



**Second meeting of the Transitional Committee  
on the operationalization of the new funding arrangements for responding to  
loss and damage and the fund established in paragraph 3 of decisions 2/CP.27 and 2/CMA.4**

**Co-chairs' Summary**

**1. Opening of the meeting**

1. The second meeting of the Transitional Committee (TC) was held at the Dorint Hotel in Bonn, Germany from 25 to 27 May 2023. The meeting was opened by Ms. Outi Honkatukia, Co-chair of the TC, at 9:00 am on 25 May 2023.
2. Mr. Simon Stiell, the Executive Secretary of the UNFCCC, delivered opening remarks. He noted the amount of work left to do to fulfil the mandate given to the TC and underscored the opportunity inherent in this work. Mr. Stiell also emphasized the need for constructive, engaged, forward-focused discussions and expressed the readiness of the secretariat to provide any further support required by the TC for their deliberations.
3. Some TC members expressed their gratitude to the secretariat for the support thus far, and highlighted that further inputs from the secretariat, supported by the technical support unit (TSU), will be critical in advancing the work of the TC in the coming months.
4. In their opening remarks, the Co-chairs of the TC noted that this second meeting signalled a shift in focus from asking questions about the past and present to asking questions about the future, namely, about the new funding arrangements and the fund. The Co-chairs further made clear their expectations that the meeting will result in concrete progress on the substantive discussions, as well as clear mandates for additional work to feed into subsequent meetings.
5. A short summary of the informal meeting of the TC, held on 24 May, was also provided.

**2. Adoption of the agenda**

6. Members of the TC were referred to documents TC2/2023/1<sup>1</sup> and TC2/2023/2,<sup>2</sup> which contained the provisional agenda and annotations of the second meeting of the TC.
7. The agenda and its annotations were adopted as presented in those documents.

**3. Organizational matters**

8. The Co-chairs recalled the working arrangements adopted at TC1. They further recalled that the agenda item related to the *Exchange of views with non-Party observer constituencies*, which was taken up under "Other matters" at TC1, has become a formal agenda item as of TC2. In addition, it was noted that observers called on the TC to explore options for strengthening their engagement in meetings of the TC. In this respect, arrangements were made for one representative of each constituency present at TC2 to observe the meeting from the plenary room.
9. With this arrangement in place, the organization of work for TC2 was agreed.

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<sup>1</sup> Available at [https://unfccc.int/sites/default/files/resource/TC2\\_ProvAgenda.pdf](https://unfccc.int/sites/default/files/resource/TC2_ProvAgenda.pdf)

<sup>2</sup> Available at [https://unfccc.int/sites/default/files/resource/TC2\\_ProvAgenda-Annotations.pdf](https://unfccc.int/sites/default/files/resource/TC2_ProvAgenda-Annotations.pdf)

#### **4. Exchange of views with non-Party observer constituencies on the purpose and scope of the new funding arrangements for responding to loss and damage and the fund established in paragraph 3 of decisions 2/CP.27 and 2/CMA.4**

10. Under this agenda item, the TC invited representatives of each of the observer constituencies present at the meeting to participate in a substantive engage with the TC on various matters related to the new funding arrangements and the fund. Three questions were identified for which the inputs of non-Party observer constituencies would be particularly insightful for the TC at this stage of its work:
  - (a) What are your proposals for ensuring local communities have access to the new funding arrangements and fund?
  - (b) How do we ensure environmental and social safeguards, and prior informed consent in the delivery of support in responding to extreme weather and slow onset events?
  - (c) What are the roles of non-state actors in the activities that the new funding arrangements and fund would support?
11. Representatives from the Environmental NGOs, Local government and municipal authorities, Trade union NGOs, Women and Gender, and Children and youth NGOs participated in the exchange.
12. In relation to ensuring access for local communities, aspects such as including a micro/small grant window and a dedicated allocation for enhanced direct access within the fund; facilitating access and providing oversight to funds through a national designated authority or analogous entity; ensuring access to information in a manner that is comprehensive, timely, accessible, and culturally appropriate; and building on existing coordination mechanisms for broad stakeholder participation were highlighted. In addition, it was emphasized that the term “local communities” encompasses a wide range of groups, including indigenous peoples, women and gender and youth groups, local governments, and more.
13. Responding to the suggestions from the NGO constituency representatives, TC members also noted that funding access for community groups has to be simplified as compared with typical procedures; facilitating access to justice for community groups is also an important consideration; and the need to ensure coherence between what communities are seeking funding for and what governments are doing. TC members also asked related questions, such as: What is the scale of funding expected annually? Is there a role for governments in risk reduction and protecting against misuse of funds? How would accreditation of local mechanisms work and are there alternative models?
14. Regarding safeguards, NGO constituency representatives raised points including the importance of ensuring accountability and redress mechanisms; excluding activities that violate human rights, including forced displacement or involuntary resettlement; the necessity of processes for anticipating and mitigating social and environmental impacts (e.g. gender analysis or impact assessments); and the important role of transparency and accountability in effective safeguarding. The potential need to differentiate approaches to safeguarding in different contexts, including responding to slow onset versus extreme weather events; for the latter, conducting human rights-based impact assessments to determine loss and damage needs, and appropriate ways to address them, ahead of impacts happening was highlighted as one option. Safeguards were highlighted as having a dual function, in relation to protecting communities rights and meeting their needs in addition to mitigating the risks associated with providing funding.
15. Reflecting on these suggestions, TC members pointed out the often lengthy and complicated procedures associated with safeguarding in existing funding mechanisms, noting that an alternative approach to managing risk may be better suited for the new funding arrangements and fund.

16. Finally, regarding the roles of non-State actors, it was emphasized that the participation of all relevant stakeholders should be ensured, protected, and secured in the design, development and implementation of strategies and measures financed by the funding arrangements and fund. Specific suggestions included ensuring participation through, for example, arrangements at the board-level or through special advisory groups to inform the development of relevant policies and frameworks. The role of non-State actors in implementing measures supported through the new funding arrangements and fund was also noted.

## **5. Matters related to paragraphs 6 and 7 of decisions 2/CP.27 and 2/CMA.4**

- (a) Synthesis report on existing funding arrangements and innovative sources relevant to addressing loss and damage associated with the adverse effects of climate change
  17. The secretariat delivered a presentation<sup>3</sup> providing an overview of the updated synthesis report,<sup>4</sup> including its findings in relation to existing funding arrangements, types of innovative sources, and gaps in existing funding arrangements.
  18. TC members thanked the secretariat for the updated synthesis report, reflected on the findings, and highlighted some takeaways that may be valuable to consider in future discussions of the TC. Such points related to areas including, for example, the suitability of existing institutions to support some measures versus to innovate; the gaps revealed through the analysis, including in relation to non-economic losses, slow onset events, It was also noted that, while the report did not analyze domestic funding arrangements, these are also important facets to consider.
- (b) Outcomes of the first workshop on addressing loss and damage in the context of decisions 2/CP.27 and 2/CMA.4
  19. The secretariat delivered a presentation<sup>5</sup> on the outcomes of the first workshop. The presentation highlighted key numbers capturing the procedural outcomes of the workshop, and offered a broad summary of the discussions that took place, as captured in the workshop report.<sup>6</sup>
  20. TC members thanked the secretariat for organizing the workshop, and thanked those who contributed to it through case studies, presentations, and discussions.
  21. Reflecting on the outcomes, TC members noted insights that emerged from the workshop that can help guide or shape their further work. This included, for example, the opportunity to scale up different dimensions of ongoing work, including existing national-level systems as well as work on reconstruction, and related prevention work to reduce associated costs. Some of the gaps and challenges raised throughout the workshop were also highlighted by TC members, in relation to aspects such as speed, access, the scale of national resources being spent on addressing loss and damage, and the lack of capacity in some countries to afford insurance premium payments.
- (c) Preliminary discussion on gaps
  22. Based on the discussions of the synthesis report and the outcomes of the first workshop, the Co-chairs of the TC also initiated a broader discussion on gaps based on an informal compilation from the secretariat, drawing from the synthesis report and the workshop. This preliminary list provided examples of gaps clustered into twelve categories: sources and adequacy of funding; speed of funding; access to funding; delivery of funding; thematic coverage of funding; inclusivity;

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<sup>3</sup> Available at [https://unfccc.int/sites/default/files/resource/Item5a\\_SynthesisReport.pdf](https://unfccc.int/sites/default/files/resource/Item5a_SynthesisReport.pdf)

<sup>4</sup> Available at [https://unfccc.int/sites/default/files/resource/TC2\\_SynthesisReport23May23.pdf](https://unfccc.int/sites/default/files/resource/TC2_SynthesisReport23May23.pdf)

<sup>5</sup> Available at [https://unfccc.int/sites/default/files/resource/Item5b\\_WorkshopOutcomes.pdf](https://unfccc.int/sites/default/files/resource/Item5b_WorkshopOutcomes.pdf)

<sup>6</sup> Available at [https://unfccc.int/sites/default/files/resource/WS1\\_Report.pdf](https://unfccc.int/sites/default/files/resource/WS1_Report.pdf)

methodological; data, capacity and knowledge; policy; structural; coordination and coherence; and governance.

23. The TC appreciated starting a focused discussion on gaps. Some members suggested alternative framings and categorizations. This included clustering gaps according to the timeframes presented in the synthesis report while also adapting this to better cover slow onset events, or clustering based on categories such as “what, how, and for whom.” Additional gaps were also highlighted by TC members, including, for example, gaps in relation to loss of cultural heritage.
24. An updated list of gaps, taking into account this feedback, was circulated to TC members during the meeting. This updated document was used as the basis for further discussion on the scope of the fund under agenda item 6 below.

## **6. Matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4**

25. To orient discussions on matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4, the Co-chairs of the TC outlined questions for each of the four subparagraphs. The summaries below do not represent comprehensive records of all the ideas and reflections shared during these discussions, but rather aim to present a snapshot of the range of points raised by TC members.
  - (a) Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund.
    26. Reflecting initially on the discussions that took place during the informal day, the Co-Chair highlighted a few of the themes that had been discussed. It was noted that there was general agreement that the fund would have a board of some type; interest in exploring models of decision-making that allow for representation or participation of non-governmental stakeholders, such as civil society organizations, local communities, or philanthropies; discussion on options for simplifying access procedures; views shared on the governing body, and more.
    27. It was also noted that there appeared to be three options referenced in the informal discussions regarding the placement of the fund, including as a new, standalone institution; a new fund within an existing entity under the UNFCCC; and a new fund within an existing entity outside the UNFCCC.
    28. Reflecting on these options for where the fund may be placed, members shared their views on the advantages and drawbacks of different options, and some indicated a preference among the three options. For example, various members noted the long time usually needed to establish a new, standalone institution, and contrasted this with the sense of urgency to operationalize the fund. Others commented, however, that reforming existing institutions is often also a lengthy and difficult process, and that there are some concerns associated with existing funding institutions. The possibility of a transitional arrangement was also raised, in which the fund may initially be placed in an existing institution and transitioned elsewhere at a later point. In light of these discussions, some members expressed interest in hearing about different models, and the potential implications in terms of independence of the fund from the host institution if the fund would be housed in an existing institution.
    29. Regarding the governance of the fund, various members emphasized the importance of ensuring that the fund is accountable to the COP and CMA. It was also noted, however, that there are multiple layers of governance to consider, and that governance will likely be shared across these layers; in this sense, it was proposed that the fund could receive guidance from the COP and CMA even if it is not designated as an operating entity of the financial mechanism .
    30. On potential reviews of the fund, it was noted that such a process is important. Such a review can assess aspects such as the adequacy, effectiveness, and impact of the fund, and ensure that it is evolving dynamically, adjusting based on lessons learned, and remaining fit for purpose. At the same time, some members reflected on the

potential to implement a review process that differs from those that already exist for other funds under the UNFCCC, particularly in its ability to target information to stakeholders who may be benefiting from the fund. The importance of independent evaluations in facilitating reviews of the fund was also mentioned. It was suggested that a review could take place every five years to align with the cycle of the global stocktake.

31. In terms of legal implications, some members noted that the fund should have international legal personality and privileges and immunities. It was also highlighted, however, that the legal implications will differ significantly depending on the choice taken regarding the placement of the fund, which sources of finance will flow into the fund, and more.
32. Related to a potential board, considerations raised included ensuring geographical balance and that a resident board could facilitate time-sensitive decision making. It was noted, however, that the decision on whether the board is resident or non-resident, and other aspects related to the roles and functions of the board, would depend on the scope of the fund and what it is supporting. Regarding roles and functions related to the governance of the fund, some members shared initial reflections on matters such as how decision-making could be shared between the board and secretariat to facilitate a more programmatic approach, or how giving the secretariat that is relatively autonomous and flexible could facilitate the urgent disbursement of funding. The idea of term limits for board members was also raised. Other members felt that there is not yet enough information to engage in a discussion on this.
33. Some members put forward ideas of potential thematic windows, such as on: slow onset events or chronic needs; rapid disbursement; non-economic losses; short-term (post-humanitarian) support; longer-term reconstruction; insurance or pre-arranged financing; subnational small grants; and national programmatic funding.
34. Regarding the secretariat of the fund, some members noted that this should be an independent secretariat. On the matter of which institution would serve as the Trustee of the fund, the World Bank was raised as the likely choice. The possibility to have multiple trustees was also raised.
35. On the scope of the fund, some members emphasized that it should encompass responding to economic and non-economic loss and damage, including extreme weather events and slow onset events, especially in the context of ongoing and ex post (including rehabilitation, recovery and reconstruction) action. Others stressed that, when covering these elements, the scope of the fund should be complementary to, rather than duplicative of, what exists. Members also noted that the scope includes considerations of to whom funding will flow, which should take into account aspects such as vulnerability, debt sustainability, population, eligibility and access to existing funding, and more. Some members also stressed the need to ensure that the fund supports livelihoods.

(b) Defining the elements of the new funding arrangements

36. In terms of what constitute elements of the new funding arrangements, various types of institutions and actors were mentioned, including the new fund, national and international actors involved in addressing loss and damage, existing funds and processes, potential new funds, processes and initiatives, and a potential new coordination body or mechanism. Some members also mentioned that the Santiago network will have a role as part of the funding arrangements. In general, various members emphasized the need for the funding arrangements to effectively help deliver a multi-pronged approach to addressing loss and damage, and the importance of using all available levers to help do so. The need to have new funding arrangements that can flexibly and appropriately respond to different needs related to addressing loss and damage in different contexts was also stressed by some members.
37. A few members, however, reflected on the ambiguity of the phrase “funding arrangements,” and felt that it needs to be better defined.

38. Members discussed the potential challenges associated with requesting changes to existing arrangements, particularly those which are not under the UNFCCC and Paris Agreement. In this respect, options such as memoranda of understanding were raised as steps that can help facilitate the operationalization of new funding arrangements. In addition, it was noted that these new arrangements would also require the mobilization of additional resources. A meeting between the TC and institutions who may be envisioned to play a role in the new funding arrangements was also put forward as a step that can help ensure the feasibility and eventual uptake of recommendations that the TC may wish to make.
39. Some specific suggestions were put forward on potential new funding arrangements that the TC may consider. Examples included exploring ways for the humanitarian system to become as anticipatory as possible, and more broadly developing new solutions for prearranged financing; expanding the use of climate resilient debt clauses through multilateral development banks or expanding existing debt treatment frameworks; having multilateral development banks mainstream loss and damage in their work; revising or expanding existing needs assessment methodologies to better incorporate non-economic losses and slow onset events; scaling up the delivery of funding to communities through existing institutions; and promoting inclusion of migrants and refugees in the programming of climate funds.
40. Other general reflections were also shared. For example, it was noted that addressing gaps in speed and access in existing funding arrangements can constitute part of the new arrangements, and that the new funding arrangements could focus in part on supporting the components of disaster response after humanitarian response ends by addressing recovery, rehabilitation, reconstruction, and building forward better. Strengthening existing initiatives in the areas of risk pooling and prearranged finance at the national and regional level, and more generally increasing preparedness to respond to climate change impacts, were also highlighted as potential avenues that can be explored. Possible principles that may guide the identification and operationalization of new funding arrangements were also shared. Other thematic areas of focus included comprehensive risk management, human mobility, ecosystems and animals, and means of implementation.
41. In terms of modalities and types of support, it was emphasized by some members that these new funding arrangements should not create or exacerbate existing debt burdens. Grant-based and concessional funding was therefore noted as an important component. Modalities such as direct access and direct budget support, and the importance of ensuring modalities that can disburse funding quickly, were also highlighted.
42. This conversation on the new funding arrangements was connected by various members to that on coordination and complementarity.

(c) Identifying and expanding sources of funding

43. On sources of funding, various members emphasized the need to take advantage of all possible sources of funding in order to meet the scale of the challenge and fill the existing resource gaps. This includes broad-based public, private, and alternative or innovative sources. Other members emphasized the importance of grant-based and concessional funding in particular.
44. Specific potential sources of funding mentioned included: various potential taxes and levies; special drawing rights; humanitarian funding; anticipatory action and insurance; forecast-based financing; revenues from regional and domestic measures; philanthropic funding; revenues from voluntary carbon markets; debt-relief, restructuring, and swaps; and impact investments. In addition, efforts to make finance flows consistent with a pathway towards low emissions and climate-resilient development were also noted as important components of this discussion.
45. It was also noted, in the context of the fund, that it should be structured such that it can also receive non-sovereign sources of funding.

(d) Ensuring coordination and complementarity with existing funding arrangements

46. Reflections on ensuring complementarity and coordination with existing funding arrangements were shared throughout the discussions on the funding arrangements and the fund more broadly, as well as during the discussion dedicated to this sub-agenda item. It was noted that there are several layers of coordination and complementarity that are relevant to the work of the TC, including aiming for complementarity and coordination as an overarching principle; coordination as a gap among the existing financing arrangements; coordination at the national and regional level; and coordination as a follow-up, accountability, and transparency mechanism following the operationalization of the funding arrangements and fund.
47. It was proposed that functions of coordination and complementarity can encompass ensuring that major gaps in terms of instruments, and speed and scale of responses, are appropriately filled; ensuring that all actors are moving together in the same direction; increasing the overall amount of finance available for addressing loss and damage; and ensuring that funding is indeed new and additional.
48. The idea of the fund guiding the “mosaic” of institutions funding activities related to loss and damage to ensure that loss and damage is addressed efficiently was shared. Related to this, the possibility of the fund functioning as a horizontal “fund of funds” was raised. Other ideas included high-level coordination mechanisms led by, for example, the United Nations Secretary-General, or a coordination council, panel, facility, platform or other entity at other levels, such as within the fund, parallel to the fun, or under the COP and CMA. In addition, some members proposed that the fund itself could play the main role with respect to coordination and complementarity.
49. Some members proposed that any coordination mechanism that is created should be built on legal, contractual obligations. It was also noted that one way to operationalize elements of coordination and complementarity through the fund is to designate these as functions of the board of the fund, who can in turn delegate associated tasks to the secretariat as appropriate.
50. Several members highlighted that there are many existing models and examples of coordination mechanisms within funds and other relevant institutions from which the TC can learn. The possibility to use an existing coordination mechanism if it is fit for purpose was also noted.
51. Strengthening national-level coordination was further noted as an important component of overall coordination and complementarity efforts.

## 7. Dates and venues of future meetings

52. The TC agreed to change the dates of the Second workshop on addressing loss and damage in the context of decisions 2/CP.27 and 2/CMA.4 to 15 to 16 July 2023, from the original date of 22 to 23 July 2023. The workshop is taking place in Bangkok, Thailand.
53. The TC was informed that, while the dates for the third and fourth meeting of the TC remain as set in the workplan, it was not yet possible to confirm the venues for either meeting. The TC was further informed that deliberations on the venues will continue and TC members will be informed via email about updates.<sup>7</sup>

## 8. Other matters

54. No other matters were raised.

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<sup>7</sup> Following the meeting, the TC was informed that the third meeting of the TC will take place in the Dominican Republic.

## **9. Closure of the meeting**

55. The Co-chairs thanked TC members and observers for their active participation in the meeting. The second meeting of the TC was closed in the afternoon of 27 May 2023.



## Annex I. Members of the Transitional Committee as at 25 May 2023

Member	Country	Constituency
Mr. Mohamed Nasr	Egypt	Developing country Parties Africa, representative of the President of COP 27
Mr. Richard Sherman	South Africa	Developing country Parties Africa
Mr. David Kaluba	Zambia	Developing country Parties Africa
Ms. Hana AlHashimi	United Arab Emirates	Developing country Parties Asia and the Pacific, representative of the incoming President of COP 28
Ms. Rosa Perez	Philippines	Developing country Parties Asia and the Pacific
Ms. Hyekyoung Jung	China	Developing country Parties Asia and the Pacific
Mr. Jaime Tramón	Chile	Developing country Parties Latin America and the Caribbean
Ms. Milagros De Camps	Dominican Republic	Developing country Parties Latin America and the Caribbean
Mr. Carlos Méndez	Venezuela	Developing country Parties Latin America and the Caribbean
Ms. Diann Black-Layne	Antigua and Barbuda	Developing country Parties Small island developing States
Ms. Khadeeja Naseem	Maldives	Developing country Parties Small island developing States
Mr. Adao Soares Barbosa	Timor-Leste	Developing country Parties Least developed countries
Mr. Sonam Phuntsho Wangdi	Bhutan	Developing country Parties Least developed countries
Ms. Gayane Gabrielyan	Armenia	Developing country Parties Developing country Party not included in the categories listed above
Mr. Georg Børsting	Norway	Developed country Parties
Ms. Christina Chan	United States of America	Developed country Parties
Mr. Jean-Christophe Donnellier	France	Developed country Parties
Mr. David Higgins	Australia	Developed country Parties
Ms. Outi Honkatukia	Finland	Developed country Parties
Mr. Steven Kuhn	Canada	Developed country Parties
Mr. Jens Fugl	Denmark	Developed country Parties
Ms. Sarah Metcalf (First two days of second meeting) Ms. Debbie Palmer	United Kingdom of Great Britain and Northern Ireland	Developed country Parties
Ms. Sinead Walsh	Ireland	Developed country Parties
Mr. Jun Yamazaki	Japan	Developed country Parties