

Loss and Damage Finance: A Framework for Complementarity and Coherence

Discussion Paper for Consultation

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Center for Climate and Energy Solutions

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A. Summary

1. The UN Framework Convention on Climate Change's (**UNFCCC**) 28th Conference of the Parties (**COP28**) set out a historic agreement to operationalize the Fund for Responding to Loss and Damage (**FRLD**), including new funding arrangements for responding to loss and damage (**L&D**). The COP28 decision also established a Board to govern the FRLD (**the Board**).¹
2. The Board is tasked with developing an operational framework for coherence and complementarity for responding to L&D in 2025 for the FRLD,² helping to ensure that the FRLD's activities and the new and existing funding arrangements for L&D are fully and effectively utilized. Optimizing support to developing countries to respond to L&D in a world where climate change disasters are increasing in intensity and occurrence is of critical importance.
3. Additionally, the first annual high-level dialogue on coordinating and coherence of L&D funding arrangements (**HLD**) will take place during the World Bank and International Monetary Fund (**IMF**) Spring Meetings from 21–26 April 2025. The Board's work on the complementarity and coherence framework is linked to its work on standard procedures which includes the HLD that will be co-convened by the Board and the UN Secretary-General.³
4. This paper suggests key structural elements, objectives, and a follow-up process for an operational complementarity and coherence framework and the additional funding arrangements for L&D for the FRLD. These recommendations maximize the time available ahead of COP30 to give guidance. Institutional elements could include: (i) co-financing; (ii) guiding principles; (iii) mechanisms or guidelines for new sources of finance; and (iv) stipulation of joint activities and delegation of program authority. Other elements that can enhance complementarity and coherence at the activity level, such as a set of agreed outcomes that the Board will aim to achieve within a certain timeframe, could correspond to the elements decided at the institutional level.

Questions for consideration

- What should be the key elements of the complementarity and coherence framework under the FRLD? Which elements are missing or should be included?
- How can guiding principles help ensure complementarity and coherence for L&D funding arrangements?
- Are Parties prepared to make submissions on this topic ahead of COP30?
- At what level of detail should the Board report on this framework to the COP and CMA?

B. Context

5. The FRLD, as well as new and existing L&D funding arrangements, will assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to L&D. The FRLD will act as a platform for facilitating “coordination and complementarity” for the new and existing funding arrangements for L&D.⁴ The Governing Instrument of the FRLD’s and its responsibility for coherence and complementarity should ensure that the activities of the FRLD and other funding arrangements for L&D are fully and effectively utilized.⁵ In other words, coherence and complementarity seek to optimize the coordination and function of relevant bilateral, regional, global funding mechanisms and institutions providing technical and financial support for responding to L&D.
6. How will the FRLD assess coherence and complementarity? At COP29, the FRLD’s workplan set out a new target to develop a “complementarity and coherence framework” in 2025.⁶ There are a number of inflection points over the next months that will influence how this work is recognized at COP30.
7. The Board’s work could be influenced by the HLD, to be hosted in April 2025. Its work on standard procedures includes identifying relevant sources, funds, processes and initiatives under and outside of the UNFCCC.⁷ (See “High-level Dialogue on Coordination and Complementarity”)
8. At the sixth meeting of the Board, scheduled for July 9–11, 2025,⁸ the Board will take up the development of a “complementarity and coherence framework.” Work on the complementarity and coherence framework will likely be included in the Board’s annual report to the COP and Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (**CMA**). The Board is also tasked with providing recommendations to the COP and the CMA on means to enhance consistency, coordination and coherence with other sources, funds, initiatives and processes under and outside of the UNFCCC and the PA.⁹ Thus, the Board could include recommendations on the complementarity and coherence framework.
9. Parties have also been invited to submit input on elements of guidance for the FRLD ten weeks prior to COP30. These submissions could include recommendations for the complementary and coherence framework.¹⁰

High-level Dialogue on Coordination and Complementarity

10. The first annual HLD objectives include:

- facilitating a structured and timely exchange of relevant knowledge and information, including between the entities that form part of the funding arrangements and the FRLD
- strengthening capacity and synergies to enhance the integration of measures to respond to L&D into sources, funds, processes, and initiatives under and outside the UNFCCC and the Paris Agreement by drawing on the experience of others, exchanging good policies and practices, and leveraging research and data systems
- promoting the exchange of country and community experience in responding to L&D
- identifying key gaps and new opportunities for cooperation, coordination, and complementarity
- developing recommendations on scaling up existing funding and initiating new funding arrangements for responding to L&D.^{11,12}

11. Participants in the HLD will be invited to respond to tailored questions relating to the new and existing funding arrangements for responding to L&D. These questions will address existing support and areas for scaled-up support; where support is currently targeted; existing partnerships, gaps, and barriers; and opportunities for new or enhanced collaboration and/or coordination. The HLD will cover information on support specifically for addressing L&D through post-impact support, including both economic and noneconomic L&D for both sudden and slow onset events.¹³ Participants representing new and existing funding arrangements will be asked to provide specific commitments or ideas toward enhanced coordination and collaboration.¹⁴

12. The outcome of the HLD will be a report summarizing information and recommendations on cooperation and coherence to inform the Board's understanding of the existing landscape of support for L&D. The HLD report will be communicated to the COP/CMA through the Board's annual report.^{15,16}

13. So that the HLDs do not function as standalone convenings, the Board could decide whether the complementarity and coherence framework could usefully establish a group of high-level and/or program-level experts' representative of all aspects of the new and existing funding arrangements that could regularly meet between HLDs and follow up on their outcomes. This group could, for example, be tasked with following up on the HLD's findings and ensure continuity and progress.

C. Elements for a Complementarity and Coherence Framework under the FRLD

14. The complementarity and coherence framework should guide the Board's work on ensuring complementarity and coherence for the new and existing funding arrangements and the FRLD. It could facilitate the identification of opportunities to coordinate, collaborate, and strengthen additional support for addressing and responding to L&D.¹⁷

15. Annex I below sets out the different levels and ways that facilitation can take place. This paper uses the same approach as the Green Climate Fund (**GCF**) in setting out elements at both institutional and operational levels (see Annex II).

Institutional Elements

16. Institutional elements cover overarching structures at the fund level, including fund-to-fund arrangements, business models, governance structures, and policies. Proposed institutional elements for the complementarity and coherence framework include co-financing; guiding principles; mechanisms and guidelines for new sources of finance; and joint activities and programming authority.

Co-Financing

17. Other elements could include a co-finance framework agreement that can be used to promote co-financing of L&D projects and/or programs under the FRLD. A co-financing framework agreement can: mobilize larger financial resources; reduce transaction costs and administrative burdens; coordinate larger, more complex projects and/or programs; and secure alignment with national and global strategies and policies.¹⁸ The FRLD could also consider utilizing existing platforms, such as the Global Collaborative Co-Financing Platform and its Co-Financing Portal, to promote co-financing of L&D responses with multilateral development banks (*MDBs*).¹⁹

Guiding Principles

18. The Board could develop guiding principles for policies for responding to L&D that can guide and align the policies of other funds or finance institutions, ensuring that key actors harmonize their delivery of finance for L&D.

19. Principles of the complementarity and coherence framework for L&D finance could reflect those being raised by the Parties in the L&D finance discussions, including but not limited to:

- ensuring that the financial support is reliable, predictable, and easily accessible, with simplified accreditation processes and programmatic and trigger-based approaches
- prioritizing grants-based finance and financial support that do not add to the debt burden of recipient countries
- prioritizing timeliness of financial support, including quick disbursements and direct access
- targeting funding for L&D for those most vulnerable countries and communities at the frontline of climate change, in particular small island developing states (*SIDS*) and least developed countries (*LDCs*) in accordance with agreed vulnerability criteria and setting a minimum allocation floor for SIDS and LDCs
- encouraging the use of international organizations as intermediaries if vulnerable communities do not have capacity to access L&D finance directly
- ensuring that L&D interventions are based on best available science and take into account Indigenous peoples' knowledge
- ensuring that L&D interventions are inclusive, with special regard to women, children, youth, older people, people with disabilities, Indigenous peoples, refugees, and displaced populations
- ensuring that L&D interventions adhere to environmental and social safeguards and take into account short- and long-term climate projections
- encouraging finance contributions for L&D from countries in a position to do so and facilitating finance from a variety of sources, including philanthropies and the private sector
- encouraging new and additional finance for closing finance gaps within the wider landscape of support for responding to L&D.²⁰

Mechanisms or Guidelines for New Sources of Finance

20. The need for new and additional finance for L&D is clear. Currently, however, the role of the private sector, including philanthropies, in financing L&D responses is minimal and its potential uncertain. To encourage and facilitate private sector financing for L&D, the Board could develop and adopt its own frameworks for new market mechanisms.²¹ The Board could also facilitate and encourage other actors' development of new financing mechanisms.
21. The complementarity and coherence framework could develop guidelines to stipulate how to finance L&D through levies established at national, regional, or local levels. These levies could be imposed on polluting sectors or industries, such as the cruise ship industry, oil and gas services, or private jets.

Joint Activities and Programming Authority

22. The complementarity and coherence framework could stipulate joint activities, such as capacity building or joint applications for funding programs. The L&D funding arrangements could request multiple actors to apply jointly for funding programs, ensuring the alignment of priorities, coordinated expertise, and the targeting of multiple sectors.
23. The complementarity and coherence framework could also stipulate arrangements on when/how to delegate programming authority to another fund or institution. Some funds or institutions might be better suited to develop specific programmatic approaches for areas to be funded or have greater understanding and knowledge than the FRLD on certain topics, such as disaster risk reduction or human mobility.

Suggested Activity Level Priorities

24. The activity level reflects the operational level of the different funds. In this context, promoting complementarity would be aimed at the activity and national programming levels.
25. The complementarity and coherence framework could include a set of agreed activity level priorities that the Board will aim to achieve within a certain timeframe. (This is the GCF Operational Framework's approach, see Annex II.²²) These priorities could include:
 - readiness/capacity building
 - innovative governance and the use of international organizations as intermediaries
 - country reporting on aspects relevant to L&D (Nationally Determined Contributions, Adaptation Communications, National Adaptation Plans, Biennial Transparency Reports, reporting under the Sendai Framework and the Convention on Biodiversity, etc.)
 - program and project support (preparatory and programmatic)
 - funding proposals and joint applications for funding programs
 - accreditation work with entities, including identifying opportunities to collaborate on fast-track accreditation
 - access and rapid disbursements, including direct access to small grants that support communities, Indigenous peoples and vulnerable groups²³
 - private sector engagement with focus on results and opportunities
 - policies, frameworks, and procedures with a focus on implementation and harmonization
 - knowledge management and sharing, best practice, as well as lessons learned
 - independent evaluation unit work, if applicable
 - country programs and engagement with national designated authorities, focal points and local stakeholders.

D. C2ES Resources

- [Engaging The Private Sector In The Loss And Damage Fund: Issues And Options \(September 2024\)](#)
- [Public Sector Finance For Loss And Damage: Issues And Options \(September 2024\)](#)
- [Loss and Damage at COP28 and the Way Forward for 2024 \(April 2024\)](#)
- [Potential Coordination Role of the UNFCCC on Loss and Damage- Technical Paper for Consultation \(November 2023\)](#)
- [A Gap Analysis of Finance Flows for Addressing Loss and Damage \(November 2023\)](#)

E. Annex I: Defining Facilitation

The Levels, Areas, Types and Modalities Of Facilitation

1. The FRLD is a *facilitator* for complementarity and coherence in delivering funding arrangements for L&D. As such, in developing new coordination and cooperation mechanisms to help enhance complementarity and coherence, the FRLD will *facilitate* linkages between itself and various funding sources to promote access, avoid duplication, and reduce fragmentation.²⁴ Facilitation is a key function of the Board’s work on ensuring complementarity and coherence.
2. Facilitation can take place at and between many levels—local, sub-national, national, regional, and international. It can also take place at what has been termed the “institutional and operational levels,” as set out by the GCF in its Operational Framework (See Annex II).
3. Facilitation can connect or synergize different areas of L&D, such as early-warning systems, climate-induced displacement/migration, rapid response after disasters, and long-term rebuilding.
4. Facilitation can also take place between different types of financing for L&D, including grants, loans, insurance, review of sovereign debt and non-debt instruments, etc.
5. Finally, there are different means by which to facilitate, including through **initiating** meetings for knowledge sharing, **developing** shared principles of action, **developing** new market mechanisms or platforms, or **coordinating** finance mechanisms under existing funding arrangements.

F. Annex II: Example of a Framework for Complementarity and Coherence: The Green Climate Fund’s Operational Framework for Complementarity and Coherence

26. The complementarity and coherence framework could be inspired by the Green Climate Fund’s Operational Framework that was adopted in 2017. The GCF Operational Framework aims to enhance complementarity and coherence at both *institutional* and *activity* levels.²⁵
27. The GCF’s Operational Framework includes fund-to-fund arrangements at the institutional level; enhanced complementary at the operational/activity level; an annual dialogue; and serves as a channel to the Standing Committee on Finance. It must report on a set of outcomes under each area to the GCF Board. Rather than listing specific activities, the GCF Secretariat has flexibility to determine how to develop appropriate coordination arrangements with other climate finance delivery channels.²⁶
28. At the institutional level, board-level discussions on fund-to-fund arrangements are aimed at tackling “complementarity and coherence at a more fundamental institutional level where changes to business models, governance structures or key policies may be required.”²⁷ This includes co-financing.
29. At the operational level, the Framework promotes complementarity at the activity and national programming levels, including through an annual dialogue. It also contains a set of outcomes which are to be regularly reported to the GCF Board.²⁸

G. References

- ¹ UN Framework Convention on Climate Change [hereinafter UNFCCC], *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*, Decision 1/CP.28/5/CMA.5, ¶4 (March 15, 2024), <https://unfccc.int/documents/637067>.
- ² UNFCCC, *Report of the Fund for responding to Loss and Damage and guidance to the Fund*, Decision -/CP.29, ¶17, (November 21, 2024), <https://unfccc.int/documents/643550> (Advanced Unedited Version).
- ³ UNFCCC, *Decisions of the Board of the FRLD, second meeting of the Board 9-12 July 2024 Summary* 36, FLD/B.2/17 (August 3, 2024), https://unfccc.int/sites/default/files/resource/FLD_B2_17_Compodium%20of%20decisions_final.pdf?download.
- ⁴ UNFCCC, *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*, Decision 1/CP.28/5/CMA.5, Annex II, ¶18.
- ⁵ UNFCCC, *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*, Decision 1/CP.28/5/CMA.5, Annex I, ¶¶51-53.
- ⁶ UNFCCC, *Report of the Fund for responding to Loss and Damage and guidance to the Fund*, Decision -/CP.29, ¶17.
- ⁷ UNFCCC, *Decisions of the Board of the FRLD, second meeting of the Board 9-12 July 2024 Summary* 36, FLD/B.2/17, 37.
- ⁸ “Sixth meeting of the Board of the Fund for responding to Loss and Damage,” UNFCCC, accessed April 14, 2025, <https://unfccc.int/event/sixth-meeting-of-the-board-of-the-fund-for-responding-to-loss-and-damage>.
- ⁹ UNFCCC, *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*, Decision 1/CP.28/5/CMA.5, Annex I, ¶ 22 (s).
- ¹⁰ UNFCCC, *Report of the Fund for responding to Loss and Damage and guidance to the Fund*, Decision -/CP.29, ¶18.
- ¹¹ It was organized jointly by the COP Presidencies and the Board of the Fund for Responding to Loss and Damage.
- ¹² UNFCCC, *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*, Decision 1/CP.28/5/CMA.5, Annex II.
- ¹³ UNFCCC, *Arrangements for establishing and operationalizing the first high-level dialogue Summary*, FLD/B.2/15, ¶15, July 4, 2024, https://unfccc.int/sites/default/files/resource/FLD_Annual_High_Level_Dialogue_Background_Paper.pdf.
- ¹⁴ UNFCCC, *Arrangements for establishing and operationalizing the first high-level dialogue*, ¶7.
- ¹⁵ UNFCCC, *Concept note: First annual high-level dialogue on coordination and complementarity*, FRLD/B.4/11, ¶10, November 30, 2024, https://unfccc.int/sites/default/files/resource/B4_11_HLD_Concept%20Note.pdf.
- ¹⁶ See also, “4th International Conference on Financing for Development,” UN, accessed March 31, 2025, <https://financing.desa.un.org/ffd4> (Finance For Development meetings taking place April and June 2025).
- ¹⁷ Another key outcome in this regard is the annual high-level dialogue, scheduled for the World Bank and International Monetary Fund Spring Meetings in 2025.
- ¹⁸ “Trust Funds and Partnerships-Direct Co-Financing,” World Bank Group, accessed March 31, 2025, <https://www.worldbank.org/en/programs/trust-funds-and-programs/co-financing>.
- ¹⁹ “The Global Collaborative Co-Financing Platform,” World Bank Group, accessed March 31, 2025, <https://www.worldbank.org/en/programs/trust-funds-and-programs/brief/global-collaborative-co-financing-platform>.
- ²⁰ UNFCCC, *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*, Decision 5/CMA.5, ¶ 20(e); Annex I ch. VIII, IX.

²¹ For example, the FRLD could look to voluntary carbon market and nature market actors to develop frameworks for loss and damage finance for the private sector as part of the complementarity and coherence framework. “Loss and damage credits” could stipulate criteria for private sector participation in financing L&D projects similar to criteria for private sector participation in the voluntary carbon market. See, e.g., Wenger et al., *Study on Loss and Damage Financing Solutions and Sources* (Copenhagen: Denmark; October 2023, Nordic Council of Ministers), <https://pub.norden.org/temanord2023-546/index.html>.

²² Green Climate Fund, *Operational Framework on Complementarity and Coherence*, GCF/B.17/08, 10, July 21, <https://www.greenclimate.fund/sites/default/files/document/gcf-b17-08.pdf>.

²³ UNFCCC, UNFCCC, *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*, Decision 1/CP.28/5/CMA.5, ¶49.

²⁴ UNFCCC, *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*, Decision 1/CP.28/5/CMA.5, Annex I ¶4.

²⁵ GCF, *GCF Handbook: Decisions, policies, and frameworks as agreed by the Board of the Green Climate Fund from B.01 to B.30*, p.676 (Songdo: Republic of Korea; March 2022),

<https://www.greenclimate.fund/sites/default/files/document/gcf-handbook-march2022.pdf>.

²⁶ GCF, *Operational Framework on Complementarity and Coherence*, 6.

²⁷ GCF, *Operational Framework on Complementarity and Coherence*.

²⁸ GCF, *Operational Framework on Complementarity and Coherence*.