

# Fund for responding to Loss and Damage

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FRLD/B.4/6/Rev.1

5 December 2024

## **Fourth meeting of the Board**

02–05 December 2024

Manila, Philippines

Provisional agenda item 6(a)

## **Workplan and administrative budget of the Fund for 1 January to 30 June 2025**

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### **Summary**

This document proposes a workplan and a budget for the transition of the Fund for responding to Loss and Damage from its set-up phase to full and independent functionality. The proposal focuses on the set-up phase (1 January 2025 to 30 June 2025) and outlines the scale-up phase (1 July 2025 to 31 December 2025).

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## I. Summary

1. This document proposes a workplan and a budget proposal for the transition of the Fund for responding to Loss and Damage (FRLD) from its set-up phase to full and independent functionality. The proposal focuses on the set-up phase (1 January 2025 to 30 June 2025) and outlines the scale-up phase (1 July 2025 to 31 December 2025).
2. The workplan is informed by three drivers: (i) Build: build and leverage on the work delivered by the interim secretariat; (ii) Continue: ensure continuity of the support to the Board in implementing its workplan; and (iii) Operationalize: transition from the interim secretariat to the fully functional independent Secretariat.
3. The set-up phase prioritizes the operational readiness of the Fund. Key activities include (i) establishing a new, dedicated and independent secretariat (Secretariat); (ii) recruiting a diverse and multidisciplinary team (mostly recruited through short-term consultant contracts) with expertise in climate finance, loss and damage response, and operational management; (iii) preparing the operational frameworks, including an operations manual, financial instrument, budget preparation and access modalities to ensure effective delivery as directed by the Board; (iv) managing the transition from the interim secretariat to the new, dedicated, and independent Secretariat, including administrative support to the Board in organizing meetings, coordinating tasks and ensuring smooth governance; (v) conversion of pledges into contributions to the Fund; and (vi) organizing and delivering the first high-level dialogue.
4. During the set-up phase, in accordance with decisions 1/CP.28 and 5/CMA.5, the FRLD will be supported by the interim secretariat until the independent secretariat becomes operational by mid-2025 (i.e. “the Secretariat”). The World Bank, serving as the interim Trustee, will deliver fiduciary and administrative services, including financial management, investment oversight, reporting and legal support, to ensure compliance and efficient operations.

## II. Strategic objectives and priorities

5. The set-up phase (1 January 2025 to 30 June 2025) will be led by the Executive Director, who will provide strategic direction, strengthen stakeholder engagement, support Board governance and oversee operations to ensure alignment with the Board’s objectives. Sufficient resources for staff, consultants and infrastructure are essential to fulfil this mandate and transition.
6. The strategic objectives, workplan and proposed budget outlined in this document draw on the information contained in document FLD/B.3/4/Rev.1, “Report of the ad hoc subcommittee on the administrative budget on matters relating to cost recovery of the World Bank”. In addition, they are guided by the operationalization documents relating to the operationalization of the Fund as a World Bank-hosted financial intermediary fund (FIF). These include the Hosting Agreement and interim Trustee Agreement signed in October 2024, which define the World Bank’s fiduciary responsibilities for financial management, legal oversight and administrative support.<sup>1</sup>
7. Following the appointment of Ibrahima Cheikh Diong as the first Executive Director of the FRLD on 1 November 2024, and the selection of the Philippines as the host country for the Board, the interim secretariat, the World Bank and new independent secretariat will continue to work closely under the Executive Director’s leadership.

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<sup>1</sup> Para. 26 of decisions 1/CP.28 and 5/CMA.5 established the formation of an interim secretariat to support the Board during the transition period until the establishment of the independent secretariat, and requested the secretariats of the United Nations Framework Convention on Climate Change, the Green Climate Fund and the United Nations Development Programme to jointly form this secretariat. This interim arrangement has provided essential administrative and technical support since January 2024. The transition to an independent Secretariat builds on this foundation. In accordance with para. 17 of decisions 1/CP.28 and 5/CMA.5 the World Bank was invited to operationalize the FRLD as a World Bank-hosted financial intermediary fund (FIF) and to serve as interim Trustee for four years.

8. The FRLD Secretariat proposes a phased work planning approach, as follows:
9. Set-up phase – Transitional workplan (January to June 2025). This phase focuses on the operational readiness of the Fund. Key activities include (i) establishing the new, dedicated and independent secretariat (Secretariat); (ii) recruiting a diverse and multidisciplinary team (mostly recruited through short-term consultant contracts) with expertise in climate finance, loss and damage response, and operational management; (iii) preparing the operational frameworks, including an operations manual, financial instrument, budget preparation and access modalities to ensure effective delivery as directed by the Board; (iv) managing the transition from the interim secretariat to the new, dedicated and independent Secretariat, including administrative support to the Board in organizing meetings, coordinating tasks and ensuring smooth governance; (v) supporting the Board in preparing and implementing long-term resource mobilization and plan, including supporting converting current and future pledges into contributions to the Fund; and (vi) organizing and delivering the first high-level dialogue.
  - (a) Scale-up phase – Comprehensive workplan (July to December 2025). The scale-up phase focuses on deepening progress from the set-up phase and preparing a comprehensive workplan to be presented at the fifth meeting of the Board (B.5). Key activities include (i) a stakeholder engagement and resource mobilization strategy; (ii) a monitoring and evaluation framework; and (iii) organizational design fundamentals to support early interventions and initiatives from available funding once the access modalities are approved by the Board.
10. The interim and independent secretariats will collaborate with the ad hoc subcommittee on the administrative budget to prepare the comprehensive workplan and budget for B.5. The subcommittee will evaluate the efficiency of the workplan and assess budget needs for the interim secretariat, the Board and the Trustee.
11. The ad hoc subcommittee on the administrative budget will review the World Bank's cost recovery expenditures for hosting the interim secretariat and interim Trustee from 1 July to 31 December 2024, and present its findings to the Board for review and approval.
12. The interim and the independent secretariats will work together to provide timely and accurate information to the ad hoc subcommittee on the administrative budget. The timely provision of information will help the ad hoc subcommittee to assess the budgetary requests in an effective manner. In this regard, the ad hoc subcommittee requested that the information be provided several weeks prior to the respective Board meetings.
13. To prioritize broader strategic matters, the Executive Director has proposed onboarding a Deputy Executive Director to enhance operations of the FRLD and support its scaling efforts (with the aim of completing this recruitment by B.5).

### III. Workplan priorities and deliverables

14. The key priorities and deliverables of the set-up phase are as follows:
  - (a) **Governance and coordination:**
    - (i) Provide administrative support for effective governance, including organizing Board meetings, preparing agendas, drafting minutes and ensuring timely follow-up;
    - (ii) Coordinate activities across the interim secretariat, the World Bank and the new independent secretariat to ensure alignment;
    - (iii) Under the Executive Director's leadership, establish communication channels, define roles and foster collaboration for cohesive decision-making and implementation;
  - (b) **Policy development:**
    - (i) Develop a framework for funding allocation, access modalities, safeguards, fiduciary standards, risk management and governance policies;
    - (ii) Design a performance management system for the Executive Director;

(c) **Partnerships, communication and stakeholder engagement:**

(i) Engage in outreach, resource mobilization, advocacy, field assessments and awareness campaigns;

(ii) Host the first annual high-level dialogue during the 2025 Spring Meetings to build trust, visibility and mobilize pledges into action;

(d) **Programme development:**

(i) Develop programme concepts aligned with country priorities through technical workstreams, including needs assessments, risk profiling and gap analyses;

(ii) Initiate preparatory work on potential funding windows, rapid response mechanisms and capacity-building initiatives to operationalize a bottom-up, country-led approach for loss and damage responses;

(e) **Programme management and administration:**

(i) Implement systems for budgeting, resource allocation, disbursement, financial risk mitigation and results monitoring;

(ii) Define financial instruments and an administrative policy framework to ensure transparency.

15. These deliverables will inform a comprehensive scale up workplan for July to December 2025, focusing on stakeholder engagement, foundational planning and early intervention strategies, to be presented to the Board at B.5.

16. The workplan also emphasizes the role of the World Bank, as interim Trustee. Key activities include, as set out in the budget section of this document, include:

(a) **Financial management:** negotiating contribution agreements and financing agreements; receiving, holding and disbursing funds; and delivering financial reports;

(b) **Accounting and reporting:** clearance of agreements, and maintenance of appropriate records, accounts and systems to support financial reporting;

(c) **Investment management:** managing the investment of undisbursed funds held in trust;

(d) **Legal services:** drafting, negotiating, executing and amending legal agreements and providing policy advice and legal review on issues as they may impact the Fund and the services of the interim Trustee.

## IV. Budget requests

17. The following budget requests, for 1 January to 30 June 2025 have been developed on the basis of the objectives and priorities of the workplan.

Table 1

### Summary of the budget requests for 1 January to 30 June 2025

(in United States dollars)

S. No.	Budget category/subcategory	Approved 2024 budget	Proposed Jan–June 2025 budget	Difference (USD)	Difference (%)
1	Board	162,168	365,422	203,254	125%
2	Independent Secretariat	–	2,533,743	2,533,743	100%
3	Interim secretariat	2,627,177	1,317,010	(1,310,167)	–50%
4	Interim Trustee	–	479,000	479,000	100%
<b>Total before contingency</b>		<b>2,789,345</b>	<b>4,695,175</b>	<b>1,905,830</b>	<b>68%</b>
5	Contingency	914,262	168,000	(746,262)	–82%
<b>Grand total</b>		<b>3,703,607</b>	<b>4,863,175</b>	<b>1,159,568</b>	<b>31%</b>

## A. Board budget

Table 2

### Board budget for 1 January to 30 June 2025

(in United States dollars)

S. No.	Budget category/subcategory	Approved 2024 budget	Proposed Jan–June 2025 budget	Difference (USD)	Difference (%)
1	Board representative travel	–	261,134	261,134	100%
2	Board meetings: venue and logistics	162,168	104,288	(57,880)	–36%
	<b>Total</b>	<b>162,168</b>	<b>365,422</b>	<b>203,254</b>	<b>125%</b>

18. The Board representatives travel budget line covers the travel costs for the funded Board members and advisers for B.5 to be held in Barbados. While the travel policy for the Board travel is being finalized, this estimated cost is based on the guidance provided by the Co-Chairs of the Board, following B.1. For 2024, the budget for Board representative travel was included in the contingency budget.

19. Board venue and logistics covers the estimated cost of live-streaming the Board proceedings as well as the catering costs during the meeting. While the venue and catering cost have been covered by the host countries for B.3 and B.4, the budget for estimated costs is included in table 2 for any unexpected non-coverage of these costs.

## B. Independent Secretariat budget

Table 3

### Independent Secretariat budget for 1 January to 30 June 2025

(in United States dollars)

S. No.	Budget category/subcategory	Proposed Jan–June 2025 budget
	<b>Direct costs:</b>	
1	Staff costs	712,790
2	Consultants	562,250
3	Travel	376,000
4	Consulting firms	300,000
5	General operating costs	152,000
	<b>Total direct costs</b>	<b>2,103,040</b>
6	World Bank cost recovery (20.48% of direct costs)	430,703
	<b>Total</b>	<b>2,533,743</b>

20. **Staff costs:** The administrative budget request for the independent secretariat includes staff costs, covering salaries for essential roles, including the Executive Director, the Deputy Executive Director, the Senior Executive Assistant and two World Bank senior support staff. Based on alignment of expertise and expression of interest, secondees from partner organizations could also be considered. In addition, specialized services from the World Bank or similar institutions will be required to assist with developing financial and technical frameworks.

21. **Consultants:** The independent secretariat will engage several technical and financial experts under short-term individual consultancy contracts. Services are divided into two categories:

(a) **Core expert short-term support:** experts will provide specialized knowledge and advisory services across various areas such as climate finance, loss and damage, finance,

governance, operations and communication. Short-term consultants will also help to support specific programmes or operational requirements that cannot be covered by permanent staff;

(b) **Independent technical expert panel:** the independent secretariat will set up an independent technical expert panel consisting of renowned experts from think tanks, global research institutions and civil society. These experts will provide technical advice and thought leadership and will contribute to knowledge-sharing.

22. **Travel:** The Executive Director and other senior staff and consultants are expected to require extensive travel for stakeholder engagement, including Board meetings, and resource mobilization and for promoting the mission and vision of the FRLD. Travel will help in capacity-building activities, facilitating collaboration and strengthening international partnerships, and converting the pledges into actions. There is also a travel allocation for the members of the independent technical expert panel providing support to the work of the Fund.

23. **Consulting firms:** the independent secretariat will also hire specialized firms for technical advisory contracts to provide support on specific programmes, projects and strategic initiatives. These firms will offer critical expertise that the Secretariat may not have in-house, including consulting on financial mechanisms, project design and implementation.

24. **General operating costs:** As provided in the hosting agreement, this is included to address any unforeseen costs or additional requirements (e.g. additional services, logistical support to the Board) that may emerge as the independent Secretariat becomes operational. It also includes office set-up costs, including space reconfiguration to accommodate staff and create a productive work environment. The budget also subsumes costs for essential IT infrastructure and other communication services.

25. Costs for organizing the first annual high-level dialogue, on the margins of the 2025 Spring Meetings of the International Monetary Fund and the World Bank to be held in Washington, D.C., are included across all direct cost categories in table 3, covering consultant services, logistics, travel and equipment.

### C. Interim secretariat budget

Table 4

#### Interim secretariat budget for 1 January to 30 June 2025

(in United States dollars)

S. No.	Budget category/subcategory	Approved 2024 budget	Proposed Jan-June 2025 budget	Difference (USD)	Difference (%)
1	Staffing costs	1,770,682	900,002	(870,680)	-49%
2	Consultancies	210,840	110,420	(100,420)	-48%
3	Travel	461,312	215,381	(245,931)	-53%
4	General operating costs	184,343	91,207	(93,136)	-51%
	<b>Total</b>	<b>2,627,177</b>	<b>1,317,010</b>	<b>(1,310,167)</b>	<b>-50%</b>

26. The interim secretariat comprises the allocated staff and consultants from the Green Climate Fund, the United Nations Development Programme and United Nations Framework Convention on Climate Change. The interim secretariat will be working during this transition period to support the Board and will work to hand over the work to the independent Secretariat.

27. The travel budget for the interim secretariat staff is mainly estimated for the purposes of attending B.5 and other essential travel needed during the transition period for working on the comprehensive workplan of the Secretariat. The general operating costs are estimated for the operational costs of the three entities to support the work of the interim secretariat.

## D. Interim Trustee budget

Table 5

### Interim Trustee budget for 1 January to 30 June 2025

(in United States dollars)

S. No.	Budget category/subcategory	Proposed Jan-June 2025 budget
1	Financial and programme management	214,000
2	Investment management <sup>a</sup>	86,000
3	Accounting and reporting	33,000
4	Legal services	146,000
	<b>Total</b>	<b>479,000</b>

<sup>a</sup> *Investment management cost is a variable cost that is calculated based on 4.5 basis points of the average annual balance.*

28. The interim Trustee budget estimates are subject to adjustment at the end of the fiscal year, based upon costs incurred in the provision of Trustee services.

29. The interim Trustee workplan for FY25 include the following interim trustee services for the FRLD FIF:

(a) **Financial and programme management** includes the drafting, negotiating and executing of the Interim Trustee Agreement with the FRLD Board, as well as drafting, negotiating and executing contribution agreements with contributors and financing agreements with the implementing and direct access entities; management and execution of financial activities, including receiving and applying receipts of donor contributions, recording allocations and commitments of resources for approved activities, processing cash transfers to implementing and direct access entities using World Bank financial systems and procedures; and financial reporting for the FRLD FIF. It also includes collaboration with the Board (including travel to Board meetings) and Secretariat, and provision of policy advice and guidance to stakeholders, as needed;

(b) **Investment management** fees are calculated as a flat fee of 4.5 basis points (i.e. 0.045%) of the average annual balance of the undisbursed cash in the FRLD FIF. The projected average balance is USD 191 million for the period from 1 January to 30 June 2025. The actual investment management costs may vary depending on the actual average liquidity level during FY25. As the end of the period, there will be a reconciliation and adjustment of the actual charge to the Fund;

(c) **Accounting and reporting** include the management of the accounting model for the FRLD FIF, clearance of agreements and maintenance of appropriate records, accounts and systems to support financial reporting;

(d) **Legal services** include drafting, negotiation and processing of the interim Trustee Agreement, contribution agreements with donors and financing agreements with implementing entities and possibly direct access recipients. In particular, in addition to the above, there will be services rendered by the World Bank Legal team for operationalization of the Fund at establishment, which includes:

- (i) Preparing:
  - a. The interim Trustee Agreement between the World Bank and the FRLD Board;
  - b. A contribution agreement template;
  - c. One or more financing agreement templates;
- (ii) Negotiating the contribution agreements and financing agreements with individual contributors and implementing entities/recipients respectively;

- (iii) Providing policy advice and legal review on issues as they may impact the Fund and the services of the interim Trustee;
- (iv) Amending of existing legal documents as required.

## E. Contingency budget

Table 6

### Contingency budget for 1 January to 30 June 2025

(in United States dollars)

S. No.	Budget category/subcategory	Approved 2024 budget	Proposed Jan–June 2025 budget	Difference (USD)	Difference (%)
1	Board-related contingent items	600,469	168,000	(432,469)	–72%
2	Interim secretariat relevant contingent items	313,793	–	(313,793)	–100%
	<b>Total</b>	<b>914,262</b>	<b>168,000</b>	<b>(746,262)</b>	<b>–82%</b>

30. The Board-related contingency is added for covering any expected additional budgetary requirements for the items currently contingent upon the Board deliberations and decisions such as the Board travel policy. A budget provision is added for those items to ensure the implementation of the Board decisions without coming to the Board for additional budget. During the period, the contingency budget will be utilized in consultation with the ad hoc subcommittee on the administrative budget.

31. For 2024, the contingency budget included all the travel cost of the Board representatives and budget for any additional technical input needed by the interim secretariat. For this budget request, the travel estimates of the Board representatives under the current practice are included under the Board budget. This will ensure the transparency in the presentation of the budgets and expenditure.