



Discussion Paper

# THE INAUGURAL MEETING OF THE LOSS AND DAMAGE FUND

The first full board meeting of the United Nations Loss and Damage Fund, hosted by the World Bank, was held in April 30- May 2, 2024, in Abu Dhabi, United Arab Emirates (UAE).

The meeting marks a significant step forward for the fund, which was operationalized at the Conference of Parties-28 (COP28) UN Climate Change Conference held in December 2023. Prior to the opening of the meeting, Dr Sultan Al Jaber, COP28 President and UAE's Special Envoy for Climate Change, addressed the nominated members of the Board.

“We must make this fund robust, we must make this fund efficient, and we must scale up this fund in order for it to deliver against its mandate,” he said. “It should help real people in vulnerable communities to recover from climate impacts. It should build back those communities better, stronger and with more resilience. And it should improve lives and livelihoods for the long term.”

# 1-Background

Loss and Damage Fund is the United Nations climate bureaucracy's term for funds and funding mechanisms designed to quickly and directly help communities cover the costs of lives, livelihoods, property and infrastructure lost to climate disasters without driving them deeper into debt.

The concept is embedded in the United Nations Framework Convention on Climate Change's (UNFCCC) founding language as a principle of fairness that rich and developed countries—which produced the vast majority of the cumulative greenhouse gas emissions driving global warming—will help developing countries that have done little to heat the climate but are enduring disproportionate damages from extreme weather events and other climate impacts.

After simmering as a side issue for 20 years, loss and damage became a central pillar as Article 8 of the 2015 Paris Agreement. The 196 UNFCCC countries agreed in 2022 at COP27 in Egypt to establish the fund, and a year later, at COP28 in Dubai, the preliminary plan was approved, leading to the formation of the board that met last week.

The board of the loss and damage fund has 12 members from developed countries and 14 from developing countries, distributed both geographically and among the United Nations development levels. So far, 19 countries have pledged a total of \$661 million to the fund. No specific goal for a total sum in the fund has been identified but developing countries said during the formation process that it should be able to pay out 100 billion US dollars per year from the start.

The fund will be hosted, at least temporarily, by the World Bank, despite some developing countries suspicions of the institution due to its history of being part of the problem of climate change rather than the solution. Other concerns about the World Bank hosting the loss and damage fund include high financial fees and a perception that it is controlled by large donors, according to an analysis by Climate Analytics, an international climate policy think tank.

As a result, the hosting agreement with the World Bank is subject to a list of conditions originally spelled out in the COP27 loss and damage decision text, and formal approval is still pending. Key conditions include independence for the loss and damage fund board to choose an executive director and to establish its own eligibility requirements, as well as ensuring that developing countries, including countries that are not members of the World Bank, can directly access resources.

Renaud Seligmann, the World Bank's director for strategy and operations with the

sustainable development practice group, who participated in the meeting in Abu Dhabi, said the World Bank's board of directors has given a "resounding vote [in April] of support for the bank's role as interim trustee and interim host of this fund."

Still outstanding, he said, is "a finalized model" that is consistent with all existing UNFCCC decisions on loss and damage and is consistent with "the principles of good governance and good risk management that are embedded in our policies."

Seligmann said the bank is confident that it can meet a June 13, 2024, deadline to meet the conditions of the UNFCCC for the fund.

## 2. Participants

Other than the fund's own board of directors, following stakeholders also took part in the meeting:

- Representatives from developed and developing countries: 26
- Observers from organizations such as the Center for International Environmental Law, Climate Action Network International, and the global Fossil Fuel Non-Proliferation Treaty Initiative.
- Notable figures like Renaud Seligmann of the World Bank

## 3. Discussion Points

The three-day meeting held in Abu Dhabi provided the first opportunity to the newly constituted board of the Loss and Damage Fund to engage with the World Bank after its establishment as a World-Bank-hosted financial intermediary fund (FIF). The board and the World Bank exchanged their views on the conditions for establishing a FIF, including ensuring that the most vulnerable people on the frontlines of climate impacts are able to access support from the fund, including through direct access to fund resources.

"The establishment of the fund . . . marked a fundamental step in showcasing the joint commitment by all Parties to address the enormous challenge of responding to loss and damage," said Daniele Violetti, Senior Director of Programmes Coordination at the UN Climate Change. "It is now time to fill this fund with life to ensure that it can fulfil its objective and purpose as quickly as possible as time is indeed of the essence."

The fund's board also took several important decisions that will lay the foundation for its work in 2024, including electing Jean-Christophe Donnellier of France and Richard Sherman of South Africa as its co-chairs. The board started a process to select its Executive Director

and launched work on access modalities, financial instruments, modalities and facilities, arrangements for establishing and operationalizing the annual high-level dialogue, and ensuring active participation of observers in the Board meetings and related proceedings.

The meeting's participants discussed the fund's potential to expedite the availability of climate finance in regions affected by climate change-induced disasters such as floods, heatwaves and droughts.

Some of the topics discussed during the meeting included:

- Ensuring an inclusive and participatory decision-making process for the fund's management.
- Providing direct access to financial resources to countries impacted by climate disasters.
- Strengthening the capacity of vulnerable countries to deliver support to affected communities.
- Addressing the principles of fairness embedded in the United Nations Framework Convention on Climate Change.
- Emphasis on providing funds directly to countries and communities
- Emphasis on providing climate financing as grants rather than as loans which are generally provided through third-party financial intermediaries.

## 4. Decisions Taken

- Agreement on hosting the loss and damage fund by the World Bank, subject to specific conditions outlined in the COP27 loss and damage decision text.
- Commitment from the World Bank to accept conditions and engage with the fund's board to ensure compliance and effectiveness.

Per the Decision, there are three key milestones for the Bank's engagement:

- The Bank is asked to confirm, within six months after the conclusion of COP28 (i.e., by early June 2024) that it is willing and able to meet a set of conditions stipulated in paragraph 20 of the Decision.
- The Bank is asked to submit to the Board of the FLD by no later than eight months after COP28 (i.e., by early August 2024) the relevant FIF documentation, approved by the World Bank's Board of Directors, including a hosting agreement between the Board of the FLD and the World Bank based on consultations with and guidance from the Board of the FLD



- » The Decision outlines 11 conditions for the Bank’s engagement, all of which are broadly in line with policies and practices related to the establishment and management of FIFs and are not expected to pose any prohibitive issues.
- » An important condition for the developing countries amongst the 11 highlighted is:
  - c) Allows all developing countries to directly access resources from the Fund, including through subnational, national and regional entities and through small grant funding for communities, consistent with the policies and procedures to be established by the Board of the Fund and applicable safeguards and fiduciary standards.
  - This condition would be met in the World Bank proposed approach. The World Bank’s FIF Directive (2022) provides for World Bank-hosted FIFs to allow the Direct Access (DA) modality when a FIF has independent legal personality and enters into the financing agreements with recipients. However, final confirmation rests on the structure of the FLD, which will be dependent on the outcome of the discussion related to the role of the World Bank in concluding financing agreements.

## 5-Reactions and Responses

Lien Vandamme, a policy expert with the Center for International Environmental Law, who attended the fund’s first board meeting in Abu Dhabi last week as an observer, saw hopeful signs at the meeting that the fund will use a more inclusive and participatory decision-making process to give countries hit by climate disasters more direct access to money for rebuilding, steering climate finance in a new direction.

“Developing countries have been clear from the start that this fund needs to be different,” she said. “It can no longer be about consultants flying in and out of a country to implement a project. The fund should contribute to strengthening the capacity of countries vulnerable to the climate crisis to deliver the support needed to their communities.”

Harjeet Singh, who works with the global Fossil Fuel Non-Proliferation Treaty Initiative and who also participated in Abu Dhabi meeting, said:

The process of establishing the loss and damage fund, especially the last few years, has felt more collaborative than some other UNFCCC processes, possibly because it’s almost impossible to ignore the dire costs of climate impacts adding up globally.

“This journey ... has been very different,” he said. The process has been more inclusive for civil society from the start, leading to a “very different space where everyone feels like they are building a ship together,” he said.

For Singh, one of the key conditions in the agreement with the World Bank is that loss and damage funds become directly available to countries and communities as grants, and not as loans through third-party financial intermediaries. The signals from the bank on that condition are positive, he said.

“There is no cut that goes to the intermediary organization for their own overhead,” he said.  
“And there are no strings attached on how money needs to be spent, so money moves much faster.”

When a disaster strikes, he said, countries that need help should be able to send a simple one or two page proposal, without first doing a massive damage assessment, and the loss and damage funds should flow right away, because delays do nothing but “push these countries back by several years or decades, and deeper into a debt cycle,” he said.

He mentioned research studies that estimate that current loss and damage costs in developing countries stand between 290 billion US dollars and 580 billion US dollars per year. This cost is expected to reach between 1 trillion US dollars to 1.8 trillion US dollars by 2050. The board of the Loss and Damage Fund should be thinking on that order of magnitude, he said.

Barbados Prime Minister Mia Mottley, who outlined a series of finance measures that could address the urgent needs of developing countries without disrupting economies, said something similar: “If you don’t have a vision of a trillion dollar fund, if you create a fund which is just channeling a couple of millions, sorry, it’s a disrespectful waste of time.”

### **Will the United States Contribute?**

France, Germany, Italy and the United Arab Emirates have all pledged at least 100 million US dollars to the fund. The United States was criticized at COP28 for a relatively small 17.5 million US dollars pledge, but former US Special Climate Envoy John Kerry has said that talking about damages pushes people away, and that the world will “never see a dime” from the US for anything that sounds like an admission of liability or smacks of compensation.

The US has been very clear that it does not see loss and damage finance as reparations or having any link to compensation or liability, which might leave a way to thread that political needle, said Brandon Wu, who was at last week’s loss and damage fund board meeting as an observer with Action Aid USA. Still, he said it’s doubtful that Congress will ever approve loss and damage funding.

## 6-References

Loss and Damage Meeting Shows Signs of Giving Developing Countries a Bigger Voice and Easier Access to Aid - Inside Climate News

The Board of the Fund for Responding to Loss and Damage Holds its Historic First Meeting | UNFCCC

First Meeting of the Board of the Fund for responding to loss and damage | UNFCCC