Joint submission to the Board of the Fund for Responding to Loss & Damage (FRLD) on the start-up phase of the Fund - April 2025

The start up-phase of the Fund for Responding to Loss and Damage: Getting it right from the start

The Fund for Responding to Loss and Damage (FRLD) was established to meet the urgent and growing needs of individuals, groups and peoples on the frontlines of the climate crisis. Getting it up and running and resourced at scale is urgent, as the climate crisis escalates. Civil society welcomes the Board's intention to start disbursing funds as soon as possible, however we urge the Board to mitigate against the potential risks of a "start-up phase" by ensuring that early interventions do not come at the expense of quality and human rights, and therefore put in place the right policies before any disbursement can happen.

This joint submission, representing the views of 43 civil society and Indigenous Peoples organizations[1], sheds light on the elements needed to make the start-up phase successful, inclusive and just.

Non-negotiables for the start-up phase

To maximize effectiveness and minimize the risk of harm, the start-up phase of the FRLD should be **limited in the types of activities** it can undertake, and should have **an initial set of policies, frameworks and systems** in place that integrate core priorities. These non-negotiables are listed below, and more detail is provided for each of them further on in the submission.

This means that the start-up phase should:

- Be solely **grant-based**: We welcome the Secretariat's proposal to prioritise grants, as other financial instruments come with risks and limitations and are not appropriate in the context of loss and damage. Grants should remain the sole financial instrument throughout the start-up phase and the long-term operations of the Fund.
- Be limited to **low-risk activities**, also in the context of direct budget support and programmatic approaches. This submission, including its propositions on fast-tracked screening and safeguards, assumes such a low-risk approach.
- Have a strong focus on **community access** through small grants, both as a pilot approach/program at Fund level and under other funding modalities, such as programmatic approaches and direct budget support. Special consideration should

[1] AbibiNsroma Foundation, ACE Observatory, ACT Alliance, ActionAid International, Amnesty International, ASEAN Disability Forum (ADF), Center for Inclusive Climate Change Adaptation for Sustainable Africa (ICCASA),Center for International Environmental Law, Centro de Desarrollo Humano (CDH) Honduras, Centro Interdisciplinario de Investigación y Desarrollo Alternativo U Yich Lu'um, Christian Aid, Climalab, Community Action for Health & development, Community Integrated Development Organization, Dalit with Disabilities Association Nepal (DDAN), Disability Research and Development Foundation, Early Childhood Development Action, Network (ECDAN), Egyptian Foundation for Environmental Rights (EFER), Ethiopian Orthodox CHurch Development and Inter Church Aid Commission, European Disability Forum (EDF), Franciscans International, Habitat Defenders Africa (HDA), Heinrich Böll Foundation Washington, DC, Housing and Land Rights Network - Habitat International Coalition, Indigenous Environmental Network-International, Indonesian Association of Women with Disabilities (HWDI), Interamerican Association for Environmental Defense (AIDA), International Helping for the Young, International Women's Rights Action Watch Asia Pacific (IWRAW AP), Jamaa Resource Initiatives, Kenya, La Ruta del Clima, MenaFem Movement For Economic, Development And Ecological Justice, Mexican Center for Environmental Law (CEMDA), Oxfam, Pueblo Originario Kichwa de Sarayaku, Refugees International, Resilient40, Satat Sampada Climate Foundation, Tebtebba, Trócaire, Women and Land in Zimbabwe, and World's Youth for Climate Justice (WYCJ).

be given to ensure access to funding and leadership for women, children, older people, persons living with disability, Indigenous Peoples, and other groups experiencing marginalization.

- Use internationally recognized **environmental, social and human rights safeguards that align with international law** and have proven to be effective, and that are **relevant in the context of grant-based small-scale funding for loss and damage**, such as the safeguards of the Adaptation Fund.
- Ensure **access to information and access to justice** in the absence of a pro-active Fund-wide information disclosure policy and an independent grievance redress mechanism, which should be in place by the time the Fund is fully operational.

Elements of a meaningful start-up phase

This section aims to give more details about the elements of a meaningful start-up phase, in line with the topics listed in the Board's work plan (B4 decision - Annex III) and the Secretariat's current proposal for the start-up phase:

First set of interventions and funding modalities

Even though all Board members agreed that a first set of interventions should not be seen as setting precedent, they will inevitably signal what the Fund is interested in prioritising. It will therefore be important to set the right tone.

- **Comprehensive and inclusive:** Regardless of the chosen funding modalities, the Board should ensure the initial set of interventions are inclusive, community-led, equitable and human rights-compliant, prioritizing those in vulnerable situations and experiencing marginalization. Activities should reflect the priorities and needs of affected countries and communities, including by addressing both rapid and slow-onset events, and economic and non-economic loss and damage.
- **Low-risk:** The start up phase can only allow low-risk activities, regardless of the chosen funding modalities (also in the context of direct budget support and programmatic approaches); a number of activities, such as outreach, capacity building and empowerment measures; planning activities, such as support for the development of Loss and Damage response plans, as well as most community-focused, locally-led interventions on recovery, and rehabilitation would fall under this, as well as funding going to strengthen existing social support systems. To determine such activities, common risk categorizations (which most international and direct access entities accredited under other climate funds already utilize) should be applied, such as the Green Climate Fund's risk categorization: the start up phase should be limited to activities that would fall under the category C/Intermediation-1 activities.
- **Community access:** The start-up phase needs to have a dedicated focus on direct community access. This should be realised by:
    - Focusing on the provision of small grants and the implementation of community-led interventions, since these are intrinsically low-risk, as it is important to avoid risky interventions while there is not yet a dedicated set of social, environmental and human rights safeguards in place. This focus would

also demonstrate the Board's commitment to community access from the start. The Secretariat's current proposal for the start-up phase to exclude small grants from early interventions is not acceptable.
    - Small grants and community-led interventions can and should also be implemented through programmatic approaches and budget support in the start-up phase. The Secretariat's current proposal assumes that, based on the bottom-up, country-led approach, communities and affected groups will be involved through consultative processes for the determination of national priorities (para 24) and by implementing entities to execute activities on the ground (para 28). While these references are welcome, they are not sufficient to realise community access and community-led interventions. We cannot assume that these approaches will happen in all contexts and in all countries, and even if they occur, we cannot assume that community access will therefore be realised; there is no automatism. The Board should adopt clear guidelines and request to governments and entities accessing funding in the start up phase that they need to incorporate these approaches, with monitoring and accountability provisions to ensure they happen.
- **Cash transfers:** The Board should consider using cash transfers whenever possible (whether channeled through government systems or to foster community access, especially in the case of group cash transfers) within its start-up phase to ensure impact, operational feasibility, and high efficiency. For more detail on how cash transfers can be operationalised within the Fund, please see the complementary submission from the CALP network.
- **No duplication:** The Board should ensure that any readiness support provided by the Fund in the start-up phase does not duplicate the work of the Santiago Network for Loss and Damage (SNLD). While providing countries with support to strengthen country-led programming for responding to loss and damage is important, this is fully within the scope and the mandate of the SNLD as highlighted by the Co-Chair of the SNLD's Advisory Board, Alpha Kaloga, during B4. To support technical assistance during the start-up phase, the FRLD should prioritize collaborating closely with the SNLD to ensure that it has the necessary resources to provide technical assistance, especially given that the SNLD only has US$ 40 million to carry out its mandate.

Financial instruments for the start-up phase

The Secretariat's proposal to prioritize grants in the start-up phase is welcome. However, it is concerning that it is proposed to expand the instruments to include concessional loans, guarantees, equity and other instruments in the subsequent phase, with preparatory work to this effect due to commence in the start-up phase.

Grants are the only acceptable financial instrument in the context of addressing loss and damage, as activities are meant to restore and repair what has been lost - costs that developing countries have already paid for, often in the form of loans, leading to high indebtedness, or, in the lack of sufficient resources, have been borne by affected communities. The creation and exacerbation of debt, even if concessional loans are used, in the name of addressing loss and damage is a double injustice for countries and communities vulnerable to the impacts of climate change, and negatively impacts the fulfillment of economic, social and cultural rights.

Given the importance of the start up phase of the Fund to set the tone, and to ensure that it meets the needs and priorities of affected communities, grants should be the sole financial instrument used. In that context, it will be important to provide grants as full-cost grants and not focus on a requirement to prove additional costs for a measure (on top of an assumed development finance baseline).

In addition, it is important to stress that, in light of escalating loss and damage, insurance does not provide a solution as insurance premiums increase - which the affected countries and communities who are harmed have to pay, perpetuating injustice – while potential payout are delayed and reduced, if they happen at all. In particular, insurance is limited in scope as it typically only pays out a small proportion of the loss and damage costs incurred, insurance premiums are unlikely to cover all forms of loss (risk of excluding non-economic losses like cultural heritage, or ecosystem damage and slow onset events), slow onset events and many extreme weather events have become uninsurable, and a reliance on such mechanisms fails to recognize the structural inequalities that insurance models often perpetuate. The start-up phase should exclude insurance approaches and instead, focus on beefing up or establishing public social support systems.

Environmental, social and human rights safeguards

While the Board must develop a dedicated and comprehensive set of environmental, social and human rights safeguards and other policies—such as a gender policy and an Indigenous Peoples' policy—to ensure the Fund is inclusive, non-discriminatory, and does no harm for the long-term, for the start-up phase interim measures are needed. During the start-up phase, the Fund should rely on existing internationally recognized safeguards that align with international law and are relevant in the context of climate finance. These safeguards should specifically address the needs of communities facing climate impacts and be suited to the low-risk activities that the start-up phase should be limited to.

Relevant safeguards in the context of addressing loss and damage include, but are not limited to, processes for proper social, human rights and environmental impact assessments; avoiding harms to biodiversity, ecosystems and health; respecting and protecting human rights and excluding all activities that violate human rights, including the rights of Indigenous Peoples as recognized in the minimum standards set out in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP); comprehensive policies to avoid discrimination and ensure inclusivity of groups in the most vulnerable situations[2], and advance substantive equality through the Fund's activities; provisions for meaningful public participation with a gender equality and inclusion perspective and ensuring youth

[2] These include, but are not limited to: women in all their diversity, people of diverse sexual orientation, gender identity and expression, children and youth, older people, Indigenous Peoples, afrodescendant communities, migrants and refugees, persons with disabilities, racial and ethnic minorities, people living in poverty, peasants and people living in rural areas, people living in conflict-affected areas (including situation of apartheid and occupation), individuals in communities facing impoverishment and dispossession.

participation, and respecting Indigenous Peoples' right to Free, Prior and Informed Consent; compliance with existing legal obligations and standards.

- **Safeguards during the start-up phase:**
  - The Board should explicitly clarify how during the start-up phase all interventions by all implementing partners will be subject to such safeguards, adapted to the low-risk nature of the activities that this phase should be limited to. For example, the Board could ad interim make use of the safeguards framework of the Adaptation Fund as a basis, which are relevant in the context of small-scale and community-based activities, for entities that have no prior accreditation with the Adaptation Fund, the Global Environment Facility or the Green Climate Fund.
  - If the Board would consider any other activities than those that are considered low-risk, for example by allowing construction projects, the start-up phase can only take off after a dedicated set of safeguards is in place at the Fund level.
  - In no circumstances should the World Bank's Environmental and Social Standards (ESS) be considered as the benchmark for 'functional equivalency', as this would not be in line with Governing Instrument's commitment to 'best practice'.
  - It is not sufficient to assess whether "no harm" has been done by including relevant indicators in the monitoring and evaluation framework, as that would only be able to assess relevant risks and harms ex-post. While such indicators are necessary, they do not replace a dedicated set of safeguards applied ex-ante.
- **Grievance redress:** Even if the start-up phase only focuses on low-risk activities, it is crucial to foresee that harm may occur, and the Board should clarify how they will ensure that those who may be subject to that harm have access to justice and remedy. In the case the Board would allow any other activities than low-risk in the start-up phase, they must ensure that a dedicated, independent grievance redress mechanism is in place before any activities can be implemented.

<u>Fast-tracked screening for prior accredited entities and simplified procedures and criteria for new implementation partners</u>

Commensurate with our suggestion to focus on low-risk straightforward (grant-focused) project management and intermediation activities first for early interventions that center on local communities, there should be a phased approach to fast-tracking that prioritizes entities with a track record of facilitating community access to finance and community-led responses.

- **Excluding inappropriate actors:** We do not consider appropriate the Secretariat's proposal to fast-track all implementing entities that are accredited with the GCF, GEF and the AF, even through a phased approach between B5 and B7. This is primarily because among the 150+ entities that this would apply to there are a number of actors, particularly from the private sector , such as equity investors or large scale commercial banks still investing in fossil fuels (such as HSBC, MUFG), that are not suitable for implementation of FRLD funding; they should be excluded from the fast-track screening/blanket approval approach.

- **Prioritization of implementation partners:** The Board must develop a set of criteria to determine the entities that are already accredited to the GCF, GEF and/or AF that can make priority use of the fast-tracking/blanket approval in the start-up phase, which should be in line with a focus on low-risk and community-led activities during the start-up phase. Identifying such entities will require a dedicated mapping of suitability of actors, as well as an identification of gaps/missing actors.
    - **Direct Access Entities:** Priority should be given to engaging with the direct access entities that have either experience or are familiar with enhanced direct access (EDA) modalities in the Adaptation Fund or the GCF which devolve decision-making on climate finance to the (sub-)national level by making funding in smaller tranches available for community level activities or are expressing interest in such funding approaches.
    - **Developing country government ministries and entities:** Among the accredited entities are also a number of developing country government ministries and entities that have successfully gone through the vetting process for compliance with safeguards and gender policies as direct access entities with the AF and the GCF; these could be prioritized for fast tracking for direct budget support in early interventions.
    - **Non-governmental organizations** that have already implemented GEF, GCF or AF activities.
- **New implementation partners:**
    - For potential new implementation partner without prior accreditation with the GCF, GEF or AF, if they are considered for the start-up phase, they should - in line with the general low-risk approach of the phase - only be allowed for low-risk Category C/Intermediation-1 activities focused on programme management for grant funding and only ongranting, and their ESS and fiduciary standards should at minimum comply with the AF's requirements.
    - The start-up phase should have in place a streamlined and fast-track mechanism for accessing the Fund that is focused on realizing community access, ensuring simplicity and efficiency in the application process for new implementation actors, as well as accessibility, including by making it available in all 6 UN languages as a minimum, to overcome the bureaucratic hurdles and delays.

Resource allocation system for the start-up phase

The Fund's allocation strategies should be contingent upon the successful mobilization of resources and the attainment of sufficient funding. Prioritizing resource mobilization in the start-up phase will enable the FRLD to secure the necessary financial capacity before making strategic decisions on fund allocation. This approach minimizes financial risk, enhances sustainability, and ensures that allocation strategies are developed based on a well-supported and stable funding base.

It will be important to avoid a first-come-first-serve model both in terms of countries and access modalities from the very beginning. The development of an interim allocation system will have to manage the tension between a number of considerations, from taking into account the needs and priorities of developing countries and climate-vulnerable communities to safeguarding against overly concentrating support to any country, region or group of countries. While any decision on an initial resource allocation system should ensure that small island developing states (SIDS) and Least Developed Countries (LDCs) can have equitable access to funding in line with the governing instrument, such as through a minimum allocation floor, this must avoid exclusion of other countries and regions with vulnerable communities facing major climate damages. In terms of access modalities, the FRLD should learn from the GCF experience, where ten years after the first funding project in 2015 still 80% of approved funding is implemented through international access entities, rather than direct access entities. In addition, dedicated allocation for community access will be important already in the start-up phase to signal the FRLD's ambition for applying lessons learned from other climate funds.

- **Avoiding overconcentration**: The Board should consider a cap for specific modalities and a consideration of efforts to ensure broad regional distribution. Criteria and allocation systems are needed to ensure that funding, while safeguarding a substantial portion of start-up funding for SIDS and LDCs, is not restricting other regions' or countries' access. When a major event happens in other countries, it will be important that they can access resources from the FRLD quickly and equitably.
- **A comprehensive start-up phase:** As the start-up phase is supposed to be a testing and learning period to prepare for the long-term operational approach of the FRLD, some programming caps for early interventions might be useful, especially to find a balance between how much money should go to technical assistance, or loss and damage planning compared to other activities, to make sure the broad scope of activities that the FRLD is supposed to fund is reflected in supported early interventions.
- **Minimum allocation for community access:** To demonstrate the Board's commitment to community access, already in the start-up phase a dedicated minimum allocation for community access is needed . This could be met on the portfolio both through a community access pilot programme at the Fund level as well as through other access modalities of the start-up phase of the Fund. By tracking this minimum allocation floor transparently during the start-up phase, it can also inform a review when looking at the full operationalization of the Fund with a view to progressively increase this set-aside over time.

<u>Initial results measurement system</u>

It will be crucial to ensure that already during the start-up phase, the FRLD's success is defined by performing well against people-centered benefit-focused indicators and targets, and that a system is in place to review policies and programming decisions based on these.

- **People-centered monitoring:**
    - To ensure a people-centred approach, funding success should not be equated narrowly with performance indicators looking at economic/replacement value or the scale of leveraged financing received as proof of impact. This is of particular importance in the context of addressing non-economic loss and damage.
    - Likewise, the number of activities (alone) is not a suitable indicator for the start-up phase, as it does not speak to either the intended benefits nor the expected impacts of those activities; at the minimum, such simple quantitative measures need to be complemented with qualitative assessments.
    - Of particular importance will be to measure changes in vulnerability levels among various segments of communities using pre- and post-FRLD project assessments.
- **Disaggregated data:** Performance indicators should include how many people and communities have received direct financial support for addressing loss and damage, including for non-economic losses and damages. Such data should allow an assessment of how the activities have supported those disproportionately impacted by climate change due to intersecting vulnerabilities, and therefore all performance indicators should be age-, gender- and disability-disaggregated, child-specific and taking into account Indigenous identity and displacement. This will ensure that the Fund is accountable not only for scale, but for equity, and reinforces the principle of leaving no one behind.
- **Participatory monitoring:** From the very start, the initial results measurement system for the start-up phase should put in place participatory monitoring of programs, projects and activities financed by the Fund, giving the communities that are to be beneficiaries of funded support a role in monitoring whether the funding reaches them and has the intended impact.