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

Bonn, Germany
25–27 May 2023

Scenario note by the Co-Chairs of the Transitional Committee

1. With a mandate to conclude its work ahead of COP 28 and CMA 5, the Transitional Committee (TC) finds itself in the position of having just begun its work and, at the same time, rapidly approaching the finish line. Indeed, the end of our second meeting (TC2) will mark the halfway point in our scheduled meetings.

2. As Co-chairs of the TC, we have prepared this scenario note under our responsibility to set out our expectations and ambitions for TC2. We do so to ensure that the discussions at the meeting demonstrate tangible progress toward comprehensively fulfilling the mandate of the TC. This, in turn, will help us ensure that the work of the TC is on the right track and that we use the remaining time efficiently and effectively.

3. We have therefore outlined the questions below for TC members to come prepared to discuss at TC2 under agenda item 6 (a–d) on Matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4. While we may not resolve all of these questions at this meeting, it is critical that we move beyond general discussions on these matters so that we may begin to see clearly what we wish to recommend to COP 28 and CMA 5 on the operationalization of the funding arrangements and the fund.

(a) Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund referred to in paragraph 3 of 2/CP.27 and 2/CMA.4

1. What is the purpose and scope of the new funding arrangements for responding to loss and damage and the fund?

2. Which governing body will the fund be accountable to?

3. How will the arrangements that define the relationship between the Fund and the body be set? What will the associated process and the content be?

4. Will the Fund be periodically reviewed? What will be the scope and process of the review?

5. What are the legal implications of establishing new funding arrangements and a fund for responding to loss and damage?

6. What are the arrangements for the fund’s governance in terms of composition, tenure, chairpersonship, decision-making, roles, and functions?

7. What are the thematic windows of the fund?

8. What will the arrangements for the secretariat be? Independent or administrated by an existing international entity? Which institution will serve as the Trustee?

9. Who is eligible to access the fund and what are the access and delivery modalities?
10. What instruments will the fund deploy to support the projects/programmes?

11. What are the sources of the fund?

12. What are the mechanisms for multi-stakeholder engagement in the fund?

(b) Defining the elements of the new funding arrangements referred to in paragraph 2 of 2/CP.27 and 2/CMA.4

1. What constitutes funding arrangements in the context of decisions 2/CP.27 and 2/CMA.4? What are the specific elements of the new funding arrangements should the TC focus on?

2. What are the legal implications of establishing new funding arrangements for responding to loss and damage?

3. Which modalities should the new funding arrangements utilize to deliver funding for addressing loss and damage? What implications would these modalities have for the structure and governance of the funding arrangements?

4. What should the thematic focus of the new funding arrangements be?

(c) Identifying and expanding sources of funding

1. What are the existing sources of funding for loss and damage (global, regional, and national) and what are the gaps in finance?

2. What are effective ways to utilize blended public-private finance e.g. insurance?

3. What are possible innovative sources of finance for loss and damage?

(d) Ensuring coordination and complementarity with existing funding arrangements

1. What does ensuring coordination and complementarity with existing funding arrangements mean in practice? How should this be operationalized? For which existing funding arrangements is this particularly critical?

2. Where do the existing funding arrangements, including humanitarian assistance, converge and diverge on loss and damage finance?

3. Who are the players and what are their roles in the new funding arrangements and the fund?

4. What are good practices in coordination mechanisms?

4. The TC may also wish to reflect on the following procedural questions:

(a) What further work is needed by the secretariat and the Technical Support Unit to facilitate the work of the TC?

(b) What should be the focus of the second workshop on addressing loss and damage in the context of decisions 2/CP.27 and 2/CMA.4? What are your reflections on the upcoming Glasgow Dialogue?

(c) What would the format of TC recommendations to COP and CMA be?

5. We expect that, by the end of TC2, we provide clarity to some of these questions, arrive at an understanding of the range of views, and narrow down outstanding issues. These discussions will be informed by the insights from the first workshop on addressing loss and damage in the context of decisions 2/CP.27 and 2/CMA.4 and the associated workshop report, the synthesis report on existing funding arrangements and innovative sources relevant to addressing loss and damage, as well as the various submissions made ahead of TC2. We take this opportunity to extend our gratitude to all stakeholders who submitted information and case studies to inform our work, and note that the case studies offer rich insights into the various types of loss and damage countries are already grappling with and the actions and financial sources, instruments, and modalities being deployed in response.
6. Additionally, the regional scoping workshops on loss and damage under the Santiago network offer an additional resource to collect relevant insights from the countries related to experiences to date in addressing loss and damage resulting from hydro-meteorological hazards and extremes and associated needs for technical assistance. The results of the Latin America and the Caribbean scoping workshop were presented during the first workshop. The regional scoping workshop in Africa will take place two weeks ahead of TC2; initial results can therefore be synthesized as further input for TC2.

7. Together, these inputs provide us with a good idea of the contours of the issues at hand in delivering on our mandate, as well as many of the related domains and the nuances that we must keep in mind as we do so.

8. The intersessional period between TC2 and TC3 will then be dedicated to gathering any additional technical information or other input that may still be required to provide the TC with a solid foundation on which to base its discussions and decisions. Such input will be delivered through the second workshop, the Glasgow Dialogue, the submissions made ahead of TC3, and through the secretariat and the technical support unit as appropriate. These further inputs should be as specific as possible and targeted at filling outstanding information gaps that the TC feels are critical for advancing its discussions.

9. Through TC3, we aim to then distill clear and concise options for recommendations associated with all elements of paragraph 5, informed by all elements of paragraph 6, of decisions 2/CP.27 and 2/CMA.4. In doing so, we expect to identify the issues for which political guidance will be provided during the ministerial consultations to be convened by the President of COP 27 and the incoming President of COP 28 ahead of COP 28 and CMA 5. As Co-chairs, we will again share with TC members a list of questions ahead of TC 3 to facilitate a focused and productive discussion that will allow us to achieve this outcome.

10. Finally, we expect that TC4 will be devoted to finding consensus on remaining areas of divergence and finalizing the recommendations that the TC will deliver to COP 28 and CMA 5. These discussions will consider the outcomes of the ministerial consultation.