

### **L&D Fund relationship to the WIM and the SN**

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*This advice is provided in response to **Query 15/24***

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#### **Query:**

What is the relationship of the Loss & Damage (L&D) Fund established at COP27 and operationalised at COP 28 to:

1. The Warsaw International Mechanism for L&D (WIM) established in 2013 by the COP; and
2. The Santiago Network (SN) established in 2019 by the CMA

#### **Advice:**

#### **Background**

The UNFCCC regime has established several institutional arrangements to address loss and damage. COP 19 (2013) set up the Warsaw International Mechanism (WIM) and its Executive Committee (WIM ExCom) reporting yearly to the COP. The WIM had with three core functions:

- Enhancing knowledge and understanding of comprehensive risk management approaches;
- Strengthening dialogue, coordination, coherence and synergies among relevant stakeholders; and
- Enhancing action and support, including finance, technology and capacity-building.<sup>1</sup>

The WIM is subject to periodic reviews by the COP (and since the adoption of the Paris Agreement, by the CMA as well). The second review of the WIM by the COP 25/CMA 2 in 2019 noted that some of the functions of the WIM were lagging behind and this led to the establishment of the Santiago Network as a second specialized L&D body under the WIM. Its role was to catalyse technical assistance from relevant organisations, bodies, networks and experts (OBNEs) for the implementation of relevant approaches at local, national and regional levels in vulnerable developing countries.<sup>2</sup>

For many years, developing parties had been calling for financial resources to respond to L&D. COP 27/CMA 4 (Egypt) finally created new funding arrangements and a fund dedicated to loss and damage. According to decision 2/CP.27 and 2/CMA.4., this fund constitutes a multilateral financing channel that aims “to assisting developing countries that are particularly vulnerable to the adverse effects of climate

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<sup>1</sup> Decision 2/CP.19 <https://unfccc.int/sites/default/files/resource/docs/2013/cop19/eng/10a01.pdf>

<sup>2</sup> Decision 2/CMA 2, para 43: [https://unfccc.int/sites/default/files/resource/cma2019\\_06a01E.pdf](https://unfccc.int/sites/default/files/resource/cma2019_06a01E.pdf)

change, in responding to loss and damage with a focus on addressing loss and damage by providing and assisting in mobilising new and additional resources". COP 28 defined the operating rules of the Fund -accepting the recommendations of the Transitional Committee set up to develop a proposal-.<sup>3</sup>

### 1. The L&D Fund Relationship with the WIM and the Santiago Network

Formally, the Santiago Network is part of the WIM, whereas the L&D Fund is an entity entrusted with the operation of the Financial Mechanism of the Convention, that also serves the Paris Agreement, and is not under the WIM. It is accountable to, and functions under the guidance of, the COP and CMA.

However, the establishment of the L&D Fund impacts the WIM and SN institutional frameworks broadly in terms of providing a complementary response to the issue of loss & damage across UNFCCC institutions and beyond. Decisions 1/CP.28 and 5/CMA.5 on the operationalisation of the L&D fund explicitly recognise this relationship.<sup>4</sup> As we will see below, they highlight the complementarity and coordination required with existing bodies working on loss and damage, with specific mention of both the Santiago Network and WIM.

Likewise the decisions related to the WIM (Decisions 3 CP.28 / Decision 7 CMA.5) and the Santiago Network ([Decision 2 CP.28 / Decision 6 CMA 5](#)) mandate these bodies to collaborate with the L&D Fund. Further, it has been recommended that both the WIM and Santiago Network coordinate their channels of finance to improve synergies with the new L&D Fund. The current mandate of the WIM and of the SN would be sufficient to allocate these coordination functions.

#### - Decision 1/CP.28 and Decision 5/CMA.5 on the operationalisation of the L&D Fund:

Annex I on the Governing Instrument of the fund sets out that the fund *"should operate in a manner that promotes coherence and complementarity with new and existing funding arrangements for responding to loss and damage"*.<sup>5</sup> Annex II on funding arrangements sets out that the funding arrangements, which *"complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement"*, will *"increase the coherence of and coordination across the loss and damage finance architecture."*<sup>6</sup>

Specifically, Annex II also goes on to say that the funding arrangements should be coherent and complementary with the Fund *"which will be made possible through the best use of existing mechanisms, such as the [WIM]... and the Santiago Network..."* The decision thus envisages that the WIM and SN will play a coordinating and facilitating role between Fund and funding arrangements. Thus, in relation to the WIM, the decision highlights that its work should inform the Board of the Fund when developing standard procedures for identifying sources, funds, processes and initiatives that are assisting developing countries in responding to L&D.<sup>7</sup>

To further coordination and complementarity, an annual high-level dialogue between (no more than 30 representatives of) the *"entities engaged in responding to loss and damage that form part of the new funding arrangements"* is mandated, and this includes representation from both the WIM ExCom and the Santiago Network.<sup>8</sup>

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<sup>3</sup> Decisions 1/CP.28 and 5/CMA.5 on the operationalization of new financing mechanisms, including a fund, to respond to the loss and damage referred to in paragraphs 2 and 3 of decisions 2/CP.27 and 2/CMA.4.

<sup>4</sup> Decision 1/CP.28 and 5/CMA.5. In addition, Decision 2/CP.28 and Decision 6/CMA.5 on the Santiago Network and Decision 3/CP.28 and Decision 7/CMA.5 on the report of the WIM ExCom contain various references to these crosscutting impacts.

<sup>5</sup> Paragraph I.4

<sup>6</sup> Paragraph I.1.

<sup>7</sup> Paragraph II. 10, Annex II

<sup>8</sup> (paras II(B)(11) and II(B)(14)(g) of Annex II

Notably, in relation to the SN, the decision provides that it should contribute to this coherence “by aligning technical assistance catalysed under the network with efforts to build capacity and support the programmatic efforts of the Fund and the funding arrangements”.<sup>9</sup> This call is reiterated (at para.19) in the context of recommended actions for relevant institutions to consider in relation to L&D funding.

Further, para. 20 outlines that “entities that form part of the funding arrangements should explore ways of better coordinating all channels of finance, including bilateral, regional and multilateral channels, with the aim of improving synergies and coherence among the existing and new arrangements for responding to loss and damage”, which includes both the WIM and the Santiago Network as noted in Para II above.

- Decision 2 CP.28 / Decision 6 CMA.5: Santiago Network established under the WIM

The Santiago Network is specifically called upon to provide technical assistance and capacity building support to the L&D Fund. The Dubai decisions on the SN further elaborate what the decisions on the operationalisation of the LDF provide as regards the SN. The COP and CMA welcome the operationalization of the new fund (para. 34) and request the SN Advisory Board to designate two representatives to take part in the annual high-level dialogue on coordination and complementarity referred to above (para 35). They also invite the SN Secretariat to coordinate with the Secretariat of the L&D Fund “in supporting developing countries particularly vulnerable to the adverse effects of climate change in seeking to access the fund through technical assistance and to contribute to coherence and complementarity with the fund by aligning the technical assistance it catalyses under the Santiago network to build capacity and support programmatic approaches of the funding arrangements.” (para 36).

- Decision 3 CP.28 / Decision 7 CMA.5: Report of the WIM ExCom

The decisions request the ExCom to “consider ways of collaborating with the entities that form part of the funding arrangements, including a fund”, and report on the outcome in its annual reports (para 7(a)). They further request the ExCom to actively engage in the work of the SN and to collaborate with the SN Advisory Board through the inclusion of ExCom representatives (para 7(b)).

The [background document](#) prepared by the Co-Chairs for the 20th meeting of the ExCom, taking place some months after the operationalisation of the fund on the 12-15 of March, summarised the mandates from CMA 5/COP 28, considering possible approaches to them by identifying which WIM activities as reflected in its [workplan](#) are best aligned with such mandates. This document identifies the relevant provisions from COP28/CMA5 outcomes that contain direct guidance to the ExCom, including those related to coordination with existing mechanisms, such as the WIM and the Santiago network. The same background document makes a link between decision 7/CMA.5, para.7a – that requests the WIM to consider ways to collaborate with the entities that form part of the funding arrangements, including a fund - and work stream (e) enhanced cooperation and facilitation in relation to action and support, including finance, technology and capacity-building, to address loss and damage associated with the adverse effects of climate change. These should be included by the WIM in its annual report to COP, as per the same document.

Additionally, the decision -and later the background document for the ExCom meeting- include a recommendation for the annual high-level dialogue on coordination and complementarity in

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<sup>9</sup> Paragraph II. 7, Annex II

responding to loss and damage to include representatives from the WIM ExCom and the Santiago Network, amongst others.

In summary, the above COP and CMA decisions on the operationalisation of the L&D fund highlight the complementarity and coordination required with existing relevant bodies, with specific mention of both the Santiago Network and WIM. The Santiago network is specifically called upon to align the catalysation of technical assistance and capacity building support to the L&D Fund. The role of the WIM is emphasised in deepening its collaboration with the Santiago Network, and all other entities that form part of the funding arrangements, including the L&D fund, and including this in its reports to COP. Further, it has been recommended that both the WIM and Santiago Network coordinate their channels of finance to improve synergies with the new L&D Fund.

## **2. Mandates of the WIM and the Santiago Network to deliver on L&D related tasks**

We now turn to examine if the operationalization of the new L&D fund requires a broadening of the Santiago Network and WIM mandates. Through the reviewed decisions, they are called upon generally to coordinate across institutions responsible for L&D and considering ways to collaborate with the L&D fund. More specifically, the decisions mandate specific actions from the SN and the WIM:

- to consider L&D financing arrangements, in terms of coordination, enhancing coherence, collaboration, and reporting such collaborations to the COP/CMA (both SN and WIM);
- to attend high-level dialogues (both SN and WIM);
- to align the catalysation of technical assistance and capacity building and support the programmatic approaches of the Fund (Santiago Network only); and
- generally to coordinate across institutions responsible for the L&D response and report to COP (mainly WIM).

The functions of the WIM set out in Decision 2/CP.19 are broad, suggesting that there is no need to expand its mandate to accommodate for the above-listed activities identified by the COP 28/CMA decisions. Indeed, they fall well within two of the three core functions of the WIM, namely, strengthening dialogue, coordination, coherence and synergies among relevant stakeholders; and enhancing action and support, including finance, technology and capacity-building.

Likewise, the request to the Santiago Network to align its catalysation of technical assistance and capacity building is well within its main function. With regard to considering L&D financing arrangements, it could be argued that this is encompassed in Decision 19/CMA.3 para 9(c) that decides the SN functions, inter alia, “facilitating the consideration of a wide range of topics relevant to averting, minimizing and addressing loss and damage approaches, including but not limited to current and future impacts, priorities, and actions related to averting, minimizing, and addressing loss and damage pursuant to (...)”. Although there is no specific mention of finance, the mandate seems to be broad enough to include consideration of financing arrangements as it makes a reference to “averting, minimising and addressing loss and damage”, not limiting the considerations of topics to consider by the SN. Regarding attendance at the high-level dialogues with UNFCCC bodies and external stakeholders, this could be considered as part of its function of facilitating and catalysing collaboration, coordination, coherence and synergies to accelerate action by organizations, bodies, networks and experts, across communities of practices, and for it to deliver effective and efficient technical assistance to developing countries.

## **3. High Level dialogue**

As mentioned above, to further coordination and complementarity, an annual high-level dialogue between (no more than 30 representatives of) the “entities engaged in responding to loss and damage that form part of the new funding arrangements” is mandated, and this includes representation from the WIM ExCom, The Fund, The World Bank and regional development banks, and the Santiago

Network (paras II(B)(11) and II(B)(14) of Annex II). Note that other “entities” apart from the WIM and Santiago network include the World Bank and regional development banks, the IMF, relevant UN agencies, relevant multilateral climate funds e.g., Adaptation Fund or Green Climate Fund, the IOM, civil society and indigenous peoples etc (para II(B)(14) of Annex II).

The high-level dialogue will be launched at COP29, on the margins of the World Leaders Climate Action Summit, with the first dialogue scheduled to take place in the first half of 2025.

In addition to convening the annual high level dialogue on coordination and complementarity, the COP/CMA decisions also request that the Board of the Fund creates an approach for developing partnerships with other entities that form part of the funding arrangements, and develops standard procedures, building on the work of the WIM and others, to ‘identify sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement to assist developing countries to respond to loss and damage from sudden or slow onset events, including economic or non-economic loss and damage (i.e. funding arrangements), for the purpose of supporting strengthened coordination and complementarity.’<sup>10</sup> This will require the development of a framework on complementarity and coherence for the L&D Fund, which the Board would have to approve, something that might require more time, as they might first develop more core operational policies and frameworks.<sup>11</sup>

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<sup>10</sup> Annex II, Decision 1/CP.28

<sup>11</sup> Idem.