



21 August 2023

**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**

**Santo Domingo, Dominican Republic**

**29 August to 1 September 2023**

**Scenario note by the Co-Chairs of the Transitional Committee**

1. The third meeting of the Transitional Committee (TC3) marks our penultimate gathering as a Committee. Taking place following both mandated workshops, the Second Glasgow Dialogue, the publication of the mandated secretariat synthesis report, and the circulation of a set of inputs from the technical support unit (TSU), TC3 presents us with the opportunity to begin translating this wide range of inputs into concrete, well-informed recommendations in fulfilment of our mandate. It is critical that we seize this opportunity, so that we lay the foundation to successfully conclude our work at our fourth meeting (TC4) in October.
2. Following the practice established for TC2, we as Co-chairs of the TC have prepared this scenario note under our responsibility to set out our expectations and vision for TC3. As we noted in our previous scenario note, we expect the TC at TC3 to distil 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. At TC2, we had a productive and wide-ranging exchange on a series of over 20 questions relating to the various elements that our recommendations are mandated to consider. We thank TC members for coming prepared to engage in concrete discussions on these matters with an open mind.
3. We have outlined the questions below for TC members to come prepared to discuss at TC3 under agenda item 4 (a–d) on Matters related to paragraph 5 of decisions 2/CP.27 and 2/CMA.4.
  - (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. Noting the views shared by TC members at previous meetings, what should be reflected in the TC recommendations with respect to the purpose and scope of the new funding arrangements for responding to loss and damage and the fund?
    2. What does the TC wish to reflect in its recommendations with respect to the terms of reference of the fund:
      - (a) Principles of the fund;
      - (b) Scope, objectives and purpose;
      - (c) Arrangements that define the relationship between the fund and the governing body/bodies including the process and content;
      - (d) Legal status of the fund, including privileges and immunities;
      - (e) The Board of the fund (composition, tenure, chairpersonship/co-chairs, decision-making, quorum, roles, functions and additional rules of procedure);
      - (f) Roles, functions and arrangements of the secretariat;
      - (g) Trustee role;

- (h) Eligibility;
  - (i) Financial contributions/inputs;
  - (j) Country ownership;
  - (k) Access and delivery modalities and triggers;
  - (l) Programming and approval processes for funding;
  - (m) Programming scope of the fund/sub-funds;
  - (n) Funding instruments;
  - (o) Complementarity and coherence;
  - (p) Stakeholder engagement mechanisms;
  - (q) Environmental and social safeguards;
  - (r) Monitoring and evaluation;
  - (s) Fiduciary standards;
  - (t) Periodic reviews of the fund;
  - (u) Accountability mechanisms;
  - (v) Stakeholder input and participation;
  - (w) Termination of the fund; and
  - (x) Any other issues.
3. What does the TC wish to reflect in its recommendations with respect to the decision to launch the fund, including:
- (a) Interim arrangements to operationalize the fund;
  - (b) Invitation regarding the role of an interim Trustee;
  - (c) Assessment of necessary options related to the institutional location of the fund secretariat.
- (b) Defining the elements of the new funding arrangements referred to in paragraph 2 of 2/CP.27 and 2/CMA.4
1. Noting the views shared by TC members at previous meetings, what are the specific elements of the new funding arrangements should the TC focus on?
  2. What new funding arrangements should the TC propose for consideration by the COP/CMA?
  3. How should these new funding arrangements be organised by thematic/focal area?
  4. What are the governance (principle, purpose and scope), and accountability arrangements that define the relationship between the COP/CMA and the funding arrangements?
  5. What can be done through strengthening existing mechanisms, and where do no mechanisms exist yet?
  6. Which gaps could be addressed through capacity building and policy measures and which gaps require scaled up financing?
  7. Which actions require national/local level ownership and which can be best implemented through international mechanisms?

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8. What should be reflected in the recommendations of the TC to promote or ensure uptake and implementation of the new funding arrangements by the relevant institutions?
- (c) Identifying and expanding sources of funding
    1. What needs to be reflected in the recommendations of the TC with respect to sources of funding?
    2. What recommendations may the TC wish to specify on the expansion of sources?
    3. What does the TC wish to recommend regarding innovative sources?
  - (d) Ensuring coordination and complementarity with existing and new funding arrangements
    1. At what level(s) of coordination and complementarity does the TC wish to focus its recommendations?
    2. For which existing funding arrangements, including actors, funds or institutions does the TC wish to focus its recommendations in relation to coordination and complementarity?
    3. What platform or mechanism in relation to ensuring coordination and complementarity may the TC wish to recommend?
    4. What would be the role of the new fund within the larger spectrum of new and additional funding arrangements?
4. The TC may also wish to reflect on the following procedural questions:
    - (a) Are there any additional inputs needed from the TSU to facilitate a conclusion to our work?
    - (b) How to capitalize the fund for a prompt start?
  5. Our top priority at TC3 is maximizing consensus and capturing as much progress as possible on paper to set the TC up to successfully conclude its work at TC4. To facilitate this, we plan to take a flexible approach in the organization of the meeting, using closed sessions to foster frank and outcome-oriented deliberations among TC members. At the outset, we plan to open TC3 on 29 August and then transition immediately to closed sessions for the first two days of the meeting. We will then take stock of progress and decide whether further closed sessions will be necessary to arrive at the outcome we expect from TC3.
  6. We also expect TC3 to make clearer the issues for which political guidance may be helpful ahead of COP 28 and CMA 5.
  7. In the intersessional period between TC3 and TC4, we will facilitate any further exchanges between TC members, and with the TSU, as required to secure further progress ahead of our final meeting. In light of the limited time remaining in our mandate, we will rely on TC members to make themselves available to engage in these discussions, and to do so with a view to building consensus and engaging constructively towards a successful conclusion of our work.
  8. As we had made clear in our previous scenario note, 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. Our ambition is to deliver a report of the TC with agreed recommendations in fulfilment of our mandate. We know that this is what is expected of the TC, and we, as Co-chairs, are prepared to take advantage of all the tools and remaining time at our disposal to steer the TC in this direction.
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