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Opinion Paper:

Loss and Damage Finance Remains a Myth to Developing Countries- Sad Truth

Under the

Youth Engagement in
Loss and Damage Program

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Introduction

Despite the push by many developing countries to advance climate finance, UNFCCC COP gatherings have become among the most regularly held traditional venues where most promises from global polluters are announced through what they term climate-negotiations side events. From the USD 100 billion annual commitment down to the recent COP pledges under the Loss and Damage Fund, we are still seeing most developing countries being constantly told that funding is on the way, with no signs of the finance to be tangible or accessible. When you observe on the ground, developing countries and frontline communities continue to be impacted by Loss and Damage with little to no financial support. The aim of this blog is to explore why, in most developing countries, climate finance remains more myth than reality.

Background and Context

The Loss and Damage Fund was established at COP27 in 2022 to provide financial assistance to vulnerable developing countries suffering from both economic and non-economic impacts associated with climate change impacts like extreme weather and slow-onset events. Its background stems from increasing recognition of these impacts, formalised through the **Warsaw International Mechanism** in 2013 and Article 8 of the Paris Agreement in 2015. The aim of this fund is to address economic and non-economic losses when adaptation is not enough . The fund is currently being operationalised, with the goal of providing a more accessible grant and direct financial flow to affected developing countries and communities, as appropriate. During COP28 they were a lot of pledges during the forum and among them being an adoption of the governing instrument for the fund and a dedicated independent secretariat. The Fund for Responding to Loss and Damage (FRLD) then mobilised substantial **multi-year pledges from a range of contributors**, reflecting growing international commitment to addressing climate-induced loss and damage in vulnerable countries. Within this broader financing envelope, **USD 250 million represents the initial start-up phase of the Fund's operationalisation**, under the **Bilateral Implementation Mechanism (BIM)**, which was formally launched at **COP 30**. This initial phase was designed to test delivery modalities, strengthen institutional systems, and enable early access to support, while laying the foundation for the **scaled deployment of the full pledged resources** in subsequent phases.

Countries like Malawi were among the first to receive financial support for action to address loss and damage through the Scottish Government way before the Fund was established. The Scottish government provided the initial grants to projects in southern Malawi following **Cyclone Fredd,y** the major cyclone that severely affected the country **in March 2023**, particularly the **Southern Region** (including Blantyre, Phalombe, Mulanje, Thyolo, and Chikwawa). Cyclone Freddy impacted Malawi in the following ways:

- **Severe flooding and landslides**: Prolonged heavy rainfall triggered deadly landslides (notably in Blantyre) and widespread flooding across river basins.

- **Destruction of homes and infrastructure**: Tens of thousands of homes were destroyed or damaged; roads, bridges, schools, and health facilities were heavily impacted.

- **Strain on public services**: Water, sanitation, health, and education services were disrupted, increasing risks of disease outbreaks and long-term recovery challenges.

- **Loss of life and displacement:** Over 1,000 people lost their lives, with hundreds of thousands displaced, making it one of Malawi's deadliest climate disasters on record.

- **Agricultural losses and food insecurity**: Crops were washed away at a critical point in the farming season, deepening food insecurity and livelihood loss.

Efforts such as the Scottish government support and the launch of the full operationalisation of the FRLD remain the unique avenue for how developing countries can access financial support for action to address loss and damage impacts. However, the means of implementation, which includes finance, capacity building and knowledge transfer,r still remain a blurry structure, leaving developing countries with limited information on how their national system can be strengthened to have a clear structure so as to receive tailored technology transfer that can build the capacity for the whole sector approach. The scale of the finance is still not meeting the needs on the ground, and it is not clear if developing countries having direct access won't be bureaucratic, making the process complex.

Major Reasons Why Climate Finance for action to address loss and damage Feels Like a Myth

- **Broken Promises and Under-delivery**

Developing countries like Zambia faced severe floods in 2022 and droughts in 2023, with citizens' crops swiped away, yet no support was channelled despite the most publicised **$100 billion and $250 million.** For example, Cyclone Freddy's impacts in Malawi illustrate the magnitude of climate risks that countries in the region, including **Zambia**, are increasingly exposed to despite having contributed negligibly to global emissions.

Yet, **Zambia did not meaningfully benefit from the USD 100 billion per year climate finance commitment**, which has consistently fallen short in both scale and accessibility, particularly for **adaptation finance**. Where finance was available, it was largely skewed toward mitigation and delivered predominantly as **loans rather than grant**s, further constraining fiscal space. As a result, **Zambia** has been compelled to **finance climate adaptation and resilience through public borrowing**, diverting limited national resources from core development priorities such as health, education, and industrial growth toward climate response.

For example, there are no stable funds for **flood control infrastructure, drought resilience, and climate-resilient agriculture,** which are critical for protecting livelihoods and food security. Instead, **Zambia** has increasingly relied on **both concessional and non-concessional debt, even as it navigates debt restructuring and a macroeconomic** recovery. This dynamic creates a vicious cycle in which climate shocks increase debt burdens, while debt servicing limits the country's ability to invest in long term resilience and development. This alone undermines trust/credibility and broadens the loss and Damage fund implementation gap creating less resilient communities across various developing countries.

- **Complex and Bureaucratic Access Procedures**

It is no longer news that pledges for the Loss and Damage funds are being mixed Adaptation and Mitigation Funds or they are just re-allocation which make them "not new finance" - and the fact that the FRLD is hosted with the World Bank it leave one to wonder if in reality the FRLD will be different from the other financial mechanisms of the UNFCCC hosted by the Bank. The 100 billion goal showcased that financial mechanisms such as the Green Climate Fund (GCF), Adaptation Fund put in place their new standards, for their own gain, which challenge developing countries in terms of application, access as well as implementation of climate action. One of the notable barriers are the procedures required to access these lengthy proposal development, accreditation, and strict fiduciary standards, which in most cases a huge number of developing countries fail to meet and become unsuccessful in the process. Because communities in developing countries as well as governments in developing countries, bear the burden as they are facing loss and damage due to climate change on a daily basis for more than 30 years. There is a need to ensure that the scale of funding in replenishment which will start in 2027 should reflect the reality of the need and that the Board of the FRLD as well as its secretariat to unlock a more accessible procedure for direct access to the fund.

- **Loans Instead of Grants**

For example, in **Zambia**, the country's economic resilience has been significantly weakened by **excessive reliance on loans**, including borrowing linked to infrastructure and energy investments. Under current fiscal constraints, Zambia has been compelled to **export electricity to neighbouring countries, such as Namibia**, to meet financial obligations, even as domestic supply remains critically constrained. As a result, Zambian citizens have endured up to **21 hours of load shedding daily, equivalent to 147 hours weekly, 588 hours monthly, and approximately 7,056 hours annually out of 8,064 total hours**. In practical terms, this means that many communities have access to electricity for **only about 42 days in a year**, while facing **blackouts for roughly 323 days**. This stark reality illustrates how debt-driven climate and development financing directly undermines basic services, livelihoods, and human dignity. Against this backdrop, any financial support for responding to loss and damage in Zambia **must be grant-based**, as further debt accumulation would unfairly burden both citizens and government, deepen socio-economic hardship, and stall progress toward sustainable development

Conclusion

The loss and Damage funds for developing countries must include local voices submissions through a community-led and owned approach that focuses on the exact Loss and Damage Impacts which are being faced in their respective areas. Developing countries' activism moving forward should not just be on a global level, but speak to the realities of the local communities. There is a need for Developing Countries to organise themselves and voice out on how they want climate finance to be used so as to own the project's outcomes and not be imposed on them. Civil societies need to up their game and take their pivotal role, even as key stakeholders such as the United Nations engage in loss and damage project development to make informed decisions that represent local and undiluted voices. Communities in various developing countries must not be humble when narrating how Loss and Damage have impacted their livelihood as this will facilitate demand scale-up for funding that replenishes beyond COP gatherings. As climate impacts intensify in developing countries, debt increases sharply due to a lack of effective channels to access climate funding to address the losses and damages resulting from these impacts.

Recommendation

Developing countries need to ensure that the adverse effects of climate change that go beyond adaptation and mitigation efforts, affecting both economic and non-economic aspects, are documented in their NDCs as a separate framework that highlights key projects that will address the challenges. Developed countries should urgently correct the chronic underfunding of adaptation by setting **quantified adaptation and loss and damage finance targets**, ensuring that vulnerable countries can respond to immediate impacts while building long-term resilience. International organisations should use their convening power to advocate for **grant-based loss and damage finance** and to discourage lending practices that exacerbate debt burdens in climate-vulnerable countries. Developed countries should also ensure that all contributions to loss and damage mechanisms, including the FRLD and its Bilateral Implementation Mechanism (BIM), are delivered **entirely as grants.** Extending loans for loss and damage response exacerbates debt distress in vulnerable countries such as Zambia and unfairly transfers climate costs to citizens and future generations.

Building capacity for youth-led grassroots movements to understand Loss and Damage at the national level, so they can acquaint themselves with the UNFCCC COP agenda on this issue. This will build credibility and sound articulate, even as they are engaged in speaking at global-level climate discussions. Developing countries to continue pushing the agenda for funding that will happen now and not take forever like the GEC. As developing countries, we need to put our house in order, because that is what will show how prepared we are to address loss and damage impacts.