction with the World Bank 2025 Spring meetings	KLIMA	<i>Subsequent dialogues will be organized jointly by the Fund and UN Secretary General, most likely during UNGAs.</i>

ANNEX 5: DEADLINES FOR THE FND IN THE UNFCCC PROCESS

Deadlines for delivery of mandates

<i>Mandate</i>	<i>Deadline</i>	<i>Relevant paragraph(s) of decisions 1/CP.28 and 5/CMA.5</i>	<i>Links to and possible implications for other mandates contained in decisions 1/CP.28 and 5/CMA.5</i>
1. Select the Executive Director of the Fund through a merit-based, open and transparent process	Promptly	Paragraph 11 Annex I, paragraphs 22(q) and 33	Paragraphs 21–22: Dependent on whether the Fund is a World Bank-hosted FIF or an independent stand-alone institution Staff selection of the new, dedicated and independent secretariat to be managed by the Executive Director; secretariat will be headed by the Executive Director
2. Approve the job description and required qualifications for the Executive Director		Annex I, paragraph 33	Paragraphs 21–22: Dependent on whether the Fund is a World Bank-hosted FIF or an independent stand-alone institution
3. Select the host country of the Board through an open, transparent and competitive process, with the host country to confer on the Board legal personality and the legal capacity necessary for discharging its roles and functions		Paragraphs 15–16	Paragraph 19: Board discharging its roles and functions through conferral of legal personality and legal capacity to the Board, as necessary, including a hosting agreement between the Board of the Fund and the World Bank
4. If the World Bank has not confirmed that it is willing and able to meet the conditions set out in paragraph 20 of decisions 1/CP.28 and 5/CMA.5, the Board will launch the selection process for the host country of the Fund and will seek approval of the necessary amendments to the Governing Instrument of the Fund from COP 29 and CMA 6	Within six months after the conclusion of COP 28 (12 June 2024) or from the moment the World Bank confirms that it is not willing and able to meet the conditions Amendments to the Governing Instrument of the Fund will be made at COP 29	Paragraph 21	
5. Determine whether the FIF documentation ensures that the conditions can be met during the interim period. If not, the Board will: <ul style="list-style-type: none"> Recommend that the COP and the CMA take the necessary steps to operationalize the Fund as an independent stand-alone institution Propose necessary amendments to the Governing Instrument for the Fund 	By COP 29 and CMA 6 From the moment the Board receives the relevant FIF documentation from the World Bank, as per paragraph 19 of decisions 1/CP.28 and 5/CMA.5 (not later than 13 August 2024) up until COP 29	Paragraph 22	If the conditions cannot be met, operationalization of the Fund as an independent stand-alone institution
6. Before the end of the interim period, undertake an independent assessment of the performance of the World Bank as host of the Fund's secretariat, to determine whether the conditions have been met If the conditions have not been met: <ul style="list-style-type: none"> Recommend that the COP and the CMA take the necessary steps at the end of the interim period to establish the Fund as an independent stand-alone institution Propose necessary amendments to the Governing Instrument of the Fund If the conditions have been met, recommend to the COP and the CMA that the World Bank be invited to continue operationalizing the Fund as an FIF, with or without conditions, as appropriate	Before the end of interim period (i.e. four years starting from the sessions of the COP and the CMA at which the Board confirms that the conditions can be met)	Paragraphs 23–24	The time frame for the independent assessment will have to ensure that the results will be available before the end of the interim period The Board's recommendations will have to be forwarded at COP 33 The results of the assessment should be available well before COP 33 to allow sufficient time for the Board to determine whether the conditions have been met and make recommendations to COP 33
7. Prior to the establishment of the FIF, provide guidance to the World Bank as it takes the necessary steps to establish the FIF	Prior to FIF establishment (starting from the sessions of the COP and the CMA at which the Board confirms that the conditions have been met)	Paragraph 25	
8. Submit annual reports to the COP and the CMA for their consideration	Prior to COP 29	Annex I, paragraph 13(c)	Board confirmation that the conditions referred to in paragraph 20 of decisions 1/CP.28 and 5/CMA.5 can be met Operationalization of the Fund as a World Bank-hosted FIF for an interim period of four years

<i>Mandate</i>	<i>Deadline</i>	<i>Relevant paragraph(s) of decisions 1/CP.28 and 5/CMA.5</i>	<i>Links to and possible implications for other mandates contained in decisions 1/CP.28 and 5/CMA.5</i>
9. Develop and approve operational modalities, access modalities, financial instruments and funding structures		Annex I, paragraph 22(b)	
10. 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		Annex I, paragraphs 22(d) and 57	
11. Approve specific operational policies and frameworks, including for the programme and project cycle		Annex I, paragraph 22(e)	
12. Develop a mechanism that will help ensure the activities financed by the Fund are implemented in line with environmental and social safeguards and fiduciary principles and standards that promote a high level of integrity		Annex I, paragraph 22(f)	
13. Develop, approve and periodically review the Fund's results measurement framework		Annex I, paragraphs 22(g) and 63	
14. Establish subcommittees, panels and expert bodies, as appropriate, and define their terms of reference		Annex I, paragraph 22(h)	
15. Develop an accountability framework for funding approvals		Annex I, paragraph 22(i)	
16. Develop a system for allocating resources		Annex I, paragraphs 22(j) and 60	
17. Develop relevant indicators and triggers to clarify access to different sources of support provided through the Fund		Annex I, paragraph 22(l)	
18. Establish, as appropriate, procedures for the monitoring and evaluation of performance and the financial accountability of activities financed by the Fund, and for any necessary external audits		Annex I, paragraph 22(m)	
19. Review and approve the administrative budget and work programme of the Fund and arrange for performance reviews and audits		Annex I, paragraph 22(n)	
20. Prepare a long-term fundraising and resource mobilization strategy and plan for the Fund		Annex I, paragraphs 22(p) and 56	
21. Provide recommendations to the COP and the CMA, including information on means to enhance consistency, coordination and coherence with other sources, funds,		Annex I, paragraph 22(s)	

<i>Mandate</i>	<i>Deadline</i>	<i>Relevant paragraph(s) of decisions 1/CP.28 and 5/CMA.5</i>	<i>Links to and possible implications for other mandates contained in decisions 1/CP.28 and 5/CMA.5</i>
initiatives and processes under and outside the Convention and the Paris Agreement			
22. Elect two Co-Chairs from within its membership		Annex I, paragraph 23	
23. Develop procedures for determining when all efforts at reaching consensus have been exhausted		Annex I, paragraph 26	Development of additional rules of procedure
24. Adopt procedures for taking decisions between meetings		Annex I, paragraph 26	Development of additional rules of procedure
25. Make arrangements to allow for the effective participation of observers in its meetings, including developing and carrying out an observer accreditation process		Annex I, paragraph 27	
26. Establish consultative forums to engage and communicate with stakeholders		Annex I, paragraph 28	
27. Develop mechanisms to promote the input and participation of stakeholders		Annex I, paragraph 29	
28. Develop additional rules of procedure		Annex I, paragraph 31	
29. Develop various modalities to facilitate access to the Fund's resources		Annex I, paragraph 49	
30. Develop simplified procedures and criteria for fast-tracked screening to determine functional equivalency with internationally recognized standards of national and/or regional funding entities' safeguards and standards to manage funded programmes and projects in country, as appropriate		Annex I, paragraph 50	
31. Create an approach to developing partnerships with other entities that form part of the funding arrangements		Annex II, paragraph 9	
32. Develop standard procedures informed, inter alia, by the work of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts to identify sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement that are assisting developing countries in responding to loss and damage		Annex II, paragraph 10	
33. Co-convene with the United Nations Secretary-General the annual high-level dialogue on coordination and complementarity		Annex II, paragraphs 8 and 13	

<i>Mandate</i>	<i>Deadline</i>	<i>Relevant paragraph(s) of decisions 1/CP.28 and 5/CMA.5</i>	<i>Links to and possible implications for other mandates contained in decisions 1/CP.28 and 5/CMA.5</i>
34. Report on the dialogue through its annual report to the COP and the CMA, including information on actions to implement the recommendations arising from the dialogue, as well as recommendations on new funding arrangements	Prior to COP 29	Annex II, paragraph 12	
35. Develop methods to enhance complementarity between its activities and the activities of other relevant bilateral, regional and global funding mechanisms and institutions in order to better utilize the full range of financial and technical capacities and promote coherence in programming at the national level		Annex I, paragraphs 52–53	
36. Form partnerships with other funding arrangements to address priority gaps in their activities		Annex I, paragraph 53	

Abbreviations: CMA = Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, COP = Conference of the Parties, FIF = financial intermediary fund.

ANNEX 6: CONTRIBUTION AGREEMENT

Trust Fund Contribution Agreement between the [name of Contributor] and the International Bank for Reconstruction and Development, serving as the [interim] trustee of the Trust Fund for the Fund for responding to Loss and Damage (MTO No. [insert TF number])

1. The International Bank for Reconstruction and Development (the “Bank”), serving as the [interim] trustee (the “Trustee”) of the **Trust Fund for the Fund for responding to Loss and Damage** (MTO No. [insert TF number]) (the “Trust Fund”), acknowledges that the [name of Contributor] (the “Contributor”, and together with the Bank, the “Parties” and each a “Party”) agrees to provide the sum of _____ [insert amount and currency written out in words] (_____ [insert abbreviated currency reference and numerical amount]) (the “Contribution”) for the Trust Fund in accordance with the terms of this Contribution Agreement. The capitalized terms used in this Contribution Agreement and not defined herein shall have the meaning given to them in the Trustee Agreement on the Terms and Conditions for the Administration of the **Trust Fund for the Fund for responding to Loss and Damage** dated _____, 202_ between the Board of the Fund for responding to Loss and Damage and the Trustee, as may be amended from time to time in accordance with its terms (the “Trust Fund Agreement”).

2. The Parties hereto agree that: (a) the Trustee shall administer the Contributions received in the Trust Fund in accordance with the Trust Fund Agreement (including all Annexes attached thereto, which constitute an integral part thereof); and (b) the terms and conditions of the Trust Fund Agreement shall apply to this Contribution Agreement. In case of any inconsistency between this Contribution Agreement and the Trust Fund Agreement, the terms of the Trust Fund Agreement shall prevail.

3. The Contributor confirms that it has received a copy of the Trust Fund Agreement, and acknowledges that the Trustee may receive contributions from other contributors to the Trust Fund, which, together with the Contributions, shall be accounted and administered as a single trust fund, on the terms and conditions specified in paragraph 2 above.

4. The Contributor shall make payments for the Contribution to the Trust Fund in cash as follows:

4.1 The Contributor shall deposit the Contribution [promptly following countersignature of this Contribution Agreement in the full amount and currency specified in paragraph 1 above into such bank account designated by the Trustee upon submission of a payment request by the Trustee.] **OR** [in accordance with the following schedule and in the currency specified in paragraph 1 above into such bank account designated by the Trustee (each amount deposited hereinafter referred to as an “Installment”) upon submission of a payment request by the Trustee:

[(A) [Promptly following countersignature] [By ___ [insert date]] – _____ [insert currency and amount]

[(B) [By _____ [insert date]] – _____ [insert currency and amount]]

[(C) [By _____ [insert date]] – _____ [insert currency and amount]]]

4.2 When making any deposit, the Contributor shall instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Contributor for MTO No. [insert TF number] (**Trust Fund for the Fund for responding to Loss and Damage**)

and the date of the deposit (the “Deposit Instructions”). In addition, the Contributor shall provide a copy of the Deposit Instructions to the Trustee, upon the Trustee’s request.

5. Except with respect to the Deposit Instructions, any notice, request or other communication to be given or made under this Contribution Agreement shall be in writing in the English language and delivered by mail, facsimile or e-mail to the respective Party’s address specified below or at any other address as the Party may notify in writing to the other Party from time to time:

For the Trustee:

Director
Trust Funds and Partner Relations
Development Finance
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Tel: +1 202-_____
E-mail: _____@worldbank.org

For the Contributor:

[Name _____
Title _____
Office _____
Address _____

Tel:
Fax:
E-mail: _____]

6. This Contribution Agreement may be amended only by written amendment between the Parties.