



**Third 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 third meeting of the Transitional Committee (TC) was held at El Embajador, a Royal Hideaway Hotel in Santo Domingo, Dominican Republic from 29 August to 1 September 2023. The meeting was opened by Ms. Outi Honkatukia, Co-chair of the TC, at 9:00 am on 29 August 2023.
2. Ms. Honkatukia began the session by introducing and welcoming the incoming members of the TC.
3. Following the introduction, Mr. Daniele Violetti, Senior Director of Programmes Coordination of the UNFCCC secretariat delivered opening remarks. In his remarks he expressed gratitude to the government of Dominican Republic for hosting the meeting in the beautiful city of Santo Domingo. He further remarked on the importance of achieving maximum results out of the meeting in order to ensure timely delivery on the TC's mandate and reaffirmed the secretariat's continued support to its work.
4. Following Mr. Violetti's opening remarks, Dr. Sultan al Jaber, COP28 President-Designate and Special Envoy for Climate Change of the United Arab Emirates addressed the TC via video message. In his remarks Dr. Sultan highlighted the importance of the loss and damage funding arrangements and fund for vulnerable countries and stated that the fund for addressing loss and damage was one of the key deliverables that the incoming presidency was committed to out of COP28. He also noted the importance of identifying sources of funding as well as defining the funding arrangements, to ensure funds are adequate and distributed efficiently and called for early pledges from donors. In this regard he emphasized the critical need for delivery on the mandate of the TC and assured of the incoming Presidency's full support.
5. Ms. Milagros Marina De Camps, Deputy Minister of the Ministry of Environment and Natural Resources of the Dominican Republic, welcomed the participants on behalf of the host country. Ms. De Camps contextualized climate induced loss and damage to vulnerable countries, with the example of the recent losses to the Dominican Republic as a result the Tropical Storm Franklin, leading to loss of lives and financial losses preliminarily estimated at USD 90 million. She noted that these types of events were increasing in frequency and intensity, adversely impacting her country's sustainable development. She further elaborated on what small island developing States were looking for out of the fund and noted the importance of using the time effectively to deliver clear recommendations to the COP and CMA.
6. In their opening remarks, the co-chairs of the TC noted the diverging views that TC2 concluded with, and the requests for additional input from the Technical Support Unit (TSU) emanating from the meeting. Work undertaken since the second meeting was brought to the attention of the TC members, including that of the second Glasgow Dialogue; the second mandated workshop on addressing loss and damage, as well as technical papers prepared by the TSU.
7. The co-chairs highlighted that their Scenario Note<sup>1</sup> circulated ahead of the meeting would be the basis for deliberations at TC3. They highlighted their expectation that the third TC meeting would lay the foundation for successfully concluding work at TC4, including preparation of recommendations in fulfillment of the Committee's

<sup>1</sup> Available at [TC3\\_ScenarioNote.pdf \(unfccc.int\)](https://unfccc.int/TC3_ScenarioNote.pdf)

mandate. This would entail aiming for capturing areas of shared understanding and differences on views on the various aspects and including options to use as a basis for discussions going forward.

## **2. Adoption of the agenda and organizational matters**

8. Members of the TC were referred to documents TC3/2023/1<sup>2</sup> and TC3/2023/2,<sup>3</sup> which contained the provisional agenda and annotations of the second meeting of the TC, as well as the provisional schedule of the meeting.
9. The co-chairs outlined their plans to ensure openness, inclusivity and transparency of the process and requested the secretariat to post inputs from TC members on the on the TC website unless explicit objection was expressed. They further announced their decision to close the meeting for its first two days in response to requests from TC members, in accordance with the working arrangements adopted by the TC at its first meeting. The meeting would then be reopened in the afternoon of the second day, at which time the co-chairs would provide an update of the discussions to observers. The co-chairs reiterated the need for continued stakeholder engagement and input to the work of the TC.
10. The agenda and its annotations were adopted as presented in those documents and the organization of work for TC3 agreed.

## **3. Outcomes of the second Glasgow Dialogue and the second workshop on addressing loss and damage in the context of decisions 2/CP.27 and 2/CMA.4**

11. Members of the TC were referred to documents TC3/2023/3<sup>4</sup> and TC3/2023/4<sup>5</sup>, which contained the Summary report of the Second Glasgow Dialogue and Summary report of the second workshop on addressing loss and damage in the context of decisions 2/CP.27 and 2/CMA.4. The co-chairs, noting that the Summary report of the Second Glasgow Dialogue was prepared under the guidance and responsibility of the Chair of the Subsidiary Body for Implementation, briefly touched upon the outcomes of the two events. Each event was attended by over 250 participants representing diverse stakeholders, who deliberated on various topics related to operationalizing the new fund and funding arrangements, and maximizing support in this regard. In-depth summaries of each event were included in the respective documents. The co-chairs thanked the government of Thailand for hosting the second workshop in Bangkok.

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

1. Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund.
  12. The third meeting of the Transitional Committee significantly advanced the work of the TC on various elements for its recommendations with respect to its mandate. TC members constructively engaged in the deliberations and provided written inputs, elaborating their views on several areas, and identifying issues where there are significant differences in positions and that would require further consideration. Based on the discussions, the co-chairs prepared a set of summary notes under their own responsibility, presenting non-exhaustive views capturing the substantive and rich discussions of the meeting<sup>6</sup>.
  13. TC members discussed the need for the fund to receive guidance from its governing body or bodies. Several TC members contended that such guidance would be received

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<sup>2</sup> Available at [TC3\\_ProvAgenda\\_final.pdf \(unfccc.int\)](#)

<sup>3</sup> Available at [TC3\\_AnnotatedAgenda.pdf \(unfccc.int\)](#)

<sup>4</sup> Available at [GD2\\_summary\\_report.pdf \(unfccc.int\)](#)

<sup>5</sup> Available at [https://unfccc.int/sites/default/files/resource/TC3\\_WS2\\_SummaryReport.pdf](https://unfccc.int/sites/default/files/resource/TC3_WS2_SummaryReport.pdf)

<sup>6</sup> Available at [Transitional Committee - Other Meeting Documents | UNFCCC](#)

from the COP and CMA, while some members held the view that the guidance would be exclusively from the CMA. TC members in general favoured providing such guidance on an annual basis during the initial years of the fund's operation, with flexibility to make adjustment as deemed necessary. Additionally, there was general recognition of the need for periodic reviews of the performance of the fund.

14. Some TC members expressed strong preference for designation of the fund as an operating entity of the financial mechanism under the Convention. The same members emphasized that such a designation would carry significant symbolic weight, signifying the elevation of loss and damage funding to a central pillar within the climate regime. The same TC members further expressed the view that such a designation would ensure: predictability of funding; eligibility and access to the fund's resources for all vulnerable developing countries; and alignment of the programme priorities and policies of the fund with the Convention and Paris Agreement. Additionally, it was asserted that it would facilitate periodic reviews under the reviews of the financial mechanism of the Convention, enhancing accountability and transparency. On the other hand, some TC members did not necessarily see the designation as the only option for provision of predictability and ensuring access and eligibility for all vulnerable developing countries. The same TC members favoured hosting the fund within an existing institution, notably as a financial intermediary fund under the World Bank, with the rationale that such an arrangement would enhance the fund's capacity to deliver with speed, efficiency, and effectiveness.
15. With respect to the institutional arrangements of the fund, TC members in general favoured a dedicated secretariat for the fund and interim arrangements to enable speedy operationalization. Two main considerations were highlighted in this respect: swift operationalization given the urgency of funding needs and a fit for purpose secretariat with competent, gender balanced, regionally and linguistically representative staff. TC members advocating for a dedicated secretariat under a World Bank financial intermediary fund were of the view that this would enable speedy delivery for vulnerable countries in need, benefitting from existing expertise of the institution and the extension of its privileges and immunities to its secretariat. Other TC members favoured a new and independent secretariat acting under the authority and guidance of the board. The TC members favouring this option argued this would enable creation of an institutional culture that is fit for the purpose of addressing loss and damage, and help ensure the fund is staffed with competent, regionally, and linguistically representative personnel with understanding of the diverse range of loss and damage faced by countries, including non-economic losses. TC members agreed on the necessity to build on best practices of existing institutions to enable speedy operationalization of the new secretariat. TC members further agreed that the secretariat would need to be resourced through assessed contributions from member States according to the United Nations Scale of Assessment.
16. TC members were overall in favour of recommending initially the designation of the World Bank to provide services of interim trustee to the fund, with the assurance that such a designation would enable the fund to receive resources from a wide variety of sources including innovative sources and that all vulnerable developing countries are eligible to receive funds.
17. TC members debated on the level of delegation of authority from the board to the secretariat, with some TC members favouring devolution of certain decisions to the secretariat to enable speedy and efficient access to resources. Other TC members favoured to primarily delegate decision-making to the board. One TC member requested clarification from the World Bank on the ability of the secretariat to be conferred decision making authority under its financial intermediary fund model.
18. TC members discussed the need for a memorandum of understanding between the board of the fund and its governing bodies, defining the governance and accountability framework of the fund. The scope of accountability and transparency and the roles of the governing bodies and the fund could be elaborated by the Standing Committee on Finance.

19. The co-chairs, reflecting on the views received on the composition of the board of the fund, as expressed in submissions from TC members or groups of members, noted that while TC members in general favoured establishment of a board, views differed on its composition and delegation of authority to the executive director. TC members discussed the need to limit the number of seats on the board so as to ensure its efficiency, with several members suggesting 24 as the optimum size. TC members also discussed possible recommendation for limited board tenure, with some suggesting a maximum tenure of two years. The TC favoured allocation of additional seats to least developed countries and small island developing states. Views diverged with respect to representation of non-Party stakeholders on the board, with some TC members favouring allocation of seats for the private sector, civil society and Indigenous Peoples while others favoured their designation as observers.
20. Reflecting on the scope of the fund, some TC members held the view that the scope of the fund was defined in the COP 27 and CMA 4 decisions, i.e., responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, especially in the context of ongoing and ex post (including rehabilitation, recovery and reconstruction) action, but also noting on the scope for discussion on how to address them. Other TC members were of the view that while the objective is reflected in the decision they saw the need to encompass prioritization of certain gaps such as preparedness, funding arrangements, and through creation of dedicated sub-funds within the fund, with flexibility to create additional sub-funds in view of the evolving nature of loss and damage needs. TC members not in favour of this option contended that designation of sub-funds would limit access to support for other priority loss and damage needs of developing countries. Views differed on the inclusion of preparedness and capacity-building support with some members noting the need to avoid duplication with other ongoing efforts such as the Santiago network.
21. Several thematic areas were highlighted as priority gaps and needs. Extreme weather events, slow onset events, non-economic losses, human mobility and recovery and reconstruction were mentioned by several TC members as such priorities. One TC member saw the need for targeted support for countries with small markets.
22. TC members discussed principles for the operation of the fund such as country ownership and responsiveness to needs, avoidance of indebtedness and conditionalities, flexibility and dynamism, transparency and accountability, and minimization of transaction costs, among others. Views diverged on application of principles of the Convention and Paris Agreement such as equity, common but differentiated responsibilities, and historical responsibility. Some TC members favoured targeting only those particularly vulnerable, while other TC members held the view that all developing countries should be eligible.
23. TC members discussed providing clear recommendations for the fund to streamline country ownership in its access modalities and planning processes. The fund in its activities would engage through national focal points in responding to priority needs, and capitalise on national systems to support implementation of country-owned and country-led programmatic approaches to address loss and damage. In doing so, the fund would ensure that those countries which do not have national systems in place are not left behind.
24. Reflecting on triggers, a range of potentially applicable triggers were discussed: parametric triggers such as based on indemnity; scientific triggers based on thresholds; projection and impact-based triggers; and soft triggers such as national emergency declarations. Clarity on scope, and the need for a typology were mentioned as necessary prerequisites to determine triggers. The potential relationship between application of triggers and allocation of resources, and data availability and capacity to analyse were highlighted as areas for further inquiry.
25. Options suggested on access and delivery modalities ranged from rapid disbursement for immediate responses to long term programmatic funding; budget support to governments and enhanced access for communities; direct access and access through accredited entities, and support for investment planning. One TC member favoured a system of allocation of resources based on vulnerability.

26. With respect to privileges and immunities of the fund, a TSU member from the secretariat of the Green Climate Fund (GCF) presented four possible options for privileges and immunities of the new fund based on experience of the institution. The fundamental purpose of privileges and immunities is enabling the institution to discharge its function and achieve its objective in an independent manner, facilitating operation and safeguarding its assets and activities.
27. Noting that these options were neither exhaustive nor mutually exclusive, the first option presented was to establish an institutional linkage with the United Nations, which would enable the fund to mobilize quickly in affected locations although this option would require further consultation with the United Nations Office of Legal Affairs to confirm its theoretical possibility. The second option would entail a decision from the governing bodies confirming the legal status of the Fund, i.e. that it is an independent intergovernmental organization, and that all Parties are deemed to be 'member States' of the Fund. The governing bodies and the governing instrument would be silent on how to obtain privileges and immunities, leaving the matter for board resolution. Operationalizing this option would require ratification by member States. Under the third option, a decision would be taken by the governing bodies initiating a multilateral process for privileges and immunities through a process managed by the board, based on the provisions of an existing treaty. The final option which would require no further negotiation, in which the governing bodies would decide that the fund would benefit from the privileges and immunities set out in the Convention on the Privileges and Immunities of the United Nations or the Convention on the Privileges and Immunities of the Specialized Agencies, followed by confirmation from Parties through a ratification process. Finally, if the fund is placed within an existing institution, it would operate with the privileges and immunities of the host institution.
28. Reflecting on these options, TC members underscored the need to design a fund fit for the purpose of its mandate and enabled to manage the scale of resources required. Implications of privileges and immunities on various activities envisaged for the funds were discussed, and possible ways to overcome them, such as enabling the fund to raise capital through financial markets.

## 2. Defining the elements of the new funding arrangements

29. Reflecting on the specific elements of the new funding arrangements, TC members discussed gaps in the current funding arrangements, highlighting gaps pertaining to scale, access, eligibility, and coordination.
30. In the context of limitations in the ability of the governing bodies to provide guidance to entities outside the regime, diverging viewpoints were expressed on how to best operationalize coordination. An accountability mechanism to the governing bodies, or adherence to minimum agreed criteria was seen by some TC members as a prerequisite for endorsement of specific institutions as those constituting the funding arrangement. Such criteria would include adherence to principles of the Convention and Paris Agreement, relevance of its activities to loss and damage, and avoidance of debt exacerbation among others. TC members not in favour of this suggestion advocated instead for broad recommendations from the governing bodies to all relevant institutions.
31. The Executive Committee of the Warsaw International Mechanism for Loss and Damage and the Santiago network were highlighted by some members as key institutions comprising the funding arrangement. Other TC members highlighted national level coordination as a crucial element.
32. TC members discussed recommending a high-level council for collaboration between the fund and agencies and institutions outside of the UNFCCC system. Elaboration of criteria to determine eligibility of institutions for inclusion in such a body to determine the relevance of its activities to addressing loss and damage was highlighted as critical for one TC member.

### 3. Identifying and expanding sources of funding

33. TC members identified the need to design the fund to receive resources from a variety of sources of finance, including public and private, and new and innovative.
34. Funding from public and grant-based sources through contributions of developed country Parties via a periodic replenishment process was underscored by several TC members as the primary source of input to the fund, in line with obligations for the provision and mobilization of support under the Convention and Paris Agreement. Other TC members held the view that existing obligations on support did not extend to cover addressing loss and damage, and therefore all Parties in a position to do so should contribute to the fund.
35. TC members discussed the possibility of funding the secretariat through assessed contributions from member states based on the United Nations Scale of Assessment.
36. Some TC members held the view that the scale of loss and damage funding necessitates mobilization of resources from all possible sources of funding, with potential sources ranging from taxes and levies such as share of proceeds from carbon markets, maritime shipping and air travel levies; special drawing rights of the International Monetary Fund; solidarity appeals to global citizens; issuance of bonds on global capital markets; and climate resilient debt clauses suggested. While several TC members shared the view that innovative sources would play a role, their views differed as to whether specific sources should be identified in the recommendations or to empower the board to consider the appropriate innovative sources.
37. Recognizing limitations in the ability of the governing bodies to make requests to entities outside the regime, TC members highlighted the need for measures to enhance the attractiveness of the fund to outside sources. Enhancing awareness and outreach and enabling the fund to make solidarity appeals were suggested as possible ways to increase voluntary donations to the fund. Views differed on allocation of board seats to non-Party contributors.

### 4. Ensuring coordination and complementarity with existing funding arrangements

38. A range of views were expressed by TC members with respect to operationalizing arrangements for coordination and complementarity in the loss and damage funding arrangement.
39. TC members advocating for a technical leadership role for the fund in coordinating the funding arrangements favoured a reporting mechanism from the board to the governing bodies towards enhancement and harmonization of activities of the funding arrangements. Entities that constitute the funding arrangements would be invited by the governing bodies to explore ways to enhance coordination and communication within the funding arrangements. This would be complemented by coordination at the political level through a high-level council. Coordination at the operational, national, and programmatic levels would be encouraged. A differing viewpoint envisaged coordination and complementarity functions for both the high-level council and the Santiago network. In another view, the fund would serve as catalyst for support through the funding arrangement.
40. Designation of the fund as an operating entity of the financial mechanism is critical to enhance complementarity and coordination for some TC members, while other members were not in favour of such a designation.
41. The co-chairs announced their intention to work intersessionally on a proposal capturing areas in which TC members views appear to coalesce.

**5. 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.**

42. Under this agenda item, the co-chairs provided an update on the discussions of the first two days under closed sessions for the observers in attendance before proceeding to invite representatives of each of the observer constituencies present at the meeting to provide focused comments and views on the purpose and scope of the new funding arrangements for responding to loss and damage and the fund, in order to ensure successful TC outcomes.
43. Representatives from the Local government and municipal authorities, Environmental NGOs, Women and gender constituency and Children and Youth NGO constituencies participated in the exchange.
44. With respect to the fund, non-Party observers highlighted the importance of providing a draft governing instrument with the TC recommendations. They proposed that the fund should be established as a standalone operating entity of the financial mechanism of the UNFCCC, with an independent secretariat and a board to oversee its operations. Moreover, they recommended that the fund should be designed to be flexible and withstand the test of time, in addition to being accessible and responsive to the needs of communities. It was emphasized that equitable representation of those affected by the adverse effects of climate change should be ensured on the board. Strong reservation was expressed for shareholder-based board representation allocations, and towards location of the fund under the World Bank, which was viewed as an impediment to the ability of the fund to provide direct access to communities. It was suggested that the scope of the fund should be comprehensive, covering the broad spectrum of loss and damage, with thematic windows to address different types of losses and damages.
45. On funding arrangements, the observers proposed a set of criteria to help ensure that the institutions identified as those serving the funding arrangement comprehensively address loss and damage and adhere to the principles of the Convention and Paris Agreement.
46. On sources of funding for addressing loss and damage, it was proposed that the fund should be sourced through significant and ambitious contributions from developed countries to mainly provide grants. This would be complemented by innovative sources of finance which comply with the principles of the Convention and Paris Agreement
47. With respect to complementarity and coherence, in the vision shared by observers, the fund would serve as anchor in the loss and damage funding arrangements. In this role, the fund would convene, interact, set standards and definitions, and provide guidance on the way forward to the wider funding arrangement. The fund would also be accountable to the UNFCCC process on loss and damage response.
48. Several principles were highlighted by the constituency representatives that, in their view, the funding arrangements and fund should adhere to. These include urgency; equity, including inter-generational equity; inclusivity; justice and respect for human rights; additionality of support provided based on common but differentiated responsibilities and historical responsibility; obligatory and compensatory in nature; accessibility; avoidance of indebtedness; accountability, including through free and prior informed consent of indigenous peoples and local communities; responsive to needs at multiple scales and levels to address cascading effects; and clear and comprehensive focus on addressing loss and damage.

## **6. Outcomes of the Third Transitional Committee Meeting and further work at the Fourth Meeting of the Transitional Committee**

49. The TC noted the success of its third meeting in taking its work several steps ahead. The co-chairs prepared informal summaries<sup>7</sup> of the discussions which attempted to capture their views on emerging consensus and areas of divergence. The co-chairs clarified that these documents had no status and were non-exhaustive, and that they would be posted on the UNFCCC secretariat website in order to enhance transparency of the process.
50. The co-chairs further announced their intention to conduct intersessional webinars to exchange views on the documents and invited TC members to submit any further views in writing by 10 September 2023.

## **7. Dates and venue of the Fourth Meeting of the Transitional Committee.**

51. The TC confirmed that its fourth and final meeting would take place from 17 to 20 October 2023. The TC accepted an offer from the government of Egypt to host its final meeting in Aswan, Egypt.

## **8. Other matters**

52. The TC thanked the government of the Dominican Republic for the exemplary arrangements in organizing the meeting and the hospitality extended to delegates.
53. On behalf of the COP 27 and COP 28 Presidencies, the TC member representing the President of COP 27, announced the date of the ministerial consultations on loss and damage in accordance with decisions 2/CP.27 and 2/CMA.4 paragraph 14, which would take place on 22 September from 10am to 1pm in the ECOSOC Chamber in New York, USA. The Presidencies provided further details of the agenda and encouraged all TC members to attend the event, which would also be webcast.
54. The TC member representing the COP 27 President further informed that in response to paragraph 11 of decisions 2/CP.27 and 2/CMA.4, the UN Secretary-General intended to convene the principals of international financial institutions and other relevant entities on 20 September 2023 in New York. The event would focus on support by international financial institutions for funding loss and damage.

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

55. In closing, Ms. Milagros De Camps thanked the participants on behalf of the host country.
56. The third meeting of the TC was closed in the afternoon of 1 September 2023.

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<sup>7</sup> Available at [Transitional Committee - Other Meeting Documents | UNFCCC](#)



## Annex I. Members of the Transitional Committee as at 28 August 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
Ms. Sumaya Zakieldeem	Sudan	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
Mr. Daniel Lund	Fiji	Developing country Parties Asia and the Pacific
Mr. Yingzhi Liu (third meeting)	China	Developing country Parties Asia and the Pacific
Ms. Angela Rivera Galvis	Colombia	Developing country Parties Latin America and the Caribbean
Mr. Matheus Bastos	Brazil	Developing country Parties Latin America and the Caribbean
Mr. Avinash Persaud	Barbados	Developing country Parties Latin America and the Caribbean
Mr. Michai Robertson	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
Ms. Laurence Ahoussou	Canada	Developed country Parties
Mr. Jaime de Bourbon de Parme	Netherlands	Developed country Parties
Ms. Debbie Palmer	United Kingdom of Great Britain and Northern Ireland	Developed country Parties
Ms. Heike Henn	Germany	Developed country Parties
Mr. Jun Yamazaki	Japan	Developed country Parties