Notes from the 4th meeting of the Transitional Committee (TC3) addressing loss and damage in the context of decisions 2/CP.27 and 2 / CMA.4

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Notes By –

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Summary of Proceedings -

Day 1:		
Agenda Item	**Country/Entity**	**Interventions**
Introductory Messages	**UNFCCC Secretariat, COP 27 Presidency, Governor of Aswan.**	The speakers welcomed all the attendees and expressed hopes of a successful outcome from the meeting.
Host of the Fund	**AOSIS**	• Development banks signal a desire to return to their core function of lending for development, but face challenges, notably inadequate capitalization. • AOSIS views the bank as not AOSIS-friendly due to capitalization concerns, acknowledging divergent objectives. • Many funded projects may be categorized as less appealing to banks (category A-type projects). • Concerns arise regarding eligibility criteria, with potential loopholes. • Clear operationalization guidance is sought, favoring policies beneficial to smaller members. • Consideration is given to a hybrid model (GEF/AF/GCF) for clarity on its applicability. • While an independent body is the default preference, openness to alternative approaches is expressed.
	Barbados	• Developing countries see this fund as unique compared to others. • Existing institutions offer advantages like speed and capacity, but eligibility, scope, and access need alignment with TC and entity board decisions under UNFCCC, COP/CMA.

		• Concerns arise for members not part of the World Bank, seeking clarity on direct access procedures and potential layers in fund disbursement. • The argument for an existing institution emphasizes a quicker setup, prompting questions about the definition of speed and interim arrangements. • Placing the fund under the World Bank raises questions about potential benefits such as leveraging the World Bank's credit rating and accessing callable capital, SDRs, and capital markets.

	Maldives	• Emphasis on the fund's need for scale to address both slow onset and rapid challenges.
		• The FIF is considered, with conditions –
		  o Universal access for non-World Bank members and utilizing WB investment capacity.
		  o Implementing entities involve comprehensive country involvement.
		  o The fund should leverage the WB's investment capacity to meet the challenge effectively.
		  o A high-level head for the LDF with the board, initial phase, playing a leading role, assisting with fund design through interim arrangements.

	Timor Leste	• Fund should align with COP and CMA guidance. • Advocate for a standalone, accountable fund with a new independent Secretariat and a legally recognized Board. • Clarity needed on the relationship between the World Bank and COP, particularly in terms of guidance and policies. • Prioritize direct access and ensure accountability of existing entities, to parties.
	United States of America	• No perfect solution in terms of location; US default position is opting for the World Bank • Even in case of FIF being hosted, it would be under COP/CMA guidance. • FIF to have independent policies, priorities, and modalities, in response to parties and the Board. • Proposals for a new entity considered more labor-intensive, slower, and costlier than World Bank administrative fees; may take multi-year process.
	Germany	• Favor the World Bank FIF due to its potential for fast delivery and an established legal framework, noting its advantageous position compared to the GCF after years.

		• Highlight the importance of the World Bank's experience with programmatic approaches in content considerations.
	Colombia	• Highlighting key concerns about WB as a host o Inability to provide necessary support and disburse finance directly through direct access. o Business model emphasis on loans, potentially increasing developing countries' debt and reducing fiscal space. o Need for a balanced governance structure if the World Bank is chosen as the host.
	Australia	• Preference for World Bank hosted FIF, not an entrenched position. • Better to work with a known institution over the assumption that everything can be fixed in a new one; highlighting challenges with standalone models, citing the example of GCF.
	Egypt (COP 27 Presidency)	• If WB cannot give proper clarification on concerns, other available alternative options within UN can be explored • Currently considering two options but maintain an open mind for additional alternatives. • Emphasize the operationalization of a fund, not a WB window. • Regarding co-location, exploring the option of phasing in and out of a secretariat within an existing institution, building on previous discussions.
	Brazil	• If you read the FIF framework it clearly says that WB policies will apply and the bank will put in place arrangements. To what extent will the GI and TOR coming from this TC and COP/CMA will be
	Norway	• Advocate for placing the secretariat in an existing institution, favoring the WB-hosted FIF model. • Emphasize the importance of ensuring the fund aligns with agreed-upon goals, with ongoing considerations for the fund's scope, purpose, and relationship with broader funding arrangements.
	Bangladesh	• Concerns about the shareholder-driven business model and the independence of the secretariat in meeting the needs of vulnerable countries and communities. • Questions about the role of COP and CMA, accountability mechanisms, and whether the WB will adhere to standard rules and procedures. • Request for clarification on the legal personality of the board, particularly its oversight role if hosted by the WB, and access modalities, especially how the WB will ensure direct access.

Board Composition	**Norway**	• Support a board composition with non-party seats, emphasizing the importance of including relevant stakeholders, civil society, and other groups. • Call for clear assurances in the Governing Instrument (GI) and the Board's mandate, establishing proper consultation mechanisms for stakeholders in decision-making. • Emphasize the need for Board to be efficient.
	Japan	• Prefers Proposal 2 for board composition, suggesting modifications for dynamic flexibility in the future.
	Brazil	• Prioritize equitable geographical representation, benchmarking with the GCF • Need to engage civil society in decision-making.
	Canada	• Supports additional representation for contributors, Indigenous Peoples (IPs), and other stakeholders, highlighting the value of diverse perspectives.
	AOSIS	• Prioritize gender balance, diverse board representation beyond parties, and meaningful participation of non-voting members.
	Egypt (Cop 27 Presidency)	• Propose having 24 seats initially, with the option for developed countries to allocate seats to philanthropies, emphasizing clear criteria for selection.
	Germany	• Important to have meaningful representation for the most affected, suggesting self-selection among constituencies.
	United States of America	• Support innovative proposals for board composition, highlighting the need for stakeholder voting members rather than active observers.
Scope, Structure, Modalities	**AOSIS**	• Imperative to address unpredictability in funding, preferring a sub-fund or window approach to avoid being caught between two giants.
	United Kingdom	• Support a comprehensive approach to Loss and Damage (L&D), linking the fund to national programs and plans, considering sub-funds for targeted support.
	Brazil	• Agree on the general scope based on Sharm language, opposes sub-funds • Favor guidance to the board on immediate response, SOEs, recovery, rehabilitation, and NELD.
	Colombia	• Support the proposed scope, prefers a fund with windows instead of sub-funds,

		• Emphasize eligibility for all developing countries, and advocates for guidance on NEL.
	Australia	• Support the general parameters, seeks clarity to avoid pitfalls for the future board • Align with UK on structure, and sees value in sub-funds for maximizing contributions.
	United States	• Highlight the need for different modalities and access for various issues, • Clarify that the existence of a plan should not be a barrier to access, • Suggest a functional equivalency of a plan.
	Sudan	• Support the idea of sub-funds and emphasizes the importance of addressing context-specific issues, including human mobility and internal displacement, particularly concerning Africa.
Sources, financial inputs and scale	**Barbados**	• Important to set the right scale and ambition, avoiding miniature goals, and • Suggest periodic reviews to assess funding adequacy.
	AOSIS	• Propose a replenishment of the fund based on expected outcomes, coherence with other funds, and an annual program target of at least $30 billion, acknowledging the complexity of the adaptation sphere.
	Timor Leste	• Underscore the critical importance of scale, citing examples of financial requirements for L&D in countries like Pakistan, advocating for a figure of at least $100 billion per year.
	Colombia	• Emphasis on the urgency of scale by citing estimates of economic L&D costs exceeding $100 billion in 2022, rising to trillions by 2050, • Supporting a floor of at least $100 billion per year and contributions from developed countries.
	Brazil	• Support Egypt's idea that the fund should be designed to receive a wide range of sources without being prescriptive on instruments, and • Fund should be able to program at least $100 billion a year as a signaling mechanism for mobilizing resources.
Eligibility, vulnerability and allocation	**Norway**	• Suggest combining elements from separate columns for better coherence • Concerned about establishing numerous new bodies and programs under the Paris Agreement.
	Egypt	• Sub-funds are non-viable

		• Need to define vulnerability criteria • Decisions on extreme weather event triggers should be left to the Board.
	AOSIS	• Need for an allocation system, similar to the GEF model • Concerned about the low funding received by SIDS • Important to attract financing.
	United States	• Vulnerability in allocation is important • Vulnerability should not be defined solely based on income levels • An allocation system is inevitable, arguing against a first-come-first-serve approach.
Funding Arrangements	**Barbados**	• Concerned about the existing Financial Architecture (FA) • Suggest thinking about how the new fund can work with the FA to align eligibility, scope, scale, and access better.
	Egypt	• Need for clarity on the role of FA and whether it should be part of new arrangements. • Fund should be the main player and convenor, with criteria for selecting participants and clear criteria for FA.
	Germany	• Suggest viewing FA as part of the continuum in responding to Loss and Damage (L&D) and making concrete recommendations to improve their delivery for countries and communities.
	Maldives	• Need someone with high political gravitas to co-convene a high-level council, • Important to ensure resource mobilization and policy changes.
	AOSIS	• Important to prioritize building relationships, networking, and accessing specialized skills through FA. • Suggest crafting text to task the COP to further work on FA.
	Brazil	• Support the idea of criteria for identifying FA • Importance of clarity on priorities and a streamlined approach to avoid a long list of recommendations.
	Egypt	• Need for criteria, questions the value of a large forum without criteria • Important to deliver functional results for L&D.
	Timor Leste	• Highlights the origins of FA at COP27 to address gaps

		• Need for a coordination body within UNFCCC, linked to the WIM ExCom • Ensure transparency and avoid additional burdens on LDCs and SIDS.

Day 2:

Sessions were held in close doors with no participation from CSOs.

Day 3:

Agenda Item	Country/Entity	Interventions
Opening Session	**AOSIS**	• Frustration with the lack of negotiation power regarding the fund's structure and suggests designing a fund that meets their objectives without being bound by certain conditions. She voices concerns about potential debt issues if aligned with the World Bank and emphasizes the need for a mandate review.
	France	• Disagree with AOSIS about the World Bank, stating that the location at the WB won't hinder the fund's effectiveness. • Suggest kick-starting activities in the WB but allowing the board to assess whether the location poses any constraints.
	United States	• Acknowledge the need for collaboration and expresses disappointment in the progress of discussions. • Support going line by line to resolve differences. • Per legal status concerns - proposed options under public international law are impractical.
	Barbados	• Legal clarity important for the fund's flexibility • Support proposal 1 for international legal capacity. • Clarification needed from the Technical Support Unit (TSU) on the differences in legal status proposals.
	Brazil; Colombia; Timor Leste	• Support Proposal 1 for international legal capacity, emphasizing the importance of international legal capacity for the fund.
	Egypt	• Concerned about legal personality. • The need for contractual agreements under the proposed options is questionable.
	Pakistan	• **Echo Egypt's concern over legal personality.**

		• **Supports both international legal personality and capacity.**
	GCF	• COP can indicate intent but putting language doesn't create legal personality or capacity.
	Egypt	• Clarification needed on how the legal status options relate to the World Bank and the implications of not having a host-country agreement
<u>Designation of the fund as an OE of the FM</u>	**Australia**	• Support the idea of providing guidance to the fund but questions the compelling reasons for the designation. • Periodic review of the Financial Mechanism (FM) as insufficient for a meaningful review of the overall effectiveness of the FM.
	United States	• Support Option 2 • Emphasis on need for flexibility in the discussions. • Important to address other sections like the Financial Architecture (FA) and eligibility, hoping for more compromise.
<u>Composition of the Board</u>	**AOSIS**	• Highlighting sensitivity of political issues regarding board seats and expresses the need for two seats for Small Island Developing States (SIDS). • Advocate for enhanced civil society participation and observer status for certain groups.
	Brazil	• Important to ensure efforts of developing countries and civil society in pushing for Loss and Damage (L&D) finance. • Support enhanced civil society participation, especially from vulnerable groups, and emphasizes the importance of their engagement.
	Colombia	• Support Egypt's proposal • Equitable representation on the board needed • Observers from vulnerable groups, local communities, youth, and Indigenous Peoples (IP) to participate in board meetings need to be allowed
	Netherlands	• Inclusivity is important • Pre-meetings needed to consider concerns • Terms like "climate-induced migration" instead of "climate refugees" should be used • Board needs gender balance
	Germany	• Support strong representation of SIDS and LDCs on the board • Important to have inclusive and meaningful participation of Non-State Actors (NSAs) and calls for gender parity in nominations.

	Sudan	• Support equitable representation • Concerned about financial barriers preventing civil society engagement, with different regions' participation. • Need for addressing issues related to cross-border migration.
	Norway	• Representation of IP, civil society, vulnerable groups, and refugees on the board needed. • Need for clear modalities for the meaningful participation of all stakeholders.
	Australia	• Support AOSIS proposal for two seats for SIDS • Support USA suggestion about the role of stakeholders, emphasizing the need for bravery in decision-making.
Eligibility	**Germany**	• Germany and Ireland support vulnerability as priority
	Pakistan	• All developing countries a red line for Pakistan which experienced one of the worst climate catastrophes last year • Any version excluding Pakistan is unacceptable • Vulnerable is not limited to only two groups
	Egypt	• Eligiblity and allocation are different things • Not acceptable to categorize people based on disasters
	Norway	• Prefer co-chairs to propose a text as way forward
	France	• Not going to assess quality of human beings • Pakistan should get what it needs through fund. • A trigger needs to be set to allow funding for countries needing it. • Allocation will depend on factors such as how much money fund has, and how much absolutely needed • Discussion should allow for linking eligibility, allocation, and how the fund will deliver its funding.
	Colombia	• Outcome leaving Colombia behind unacceptable as Carribean and LAC faced sharp climate shocks • L&D affects all countries, so fund should cater to all countries.
	Norway	• Cochairs are requested to guide through text in an organized approach
	Germany	• Support proposal by Norway to go back to text coordinated by co-chairs • Flexibility is there but need guidance from co-chairs
	Saudi Arabia	• Want to separate the discussions on eligibility, allocation, and priority.

		• Eligibility was agreed upon 10 months ago, no eed to redefine it.
	Egypt	• Important to discuss the World Bank's role separately from eligibility and other issues. • Suggest discussing a possible standalone fund.

Day 4:

Afternoon Plenary	**Brazil (speaking for G77+China)**	• Concerns about the lack of balance in the text, disregarding G77 submissions. • Issues with scope, legal status, board composition, sub-funds, and financial inputs. • Language needs aligning with the principles of the convention and the Paris Agreement.
	Saudi Arabia	• Hopeful for an outcome that considers all priorities. • Raising procedural concerns about the unbalanced text. • Acknowledge points of difference but highlights that some issues are beyond the committee's scope.
	Timor Leste	• Urges the need to finalize everything within the limited time. • Highlights key points such as grant-based support for LDCs, a focus on extreme events, and the need for a trigger mechanism.
	Colombia	• Reject a scope that includes references to small markets. • Supports the GCF model for board composition. • Oppose differentiation in vulnerability and allocation decisions. • Dissatisfied with several paragraphs, including Para 78
	Netherlands	• Safeguards needed for both LDCs and donor countries. • Need for a balanced approach that addresses concerns of both vulnerable countries and donors.
	United States	• Concerned about scope, board composition, and allocation. • Reject language on developed vs. developing countries for contribution. • Oppose the current wording on financial inputs.
	Norway	• Seek a clear scope that addresses priority gaps.

		• Want stronger language on allocation to particularly vulnerable countries. • Readiness to work based on the current text.
	Canada	• Balanced scope needed. • Suggest reconsideration of language related to minimum national allocation floors. • Open to working on allocation language.
	UK	• Support additional seats for LDCs and SIDS • Need for safeguards, including a minimum allocation for vulnerable countries.
	Nepal	• Urges the committee to deliver on the mandate. • Highlight priorities including direct access to the fund, legal personality, and grant support for LDCs.
Funding Arrangements	**Egypt**	• Dissatisfied with the Funding Arrangements section. • Call for clarity on the aim, criteria, and convenor of the FA. • Missed opportunity to structure the FA according to the Sharm decision.
	Brazil	• Frustrated with the lack of consideration for G77 submissions in the FA section. • Questioning the overall rationale of the text and the endorsement of initiatives not involving G77.
Extended Plenary	**Co-chair**	• Proposes an informal note if that's what the committee wants, but will report back to COP & CMA that they had four meetings but no recommendations. • Intent to make progress but mentions it didn't work • Not going to act beyond their instructions.
	Pakistan	• Enthusiasm from Sharm missing when given the mandate to operationalize in one year. • Concerned about message to world if no recommendations provided due to divergence of issues and the perceived inability to reach an agreement. • The L&D fund is important due to the background of its creation in response to a catastrophic event in Pakistan. • Acknowledge progress in some areas, especially in allocation, with a few important issues remaining.
	Brazil	• Disappointed with lack of outcomes Important to meet the serious commitment to addressing loss and damage in developing countries, especially considering the progress made in the current meeting.

		• Need the text to reflect the progress achieved, indicating a willingness to stay longer to develop something for future consideration, including at COP.
	Egypt	• Acknowledge some progress has been made • Dissatisfaction with having only the co-chairs' document without a negotiated text. • Open to ideas and emphasizes the need for a text to be attached to any report, considering the political nature of the issues. • COP president requested to deliver and simply providing a report without a recommendation text wouldn't make much sense.
	Norway	• Individual committee members committed to the mandate and the collective efforts made • Support the plea not to lose the work put into the discussions • Propose finding a way to move forward that reflects the progress made and ensures everyone's views are reflected.
	Netherlands	• Refuse to believe that wrapping up feels like a disappointment. • Acknowledge the extensive work done and the learning process about Loss and Damage (L&D). • Support the idea of TC5 starting tomorrow for those who want to work, suggesting working informally or formally.
	UAE (COP 28 Presidency)	• Continued faith in the TC to deliver the mandate. • Urge the TC not to leave the task to anyone else. • Supportive of and willing to find solutions, listen to each other, and facilitate a session to socialize TC recommendations. • Propose hosting TC5 from 3-5 November in Abu Dhabi after a pre-cop session on 30-31 October.
Outcome: Decision taken to extend the TC functionality to meeting 5 and work on the co-chair’s text to finalize recommendations		