

Fifth meeting of the Board

8–10 April 2025

Bridgetown, Barbados

Provisional agenda item 6(c)

Retroactive approval of the expenditure incurred by the World Bank as host and the interim trustee for the period from 1 July 2024 to 31 December 2024

Summary

This document provides information on expenditure incurred by the World Bank as host and the interim trustee of the Fund for responding to Loss and Damage from 1 July to 31 December 2024, including a report on the expenditure prepared by the World Bank contained in the annex.

Expected actions of the Board:

The Board will be invited to approve the expenditure incurred by the World Bank as host and the interim trustee of the Fund for responding to Loss and Damage from 1 July 2024 to 31 December 2024 on a retroactive basis.

I. Background

1. The Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) at its twenty-eighth session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its fifth session invited the World Bank to operationalize the Fund for responding to Loss and Damage as a World Bank-hosted financial intermediary fund (FIF) for an interim period of four years and to take the steps necessary to operationalize the Fund as a FIF promptly and to submit the relevant FIF documentation to the Board by no later than eight months after the conclusion of COP 28 and CMA 5.¹

2. At the first meeting of the Board (B.1), the Board welcomed the confirmation made by the World Bank that it will, as trustee, enter into financing agreements on behalf of the Fund,² and requested the Co-Chairs of the Board to engage with the World Bank on the scope, structure and elements of the FIF documentation, as well as a hosting agreement and a trustee agreement between the Board and the World Bank.³

3. At B.2, the Board requested the co-chairs of the ad hoc subcommittee on the administrative budget, with the support of the interim secretariat, to engage with the World Bank to produce a report to the Board by 15 August 2024 on cost recovery of the World Bank with respect to the services to be provided (1) in hosting the independent secretariat of the Fund and (2) as the interim trustee of the Fund.⁴ The Board further requested the co-chairs of the ad hoc subcommittee on the administrative budget to engage with the World Bank to produce a report to the Board by 15 August 2024 on cost recovery of services that the World Bank may provide, as decided by the Board, during the transitional period of the Fund until the hosting agreement for the independent secretariat is signed and becomes effective, and the World Bank assumes the interim trustee function, together with the necessary reporting arrangements by the World Bank for such cost recovery.⁵

4. In accordance with decision B.2/D.10, the co-chairs of the ad hoc subcommittee on the administrative budget engaged with the World Bank and prepared and submitted the “Report of the ad hoc subcommittee on the administrative budget on matters relating to cost recovery of the World Bank” at B.3.

5. During the engagement referred to in paragraphs 3–4 above, including presentations to the Board, the World Bank highlighted that the World Bank was already incurring costs related to the operationalization of the Fund as a World Bank-hosted FIF, but that the World Bank would cover such costs up until 30 June 2024. Any costs incurred after 30 June 2024 would have to be claimed on a cost recovery basis. That information was highlighted as part of the report of the ad hoc subcommittee on the administrative budget at B.3.⁶ It was also discussed in the context of the Approval of the Work plan and administrative budget of the Fund for 01 January to 30 June 2025 at B.4.

6. At B.3, the Board confirmed that the conditions set out in paragraph 20 of decision 1/CP 28 and decision 2/CMA 5 can be met during the interim period and endorsed the agreement on the hosting arrangements for the Secretariat and the Trustee Agreement on the terms and conditions for the administration of the Trust Fund for the Fund for responding to Loss and Damage to be entered into by the World Bank and the Fund.⁷ The Board also authorized the Co-Chairs to sign on its behalf the “Agreement on the hosting arrangement for the secretariat of the Fund for responding to Loss and Damage” and the “Trustee Agreement on the terms and conditions for the administration of the Trust Fund for the Fund for responding to Loss and Damage”.⁸

¹ UNFCCC decision 1/CP 28 and decision 2/CMA 5, paras. 17 and 19.

² Decision B.1/D.7.

³ Decision B.1/D.8.

⁴ Decision B.2/ D.10, para. (d).

⁵ Decision B.2/ D.10, para. (e).

⁶ Document FLD/B.3/4/Rev.1.

⁷ Decision B.3/D.6, paras. (a) and (d)–(e).

⁸ Decision B.3/D.6, para. (g).

7. In the light of the above, as well as the discussions at B.4 in the context of the approval of the workplan and administrative budget of the Fund for 01 January to 30 June 2025, the Board decided that the expenditure incurred by the World Bank as the host and as the interim trustee would be approved in a retroactive manner at B.5.

8. The World Bank has prepared a report on the expenditure incurred by the World Bank as host and the interim trustee for the period from 1 July 2024 to 31 December 2024, which is contained in annex II to this document. The ad hoc subcommittee on the administrative budget recommends that the Board take note of the report contained in the annex and approve the expenditure incurred as set out in table 1 of that report.

Annex I

DRAFT DECISION B.5/DD.x: Retroactive approval of the expenditure incurred by the World Bank as host and the interim trustee for the period from 1 July 2024 to 31 December 2024

The Board, having considered document FRLD/B.5/5:

(a) *Approves*, on a retroactive basis, the expenditure incurred by the World Bank as host of the Fund and the interim trustee for the period from 1 July 2024 to 31 December 2024, as contained in table 1 of the annex to this document.

Annex II

Expenditure incurred by the World Bank as host and the interim trustee of the Fund for responding to Loss and Damage for the period from 1 July 2024 to 31 December 2024

I. Budget execution summary

1. Tables 1–4 provide detailed information on the expenditure incurred by the World Bank for the period from 1 July 2024 to 31 December 2024.

Table 1

Summary of the budget and expenditure from 1 July 2024 to 31 December 2024
(in United States dollars)

No.	Budget category/subcategory	Actual expenditure
1	World Bank hosting costs	517,887
2	Interim trustee	547,353
	Total	1,065,240

II. World Bank hosting costs

2. The actual expenditure incurred by the World Bank as host of the Fund from 1 July 2024 to 31 December 2024 is shown in table 2.

Table 2

World Bank hosting costs from 1 July 2024 to 31 December 2024
(in United States dollars)

No.	Budget category/subcategory	Actual expenditure
1.1	Staffing costs	149,991
1.2	Consultancies	21,469
1.3	Travel	115,945
1.4	Professional firm's contracts	135,000
1.5	General operating costs	7,448
	Total direct costs	429,853
1.6	Cost recovery (20.48%)	88,034
	Total	517,887

3. **Staffing costs** includes the expenditure relevant to staffing of the independent Secretariat in 2024 including the Executive Director and staff from the World Bank directly involved in support to the Executive Director in the establishment of the independent Secretariat and the support to the Board.

4. **Consultancies** includes the cost of three short-term consultants providing support to the Executive Director in communications, office coordination and executive assistance.

5. **Travel** includes the travel costs of the Executive Director for to attend COP 29 and the third and fourth meetings of the Board as well as the travel costs of the short-term consultants and World Bank staff for travel to meetings, including travel to the second, third and fourth meetings of the Board.

6. **Professional firm's contracts** includes the cost of the executive search firm hired by the World Bank to help with the selection of the Executive Director.

7. **General operating costs** includes the day-to-day office running costs incurred during the office operations set up.

8. **Cost recovery** is the indirect cost charged by the World Bank as per the hosting agreement with the World Bank. This is calculated as 20.48 per cent of the direct costs incurred by the Secretariat. This charge is not levied on the interim trustee expenses.

III. Interim trustee expenditure

9. The actual expenditure reported for the interim trustee from 1 July 2024 to 31 December 2024 is shown in the table 3.

Table 3

Interim trustee actual expenditure from 1 July 2024 to 31 December 2024

(in United States dollars)

No.	Budget category/subcategory	Actual expenditure
2.1	Financial and programme management	217,380
2.2	Investment management ^a	9,794
2.3	Accounting and reporting	26,869
2.4	Legal services	293,310
	Total	547,353

^a Investment management cost is a variable cost that is calculated based on 4.5 basis points of the average annual cash balance.

10. The trustee work programme from 1 July to 31 December 2024 included the following trustee services for Fund:

(a) **Financial and programme management** included the drafting, negotiating and executing of the Trustee Agreement with the Board, as well as drafting, negotiating and executing 13 Contribution Agreements/Arrangements with contributors; management and execution of financial activities, including receiving and applying receipts of contributions; recording allocations and commitments of resources for approved administrative budgets; and financial reporting for the Board. It also includes collaboration with the Board (including USD 46,209 in cost of travel to Board meetings) and the Secretariat, as well as the provision of policy advice and guidance to stakeholders, as needed;

(b) **Investment management** fees, calculated as a flat fee of 4.5 basis points (i.e. 0.045 per cent) of the average annual balance of the undisbursed cash in the Fund. The average cash balance for November and December 2024 was USD 130,583,587;

(c) **Accounting and reporting**, including managing the accounting model for the Fund, providing clearance of agreements and setting up and maintaining appropriate records, accounts and systems to support financial reporting;

(d) **Legal services** included drafting, negotiating and processing the Trustee Agreement, developing the templates for the Contribution Agreement/Arrangement, and signing Contribution Agreements/Arrangements with 13 contributors. It also included the provision of policy advice and legal review on issues as they may impact the Fund and the services of the interim trustee, as well as travel to Board meetings (USD 45,610).