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9 October 2023

**Fourth 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**

**Aswan, Egypt  
17 to 20 October 2023**

**Co-chairs summary of core issues to be addressed and agreed at the Fourth meeting of the  
Transitional Committee**

The Co-Chairs have done an analysis on the three main submissions from developing and developed countries, as well as submission from other TC members and the reporting of the TC meetings to date, the mandated workshops and the Glasgow Dialogue, and have identified a set of core issues that need to be resolved. In addition to this document, the CCs have updated the compilation document and present this as information basis only that presents the various options on the identified outstanding issues. The organisation of work for TC-4 will provide sufficient time for the TC to resolve these matters. As matters are resolved, the agreed text will be included in the Co-Chair's document with the draft Governing Instrument of the Fund. A similar approach will apply to the text on the Funding Arrangements.

Issue	Option	Option	CCs notes
<b>Location of the new, dedicated, independent Secretariat</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>Standalone independent Secretariat.</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat located in an existing institution</li> </ul>	
<i>Implications</i>	<ul style="list-style-type: none"> <li>Decision needs to clarify legal status and capacity as well Ps&amp;Is for the Board, Secretariat, and Operations.</li> <li>Decision to launch a host country selection process; including initial criteria and subsequent legal arrangements including for the legal capacity and Ps&amp;Is.</li> <li>Interim Secretariat to be established to service the Board until an independent Secretariat is established.</li> <li>Designation of Trustee.</li> </ul>	<ul style="list-style-type: none"> <li>Invitation to the WB Board to establish a FIF with a dedicated, independent Secretariat and for the WB to make related to arrangements.</li> <li>Decision needs to specify who will negotiate with WB Management, and perform subsequent FIF governing documents negotiations.</li> <li>Interim phase/support;</li> <li>Clarification of legal capacity and Ps&amp;Is.</li> <li>Establishment of a dedicated, independent Secretariat.</li> <li>Designation of Trustee.</li> </ul>	Certain governance elements would be captured in less detail if the location is in an existing institutions, such as fiduciary, ESS, evaluation, integrity and redress mechanisms. If the model is a new standalone institution, then these elements would need to be added to the ToR in a more detailed way. CCs are working on the assumption that these elements would need to be included irrespective of the location. CCs are also expecting written confirmations from the WB regarding certain safeguards based on the FIF guidelines/directives.
<b>Operating Entity Designation</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>The Fund to be designated as an operating entity of the financial mechanism in accordance with Article 11.1 of the Convention.</li> </ul>	<ul style="list-style-type: none"> <li>No designated operating entity status; fund to receive guidance from the Parties.</li> </ul>	CCs understand that there is consensus, irrespective of the designation, that the Fund would receive guidance and be accountable to the Parties with respect to the provision of guidance and reporting on actions undertaken.
<b>Governing Bodies/Body</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>The Fund serves both the COP and CMA.</li> </ul>	<ul style="list-style-type: none"> <li>The Fund serves only CMA.</li> </ul>	CCs stress that the Sharm decision by the COP and CMA established the Fund and mandated the TC operationalise the Fund. TC report is therefore delivered to both the COP and CMA. For the Fund to serve only CMA it would be prudent for the COP to subsequently decide that it will take no further action with regard to the Fund.

<b>Board Composition</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>• An equitable and balanced representation of all Parties (developed/developing)</li> <li>• Open to work on the GCF Board model, with 24 members.</li> <li>• Role of active observers delegated to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• No reference to Article 11.2, representation not reflective of developed/developing and no reflection of developed/developing country constituencies.</li> <li>• Option 2: Option for Board seats for group of contributors, 29 seats, including 7 non-voting seats for active observers.</li> <li>• Option 3: Separate option for 29 seats with regional groups, LDCs/SIDs constituency seats, contributor seats, and 4 non-Party seats with full voting status. Voting for co-chairs with top two vote recipients serving as co-chairs.</li> </ul>	The Board is elected and quorate at COP28/early 2024, and can start its work in early 2024, and if required, an interim period is approved to service the Board before the new Secretariat is in place-irrespective of agreed location.
<b>Scope and Structure / Access Mechanism</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>• ToR defines overall scope and purpose of the Fund.</li> <li>• Structure and related modalities delegated to the Board.</li> <li>• No option for sub-funds to be agreed under the COP/CMA.</li> <li>• Scope for the creation of windows, One proposal for windows.</li> </ul>	<ul style="list-style-type: none"> <li>• ToR included definition of sub-funds and roles of the actors in the sub-funds.</li> <li>• TORs clarify scope, access, modalities, and structure of the fund.</li> <li>• Two proposals for sub-funds.</li> </ul>	CCs understand that at the moment there is no consensus on establishing a fund structure with pre-determined sub-funds. If these positions remain, could the proposed sub-fund thematic focus be included in general paragraphs on scope, and mandate the Board to address the scope and structure in line with guidance provided?
<b>Sources/Financial Inputs/Scale</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>• General Statement on the Convention/PA obligations and principles of the role of developed countries.</li> <li>• Can reflect the distinctions made under Article 9 of the Paris Agreement.</li> <li>• All sources.</li> <li>• Fund to operate at scale,. USD 100b per year by 2030.</li> </ul>	<ul style="list-style-type: none"> <li>• Parties in a position to do so to contribute to the Fund.</li> <li>• All sources.</li> <li>• No text on scale.</li> </ul>	CCs note, irrespective of the location, that the Trustee should be able to receive financial inputs from a wide variety of sources, including innovative sources.

<b>Eligibility and Vulnerability</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>Option 1:</li> <li>All developing country parties to the UNFCCC and PA.</li> <li>No need for further specification.</li> <li>Board may be mandated to address specific circumstances of developing countries, in the context of Article 4 (Convention) and 9.4 (PA).</li> </ul>	<ul style="list-style-type: none"> <li>Option 2:</li> <li>Primarily focused on LDCs and SIDS.</li> <li>ToR should establish explicit vulnerability requirements, namely LDCs, SIDS, and other particularly vulnerable countries based on specific eligibility criteria.</li> <li>Option 3:</li> <li>Use Sharm language – developing countries that are particularly vulnerable to the adverse effects of climate change.</li> </ul>	
<b>Allocation</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>Contributions to a general trust fund managed by the Board.</li> <li>Board to manage allocations to programme priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Contributions can be directed to sub-funds and the Board may develop policies to mitigate potential risks.</li> <li>The Board allocates contributions to the Fund to individual sub-funds in a balanced way.</li> <li>Allocation to be delegated to the Board to design allocation methodology based on a variety of criteria to include vulnerability.</li> </ul>	
<b>Coordination and Coherence</b>			
<i>Options</i>	<ul style="list-style-type: none"> <li>ToR to provide mandate for Fund to enter into funding arrangements, general coordination mechanism, and council.</li> </ul>	<ul style="list-style-type: none"> <li>Fund Secretariat to develop methods to enhance complementarity and coherence as it helps carry out activities of the Fund.</li> <li>Proposal to establish a high-level Coordination Council with the purpose of facilitating broad support and participation across sources, funds, initiatives and processes under and outside the Convention and the Paris Agreement.</li> <li>Roles of Santiago Network and WIM ExCom.</li> </ul>	<p>CCs note that there is general consensus that the Fund- its Board and Secretariat- must be empowered to improve the overall coherence of new and existing financing measures to address loss and damage associated with the adverse effects of climate change across the international financial, climate, humanitarian, disaster risk reduction, and development architecture. CCs further note that the TC is tasked in developing recommendations to consider ensuring coordination and complementarity with existing funding arrangements. There is</p>

			general agreement on the importance of complementarity and linkages between various funding sources and of access to available funding, avoiding duplication, and reducing fragmentation.
<b>Funding Arrangements</b>			
	<ul style="list-style-type: none"> <li>• Different levels of coordination: the LDF leading the technical coordination space of the funding arrangements and a High level advisory and coordinating Dialogue as the policy and orientation coordination space of the funding arrangements, and the COP and CMA structures of guidance, support and accountability</li> <li>• The Board to recommend criteria to identify sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement</li> <li>• The COP and CMA will establish a high-level advisory and coordination dialogue on the new funding arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding arrangements aim to strengthen the architecture for responding to loss and damage and contribute to it in a coherent and well-coordinated way.</li> <li>• Different levels of coordination: national, operational, political.</li> <li>• Partnerships between the fund and the funding arrangements to reinforce funding arrangements and leverage their resources.</li> <li>• Coordination at political level: High Level Council convened by UNSG or Executive Secretary of UN Climate Change with high-level representatives from institutions engaged in responding to loss and damage, including the Fund, and with a role for the Warsaw International Mechanism Executive Committee (WIM ExCom).</li> <li>• Role of the existing mechanisms such as the WIM ExCom and the Santiago network, and SCF in ensuring complementarity and coherence. Includes targeted recommendations to funding arrangements (specific sources, funds, processes and initiatives).</li> </ul>	<p>Co-Chairs proposed that discussions at GTC-4 focus on:</p> <ul style="list-style-type: none"> <li>• Given that the new funding arrangements were established at COP27, what is the process and role of the COP/CMA in the follow-up and further work?</li> <li>• Is the COP/CMA noting the proposed recommendations?</li> <li>• What are the coordination and complementarity mechanisms for the new funding arrangements, including the fund?</li> </ul>
<b>Name of the Fund</b>			
Issue	No specific name beyond Loss and Damage Fund	Resilient Futures Fund	