



Indonesia  
Research  
Institute for  
Decarbonization

# Shaping the Fund for Responding to Loss and Damage



July 2025



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July 2025

This publication is available for download on:

<https://irid.or.id/publication/>

Based on the discussion conducted by Indonesia Research Institute for Decarbonization (IRID), Germanwatch, Institute for Climate and Sustainable Cities (ICSC), LAYA-INECC, and Greenovation Hub on 24 July 2025.

The materials presented have received consent from the relevant sources.

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## List of Abbreviations

AF	: Adaptation Fund
BIM	: Barbados Implementation Modalities
CDM	: Clean Development Mechanism
CMA	: Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	: Conference of the Parties
CSOs	: Civil Society Organizations
FRLD	: Fund for Responding to Loss and Damage
GCF	: Green Climate Fund
ICSC	: Institute for Climate and Sustainable Cities
IRID	: Indonesia Research Institute for Decarbonization
LDCs	: Least Developed Countries
MDBs	: Multilateral Development Banks
SIDS	: Small Island Developing States
UNFCCC	: United Nations Framework Convention on Climate Change
US	: United States
USD	: United States Dollar
WIM	: Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts

## 01. Background

At the twenty-seventh session of the Conference of the Parties (COP27) in 2022, Parties agreed to establish a separate and dedicated fund for responding to loss and damage associated with the impacts of climate change, under the Paris Agreement and the United Nations Framework Convention on Climate Change (UNFCCC). Since then, the Fund for Responding to Loss and Damage (FRLD) has made several initial advances, including the adoption of the Governing Instrument of the Fund, the selection of the Philippines as the host country of the Board, and the appointment of its Executive Director. Building on this foundation, the year 2025 now marks a critical phase towards the full operationalization of the FRLD in line with its intended purpose.

At its fourth Board meeting (B4), the Board of the FRLD agreed on the 2025 work plan, which focuses on setting up the institutional and operational framework for the FRLD. Drawing on lessons from existing multilateral funds, particularly those established under the UNFCCC, the issue of **access to the FRLD is emerging as a key topic with various expectations, especially from developing countries**. Therefore, designing how the FRLD fits with its purpose is crucial for developing countries.



Furthermore, for many climate-vulnerable countries and regions, loss and damage due to climate change is not only limited to economic or infrastructural concern, but also to cultural, ecological, and social systems. Organizations which work directly with decentralized and community-led initiatives across the Global South, highlight the importance of ensuring that the FRLD's access modalities and priorities reflect this complexity. There is an urgent need to make space for locally grounded knowledge and systems that do not often fit properly within conventional development finance frameworks.

At [its fifth Board Meeting \(B5\)](#), the Board adopted the Barbados Implementation Modalities (BIM), which include the allocation of USD 250 million for a pilot phase, enabling Parties to submit project proposals ranging from USD 5-20 million per project. However, the implementation of BIM requires adequate and timely financial resources, which currently remain insufficient compared to the pledges announced. Hence, delivering the pledges ahead of COP30 will be essential to fully operationalize the FRLD.

In addition, there are diverse perspectives on how the FRLD should operate. Many of the perspectives are rooted in the lived experiences of communities and may not yet be fully reflected in the official processes. These community-grounded perspectives shaped by realities of non-economic loss, human mobility, and climate-linked livelihood disruption must be meaningfully acknowledged and integrated into the Fund's institutional framing if it is to be truly equitable and responsive.

Recognizing these circumstances, the Indonesia Research Institute for Decarbonization (IRID), Germanwatch, the Institute for Climate and Sustainable Cities (ICSC), LAYA-INECC, Greenovation Hub, and SLYCAN Trust, co-organized a webinar session on the Fund for Responding to Loss and Damage (FRLD) on 24 July 2025. The discussion was expected to bring understanding about the FRLD and its current progress, as well as to provide a space for knowledge sharing on key elements for FRLD to be fit for purpose and to ensure equitable and inclusive access to the Fund.

## 02. Current Status of the FRLD

The negotiation of loss and damage agenda under the UNFCCC remains slow, with polemic centered on developed and developing countries' position regarding financing loss and damage. At the same time, there is growing evidence of adverse impacts of climate change, resulting in loss and damage on the ground that needs to be addressed. Despite the slow progress on the negotiation, some developments have been made, including in the context of the establishment of FRLD.

### 2.1 Timeline of FRLD Discussion

The discussion of loss and damage finance can be tracked back as early as 1991, when climate negotiators from Vanuatu proposed the concept of compensation from developed countries for loss and damage caused by climate change, particularly to address sea-level rise. Fast forward to 2013, following the Typhoon Haiyan which struck the Philippines, the Philippines government started talking about loss and damage more intensively. In the same year, Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM) was established, along with its Executive Committee (ExCom) to provide technical guidance to address loss and damage. In 2015, the issue of loss and damage is included in the [Article 8 of the Paris Agreement](#) and in 2019, review of the WIM was carried out to assess the progress made by the WIM since its establishment. The review led to the formal establishment of the Santiago Network to catalyze technical assistance on loss and damage for developing countries.

At COP27 in 2022, loss and damage issues were initially excluded from the UNFCCC's negotiation agenda. Nevertheless, with strong pressures from G77+China and civil society organizations (CSOs), the COP27 Presidency then facilitate the conversations among Parties, resulted in the groundwork for what is now known as FRLD.

### 2.2 The Status of FRLD

After two years of its establishment, FRLD has undergone significant development. Although FRLD is currently at its start-up phase, the Fund has progressing in several areas, among others: (i) the development of interim institutional arrangement to guide its work moving forward, and (ii) the operationalization of the FRLD, including the launch of Barbados Implementation Modalities (BIM) as a start-up phase to deliver initial support.

#### A. Status of Resources.

In 2023, at COP28 in Dubai, announcements were made on pledges for the FRLD, totaling around USD 788 million. Although it signaled some progress and was welcomed by many people, the initial pledge falls far short of the conservative estimate of USD 400–800 billion needed by 2030 to address economic cost of climate-related loss and damage in developing countries. If the FRLD aims to reflect the actual scale of needs in addressing loss and damage, including the non-economic losses, the funding for loss and damage must reach at least USD 1 trillion per year.



### STATUS OF RESOURCES

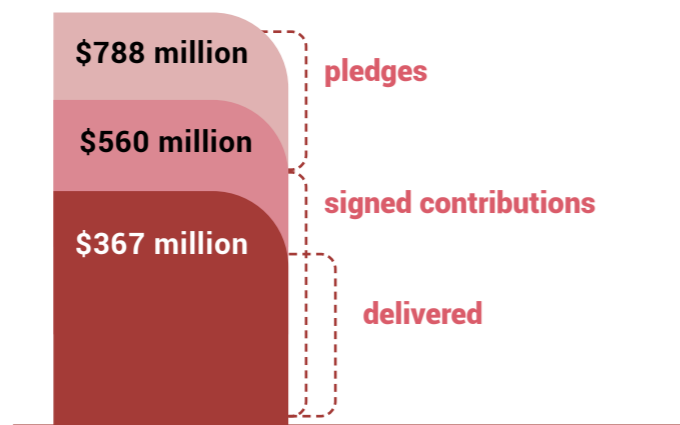
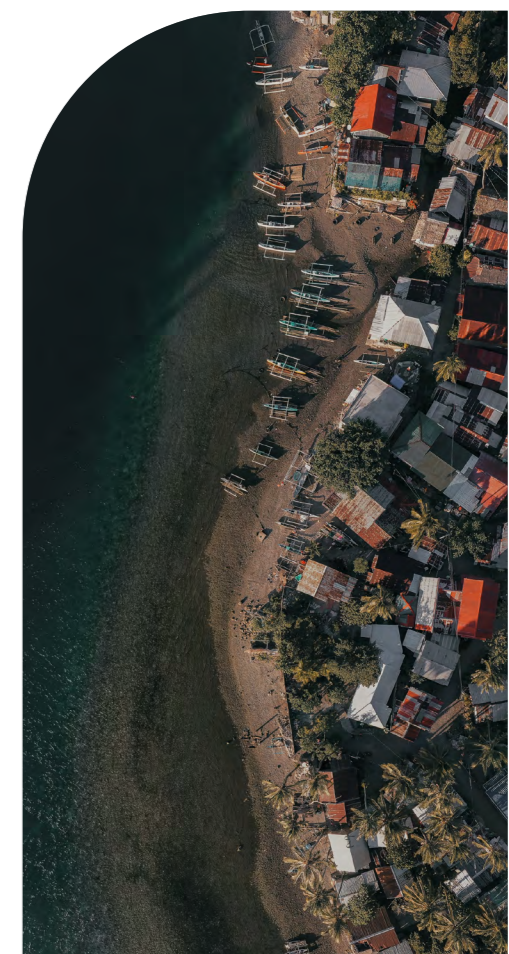


Figure 1. Status of Resources of FRLD (APMDD, 2025)

Of the USD 788 million pledged, only USD 367 million has been received by the FRLD, as of July 2025. The United States (US) and Germany have paid their [full pledges](#) of USD 17.5 million and EUR 92 million (USD 98.24 million), respectively; while the United Kingdom (UK) have committed to pay in installments. However, it remains unclear whether their initial pledges represent their total contribution, or if there will be additional contributions from them.

### B. The Philippines as Host Country of the FRLD Board

The Philippines has been decided as the host country for the Board of the FRLD. The Board of the FRLD is mandated to provide the institutional and legal arrangements necessary to support the effective function of the FRLD. This includes ensuring the legal and operational environment that allows the FRLD to operate independently, transparently, and efficiently, in accordance with its Governing Instrument (GI). Furthermore, it has been decided that the Board of the FRLD will be conferred with the legal personality and capacity necessary for discharging its roles and functions. For instance, the Board of FRLD has the legal capacity to negotiate, conclude, and enter into a hosting arrangement with the World Bank. Nonetheless, the Philippines as **the host country of the Board does not hold an advantage or influence over the decisions concerning the direction of the FRLD**. The mandate remains with the FRLD Board.



### C. The Host of the FRLD Secretariat: World Bank

During the transitional period when the FRLD was being established, the US proposed the World Bank to serve as the host of the FRLD, arguing that placing the FRLD under a well-established institution would expedite its operationalization. However, the developing countries questioned whether the US proposal aligned with the COP mandate, which stipulated that the FRLD would need to create its own governing instruments and rules of procedure, as well as to have an independent board and secretariat. Furthermore, CSOs have rejected the selection of the World Bank as the host of the FRLD Secretariat.

Eventually, the World Bank was selected as the host of the FRLD secretariat, albeit only for an interim period. The Board may decide on the new hosting arrangements after four years. As the host of the FRLD Secretariat, the World Bank is mandated to provide administrative and operational support. This includes managing daily activities, coordinating communication, overseeing financial management, and facilitating the implementation of the FRLD programs under the guidance of the Board.

Although the World Bank is the host of the FRLD's secretariat, the developing country members of Transitional Committee ensured that strict conditions were applied to the World Bank. The current arrangement sets out that the FRLD secretariat will maintain its independence and will only serve the FRLD Board, not the World Bank.



#### D. The Launch of Barbados Implementation Modalities (BIM)

The Board of the FRLD has decided to launch the start-up phase called the Barbados Implementation Modalities or BIM for delivering initial support. **From the available resources, FRLD will allocate USD 250 million for the period 2025–2026, with a budget of USD 5–20 million for each activity or program.** The Board also agreed to set a **50% minimum allocation floor of the USD 250 million for Least Developed Countries (LDCs) and Small Island Developing States (SIDS).** Although BIM has been launched, until the Sixth Board Meeting, there are still many items remaining without consensus among the Board members regarding FRLD operationalization, such as on the access modalities of the FRLD.

#### E. Disagreement Over the Access Issues of FRLD



The issue of access to the FRLD was among a central point of discussion at the [Sixth Board Meeting \(B6\)](#) in Cebu, Philippines. The establishment of FRLD was rooted in the recognition that countries with least responsibility to the climate crisis are left to bear its impacts alone. Hence **the developing countries expect the FRLD to enable swift disbursement and direct access for all those needing support in the event of loss and damage.** Swift disbursement and direct access are expected to be key elements that differentiate FRLD from existing climate funds. It has been emphasized that FRLD must remove any barriers on access and provide needs-based support in a timely manner.

While at the outset it was agreed that the fund can be accessed by all developing countries in accordance with the debate around the eligibility to access the Fund, remains that need to be met by developing countries to access the Fund<sup>1</sup>. Risk placing an burden on developing countries, since many criteria and the indicators are difficult to quantify and evaluate, such as "effective involvement", "ensure efficiency", "effectiveness and sound financial management", as well as "complementarity and coherence". "effective involvement", "ensure efficiency", "effectiveness and sound financial management", "complementarity and coherence".

<sup>1</sup> In B6, the Board of the FRLD discussed regarding five funding criteria: 1) country-led and country-owned approaches; 2) complementarity and coherence; 3) result and impact for responding to loss and damage; 4) sustainable development and the eradication of poverty; 5) financial effectiveness and leverage.

In addition to that, the proposal of eligibility criteria which was drafted by the Secretariat indicated that only World Bank member countries are eligible to access the FRLD. This would potentially limit the access of more than 90 developing countries to the FRLD. This proposal was rejected by developing countries. Another proposal was also rejected which pushed for direct budget support to national public entities of all developing countries.



## 03. Shaping the FRLD

The process of shaping the FRLD requires careful consideration of the diverse perspectives of developing countries, developed countries, and civil society organizations. While these stakeholders approach the FRLD with different expectations, they share a common objective of ensuring that the FRLD is designed as a fit-for-purpose mechanism capable of delivering timely, equitable, and effective support to countries and communities most affected by climate-induced loss and damage. Several elements that are indicated in the sessions are the following:

### 3.1 Countries' Perspectives

#### A. Simplified Access to the FRLD

Drawing lessons from the Green Climate Fund (GCF) and the Adaptation Fund (AF), developing countries, particularly LDCs, continue to face significant challenges in the accreditation process. The challenges that occur include **limited human capacity and insufficient data to develop a climate and loss and damage rationale while developing the proposal**, among others. This has created barriers that hindered LDCs from accessing the fund. Hence, **simplified and direct access modalities** were demanded. A simplified bureaucratic process would help to reduce costs associated with the administrative process in the funding application process.

#### B. Predictable and Timely Access to the FRLD



Developing countries expect the FRLD can be made available through soft triggers such as a declaration of national emergency, rather than relying solely on data that often is not readily available at country level. **Rapid disbursement is also considered critical, especially in the case of extreme events or climate-related disasters.** In this regard, having direct budget support may facilitate timely disbursement.

Developing countries strongly advocate for direct budget support as the main access modality of LDCs. Since direct budget support is not tied to specific programs or sectors, it provides flexibility for LDCs to allocate funds in line with their national needs and priorities. **Direct budget support ensures alignment with national priorities and enhances country-ownership.** The introduction of direct budget support was also welcomed by developed countries to increase the accessibility of the Fund.

#### C. Fast Operationalization

**Developed countries recognize the urgency and expect the Fund to be able to deliver quickly.** There is a strong emphasis on proceeding with the implementation immediately, using the BIM for the testing and learning phase, instead of waiting for the FRLD's final model. The BIM has started the Fund operationalization with USD 250 million for the start-up phase until the end of 2026, which allows for initial disbursement of USD 5-20 million per project, representing the full scope of the fund. The BIM aims to provide immediate support to vulnerable developing countries, serving as a testing and learning phase to refine the FRLD's operational modalities, access pathways, financial instruments, and funding structures for long-term effectiveness. Board members of the FRLD are working intensively to address operational issues and ensure the FRLD starts delivering soon. At its seventh Board Meeting (B7), the Board members expect to enable the FRLD to launch the first call for proposals to start the implementation.

#### D. Prioritizing the Most Vulnerable

Developed countries insisted that the FRLD must prioritize the needs of the most vulnerable, particularly SIDS and LDCs by allocating at minimum 50% of its resources. This allocation is to ensure the Fund reaches the communities on the front lines of climate impacts. This support aims to meet the specific needs of the most vulnerable communities in developing countries and to align with broader efforts to address loss and damage.

#### E. Country-Ownership and Inclusive Approach

**The country-ownership and inclusive approach were two important things that were discussed and highlighted as crucial elements of the Fund.** To be more specific, country-ownership and inclusive approach must include the following:



**Country-led:** Developing countries will define their priorities from local and national stakeholders' identification;



**Country-owned:** Implementation must be led by national institutions in the developing countries;



**Inclusive systems:** The FRLD must support developing countries in strengthening inclusive national response systems for long-term resilience by ensuring the involvement of all relevant stakeholders.

The BIM provides funding in the form of grants, while allowing countries the flexibility to determine how the funds are used, including the option to engage with the private sector or explore other financial instruments. This reflects the principle of country ownership.

#### F. Innovation and Differentiation from Other Funds

The FRLD must be distinct from existing financial mechanisms under the UNFCCC, such as the Green Climate Fund (GCF). FRLD must be more accessible, faster in fund disbursement, and truly responsive to national priorities. In addition to that, the FRLD must be coherent with the broader loss and damage financial landscape, complementing existing mechanisms rather than duplicating them.

#### G. Political and Financial Sustainability

The discussion and the realization of climate finance is currently under increasing political pressure, following the withdrawal of the US from international climate discussions and growing domestic constraints in many donor countries. Hence, **to ensure a sustained funding in the middle of political uncertainties**, the FRLD must:



Demonstrate quick results where early disbursement and visible impact are essentials;



Communicate effectively the FRLD's purpose and operations; and



Provide evidence-based justification to allow finance ministries in donor countries to build a strong business case in allocating their national budgets for the FRLD.

### 3.2 The Role of Civil Society Organizations in Shaping the FRLD

The role of CSOs in shaping the FRLD has gained recognition at the Board meetings and in other spaces. There are numbers of roles which CSOs can play to ensure FRLD fits for purpose, which are:

#### A. Advocating for FRLD to be Fair and Responsive to the Needs of Affected Communities

CSOs emphasize FRLD as a realization of developed countries' obligations under the UNFCCC and Paris Agreement. The CSOs have consistently called for reparations and demanded that the polluters pay. This framing establishes the moral and political foundation of the FRLD and is essential to **shifting the narrative from charity to obligation**. Through this framing, the CSOs are urging the Board of the FRLD to begin the discussion regarding the resource mobilization strategy that reflects the scale of developing countries' needs.



#### B. Bringing Evidence from the Ground to Political Discussions

CSOs aim to ensure that countries' climate policies and global initiatives consider the realities on the ground. The CSOs' participation in loss and damage processes, both in the UNFCCC and FRLD contexts, is aimed at bringing forward the lived experiences of people affected by climate disasters. CSOs are advocating the non-economic lens and multi-layered impacts of loss and damage, such as the loss of identity and the right to live with dignity, which need to be addressed by policy makers. **Communicating lived experiences on the ground could also reveal the contradictions between the insufficient funds for addressing the loss and damage with finance available for activities that are fossil fuel-based and/or producing high greenhouse gases emissions.** The contradictions have made CSOs demand for accountability from those who bear the greatest responsibility for the climate crisis.

#### C. Engaging with All Relevant Process to Ensure Equity, Inclusivity, and Transparency

CSOs ensure that the FRLD's governance structure upholds equity, transparency, and rights-based access. To this end, CSOs have put forward a set of demands aimed at achieving these objectives. First, **direct access and country-ownership** for all developing countries without conditionalities that will enable local communities to address loss and damage without relying on intermediaries. Second, **ensuring support must come in the form of grants**, rather than debt-creating instruments. Third, **transparency and open access to information for people and communities that the FRLD seeks to support**. Understanding that FRLD will gain more significance in the long-term, CSOs will continue to engage in the FRLD process, advocating for inclusivity and accountability.

### 3.3 Lesson Learned from the Other Fund: Adaptation Fund

Adaptation Fund (AF), established under the Kyoto Protocol, has served as an important mechanism to finance climate adaptation in developing countries. However, its journey involves several structural, operational, and political challenges. As the global community moves forward to operationalizing the FRLD, drawing lessons from AF's experience could help FRLD to effectively serve vulnerable communities.

#### A. Balance Speed with Structural Integrity

The AF is still grappling with structural issues more than a decade after its establishment due to design flaws that were made to act quickly, such as the lack of engagement with civil society organizations, while they could contribute by translating local-level experiences to inform the decision-making process<sup>2</sup>. Hence, **FRLD needs to avoid shortcuts in governance, access modalities, and systems simply for quick disbursement.** A rushed fund design may create inefficiencies, delays, and reform needs in the future.

#### B. Realistic Resource Mobilization Strategy

AF was designed to depend on the share of proceeds from Clean Development Mechanism (CDM), which at some point, fell short. Similar overoptimism is growing around innovative sources for FRLD. However, learning from the AF, **it is important to avoid reliance on uncertain income streams, hence, funding sources diversification is required.** This is to ensure realistic expectations around 'innovative finance' and maintain the direct contributions from developed countries.

#### C. Strong Commitment to Direct Access and Country Ownership

Despite AF's commitments to ensure direct access, **the pressure to do fast disbursement leads to a preference for international organizations to access the Fund.** This is mainly due to the limited capacity of developing countries to meet the AF requirements. This indeed undermines direct access, hence national ownership. FRLD needs to design mechanisms that allow for direct access which reaches and benefits vulnerable communities. To increase the access of developing countries to the FRLD, building the capacity of national institutions is essential.



<sup>2</sup> [https://unfccc.int/files/cancun\\_agreements/green\\_climate\\_fund/application/pdf/germanwatchoiesenda\\_110711.pdf](https://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/germanwatchoiesenda_110711.pdf)

#### D. Equitable Governance

The experience of the AF demonstrates political realities in climate finance. Although developing countries play a key role in its governance, developed countries still dominate the Board, which is not prioritizing grants. Eventually, climate finance often functions as a political tool that is shaped more by the contributor interests than by the needs of the vulnerable nations. The FRLD may face similar challenges if its Board is still dominated by developed countries. Therefore, the FRLD should ensure equitable governance, sustainable financing, and direct access that empower developing countries and effectively support the most vulnerable.

#### E. Build a Fit-for-Purpose Secretariat

The capacity of the secretariat becomes a major bottleneck in the AF. **The delays in disbursement are often caused by not only procedural complexity, but also limited or misaligned staff capacity.** Learning from the AF, the secretariat of the FRLD must be independent, adequately staffed, and have the right expertise and experience in community engagement, indigenous rights, and country systems. It is important to avoid hiring staff from institutions like the World Bank or Multilateral Development Banks (MDBs) who may default to the old models.

#### F. Avoid Pitfalls of “Complementarity and Coherence”

Complementarity and coherence with other funds are often used to water down ambition or fit into flawed existing frameworks. It is essential to ensure that **complementarity and coherence enhance the unique mandate of the FRLD, rather than weaken it.** FRLD needs to push other institutions to meet the FRLD standards and reject harmful practices disguised as alignment (e.g., co-financing requirements, international access dominance).



## 05. Discussions

Several issues were discussed in the session, such as:



1.

**LDCs have faced difficulties in accessing existing climate funds, such as the GCF due to the capacity gaps.** This experience underscores the systemic barriers that hinder access to finance. To enable effective direct budget support under the FRLD, there is a need to strengthen the capacity of national focal points and authorities. In the context of FRLD, technical and financial support **should be facilitated through the Santiago Network and other partners, as mandated by COP and CMA decisions.** Key areas for capacity building that are essential for building trust and ensuring effective access include financial management, project implementation, and accountability.

**The LDCs have proposed a rapid disbursement window within the FRLD to enable quick-and-low-bureaucracy support for both sudden and slow-onset events.** This mechanism could use impact-based triggers and aim to reduce access barriers for developing countries, especially LDCs.




2.

The FRLD is in its start-up phase through the BIM, which serves as a practical starting point. **While speed is important, the FRLD must also balance itself with developing the FRLD's structure correctly and inclusively. Criteria should be developed to make access easier for vulnerable groups, such as local communities and Indigenous People.** The FRLD is intended to be different from other funds as the Board Members are working to differentiate it from the World Bank's business-oriented model. However, this may require a longer time with careful planning.









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