The Fund for Responding to Loss and Damage as a Blueprint for a New Climate Agenda



FROM POST-DISASTER COMPENSATION TO A LAYERED RESILIENCE AND RISK-FINANCING FACILITY[1]

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THE PROPOSITION

This paper proposes to transform the Fund for Responding to Loss and Damage (FRLD) from a predominantly post-disaster grant mechanism into a **layered resilience and risk-financing facility**. In the proposed model the FRLD finances prevention and carries the portion of risk that markets cannot absorb; private insurers and reinsurers underwrite the residual risk once it has been made measurable and priceable; eligibility is determined by vulnerability and inability to insure rather than by a country's status as developed or undeveloped; contributions are determined by capacity and responsibility; and the Fund uses future contribution commitments to mobilise capital *before* disasters rather than after them. The FRLD is not being asked to become a giant compensation fund, nor to become an insurance company. It is being asked to become the public layer that makes climate risk preventable, measurable and insurable, while reserving public money for the risks the market still cannot take.

The integration of the FRLD into a web of partners that such a change in paradigm would require means that it may gradually acquire the skills to act as a knowledge manager of adaptation policies: adaptation policies that will need to be tailored locally and will become much more effective and affordable if different places learn from each other.

This document reflects work done by Vision in collaboration with McKinsey on climate insurance. It is an elaboration of an earlier Vision policy paper.[2] *It is a proposal coming from outside the FRLD and the UN institutions and wants to be a contribution to a debate on "global governance of climate change" which we think is necessary (and gives the name to the Venice conference where this paper was discussed).*

[2]Vision, "Loss and Damage" policy paper, 2024, https://www.thinktank.vision/images/2024/LOSS_AND_DAMAGE_-_vision_paper.pdf.

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1. Why the FRLD needs a new model

The operationalisation of the FRLD is widely regarded as one of the few victories of recent Conference of the Parties (COP) climate summits. The Fund was established at COP27 in Sharm El-Sheikh and its operationalisation was welcomed as the principal success of COP28 in Dubai, where roughly USD 700 million was pledged.[3] At its fifth meeting, in Bridgetown in April 2025, the Board established the Barbados Implementation Modalities (BIM), a first set of interventions for 2025 and 2026, setting aside USD 250 million with a commitment to review further allocation at the eighth Board meeting.

How urgent the underlying problem has become was made plain in early September 2026, when catastrophic flash flooding in Nepal caused hundreds of deaths and an estimated USD 2.56 billion in damages. Board members asked for an emergency meeting to release money quickly. Not a single dollar has yet been disbursed in response to an actual disaster.[4]

The gap between the Fund's standing and the Fund's effect is the subject of this paper. It has three components, and they are the design constraints against which any proposal should be judged.

1.1 The scale gap

Nearly 180 submissions have asked the FRLD for support worth around USD 2.8 billion, against roughly USD 350 million available to allocate.[5] The most frequently cited estimate of what will be needed by 2030 puts the figure between USD 400 billion and USD 800 billion a year.[6] Measured against resources actually paid into the trust fund, which amount to USD 456 million, the Fund today commands a little over one thousandth of the low end of that range; measured against total pledges, including those not yet covered by signed agreements, roughly two thousandths.

In part this is by design: pledges are voluntary and non-binding. Reforms that increase them are needed. But a mismatch of this order cannot be closed by more generous pledging alone. It must be treated as a design constraint that can be improved upon, but which also means that the existing funds must be leveraged to their maximum.

1.2 The risk-management gap and the hole in the climate finance map

Risk management — reducing the probability and severity of damage in the first place — sits outside the FRLD's scope. This is the most consequential of the three gaps, because it determines the cost of the other two. Paying out only after a disaster does nothing to encourage adaptation beforehand, and it means the Fund's liabilities grow at whatever rate the physical risk grows.

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[3] FRLD Board, post-B.9 communiqué, and Loss and Damage Collaboration, May 2026; https://www.frld.org/sites/default/files/Press%20Release_Post%20B.9%20communique.pdf.

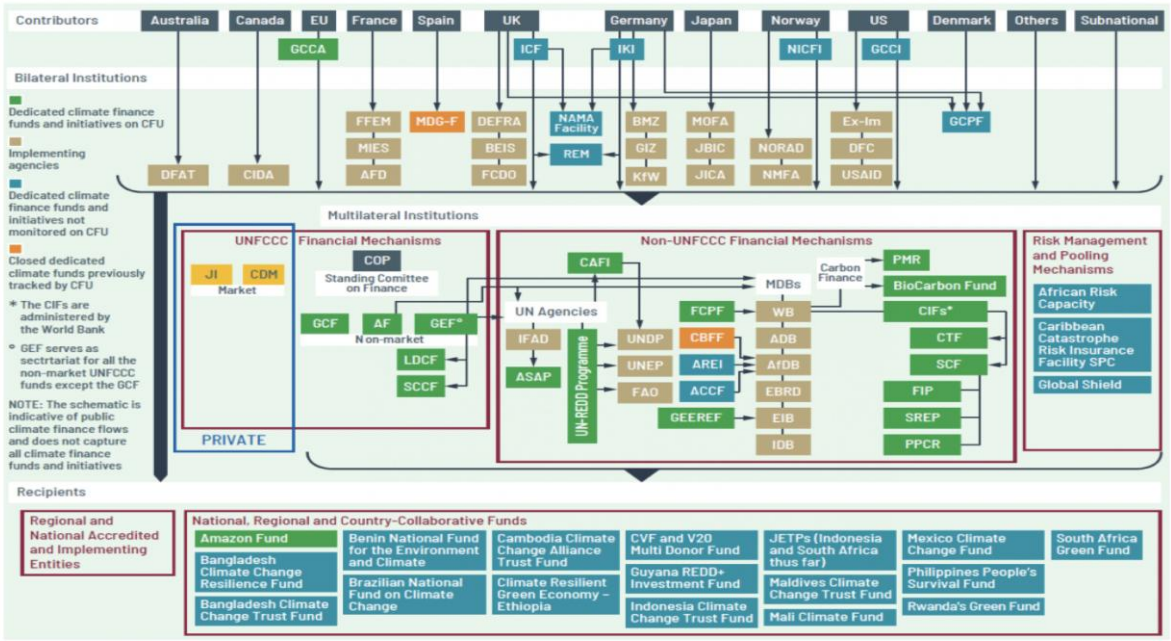
[4] Climate Home News, "Loss and damage fund urged to hold crisis meeting on Nepal," 2 September 202; https://www.climatechangenews.com/2026/09/02/loss-and-damage-fund-urged-to-hold-crisis-meeting-on-nepal/.

[5] Climate Home News, "Loss and damage fund delays first project approvals as needs dwarf resources," 10 July 2026; https://www.climatechangenews.com/2026/07/10/loss-and-damage-fund-delays-first-project-approvals-as-needs-dwarf-resources/.

[6] IRID, "Shaping the Fund for Responding to Loss and Damage," 2025; https://irid.or.id/en/shaping-the-fund-for-responding-to-loss-and-damage/.

The obvious answer is that some other institution should do it. As an earlier Vision paper argued,[7] the climate finance system has a lot of facilities financing some 3,500 active projects worth around USD 13 billion in total across 29 institutions which might be too many different facilities.[8] But too many facilities still do not mean that the FRLD should expand. Instead, the question must be where there are gaps in the current climate finance landscape.

FIGURE 1 – THE CLIMATE FINANCE MAP



SOURCE: VISION ON IEA, WORLD BANK AND STANFORD UNIVERSITY DATA

Figure 1 — The climate finance map. Source: Vision on IEA, World Bank and Stanford University data.

The table below shows that across the whole landscape of climate finance, there are currently no facilities tasked with risk reduction undertaken specifically to restore insurability, and the financing of affordability for risk transfer. They are also precisely the functions that connect the FRLD's existing purpose to the cheaper act of prevention: if a dollar spent on prevention both reduces damage and mobilises more than a dollar of private cover, it frees money for the cases where neither prevention nor insurance can help, which are the disasters that most urgently deserve the Fund's attention.

[7] Vision, "From Baku to Belem – Is there a realistic approach?" 2025; https://www.thinktank.vision/media/attachments/2025/11/04/2.-from-baku-to-belem.-is-there-a-realistic-approach.pdf.

[8] Climate Funds Update, "The Funds," 2025; https://climatefundsupdate.org/the-funds/.

Function	Principal existing institutions	Current gap	Proposed FRLD role
Mitigation — energy transition	GCF, CIFs, CTF, MDB lending	Crowded but functioning; finance available at scale	Outside FRLD
Mitigation — nature and biodiversity	Amazon Fund, FCPF, CAFI, GEF	Fragmented, but not the FRLD's comparative advantage	Outside FRLD
Adaptation — project finance	Adaptation Fund, LDCF, SCCF, GCF adaptation window	Chronically under-funded; project-by-project; no global governance frame	Partial entry, only where adaptation is the cheapest route to insurability
Risk reduction to enable insurability	Essentially unoccupied; partial coverage by Global Shield	The structural hole in the map	Core FRLD role
Risk transfer and pooling	ARC, CCRIF, Global Shield, private reinsurance	Works at sovereign level, thin sub-nationally, unaffordable for the poorest	Affordability financier and first-loss provider, not underwriter
Post-disaster response and compensation	FRLD, humanitarian system, MDB crisis windows	Slow, under-resourced, arrives after the fact	Retained as Layer 3

1.3 The capability gap

The FRLD can draw on the talent of its team and people committed to its mission, but it does not have, and cannot plausibly build from scratch, the technical capacity a fund of this ambition requires: granular, place-level assessment of climate risk across 198 parties, actuarial pricing of that risk, and the judgement of which interventions actually move a place from uninsurable to insurable. Building that capability in-house would take a decade the Fund does not have. Borrowing it is the realistic option, and it implies partners.

Each gap points to the same conclusion. A post-disaster grant mechanism cannot close a thousand-fold funding gap, cannot acquire place-level risk capability on its own, and cannot influence the risk it is exposed to. The rest of this paper sets out what the FRLD would have to become instead, how the resulting model would work financially and operationally, who would run it, what it would not solve, and how it could be tested.

2. What the FRLD should become

The proposition set out at the front of this paper resolves into five design principles and one organising diagram.

2.1 Five design principles

1. **Allocate according to vulnerability and inability to insure.** What qualifies a place for support is its exposure, its lack of adaptive capacity and the absence of a market willing to carry its risk — not the income classification of the state it happens to sit in.

2. **Raise funds according to capacity and responsibility.** Contributions follow a transparent formula weighted by wealth and by cumulative emissions, so that any citizen can see why one country pays more than another.
3. **Coordinate and support adaptation.** Wherever feasible the Fund should engage in risk management, supporting adaptation to reduce cost by preventing damage rather than compensating it.
4. **Use public money to unlock private capital, on a "just enough" rule.** The Fund pays the smallest amount that moves a risk from uninsurable to insurable.
5. **Retain public finance for genuinely uninsurable risk.** Slow-onset loss, non-economic loss and risk that remains unpriceable after prevention stay with the public layer, explicitly and with a budget line, not as a residual afterthought.

2.2 The three layers

These principles resolve into a three-layer architecture. The distinction matters because "adaptation" and "insurance" are routinely blurred in this debate, and they are not the same thing.

Layer	Function	Who carries it
Layer 1	Prevention and adaptation: reduce the probability or severity of damage	FRLD capital grants and technical assistance, implemented by national and sub-national authorities
Layer 2	Risk transfer: move residual, measurable risk off public balance sheets	Insurers and reinsurers, with FRLD paying the affordability gap and, where needed, a first-loss tranche
Layer 3	Residual loss and damage: losses that remain uninsured or uninsurable	FRLD and other public loss-and-damage finance, as grants

FIGURE 2 – THE LAYERED MODEL: HOW ONE FRLD DOLLAR MOVES

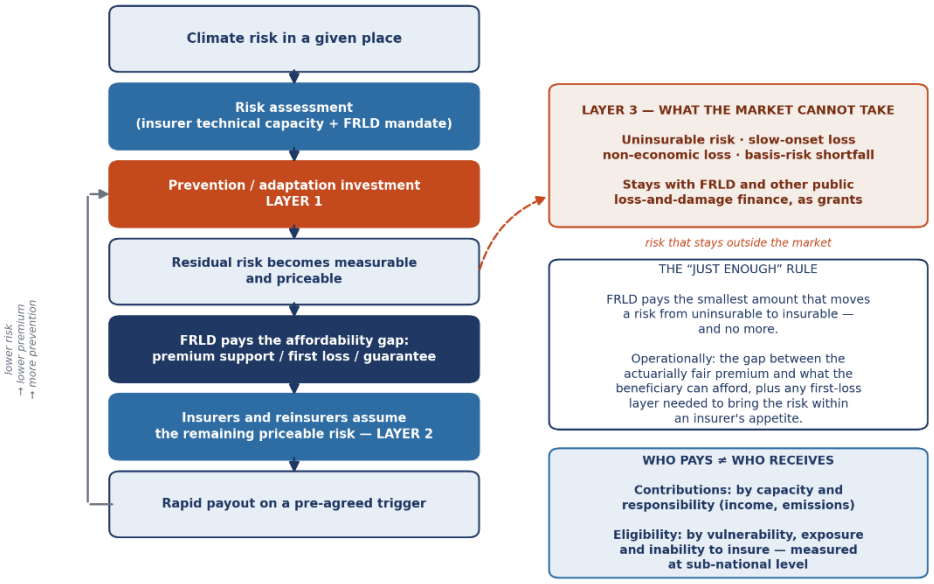


Figure 2 — The layered model. The left column is the path of a single FRLD dollar; the right column states the rules that govern it.

Read in this order, the proposal is not "turn the loss-and-damage fund into an insurance fund." It is: use public loss-and-damage finance to shrink Layer 3 by moving as much risk as possible into Layers 1 and 2, and fund what is left.

3. Three design changes

Three changes move the Fund from what it is to the model above: a change of scope, a change in who pays and who receives, and the construction of an insurance partnership.

3.1 Redefining the scope

The mandate change follows directly from the map. The FRLD should expand from responding to damage into two adjacent functions that no existing institution owns: coordinating and financing risk reduction where it restores insurability, and financing affordability for risk transfer. It should not enter mitigation, and it should enter general adaptation only where adaptation is the cheapest route to making a place insurable. This does not require consolidation of the wider landscape, though we continue to believe consolidation would be desirable.

If the FRLD manages to build partnerships that gives it the capacity to engage in prevention and adaption through partnerships with public and private organizations, it will sit at the centre of global adaption policies. In the long run, this could open the door for the FRLD to become a global knowledge manager and distributor which could boost the efficiency of adaption and thereby save lives and reduce the damages incurred by climate change.

One principle governs the expanded mandate and recurs throughout this paper: the north star of these facilities is to fund a project with **the amount of money that is exactly needed to bring it back to being marketable**. Concessional finance is indispensable where a rate of return sits below what return-seeking investors require. It is wasted where it sits above.

3.2 Redefining contributors and beneficiaries

The FRLD has no definition of its own for "developed" and "developing." It defers to the UNFCCC's 1992 Annex I list, which was frozen when the convention was signed. That list still treats China, Singapore and the Gulf states as developing countries, though several are now wealthier, and larger emitters, than some of the "developed" parties expected to pay in. Saudi Arabia is the clearest case: a G20 economy with a 2026 GDP per capita of roughly USD 37,800, higher than several EU member states, and one of the world's largest oil exporters, sitting outside Annex I with no formal obligation to contribute.[9]

The evidence on who suffers appears at first to support the old division. Rich countries absorb most disaster losses in absolute dollars, simply because they have more expensive infrastructure to lose. Measured against the size of their economies, however, the damage runs far deeper in poor countries: Least Developed Countries lose an average of 3.22% of GDP per disaster against roughly 0.1% in

[9] IMF, "Saudi Arabia," 2026; https://www.imf.org/external/datamapper/profile/SAU/WEO.

developed economies, and they account for close to 70% of global disaster deaths while experiencing under 20% of the disasters.

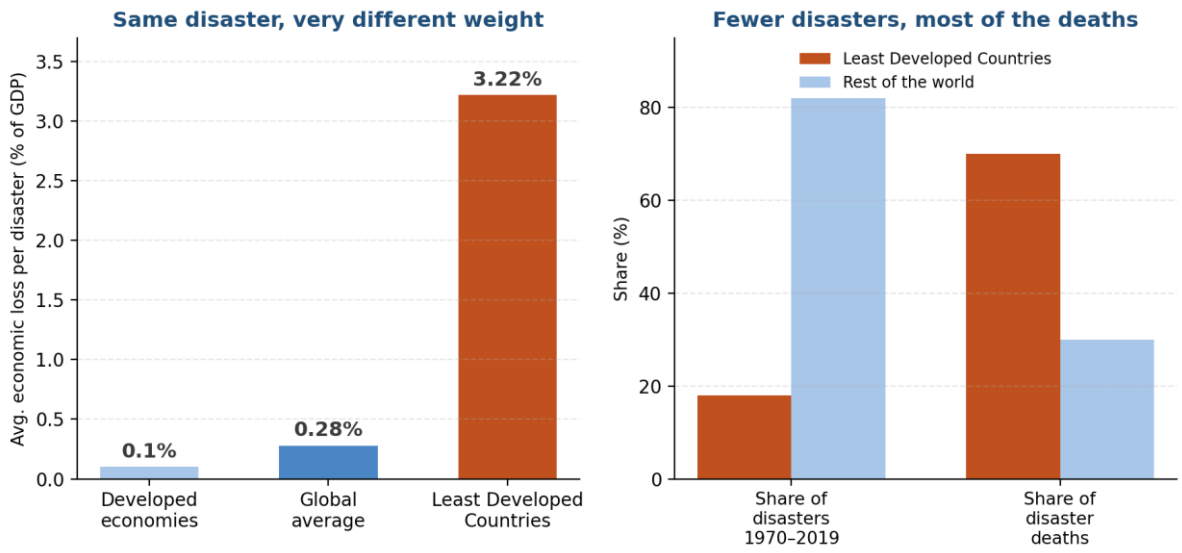


Figure 3 — Sources: WMO (1970–2021 weather, climate and water-related disasters); UNDRR/EM-DAT.

A more localised analysis complicates the picture. Poor regions within rich countries also suffer severe damage: losses may reach 8% of local GDP in European regions, especially in Spain, Greece and Italy,[10] and 20% of county income by the end of the century in poorer counties of the United States.[11] Comparing rich nations to poor nations conceals the underlying regularity: poor people everywhere are more exposed and less adapted. A fund organised around a 1992 map of who is rich and who is poor is not well placed to act on that. Three models are available to replace it. They follow the logic that who pays is a question about capacity and responsibility whereas who receives is a question about vulnerability and insurability. They do not have to be settled by the same list.

Model	Rule	Consequence
A — Update the list	Countries move into and out of contributor status according to contemporary income and emissions	Brings in Saudi Arabia, the Gulf states, Singapore and others. Politically hard but conceptually simple. Does nothing about vulnerability inside rich countries.
B — Abandon the distinction	Any vulnerable area is eligible; the contributor/recipient categories dissolve	Maximum coherence with the evidence, minimum political feasibility. Reads to developing countries as an erasure of differentiated responsibility.
C — Separate the two questions	Contribute by capacity and responsibility; receive by vulnerability, exposure and inability to insure, assessed sub-nationally	Keeps differentiated responsibility on the paying side while following the evidence on the receiving side. This is the model proposed here.

[10] Predrag Ignjačević, "Spatially-Explicit Economic Impacts and Risks of Climate Change in Europe," 2026; https://link.springer.com/article/10.1007/s41885-026-00201-2.

[11] Solomon Hsiang, et al. "Estimating Economic Damage from Climate Change in the United States," 2017; https://impactlab.org/research/estimating-economic-damage-from-climate-change-in-the-united-states/.

Model C does not dilute differentiated responsibility, because it does not touch the contribution side, where that principle lives. What changes is that eligibility follows where the damage lands. A poor district in a rich country does not displace a poor district in a poor country: the allocation rule ranks by vulnerability, and on any honest vulnerability ranking the poorest districts of the poorest countries come first. The practical gain is an incentive no purely redistributive fund can offer — a developed country that can see its own exposed regions as potentially eligible, whether for compensation or for prevention finance, has a reason to commit more money.

3.3 Building the insurance partnership

A partnership with insurers addresses all three gaps at once: it brings capital alongside the Fund's own, it borrows technical capability the Fund does not have in-house, and it lets the Fund expand from paying for damage to reducing it. What follows is what the partnership would actually look like.

Question	Proposed answer	Reasoning
Who is the insured?	Sub-national authorities — regions, districts, municipalities — aggregated into national or regional risk pools. The pool contracts; the region benefits.	Retail policies on individual properties are what failed in Florida. Purely sovereign cover misses the sub-national distribution of vulnerability identified in 3.2.
Who pays the premium?	Blended. The beneficiary government pays a capacity-tested share; the FRLD pays the affordability gap, declining as prevention lowers the technical premium.	Preserves ownership and price signal. A fully subsidised premium teaches nothing about risk.
Who bears the first loss?	The FRLD, explicitly and up to a stated attachment point.	This is the specific job of public capital: absorbing the tranche that makes the remainder priceable.
Who bears the catastrophic tail?	Reinsurers and catastrophe bonds up to an agreed limit, above which a public backstop applies.	The backstop is where the Fund's borrowing capacity matters (Section 4). Without it the model has an unpriced ceiling.
Who decides a place is insurable?	An independent technical facility with insurer secondees and a published methodology — not the underwriter alone, and not the FRLD alone.	The underwriter has an interest in the price; the FRLD lacks the capability. Separating assessment from underwriting is the central integrity safeguard.

What "just enough" means operationally:

- **Prevention capital grant.** A one-off payment for the measure that moves expected loss below the level at which an insurer will quote at all.
- **Premium support.** The difference between the actuarially fair premium for the residual risk and what the beneficiary can demonstrably afford, on a published affordability test.
- **First-loss layer.** A defined tranche of any payout carried by the FRLD, sized to the point at which the remainder falls within insurer appetite.

All three are time-limited, declining, and conditional on measured risk reduction. Premium support that does not fall as prevention takes effect is not "just enough"; it is a subsidy.

4. How the model works financially

The financial logic is a chain, rendered visually in Figure 2: risk identification → prevention investment → residual risk assessment → premium calculation → FRLD contribution, as premium support and/or a first-loss tranche → private insurance and reinsurance → payout on a pre-agreed trigger → lower measured risk → lower premium → reduced FRLD contribution.

The last three steps are what make the model something other than a subsidy: the Fund's exposure is designed to decline in the places where it works. The single number that matters is the ratio of contingent private protection mobilised to each FRLD dollar deployed, because the model does not require the Fund to hold capital against total damages but against premium support, first-loss tranches and prevention grants, which is a far smaller quantity. We deliberately do not put a figure on that ratio here. Establishing it requires parameters that only the FRLD and its prospective insurance partners can supply baseline expected loss by place, the cost curve of prevention measures, technical premiums for the residual risk, and a defensible affordability threshold. Producing those parameters, and testing the ratio against them, is the first task of the pilot set out in Section 7; committing to a number beforehand would make the central claim of this paper rhetorical rather than falsifiable.

A second question regarding how the Fund finances its side of the chain when pledges arrive slowly and disasters arrive now is equally open, and turns on three routes that are not mutually exclusive: legally binding multi-year contribution agreements against which the Fund could borrow, sovereign guarantees of the first-loss tranches rather than cash, and catastrophe bonds sponsored into the capital markets for the tail layer. Only the third requires no change to the Fund's legal basis, and it is therefore the one testable immediately.

5. Why insurers might participate and where insurance cannot go

5.1 The objection, and the answer

The obvious objection is that the insurance industry has spent recent years retreating from climate risk rather than seeking it out. State Farm, Allstate and half a dozen other major US insurers have pulled back from Florida and California homeowners' markets since 2023, precisely because the risk on any individual property became too hard to price.[12] Why would the same industry want exposure to a flood in Bangladesh or a drought in the Sahel?

It already does, though not in the form that failed in Florida. The African Risk Capacity and the Caribbean Catastrophe Risk Insurance Facility are sovereign-level parametric pools rather than retail policies, and ARC alone has provided over a billion dollars of coverage since 2014.[13] What failed in Florida was the combination of uncertainty about an individual asset and adverse selection. A pooled, parametrically triggered, geographically diversified product removes both. What the FRLD adds

[12]"Parametric Insurance Fundraising Guide (2026)," startupfundraising.com.

[13]African Risk Capacity coverage figures per World Economic Forum (2026) and G7/ARC reporting; https://www.arc.int/risk-pools.

attacks the two obstacles that remain: prevention finance lowers the level of risk, and a first-loss tranche truncates its volatility. Those are the two variables an underwriter actually prices.

This also explains why the same mechanism gives different answers in different places. In Florida, insurers withdrew because the risk became hard to price, not because anyone lacked the money for a premium; the binding constraint is Layer 1. In Lagos it is closer to the opposite: a risk that could in principle be priced, in a population that often cannot afford to pay for it; the binding constraint is Layer 2 affordability support. The mechanism is the same in both. The dose is not.

5.2 Four things insurance will not solve

Uninsurable risk. Some risks remain uneconomic to insure even after prevention — where expected loss approaches the value of the assets, or where climate change produces a trend rather than a distribution. An insurer can price a distribution; it cannot price a one-way trend.

Slow-onset loss. Sea-level rise, salinisation, desertification and glacial retreat do not cross thresholds on a given afternoon, so parametric triggers do not fit them. This is a large share of loss and damage in exactly the places the Fund exists to serve, and Layer 2 has nothing to offer it. Slow-onset loss remains a grant problem, with a research track on whether index-based instruments can eventually be built for it.

Basis risk. Rapid, objective triggers will sometimes miss a real disaster and sometimes pay for an event that did little damage; ARC's own record includes a pool year in which members paid premiums and received no payout at all.[14] This should be managed with hybrid triggers, a shortfall facility funded from Layer 3, and disclosure of expected basis risk at the point of contracting.

Distributional effects. Premiums may remain unaffordable for the poorest, and cover purchased at sub-national level may protect public assets while leaving households exposed. Affordability support must be targeted by vulnerability within a pool, not only across pools.

Ultimately, insurance is not a replacement for grants. The FRLD would build a system in which prevention, insurance and public loss-and-damage finance each take the part of the risk they are suited to. What is left will be covered by the FRLD according to its current mission.

6. Governance and safeguards

6.1 Who does what

The model allocates public money, private capital and risk among six actors.

Actor	Role	What it must not do
FRLD Board	Sets policy, the contribution formula, allocation priorities, the Layer 3 budget line and safeguards	Underwrite or price individual risks

[14] James Chamberlain and Nick Bernards (2024), "Insurance and the contradictions of the climate-development-finance nexus: The case of the African Risk Capacity," https://wrap.warwick.ac.uk/id/eprint/188627/1/chamberlain-bernards-2024-insurance-and-the-contradictions-of-the-climate-development-finance-nexus-the-case-of-the.pdf.

Actor	Role	What it must not do
FRLD Secretariat	Runs programmes, contracts the insurance consortium, administers premium support and first-loss facilities	Assess the insurability of the places it is funding
Independent technical risk facility	Assesses risk and insurability, validates prevention measures, publishes methodology	Hold a commercial interest in the resulting premium
Insurance and reinsurance consortium	Prices and underwrites residual risk; seconds expertise to the technical facility	Determine eligibility, or set the affordability threshold
National and sub-national authorities	Identify priority places, propose resilience plans, implement prevention, co-pay premiums	Receive support without a measured risk-reduction commitment
Independent evaluator	Verifies additionality, leverage, premium reduction and distributional outcomes; publishes annually	Report to the Secretariat it evaluates

The load-bearing separation is between the body that decides a place is insurable and the body that profits from insuring it. If those collapse into one, every subsequent safeguard is decorative.

6.2 How to know this is not a subsidy to insurers

The proposal uses public money to unlock private capital, which immediately raises the question of whether it is instead improving private returns. Leverage can be claimed without being demonstrated. Four tests should be written into the design from the outset and reported annually by the independent evaluator.

- **Additionality.** Coverage written that would not have been written absent FRLD support, and that has not displaced cover the market was already providing, tested against a control group of comparable places.
- **Attribution.** Measured decline in expected loss and in technical premiums following Layer 1 investment — verified independently, and not merely coincident with a quiet year.
- **Risk retention.** A floor on the share of risk the insurer retains, so that the first-loss tranche does not become the whole loss.
- **Decline.** Premium support that falls over time where prevention has worked. A support line that never falls is a permanent subsidy and should be reclassified as one.

Three disciplines follow: premiums and loss ratios in FRLD-supported pools should be published; underwriting should be competitively tendered rather than allocated to partner insurers; and every instrument should carry a sunset clause and a claw-back where risk-reduction commitments are not met.

6.3 Hosting, liability and the founding text

The World Bank has hosted the FRLD secretariat since 2024 on an interim basis, over the objections of the G77 and civil society groups who argued a Bank-hosted fund would lack independence and risk nudging vulnerable countries toward more debt.[15] [16] That arrangement is under review to COP33 in 2028. The relevance to this proposal is narrow: the technical work described here does not require the World Bank to perform it. It can sit with the independent technical facility and the insurance partners, coordinated by the secretariat wherever the secretariat ends up. Building the capability now is therefore sensible regardless of how 2028 is decided — and the model's instruments are grants, premium support and guarantees rather than loans, which answers the substantive debt objection whatever one concludes about hosting.

A second institutional point is worth making sharply. The COP28 decision establishing the Fund records that its funding "does not involve liability or compensation."[17] That language has generally been read as a defeat for the justice framing. But an insurance-based approach does not require the FRLD to define itself as compensation for legal liability: insurance has never been about liability, but about pricing and pooling risk that all parties pay into. The proposed model may be the version of this Fund most consistent with its own founding text.

7. Implementation

The case for acting now is not that conditions are favourable; multilateral climate finance is under strain and the COP process itself is widely described as needing reform. It is that the Fund is still in its formative phase. The BIM was framed as a first set of interventions for 2025 and 2026, with allocation to be reviewed at the eighth Board meeting; the start-up period is itself due to be assessed at the end of 2026; and the hosting arrangement is reconsidered in 2028. An assessment window is the one moment at which changing an operating model is procedurally normal rather than disruptive. A fund that has disbursed nothing in response to an actual disaster also has very little to protect, which makes the cost of changing course lower now than it will be at any later point.

Implementation would proceed in three broad movements rather than a single institutional leap. The first is a design mandate from the Board: a decision to define eligible risks, the affordability test, the contribution formula and the terms on which insurers would participate. The second is technical: standing up an independent risk and insurability facility, secured through secondment from insurance partners, and publishing its methodology for comment before it is used to allocate anything. The third is a small number of live pilots. Their composition matters more than their size — several cases of the same type would only confirm what the design already assumes, whereas the contrast between a Lagos-type case (priceable risk, unaffordable premium), a Florida-type case (affordable premium, unpriceable risk) and a slow-onset case the model is expected to fail is what would actually test it. We have not attempted a detailed sequence or timetable here; that is work to be done with the Board and the prospective partners rather than proposed to them.

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[15] Loss and Damage Collaboration, "What Happened at the Seventh Meeting of the Board of the FRLD: A Rapid Reaction," 2025; https://www.lossanddamagecollaboration.org/resources/what-happened-at-the-seventh-meeting-of-the-board-of-the-fund-for-responding-to-loss-and-damage-a-rapid-reaction.

[16] Green Central Banking, "World Bank should not host loss and damage fund, say critics," 2023; https://greencentralbanking.com/2023/10/31/world-bank-should-not-host-loss-and-damage-fund-say-critics/.

[17] Nina Araneta-Alana "The Fund for Responding to Loss and Damage: Governance challenges, tensions and opportunities," 2026; https://journals.sagepub.com/doi/10.1177/1037969X261434611.

Evaluation should be specified before the first pilot begins, so that the result is a test rather than a narrative. Five things are worth measuring: contingent private coverage mobilised per FRLD dollar, which is the central leverage claim; the reduction in measured expected loss, which tests prevention independently of insurance; the speed of payout and the share of assessed loss actually covered, which test whether the product works when it is needed; the share of benefits reaching the most vulnerable within each pool; and the decline over time in the Fund's own premium-support share, which is the only real evidence that "just enough" is being enforced. Each should carry a threshold agreed in advance and be published whether or not the results are favourable.

8. Conclusion

What could the FRLD become? A layered resilience and risk-financing facility: financing prevention where prevention is the cheapest route to insurability, paying the affordability gap and carrying the first loss so that private capital underwrites the residual risk, and retaining grant finance for losses that remain outside any market.

Why is this different from the funds that already exist? Because the function is unowned. The landscape has 29 multilateral facilities, and not one is mandated to spend public money specifically to make climate risk preventable, measurable and insurable. That is the hole in the map, and it is the one function connecting the FRLD's existing purpose to the far cheaper act of reducing the damage it exists to compensate.

The integration of the FRLD into a web of partners that such a change in paradigm would require means that it may gradually acquire the skills to act as a knowledge manager of adaptation policies: adaptation policies that will need to be tailored locally and will become much more effective and affordable if different places learn from each other.

Apart from a lack in funds, an equally critical issue is a lack in knowledge on how to respond to the new risks that climate change poses. A central depository and manager for knowledge on adaption could greatly improve the efficiency of existing adaption strategies and thereby reduce damages down the line.

What could be done next? Not a pledge. A design mandate from the Board, an independent technical facility with published methodology, and three to five contrasting pilots evaluated against numbers fixed in advance and published whether they are favourable. If the leverage ratio shows that for every dollar spent, the fund can mobilize a larger amount in private funds, then it found its model. Otherwise, it has learned something important at modest cost.