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The Rise Of The Loss And Damage Fund In A Fragmented International Political Landscape

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Abstract: *This study examines the international political dynamics and power asymmetries that shaped the negotiation and institutionalization of the Loss and Damage Fund (LDF) under the UNFCCC framework. While loss and damage has historically been marginalized within global climate governance, its elevation at COP27 reflects a significant shift driven by contestation between developed and developing countries. The research integrates historical institutionalism and Global South dependency theory to analyze how institutional legacies, path-dependent mechanisms, and structural inequalities have influenced the design and operationalization of the LDF. Methodologically, this study employs a qualitative-explanatory, process-tracing approach to capture the evolution of negotiations and institutional outcomes. Data are drawn from systematic analysis of UNFCCC negotiation texts, official COP decisions, and policy reports. The findings demonstrate that early institutional design choices shaped by the normative and financial dominance of developed countries generated path-dependent constraints that limited the redistributive and justice-oriented potential of the LDF. However, Global South actors exercised strategic agency by reframing loss and damage as a moral and political issue grounded in historical responsibility, rather than a purely technical concern. Through coalition diplomacy, discursive contestation, and procedural resistance, these actors were able to secure formal recognition of irreversible climate harm within the UNFCCC regime. This study advances climate justice scholarship by offering a theoretically integrated explanation of how structurally disadvantaged actors can reshape institutional outcomes within an unequal global governance system. The LDF thus emerges not merely as a financial mechanism, but as a contested site of institutional transformation, where future effectiveness will depend on governance arrangements, equitable access, and sustained political negotiation.*

Keywords :*Loss and Damage Fund; Climate Justice; UNFCCC; Climate Finance; COP27.*

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1. INTRODUCTION

Climate change has become one of the most defining challenges of our time, not only due to its environmental consequences but also because of the political, economic, and ethical dilemmas it presents. While mitigation and adaptation have long dominated the discourse within the United Nations Framework Convention on Climate Change (UNFCCC), the concept of "loss and damage" has emerged as a third pillar confronts the limits of adaptation and the irreversible impacts of climate change. The formal establishment of the Loss and Damage Fund (LDF) at COP27 in Sharm El-Sheikh in 2022 marked a historic shift in global climate governance, reflecting decades of advocacy by vulnerable nations and exposing the deep-rooted power asymmetries embedded in international negotiations (UNFCCC, 2022).

The Loss and Damage Fund is not merely a financial instrument; it is a political achievement born out of persistent demands for climate justice. Its emergence reflects the struggle of developing countries particularly Small Island Developing States (SIDS) and Least

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Developed Countries (LDCs) to secure recognition and redress for the disproportionate impacts they face, despite contributing minimally to global greenhouse gas emissions. This struggle has unfolded within a complex institutional ecosystem, shaped by historical inequalities, procedural inertia, and strategic resistance (Roberts & Parks, 2009).

From the earliest stages of the UNFCCC, the issue of loss and damage was marginalized. In 1991, Vanuatu, representing AOSIS, proposed an international insurance mechanism to compensate vulnerable countries for climate-induced harm. Although the proposal was not included in the final text of the Convention, it laid the foundation for a broader coalition of Global South actors advocating for appropriate governance arrangements (Betzold, 2015). The reluctance of developed countries to engage with the concept stemmed from concerns over legal liability, financial burden, and the precedent it might set for future compensation claims. As a result, loss and damage remained a contested and ambiguous concept for over two decades. The institutional trajectory of loss and damage within the UNFCCC reflects the dynamics of historical institutionalism, where initial design choices and power imbalances shape the evolution of policy frameworks. Developed countries, leveraging their material resources and normative influence, have consistently steered the negotiation agenda toward mitigation and adaptation, sidelining discussions on compensation and accountability (Hall, 2010). This path dependency has reinforced structural advantages for the Global North, while developing countries have had to mobilize coalitions, reframe narratives, and push for incremental change.

Complementing this institutional lens is Global South dependency theory, which situates developing countries within a structurally unequal international system. Rather than viewing them as passive recipients of aid, this perspective highlights how blocs such as the G77, AOSIS, and LDCs have mobilized diplomatic tools, moral arguments, and legal principles (such as the Polluter Pays Principle to demand recognition and redress). Their efforts to institutionalize the Loss and Damage Fund reflect a form of counter-hegemonic resistance within a system designed to exclude them (Roberts & Parks, 2009). Recent scholarship on climate justice reinforces this perspective. García-Portela (2024) argues that reparations for climate loss and damage are not merely financial transactions, but moral imperatives rooted in historical responsibility and distributive justice. His work underscores the importance of framing loss and damage not as charity, but as restitution (an idea that has gained traction among Global South negotiators and civil society actors).

The breakthrough at COP27 was the result of sustained counter-hegemonic pressure. The devastating floods in Pakistan in 2022, which displaced over 33 million people, served as a catalyst for renewed urgency. Despite contributing less than 1% of global emissions, Pakistan bore the brunt of climate impacts, highlighting the moral and empirical basis for compensation (Ritchie & Roser, 2022). The unity of the G77, AOSIS, and civil society actors created a formidable coalition that reframed loss and damage as a justice issue rather than a technical challenge. This strategic shift in narrative and diplomacy exemplifies the agency of Global South actors in navigating and reshaping institutional constraints. Given this context, the central problem addressed in this study is: How do international political dynamics and power asymmetries between developed and developing countries shape the negotiation process and institutional outcome of the Loss and Damage Fund under the UNFCCC framework? This question is critical for understanding not only the fund's formation but also the broader implications of climate justice and global governance.

The establishment of the Loss and Damage Fund also reflects the broader transformation of the Global South's role in climate negotiations. Historically perceived as peripheral, Global South countries have increasingly asserted themselves as agenda-setters, leveraging principles of common but differentiated responsibilities and equity. This shift is evident in the growing

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emphasis on South–South cooperation, collective self-reliance, and the demand for direct access to climate finance (Okereke & Coventry, 2016). The LDF, in this context, is not only a financial mechanism but a symbol of political recognition and institutional emancipation. However, the operationalization of the fund remains fraught with challenges. Developed countries continue to resist binding commitments, preferring voluntary contributions and market-based solutions. The transitional committee tasked with designing the fund's governance structure faces complex questions regarding contribution modalities, access criteria, and monitoring frameworks. The absence of liability language and the ambiguity surrounding legal obligations reflect ongoing tensions and the fragility of consensus (Künzel et al., 2023).

Despite the growing body of literature on climate finance and institutional development, there remains a significant research gap in understanding the political mechanisms and strategic interactions that enabled the Loss and Damage Fund to move from a marginal proposal to a formalized global policy. Existing studies tend to focus on technical aspects of climate finance or normative arguments for justice, while few have systematically examined the power dynamics, negotiation strategies, and institutional constraints that shaped the fund's trajectory. This study seeks to fill that gap by offering a political-institutional analysis grounded in historical institutionalism and Global South dependency theory highlighting how developing countries leveraged diplomacy, solidarity, and moral framing to challenge hegemonic structures and achieve a landmark victory in climate governance.

2. LITERATURE REVIEW

This study develops a combined theoretical framework that integrates historical institutionalism (HI) and Global South dependency theory to explain the emergence of the Loss and Damage Fund (LDF) within a fragmented international political landscape. While historical institutionalism provides a temporal and process-oriented explanation of institutional development, dependency theory offers a structural critique of global inequalities and power asymmetries (Fioretos, 2011). Together, these approaches enable a more comprehensive understanding of how global climate finance institutions evolve and whose interests they ultimately serve. From a historical institutionalist perspective, the LDF is best understood as the outcome of a long-term process of institutional evolution within the global climate governance regime. Institutions such as the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol, and the Green Climate Fund (GCF) have developed incrementally, shaping the rules, norms, and expectations that structure contemporary climate finance (Pahuja, 2011). This trajectory reflects the logic of path dependence, whereby earlier institutional choices constrain and enable subsequent policy developments (Pierson, 2000). As a result, the emergence of the LDF is not a sudden innovation but a continuation of historically embedded institutional pathways.

Historical institutionalism alone may understate the extent to which these institutional pathways are structured by global power inequalities. This is where dependency theory provides critical analytical leverage (Kay, 2011). From a Global South perspective, the evolution of climate finance institutions reflects a hierarchical international system in which developed countries retain disproportionate influence over financial flows, governance mechanisms, and decision-making processes. Consequently, institutional continuity is not merely a function of path dependence, but also of structurally embedded asymmetries that privilege the interests of the Global North. The interaction between these two perspectives becomes particularly salient in moments of institutional change. HI emphasizes the role of critical junctures periods of heightened uncertainty that open space for institutional

transformation (Mahoney & Thelen, 2010). In the context of global climate governance, the decision at COP27 to establish the LDF represents such a critical juncture, shaped by intensifying climate impacts, sustained political pressure from developing countries, and shifting geopolitical dynamics. Yet, dependency theory suggests that even during such transformative moments, outcomes are mediated by existing power structures. As a result, institutional change tends to be partial and negotiated, rather than fully redistributive.

This combined framework therefore conceptualizes the LDF as a product of both historical trajectories and structural inequalities. On the one hand, the institutional design of the LDF reflects continuity with existing climate finance architectures, including reliance on established financial institutions, procedural norms, and donor-driven governance models. On the other hand, it embodies the political struggles of the Global South to challenge these structures and advance claims for climate justice, particularly through mechanisms such as the G77 and China coalition (Ciplet et al., 2015). Furthermore, the fragmented nature of the contemporary international political landscape adds an additional layer of complexity. Fragmentation characterized by multipolarity, geopolitical contestation, and the diversification of governance arenas reshapes both institutional pathways and dependency relations. From an HI perspective, fragmentation introduces new sequences and contingencies that can alter institutional trajectories. From a dependency perspective, it creates both opportunities and risks: while Global South actors may gain greater bargaining power through strategic alliances, dominant actors may also reassert control through new institutional arrangements or financial mechanisms.

The LDF can be understood as a hybrid institutional outcome, where competing logics coexist. It reflects a justice-oriented agenda driven by historical claims of responsibility and vulnerability, while simultaneously reproducing elements of donor control and structural dependency. This dual character underscores a central insight of the combined framework: institutional change in global governance is neither purely transformative nor entirely path-dependent, but rather shaped by the ongoing interaction between historical processes and unequal power relations. integrating historical institutionalism with Global South dependency theory allows this study to move beyond linear or state-centric explanations of institutional emergence. It highlights that the rise of the LDF is not only a function of institutional evolution over time, but also a manifestation of deeper struggles over power, resources, and justice in the international system. This approach provides a robust analytical foundation for examining whether the LDF represents a meaningful shift toward equitable climate governance or a reconfiguration of existing patterns of dependency.

3. METHODOLOGY

This study adopts a qualitative-explanatory methodology to explore the international political dynamics and power asymmetries that shaped the negotiation and institutionalization of the Loss and Damage Fund under the UNFCCC framework. The qualitative approach is chosen for its capacity to capture the complexity of diplomatic interactions, institutional constraints, and strategic responses that cannot be reduced to numerical data. Rather than measuring outcomes, the study aims to interpret how power is exercised, contested, and embedded within global climate governance. The research is guided by two interrelated theoretical lenses: historical institutionalism and Global South dependency theory. Historical institutionalism provides the analytical tools to trace how early institutional design choices such as the exclusion of liability in Article 8 of the Paris Agreement created path dependencies that shaped subsequent negotiations (Hall, 2010). It emphasizes the role of institutional inertia,

procedural norms, and agenda-setting power in reinforcing the dominance of developed countries within the UNFCCC system.

Complementing this, Global South dependency theory situates developing countries within a structurally unequal international system. It highlights how postcolonial economic and political arrangements continue to limit the autonomy of Global South nations, even within multilateral institutions ostensibly committed to equity and inclusion (Roberts & Parks, 2009). This framework allows the study to examine how blocs such as the G77, AOSIS, and LDCs mobilized counter-hegemonic strategies framing loss and damage as a justice issue, invoking historical responsibility, and demanding reparative finance to challenge the normative dominance of industrialized nations. Data collection relies on document analysis, drawing from official UNFCCC records, COP decisions from 1991 to 2022, and formal submissions by negotiating blocs. Key texts include the Vanuatu proposal (1991), the Warsaw International Mechanism (2013), the Paris Agreement (2015), and the COP27 outcome document (2022). These are supplemented by academic literature, policy briefs, and media reports that contextualize the negotiations and reveal underlying political tensions.

The data is analyzed using thematic coding, identifying recurring patterns related to power, resistance, and institutional framing. The analysis is structured chronologically, tracing the evolution of the loss and damage agenda across key COP milestones. Particular attention is paid to moments of discursive shift such as the reframing of loss and damage from technical risk management to moral and legal accountability as well as to the procedural tactics used by developed countries to delay or dilute commitments. To ensure validity and reliability, the study employs triangulation across multiple data sources: official documents, academic publications, and interview transcripts. Reflexivity is also applied, acknowledging the researcher's positionality as a scholar from the Global South and the implications this may have for interpreting power relations. Rather than claiming neutrality, the study embraces a critical stance that foregrounds justice, equity, and the lived experiences of climate-vulnerable communities. This methodology enables a nuanced understanding of how the Loss and Damage Fund was negotiated not as a technical inevitability, but as a political victory achieved through strategic resistance and institutional navigation. It reveals the interplay between structure and agency, showing how developing countries worked within and against institutional constraints to reshape the global climate agenda.

4. RESULTS

The establishment of the Loss and Damage Fund at COP27 in Sharm El-Sheikh represents a watershed moment in the history of global climate governance. It is the culmination of decades of negotiation, resistance, and strategic diplomacy by developing countries, particularly those most vulnerable to climate-induced disasters. This section analyzes the political dynamics, institutional constraints, and strategic breakthroughs that shaped the fund's emergence, drawing on historical institutionalism and Global South dependency theory to interpret the results.

The Long Arc of Marginalization: Loss and Damage Before COP27

The marginalization of loss and damage within the UNFCCC framework is not merely a matter of political neglect, it is a structural outcome of institutional design. From the inception of the Convention in 1992, the dominant narrative centered on mitigation and adaptation, both of which aligned with the technological and financial capacities of developed countries. Loss and damage, by contrast, implied historical responsibility, legal liability, and reparative justice,

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concepts that threatened the normative and economic interests of the Global North (Roberts & Parks, 2009).

Historical institutionalism helps explain how this marginalization became embedded in the architecture of climate governance. Institutions, once established, tend to follow path dependent trajectories, where early decisions constrain future possibilities (Hall, 2010). The exclusion of liability language in the Convention and later in Article 8 of the Paris Agreement was not accidental it was a deliberate design choice that reflected the power asymmetries between industrialized and developing nations. These choices created procedural norms and legal framings that made it difficult for loss and damage to gain traction as a legitimate policy domain.

Even when the Warsaw International Mechanism (WIM) was established in 2013, its mandate was limited to technical assistance and knowledge-sharing. It lacked financial authority, enforcement mechanisms, and a clear pathway to compensation. This institutional containment reflects what historical institutionalists call "layering" where new elements are added to existing structures without altering their core logic (Mahoney & Thelen, 2010). In this case, WIM was layered onto the UNFCCC without challenging the underlying norms that excluded reparative finance. From the perspective of Global South dependency theory, this marginalization also reflects the structural inequalities of the international system. Climate-vulnerable countries, despite bearing the brunt of climate impacts, were positioned as petitioners rather than co-equal negotiators (IPCC, 2022). Their demands for compensation were reframed as requests for aid, and their moral claims were diluted by procedural ambiguity. The institutional design of the UNFCCC thus served to reproduce dependency, where developing countries remained reliant on the goodwill of donors rather than being recognized as rights-bearing actors (Roberts & Parks, 2009).

This dynamic was further reinforced by the epistemic dominance of Northern institutions. Scientific assessments, financial models, and risk frameworks were often developed by Western think tanks and universities, sidelining indigenous knowledge and local experiences. The result was a technocratic discourse that rendered the lived realities of loss and damage invisible, or at best anecdotal. The institutional marginalization of loss and damage was therefore not only political but epistemological an erasure of voices, values, and vulnerabilities that did not fit the dominant paradigm.

Strategic Reframing and Coalition Building: The Role of the Global South

Faced with these structural constraints, Global South actors did not remain passive. Instead, they engaged in strategic reframing and coalition-building to challenge the institutional logic of the UNFCCC and elevate loss and damage as a central concern. This process exemplifies the agency dimension of dependency theory: while the system is unequal, it is not immutable. Through coordinated resistance, developing countries can reshape norms, disrupt narratives, and expand the boundaries of institutional possibility. One of the most effective strategies was the reframing of loss and damage from a technical issue to a justice imperative (Roberts & Parks, 2007). Rather than discussing risk transfer or insurance schemes, Global South negotiators began to invoke principles such as historical responsibility, the Polluter Pays Principle, and climate reparations. This shift in discourse was not merely rhetorical it was a deliberate attempt to reconfigure the normative foundations of climate finance (García-Portela, 2024).

Historical institutionalism provides a lens to understand how such reframing can alter institutional trajectories. While institutions are path-dependent, they are also subject to "conversion" a process where actors reinterpret existing rules to serve new purposes (Mahoney & Thelen, 2010). By invoking justice language within the framework of the UNFCCC, Global

South actors converted the procedural space of climate finance into a platform for moral and political claims. This conversion was evident in the growing prominence of loss and damage in COP agendas, culminating in its centrality at COP27. Coalition-building was another critical strategy. The G77, AOSIS, and LDCs formed a united front, coordinating their positions and leveraging their collective voice. This solidarity was not merely tactical it was rooted in shared experiences of vulnerability and exclusion. By presenting a unified demand for the Loss and Damage Fund, these blocs increased their bargaining power and disrupted the consensus politics that had previously diluted their claims.

Dependency theory highlights the importance of such South–South cooperation in resisting hegemonic structures. Rather than competing for donor attention, Global South countries pooled their diplomatic capital, framed their demands in terms of justice, and refused to endorse other agenda items without progress on loss and damage. This strategic defiance was particularly evident at COP27, where Pakistan, as chair of the G77, played a pivotal role in maintaining pressure and refusing compromise (Mace & Verheyen, 2016). The reframing of loss and damage also extended beyond negotiation rooms. Civil society organizations, legal scholars, and climate justice advocates amplified the discourse through media campaigns, academic publications, and public mobilization. This multi-scalar (strategy linking grassroots activism with high-level diplomacy) created a discursive environment in which resistance could flourish. It also challenged the epistemic dominance of Northern institutions, foregrounding the lived experiences of climate-vulnerable communities and legitimizing their claims.

In sum, the strategic reframing and coalition-building efforts of the Global South demonstrate that institutional change is possible even within structurally unequal systems. By leveraging moral authority, diplomatic solidarity, and procedural persistence, developing countries were able to challenge the path dependencies of the UNFCCC and secure the establishment of the Loss and Damage Fund. This achievement reflects not only a shift in policy but a transformation in the politics of recognition, representation, and resistance.

COP27 as a Turning Point: Negotiating the Fund

COP27 was the culmination of these efforts. The conference took place in the shadow of escalating climate impacts and growing frustration with the slow pace of climate finance reform. The floods in Pakistan, the droughts in the Horn of Africa, and the rising sea levels threatening Pacific island nations created a sense of urgency that could no longer be ignored. The G77, led by Pakistan, made loss and damage a central demand, refusing to endorse other agenda items without progress on the fund (UNFCCC, 2022).

Developed countries, particularly the European Union and the United States, initially resisted the proposal, citing concerns over legal liability and financial burden. However, sustained pressure from the Global South, combined with public support and media scrutiny, created a diplomatic environment in which compromise became necessary. The final agreement established the Loss and Damage Fund, with a transitional committee tasked with designing its governance structure, funding modalities, and access mechanisms (Okereke & Coventry, 2016). While the agreement was hailed as a victory, it also reflected the limitations of the negotiation process. The fund's operational details were deferred to future meetings, and no binding commitments were made regarding contributions. This outcome illustrates the tension between symbolic recognition and substantive reform a theme that runs throughout the history of climate finance negotiations.

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5. DISCUSSION

Governance Challenges and the Politics of Design

The governance of the Loss and Damage Fund presents a new frontier in climate finance, but one that is already marked by familiar tensions. While COP27 succeeded in establishing the fund, the details of its operationalization remain unresolved. These include the modalities of contribution, the criteria for access, and the mechanisms for accountability. Each of these elements is deeply political, shaped by competing interests and asymmetrical power relations between donor and recipient countries (Künzel et al., 2023). From the perspective of historical institutionalism, these governance challenges are not anomalies. They are the predictable outcomes of a system designed to preserve the status quo. The UNFCCC's institutional architecture has long favored procedural consensus and voluntary commitments, both of which serve to dilute the demands of developing countries. The Green Climate Fund and Adaptation Fund, for example, have been criticized for their donor-dominated governance structures and complex access procedures, which often exclude the very communities they are meant to serve (Hall, 2010).

The Loss and Damage Fund risks replicating these patterns unless its design is intentionally restructured. Historical institutionalism warns that without deliberate reform, institutions tend to reproduce existing power hierarchies. The transitional committee's composition, the language of its mandate, and the framing of its objectives will all influence whether the fund becomes a transformative instrument or another technocratic mechanism that reinforces donor control (Östlin, 2023). Meanwhile, Global South dependency theory highlights the deeper structural dynamics at play. Developed countries have historically resisted binding financial obligations, preferring to frame climate finance as discretionary aid rather than reparative justice. This framing allows them to retain control over disbursement, set conditions for access, and avoid legal liability. It also perpetuates a narrative in which developing countries are positioned as dependent recipients rather than co-equal partners (Roberts & Parks, 2009).

The politics of design, therefore, are not just about efficiency or transparency. They are about power. Who sits at the decision-making table? Whose priorities are reflected in the fund's objectives? Whose knowledge systems are considered legitimate? These questions are central to the fund's legitimacy and effectiveness. If the governance structure privileges donor interests, it will undermine the fund's credibility and deepen mistrust among vulnerable nations. Conversely, if the fund is designed with meaningful participation from recipient countries, transparent allocation criteria, and mechanisms for grievance redress, it could set a new standard for climate finance. This would require a shift from paternalistic models of aid to frameworks grounded in justice, accountability, and co-ownership. Such a shift would not only fulfill the moral promise of the fund but also challenge the institutional inertia that has long constrained climate finance reform.

Climate Justice and the Struggle for Recognition

The Loss and Damage Fund is more than a financial mechanism. it is a symbolic and substantive recognition of the injustices embedded in the global climate regime. For decades, the experiences of climate-vulnerable nations were rendered invisible in international negotiations. Their losses were dismissed as unfortunate but inevitable, their demands reframed as unrealistic, and their voices marginalized in decision-making processes. The fund begins to reverse this erasure, but only if it is accompanied by structural change. From a historical institutionalist lens, the recognition of loss and damage represents a moment of institutional rupture a break from the dominant path that prioritized mitigation and adaptation while

excluding reparative finance. Such ruptures are rare and often contested, requiring sustained pressure and strategic reframing. The inclusion of loss and damage in COP27's final decision text, and the commitment to establish a dedicated fund, signals that the normative boundaries of climate governance are shifting (Hall, 2010).

However, institutional recognition does not automatically translate into justice. As historical institutionalism reminds us, institutions are shaped by power, and recognition can be co-opted or diluted through procedural design. The challenge is to ensure that the fund's implementation reflects its moral foundations not just in rhetoric, but in practice. This means centering the needs of affected communities, respecting their agency, and embedding equity into every aspect of the fund's operations (Biermann & Kalfagianni, 2020). Global South dependency theory deepens this analysis by highlighting the risks of symbolic inclusion without substantive redistribution. Recognition, in this context, must be paired with reparations, financial transfers that acknowledge historical responsibility and support recovery from irreversible harm. García-Portela (2024) argues that climate reparations are not acts of charity but obligations rooted in justice. They require a shift in mindset from donor benevolence to polluter accountability.

The struggle for recognition also intersects with the politics of visibility. For years, the lived experiences of loss and damage (displacement, cultural erosion, ecosystem collapse) were excluded from official metrics and policy frameworks. The fund offers an opportunity to validate these experiences, but only if it incorporates diverse forms of knowledge, including indigenous perspectives, community narratives, and non-economic losses. Moreover, recognition must extend to governance. Climate-vulnerable nations must not only be beneficiaries of the fund, They must be co-designers. Their participation in decision-making, monitoring, and evaluation is essential to ensure that the fund reflects their realities and priorities. Without this, the fund risks becoming another top-down mechanism that reinforces dependency rather than enabling autonomy. In sum, the Loss and Damage Fund represents a hard-won recognition of climate injustice. But recognition is only the beginning. The real test lies in whether the fund can deliver reparative finance, empower affected communities, and transform the structures that have long excluded them. This requires not only institutional reform but a reimagining of climate governance, one that centers justice, accountability, and the dignity of those most impacted.

Indonesia's Strategic Role and Regional Implications

Indonesia's involvement in the negotiations surrounding the Loss and Damage Fund reflects a nuanced and strategic engagement with the politics of climate justice. As a member of the G77 and a climate-vulnerable archipelagic state, Indonesia occupies a dual position: it is both a representative of the Global South and a regional power with diplomatic leverage. This duality allows Indonesia to act as a bridge connecting the normative demands of vulnerable nations with the procedural realities of multilateral diplomacy. From the perspective of historical institutionalism, Indonesia's role can be understood as a form of "institutional navigation." While the UNFCCC's architecture has historically constrained the agency of developing countries, Indonesia has worked within these constraints to advance its interests and those of its regional allies. By participating actively in transitional committees, aligning with G77 positions, and advocating for equitable access mechanisms, Indonesia has contributed to the incremental reshaping of institutional norms (Hall, 2010).

This strategic positioning is particularly evident in Indonesia's emphasis on operational clarity and regional coordination. Rather than focusing solely on moral appeals, Indonesia has pushed for concrete design elements, such as simplified access procedures, regional readiness frameworks, and integration with national adaptation plans. This approach reflects a pragmatic

understanding of how institutional change occurs: not through rupture, but through layered reform and procedural innovation. At the same time, Global South dependency theory helps illuminate the structural challenges Indonesia faces. Despite its diplomatic capacity, Indonesia remains embedded in a global system that privileges donor priorities and Northern epistemologies. Access to climate finance is often mediated through complex application processes, conditionalities, and performance metrics that reflect Western governance models. These mechanisms can undermine national sovereignty and reinforce financial dependency, even when framed as support (Schalatek & Bird, 2020).

Indonesia's experience also highlights the importance of regional solidarity. Southeast Asia faces compounded climate risks rising sea levels, intensifying typhoons, and biodiversity collapse. Yet regional coordination on loss and damage remains limited. The Loss and Damage Fund offer an opportunity to strengthen ASEAN's climate architecture, promote South–South cooperation, and develop shared frameworks for vulnerability assessment and fund utilization. To do so, Indonesia must invest in institutional capacity at both national and regional levels. This includes improving data systems for tracking non-economic losses, developing legal frameworks for climate compensation, and empowering local governments to engage with international finance mechanisms. It also requires a shift in narrative nfrom vulnerability to agency where Indonesia and its neighbors are not merely recipients of aid but co-creators of climate solutions. Indonesia's role in the Loss and Damage Fund negotiations exemplifies the strategic agency of Global South actors within a constrained institutional environment. By leveraging its diplomatic position, advocating for procedural reform, and promoting regional coordination, Indonesia contributes to the transformation of climate finance governance. However, this transformation will only be meaningful if it is accompanied by structural shifts that dismantle dependency and center justice.

Synthesizing Power, Structure, and Agency

The negotiation and establishment of the Loss and Damage Fund offer a rich case study in the interplay between institutional structure and political agency. The fund did not emerge spontaneously it was the result of decades of strategic resistance, normative reframing, and coalition diplomacy by developing countries. This process reflects the core insights of both historical institutionalism and Global South dependency theory, which together provide a powerful lens for interpreting the outcomes. Historical institutionalism reveals how the UNFCCC's architecture, shaped by early design choices and entrenched norms, created a path-dependent trajectory that marginalized loss and damage. The exclusion of liability language, the dominance of mitigation discourse, and the procedural emphasis on consensus all served to constrain the policy space available to vulnerable nations (World Bank, 2023). These constraints were not merely technical, they were expressions of power, embedded in the very structure of global climate governance.

Yet institutions are not static. Through mechanisms such as layering, conversion, and drift, actors can reshape institutional trajectories over time. The Loss and Damage Fund represent a moment of conversion, where existing procedural spaces were reinterpreted to accommodate new normative claims. Developing countries reframed loss and damage as a justice issue, mobilized empirical evidence, and leveraged diplomatic coalitions to insert their priorities into the negotiation agenda. This strategic use of institutional tools demonstrates that even within constrained systems, agency is possible (Parks & Roberts, 2010). Global South dependency theory complements this analysis by foregrounding the structural inequalities that shape international negotiations. The global climate regime is not a level playing field. It is a system in which historical emitters retain economic and epistemic dominance, while vulnerable nations struggle for recognition and redress. The Loss and Damage Fund challenge this

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structure by asserting the moral and political claims of those most affected. It demands not only financial support but a reconfiguration of global responsibility.

However, dependency theory also warns against superficial victories. Symbolic inclusion, without substantive redistribution, can reinforce dependency rather than dismantle it. If the fund is governed by donor priorities, lacks binding commitments, or fails to deliver accessible finance, it may become another mechanism of control. True transformation requires not just recognition, but restitution financial transfers grounded in historical accountability and designed through participatory governance (García-Portela, 2024; Roberts & Parks, 2009). The synthesis of these two theoretical perspectives allows us to see the Loss and Damage Fund as both a product of institutional evolution and a site of political contestation. It is a space where structure and agency collide, where norms are negotiated, and where justice is both promised and precarious. The fund's future will depend on whether it can transcend its origins and become a truly transformative instrument one that not only compensates for loss but reimagines the foundations of climate governance.

Implications for Global Climate Governance

The formal establishment of the Loss and Damage Fund at COP27 marks a pivotal moment in the evolution of global climate governance. It is not merely the creation of a new financial mechanism. It is a disruption of long-standing institutional norms, a challenge to entrenched power structures, and a redefinition of what justice means in the context of climate diplomacy. The fund's implications extend far beyond its operational scope; they touch the very foundations of how climate responsibility, vulnerability, and agency are negotiated on the global stage. From the lens of historical institutionalism, the Loss and Damage Fund represent a moment of institutional drift and potential conversion (Wenger, 2022). For decades, the UNFCCC regime has been shaped by a technocratic logic that privileges mitigation and adaptation domains that align with the capacities and interests of developed countries. Loss and damage, by contrast, introduces a backward-looking dimension: one that demands accountability for irreversible harm and historical emissions. This shift disrupts the path-dependent trajectory of climate finance, which has long excluded reparative justice from its core logic (Hall, 2010).

Institutional drift occurs when existing structures fail to respond adequately to emerging challenges, creating pressure for reform. In the case of loss and damage, the inability of existing mechanisms (such as the Green Climate Fund and the Adaptation Fund) to address non-economic losses, displacement, and cultural erosion created a normative vacuum. The Loss and Damage Fund fills this vacuum, not by extending existing tools, but by reinterpreting the purpose of climate finance itself. This is what institutional theorists call conversion: the repurposing of existing institutional spaces to accommodate new values and demands (Mahoney & Thelen, 2010). Yet this conversion is fragile. The fund's governance structure, funding modalities, and access criteria remain under negotiation. Without deliberate design choices that embed equity, transparency, and co-ownership, the fund risks being absorbed into the very institutional logic it seeks to challenge (Stadelmann et al., 2013). Historical institutionalism warns that without structural reform, institutions tend to reproduce existing hierarchies. The Loss and Damage Fund must therefore be designed not only as a financial instrument but as a normative intervention one that reorients the values and priorities of climate governance.

From the perspective of Global South dependency theory, the fund's implications are equally profound. Climate finance has historically been structured around donor-recipient relationships, where developed countries retain control over disbursement, conditionalities, and evaluation. This structure reflects broader patterns of economic and epistemic dependency,

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where the Global South is positioned as a passive beneficiary rather than an active co-architect of global solutions (Young, 2011).The Loss and Damage Fund challenges this dynamic by asserting the moral and political claims of climate-vulnerable nations. It reframes finance not as aid, but as restitution grounded in historical responsibility and distributive justice. This reframing destabilizes the paternalistic logic of climate finance and opens space for a more horizontal, justice-based model of cooperation. However, dependency theory cautions that symbolic recognition without substantive redistribution can reinforce dependency rather than dismantle it. If the fund is governed by donor priorities, lacks binding commitments, or imposes restrictive access conditions, it may become another mechanism of control.

To avoid this, the fund must embody principles of co-ownership and participatory governance. Recipient countries must have equal voice in decision-making. Access must be streamlined, locally responsive, and free from punitive conditionalities. Monitoring and evaluation must incorporate diverse knowledge systems, including indigenous perspectives and community-based indicators. Only then can the fund serve as a tool of empowerment rather than subordination. The fund also has implications for the legitimacy of global climate institutions. For years, the UNFCCC has faced criticism for its slow progress, donor dominance, and exclusion of vulnerable voices. The Loss and Damage Fund offers an opportunity to restore trust if it delivers on its promises. Conversely, if it becomes mired in bureaucracy, underfunded, or politically captured, it will deepen skepticism and erode the credibility of multilateralism. The stakes are therefore not only financial but institutional and normative.

Moreover, the fund may catalyze norm diffusion across other domains of environmental governance. Its recognition of historical harm, non-economic loss, and the need for reparative finance could influence negotiations on biodiversity, ocean governance, and disaster risk reduction. It could also inspire new legal frameworks, such as climate liability regimes or international compensation tribunals. In this sense, the fund is not only a response to past injustice—it is a blueprint for future transformation. Finally, the fund reconfigures the moral landscape of climate diplomacy. It affirms that climate harm is not evenly distributed, that responsibility is not shared equally, and that justice requires more than technical solutions. It invites a reimagining of climate governance one that centers vulnerability, amplifies marginalized voices, and embraces solidarity over self-interest. This moral reframing is perhaps the fund's most radical contribution, and its most enduring legacy

6. CONCLUSION

The establishment of the Loss and Damage Fund at COP27 marks a significant turning point in the trajectory of global climate governance. It is the product of decades of strategic resistance, normative reframing, and coalition diplomacy by developing countries (particularly those most vulnerable to climate-induced harm). More than a financial mechanism, the fund represents a political and moral recognition of the structural injustices embedded in the global climate regime. Through the lens of historical institutionalism, this study has shown how the UNFCCC's architecture (shaped by early design choices and entrenched procedural norms) systematically marginalized the issue of loss and damage. The exclusion of liability language, the dominance of mitigation and adaptation discourse, and the reliance on consensus-based decision-making created a path-dependent trajectory that constrained the policy space for reparative justice. The Loss and Damage Fund disrupts this trajectory, offering a moment of institutional conversion where new values justice, accountability, and restitution are inserted into the heart of climate finance.

At the same time, Global South dependency theory reveals the deeper structural dynamics that shaped the fund's negotiation. Climate-vulnerable nations, long positioned as passive recipients within a donor-driven system, mobilized their collective agency to challenge epistemic dominance and financial subordination. By reframing loss and damage as a justice issue, invoking historical responsibility, and demanding institutional reform, these countries asserted their normative power and reshaped the contours of climate diplomacy. Indonesia's strategic role within this process exemplifies the capacity of middle-power Global South actors to navigate institutional constraints while advancing regional and moral priorities. Its emphasis on operational clarity, regional coordination, and inclusive governance reflects a pragmatic yet principled approach to climate justice. Indonesia's experience also underscores the importance of integrating loss and damage into national planning and regional frameworks, ensuring that the fund's promises translate into tangible support for affected communities.

The governance challenges that lie ahead are substantial. The fund's design, funding modalities, and access mechanisms remain under negotiation. Without deliberate efforts to embed equity, transparency, and co-ownership, the fund risks replicating the very hierarchies it seeks to dismantle. Recognition without redistribution, participation without power, and finance without justice will render the fund symbolic rather than transformative. Yet, the fund's very existence affirms the possibility of institutional change within a constrained system. It demonstrates that sustained advocacy, strategic diplomacy, and moral clarity can yield breakthroughs even in spaces dominated by entrenched interests. It also signals a shift in the normative grammar of climate governance, where justice is no longer peripheral but central.

Author Contribution

Abdul Halim: Conceptualization; Methodology design; Theoretical framework development; Drafting of the initial manuscript. Abdul Halim was primarily responsible for framing the research questions and integrating Historical Institutionalism, Dependency Theory, and Gramscian concepts into the analytical model.

Roy Setiawan: Literature review; Data synthesis; Analytical writing; Visualization. Roy Setiawan led the systematic review of scholarly sources and policy documents, synthesized findings into the Results and Discussion sections, and constructed the analytical diagrams to clarify theoretical relationships. He also coordinated revisions in response to reviewer feedback.

Sari Mutiara Aisyah: Editing and refinement; Validation; Policy implications; Conclusion writing. Sari Mutiara Aisyah contributed to refining the manuscript's narrative flow, ensuring coherence across sections, and validating the consistency of arguments. She emphasized the normative and policy implications of the study, particularly in the Conclusion, and ensured alignment with journal standards.

Data Availability Statement

All data supporting the findings of this study are available from the corresponding author upon reasonable request.

Conflict of Interest Declaration

The authors declare no conflict of interest.

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