Policy Brief

From Readiness to Action – Unlocking L&D Finance through BIM for L&D

ICCCAD International Centre for Climate Change and Development

CLIMATE EMERGENCY COLLABORATION GROUP

Scaling the Nexus Approach: Adaptation and Loss & Damage

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The Barbados Implementation Modalities (BIM), established at the fifth board meeting of the Fund for Responding to Loss & Damage (FRLD) in April, mark the Fund's two-year start-up phase. BIM will allow developing countries to access USD 5–20 million Loss and Damage, from a dedicated USD 250 million window. With at least 50% of resources prioritized for Least Developed Countries (LDCs) and Small Island Developing States (SIDs), timely readiness and preparation are essential. This policy brief expands upon the key actions and considerations that the LDCs need to be aware of to utilize the funding from the BIM.

WHAT IS THE BIM?

The FRLD, operationalized under the UNFCCC and the Paris Agreement (2015) is designed to translate the longstanding Loss and Damage (L&D) agenda into practical financial assistance for developing nations in addressing L&D. The BIM is the formal pilot phase for the FRLD to not only start officially funding countries to respond to L&D but also an opportunity to refine the Fund's long-term operational model. BIM's core principles embed a bottom-up and country-led approaches. It will support countries to develop and strengthen national systems to manage and deliver the fund effectively and simultaneously ensure that the activities meaningfully engage climate-vulnerable communities.

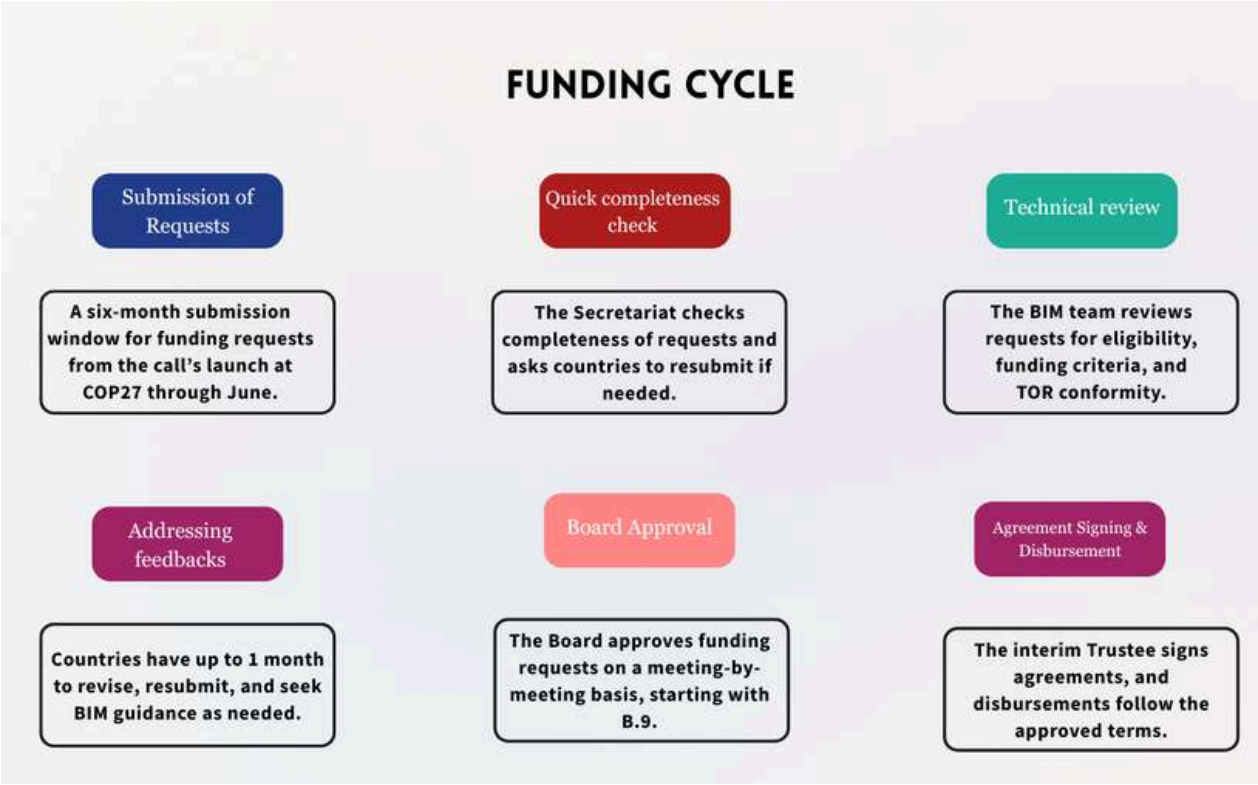
Funding will be disbursed primarily in the form of grants, with the likelihood of other financial instruments being introduced over time. It will also be a pilot for direct budget support to national governments, alongside access through entities accredited to the Adaptation Fund, Green Climate Fund and Global Environment Facility, and partnerships with MDBs, UN agencies and other institutions.

KEY TAKEAWAYS

- The BIM under the FRLD is the first dedicated L&D finance window, offering USD 5–20 million per request from a USD 250 million start-up envelope to support country-led responses to urgent, intermediate, and long-term needs - aligned with national priorities and vulnerable groups.
- The funding cycle which began in December 2026 will be open for funding requests till June 2026. Funding will be accessible through national focal points or authorities with direct budget support under development), MDBs, and other accredited entities (AF/GEF/GCF).
- LDCs should prepare for the funding by strengthening or upgrading national systems and funds to channel resources efficiently and enable rapid, small-scale disbursement to local authorities and communities.
- Leveraging Santiago Network support and WIM guidance, alongside CSO and funder assistance, can help LDCs design evidence-based, context-specific proposals and overcome capacity gaps.
- Strong advocacy is needed for long-term resource mobilization for sustained L&D funding, faster procedures, and scaled small grants.

FUNDING CYCLE

The Funding Cycle for the BIM officially began at COP 27 at Belem, Brazil in November 2025, where the FRLD launched its calls for funding requests. Developing countries have a six-month window to take advantage of this and send proposals for funding.



Funding will be approved if the requests pass review by both secretariat, BIM team and board, leading to agreements being signed and funding disbursement.

FUNDING CRITERIA

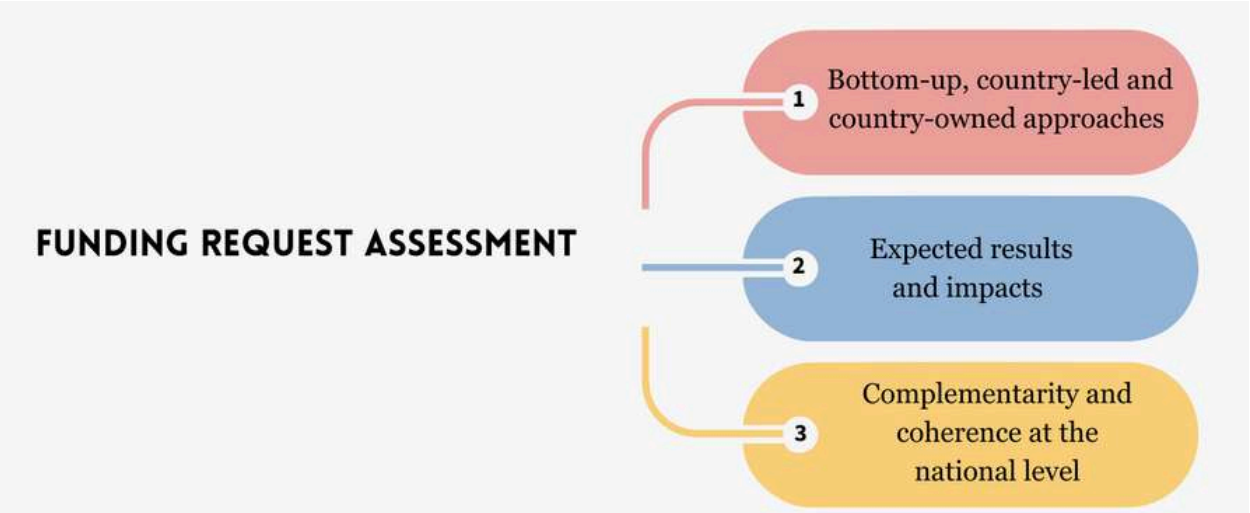
Funding under BIM supports two types of actions - (a) activities responding to economic and non-economic loss and damage (NELD) from climate change and (b) activities focused on priority gaps

Activities under (a) involve:

- Immediate, complementary actions following extreme weather events.
- Intermediate or long-term recovery, reconstruction, or rehabilitation.
- Responses to slow-onset climate events.
- Development of national response plans, improved climate data, and support for safe, equitable mobility for displaced communities.

Activities under (b) encompass those which address priority gaps within existing institutional responses at global, regional, and national levels.

Funding requests are assessed based on three main criteria:



Crucially, BIM is not intended to set a precedent for the Fund's eventual operating model. Instead, it serves as an experimental and evidence-building phase to generate lessons, test access and funding approaches, and inform the development of the Fund's longer-term policies and procedures.

NEED FOR FURTHER RESOURCE MOBILIZATION

The 250 million set aside for BIM is far below the projected needs for addressing L&D annually projected to be USD 724.34 billion with developing countries requiring at least USD 395 million in 2025 alone for the same. While the board has decided to review the need for further allocation at the upcoming eighth meeting of the board, funding available after the BIM will amount to only 194.59 million as of January 2026. This is due to only USD 585.02 million being turned into commitment agreements from the USD 817.01 million having been pledged as of yet, leaving only USD 444.59 million in the bank. This leaves a huge risk for the FRLD to run out of funds by 2027 if a substantial number of pledges are not made within the next year. A strong long-term resource mobilization is also needed for the board to address this issue. The insufficient resources under the FRLD only point towards the failure of the developed countries to fulfill their commitments under the UNFCCC and the Paris Agreement.

INCORPORATION OF CLIMATE JUSTICE

The Fund's purpose is keenly interlinked with principles of climate justice and human rights. Countries least responsible for historical emissions, including many LDC, are suffering the worst of the impacts which encapsulate NELDs such as loss of lands, livelihoods and heritage among others.

TThe eligible activities under the Barbados Implementation Modalities explicitly reference non-economic loss and damage (NELD), highlighting the importance of addressing cultural, social, and human impacts alongside economic losses. However, the text does not make any mention of the Community-Based Disaster Risk (CBDR) approach or findings of the International Court of Justice's (ICJ) historic Advisory Opinion on Climate Change (ICJAO). which could have strengthened the Fund's alignment with principles of equity, shared responsibility, and locally led action. This omission means that while NELD is recognized, broader procedural and governance principles that ensure community-driven decision-making and fair burden-sharing are not formally embedded in the funding framework.

ACCESS MODALITIES AND PATHWAYS FOR FUNDING

Although BIM's operational setup does not currently include mechanisms for rapid disbursement or small grants directly to communities, countries can still incorporate national-level rapid response and small grant programs in their proposals. For example, a national Loss and Damage framework or mechanism could be designed to disburse resources quickly to local authorities following extreme events and deliver small grants directly to affected communities While the FRLD provides multiple access modalities, it still remains heavily reliant on intermediaries. Direct budget support through national governments remains under development, limiting immediate opportunities for countries to deploy funds quickly after extreme events.

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Funding under BIM should be direct, efficient, and responsive, minimizing intermediaries that delay delivery. Direct budget support, country-led approaches, and involvement of Civil Society Organizations (CSOs) ensure that resources reach the most vulnerable communities quickly and are aligned with national priorities. Programmatic flexibility allows activities to be tailored to local needs.

SYNERGY WITH WIM AND SANTIAGO NETWORK

While FRLD provides the financing window, the WIM offers policy guidance and technical knowledge on loss and damage, and the SNLD serves as a channel for accessing technical assistance to address capacity gaps.

By aligning funding proposals with WIM knowledge outputs and drawing on SNLD support to develop robust funding requests, countries can ensure that BIM funding is used more strategically, grounded in evidence, and responsive to real national and local needs. This will ensure that funding should be an opportunity to test new approaches, gather lessons, and strengthen both technical and financial responses to loss and damage. BIM's funding criteria emphasize country-led, needs-based approaches and measurable impacts, which align directly with the SNLD's mandate to strengthen national capacities, generate technical knowledge, and support countries in developing robust responses. SNLD can support the countries applying for BIM funding in 3 ways:

- **Sequential Support**

SN helps countries develop requests aligned with FRLD funding

- **Parallel Support**

SNLD provides NELD expertise for designing projects being funded by BIM.

- **Joint Learning**

A process through which both SNLD and FRLD parallelly support countries in responding to L&D.

This interconnection helps ensure that funding is not received in isolation but is informed by technical expertise, national priorities, and evidence-based planning.

RECOMMENDATIONS

- **Strengthening or Establishing National System to Channel BIM Funds:** Countries need to form or strategically upgrade and designate national systems serve as the primary mechanism for receiving, managing, and rapidly disbursing resources from the Barbados Implementation Modalities (BIM). Although BIM does not cover fast-track funding or small grants, countries can design national systems or programs, such as national L&D funding arrangement or mechanism to enable swift financial response at the local level after extreme events.

- **Adopt Bottom-Up, Country-Led Approaches:** Funding proposal designs need to be country-owned and actively local communities, CSOs, and relevant stakeholders in identifying L&D needs and informing interventions. Country-led approaches strengthen national systems, ensure alignment with local priorities wider development and climate strategies.

- **Engage Civil Society and Technical Partners:** Seeking active support from CSOS and technical experts will ensure overcoming of capacity and resource constraints, countries should actively seek support from CSOs and technical partners.. These actors can assist in preparing good-quality funding requests, provide guidance on proposal alignment with BIM criteria, and help access technical assistance from SNLD.

- **Develop Comprehensive Funding Requests:** Funding requests should reflect the full spectrum of L&D, including both economic (impacts on critical infrastructure, schools, health centers, and livelihoods) and NELD (impacts on culture, identity, language, biodiversity, health, mental wellbeing, displacement, planned relocation, and human mobility challenges). Funding requests should highlight how proposed activities will generate measurable results and contribute to resilience in vulnerable communities.

- **Leverage Programmatic and Flexible Approaches:** Embedding programmatic structures that allow tailored interventions based on country-specific needs and contexts. Proposals should include flexible funding mechanisms, allowing adjustments during implementation to respond to emerging challenges or new information.

- **Align with FRLD and BIM Operational Requirements:** Proposals need to align with BIM funding criteria, eligibility requirements, and operational guidelines, including country ownership, expected results, and coherence with national policies.

- **Prioritize Climate Justice, Human Rights, and Equity:** Integrating principles of climate justice, gender equality, human rights, and the protection of indigenous and marginalized groups will ensure a stronger funding request. Funding should target those most affected by climate change, acknowledging that LDCs and SIDS are disproportionately impacted despite contributing least to global emissions. BIM funding should be treated as an obligation, not as discretionary aid. Early review of templates and understanding the Secretariat's completeness and technical review processes will increase the likelihood of timely approval.

- **Engage Actively in COP and Policy Discussions:** Active engagement in UNFCCC and FRLD policy discussions will be instrumental in advocating for higher resource mobilization, alongside procedures that enable rapid disbursement and small grants. This will be help scaled-up annual funding commitments and access modalities that allow fast, direct flow of resources to the communities most affected by loss and damage.

- **Leverage Technical Support from the SNLD:** Aligning technical guidance, capacity-building, and knowledge from SNLD with funding proposals ensures that projects are well-designed, feasible, and responsive to national needs, enabling more effective, timely, and impactful use of financial assistance for both economic and non-economic loss and damage.

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