

16 September 2024

Third meeting of the Board

18–20 September 2024

Baku, Azerbaijan

Provisional agenda item 10

**Report of the Board to the Conference of the Parties at its
twenty-ninth session and the Conference of the Parties
serving as the meeting of the Parties to the Paris Agreement
at its sixth session**

Expected actions by the Board

The Board will be invited to adopt the draft Report of the Fund for responding to Loss and Damage to the Conference of the Parties at its twenty-ninth session and the Conference of the Parties serving as the Meeting of the Parties at its sixth session, as presented in annex II to this document.

I. Background and mandate

1. The twenty-eighth session of the Conference of the Parties (COP) and the fifth session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) operationalized the Fund for responding to Loss and Damage, and approved the Governing Instrument of the Fund,¹ decided that the Fund will be serviced by a new, dedicated and independent secretariat,² governed and supervised by a Board³ and designated the Fund as an entity entrusted with the operation of the Financial Mechanism of the Convention, also serving the Paris Agreement, which will be accountable to and function under the guidance of the COP and the CMA.⁴
2. The Governing Instrument of the Fund stipulates that the Board will:
 - (a) Receive guidance from the COP and the CMA on its policies, programme priorities and eligibility criteria;
 - (b) Take appropriate action in response to the guidance received from the COP and the CMA;
 - (c) Submit annual reports to the COP and the CMA for their consideration.⁵
3. COP 28 and CMA 5 urged the Board of the Fund to promptly select the Executive Director of the Fund through a merit-based, open and transparent process.⁶
4. COP 28 and CMA 5 further decided that the Board of the Fund will be conferred with the legal personality and the legal capacity as necessary for discharging its roles and functions, in particular the legal capacity to negotiate, conclude and enter into a hosting arrangement with the World Bank as interim trustee and host of the Fund’s secretariat and requested the Board of the Fund to select the host country of the Board through an open, transparent and competitive process, with the host country of the Board conferring to the Board the legal personality and the legal capacity as necessary for discharging its roles and functions.⁷
5. COP 28 and CMA 5 invited the World Bank, subject to the conditions set out in the COP 28/CMA 5 decisions,⁸ to operationalize the Fund as a World Bank-hosted financial intermediary fund for an interim period of four years, starting from the sessions of the COP and the CMA at which the Board of the Fund confirms that the conditions can be met, with the Fund to be serviced by a new, dedicated and independent secretariat hosted by the World Bank.
6. COP 28 and CMA 5 further decided that, if the Board of the Fund determines that the relevant financial intermediary fund documentation,⁹ approved by the World Bank Board of Directors, does not ensure that the conditions set out in the COP 28/CMA 5 decisions can be met during the interim period, the COP and the CMA, on a recommendation of the Board of the Fund, will take the necessary steps to operationalize the Fund as an independent stand-alone institution, including approving the necessary amendments to the Governing Instrument of the Fund and providing guidance to the Board with respect to the selection process for the host country of the Fund, or the COP and the CMA may take any other course of action deemed appropriate.¹⁰

¹ Decisions 1/CP.28 and 5/CMA.5, para. 2.

² Decisions 1/CP.28 and 5/CMA.5, para. 3.

³ Decisions 1/CP.28 and 5/CMA.5, para. 4.

⁴ Decisions 1/CP.28 and 5/CMA.5, para. 5.

⁵ Decisions 1/CP.28 and 5/CMA.5, annex I, para. 13.

⁶ Decisions 1/CP.28 and 5/CMA.5, para. 11.

⁷ Decisions 1/CP.28 and 5/CMA.5, paras. 15–16.

⁸ Decisions 1/CP.28 and 5/CMA.5, paras. 20–24.

⁹ Decisions 1/CP.28 and 5/CMA.5, para. 19.

¹⁰ Decisions 1/CP.28 and 5/CMA.5, para. 22.

7. COP 28 and CMA 5 further decided that, prior to the establishment of the financial intermediary fund, the Board of the Fund will provide guidance to the World Bank as it takes the necessary steps to establish the Fund as a financial intermediary fund.¹¹

II. Next steps and recommendation

8. Annex II to this document provides a draft report of the Fund for responding to Loss and Damage to the COP 29 and the CMA 6.

9. The Board is invited to consider the draft report and adopt the decision as presented in Annex I.

¹¹ Decisions 1/CP.28 and 5/CMA.5, para. 25.

Annex I

Draft decision of the Board

The Board, having considered document FLD/B.3/10 titled “Report of the Board to the Conference of the Parties at its twenty-ninth session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth session”:

(a) *Adopts* the draft Report of the Board to the Conference of the Parties at its twenty-ninth session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth session, as presented in annex II, and requests the Co-Chairs assisted by the interim secretariat to submit the report to the secretariat of the United Nations Framework Convention on Climate Change;

(b) *Requests* the Co-Chairs, assisted by the interim secretariat, to develop an addendum to the “Report of the Board to the Conference of the Parties at its twenty-ninth session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth session” capturing the progress and decisions made during the third meeting of the Board and submit the addendum to the secretariat of the United Nations Framework Convention on Climate Change.

Annex II

**Draft Report of the Fund for responding to Loss and Damage
to the Conference of the Parties at its twenty-ninth session
and the Conference of the Parties serving as the Meeting of
the Parties at its sixth session**



United Nations

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Item 8(e) of the provisional agenda
**Report of the Board of the Fund for responding to
Loss and Damage and guidance to the Fund**

**Conference of the Parties serving as the
meeting of the Parties to the Paris Agreement**
Sixth session
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Item 11(e) of the provisional agenda
**Report of the Board of the Fund for responding to
Loss and Damage and guidance to the Fund**

Report of the Board of the Fund for responding to Loss and Damage

Note by the secretariat

Summary

This report has been prepared in response to paragraph 13 of the Governing Instrument as contained in annex I to decisions 1/CP.28 and 5/CMA.5. It provides information covering 1 January to 31 August 2024 on, inter alia, progress with respect to the operationalization of the Fund for responding to Loss and Damage, in particular on the implementation of the decisions by the Conference of the Parties (COP) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), and decisions and actions taken by the Board of the Fund for responding to Loss and Damage to be considered by the COP and the CMA, as appropriate. An addendum, covering 1–20 September 2024, will be issued after the third meeting of the Board.

[Insert table of contents using the macro if document has 25 or more pages or has a complex structure (many headings and subheadings); otherwise omit the table of contents]

Abbreviations and acronyms

[Do not remove this page - the acronyms and abbreviations list will be inserted here once the document text is final]

I. Introduction

A. Mandate

1. The twenty-eighth session of the Conference of the Parties (COP) and the fifth session of the Conference of the Parties serving as the meeting as the Parties to the Paris Agreement (CMA) operationalized the Fund for responding to Loss and Damage, and approved the Governing Instrument of the Fund,¹² decided that the Fund will be serviced by a new, dedicated and independent secretariat¹³, governed and supervised by a Board¹⁴ and designated the Fund as an entity entrusted with the operation of the Financial Mechanism of the Convention, also serving the Paris Agreement, which will be accountable to and function under the guidance of the COP and the CMA.¹⁵
2. The Governing Instrument of the Fund stipulates that the Board will:
 - (a) Receive guidance from the COP and the CMA on its policies, programme priorities and eligibility criteria;
 - (b) Take appropriate action in response to the guidance received from the COP and the CMA;
 - (c) Submit annual reports to the COP and the CMA for their consideration.¹⁶
3. COP 28 and CMA 5 urged the Board of the Fund to promptly select the Executive Director of the Fund through a merit-based, open and transparent process.¹⁷
4. COP 28 and CMA 5 further decided that the Board of the Fund will be conferred with the legal personality and the legal capacity as necessary for discharging its roles and functions, in particular the legal capacity to negotiate, conclude and enter into a hosting arrangement with the World Bank as interim trustee and host of the Fund’s secretariat and requested the Board of the Fund to select the host country of the Board through an open, transparent and competitive process, with the host country of the Board conferring to the Board the legal personality and the legal capacity as necessary for discharging its roles and functions.¹⁸
5. COP 28 and CMA 5 invited the World Bank, subject to the conditions set out in the COP 28/CMA 5 decisions,¹⁹ to operationalize the Fund as a World Bank-hosted financial intermediary fund for an interim period of four years, starting from the sessions of the COP and the CMA at which the Board of the Fund confirms that the conditions can be met, with the Fund to be serviced by a new, dedicated and independent secretariat hosted by the World Bank.
6. COP 28 and CMA 5 further decided that, if the Board of the Fund determines that the relevant financial intermediary fund documentation²⁰, approved by the World Bank Board of Directors, does not ensure that the conditions set out in the COP 28/CMA 5 decisions can be met during the interim period, the COP and the CMA, on a recommendation of the Board of the Fund, will take the necessary steps to operationalize the Fund as an independent stand-alone institution, including approving the necessary amendments to the Governing Instrument of the Fund and providing guidance to the Board with respect to the selection process for the host country of the Fund, or the COP and the CMA may take any other course of action deemed appropriate.²¹

¹² Decisions 1/CP.28 and 5/CMA.5, para. 2.

¹³ Decisions 1/CP.28 and 5/CMA.5, para. 3.

¹⁴ Decisions 1/CP.28 and 5/CMA.5, para. 4.

¹⁵ Decisions 1/CP.28 and 5/CMA.5, para. 5.

¹⁶ Decisions 1/CP.28 and 5/CMA.5, annex I, para. 13.

¹⁷ Decisions 1/CP.28 and 5/CMA.5, para. 11.

¹⁸ Decisions 1/CP.28 and 5/CMA.5, paras. 15–16.

¹⁹ Decisions 1/CP.28 and 5/CMA.5, paras. 20–24.

²⁰ Decisions 1/CP.28 and 5/CMA.5, para. 19.

²¹ Decisions 1/CP.28 and 5/CMA.5, para. 22.

7. COP 28 and CMA 5 further decided that, prior to the establishment of the financial intermediary fund, the Board of the Fund will provide guidance to the World Bank as it takes the necessary steps to establish the Fund as a financial intermediary fund.²²

B. Scope of the report

8. This report provides details on progress towards the operationalization of the Fund for responding to Loss and Damage, in particular information on the actions taken by the Board in implementing the decisions from the COP and the CMA, and recommendations for consideration of these governing bodies, as appropriate. Unless otherwise specified, the report covers 1 January 2024 to 31 August 2024.

II. Work undertaken by the Board during the reporting period

9. The Board of the Fund for responding to Loss and Damage held two in-person meetings during the period of this report: the first meeting (30 April to 2 May 2024 in Abu Dhabi, United Arab Emirates) and the second meeting (9–12 July 2024 in Songdo, Republic of Korea). The outcomes of the third meeting (18–20 September 2024 in Baku, Azerbaijan) will be reported in an addendum to this report. The agendas and annotations (including background documentation on the agenda items) and detailed reports on the meetings are available on the interim secretariat web page.²³

10. COP 29 and CMA 6 may wish to take note of the response of the Board to the COP 28 and CMA 5 decisions (see annex II).

A. Election of the Co- Chairs of the Board

11. At its first meeting, the Board elected by consensus²⁴ Jean-Christophe Donnellier (France, developed countries) and Richard Sherman (South Africa, developing countries) as its Co-Chairs.

B. Composition of the Board

12. A list of the current members and alternate members of the Board is contained in annex I.

C. Meetings of the Board in 2024

13. The Board adopted a calendar of meetings for 2024 (see table 1).

Table 1

Meetings of the Board of the Fund for responding to Loss and Damage in 2024

<i>Meeting and dates</i>	<i>Location</i>
First meeting, 30 April to 2 May	Abu Dhabi, United Arab Emirates
Second meeting, 9 to 12 July	Songdo, Republic of Korea
Third meeting, 18 to 20 September	Baku, Azerbaijan
Fourth meeting, 2 to 5 December	Manila, Philippines

²² Decisions 1/CP.28 and 5/CMA.5, para. 25.

²³ <https://unfccc.int/loss-and-damage-fund-joint-interim-secretariat>.

²⁴ As per decision 1/CP.28 and 5/CMA.5, annex I, para. 23.

D. Pledges to the Fund

14. Table 2, 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.

Table 2

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.

Abbreviations: CAD = Canadian dollar(s), DKK = Danish krone(r), GBP = pound(s) sterling.

15. As at 31 August 2024, the interim secretariat has received a USD 10 million contribution from the Government of Japan.

16. Further to the pledges listed in table 2, the interim secretariat received, on 22 April 2024, a communication from the Government of Austria regarding its announcement of 22 February 2024 on its pledge of EUR 10 million to the Fund. At the opening of the second meeting of the Board, the Republic of Korea further announced its pledge of USD 7 million to the Fund.

17. Board members at the second meeting of the Board emphasized the importance of establishing a long-term resource mobilization strategy no later than by the end of 2025 and updated its workplan accordingly.

E. Workplan of the Board

18. At its second meeting, the Board adopted its workplan for 2024–2025.²⁵

19. The workplan was developed with the objective of implementing the provisions of the Governing Instrument of the Fund, with a view to the Board approving funding decisions as soon as possible. To this end, the workplan aims to develop operational procedures and policies to both deliver on the mandate of the Fund and ensure appropriate safeguards.

²⁵ Board decision B.2/D.10.

F. Establishment of the interim secretariat for the Fund

20. COP 28 and CMA 5 established an interim secretariat for the Fund to provide support, including administrative support, to the Board of the Fund during the transitional period until the establishment of the independent secretariat and requested the secretariats of the UNFCCC and the Green Climate Fund and invited the United Nations Development Programme to jointly form this secretariat.

21. Prior to the convening of the first meeting of the Board and the election of its Co-Chairs, the interim secretariat undertook work to advance its mandate, including conducting informal consultations with nominated Board members on the preparations for the first meeting of the Board, including the agenda, background papers and work required to operationalize the Fund; regular coordination with the World Bank with respect to matters relating to the operationalization of the Fund as a World Bank-hosted financial intermediary fund, including organizing informal briefings between the nominated members of the Board of the Fund and the World Bank secretariat; and organizing two information sessions with observers representing the nine UNFCCC observer constituencies and relevant United Nations and intergovernmental organizations. The interim secretariat further commenced coordination with the Office of the United Nations Secretary-General on arrangements for convening the first annual high-level dialogue on complementarity and coordination.

22. The interim secretariat launched a web page of the Fund in December 2023 providing updated information about the Fund for stakeholders.²⁶

23. During the reporting period, the interim secretariat provided support to the Board through organizing the logistical and substantive arrangements for convening and conducting the first and second meetings of the Board, and preparation for its third meeting. This included preparation of some background thematic documents.

G. Budget of the Board and the interim secretariat

24. At its first meeting, the Board considered and approved resources to support its work and its interim secretariat for the period 1 January 2024 to 31 December 2024 (see annex III).²⁷ The budget for the Board is in the amount of USD 162,168, and the administrative budget for the interim secretariat is in the amount of USD 2,627,177, and a contingency budget of USD 914,262 for expenditures that may be incurred or planned for by the Board has been allocated. The Board further requested the interim secretariat in consultation with the ad hoc subcommittee on budget to seek the approval of the Board for additional budget as necessary, recognizing that the work programme of the Fund is to be further developed.

25. The approved budget accommodates the logistics of Board and other related meetings, as well as the administrative costs of the interim secretariat including human resources, consultants, travel and daily subsistence allowance, general operating costs and contingencies.

26. Upon establishment of the new and independent secretariat and at the end of the transition period, any unutilized funds will be transferred to the independent secretariat or Trustee of the Fund.

H. Ad hoc subcommittees of the Board

27. The **ad hoc subcommittee on additional rules of procedure of the Board** was established by the Board at its first meeting to assist the Board in developing the additional rules of procedure pursuant to paragraph 31 of the Governing Instrument. The ad hoc subcommittee met seven times during the reporting period. Ms. Anna Merrifield (Finland) and Ms. Elena Pereira (Honduras) were elected as the first co-chairs of the ad hoc subcommittee through a no-objection procedure following its second meeting. Following the sixth ad hoc committee meeting which took place at B3, Ms. Claire Holzer-Fleming (United

²⁶ Available at <https://unfccc.int/loss-and-damage-fund-joint-interim-secretariat>.

²⁷ Board decision B.1/D.11.

Kingdom of Great Britain and Northern Ireland) was elected as co-chair, replacing Ms. Merrifield.

28. The co-chairs of the ad hoc subcommittee noted at the second meeting of the Board that despite progress on the draft additional rules of procedure consensus had not been reached on certain definitions and procedural matters and proposed further consultations and guidance from the Board to resolve outstanding issues and refine the draft rules of procedure. The Board agreed to provide additional time to the ad hoc subcommittee to complete its mandate.

29. The **ad hoc subcommittee on the selection of the host country of the Board** was established by the Board at its first meeting in accordance with paragraph 22(h) of the Governing Instrument²⁸ and met twice between the first and second meetings of the Board. The ad hoc subcommittee elected Mr. Gerard Howe (United Kingdom of Great Britain and Northern Ireland) and Mr. Daniel Lund (Fiji) as its co-chairs. The co-chairs of the ad hoc subcommittee presented its report to the second meeting of the Board. The committee was dissolved at the second meeting of the Board following conclusion of its mandate.

30. The **ad hoc subcommittee on the administrative budget** was established by the Board at its first meeting to support the Board in the discharge of its functions pursuant to paragraphs 22(n) and 35(e) of the Governing Instrument. The ad hoc subcommittee elected Mr. Peter Abraham (Antigua and Barbuda) and Mr. José Delgado (Austria) as its co-chairs, and the ad hoc subcommittee met seven times during the reporting period.

31. During the reporting period, the ad hoc subcommittee reviewed the administrative budget proposals from the interim secretariat and reviewed the periodic budget execution reports.

32. In decision B.2/D.10, the Board noted the need to determine an approach for cost recovery of the World Bank in the provision of services related to the operationalization of the Fund as a World Bank-hosted financial intermediary fund. It further 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: (1) a report to the Board on cost recovery of the World Bank with respect to the services to be provided in hosting the independent secretariat of the Fund and as the Trustee of the Fund; and (2) a report 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.

33. The report covering these matters will be submitted to the Board for its consideration at its third meeting.

34. The **ad hoc subcommittee on the selection of the Executive Director for the Fund** was established by the Board at its first meeting in accordance with paragraph 22(h) of the Governing Instrument.²⁹ The ad hoc subcommittee elected Ms. H Elizabeth Thompson (Barbados) as its chair and subsequently elected Ms. Laurence Ahoussou (Canada) as its co-chair. The committee met four times during the reporting period.

35. On the basis of the proposals from the ad hoc subcommittee on the selection of the Executive Director for the Fund, the Board adopted at its second meeting the terms of reference for the Executive Director of the Fund; the selection process for the Executive Director of the Fund; and the terms of reference for a human resources search firm to support the work of the ad hoc subcommittee.

²⁸ Board decision B.1/D.5.

²⁹ Board decision B.1/D.12.

I. Draft arrangements between the Conference of the Parties to the United Nations Framework Convention on Climate Change, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and the Board of the Fund

36. COP 28 and CMA 5 decided that arrangements with the Fund, consistent with the Governing Instrument of the Fund and to ensure that the Fund is accountable to and functions under the guidance of the COP and the CMA, are to be approved by COP 29 and CMA 6 (November 2024). In this regard, the COP and the CMA requested the Standing Committee on Finance to develop the arrangements, to be concluded between the COP, the CMA and the Board of the Fund.

37. At the second meeting of the Board, the Standing Committee on Finance provided the Board with the draft arrangements for its consideration and approval. The Board approved the draft of the arrangements between the COP, the CMA and the Board of the Fund for responding to Loss and Damage as included in annex IV to this report.

38. The Board approved the draft arrangements with the understanding that the COP and the CMA will separately adopt the decision.

J. Selection of the Executive Director of the Fund

39. As mentioned in paragraphs 34–35 above, the Board established an ad hoc subcommittee on the selection of the Executive Director of the Fund and adopted its terms of reference at its first meeting and approved the terms of reference for the Executive Director of the Fund; the draft selection process for the Executive Director of the Fund and the draft terms of reference for a human resources search firm to support the work of the ad hoc subcommittee on the selection of the Executive Director of the Fund at the second meeting of the Board. The Board also decided that the procurement of the human resources search firm would be carried out by the World Bank and the costs associated with this procurement and the recruitment of the Executive Director would be incurred by the World Bank, subject to cost recovery as per relevant provisions in the hosting agreement.

40. Following the second meeting of the Board, the World Bank engaged the services of Korn Ferry as the human resources search firm to support the Board in its search for a suitable candidate to undertake the role. The firm published the vacancy notice which remained open and accepting applications until 30 August 2024.

K. Selection of the host country of the Board

41. At its first meeting, the Board adopted the terms of reference, including evaluation criteria, for the selection of the host country and agreed on the indicative timeline, process and next steps for the selection of the host country. Furthermore, the Board noted that the terms of reference only consider the circumstance where paragraphs 21–24 of decisions 1/CP.28 and 5/CMA.5 are not operationalized.

42. In addition, the Board at its first meeting developed criteria for the evaluation of proposals against the terms of reference for the selection of the host country of the Board.

43. A total of eight submissions were received in response to the call for proposals issued by the Co-Chairs of the Board seeking interested Parties to host the Board of the Fund to confer it with legal personality and legal capacity. These submissions were received by the interim secretariat from the governments of Antigua and Barbuda, Armenia, the Bahamas, Barbados, Eswatini, Kenya, the Philippines and Togo.

44. The ad hoc subcommittee on the selection of the host country of the Board prepared an evaluation report for consideration by the Board at its second meeting, as a technical report aiming to enhance understanding of content, with additional information from independent metrics included to help further differentiate between the proposals.

45. The Board selected the Philippines as the host country of the Board of the Fund at B2, subject to the country meeting the commitments made in its proposal. The Board further requested the Co-Chairs to undertake negotiations with the government of the Philippines to finalize the Host Country Agreement between the Philippines and the Board while keeping the Board informed of its status and authorized the Co-Chairs to sign the agreement on behalf of the Board.

46. In accordance with this request, the Co-Chairs undertook such negotiations with the support of the interim secretariat and provided guidance to ensure that the Host Country Agreement is aligned with the Governing Instrument, other mandate documents and the requirements of the Board. On 28 August 2024, President Ferdinand R. Marcos, Jr. of the Republic of the Philippines signed Republic Act 12019 granting juridical personality and legal capacity to the Board of the Fund for responding to Loss and Damage. The law has been published in the Official Gazette and has become effective. In addition, the President issued the Special Authority to the Minister of the Department of Environment and Natural Resources, which grants the authority to negotiate, conclude, sign, execute and deliver, in accordance with the law, the final copy of the Host Country Agreement for and on behalf of the Government of the Philippines.

L. Operationalization of the Fund as a World Bank-hosted financial intermediary fund

47. The Co-Chairs of the Board remained in regular engagement with the World Bank during the reporting period providing guidance on the expectations of the Board regarding operationalization of the Fund as a World Bank-hosted financial intermediary fund.

48. The Co-Chairs met with the World Bank team in early May to address matters relating to the World Bank staff paper to be presented to the World Bank Board in June 2024. Furthermore, the Dean of the Board of Executive Directors of the World Bank hosted an event prior to the meeting of the Board of Directors of the World Bank on 10 June, providing an opportunity for a frank exchange between the Co-Chairs of the Board of the Fund and the Executive Directors of the World Bank.

49. The Senior Managing Director of the World Bank submitted a letter on 11 June 2024, addressed to the COP 28 President informing him of the decision taken by the World Bank's Board of Executive Directors to approve their role as interim host of the Fund for responding to Loss and Damage, allowing the World Bank to formally accept the invitation from the COP and the CMA through paragraphs 17–20 of decisions 1/CP.28 and 5/CMA.5. By the same letter, the World Bank also confirmed its willingness and ability to meet the conditions set out in paragraph 20 of the above-mentioned COP and CMA decisions. The Board of Directors of the World Bank approved the management's proposed approach, including:

50. The establishment of the proposed Financial Intermediary Fund for responding to Loss and Damage at the World Bank, for which the World Bank will provide support to the Fund by acting as interim Trustee and host to the secretariat of the Fund, with a novel structure whereby the Trustee will enter into financing agreements with recipients of funding, including direct access recipients and implementing entities other than multilateral development banks, United Nations agencies and the International Monetary Fund, on behalf of the Board of the Fund, which has independent legal personality; noting that any subsequent proposal to include direct access in a financial intermediary fund where the Bank as financial intermediary fund trustee signs the financing agreements with recipients will be brought to Executive Directors for approval;

51. The provision of assistance from the Fund to Parties to the Convention and the Paris Agreement that are not members of the World Bank.

52. This was followed by the submission on 12 August 2024 by the World Bank of draft financial intermediary fund documentation, including a Hosting Agreement, a Trustee Agreement and a Contribution Agreement, in response to the invitation from the COP and the CMA through decisions 1/CP.28 and 5/CMA.5, paragraph 17.

53. Following this, the Co-Chairs of the Board undertook consultations with the Board to seek views and feedback on the draft documentation, and the compilation of inputs received was transmitted to the World Bank on 29 August 2024.

M. Development of policies, programme priorities and eligibility criteria of the Fund

54. At its second meeting, the Board undertook initial discussions relating to its modalities.

55. The Board considered a background paper on access modalities in accordance with the Governing Instrument of the Fund for responding to Loss and Damage prepared by the interim secretariat. Reflecting on the information provided, Board members suggested potential next steps such as commissioning further work or the establishment of subcommittees.

56. The Board further considered a background paper on financial instruments, modalities and facilities prepared by the interim secretariat. Board members shared their opinions and suggestions, which included for some preference for pre-arranged finance, grants and highly concessional loans and avoidance of complicated instruments and increasing the debt burden. Other Board members favoured a focus on a bottom-up approach, noting also the need to understand what such an approach might entail. Some Board members underlined the importance of achieving speed, flexibility and scale that would address the current needs related to loss and damage. The need for agreeing on the vision for the Fund was also discussed, noting the urgency of delivering funds on the ground. The need for further discussion on identifying specific targets for interventions and defining instruments for rapid and slow-onset events based on country needs was also noted. Some Board members highlighted direct budget support as another area for further enquiry.

N. Name of the Fund

57. The COP 28 President, in presenting to COP 28 and CMA 5 the decision to approve the report of the Transitional Committee, recommended that, once operational, the Board take up the matter of naming the Fund referred to in decisions 1/CP.28 and 5/CMA.5.³⁰

58. The Board at its second meeting decided to call the Fund the “Fund for responding to Loss and Damage”. Further discussions on the acronym of the Fund are ongoing.

O. Participation in meetings and events

59. At the invitation of the Chair of the Subsidiary Body for Implementation, Ambassador Nabil Muneer, Co-Chair Mr. Donnellier participated in the third Glasgow dialogue convened from 6 to 7 June 2024 in Bonn during the sixtieth sessions of the subsidiary bodies. Mr. Donnellier provided reflections from the viewpoint of the Board of the Fund for responding to Loss and Damage, on how the different loss and damage bodies under the Convention and the Paris Agreement could effectively work together to ensure coherence and coordination. Mr. Donnellier further facilitated one of the three parallel breakout groups undertaking discussions on enhancing coherence and coordination across the loss and damage finance architecture.

P. Communications

60. The web page of the interim secretariat was launched in December 2023, providing information on the status of nominations and pledges to the Fund. In addition, the web page

is regularly updated to provide information on the meetings of the Board including posting of meeting documentation, and webcasts of open sessions of the meetings of the Board.

61. The interim secretariat also held briefings for the Board ahead of the first meeting of the Board and for stakeholders ahead of the first and second meetings of the Board.

III. Complementarity and coordination

62. At its second meeting, the Board discussed arrangements for establishing and operationalizing the first annual high-level dialogue. Several Board members emphasized the critical importance of convening the first dialogue in 2024, to enhance complementarity and coordination with other ongoing efforts. The need for clear articulation of the purpose of the dialogue and how it will meaningfully contribute to the work of the Board was highlighted.

63. Taking into account the various considerations raised by Board and alternate members regarding an appropriate time to schedule the event, the Board agreed on a hybrid approach, whereby the first annual high-level dialogue would take place in the first half of 2025, to be preceded by a launch of the high-level dialogue on the margins of the World Leaders Climate Action Summit during COP 29 and CMA 6.

Annex I**Members and alternate members of the Board of the Fund as at 31 August 2024**

<i>Constituency</i>	<i>Board member</i>	<i>Alternate</i>
Developed countries	Antonella Baldino Italy	Karima Oustadi Italy
Developed countries	Sebastian Lesch Germany	Simon Stumpf Germany
Developed countries	Jean-Christophe Donnellier France	Pierre Marc France
Developed countries	Ana Paula Rodrigues Portugal	Gaizka Malo Spain
Developed countries	Marjeta Jager European Union	Ronan Sweeney Ireland
Developed countries	Jens Fugl Denmark	Anna Merrifield Finland
Developed countries	José Delgado Austria	Georges Gehl Luxembourg
Developed countries	Laurence Ahoussou Canada	Ben Abraham New Zealand
Developed countries	Hiroki Matsui Japan	Tsuyoshi Hyokai Japan
Developed countries	Georg Børsting Norway	Karoline Kjeldsen Norway
Developed countries	Gerard Howe United Kingdom	Claire Holzer Fleming United Kingdom
Developed countries	Rebecca Lawlor United States of America	Alexandria Miskho United States of America
Asia-Pacific States	Abdulla Ahmed Balalaa Al Harthi United Arab Emirates	Didar Temenov Kazakhstan
Asia-Pacific States	Mohammad Ayoub Saudi Arabia	Ali Tauqeer Sheikh, Pakistan
Asia-Pacific States	Mark Dennis Y.C. Joven Philippines	Gholamhossein Darzi Iran
African States	Richard Sherman South Africa	Alpha Kaloga Guinea
African States	Mohamed Nasr Egypt	Tosi Mpanu Mpanu Democratic Republic of Congo
African States	David Kaluba Zambia	Sumaya Zakieldeem Hamdan Sudan
Latin American and Caribbean States	Liliam Beatris Chagas de Moura Brazil	Maria Victoria Gandini Argentina
Latin American and Caribbean States	Elena Cristina Pereira Colindres Honduras	Jaime Tramon Chile

<i>Constituency</i>	<i>Board member</i>	<i>Alternate</i>
Latin American and Caribbean States	Henrietta Elizabeth Thompson Barbados	Anthony Ferguson Bahamas
Small island developing States	Daniel Lund Fiji	Ahmed Waheed Maldives
Small island developing States	Peter Abraham Jr Antigua and Barbuda	Laura Elizabeth Agathine Seychelles
Least developed countries	Adao Soares Barbosa Timor Leste	Maheshwar Dhakal Nepal
Least developed countries	Djibril Ibila Benin	Madelieine Diouf Sarr Senegal
Developing country not included in the regional groups or constituencies	Nona Budoyan Armenia	Rajasree Ray India

Annex II

Response of the Board of the Fund for responding to Loss and Damage to Decisions 1/CP. 28 and 5/CMA.5

COP/CMA decision

Board response

Decision 1/CP.28 and 5/CMA.5: Operationalization of the new funding arrangements, including a fund, for responding to loss and damage referred to in paragraphs 2–3 of decisions 2/CP.27 and 2/CMA.4

Paragraph 6

Decide that arrangements with the Fund, consistent with the Governing Instrument of the Fund and to ensure that the Fund is accountable to and functions under the guidance of the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, are to be approved by the Conference of the Parties at its twenty-ninth session (November 2024) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth session (November 2024);

Draft arrangements proposed by the Standing Committee on Finance approved by the Board at B2 for transmission to the COP and the CMA

Paragraph 10

Request the UNFCCC secretariat to initiate arrangements for convening the first meeting of the Board of the Fund once all voting member nominations have been submitted, but no later than 31 January 2024, and to convene subsequent meetings until the secretariat of the Fund is operational

In line with its mandate, on 5 December 2023 the UNFCCC secretariat circulated a message to Parties, inviting to submit through their regional groups and constituencies, nominations of representatives for membership of the Board of the Fund to the UNFCCC secretariat as soon as possible.³¹ In response, nominations were received by the interim secretariat to constitute Board quorum by 29 February 2024. The interim secretariat convened the first meeting of the Board from 30 April to 2 May 2024 in Abu Dhabi, United Arab Emirates, and the second meeting from 9–12 July 2024 in Songdo, Republic of Korea. Arrangements are being made to convene the third Board meeting from 18–20 September 2024 in Baku, Azerbaijan.

Paragraph 11

Urge the Board of the Fund to promptly select the Executive Director of the Fund through a merit-based, open and transparent process;

At the first meeting of the Board, the Board adopted two decisions relevant to this issue: the first decision relates to the establishment of an ad hoc subcommittee on the selection of the Executive Director for the Fund, and the second decision is agreeing on the terms of reference for the ad hoc subcommittee on the selection of the Executive Director for the Fund. At the second meeting of the Board, the Board approved the terms of the reference of the Executive Director, the terms of reference of the human resources search firm to support the work of the ad hoc subcommittee on the selection of the Executive Director of the Fund, and the selection process of the

³¹ Available at https://unfccc.int/sites/default/files/resource/message_to_parties_and_observer_states_operationalization_of_the_new_funding_arrangements.pdf.

*COP/CMA decision**Board response*

ED aiming to formally appoint the Executive Director at the third meeting of the Board. The timing will be dependent on the host country agreement.

Paragraph 15

Decide that the Board of the Fund will be conferred with the legal personality and the legal capacity as necessary for discharging its roles and functions, in particular the legal capacity to negotiate, conclude and enter into a hosting arrangement with the World Bank as interim trustee and host of the Fund’s secretariat

At the first meeting of the Board, the Board decided on the terms of reference for the host country; established selection process/committee, criteria and time frame; and launched the selection process. At its second meeting, the Board selected the Philippines as the host country of the Board and mandated the Co-Chairs to enter into an agreement with the host country.

The Co-Chairs undertook negotiations, supported by the interim secretariat, with the Government of the Philippines and provided guidance to ensure that the host country is aligned with the Governing Instrument, other mandate documents and requirements of the Board.

A law has become effective granting juridical personality and legal capacity to the Board of the Fund for responding to Loss and Damage.

Paragraph 16

Request the Board of the Fund to select the host country of the Board through an open, transparent and competitive process, with the host country of the Board conferring to the Board the legal personality and the legal capacity as necessary for discharging its roles and functions

Paragraph 25

Further decide that, prior to the establishment of the financial intermediary fund, the Board of the Fund will provide guidance to the World Bank as it takes the necessary steps to establish the Fund as a financial intermediary fund

The Co-Chairs of the Board remained in regular engagement with the World Bank during the reporting period providing guidance on the expectations of the Board regarding operationalization of the Fund as a World Bank-hosted financial intermediary fund.

A meeting between the Co-Chairs of the Board and the World Bank team was held in early May to address matters relating to the World Bank staff paper to be presented to the World Bank Board in June 2024. Prior to the meeting with the Board of Directors of the World Bank on 10 June, the Dean of the Board of Executive Directors of the World Bank hosted an event providing opportunity for frank exchange between the Co-Chairs of the Board of the Fund and the Executive Directors of the World Bank.

On 11 June 2024 the Co-Chairs received written confirmation that the Board of Executive Directors of the World Bank had approved the World Bank’s role as interim host of the secretariat, and trustee of the Fund for responding to Loss and Damage.

The Co-Chairs attended a meeting with the World Bank from 24 to 26 June 2024 focusing on the next steps to meet the set of milestones and conditions in decisions 1/CP.28 and 5/CMA.5, in particular the deadline for the World Bank to submit relevant documentation to the Board by 12 August 2024. This documentation was submitted accordingly and circulated to Board members for comments, which were considered by the World Bank when revising the documentation.

Paragraph 20(k)

Decide that, as further elaborated in paragraphs 21–24 below, the continued operationalization of the Fund during the interim period will be conditional on the World Bank hosting the Fund as a financial intermediary fund in a manner that:

Ensures a cost recovery methodology that is reasonable and appropriate;

Paragraph 22(n) of annex I

The Board will: Review and approve the administrative budget and work programme of the Fund and arrange for performance reviews and audits

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 on cost recovery of the World Bank with respect to the services to be provided in hosting the independent secretariat of the Fund and as the Trustee of the Fund.

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 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 trustee function, together with the necessary reporting arrangements by the World Bank for such cost recovery.

The ad hoc subcommittee undertook work in line with this request and is scheduled to submit a report on this matter to the Board at its third meeting.

The Board aims to approve the administrative budget for the independent secretariat at its third meeting.

Annex III**Administrative budget of the interim secretariat and the Board for 1 January–31 December 2024³²***Budget (USD)*

Table 1: Board budget (logistics of Board and other related meetings)	
TOTAL, Board budget	162 168
Table 2: Administrative budget for the interim secretariat	
Human resources	
Director/Global Specialist/Manager (3 staff)	74 502
Senior Adviser, Programme Specialists, Programme Officers, Associate Programme Officers, Technical Support, Administrative Officer and Specialists (18 staff)	1 612 932
Administrative/Operational/Team Assistants (9 staff)	83 248
<i>Subtotal (human resources)</i>	<i>1 770 682</i>
Consultants	
<i>Subtotal (6 consultants)</i>	<i>210 840</i>
Travel and DSA	
<i>Subtotal (Travel and DSA)</i>	<i>461 312</i>
General operating costs (office space, equipment, supplies, communications, information technology)	
<i>Subtotal (General operating cost)</i>	<i>184 343</i>
TOTAL, interim secretariat	2 627 177
TOTAL before contingency	2 789 345
Table 3: Contingency budget	
Board-related contingency items (Travel and DSA for Board meetings and related intersessional meetings)	600 469
Interim secretariat relevant contingent items (Staff cost for policy items)	313 793
TOTAL contingency	914 262
TOTAL	3 703 607

Abbreviations: DSA = daily subsistence allowance, GCF = Green Climate Fund, UNDP = United Nations Development Programme.

³² Each organization will apply its own policies and procedures concerning travel, human resources and general services, and logistical-related activities and associated costs.

Annex IV

Draft of the arrangements between the Conference of the Parties to the United Nations Framework Convention on Climate Change, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and the Board of the Fund for responding to Loss and Damage

Preamble

Recalling Article 11 of the Convention and Article 9, paragraph 8, of the Paris Agreement,

Also recalling paragraphs 2–3 of decisions 2/CP.27 and 2/CMA.4; and decisions 1/CP.28 and 5/CMA.5, as well as annex I to those decisions, which sets out the Governing Instrument of the Fund referred to in paragraph 3 of decisions 2/CP.27 and 2/CMA.4 (hereinafter referred to as the Fund),

Recognizing that the Fund is designated as an entity entrusted with the operation of the Financial Mechanism of the Convention, also serving the Paris Agreement, which will be accountable to and function under the guidance of the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, as per decisions 1/CP.28 and 5/CMA.5, paragraph 5,

Further recognizing that pursuant to paragraph 6 of decisions 1/CP.28 and 5/CMA.5, the arrangements between the Conference of the Parties to the United Nations Framework Convention on Climate Change, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and the Board of the Fund are to be consistent with decisions 1/CP.28 and 5/CMA.5 and the Governing Instrument of the Fund,

The Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) and the Board of the Fund hereby agree to the following arrangements.

Purpose of these arrangements

1. The purpose of these arrangements is to set out the working relationship between the COP, the CMA and the Board of the Fund to ensure that the Fund is accountable to and functions under the guidance of the COP and the CMA, consistently with the Governing Instrument of the Fund and receives guidance from the COP and the CMA on its policies, programme priorities and eligibility criteria.

Determination and communication of guidance from the COP and the CMA

2. The Board will receive guidance from the COP and the CMA on its policies, programme priorities and eligibility criteria.³³

3. The Board will submit annual reports to the COP and the CMA for their consideration.³⁴

4. The COP and the CMA will adopt decisions providing guidance to the Board at each of their sessions, unless otherwise decided by the COP and the CMA.

5. The COP and the CMA will provide guidance based, *inter alia*, upon a thorough consideration of the information in the annual reports of the Board.

³³ Pursuant to para. 13(a) of the Governing Instrument.

³⁴ Pursuant to para. 13(c) of the Governing Instrument.

6. The Board may review the periodicity of the guidance from the COP and the CMA and make a recommendation thereon for consideration by the COP and the CMA.³⁵

Conformity with guidance of the COP and the CMA

7. The Board will take appropriate action in response to the guidance received from the COP and the CMA and will report on such action in its annual reports.

Reconsideration of funding decisions

8. These arrangements reaffirm that the Board has responsibility for setting the strategic direction of the Fund and for the Fund’s governance and operational modalities, policies, frameworks and work programme, including relevant funding decisions.³⁶

9. The COP and the CMA may provide additional guidance to the Board to clarify policies, programme priorities and eligibility criteria as they impact funding decisions.

10. Further modalities by which a particular funding decision may be reconsidered as per Article 11, paragraph 3(b) of the Convention, will be developed by the Board, as appropriate.³⁷

Financial instruments

11. In its provision of finance, the Fund will take into account guidance from the COP and the CMA, pursuant to paragraphs 57–59 of the Governing Instrument.³⁸

Reports from the Board to the COP and the CMA

12. The Board will include in its annual reports to the COP and the CMA:

(a) Information on implementation of policies, programme priorities and eligibility criteria, including information on the action taken by the Board in response to guidance provided by the COP and the CMA;

(a) A synthesis of the different activities under implementation and a list of the activities approved, as well as a financial report;

(b) Information on all activities financed by the Fund;

(c) Actions taken to develop, operate and review the resource allocation system referred to in paragraphs 60–61 of the Governing Instrument;

(d) Any reports of the independent evaluations of the performance of the Fund referred to in paragraphs 64 and 65 of the Governing Instrument;

(e) Information on how it has drawn on expert and technical advice, including from the relevant constituted bodies established under the Convention and the Paris Agreement, as appropriate;

(f) The high-level dialogue referred to in paragraph 11, annex II to decisions 1/CP.28 and 1/CMA.5, as described in paragraph 12 of annex II to decisions 1/CP.28 and 1/CMA.5;

(g) Information on action taken to enhance coordination and complementarity pursuant to paragraphs 51–53 of the Governing Instrument, as well as recommendations to the COP and the CMA pursuant to paragraph 22(s) of the Governing Instrument;

13. The Board is encouraged to include information in its annual reports on how it has established consultative forums to engage and communicate with stakeholders, pursuant to paragraph 28 of the Governing Instrument, and developed and managed mechanisms to

³⁵ Pursuant to para. 14 of the Governing Instrument.

³⁶ Pursuant to para. 15 of the Governing Instrument.

³⁷ Pursuant to Article 11, para. 3(b), of the Convention.

³⁸ Pursuant to section VIII of the Governing Instrument.

promote the input and participation of stakeholders, pursuant to paragraph 29 of the Governing Instrument.

14. The COP and the CMA may request the Board to provide additional information in its annual reports.

Determination of funding necessary and available

15. The Board will include information in its annual reports to the COP and the CMA on its long-term fundraising and resource mobilization strategy, as appropriate.³⁹

Periodic review of the Fund

16. Pursuant to paragraph 66 of the Governing Instrument, the Fund will be subject to periodic reviews conducted by the COP and the CMA, which will be informed by, inter alia, the results of the independent evaluation of the performance of the Fund referred to in paragraph 64 of the Governing Instrument and the annual reports of the Board to the COP and the CMA.

Amendments to the Governing Instrument

17. The Board may recommend amendments to the Governing Instrument for consideration by the COP and the CMA.⁴⁰

Termination of the Fund

18. The Board may recommend the termination of the Fund for consideration by the COP and the CMA.⁴¹

Cooperation between secretariats and representation in sessions of the COP and the CMA

19. The secretariat of the Fund may, as necessary and subject to the direction of the Board of the Fund, cooperate and exchange views with the UNFCCC secretariat on matters relevant to the operation of the Financial Mechanism of the Convention and the Paris Agreement, including implementation of these arrangements between the COP, the CMA and the Board, coordination with other international financing channels and funding arrangements, as appropriate, and participation of representatives in sessions of the COP and the CMA.

20. The participation of representatives of the UNFCCC secretariat in meetings of the Board, and of the secretariat of the Fund in sessions of the COP and the CMA, is to be governed by the rules of procedure of the Board and the draft rules of procedure of the COP, respectively.

Final clauses

21. These arrangements can only be modified by mutual written consent of the COP, the CMA and the Board.

22. These arrangements are effective upon approval by the Board and subsequent approval by the COP and the CMA.

23. These arrangements may only be terminated by mutual written consent of the COP, the CMA and the Board.

[English only]

³⁹ Pursuant to para. 56 of the Governing Instrument.

⁴⁰ Pursuant to para. 72 of the Governing Instrument.

⁴¹ Pursuant to para. 73 of the Governing Instrument.