

Fund for Responding to Loss and Damage (FRLD)

A Roadmap for Pakistan's Advocacy

Policy Brief

Introduction

The establishment of the Fund for Responding to Loss and Damage (FRLD) signifies a major milestone in global climate governance. For developing countries like Pakistan, which are least prepared to tackle the impacts of climate extremes, this fund embodies not only the financial assistance to cover the building cost for climate resilience but also an instrument of climate justice.

In recent years, Pakistan has experienced numerous devastating climate disasters such as floods and heatwaves, with economic losses exceeding billions of

dollars.¹ Now, with studies cautioning that climate disasters will become more severe in the future, the recurring floods and heatwaves underscore the urgent need for Pakistan to invest in resilience building. To this end, the country needs to ensure predictable and adequate financing, and this is where FRLD can play a vital role. However, it must be highlighted that as the fund's board and operational framework become fully operational, key challenges regarding access modalities and clear funding criteria remain.

Section I: Pakistan's Advocacy Priorities at COP30

Pakistan played a key diplomatic role in COP27 to propagate the agenda of FRLD, ultimately leading towards the establishment of the fund. Now, as COP30 approaches with a focus on the operationalization of the fund, Pakistan's role remains pivotal in ensuring that it will be accessible and readily available. In this regard, four key advocacy measures are proposed for Pakistan to ensure that the fund remains readily available, accessible, fair, and equitable.

1. Advancing the "4A" Framework

Pakistan should advance the 4A framework: Accessibility, Additionality, Adequacy, and

Accountability. This should be advocated as the core principles of FRLD's design and implementation.

- i. **Accessibility** principle ensures that climate-vulnerable developing countries will have direct access to the fund. They would not have to rely on a third party (multilateral intermediaries). This will prevent both bureaucratic barriers and delays in the disbursement of funds.
- ii. **Principle of Additionality** ensures and calls for new financing for loss and damage, meaning that it should be additional to existing finance for adaptation, development, and mitigation aid.

* This policy brief is based on the policy roundtable discussion titled, *Operationalization of Loss and Damage Fund: Expectations Ahead of COP30*, held at the Institute of Policy Studies (IPS), Islamabad, on November 3, 2025.

¹ For instance, the 2022 floods incurred losses of \$30 billion whereas the recent 2025 floods inflicted damages worth of \$2.9 billion.

- iii. *Adequacy* principle calls for adequate funds to respond to the climate-vulnerable developing countries. It should have a sustainable mechanism of replenishment and fair burden sharing among developed countries. In this regard, scientific attribution studies, discussed later, from countries like Pakistan can play a key role.
- iv. Lastly, *the principle of Accountability* argues for equitable representation and transparent governance in the fund.

2. Advocating for the Principle of Country Ownership

For the legitimacy and effectiveness of FRLD, the principle of country ownership is crucial. It signifies the essence of climate justice. That is, it ensures that countries most affected by climate change have autonomy to implement their own plans and strategies to build national resilience.

It is essential to note that climate interventions are most effective when grounded in domestic needs and national experiences. Locally designed recovery plans are tailored to domestic socio-political realities, making them more relevant and effective. Thus, the principle of country ownership is vital to ensuring that the fund is utilized according to the country's needs and not at the discretion of a third party accessing the fund.

Based on this rationale, Pakistan should firmly advocate for the effective operationalization of country ownership. It must be ensured that this principle is meaningfully translated and does not remain a symbolic commitment. To this end, diplomatic efforts may include:

- **Direct streamlined access** for both national and sub-national entities. It must be ensured that the fund's accreditation model differs from earlier funds by adopting simplified and expedited approval procedures.
- **Provision of funds must be grant-based** rather than loan-based, thereby avoiding the increase in debt of countries at risk of debt traps.
- **The fund's allocation criteria must be transparent**, prioritizing the most vulnerable and affected countries and communities.
- **A robust mechanism** must be established to address non-economic losses such as health and cultural heritage resulting from climate change-induced disasters.

3. Ensuring Inclusive Governance Procedural Fairness

Developing countries, including Pakistan, should actively advance the agenda of inclusive governance and equitable representation in the decision-making boards and administration of the fund. In addition, countries should also advocate for fair consideration of Middle Income Countries (MICs), where the fund's allocation is conditional on the impact of climate disasters rather than based on their Gross National Income (GNI). Lastly, importance must also be given to balancing financial coverage between economic and non-economic losses.

- **Equitable representation in the governance** of the fund. It is essential to ensure that decision-making is fair and inclusive to reflect the diverse needs and realities of climate-vulnerable developing countries. Without it, larger or more politically influential regions could disproportionately shape the fund's policies. Inclusive governance is vital for ensuring the fund's legitimacy and preventing it from being dominated by donors or a few recipient countries.
- **A fair and clear criterion for climate-vulnerable MICs** to assess the fund based on their vulnerability and the scale of climate change-induced damages, and not on their income level. While the Least Developed Countries (LDCs) and Small Island Developing States (SIDs) are rightly prioritized in the fund, many climate-vulnerable MICs are disproportionately affected by climate disasters, such as Pakistan, which sustained losses of \$30 billion in the 2022 floods, straining the national budget and wiping out development milestones. Ignoring these ground realities would undermine the essence of the fund.
- **Balance financial coverage for both economic and non-economic losses.** Climate change-induced catastrophes extend beyond material damages, often reflected in terms of economic losses. Non-economic losses are also important to account for, as they are equally devastating, such as loss of habitats, cultural heritage, mass displacements, loss of lives, etc. While the FRLD board is currently focused on getting the fund operational, there is a risk that the important issue of non-economic losses may be sidelined or ignored initially. In this regard, Pakistan, together with its allies, must rally support for a transparent and clear mechanism to address non-economic

challenges such as ecosystem degradation, cultural loss, displacements, etc.

4. Securing Timely Operationalization and Funding Commitments

Given the urgency of the climate crisis and the immense need for rapid financial assistance for building resilience, the following measures are necessary to make FRLD effective.

- **Establish interim operational measures for early access.** Establishing risk management frameworks and a formal process for accrediting national implementing entities will take years to finalize. However, countries affected by climate disasters, such as Pakistan and other climate-vulnerable developing nations, require quick support. In this regard, Pakistan must advocate for:
 - **Provisional approval:** A streamlined, temporary but transparent process to quickly access the fund through nationally accredited bodies for immediate recovery efforts,

overcoming the standard bureaucratic hurdles found in other funds. This will also ensure that the very purpose of the fund is achieved, which is to respond to disasters.

- Predictable and stable financing mechanisms are vital to make funds sustainable and operational in the long term. Currently, the FRLD's financing mechanism relies on voluntary pledges. This mechanism is not only unpredictable but also falls short of the current estimated needs of climate-vulnerable countries. In this regard, Pakistan could call for the following two financing mechanisms:
 - **Climate Liability:** A traditional mechanism where historical emitters contribute based on their past emissions.
 - **Carbon Intensity:** A mechanism where the contribution is subject to the carbon emission of the donor country's economy. This would also address the emerging concern among developing countries that developed nations are making climate contributions by cutting down development aid budgets.

Section II: National Readiness and Institutional Strengthening

As Pakistan aims for an effective and just framework for FRLD, domestic readiness to access and secure funds remains a critical challenge. As already established, accessing and utilizing loss and damage funds is no easy feat, requiring robust institutions, a transparent monitoring system, and a value chain of well-prepared bankable projects. Building these capabilities requires the following measures.

1. **Streamline the national coordination mechanism to access and utilize the fund.** In this regard, the Ministry of Climate Change (MoCC) should act as the national authority on the loss and damage fund and establish itself as the institutional home for developing, reviewing, and endorsing proposals. Additionally, MoCC should also coordinate with other agencies such as the Planning Commission, NDMA, and Finance Division, to ensure alignment of adaptation plans and fiscal planning.

2. **Strengthening institutional coherence to enhance transparency.** Currently, overlapping mandates between federal ministries and provincial departments complicate policy coherence, monitoring, and accountability. To successfully access and utilize FRLD under nationally accredited entities, Pakistan needs an integrated governance structure with a robust fiduciary system to meet international accreditation standards.

The procedural requirements of FRLD, such as risk management frameworks and access modalities cycles, mandate internal readiness of countries seeking direct access to the fund. In this regard, Pakistan must prioritize instituting transparent fiduciary standards and a robust environment and social safeguards.

3. **Develop a value chain of well-researched and well-documented bankable projects.** Lack of financially viable projects in the

country remains one of the biggest barriers to accessing available global climate finance. In this vein, Pakistan must prioritize investing in enhancing the capability and skills of people and relevant institutions to help prepare sound proposals, adhering to all aspects of technical, economic, and environmental safeguards.

4. Promote scientific and attribution research studies. Climate-vulnerable developing countries require credible and convincing scientific evidence that links climate hazards to emissions caused by developed countries.

These attribution studies, quantifying how much emissions by a country contributed to specific disasters, will play a pivotal role in accessing global climate finance. In this regard, enhancing the capacity of national institutes, such as meteorological, hydrological, and data analysis, in collaboration with research to help translate scientific findings into actionable policy outcomes, will help Pakistan draft evidence-based, bankable proposals and bolster its negotiation position in global forums.

Conclusion

The COP has remained central to global climate diplomacy. However, unfortunately, its tangible impacts on reducing the vulnerability of countries and promoting climate justice remain limited. In this regard, the creation and operationalization of FRLD mark a watershed moment and are an important step forward towards a climate-resilient and sustainable future. Its success depends on a shift from ad hoc and reactive responses to sustainable functional solutions. It is important to recognize that the fund should not be viewed and dealt with as an instrument of compensation. Instead, it should constitute an integral part of the global effort to address climate

vulnerability. This can be achieved by ensuring that global financial flows promote sustainability and resilience-building.

In the context of Pakistan, this would entail a dual strategy. Firstly, it must demonstrate a clear and unified stance on the 4As principles, leading the developing countries. Secondly, it must simultaneously work on its national institutional readiness to access the fund directly without any intermediaries. To this end, a comprehensive approach would be required, integrating ministries and institutions at both the federal and provincial levels.



Prepared by:

Faryal Qazi

Junior Research Officer
Energy, Water and Climate Change
Institute of Policy Studies, Islamabad

Reviewed by:

Ameena Sohail

Senior Associate
Institute of Policy Studies, Islamabad

For Queries:

Shafaq Sarfraz

Head of Operations
Institute of Policy Studies, Islamabad.
shafaq@ips.net.pk | www.ips.org.pk