First Meeting of the Transitional Committee

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Date: 28th of March 2023

Session: 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

Location: Sonesta St. George, Luxor

Room: Nefertari, 9th floor

Date and Time: 28/3/2023 10:00 am – 18:00 pm

Participants (Name and Organization): Representative of Secretary, UNFCCC; Ambassador Mohamed Nasr, Representative of Egypt presidency; Ms. Hana Al-Hashimi, Representative of UAE presidency; Mr. Richard Sherman, South Africa, Chair of TC1; Ms. Outi Honkatukia, Finland, Chair of TC1; https://unfccc.int/tc-membership ; Matthieu Dubrelli, World Food Programme; Mary Friel, International Federation of Red Cross (IFRC); Caroline Dumas, International Organization for Migration (IOM); Butch Bacani, UNEP; Animesh Kumar, UNDRR

Time	Schedule	Notes
10:00-11:45	*Item 5. Exchange of views on purpose and scope of the funding arrangements for responding to loss and the fund established in paragraph 3 (cont'd) Presentation by relevant organizations on existing funding arrangements (UNEO-FI-tbc, IFRC, WFP, IOM, UNDRR)*	World Food Programme • Bridging the gap within the DRM Cycle: Preparedness, Anticipatory action, insurance tools (early response and recovery) • Microinsurance (Risk retention – Savings and Loans, Prudent risk taking -Access to credit, Market Support, risk transfer -Facilitate access, risk reduction) • Macroinsurance (ARC Replica approach, Domica/Belize approach, Nicaragua approach) • Financial protection to 5.5 million people for 400 USD million, and insurance products provided payouts to assists 1.8 people with 14.6 UDF million. • Top recipients are Southern Africa, West Africa and Latin & the Caribbean. • Efforts are needed to articulate tools, reduce cost and gaps, as well as work at scale. Antigua and Barbuda response • Commitment to structure and funding arrangements

		• Caribbean area (hurricane), Social behavior and small amount of money as trigger for recovery IFRC • Post Impact Support: nature, scale, modalities • 192 national societies through local branches (Prevent impact: preparedness, anticipatory action, Respond to impact: response, recovery) • Small hyper-local and large-scale responses, in collaboration to national societies. • Negative impacts: reduced water/food quality, loss of lives, loss of income and property, damage to human health and displacement. • Response: Public awareness, mental health, advocating for the most vulnerable, shelter, community level skills and responses, disaster preparedness and response, early warning system…) • Funds: 1. Disaster response emergency fund (DREF) for anticipatory action, 2. Emergency appeals for response and recovery. • IFRC website – open access to DREF response (overview of operations supported, disasters targeted and countries). Floods were the highest category. • Anticipation Hub (for trigger guidance database, early action database and FbF Practitioners Manual. Antigua and Barbuda response • Why is it kept at one million USD in grants? Is it because of availability and what is the gaps? Ireland response • International attention and small-scale disasters • Mental health and stress support fit into non-economic, and particularly neglected. Timor-Leste response • Questions about source of fund and disbursement (type of operation for quick response). Sudan response • Economic and non-economic systems

		Bhutan response • Relief and time-scale on recovery site. • Proportion of early and late response, and available funding: stakeholders involved in post-disaster response. United States response • Who makes decision to what and where? France response IFRC • Small and medium-scale crisis, and national societies gaps for effective action (providing support as requested). • Rapid access and request approved within 24 hours and cash released based on needs assessment. • Early action protocol: triggers are determined with national societies, and cash is released in times of triggers. • Post-disaster protocol: national societies apply and quick response. • Insurance mechanisms in case cash is insufficient or budget is surpassed. • Rising impact and non-economic loss: mental health is priority (heat risk and floods) – significant gap. • Cash assistance then technical support that follows based on need. IOM • Triggers that unlock IOM support: Global risks assessment, specific fragility/vulnerabilities of communities, requests received, IOM mandate. • Number of climate-related disasters in 2021 (in "OCHA: Preliminary messages from Forthcoming OCHA report on Humanitarian Action"). • Support of IOM for addressing LnD: Humanitarian/Peace protocols. Displacement mandate (CCCM Cluster with UNHCR) • 22.3 million displacements triggered by weather in 2021 alone. • Contextualization is important for action and response. They need to be specific and tailored to region, country, communities affected.

		• Scale and support IOM provides: 217 active projects at almost 1 USD billion in displacement, human mobility, reconstruction, humanitarian assistance to disasters – WASH, shelter and health, dedicated services, disaster reduction and sustainable development. • Recommendations for LnD: scale up investments in Prevention (EWS, Evacuation protocols and facilities), Humanitarian assistance (more targeted by slow and rapid onset disasters), and durable solutions for climate displacements (restart of lives, enabling development gain and safety). Inclusive of disasters-affected communities, disabled people, indigenous people, women children and elderly through blended finance in support of companies and private sectors + concessional types of financing + carbon/blue credit +sovereign green, social and sustainability bonds). Antigua and Barbuda response • 100 million USD from World Bank grant or loan? United Kingdom response • Carbon/blue credit and usage Sudan response • Durable solution and cost UNEP • The insurance risk management continuum mirrors the disaster risk management continuum. • Land use planning and building standards to prevent high costs and for disaster risk management. • Managing risks at different levels at both the micro, the meso and macro level. • Biological hazards, technological hazards, and environmental hazards. • Micro-level: indemnity insurance, parametric/index-based insurance, insurance pools and alternative risk transfer solutions (e.g., catastrophe bonds) • Meso level (underserved communities – local government…): indemnity insurance,

		parametric/index-based insurance, and alternative risk transfer solution (e.g., catastrophe bonds) • Micro level: Indemnity insurance and parametric/index-based insurance • Biometric and industry level insurance innovation: defined parameter or index (rainfall or windspeed). • Slow onset events and role of insurance is under-tapped – sea-level rise and rising temperature, storm surge risks (manifestation is extreme heat where insurance has been developed for in India - link) • Lots of challenges regarding insurance penetration – public insurance for penetration and public insurance with higher risks/higher levels) • Insurance examples: African and Caribbean, facilities in South-East Asia and in Pacific • Good risk management is bedrock of sustainable insurance, as well as insurance penetration and density, insurance literacy, poorly designed insurance products, lack of enabling policy and regulatory frameworks. • Vulnerable Twenty Group of Finance Ministers (V20) -58 climate-vulnerable economies whose 1/5 of their wealth has been wiped out by climate change (2000-2019) Sustainable Insurance Facility (SIF) to protect MSMEs (20-70% of GDP) from losses and damages, based on Principles for Sustainable Insurance Initiative (PSI) and funded by German Government (BMZ) • Un-convened Net-Zero Insurance Alliance (NZIA) and Un-convened Net-Zero Asset Owner Alliance (NZAOA) • Insurance portfolio (6 trillion) and Investment portfolio (36 trillion) UNDRR • Layered approach of DRR • Strengthening the data ecosystem for LnD (understand future risk, plan to reduce and anticipate disaster and climate impacts, track disaster events and DRR progress/MEL – e.g. Sendai Framework Monitor with official statistics in 155 countries + new system with several UN organizations to be announced at COP28).

<table>
<tr><td></td><td></td><td>Effective risk financing mechanism: Contingent Fund, Early Warning System, operationalization Plans, Institutional Capacity. Needs vehicle to work (e.g. safety nets)
Comprehensive Risk Management Approach [DRR-CCAA]
Report: Global status of multi-based early warning systems: Targets – UNDRR, released at COP27.
Collaboration on national level: AUC-MHEWS, ICPAC, ACMAD
Mechanisms for supporting DRR through Cop-op and Mutual Insurance: Direct mechanisms (variable pricing of insurance, perquisites and exemptions, investments to reduce risk), Indirect mechanisms (social…)
Report: Disaster Risk Reduction Investments in Africa to be released in June
Advocacy, Partnerships and Engagements: IRP, Climate and Disaster Resilience, DCRI, Global Shield, REAP…)
Ireland response
Country ownership and vulnerability
Antigua and Barbuda response
National legislation and policy and spend.
Insurance industry to make sure money is invested in root cause.</td></tr>
<tr><td>12:00-
13:45</td><td>Item 5. Exchange of views on purpose and scope of the funding arrangements for responding to loss and the fund established in paragraph 3 (cont’d)</td><td>Maldives views on fund
Aligned on Paris Agreement, and addressed before and after disasters.
Scope of funding arrangements, enhancing existing arrangements, scale, coordination mechanisms in this mosaic (inside and outside of climate question)
Coordinating institutional role: Filling gap that exist in LnD, to connect inside or outside the system, fit within legal structure.
Antigua and Barbuda</td></tr>
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		• Joint effort from Annex 1 and non-Annex 1, as well as existing funding arrangements and other stakeholders. • Understanding of shareholders instead of negotiating against each other. • Coordination in time and transfer of facilities (risk transfer facility) • Fund should have investment arm (Energy transition and other transition) • Structure and legal structure of convention should be reviewed. • Fund that incentivizes good behavior with access, predictability. • CDM -efficient mechanism to transfer technology that was discarded because of politics. • Innovation not just in funding stream but how it is structured (shareholders and direct access are key). India view • Scale, scope and speed are essential to discuss. • Scope: capacity building and preparedness or protocol. • Mitigation and adaptation are to avoid, which is not loss and damage. • Mitigation and adaptation are not in climate context but in the context of disasters. • Pillars: life-saving tools, ongoing with humanitarian aid. 5Rs: response, relief, recovery, resilience and reconstruction. Pillars should not be mixed, and all prioritized. • Post-disaster needs assessments on short-term and long-term. • Grants. • Scale: Large and speedy. Ongoing disaster. Beyond what has been processed before and would need to be centralized in design. Components: Innovation, creativity and flexibility. United States view • Mitigation as first line of defense. Adding support and underscoring adaptation, as another line of defense. • Explicit and duplicative of existing systems.

		• Gap: Measures to address slow onset events. Institutional and technical capacities to build such and develop variable. • Short-term events are addressed din humanitarian space. Fund should speak to adjustments of these funds (Paragraph 5.b) • Anticipatory action: Timing of response needs to be faster. Experiments by OCHA (trigger and forecast based) are small in scale. Greater investment is needed in anticipatory action. • 5Rs • Small economies exemption (other funding arrangements should be doing, and not this fund) • Fund maybe is addressing climate resilience component of reconstruction. • Santiago network would be important to technical components, planning and needs assessments. • Fiscal space: debt can be an effective tool – sovereign debt (common treatment beyond DSII), multilateral arrangements addressing debt reduction, expanding eligibility for small income countries. • Signals for adjustment and fiscal state issues: Repeated crisis in some economies, and debt need to be discussed in context of funds. Debt might not be necessary. UK is a leader in private funding, and debt treatment. • Fund should be targeted, specific and not duplicative. Slow onset events are a major gap in funding arrangements. Denmark view • Contextualized and locally based fund. • Put function first. Principles and target are clear. Timor-Leste view • Balance of 5Rs. • Extreme weather events and slow on-set events, and economic and non-economic losses. • Determine the key innovative funding arrangements/sources. • Structure that prioritizes rapid response on the national level (based on the GCF, AF and others). • Operationalize predictability and sustainability.

		- Criteria need to be assessed and defined for quick response. - Source of fund that does not add additional burden to developing countries. - Coordination and complementarity issues: transparency, reporting system, the amount and source of funding should be apparent (Paragraph 5.a,b,c,d). - Governance structure is correlated to previous points. France view - Systemic division of the climate finance landscape. - Concerns: Euros to be redundant or to be in competition with other climate finance institutions. - Vulnerabilities: Keep in mind mandate and more feed-back from the ground. Australia view - Coordination and mapping of gaps is imperative. - Developing a different understanding, creativity is necessary, and detect the opportunity. - Australia will try to be as flexible as possible. Finland Chair: Stated timing for 2nd and 3rd meeting. 2nd meeting will be in Europe. Dominican Republic view - Definition of loss and damage should be the focus. - Current landscape and gaps that exist include lack of national support. Best practices as response to climate crisis should be included. - Unbiased process based on needs, focus on climate change, humanitarian aid is more general. - Anticipatory readiness + Quick dispersion of funds. - Priority: Exploring structure of the fund, guarantees and other and responses to economic and non-economic events, quick and slow onset events. Source of fundings and mechanisms inside and outside of Paris Agreement. - Latin America is least financed when it comes to climate. Loans do not cover the losses, and borrowing for resilience needs alternatives (for

		countries who are highly vulnerable and middle income). • Fund covering proportion of damage or full is to be discussed. Priority is the type of financial instrument and exploring the ecosystem of available finance.
14:45 – 16:50	*Item 4. Working arrangements and workplan for the Transnational Committee (cont'd)*	Egypt view • Fund should be within the CMA, and mandate. • All institutions are dealing with loss and damage or directly with disasters. However, gap in scale, predictability, access, response. • Mandate needs to be ensuring that it complements. Therefore, funds need to be unit for complementarity. There needs to additionality. • Capacities of governments to intervene and will need assistance. Short-term: Insurance and direct interventions. Medium and Long-term: Applications of infrastructure. • Challenges for governments: Capacities are limited, lots of development needs, disasters not anticipated therefore not in framework, infrastructure and systems are not existent and therefore delivery is difficult. • Partial support – not to compensate – but to assist. • 1. Humanitarian system not sufficient 2. Pledging and loans that will become burden 3. Medium and Long-term is rehabilitation and rebuilding. 4. Gaps in funding systems (insufficient resources, slow and indirect access, wrong instruments, insufficient scale) • Expectations: 1. Fund is ecosystem with different elements. 2. The core provides a. financial responses at scale and at speed, b. is innovative and compromises insurance schemes, c. is quick and measurable funding that is indiscriminate (not loans). • Process for damage, leverage, and innovation and capacity for immediate action and long-term delivery. • Government board will need to have clear criteria for quick responses. • In favor of soft triggers: fund reacting to day 0 and provide in day 1. As well as have the ability to have programmes (5 years +) for infrastructure and needs.

		• Governance arrangements: National allocation that countries can jump to, and some sort of authority involved Ireland view • Understanding and commitment to every element. • Mandates will evolve based on mapping, and acquisition of other funds of LnD concepts. • Revision of the synthesis and making sure mapping document is clear to the Secretariat and on what the committee is asking. • Partnership approach and recognizing contributions being made by national governments and local communities → allows creativity on structure. • Ireland and Germany seat focuses on particularly vulnerable countries: would need defining and figuring out to follow mandate. • Resources and contributor-base given how massive scope and needs are. Chairs affirmation • Agreement on strong synthesis and mapping as to have evidence-based recommendations. • Synthesis and mapping documents would be foundation, but more documents might be needed. Canada view • Should be having funding arrangements. • Emphasis on mental models of what loss and damage means, which has been broadened including a full spectrum. • Breadth will need different types of responses and solutions. Will need to be tailored to the specific. • Slow onset events and mental health (results of loss and damage) are being spoken about in the context. There are no ready-made solutions for them but thinking about it would be useful (signal for them being priority gaps). • The complexity of loss and damage events lies within the 'who' (who is going to do something about it?). Work is underway in existing institutions (tweaking mandate and developing solutions), which

		would need to be observed for fast-tracking of LnD fund. • Mechanics: Some gaps will make more sense to be addressed in new created funds, others will more make sense if addressed in existent funds/architecture. Those gaps are not addressed in silos but in groups. Mechanics need to be purposeful: structure, TOR are different based on different things. • Future orientations and addressing world we do not see already. Solidarity and dignity are key words. • The fund must be informed by science (possibly results of IPCC report). Japan view: • Make sure that the fund is 1. addressing countries who are particularly vulnerable to the effects of climate change. 2. Make sure that the fund will address additional needs (by recognizing gaps and scope). 3. Obtaining funding from wide sources – beyond developing countries and reaching out to major economies and private sector. • Pre-arranged mechanisms and loans are effective → LnD package (announced at COP27 by the Government of Japan) that offers rapid loans post-disasters. Agreements signed in advance. Insurance schemes are present. South Africa Chair: • Gift of the Givers in South Africa – public funding that doesn't use government structures, and that uses private investment. United Kingdom view • Creativity in four areas of LnD encouraged. • Development of existing arrangements. • Rapid onset/climate shocks and slow onset related to climate resilience. • Informed by priority gaps. • Encourages looking at set of case studies and typologies of countries (small, fragile, less developed countries, etc.) to identify lived experiences and

		missing tools, underfunding and poor functioning/accessibility. • Questions/Suggestions → Coordination bodies: guiding national bodies, and quantifying risks, cost structures. Role of fund to support integrating Loss and Damage in National Action Plans (NAPs) • Repayment holidays and debt (UK asks for two deferrals on loans, helping with temporary liquidity challenges. MDBs are looking at this, and it's important to look at how these processes works.) • UK heavily invested in nexus of humanitarian need, humanitarian funding and climate change. • Increase investment in early and anticipatory action. Understanding the nature of risks (short and medium), and how it plays out in different countries, and cost structures. South Africa Chair: • GCF and World Bank project analyzing landscape. Sudan view • Institutional arrangements of fund convention articles + guiding funding arrangements to link to institutional arrangements. • Sources of finance: Keep flexibility with increasing severity and intensity of loss and damage. • MDBs issues with small-island and developing states + issues of exemptions (contextualized). • Recognizing that committee is dealing with a moving target. Norway view • Fund that does not duplicate existing funds. • A single fund cannot deliver everything for everyone at the same time: That is the case of LnD. • Newly formed mechanisms do not mean new institutions. Existing institutions can be made use of in terms of resources and knowledge. • Governance structures takes a long time (as was the case of GCF) • Paragraph 5 Bhutan view

		• No disagreement in terms of mandates; fund, funding arrangements, sourcing of funds under three workstreams in which there will fleshing out. • Extreme events (rapid response + lessons learnt) and slow on-set (rapid response + cost support). • Any financial mechanisms that do not increase burden on vulnerable countries is encouraged. China • Any recommendation will be discussed of UNFCCC channel and will be aligned with Paris Agreement (Article 8). • Governance should follow COP structures. • Coordination with GCF and GEF, and other institutions in Paris Agreement and UNFCCC architecture. • Source should follow Article 4 and 11 of Convention, and Articles of Paris Agreement. • Interlinkages between climate change and debt but are different. Must be equitable and respect capabilities. • Creditors should participate in the support of developing countries. Debt is not within mandate. UAE view • Scale: Magnitude that is beyond level of existing climate funds. Limitations of scale for response and the complete of response for slow onset events. • Sources: Need for flexibility for different contexts and financing. • GEF and GCF leverage climate finance. • Location: To be discussed. Options and scenarios for COP28 to decide. Finalizing of recommendations before next COP. • Vulnerable countries: Board will need to discuss and define [flexible] parameters. South Africa Chair • Need to be careful in discussing of vulnerable countries. It has been defined by AF, and definition has been used for the past 15 years. Will need to define needs for LnD.

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<tr><td></td><td></td><td>Climate Action Network (CAN)
Overlap does not deny that mandate is clear.
5Rs show that we need to look at the full spectrum.
Insurance is getting disproportional attention. There are challenges for poor people to access insurance. Lots of places are becoming “un-insureable” (examples from UK and US). Social protection needs to address “injusticeness” and does not reinstate status quo.
Loans would cause double injustices. There needs to be universal and accessible social protection.
Climate sector engagement and contribution to adaptation (OECD): small increase and led by energy project in Mozambique.
What kind of sector should be defined before setting expectations.
Non-economic losses still need financial resources (e.g. psycho-social care for mental health).
Should be based on needs and obligations.
Needs to make sure communities recover fully.
Conversation on triggers is important (typology of disasters, attributions…).
Needs to build institution fit for purpose and fit for the future.
Social protection: defining communities, unconditional grant, no paperwork – some countries have this system in place which the fund can support and scale up. Workers are demanding universal social protection.</td></tr>
<tr><td></td><td>Further discussions</td><td>Finland Chair
Workshop end of April
Glasgow Dialogue in Bonn
Workshop end of July
Ministerial consultation before COP28
Canada remark
Consultation needs enough time after it for work on Paragraph 15
Paragraph 15: Ministerial Consultation feeds into synthesis report and must come before final TC.
Finland Chair</td></tr>
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		• Working arrangements Paragraph 21: Procedure for having closed meetings. • Work plan: Timeline and sequencing, paragraphs on topics of workshops.

Follow-up: Complementarity and coherence (simple approach or dealing with detail as to match the mosaic of climate funding).

Takeaway: Emphasis on slow onset events (LnD becoming leading institutions) but not the only priority. Adopted Working modalities and Working arrangements.