Avalanche disaster in Nepal puts UN climate fund to its biggest test yet

Report by Bibek Bhandari, in Nepal, in *South China Morning Post*, Sept 8, 2026

Nepal is seeking financial aid following the catastrophic flooding that killed hundreds of people and caused billions of dollars in economic losses. Aid appeals will tap into a global financial mechanism established to address the impacts of climate change [global warming] in developing countries. Kathmandu has formally requested the UN-backed Fund for Responding to Loss and Damage to "respond rapidly, directly and effectively" amid the country's worst natural disaster in decades. The Fund was established in 2022.

In a letter signed by Finance Minister Swarnim Wagle and Environment Minister Gita Chaudhary, officials say early action by the entity would signal a capability to respond "with humanity, flexibility and solidarity when climate-vulnerable countries face loss and damage beyond their capacity to address alone".

The August 26 tsunami-like flooding – triggered by a rock-ice avalanche along the Nepal-China border – has killed more than 1,300 people, with roughly 5,000 others still missing. On Friday, the Nepal Army rescued two local workers trapped inside a hydropower tunnel for nine days, while a Chinese national was pulled out the following day. Hundreds more hydropower workers are feared trapped inside some 12 such tunnels in the country.

"What Nepal is doing by submitting the request is genuine and right," Raju Pandit Chhetri, executive director of the environmental non-profit Prakriti Resources Centre, told the *SCMP*. "The support that Nepal might get may be minuscule, but it will send a significant message symbolically and set a precedent for other countries."

Following decades of negotiations, countries agreed to establish the Fund for Responding to Loss and Damage at the 2022 UN Climate Change Conference (COP 27) in Egypt. The fund became operationalised the following year at COP 28 in Dubai, laying the groundwork to assist developing countries.

The fund relies mainly on government contributions. Of the money pledged so far, US$250 million has been allocated for its initial 2025–26 funding phase, with at least 50 per cent earmarked for small-island developing states and least-developed countries.

Governments from climate-vulnerable countries and climate activists have long called on the world's biggest emitters to take greater responsibility for the damage caused or exacerbated by climate change, including providing financial aid to countries bearing the heaviest burden.

The World Bank estimates that Nepal contributes only 0.01 per cent of global greenhouse gas emissions. However, the Climate Risk Index 2026 of the development organisation Germanwatch ranks the Himalayan nation as the sixth most affected country globally for extreme weather impacts in 2024.

“We desperately need climate reparations,” global environmental activist Greta Thunberg wrote in a social media post demanding climate justice for Nepal. “Stop calling it aid. Stop calling it generosity. What is owed to Nepal is climate [global warming] debt: money that is due because of harm that was caused. Not a gift that so-called developed countries get to decide whether or how much to give.”

A Nepal army team departs for a flooded area to carry out rescue operations in the aftermath of flash floods in Trishuli, Nepal’s Nuwakot district on Sunday (photo by AFP)

However, analysts caution that the Fund’s mechanism does not involve legal liability or forced compensation, instead relying on cooperation and facilitation. The Fund is not intended to finance adaptation, resilience building, or early warning systems, but rather rehabilitation, recovery and reconstruction in the aftermath of a climate [global warming] event, including a cumulative event.

“This unfortunately means that the Fund is not a reparations or compensation fund,” said Sneha Pandey, a climate diplomacy and policy analyst at Climate Analytics, an international climate science and policy institute. “The fund is meant to finance activities that come after the immediate humanitarian response, and to assist particularly vulnerable developing countries in responding to both economic and non-economic loss and damage.”

Nepalese officials estimate economic losses at 400 billion rupees (US$2.5 billion), with recovery costs nearing US$5 billion – almost one-tenth of Nepal’s economy. The hardest-hit areas are in the northern and central districts of Rasuwa, Dhading and Nuwakot.

Climate change [global warming] link

Experts also say that Nepal must establish that the disaster was directly linked to climate change [global warming] while providing a detailed loss assessment to support its claim.

Pandey said that monetising non-economic losses was complex and raises ethical concerns. However, she notes it remained feasible, as costs for psycho-social services, restoration of cultural sites and support for bereaved households "do not try to put an oversimplified number on the loss itself, but quantify the response to such losses".

"This is a huge gap because it understates what was lost and the scale of the response required," Pandey said. "The upcoming COP 31 conference [to be held in November] is an opportunity to make the case at the highest level for mobilising more finance for climate-induced loss and damage."

Nepal police search for survivors and victims of the deadly flash floods and a mudslide, in Betrawati, Nuwakot district, Nepal on September 8 (photo by Reuters)

Last week, Prime Minister Balendra Shah told Nepal legislators that the Himalayan region faces increasing risks from rising temperatures, emphasising that Nepal must urgently present a strong global case regarding climate [global warming] impacts. Shah is scheduled to address the United Nations General Assembly in New York later this month during his first official foreign trip since assuming office in March.

"We have to give a clear message to the international community that Nepal alone cannot fight the impacts of climate change [global warming], and this is the result of inaction from the global community," Chhetri said. "Whatever has been committed under conventions to provide

financial and technical capacity needs to be swiftly provided. We're not begging, but asking for what was promised."

On Wednesday, September 2, board members and alternates representing African, Asia-Pacific and least-developed countries formally wrote to the fund's leadership, urging the entity to "act as swiftly as possible" to support Nepal. The Loss and Damage Fund Secretariat did not respond to requests for comment by the time of publication.

Chhetri said the entity must respond to Nepal's request while also establishing procedures to handle similar claims, as there are no established guidelines governing such claims. "This will also be a test of the fund itself," he said. "The ball is in their court now."