

# **Work of the Transitional Committee on the operationalization of the new funding arrangements for responding to loss and damage and the associated fund: Vision, approach, and expectations**

**Informal note by the President of COP 27 and the UNFCCC Executive Secretary**

**23 March 2023**

## **Introduction**

The work of the Transitional Committee on the operationalization of the new funding arrangements for responding to loss and damage and the associated fund will begin and conclude in 2023.

Recognizing that there is a great amount of work to accomplish in a very short time, we – the President of COP 27 and the Executive Secretary of the UNFCCC – have prepared this informal note with the aim of providing a head start in this work, by distilling key information on the mandate, some of the core questions to consider, as well as the complementary activities and areas that will inform the work of the Transitional Committee.

We have prepared this note under our own responsibility, as the terms of reference for the Transitional Committee stipulate that the first meeting of the Transitional Committee is to be convened by the UNFCCC Executive Secretary in consultation with the President of COP 27. In doing so, we do not intend to prejudge the approach taken by the Committee. Rather, we hope that this note offers some helpful context that can assist Committee members as they prepare to engage in this pivotal workstream over the coming months.

Indeed, these coming months offer us the opportunity to build something together which is unprecedented. The task before us is not a mechanical one, of merely constructing a fund and funding arrangements; but a creative one, of reimagining how our multilateral process can better safeguard lives, ecosystems, and livelihoods in an era that is increasingly punctuated by climate change-induced disruptions. It is an opportunity to generate tangible, meaningful impacts across the globe, throwing a lifeline to vulnerable people in their times of need. It is an opportunity that we cannot squander.

## **Background and mandate**

The Conference of the Parties (COP) and the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA), through 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 by providing and assisting in mobilizing new and additional resources, and that these new arrangements complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement (paragraph 2). In this context, the COP and the CMA also decided to establish a fund for responding to loss and damage whose mandate includes a focus on addressing loss and damage (paragraph 3).

To operationalize the new funding arrangements and the fund, the COP and the CMA further established a transitional committee to make recommendations for consideration and adoption by the COP at its twenty-eighth session and the CMA at its fifth session (paragraph 4). These recommendations will consider, *inter alia* (paragraph 5):

- i. Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund;
- ii. Defining the elements of the new funding arrangements;
- iii. Identifying and expanding sources of funding;
- iv. Ensuring coordination and complementarity with existing funding arrangements.

In addition, the Transitional Committee will be informed by, inter alia (paragraph 6):

- i. The current landscape of institutions, including global, regional and national, that are funding activities related to addressing loss and damage, and ways in which coherence, coordination and synergies among them can be enhanced;
- ii. The gaps within that current landscape, including the types of gap, such as relating to speed, eligibility, adequacy and access to finance, noting that these may vary depending on the challenge, such as climate-related emergencies, sea level rise, displacement, relocation, migration, insufficient climate information and data, or the need for climate-resilient reconstruction and recovery;
- iii. The priority gaps for which solutions should be explored;
- iv. The most effective ways in which to address the gaps, especially for the most vulnerable populations and the ecosystems on which they depend;
- v. Potential sources of funding, recognizing the need for support from a wide variety of sources, including innovative sources.

### **Meetings of the Transitional Committee**

The terms of reference for the Transitional Committee further stipulate that the Transitional Committee will hold at least three meetings per year, with the first meeting to be convened no later than 31 March 2023. Accordingly, the first meeting will take place in Luxor, Egypt from 27 to 29 March 2023.<sup>1</sup>

To ensure transparency of the work of the Transitional Committee, all meetings will be webcast, except for closed sessions as decided by the Transitional Committee. Observers will also be welcome to attend and participate in meetings, according to the usual practice under the UNFCCC.

Throughout 2023, we envision that the work of the Transitional Committee will help answer a range of critical, enduring questions related to funding arrangements for responding to loss and damage. These include:

- i. What is the typology of actions that respond to loss and damage requiring support?
- ii. What is the existing mosaic of relevant funding sources and how do entities in that mosaic relate to one another?
- iii. How does this mosaic map onto the typology of actions that respond to loss and damage?
- iv. What are new and additional mechanisms that need to be created?

### **Other relevant milestones and activities**

The terms of reference for the Transitional Committee stipulate that the Committee will serve as a coordination mechanism that guides and oversees, as appropriate, the activities referred to in paragraph 7 of the decisions 2/CP.27 and 2/CMA.4, which include the Glasgow Dialogue,<sup>2</sup> a synthesis report prepared by the secretariat, and two workshops. The synthesis report will focus on existing funding arrangements and innovative sources relevant to addressing loss and damage associated with the adverse effects of climate change. The workshops will be conducted by the secretariat in 2023, with the participation of a diversity of institutions. While the COP and CMA did not attach a timeline for the secretariat synthesis report, an initial version of the report will be made available in support of the deliberations of the Transitional Committee at its first meeting.

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<sup>1</sup> See <https://unfccc.int/event/TC1>.

<sup>2</sup> The Glasgow Dialogue – a dialogue between Parties, relevant organizations and stakeholders – was established by CMA 3 to discuss the arrangements for funding of activities to avert, minimize and address loss and damage. See decision 1/CMA.3, para. 73.

The Committee may wish to consider the views submitted in response to the invitations in the decisions in recommending when particular topics should be taken up in the course of the year to efficiently inform its work, including how the Committee will guide the two mandated workshops. These submissions include those by Parties and relevant organizations on topics for the structure of the 2<sup>nd</sup> Glasgow Dialogue and the mandated workshops, and those submitted by United Nations agencies, intergovernmental organizations, and bilateral, multilateral and international financial institutions 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.

Further, throughout the year, the technical work of the Transitional Committee will be complemented by additional activities at the political level. This includes the ministerial consultations to be convened by the President of COP 27 together with the incoming President of COP 28, prior to COP 28 and CMA 5, to advance consideration and understanding of a possible outcome on this matter. The COP 27 and CMA 4 decisions also invited the United Nations Secretary-General to convene principals of international financial institutions and other relevant entities, with a view to identifying the most effective ways to provide funding to respond to needs related to addressing loss and damage. In a similar vein, an invitation was issued to international financial institutions to consider, at their relevant meetings, the potential for such institutions to contribute to funding arrangements, including new and innovative approaches, for responding to loss and damage.

The secretariat was requested to prepare a synthesis report capturing these complementary developments to inform the recommendations of the Transitional Committee. This report will be made available to the Committee prior to its final meeting.

This work is also taking place against a backdrop of broader questions being asked about the extent to which the international financial architecture is fit for purpose in the light of worsening climate change and other concomitant crises. This is reflected in the calls made at COP 27 to effect meaningful change in this architecture,<sup>3</sup> which include:

- i. The call for the shareholders of multilateral development banks and international financial institutions to reform multilateral development bank practices and priorities, align and scale up funding, ensure simplified access and mobilize climate finance from various sources.
- ii. The encouragement for multilateral development banks to define a new vision and commensurate operational model, channels and instruments that are fit for the purpose of adequately addressing the global climate emergency, including deploying a full suite of instruments, from grants to guarantees and non-debt instruments, taking into account debt burdens, and to address risk appetite, with a view to substantially increasing climate finance.
- iii. The clear call for multilateral development banks to contribute to significantly increasing climate ambition using the breadth of their policy and financial instruments for greater results, including on private capital mobilization, and to ensure higher financial efficiency and maximize use of existing concessional and risk capital vehicles to drive innovation and accelerate impact.

It is important to keep this wider landscape of work in mind to ensure that the work of the Transitional Committee, including its eventual recommendations, reflects the evolving state of play on these closely related matters. While the Committee should certainly follow these broader discussions, it is clear that its focus will be on the funding arrangements and the fund for loss and damage, and not the broader international financial architecture.

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<sup>3</sup> See the Sharm el-Sheikh Implementation Plan, decisions 1/CP.27 and 1/CMA.4.

## **Technical support unit**

The UNFCCC secretariat has made arrangements to enable relevant United Nations agencies, international financial institutions and multilateral development banks, as well as the operating entities of the financial mechanism of the Convention and Paris Agreement, to second staff to join a technical support unit (TSU) that will help support the work of the Transitional Committee.

In particular, the TSU will provide substantive technical backstopping to the UNFCCC secretariat in supporting the work of the Transitional Committee.

## **The road to COP 28 and beyond**

As these various dimensions of work get underway, there is a range of potential pitfalls that we must do our utmost to avoid falling into:

- i. First, we must at all costs avoid going backwards and dwelling on divergences surrounding basic questions, such as what constitutes a fund or a funding arrangement. While we should not shy away from difficult questions, it is important that the short time we have is spent constructively, building upon the momentum that has brought us to this point, rather than going backwards to question the spirit of the agreement that is before us.
- ii. Second, we also must not allow procedural and organizational questions to delay the critical substantive work that must be done. Let us resolve these issues efficiently, so that we may move forward on the core issues.
- iii. Third, let us not squander the opportunity to make the best use of all the activities, tools and workstreams in a coherent and complementary way. This means that the work undertaken through the Transitional Committee, the mandated workshops, the Glasgow Dialogue and the submissions, and in related areas such as through the Santiago Network and other relevant processes, should build upon and support one another.
- iv. Finally, let us avoid a situation in which critical substantive decisions are delayed beyond COP 28. Indeed, we expect to arrive at COP 28 with a robust set of recommendations by the Transitional Committee that lay the groundwork for prompt operationalization of the new fund and the new funding arrangements, as well as clear delineation of outstanding decisions to be taken and by whom.

This final point cannot be emphasized enough: COP 28 should yield a decision that allows for work to begin as soon as possible to operationalize funding following the COP session. Critical decisions cannot be postponed to the next COP session. Such undue deferrals are simply not acceptable when lives are being lost, villages are being washed away by floods, droughts are fueling fires and famine, and governments and communities are left to appeal to the altruism of the international community to supplement an existing support architecture that evolved without climate change in mind.

We are not suggesting that one year of hard work will resolve all the questions on the table. It should at the very least, however, result in what is essentially a minimum viable product. This will allow for resources to be mobilized expeditiously, while recognizing that more time and deliberations may be needed to complete the picture over time. Such deliberations should be assigned to an appropriate and dedicated body that can take up the work swiftly – such as any governing body that may be established for the fund – rather than delegated to a negotiating body already grappling with a heavy workload. This may not be the ideal way forward, but this is what operating in a crisis demands. And climate change is undoubtedly a global crisis.

Looking even further ahead to 2030, this work, alongside related efforts, such as on reforming the international financial system, should result in a coherent and comprehensive mosaic of funding arrangements for effectively addressing all dimensions of climate change that can be easily adapted to any future reforms.

## **Concluding remarks**

The decision to establish new funding arrangements and the associated fund for responding to loss and damage was historic. It reflected a clear recognition by the international community that existing arrangements fall short of responding to the full spectrum of needs arising from the impacts of climate change, and that there is an urgent and immediate need for effective arrangements in this regard.

This decision is a paradigm shift, from a system built around altruism and uncertainty to one based on international responsibility and solidarity. It marked a significant milestone in the international effort to address loss and damage, and in living up to the objectives and aspirations of the Paris Agreement. At the same time, it marked the beginning of a year of hard work as we move towards the next milestone at COP 28 and CMA 5. As we work together on this critical endeavor, we ask all stakeholders to approach this work in a manner that is creative, collaborative, and constructive, so that we may respond to the mandate and rise up to the challenge that is before us. We assure Parties and all other actors of our full dedication, as well as that of our teams, to supporting these efforts and laying a strong foundation for an ambitious and impactful outcome.

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