



Climate Change Network Nepal

# GOVERNANCE OF CLIMATE CHANGE ADAPTATION FINANCE IN NEPAL

BRIEFING PAPER

March 2011

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## 1. Context

### *1.1 Poverty, development and aid effectiveness*

Nepal has a per capita GDP of US\$ 427, placing it 157 of 164 countries worldwide.<sup>1</sup> 31% of the population falls below the poverty line according to the national poverty line. 55% of the population lives on less than \$1.25 per day and the new Multi-dimensional Poverty Index (MPI) measures 65% of the population as multi-dimensionally poor<sup>2</sup>.

There has been significant progress in human development. A child born today can expect to live 25 years longer than in 1970.<sup>3</sup> While human development has improved over the past decade and the proportion of Nepalis living in poverty has lowered, through increase in remittances, higher wages and urbanisation, patterns of inequity largely remain the same and gaps between the advantaged and disadvantaged have widened or remained constant.<sup>4</sup> Poverty and exclusion were significant drivers of the decade-long conflict.

Nepal is one of the few countries in the world where women have a lower life expectancy than men. Women tend to have lower status and heavier workloads. Discrimination against women remains in all areas of life principally related to access and control over resources especially property rights and inaccessibility to services like health and education.

Nepal's economy is marked by negative trade balance and dependence on foreign aid. There has been a significant decline in ODA between 2000 and 2008 and with the political instability there has been a significant reduction in aid commitments this year. Proportionate funding to the health, education and social sectors has increased substantially with a resulting decline in agriculture, forestry, and other

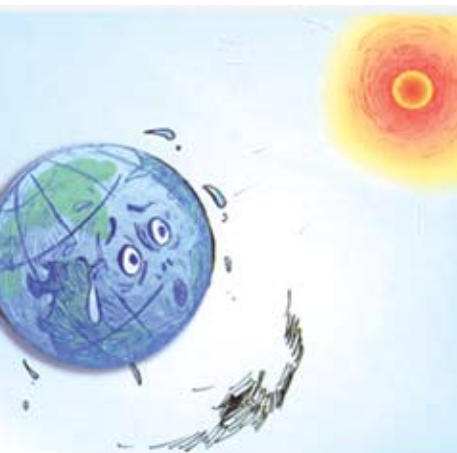
<sup>1</sup> Ethiopia \$345/159th; \$551/146th; Cambodia \$677/142nd. Data of 2009, World Development Indicators database, World Bank

<sup>2</sup> <http://www.ophi.org.uk/policy/multidimensional-poverty-index/>, Multidimensional Poverty Index, Oxford Poverty and Human Development Initiative, University of Oxford.

<sup>3</sup> 2010 Human Development Report: Asian countries lead development progress over 40 years, UNDP

<sup>4</sup> Nepal Human Development Report 2009; State Transformation and Human Development, UNDP

The country is undergoing huge political change having emerged from ten years of conflict: from a monarchy to a republic;...



sectors.<sup>5</sup> There are approximately 30 donors working in Nepal. The UK is the largest OECD bilateral donor, with USAID, Japan, Norway, Denmark and Germany providing around half the UK volume. India provides substantial aid, including in-kind, China is also a donor, but accurate figures are not known for either. ADB has been the largest multilateral but is now being overtaken by the World Bank.<sup>6</sup>

### 1.2 Politics and the State

Nepal is at a cross-road. The decade-long conflict formally ended in November 2006 with the signing of the Comprehensive Peace Accord. Peace remains extremely fragile. In 2008, the country voted in a Constituent Assembly (CA), named a President, elected a Prime Minister, formed a coalition government, and set about the writing of a new Constitution. The new Prime Minister, Jhalanath Khanal, the chairman of the Communist Party of Nepal - Unified Marxist Leninist (CPN-UML) has many challenges to overcome - drafting the constitution, advancing the peace process and ensuring peace and stability. Donors have become impatient and warned that their ability to deliver aid and commit to future resources within the current vacuum is severely challenged.

The country is undergoing huge political change having emerged from ten years of conflict: from a monarchy to a republic; from a hegemonic to an inclusive and participatory system of governance; from a heavily centralised unitary system to one characterised by decentralisation and autonomy at the regional and local levels. The structural dynamics of governance at the local level are likely to change dramatically.

### 1.3 Climate change vulnerability

Nepal is largely an agrarian economy, with the agriculture sector providing over 30% of GDP and supporting the livelihoods of more than 86% of the population<sup>7</sup>. Nepal's diverse topography, fragile ecosystems and poverty make it extremely vulnerable to the negative impacts of climate change. In a recent global Climate Change Vulnerability Index (CCVI), prepared by UK firm Maplecroft, on the basis of calculated vulnerability of 170 countries to the impacts of climate change over the next 30 years, Nepal ranks fourth.<sup>8</sup>

There is limited reliable and consistent climate science data and technology capacity. Observed data indicate consistent warming and rise in the maximum temperatures, which is more pronounced in high altitude regions compared to other regions. There have been more intense rainfall events causing landslides and floods. Weather patterns are increasingly unpredictable. Climate scientists expect existing trends will continue, including more intense monsoons, severe and frequent floods. Glacial retreat and the threat of glacial lake outburst floods pose unprecedented threats to water supplies and lives.<sup>9</sup>

The poor are often living in areas most at risk to floods and landslides and are more reliant on local natural resources. According to the Food and Agriculture Organization up to 3.4 million people are highly to severely food insecure. The World Food Programme and Ministry of Agriculture report declining food harvests and rising food prices. As increasing numbers of men are migrating seasonally for work, the responsibility for feeding the family falls to women. They are walking

<sup>5</sup> Joint Evaluation of the Implementation of the Paris Declaration, Phase II Nepal Country Evaluation Ministry of Finance, Nepal, 2010

<sup>6</sup> OECD DAC Aid Statistics, <http://www.oecd.org/department1> and DFID Country Business Plan in Nepal 2009 - 2012

<sup>7</sup> Central Bureau of Statistics, National Planning Commission, Statistical Yearbook Nepal .

<sup>8</sup> <http://www.maplecroft.com/about/news/ccvi.html>

<sup>9</sup> Immerzeel W W, Van Beek L P h and Bierkens M F P (2010) Science 328: 1382-1385.

longer distances to fetch water, fuel and fodder and are increasingly taking on additional heavy burdens as wage labourers and domestic workers.<sup>10</sup>

## 2. Existing and emerging national situation on climate change adaptation

### 2.1 International position on climate change

Nepal has signed numerous international treaties and instruments. Nepal became a party to the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, entering into force in Nepal in July 1994. The Kyoto Protocol came into force in December 2005. In most international fora and instruments, including in climate change Nepal positions itself with a group of countries with similar interests. As a Least Developed Country (LDC) Nepal is a member of the 49 country LDC Group and tends to negotiate as a group with other LDC countries. Nepal is also a member of the G77 and China, however is often dormant within the group.

Nepal strongly advocates, with others, that developed country parties must immediately fulfil the commitment made in Article 4.10 of the UNFCCC. The article states that “the Parties shall take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology.”

### 2.2 Overview of national structure and programmes

Climate change awareness is growing with increasing government and civil society engagement. There has been relative success in building broad ownership across government over the past two years. However public awareness is low. There has been no information centre in existence until very recently and key policies and documents are not available in an accessible form to the public. There are several Acts and Regulations that link directly or indirectly to climate change: the Forest Act (1993) and Forest Regulation (1995), Environment Protection Act (1996), Environmental Regulation (1997) and Water Resource Act (1992). Major national-level development and sector plans such as the Master Plan for Forestry Sector and National Water Plan are relevant to adaptation but climate risks have not been directly addressed in them.

The last Prime Minister Madhav Kumar Nepal was a strong champion of climate change issues. Under his leadership a Climate Change Council was established and a Climate Change Policy agreed in the cabinet. The Ministry of Environment (MoE) is the focal point for UNFCCC and climate related work in Nepal. The Government of Nepal has created a new division under the MoE called the Climate Change Management Division headed by the Joint Secretary to coordinate climate change work.

Nepal is eligible to access finance from the UNFCCC Global Environment Facility special funds: the Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF), and the Adaptation Fund under the Kyoto Protocol. Presently, there is no funding flowing to either of these programmes. The International Centre for Integrated Mountain Development (ICIMOD) works with MoE to promote the Mountain Alliance Initiative with funding from Norway and Switzerland. There are a number of other significant adaptation programmes going through Ministry

...“the Parties shall take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology.”



<sup>10</sup> Oxfam International (August 2009), Even the Himalayas have Stopped Smiling: Climate Change, Poverty and Adaptation in Nepal.



There are two chief climate change coordination and policy forums currently operating under the government.

of Forests and Soil Conservation (MoFSC) and the Ministry of Agriculture and Cooperatives (MoAC), in particular. It is extremely hard to establish what is new and additional funding or already committed ODA.

### 2.3 Technical Assistance Projects and Capacity Strengthening

Several technical assistance capacity strengthening projects funded by different donors to a number of ministries are underway. These are largely operated by teams of international and national consultants in project implementation units attached to ministries but closely handled by their donors. The main projects are: to MoE from ADB, DFID, DANIDA and UNEP; to the National Planning Commission (NPC) from ADB and UNDP/UNEP; to the Department of Hydrology and Meteorology (DHM) (which is under MoE) from ADB, DANIDA and Finland. These are each separate projects with separate MoUs, financing arrangements and modalities. One of the key components of a programme of technical assistance from ADB, that has been ongoing since 2008, is a grant entitled Strengthening Capacity for Managing Climate Change and the Environment.

Given fiduciary risk concerns, bilateral agencies say they are unable to channel funds through Ministry of Environment. Government, and others, argue that the ministry needs to be given the work in order to prove itself and to be able to institutionalise the various strands of technical assistance using the recently approved Climate Change Policy as an overarching framework from which to develop a convergent long term strategy for strengthening climate change capacity within the MoE and other agencies.

### 2.4 Government Policy and Coordination Mechanisms

There are two chief climate change coordination and policy forums currently operating under the government. The Climate Change Council and Multi-Stakeholder Climate Change Initiatives Coordination Committee (MCCICC). The Climate Change Council, formed in July 2009, is a 25 member high-level policy and coordination body formed under the chairmanship of the Prime Minister, with the secretary of the Ministry of Environment as the Member Secretary. Fourteen different ministers and other senior officials including experts nominated by government from civil society organisations are members of the Council.

The Multi-Stakeholder Climate Change Initiatives Coordination Committee (MCCICC) was formed during the preparation of NAPA in July 2010, under the Ministry of Environment. MCCICC is charged with improving communication and coordinating climate change initiatives at a programme level as well as funding on adaptation actions, including those identified under NAPA. It includes members from different line ministries, including local government, donors and civil society representatives. It was established in July 2010.

The Ministry of Environment (MoE) initiated a process three years ago to formulate a national climate change policy. The cabinet has recently approved the policy. Focal areas are adaptation, low carbon development paths and natural resource management. The policy plans for the establishment of a semi-governmental Climate Change Centre to undertake research and provide technical support to the government.

### 2.5 National Adaptation Programme of Action (NAPA)

Nepal embarked on its National Adaptation Programme of Action late, only properly starting in May 2009 and completing it in September 2010. Preparation of the NAPA plan was delayed for various reasons, including funding



disbursement, coordination issues involving UNDP and limited operational capacity in MoE. Since, Nepal was one of the last countries to prepare their NAPA it strived to capitalise on learning from other countries, to ensure there was a strategic approach with better links to other climate change processes and national planning, and to mainstream adaptation right down to the local level. In response, Nepal undertook an 'expanded NAPA' with three components: (1) preparation and dissemination of a NAPA document; (2) development and maintenance of a Climate Change Knowledge Management and Learning Platform and (3) development of a Multi-stakeholder Framework of Action.

The process has been credited with being participatory and incorporating inputs from a wider range of stakeholders and interest groups, including with vulnerable communities. The plan was developed through six thematic areas led by a different line ministry. Under this plan, nine combined profile projects have been identified with a total budget of US\$ 350 million. The document anticipates 80% of funds being spent at the village/municipal level, channelled through a designated implementing line ministry and the District Coordination Committee (DCC) formed at the District Development Committee (DDC).

Under the second component of the NAPA, the Nepal Climate Change and Development Portal was also launched.<sup>11</sup> This portal should serve as the main forum for sharing climate information and knowledge. The Nepal Climate Change Knowledge Management Centre (NCCKMC) was inaugurated by the Prime Minister on 29 November 2010, and is launched at the Nepal Academy of Science and Technology (NAST) in joint collaboration with MoE.

In terms of NAPA implementation the document lays out a framework. MoE is responsible for overall coordination and reporting and liaising with the Climate Change Council – the apex body responsible for policy coordination – and the main coordination forum established under NAPA, the MCCICC (Multi-Stakeholder Climate Change Initiatives Coordination Committee). The cabinet approved the NAPA document in September 2010.

### 2.6 Pilot Programme for Climate Resilience (PPCR)

Nepal is one of the nine PPCR recipient countries. PPCR is broken into two stages: first phase is for the analysis, coordination and planning across ministries to mainstream adaptation into development plans and the second phase for the implementations of the plans and programmes. Though the initial funding committed for PPCR in Nepal was US\$ 60 million, divided between grant and loan. Now this has been increased to US\$110 million: a 50 million grant and 60 million concessional loans. Initially the government rejected the loan, but it now looks likely, following the example of other LDCs, that they will take it. The loan component of PPCR is highly contentious and many within government hold contradictory views, as recent articles in the mainstream press.<sup>12</sup>

PPCR development started as NAPA planning was underway. Expectations were that PPCR would align under NAPA and could be used to finance identified NAPA projects. At the same time government was drafting the Climate Change Policy and there was a strong push for improved coordination between donors. After

<sup>11</sup> Nepal Climate Change and Development Portal, [www.climatenepal.org.np](http://www.climatenepal.org.np)

<sup>12</sup> Khadka, N.S. 'Climate Injustice?' Kathmandu Post Oped, January 27th, <http://www.ekantipur.com/the-kathmandu-post/2011/01/27/oped/climate-injustice/217751.html>; Khadka, N.S. 'Nepal climate loan hit by opposition storm, BBC, February 3rd 2011, <http://www.bbc.co.uk/news/science-environment-12357200>; Bhushal, R.P. 'Loan to Fight Climate Change' The Himalayan Times, 24 January 2011: <http://www.thehimalayantimes.com/fullNews.php?headline=Loan+to+fight+climate+change+&NewsID=274153>

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the first joint PPCR mission of ADB and World Bank, hopes for alignment began to dissipate with concerns arising that PPCR was developing its own process, with little government ownership. On the other hand, the MDBs expressed their concern that NAPA was not developing quickly enough as well as stressing that PPCR had its own set of guidelines. It also emphasises that 'NAPAs are intended to cover urgent and immediate needs for adaptation whereas the PPCR is focused on long-term goals of achieving development that is climate resilient.' But the recent PPCR Aide Memoire states that the design of the components is complementary and reinforcing to NAPA.<sup>13</sup>

Control of PPCR decisions seems largely to be in the hands of the banks' headquarters and on many issues MDB staff in-country seem to have their hands tied. Concerns have been increasing that the aspirations of PPCR's stated objectives and the reality are far apart. During a joint ADB and World Bank mission, donors and civil society raised the possibility of PPCR funds being channelled through a multi-donor trust fund. It was made clear that creating such a fund was not within the mandate of PPCR nor was it possible for PPCR funding to flow through such a fund.<sup>14</sup> This rigidity is unhelpful.

### 2.7 Sources outside the UNFCCC through donor funding in country

There are a growing number of scattered initiatives classed as climate change activities, being funded by bilateral and multilateral donors. It is hard to obtain a clear picture of all these initiatives from donors or government partly because there are differing definitions between agencies of what constitutes a climate change programme and partly because there is a lack of coordination amongst donors and within government institutions. There has been an attempt to improve alignment with government and information sharing and coordination between donors. MoE brought 14 donors together to sign a donor compact in September 2009.<sup>15</sup>

One of the most significant programmes in development for climate adaptation coming through bilateral funding in country is the Local Adaptation Programme of Action/Reducing the Climatic Vulnerability of the Poor. During NAPA development the idea of Local Adaptation Plans of Action (LAPA) were suggested as a way to scale up community-based strategies and integrate top-down and bottom-up approaches to mainstream adaptation into planning.

The LAPA is a plan prepared at the local level by a multi-stakeholder team including vulnerable communities, which aims to identify local adaptation needs and strengthen institutional mechanisms for ensuring consolidated and coordinated adaptation responses.

DFID has committed funding for four years for the programme it calls 'Reducing the Climatic Vulnerability of the Poor'. An initial pilot phase - which is currently underway - and subsequent implementation, has approximately 17.3m (£10,730,000) of DFID funding. The EU is also likely to join a pooled fund for LAPA implementation with a contribution of further Euro 19.4m (approximately \$26.3m). The pilot phase is managed by the private British consultancy firm HTSPE, and sub-contracted for implementation to seven

<sup>13</sup> Nepal: Pilot Program for Climate Resilience (PPCR) World Bank / ADB / IFC Joint Mission, 15-21 November 2010 Aide Memoire.

<sup>14</sup> Nepal: Pilot Program for Climate Resilience (PPCR) World Bank / ADB / IFC Joint Mission, 15-21 November 2010 Aide Memoire

<sup>15</sup> SAGUN and Libird, Climate Change Impacts on Livelihoods of Poor and Vulnerable Communities and Biodiversity Conservation: A Case Study in Banke, Bardia, Dhading and Rasuwa Districts of Nepal, CARE Nepal, 2009



**Table: NAPA and PPCR: overview of key features**

	NAPA	PPCR
Timing	<ul style="list-style-type: none"> <li>May 2009 started developing plan</li> </ul>	<ul style="list-style-type: none"> <li>March 2010 started developing plan.</li> </ul>
Funding to date	<ul style="list-style-type: none"> <li>US\$1.325m: 200,000 (from GEF/LDCF); 50,000 UNDP; 875,000 DFID; 200,000 DANIDA supplemented in country.</li> </ul>	<ul style="list-style-type: none"> <li>\$225,000 for technical assistance (from Strategic Climate Fund)</li> </ul>
Governance and operational mechanism	<ul style="list-style-type: none"> <li>Multi-donor trust fund under UNFCCC's Global Environment Facility, LDCF</li> <li>Global – under GEF Assembly, Council, Secretariat. Guidance of the Least Developed Countries Expert Group</li> <li>WB serves as Trustee</li> <li>In country, pooled fund under UNDP</li> <li>Operated under separate Project Implementation Unit under MoE with international and national consultants.</li> </ul>	<ul style="list-style-type: none"> <li>Multi-donor trust fund outside UNFCCC through Climate Investment Fund</li> <li>Global - PPCR Sub-Committee (PPCR-SC) oversees operations and activities of the Pilot Program. Governed by SPCR sub-committee guidelines</li> <li>WB/IBRD serves as Trustee</li> <li>In-country managed jointly by World Bank and ADB.</li> <li>Operated under separate Project Implementation Unit under MoE with international and national consultants.</li> </ul>
Design process	<ul style="list-style-type: none"> <li>Six thematic or sectoral areas, under a thematic working group headed by different ministries.</li> <li>Involved series of consultations around the country, reviews and appraisals.</li> <li>Focus on knowledge management and stakeholder coordination through additional donor funding in-country.</li> <li>Plan approved by the Cabinet.</li> </ul>	<ul style="list-style-type: none"> <li>Used NAPA thematic groups for consultations.</li> <li>Carried out further or new assessments beyond NAPA's.</li> <li>Milestone decisions through WB/ADB missions</li> </ul>
Content	<ul style="list-style-type: none"> <li>Identified over 40 projects, prioritised 9, under different themes and sectors</li> <li>Anticipates 80% of funds being spent at the village/ municipal level, channelled through a designated implementing line ministry MoE is responsible for overall coordination and reporting and liaising with the Climate Change Council</li> <li>MCCICC (Multi-Stakeholder Climate Change Initiatives Coordination Committee) established as main coordination forum.</li> </ul>	<ul style="list-style-type: none"> <li>Four inter-related components with some cross-over with NAPA identified priorities.</li> <li>Implemented through designated project management units, with component coordination committees chaired by secretaries of the respective component lead agencies.</li> <li>Climate change program steering committee will monitor results and provide coordination, chaired by Minister of MoE. MoE secretariat.</li> </ul>
Budget	<ul style="list-style-type: none"> <li>Budgeted US\$ 350 million for 9 prioritised projects</li> </ul>	<ul style="list-style-type: none"> <li>Anticipated budget of \$110m: 50m grants &amp; 60m loans.</li> </ul>
Current status and Next steps	<ul style="list-style-type: none"> <li>Currently no funding for projects.</li> <li>Looks likely that 10 12m. will come from LDCF, split between UNEP and UNDP for implementation.</li> </ul>	<ul style="list-style-type: none"> <li>Draft proposal tentatively agreed. Next mission due for Feb 2011 to finalise and agree funding.</li> </ul>

NGO partners for implementation across ten districts. DFID is clear that LAPA implementation would continue to go through a managing agent, given MoE's capacity constraints. It is too early to be drawing lessons from LAPA but its design and the pool of funding provide enormous potential to support vulnerable communities in the scale up of adaptation actions and integration of these into higher level processes.

### 2.8 Civil Society Programmes and Coordination

There are a number of civil society programme, research, and networking initiatives being undertaken on climate change. Various organisations are taking diverse and innovative initiatives. With limited funding and a nascent knowledge base many of these organisations are in the early days of addressing what the



The media has a growing voice and private sector, parliamentarians and government institutions at the local level are also critical players.

uncertainty of climate impacts means to current programming and are starting to review their projects to examine how to meaningfully integrate climate change adaptation considerations into their work.<sup>16</sup> These experiences are vital to informing policy and national-level programming.

Several forums on climate change exist in the country. The Climate Change Network Nepal (CCNN) is a loose coalition of various organisations, including national and international NGOs and donors including DFID, JICA and UNDP. The NGO Group on Climate Change is a forum of local-level organisations working on the ground on climate change, set up with a strong community-based focus as an information-sharing platform. CAN Nepal is a loose alliance of organisations who are members of the Climate Action Network International. CAN Nepal is a part of Climate Actions Network South Asian (CANSAs) which is the regional node for South Asia that focuses on information dissemination, discuss and lobby on climate policies at a national and international level. Representatives of NGOs are also on the MCCICC and the Climate Change Council. As these are loose and informal alliances, representing a large and diverse number of organisations coordination and effective information flow is a challenge.

These networks are yet to play a significant role in gathering information and advocating around financing and governance at the national level, although recently there has been a fairly good amount of collective discussion on the PPCR loan. The media has a growing voice and private sector, parliamentarians and government institutions at the local level are also critical players. Climate networks need to reach out to educational institutions and the scientific community as well as build stronger linkages to the media and parliamentarians.

## Conclusions

Climate finance marked by fragmentation and unpredictability: Similar to the financing of development in Nepal, the financing for climate change adaptation has been fragmented and disconnected. Funding has been unpredictable and piecemeal, impacting on the possibility of long-term national planning and commitment and delivery of resources and support to vulnerable communities.

Structures are being put in place and policy and planning progress made: The Ministry of Environment has been made the focal point for climate change and a specific Climate Change Management Division has been established. A high-level policy and coordination body has been established under the leadership of the Prime Minister and a multi-stakeholder committee to coordinate initiatives at the programme level is also in place.

Resources and capacity are lacking: MoE is severely constrained by a lack of human resources and has been largely dependent on technical assistance inputs funded by donors, in the form of consultants. The Ministry questions to what degree this has actually built capacity and institutionalised learning but whilst the systems and technical capacity are not sufficiently present within the civil service currently institutionalising this capacity will remain a challenge.



<sup>16</sup> SAGUN and Libird, Climate Change Impacts on Livelihoods of Poor and Vulnerable Communities and Biodiversity Conservation: A Case Study in Banke, Bardia, Dhading and Rasuwa Districts of Nepal, CARE Nepal, 2009



NAPA recognises the need to deliver resources to the local level and LAPA presents a possible model but there are bottlenecks to overcome: There are concerns about the amount of time it will take to significantly operationalise NAPA. MoE needs political backing and authority across government. Linkages with the Ministry of Local Development and the Local Government Capacity Development Programme are critical. Lessons from LAPA piloting are not yet clear, but if the pilots demonstrate success there will be much to learn about successful community adaptation actions and integrated development planning.

Global controversy over PPCR governance and finance plays out at the national level but there have been some achievements in alignment: There is palpable disappointment amongst stakeholders in how PPCR has been developed and concern that the programme will be implemented with limited national ownership. In addition the loan element is becoming increasingly contentious amongst domestic constituencies.

Promoting social equality in climate adaptation needs to explicitly address resource distribution and institutional structures, moving from analysis to implementation: Whilst the differentiated impacts of climate change on social groups and between men and women have been relatively well examined and understood, moving from this to developing effective strategies within programmes presents a greater challenge. Existing funding mechanisms are designed to deliver resources to the most vulnerable.

Civil society forums are active and consultative spaces increasing but improving information flow and influencing policy needs strategy and dedicated resources: Civil society forums on climate change are progressively more active and vocal. They are being invited into planning and consultation spaces and their voices increasingly heard. They are also part of Climate Change Council and MCCICC.

Building an evidence base for successful adaptation: There are a number of civil society organisations supporting community adaptation through a variety of projects. Knowledge management needs to be more centrally prioritised in order to build a sound evidence base for scaling up current efforts and sharing learning widely.

Increased funding without better harmonisation and alignment increases the burden on already weak institutions: In the absence of a coordinated mechanism to capture climate change adaptation funding will increase and the number of different modalities and agencies involved will continue to proliferate and fragment. With more funding expected, MoE will struggle to strategically manage the different strands without better harmonisation and a clear commitment from donors on how they will pool resources and initiatives in support to the development of national systems.

The challenge to respond effectively to the realities of climate change is clearly formidable. Action at the national level is undoubtedly only part of a much greater, more complicated picture. Decisions at the international level will have enormous bearing on the progress that Nepal is able to make. However, a sufficiently resourced, sustained and nationally owned programme of action is needed. Donors must coalesce and strive to find a common, robust and accountable mechanism that can channel funds to support national systems and effective climate change adaptation to the most vulnerable.

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### 3. Recommendations

#### *GOVERNMENT OF NEPAL*

Immediate areas to address regarding the organisational structure of Ministry of Environment and climate change activities

- Decide exact mandate of MoE, its role and functions and how it will interlink with other ministries, agencies and departments on climate change. Communicate this within government.
- Map existing resources with current and project programmes to clearly assess the capacity gap in terms of financial and human resources and what would be need to fill this.
- Fill current vacant positions within MoE.

#### *Furthering Climate Planning and Policy*

- Develop a long term climate change strategic plan to underpin the climate change policy.
- Review current relevant legislation and consider where this can be strengthened. Consider drafting of new legislation to better enforce areas of the climate change policy.

#### *Development of an institutional structure and national funding entity*

- Take greater leadership in developing and agreeing a detailed roadmap with milestones for expediting the establishment of a national climate finance entity that garners sufficient trust, is transparent and robust and aligned closely with national systems. Look to better aid effectiveness models where these do exist and draw lessons for climate funding.
- Put forward immediate interim options for channelling funding through another entity outside of government that MoE can have a role in terms of administration and oversight (commercial bank in the short term or model such as Alternative Energy Promotion Centre could be considered in the long-term).
- In the establishment of an institutional framework develop clear principles and strategies around promotion of gender and social equity, considering how these principles can be reflected within the governance structure as well as distribution of resources, thematic areas and programming. Build these into any monitoring and evaluation framework.
- Build in windows for on-budget (for public sector projects) and off-budget (for civil society projects).
- Ensure these processes incorporate broad consultation and progress towards developing the institutional framework is communicated widely to stakeholders.
- Develop detailed terms of reference and clear arrangements for decision-making bodies and coordination fora under government. Clarify how the MCCICC, Climate Change Council, Climate Change Knowledge Management Centre and planned Climate Change Centre will interact and coordinate.

#### *Oversight and Accountability*

- Revive the Natural Resources and Environment Committee with dedicated resources, ensuring cross party expertise.
- Conduct information sessions in parliament on key climate change issues, programmes and policy.



## DONORS

### Capacity Building Initiatives

- Jointly commission an external independent review of current capacity building initiatives to assess areas of progress and weakness and make recommendations going forward.
- Re-examine the current fragmented approach to capacity building and work jointly on pooling assistance, using the recently approved Climate Change Policy as an overarching framework from which to develop a convergent long term strategy for strengthening climate change capacity within the MoE and other agencies.
- Support further strengthening of the government's financial and procurement mechanisms with suitable monitoring to track improvements.

### Finance and Coordination

- Develop one pooled multi-donor trust fund as an interim mechanism that can begin to foster alignment and harmonisation. As an interim measure agree options with GoN for channelling this through an entity outside of government.
- Clearly communicate minimum conditions for channeling current funding through a national level climate fund.
- Ensure experiences and constraints of institutional practices as they play out at a national level are fed back to headquarters.

## CIVIL SOCIETY

### Formalise and improve coordination, broaden coalitions and build evidence

- Prioritise joint working to improve knowledge management and evidence building on adaptation efforts.
- Agree common policy objectives and prioritise joint actions across networks and advocate on these with policy makers.
- Consider organising a regular forum to bring networks together.
- Consider legalising networks and putting dedicated resources behind a national secretariat. Seek funding and support outside of Nepal.
- Reach out to make linkages with parliamentarians, educational and research institutions and media organisations.
- Ensure country experiences on finance, governance, policy and programming is feeding into and informing international forums.

### Finance Model and Governance

- Push for consultation and participation in decision making with government and donors on a national funding entity and governance structure. Ensure positions are clear and informed and have buy-in of members.
- Advocate for dedicated resources in climate adaption projects for gathering evidence and sharing information.
- Advocate for need for sufficient oversight and accountability mechanisms to be built into the institutional structure and a clear role and legitimacy for civil society.
- Advocate for civil society resource envelop and clear decision making structure on resource allocations.

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