

Update on the work of the Transitional Committee

8 June 2023

COP 27 Outcomes - Funding arrangements for responding to loss and damage

Decisions 2/CP.27 and 2/CMA.4 established:



New funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage, including with a focus on addressing loss and damage



A fund for responding to loss and damage whose mandate includes a focus on addressing loss and damage



A transitional committee on the operationalization of the new funding arrangements for responding to loss and damage and the fund

Transitional Committee - Mandate

The Transitional Committee is mandated to **make recommendations for consideration and adoption by COP 28 and CMA 5** with a view to operationalize the funding arrangements and the fund. These recommendations will consider:

Institutional arrangements, modalities, structure, governance and TORs of the fund



Elements of the new funding arrangements;



Sources of funding



Coordination and complementarity with existing funding arrangements



Transitional Committee - Mandate

The Transitional Committee will be informed by, inter alia:

1



Current landscape of institutions

funding activities related to addressing loss and damage, and how to enhance coherence, coordination, and synergies among them

2



The **gaps within that landscape**, including types of gap (e.g. related to speed, eligibility, adequacy, access), noting that these may vary depending on the challenge

3



Priority gaps for which solutions should be explored

4



Most **effective ways to address the gaps**, especially for most vulnerable populations and ecosystems on which they depend

5



Potential sources of funding, recognizing need for support from wide variety of sources, **including innovative sources**

Transitional Committee – Related activities

The Transitional Committee's recommendations will be informed by the following activities:



Two workshops conducted by the secretariat in 2023 relevant to addressing loss and damage



Synthesis reports prepared by the secretariat on existing funding arrangements and innovative sources relevant to addressing loss and damage, and outcomes of the various activities and deliverables

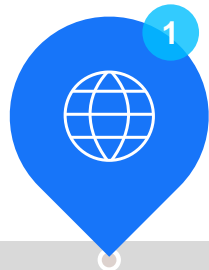


Submissions:

- Parties and relevant organizations invited to submit views on topics for and the structure of the 2nd Glasgow Dialogue
- UN agencies, IGOs, bilateral, multilateral and international financial institutions invited to submit inputs on how they might enhance access to and/or the speed, scope and scale of availability of finance for activities relevant to addressing loss and damage, including potential limitations and barriers and options for addressing them



2023 Milestones – Tentative dates



1

27-29
March

**First Transitional
Committee
Meeting; Luxor, Egypt**



2

10-16
April

**Spring Meetings of the
World Bank and IMF**



3

29-30
April

First workshop



4

25-27
May

**Second Transitional
Committee Meeting;
Bonn, Germany**



5

8-10
June

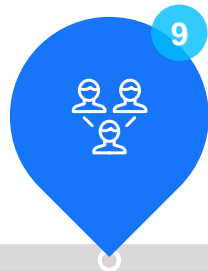
**Second Glasgow
Dialogue; Bonn,
Germany**



10

30 Nov –
12 Dec

**COP 28/ CMA 5;
Dubai, UAE**



9

17-20
October

**Fourth meeting of the
Transitional Committee**



8

Prior to COP 28
(date TBC)

**Ministerial consultations
by COP 27 and COP 28
Presidents**



7

29 August – 1
September

**Third Transitional
Committee Meeting**



6

15-16
July

Second workshop



Insights from the first workshop

Roles of different stakeholders and of institutions funding activities related to addressing loss and damage, at different levels

- There is a **wide range of institutions and stakeholders involved** in funding activities to address loss and damage, including at the international, regional, national, and subnational levels
- There are **existing coordination mechanisms in place among some subsets of these actors** at the international level, including among multilateral development banks and among humanitarian actors.

Insights from the first workshop

Sources, instruments, and modalities of funding

- There is a **wide range of sources and instruments of funding relevant** to addressing loss and damage that were referenced in the workshop.
- These range from **national budgets** and **contingency funds**, to various types of **insurance instruments** and **debt instruments**, to **multilateral funds**, and many more.
- There are also **innovative sources and modalities** that can contribute to funding activities relevant to addressing loss and damage

Insights from the first workshop: Gaps and challenges

Several gaps and challenges relate to the nature of existing funding



Speed of funding

e.g. lengthy project approval processes for climate funds or delays in insurance payouts



Adequacy of funding

e.g. limited grants, concessional finance, insufficiency of insurance, and gaps in funding for low severity, high frequency events



Delivery of funding

e.g. challenges in funding in volatile contexts; reaching vulnerable communities



Access to funding

e.g. complex access procedures, insurance gaps due in part to cost of products and gaps in reaching specific populations (such as displaced people or those in fragile and conflict-affected States)



Thematic coverage of funding

e.g. non-economic losses, migration and resettlement, insurance gaps

Insights from the first workshop: Gaps and Challenges

Other gaps and challenges relate to factors that may affect the ability to efficiently and effectively estimate, access, or otherwise take advantage of funding



Existing methodologies e.g. post-disaster needs assessments are limited in their ability to capture non-economic losses, some economic losses such as knock-on production losses, and the compounding impacts of slow onset events and extreme weather events



Data e.g. limited historical data is constraining the ability to develop new models and financial products



Coordination and coherence e.g. temporal, sectoral, and spatial silos undermine integrated approaches to address loss and damage



Capacity and knowledge e.g. translating early warning to early action; lack of capacity to develop project proposal requirements; lack of recognition of indigenous and local knowledge in early warning



Other e.g. limited fiscal space for nationally-led responses to disasters

Insights from the workshop: III. Summary of Discussions

Entry points to address gaps and challenges

- Through the workshop, several **entry points to address these gaps and challenges** were also identified.
- These related to areas including adequacy of funding; insurance; funding modalities, mechanisms, and instruments; innovative sources of funding; capacity and knowledge; preparation and anticipatory action; tools and methodologies; data; risk and hazard types; local-level funding and action; actions to address loss and damage; and vulnerable populations and contexts

Insights from the synthesis report: Gaps in existing funding arrangements

- Financial gaps across relevant landscape domains
- Grant financing gap to address debt sustainability, esp. recovery/ resilient reconstruction
- Structural gaps limiting some countries to access finance
- Uptake of risk insurance/ micro-insurance limited; no mechanism for insurable scenarios
- Domestic funds/ trusts are country needs-driven; potential for scale-up and faster access
- Data, knowledge, capacity and technology gaps in addressing loss and damage
- Innovation gap in the management of assets/ donor contributions
- Coherence/ coordination with consistent L&D policy framework
- Inclusive governance gap compared to newer models/ institutions
- Innovative sources potential includes debt swaps (may require negotiation mechanism) and solidarity levies (requires strong political will)

Second meeting of the Transitional Committee

Examples of questions discussed

- Which **governing body** will the fund be accountable to?
- What are the **legal implications** of establishing new funding arrangements and a fund for responding to loss and damage?
- Who is **eligible** to access the fund and what are the **access and delivery modalities**?
- What **constitutes funding arrangements** in the context of decisions 2/CP.27 and 2/CMA.4? What **specific elements** of the new funding arrangements should the TC focus on?
- What are the **existing sources of funding** for loss and damage and what are the **gaps** in finance?
- What does **ensuring coordination and complementarity** with existing funding arrangements **mean in practice**?



United Nations
Framework Convention on
Climate Change

Thank you!

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