

MINDING THE MONEY

GOVERNANCE OF
CLIMATE CHANGE
ADAPTATION
FINANCE IN
NEPAL



DISCLAIMER

All rights reserved. This publication is copyright, but may be reproduced by any method without fee for advocacy, campaigning and reaching purposes, but nor for resale. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, prior written permission must be obtained from the copyright holder, and a fee may be payable.

This is an Oxfam International report. The affiliates who have contributed to it are Oxfam GB and Oxfam Hong Kong.

First Published by Oxfam International in March 2011

© Oxfam International 2011

Oxfam International is a confederation of fourteen organizations working together in more than 100 countries to find lasting solutions to poverty and injustice: Oxfam America, Oxfam Australia, Oxfam-in-Belgium, Oxfam Canada, Oxfam France-Agir ici, Oxfam Germany, Oxfam GB, Oxfam Hong Kong, Intermon Oxfam, Oxfam Ireland, Oxfam New Zealand, Oxfam Novib, Oxfam Quebec and Oxfam India.

Copies of this report and more information are available at www.oxfam.org and at



Country Programme Office, Nepal
Jawalakhel-20, Lalitpur
GPO Box 2500, Kathmandu
Tel: +977-1-5530574/ 5542881
Fax: +977-1-5523197
E-mail: oxnepal@oxfam.org.uk

Lead Authors: Katie Wiseman and Raju Pandit Chhetri

Contributors: Michel Anglade, Anthony Scott Faiia, Binay Dhital and Prabin Man Singh, Shanta Upadhyaya and all individuals interviewed

Support: Environment and Public Health Organisation (ENPHO)

Design and Printing: Graphic Plus Printers

Photographs: Oxfam GB Nepal archive

TABLE OF CONTENTS

TABLE OF CONTENTS	I
ACRONYMS	III
METHODOLOGY AND LIMITATIONS	IV
ACKNOWLEDGEMENTS	IV
SUMMARY	1
Outline and purpose of this paper	1
The problem and the need: the big picture	1
Action: the progress, the weaknesses and the challenges	2
Recommendations	4
1. CONTEXT	7
1.1 Poverty, development and aid effectiveness	7
Box 1: Findings from national adaptive capacity...	8
1.2 Politics and the State	9
1.3 Climate change vulnerability	10
1.4 Land Access and Distribution	11
2. EXISTING AND EMERGING NATIONAL SITUATION ON CLIMATE CHANGE ADAPTATION	12
2.1 International position on climate change	12
2.2 Overview of national structure and programmes	12
Box 2: Findings from National Adaptive Capacity 2010	14
2.3 Technical Assistance Projects and Capacity Strengthening	14

2.4 Government Policy and Coordination Mechanisms	15
2.5 National Adaptation Programme of Action (NAPA)	15
Table 1: Prioritised Projects under NAPA	17
Figure 1: Framework for NAPA Implementation	18
Box 3: NAPA and National Planning	19
2.6 Strategic/Pilot Programme for Climate	19
Box 4: PPCR Component and Corresponding NAPA	21
Table 2: NAPA and PPCR: overview of key features	23
2.7 Adaptation Fund (AF)	24
2.8 Sources outside the UNFCCC through donor	24
2.8.1 Local Adaptation Programme/Plan of Action (LAPA)	25
Figure 2: NAPA+ and LAPA - a framework for	26
Box 5: Case Study: piloting LAPAs in Nepal from	26
2.9 Civil Society Programmes and Coordination	27
Table 3: Main Climate Change programmes and	29
3. CONCLUSIONS	32
4. RECOMMENDATIONS	36
Figure 3: International climate funding architecture and	38
Figure 4: Proposed Country Level Outline for National	41
REFERENCES	43

ACRONYMS

ADB	Asian Development Bank
AEPC	Alternative Energy Promotion Centre
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
COP	Conference of the Parties
DANIDA	Danish International Development Agency
DDC	District Development Committee
DFID	UK Department for International Development
DHM	Department of Hydrology and Meteorology
DP	Development Partner
EFA	Education for All
EPC	Environment Protection Council
EU	European Union
FAO	Food and Agriculture Organisation
GEF	Global Environment Facility
GDP	Gross Domestic Product
GNI	Gross National Income
GoN	Government of Nepal
LAPA	Local Adaptation Programme of Action
LDC	Least Developed Country
LDCC	Least Developed Countries Fund
MCCICC	Multi-Stakeholder Climate Change Initiatives Coordination Committee
MDB	Multilateral Development Bank
MoAC	Ministry of Agriculture and Cooperatives
MoE	Ministry of Environment
MoFSC	Ministry of Forests and Soil Conservation
MP	Member of Parliament
MPI	Multi-dimensional Poverty Index
MPPW	Ministry of Physical Planning and Works
NAPA	National Adaptation Programme of Action
NIE	National Implementing Entity
NPC	National Planning Commission
ODA	Official Development Assistance
OECD-DAC	Organisation of Economic Co-operation and Development Assistance Committee
PPCR	Pilot Program for Climate Resilience
PIU	Project Implementation Unit
SPCR	Strategic Programme for Climate Resilience
SWAp	Sector Wide Approach
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
VDC	Village Development Committee
WB	World Bank

METHODOLOGY AND LIMITATIONS

The research was conducted from October to December 2010. The enquiry was framed by a global research framework with guiding questions that were adapted for the Nepal context. A detailed literature review was conducted and quantitative data collated from secondary sources. This was supplemented by a series of semi-structured interviews with key people in Kathmandu and the UK with some follow up over email and further interviews. The draft research was discussed and refined following an Oxfam workshops in Bangkok in Kathmandu on governance of climate finance.

Detailed qualitative analysis from primary sources was limited by people's availability and disclosure of information.

ACKNOWLEDGEMENTS

The authors would like to express gratitude to those interviewed for their time and insights. Support and input was received from Michel Anglade in the Oxfam GB South Asia regional centre in New Delhi (India), from Anthony Scott Faiia Country Director and from Prabin Man Singh in the Oxfam in Nepal office. We also thank Environment and Public Health Organisation (ENPHO) for the support.



SUMMARY

OUTLINE AND PURPOSE OF THIS PAPER

This paper hopes to provide the reader with a clear overview of the current situation regarding funding for climate adaptation programming and policy in Nepal. It is linked to an Oxfam global policy brief and series of country researches on the governance of climate change funding in developing countries. The research is designed to inform Oxfam's advocacy on how climate change adaptation funding should be managed in developing countries so that it fulfils the goals and needs of the marginalised and most vulnerable communities, with a particular focus on smallholder women farmers.

This paper focuses chiefly at the national level, though is cognisant of the great bearing that decision making and action at the international level has, particularly on Least Developed Countries (LDCs). The first section describes the context looking at poverty, aid and development factors, the current political situation and climate change vulnerability. The second section details the national situation on climate change adaptation policy and programming, highlighting key areas of progress, weakness and challenges. The third

section draws together some conclusions and the final section presents a set of recommendations to key players together with diagrams on the financing architecture and a proposed model for Nepal.

THE PROBLEM AND THE NEED: THE BIG PICTURE

Despite notable gains in human development, Nepal remains one of the poorest countries in the world. Patterns of inequality persist. The majority of the population are engaged in subsistence agriculture yet land access and distribution are extremely unequal and large parts of the country are uncultivable. Poverty and exclusion were significant drivers of the decade-long conflict. The country's diverse topography, fragile ecosystem and poverty make it extremely vulnerable to the negative impacts of climate change.

Women in Nepal tend to have lower status and heavier workloads. As a consequence Nepal is one of the few countries in the world where women have a lower life expectancy than men. With increasing numbers of men migrating to find work, the responsibility for feeding the family falls to women. Although women make up the majority of the agricultural labour force

they are largely unpaid family workers, with limited access to land. Poor communities, often living in areas most at risk to floods and landslides, are already feeling the impacts of climate change. A recent Climate Change Vulnerability Index calculating vulnerability to impacts of climate change over the next 30 years places Nepal 4th out of 170 countries.¹

Nepal is poised at a stage of state transformation. The shift toward a more participatory and decentralised form of governance and the writing of a new constitution, offer considerable opportunity. Yet, given more than seven months of leadership vacuum and political stalemate which has only recently shifted with the election of a new Prime Minister progress is extremely challenging; impacting significantly on donor trust and the delivery of aid. This is in a country where foreign aid makes up half the national development budget.

ACTION: THE PROGRESS, THE WEAKNESSES AND THE CHALLENGES

The urgent need for focused, coordinated action to support poor communities to adapt to climate change is immense and has clearly been recognised by government and key decision makers at the highest level. This can be seen by the considerable progress that has been made over the past eighteen months to two years on critical areas of climate and development policy and planning. Against the backdrop of such huge political domestic uncertainty and slow progress on funding and governance at the global level, this is no small feat. Significant national level programming is in early stages of development. With the many positive steps that have been taken, there are still a number of key weaknesses and challenges ahead. These are highlighted below.

KEY AREAS OF PROGRESS

- The Ministry of Environment (MoE) has been put forward by government as the clear focal point on climate change. A new division has been created to lead on climate policy and programming.

- The Prime Minister established and heads the Climate Change Council, tasked with high-level policy and strategic oversight. The Council has convened a number of times since its inception.
- The Council has overseen the drafting of a Climate Change Policy, which has been recently approved by the cabinet.
- National Adaptation Programme of Action (NAPA) has been completed with donors supplementing Global Environment Facility (GEF) funding to ensure a focus on knowledge management, planning and stakeholder coordination. The process has been credited with being widely consultative, incorporating strong gender analysis and paying attention to the structures needed to ensure resources reach down to the community level. A multi-stakeholder coordination forum, web-based information portal and a knowledge management centre have been established.
- No funding has been committed as yet for identified NAPA projects but recent indications are that LDCF will have \$10 – 12 million for Nepal to be split between UNDP and UNEP and PPCR will fund some NAPA identified initiatives.
- The draft proposal for the Pilot Program for Climate Resilience (PPCR), managed by the Asian Development Bank (ADB) and World Bank, has been tentatively approved with a focus on four components. In an effort not to duplicate what had already been established under NAPA, PPCR used the same thematic working groups for planning and analysis.
- There are several active civil society forums that are increasingly given seats at the table in planning and policy processes. Media attention is increasing. The Climate Change Council and main coordination forum established under NAPA include a broad range of stakeholders at the national level, including from civil society organisations.

¹Climate Change Vulnerability Index, Maplecroft, <http://www.maplecroft.com/about/news/ccvi.html>

- The National Planning Commission has developed a ‘climate resilient’ national development plan, through a technical assistance programme supported by the Asian Development Bank (ADB).
- 14 donors signed a compact in 2009 to improve coordination and alignment with government.
- A Local Adaptation Programme of Action (LAPA) is being developed as part of NAPA, focused on mainstreaming adaptation at the local level and strengthening local and mid level institutions. The programme is in its pilot phase, funded by the UK Department for International Development (DFID), outside of government.

KEY AREAS OF WEAKNESS AND CHALLENGES AHEAD

- Although set to increase considerably the level of financial resources for climate adaptation is still tremendously inadequate to meet current needs.
- Lack of faith in the public financial management system means that large amounts of aid are still off budget and in the form of stand-alone projects and vertical funding. This has largely been the same for climate funding, which is fragmented and donor driven. There is no mechanism to pool funding for climate work, although the government is currently working on options for this. National systems are not being sufficiently strengthened. Establishing a clear picture on climate funding and related programmes currently, from both donors and government, is difficult.
- An effective institutional framework does not currently exist.
- MoE is understaffed and under resourced. The set up of a new division to lead on climate change was not accompanied by the necessary resources and personnel. Additionally there is lack of clarity on responsibilities of key personnel within the divisions of the ministry. The new climate change division for example does not have responsibility for PPCR.
- Over the past two years there have been a series of donor-funded capacity building initiatives to the Ministry of Environment and National Planning Commission, largely in the form of technical assistance through international and national consultants. Sustaining these initiatives beyond the outputs of consultants and institutionalising capacity within the ministry remains a challenge.
- Qualified technical personnel and scientific knowledge on climate change and risk management are lacking across government. Climate risks are not sufficiently considered and integrated into planning in key sectors. Although the NAPA process went some way to addressing this through sector technical working groups and vulnerability assessments, the gap is still wide. This is core to some of the components of PPCR and current ADB technical assistance.
- The donor compact brought some level of coordination but funding is still largely unharmonised and unaligned to country systems. There is a current danger of further fragmentation.
- The NAPA plan was completed in September but there is no funding flowing as yet for projects.
- The Government of Nepal (GoN) expected PPCR to be used as the financing vehicle to deliver NAPA priorities and there has been a struggle against the rigours of PPCR for it not to be a separate, parallel process. PPCR has faced criticism in country from many quarters over its lack of flexibility and headquarter-driven priorities, over which there is limited national control. The struggle to not duplicate NAPA’s efforts did result in the use of the same technical working groups and it now looks certain that PPCR components will come in to fund some NAPA initiatives.

- The issue of loans as a vehicle for climate financing is highly contentious with sharply divided opinions both for and against. A clear majority of local civil society organisations are firmly opposed to loans. The government's own recently issued climate change policy clearly speaks of 'climate justice' and the principle of 'Polluter Pays'. It will be a challenge for the government to forge a broader consensus on this issue taking into account the views of civil society and Nepal's position as a leading LDC affected by climate change.
- LDCF funding for NAPA projects, if and when it comes, will be split between two UN agencies. This will mean extra work for GoN and MoE to coordinate.
- Tension is developing on the funding and management structure for LAPA. The pilot programme is contracted out to a UK consultancy firm and implemented by NGOs in Nepal. DFID views LAPA as its funding vehicle for NAPA, considering a fiduciary risk assessment concluded its institutional funding could not currently go through MoE. However MoE recently expressed dissatisfaction at the probability that LAPA funding will not come through government. Ensuring that MoE and other key government institutions remain central to the development and implementation of LAPA is critical.
- NAPA and the new Climate Change policy state that 80% of funds will be spent at the village/municipal level. Ensuring the delivery of large amounts of resources to the local level remains a great challenge. Although there have been improvements in financial management at the local level there are many bottlenecks at the district level and fiduciary and procurement systems are weak.
- Existing funding mechanisms are not designed to deliver resources that prioritise the most vulnerable. Gender and vulnerability considerations do not seem to move sufficiently beyond analysis to be built

into implementation and translate into action.

- Adaptation actions that are happening on the ground are not being documented and there is insufficient capacity to share lessons widely. Learning from LAPA piloting should help to plug some of this gap but resources and capacity are still lacking. Although there are active civil society forums that are increasingly being invited into planning spaces, coordination is a challenge and their lack of legal status limits legitimacy and the possibility for more effective policy dialogue.
- Despite an existing committee under the interim legislature and an informal MP network, current political priorities and weak legislative infrastructure mean that oversight is lacking and that wider ownership and understanding outside key executive positions has not been sufficiently built.

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 planned 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 Change 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.
- 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.
- Donors should ensure that climate change financing is in addition to and does not displace any existing ODA commitments.

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 on 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 adaptation 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 a clear decision making structure on resource allocations.



1

CONTEXT

1.1 POVERTY, DEVELOPMENT AND AID EFFECTIVENESS

Nepal has a per capita GDP of US\$ 427, placing it 157 of 164 countries worldwide². 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 poor³.

There has been significant progress in human development. A child born today can expect to live 25 years longer than in 1970⁴. 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 constant⁵. Poverty and exclusion were significant drivers of the decade-long conflict. Nepal is a country of huge ethnic diversity with the 2001 census enumerating 103 distinct castes and ethnic groups. Social indicators are heavily influenced by gender, caste and where people live.

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. Although legal amendments have improved rights for women, many discriminatory provisions remain and actual practices are closely linked to marital status, such as inheritance and land rights.

Nepal's economy is marked by negative trade balance and dependence on foreign aid. Total net official development assistance provided by members of the Organisation of Economic Co-operation and Development Assistance Committee (OECD-DAC) amounted to US\$ 716,310,000 in 2008⁶, amounting to approximately 34% of central government expense; approximately 6% of Gross National Income (GNI). There has been a significant decline in Overseas Development Assistance (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 sectors⁷.

There are approximately 30 donors working in Nepal. The UK is the largest OECD bilateral donor, with USAID, Japan, Norway, Denmark

²Ethiopia \$345/159th; Cambodia \$677/142nd. Data of 2009, World Development Indicators database, World Bank

³<http://www.ophi.org.uk/policy/multidimensional-poverty-index/>, Multidimensional Poverty Index, Oxford Poverty and Human Development Initiative, University of Oxford.

⁴2010 Human Development Report: Asian countries lead development progress over 40 years, UNDP

⁵Nepal Human Development Report 2009; State Transformation and Human Development, UNDP

⁶World Bank http://data.worldbank.org/indicator/DI.ODA.ALLD.CD?cid=GPD_54

⁷Joint Evaluation of the Implementation of the Paris Declaration, Phase II Nepal Country Evaluation Ministry of Finance, Nepal, 2010

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 Bank⁸.

The long-running conflict severely disrupted Nepal's development agenda and planning cycle. Following the end of the conflict, Nepal has been able to take stronger leadership over its national aid effectiveness agenda. There have been some successes in strengthening country systems, but the fiduciary risk remains high. Most aid is still in the form of bilateral projects channelled outside the budget. Alignment and harmonisation of development assistance is problematic. The extent to which aid flows are on budget and detail on disbursements provided

to the government is limited. There is limited use of programme-based and sector wide approaches, the most significant of which are sector programmes in education and health (see Box 1. below)⁹. Trust in the public financial management system amongst donors is low. Indicative of this is the fact that Nepal has dropped to 146 out of 178 countries on Transparency International's Corruption Perception Index in 2010.

Following the Accra Agenda for Action, the Foreign Aid Policy from 2002 has been revised and updated, and the Ministry of Finance has prepared a draft National Action Plan on Aid Effectiveness.

Consultations on these have taken place and the documents await approval.

BOX 1: FINDINGS FROM NATIONAL ADAPTIVE CAPACITY ASSESSMENT CARRIED OUT UNDER PPCR NOVEMBER 2010¹⁰

The only real sector examples of budget support in Nepal are in health and education. Progress towards greater aid effectiveness has been made, though not without considerable challenges. There are salutary lessons to be drawn. In consideration of any future climate fund that hopes to channel harmonised donor funding in support to national systems, the government must take leadership in demonstrating how it will build on these lessons and overcome the challenges that have been encountered.

The education sector was the first sector in Nepal to adopt a programme approach and the Education for All (EFA) Programme (2004-2009), was developed and implemented through a Sector Wide Approach (SWAp). Donor resources are mostly channelled

through the national system and a separate project implementation unit (PIU) has not been used since 2004. According to the recent Joint Evaluation of the Paris Declaration, the education sector is one of the few sectors in which the government has shown substantial leadership in aid coordination.

All major donors in the sector decided to pool their resources in support of EFA. Even non-pooling donors worked within the overall sector wide framework, and activities supported by them were aligned with sector strategies and priorities. However, their support did not use the national system.

The School Sector Reform Programme (SSR) (2009-2015) is the follow-up

programme to EFA and the number of pooling donors has increased significantly to 9 donors with 5 who are non-pooling partners but work within the SWAp framework.

Although the pooling donors in the education sector are using the country's financial management system they are still using World Bank procurement systems as donors remain unhappy with procurement law. In September 2010, the donor fund flow to the education sector was put on hold because the audit report pointed out anomalies in expenditure in schools in some districts. Instead of withholding just those amounts to those schools, the whole grant amount was put on hold, adversely affecting the activities of the entire programme. The recent Paris evaluation found that

⁸OECD DAC Aid Statistics, <http://www.oecd.org/departamentand DFID Country Business Plan in Nepal 2009 - 2012>

⁹Paris Declaration 2008 Monitoring Survey

¹⁰Joint Evaluation of the Implementation of the Paris Declaration, Phase II Nepal Country Evaluation, Ministry Of Finance, Nepal, 2010 and The Sector-Wide Approach in the Health Sector; Achievements and Lessons Learned, Ministry of Health and Population, Government of Nepal, May 2010

education officials saw a positive side to this as they believe it forces the whole system to become more accountable.

A Sector Wide Approach (SWAp) has been followed in the health sector from 2004/05 with the formulation of the Nepal Health Sector Programme – Implementation Plan 2004-2010 (NHSP-IP). Initially funded by two pooled partners in 2004/05 (DFID and World Bank), it increased to four in 2010 (DFID, WB, AUSAID and GAVI). Various significant structural and policy changes were made after the introduction of the SWAp, reducing fragmentation and enhancing coordination. A free healthcare policy

was instituted in 2006, with free services made available at district hospitals at first and then extending to the primary health care centre level by 2009. The overall spend on health increased significantly (tripling the last three years) as did the allocation as a proportion of the budget. Ten donors have signed a Letter of Intent with agreement that all assistance made by them to the sector would be consistent with the Health Sector Strategy, working towards harmonisation of donor support in planning, budgeting, reviewing and reporting. However the number of donors working through this mechanism is still small. The pooled fund represents less than half of donor

expenditure in the health sector. Non-pooled donors make little use of government systems. With achievements of the increasing health budget, better absorption and related improvements in health outcomes, fiduciary risk has also increased, with considerable leakage found in the system¹¹.

The health and education sectors are dogged by the same problems affecting development overall in the country. Political uncertainty means frequent changes of Ministers, senior positions remain unfilled and financial management systems are weak.

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, with a new round of elections planned for 2011. The Constituent Assembly primarily charged with writing of the new constitution also functions as a unicameral parliament. However a political stalemate since June 2010, with a feuding parliament unable to elect a new Prime Minister has only just shifted after seven months with the election of the new Prime Minister, Jhala Nath Khanal, the chairman of the Communist Party of Nepal - Unified Marxist Leninist (CPN-UML). The outgoing Prime

Minister Madhav Kumar Nepal resigned in June but continued to fill the role in a caretaker capacity. With the government not fully functioning and leadership positions in many of the main offices unfilled, the country has survived on emergency funds. Donors have become impatient and warned that their ability to deliver aid and commit to future resources within the current vacuum is severely challenged. Drafting the constitution, advancing the peace process and ensuring peace and stability are key immediate priorities of the new Prime Minister.

Nepal is divided into 5 development regions, 14 zones and 75 districts. Each district has a District Development Committee (DDC) and is further divided into Village Development Committees (VDC). Each VDC has 9 wards which is the smallest administrative unit. However, elected political bodies are currently

¹¹Ministry of Health and Population, Government of Nepal (May 2010) The Sector-Wide Approach in the Health Sector; Achievements and Lessons Learned

absent at the local level, having been dissolved during the conflict.

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 population¹². Nepal can be divided into three ecological zones: mountains (arctic/alpine), hills (cool/warm), terai (sub-tropical). Three quarters of the population are engaged in agriculture yet only about 25% of the total area is cultivable; around 40% is forested; most of the rest is mountainous¹³. The main food crops are rice and wheat. Due to the dependence on agriculture, the level of the annual monsoon rain strongly influences economic growth. 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 fourth¹⁴.

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. Accelerated snow and glacial melt has increased. 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 lives¹⁵. The impact of increasingly variable monsoons and intense rainfall on those living in the floodplains of the Himalayas' rivers could be catastrophic, potentially affecting up to 1.5 billion people, 600 million in the Ganges river basin alone¹⁶.

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 longer distances to fetch water, fuel and fodder and are increasingly taking on additional heavy burdens as wage labourers and domestic workers¹⁷. According to a study by the International Food Policy Research Institute (IFPRI) using different climate scenario modelling, decline in crop production due to climate change will be especially pronounced in South Asia: 'In South Asia the climate scenario results in a 14-percent decline in rice production relative to the no-climate-change

¹²Central Bureau of Statistics, National Planning Commission, *Statistical Yearbook Nepal*.

¹³The Future of Nepal's Forests, Outlook for 2020, Ministry of Forests and Soil Conservation, Government of Nepal: The last National Forest Inventory (NFI) was carried out in the early 1990s. According to that inventory, forest and shrub together cover about 5.83 million ha, which is 39.6% of the total land area of the country. The rate of forest area decreasing was 1.7% per annum during 1978/79 to 1994, whereas rate of forest and shrub depleting rate was 0.5% per annum during the same period. Since then NFI has not been done. However, recent studies from 20 Terai districts revealed that the rate of forest cover changed was at an annual rate of 0.06% during the period of 1990/91 to 2000/2001. Macro level studies and visual interpretations revealed that Nepal's forest coverage and condition is significantly improving due to the Community Forestry (CF) intervention.

¹⁴<http://www.maplecroft.com/about/news/ccvi.html>

¹⁵Immerzeel W W, Van Beek L P H and Bierkens M F P (2010) *Science* 328: 1382-1385.

¹⁶South Asia Sustainable Development Department, World Bank, (2009) *Shared Views on Climate Change*, Chapter 3, p 34

¹⁷Oxfam International (August 2009), *Even the Himalayas have Stopped Smiling: Climate Change, Poverty and Adaptation in Nepal*.

scenario, a 44- to 49-percent decline in wheat production, and a 9- to 19-percent fall in maize production¹⁸.

1.4 LAND ACCESS AND DISTRIBUTION

Land access and distribution remain extremely unequal. Around 7.5% of rural households retain over a third of the cultivated land area, and a much greater proportion of the private property estate overall, with significant parts of it remaining idle. Characteristics of feudal land relations remain, such as 'high level of absentee landlordism, large areas of underutilised farmland, and failure to reform the conditions of those who farm others' land, some of whom...remain in debt peonage until today...despite repeated legislation against this. Insecurity of tenure afflicts the entire farming sector, a main cause of its stagnation¹⁹. Around 90 percent of women

in the country contribute to agriculture. Though women make up a majority of the agricultural labour force most are unpaid family workers. Women's access to land is extremely limited, accounting for only 10.83 per cent of total landowners and with a combined share of only 4 per cent of arable land, according the last national census in 2001²⁰.

Following the first land reform legislation in the 1950s, progress has been slow. Community forestry in Nepal has demonstrated that forests controlled and used by communities are better conserved than those owned by government. Researchers have argued that looking to these achievements and building a new approach to land reform with each community determining and managing its own ceilings and redistribution plan is a logical next step²¹.

¹⁸Gerald C. Nelson, Mark W. Rosegrant, Jawoo Koo, Richard Robertson, Timothy Sulser, Tingju Zhu, Claudia Ringler, Siwa Msangi, Amanda Palazzo, Miroslav Batka, Marilia Magalhaes, Rowena Valmonte-Santos, Mandy Ewing, and David Lee, *Climate Change, Impact on Agriculture and Costs of Adaptation*, Food Policy Report, p. 6, IFPRI, October 2009

¹⁹Wily, Chapagain and Sharma (Nov 2008) *Land Reform in Nepal: Where is it Coming from and Where is it Going?*

²⁰Central Bureau of Statistics, National Planning Commission, *National Population and Housing Census*, Nepal, 2001

²¹Wily, Chapagain and Sharma, *Land Reform in Nepal: Where is it Coming from and Where is it Going?*, Nov 2008

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 has attended all several Conference of Parties (COP) meetings under the UNFCCC in order to raise national issues and negotiate an international agreement. Climate change really became a national agenda following the peace agreement and in time for the 13th Conference of Parties meeting held in Bali, Indonesia in 2007. Nepal regards the Bali Action Plan as the basis of negotiations for any international instrument under the UNFCCC.

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."

Mitigation and carbon market related activities have been the main response to climate change but there is now an emerging emphasis on adaptation.

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 is also no environmental monitoring mechanism or legal protection for environmental rights. Consequently accountability and oversight is lacking.

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). Various sector policies and strategies underpin these. 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 interim three year plan 2008-2010 addressed climate change risks and adaptation directly for the first time²². GoN also made environmental impact assessments mandatory.

Under the last Prime Minister leadership a Climate Change Council was established and a Climate Change Policy agreed in the cabinet. A Natural Resources and Environment Committee was also previously established under the House of Representatives to evaluate policies and programme. It continues under the interim legislature; however it has been largely inactive. In addition there is an informal network of MPs on natural resources and climate change. In 1992 the Environment Protection Council (EPC) was established and chaired by the then Prime Minister to serve as the highest decision making body on all matters related to the environment. The EPC ratified various climate related conventions and developed vehicle emissions standards, but this body has also been largely dormant²³.

Nepal's National Capacity Self-Assessment to the UNFCCC in 2008 highlighted several challenges in relation to adaptation activities including insufficient financial, technological and human resources. A review of different sectors highlighted a number of barriers such as incomplete implementation of existing plans and policies, decreasing budget allocations (agriculture and irrigation) and limited and unclear guidelines regarding mandates and roles of devolved structures.

The Ministry of Environment (MoE) is the focal point for UNFCCC and climate related work in Nepal. It became a separate ministry in June 2010. The Government of Nepal has created a new division under the MoE called the Climate Change Management Division headed by the Joint Secretary. This division should be specifically responsible for coordinating climate change work. Although the move towards creating a clear focal point and dedicated capacity for climate change is a

positive step, the necessary human and financial resources have not yet accompanied this change. More fundamentally the mandate of MoE has not been clearly decided. It currently oversees rules and regulations and serves as a focal point for climate work. Many stakeholders have been demanding a dedicated institution that has the authority to coordinate and implement environmental and climate change laws and policies at the central and sub national levels²⁴. As it stands currently, MoE is a small, nascent Ministry with limited technical and operational capacity. MoE has stated in various fora that it sees itself as a coordinating agency and given its current limited capacity, implementation should be carried out through line agencies. However a coordination role in itself still needs significant resources and capacity.

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. So far it has obtained a small amount of funding through LDCF for the development of the NAPA plan. Nepal has received a small amount of climate change funding through the GEF Trust Fund for capacity building, implemented through UNEP²⁵. The most significant national level adaptation programmes under development are the National Adaptation Programme of Action (NAPA), with funding from LDCF supplemented by UNDP, DFID and Danida, under UNDP administration; and the Pilot Program for Climate Resilience (PPCR), funded by the Climate Investment Funds/Strategic Climate Fund, under administration of the World Bank and ADB. The Ministry of Environment leads on both of these. At the present time 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

²²Dixit, A, *Scoping Assessment on Climate Change Knowledge Platform in Nepal*, ISET-Nepal, 2010

²³Ibid

²⁴ADB Technical Assistance Report: 'Federal Democratic Republic of Nepal: Strengthening Capacity for Managing Climate Change and the Environment'

²⁵<http://www.gefonline.org/projectListSQL.cfm>

going through Ministry of Forests and Soil Conservation (MoFSC) and the Ministry of Agriculture and Cooperatives (MoAC), in particular. These are mostly vertical funding agreements with bilateral agencies, though there are some more pooled donor funds developing. It is extremely hard to establish what is new and additional funding or already committed ODA. It is clear from the data in table 3 below, that some funds previously committed as ODA are now being classified as climate financing.

BOX 2: FINDINGS FROM NATIONAL ADAPTIVE CAPACITY ASSESSMENT CARRIED OUT UNDER PPCR NOVEMBER 2010²⁶

The National Adaptive Capacity Assessment carried out under PPCR identified the following capacity gaps:

- Almost complete absence of climate change risk management personnel in key organizations and institutions;
- Climate change risk management is not institutionalized in government, academia, civil society or in vulnerable sectors, municipalities, districts or communities;
- No training, database, information or guidance exists on planning/constructing climate resilient development;
- Insufficient financial resources to effectively integrate climate change risk management into development planning;
- Development planning in key sectors (water, agriculture, physical planning) does not consider risks associated with climate change and there are no modalities to facilitate such transformational change in development planning.

2.3 TECHNICAL ASSISTANCE PROJECTS AND CAPACITY STRENGTHENING

In addition to the above there is a confusing array of separate technical assistance capacity strengthening projects funded by different

donors to a number of ministries. 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. Central to this is working out the much-needed organisational framework and funding mechanism for climate change work. The expected outputs are (i) an organisational framework is drafted and agreed upon by stakeholders; (ii) a funding mechanism for environmental management is agreed upon by stakeholders; and (iii) effective public education, information, and awareness activities on environment and climate change are developed and implemented²⁷. According to an ADB document consultants began work on this in February 2010 with an aim to have ‘a national Government institution dedicated to managing climate change and the environment...fully staffed and funded by 2015’²⁸. This is vital work. It is critical that the planning process takes in broad consultations and progress towards developing the institutional framework is communicated widely to stakeholders. It is not clear that this has been happening adequately. In addition the second and third component of the expanded NAPA process (which is examined below) should link in directly with this work and not be a duplication of efforts.

²⁶Aide Memoire, Nepal: Pilot Program for Climate Resilience (PPCR) World Bank / ADB / IFC Joint Mission, 15-21 November 2010

²⁷ADB, Climate Change Roadmap, 31 Jan 10

²⁸ADB Technical Assistance Report: ‘Federal Democratic Republic of Nepal: Strengthening Capacity for Managing Climate Change and the Environment’

Given fiduciary risk concerns some major bilateral agencies say they are not yet able to channel funds through the 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, often unlinked, technical assistance that are currently being provided. Donors need to 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.

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 are members of the Council. This council has eight 'experts' nominated by government inclusive of NGO, private sector and academia. The main objective of this council is to provide national level policy guidance and long term directions on climate change related policy and strategy.

The 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. The previous Climate Change Network (CCN) which had been constituted in 2007 seems to have been folded into this. It includes members from different line ministries, including local government, donors and civil

society representatives. It was established in July 2010.

Two brief overview papers have been developed by MoE on the Council and MCCICC. A comprehensive Terms of Reference, clearly detailing the purpose and functions of these bodies, and the roles and responsibilities of serving members would facilitate more efficient functioning and better public understanding of these bodies. In addition clarification of how the Climate Change Council and MCCICC interact is needed.

The Ministry of Environment (MoE) initiated a process three years ago to formulate a national climate change policy. After several national and sub-national consultations the process was put on hold to allow the NAPA plan to be undertaken first. The drafting was resumed and the policy has been recently approved by the cabinet. 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, within a year. The centre will undertake research and provide technical support to the government.

A Climate Change Coordination Unit within the Climate Change Management Division of MoE has been proposed to coordinate all climate change related projects implemented by government, donors, Multilateral Development Banks (MDBs) and other agencies. In addition, there is a proposal to establish a project management unit with support from the respective climate change-related projects. Although this would be an improvement on the current structure and a positive interim step a longer-term option for channeling and harmonising funds, must be developed.

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. As funding was delayed for so long and hiring of consultants problematic, DFID was asked by GoN to step in and provide consultants to MoE so they could begin NAPA work.

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. Significant co-financing was mobilised from DFID, DANIDA and UNDP to supplement funding from GEF. In addition, to the US\$ 200,000 from GEF (under LDCF), there was a further US\$ 50,000 from UNDP, US\$ 875,000 from DFID and US\$ 200,000 from DANIDA.

The process has been credited with going further than other NAPAs in the level of consultation and engagement, moving beyond only regional and national consultation meetings to incorporate inputs from a wider range of stakeholders and interest groups, including with vulnerable communities. The plan was developed through six thematic or sectoral areas, under a thematic working group were formed, each led by a different line ministry: Agriculture and Food Security; Forests and Biodiversity; Water Resources and Energy; Climate-induced Disasters; Public Health; and Urban Settlements and Infrastructure. Micro-level impact assessments were conducted through transect appraisal exercises with participation from a number of government

and non-government agencies. Climate vulnerability assessments and GIS mapping were also conducted.

The NAPA document states that 'NAPA prioritization process serves as a basis for the development of an adaptation strategy that will be able to draw financial resources for implementation from national as well as various global, multi-lateral and bilateral sources. The Government expects that any and all climate change adaptation support programmes will carefully consider the NAPA outcomes as a first step... in order to ensure a coherent programmatic approach and systematic reduction of vulnerability and climate change impacts nationwide.'

The thematic working groups identified activities which were then prioritised using a common set of criteria and qualifiers. These were then clustered into nine combined profiles. The total cost of these nine profiles is budgeted to be US\$ 350 million. The document anticipates 80% of funds being spent at the village/municipal level, channelled through a designated implementing line ministry, according to the project. At the district level, project planning and delivery will be the responsibility of the District Coordination Committee (DCC) under DDC. It is envisaged that a Secretariat under the DDC will be responsible for selecting local service delivery agents. Where there are projects that cut across sectors, such as the 'Promoting Community-based Adaptation through Integrated Management of Agriculture, Water, Forest and Biodiversity Sector', which require much-needed convergence, details of implementation are less clear. The Ministry of Local Development and the Local Government Capacity Development Programme should be key to supporting vertical and horizontal coordination and delivery.

TABLE 1: PRIORITISED PROJECTS UNDER NAPA

	Project Name	Estimated Cost (in million USD)
1	Promoting Community-based Adaptation through Integrated Management of Agriculture, Water, Forest and Biodiversity Sector	50
2	Building and Enhancing Adaptive Capacity of Vulnerable Communities Through Improved System and Access to Service Related to Agricultural Development	44
3	Community-based Disaster Management for Facilitating Climate Adaptation	60
4	GLOF Monitoring and Disaster Risk Reduction	55
5	Forest and Ecosystem Management for Supporting Climate Led Adaptation Innovations	25
6	Adapting to Climate Challenges in Public Health	15
7	Ecosystem Management for Climate Adaptation	31
8	Empowering Vulnerable Communities through Sustainable Management of Water Resource and Clean Energy Supply	40
9	Promoting Climate Smart Urban Settlement	30
	Total estimated cost	350

The planning process incorporated a clear focus on gender. Gender analyses were conducted with gender differentiated impacts assessed. The specialist reviewed all Thematic Working Group reports from a gender perspective, as well as carrying out a literature review. The findings were represented within NAPA teams. It is recognised that integrating gender approaches is key to developing effective adaptation actions and actions must be guided by the findings. The implementation framework also gives consideration to the need for a structure at the development region or watershed level that would house experts in relevant fields including gender and social inclusion. What is harder to see is how the analytical work has been incorporated in project profiles and will move to implementation. Whilst vulnerability is mentioned, objectives, activities, outputs and long term outcomes give no mention of gender. It is unfortunate that neither the Ministry of Women, Children and Social Welfare nor the Women Commission were brought into the NAPA development process, particularly considering that the engagement of a number of ministries across government has been such a positive element of the Nepal's NAPA. However the ministry has now been brought into the MCCICC. Although there are concerns about its capacity

it is essential that the national machinery of the advancement of women is engaged in key dialogue and processes related to climate change adaptation for it to effectively play a role in promoting gender equality and keeping this high on the MCCICC and Climate Change Council agenda.

Under the second component of the NAPA, the Nepal Climate Change and Development Portal was also launched²⁹. This portal should serve as the main forum for sharing climate information and knowledge. The Nepal Climate Change Knowledge Management Centre (NCKMC) was inaugurated by the Prime Minister on 29 November 2010, also under funding from NAPA. This centre is launched at the Nepal Academy of Science and Technology (NAST) in joint collaboration with MoE. The Centre is organising a nationwide mobile library including interactive activities. It seems this centre will focus on knowledge management and public awareness whereas the semi-governmental Climate Change Centre that is to be set up within a year will focus on commissioning new research and advising government. As stated earlier, it is unclear how this links in with the third output of the ADB technical assistance on effective public education, information, and awareness

²⁹Nepal Climate Change and Development Portal, www.climatenepal.org.np

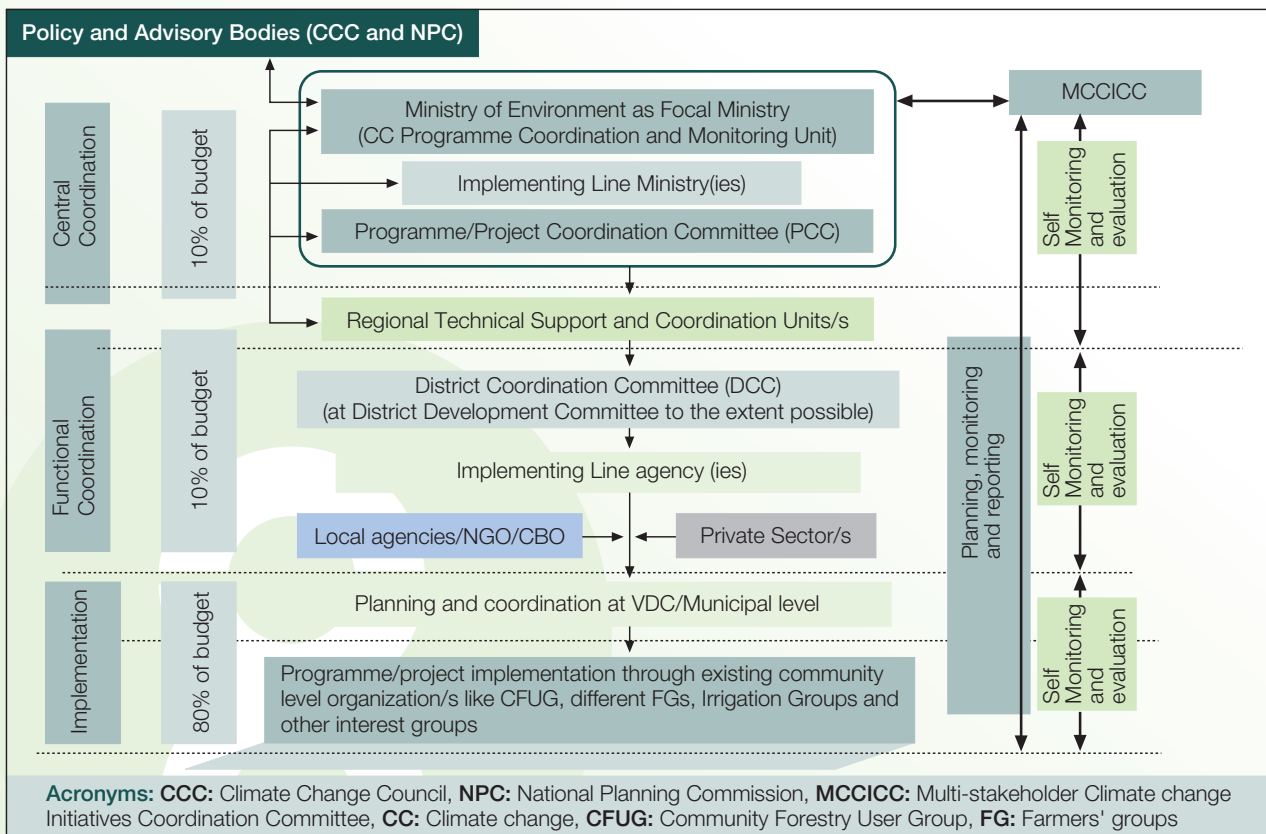
activities, unless the ADB work is directly supporting the development of these bodies. Detailed clarification of mandates, coordination mechanisms and resources will be needed.

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 NAPA document was approved by the cabinet in September 2010. The intention was that the three components would come together and be developed more or less simultaneously. The reality is that the preparation of the NAPA document took longer to get off the ground than anticipated and activities under the other two components are only now being rolled out. There are large operational issues to work out around an effective delivery mechanism to ensure 80%

of funds actually get down to the local level and preventing fragmentation across a number of line ministries with a relatively small and nascent ministry charged with coordination and consolidation. Funding for NAPA projects is still not entirely clear. NAPA has been submitted for endorsement and funding under LDCF and it has been indicated that there will be around \$10 – 12m available. It looks likely that this funding will be split between UNEP and UNDP, with UNEP supporting biodiversity and ecosystem projects (NAPA projects 5 and 7) and UNDP supporting community adaptive capacity initiatives (NAPA projects 2 and 3), although clearly this funding will only go some way to meeting the projected budget for these projects under NAPA. Design for this is currently underway. The decision to split funding between two UN agencies will require extra attention to coordination and ensuring clear strategic direction. Hopefully the coordination structures that have been established under NAPA will enable this. A number of NAPA initiatives should also be picked up under PPCR, as is examined below.

FIGURE 1: FRAMEWORK FOR NAPA IMPLEMENTATION³⁰



³⁰Ministry of Environment, National Adaptation Programme of Action, Government of Nepal, September 2010

BOX 3: NAPA AND NATIONAL PLANNING

The Government has recently adopted a new three year plan 2010 – 2012 (TYP). The key expected outcomes of the plan are to prepare and implement a national framework on climate change adaptation and mitigation, disaster risk reduction, poverty reduction and poverty environment initiatives. Several strategies are included under the TYP to link environmental and climate change policies to development. Sustainable development, poverty reduction and responding to climate change are seen as very much interlinked and interdependent.

To implement the strategies, the TYP has made the MoE responsible for coordinating all activities related to

conservation and climate change, identifying agencies and ensuring roles and responsibilities for NAPA implementation. The TYP also focuses on the need for developing partnerships amongst donor agencies, NGOs, local bodies, CBOs and other agencies, and to take an initiative to establish an international research centre on climate change.

ADB has been supporting the National Planning Commission (NPC) with the three year interim development plan to mainstream climate change into the plan and make it 'climate smart'. This project has recently come to an end.

2.6 STRATEGIC/PILOT PROGRAMME FOR CLIMATE RESILIENCE (SPCR/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 implementation of the plans and programmes. PPCR is completing the first stage of planning in Nepal. A project team, largely of consultants, currently sits within MoE. The draft proposal for a Strategic Program on Climate Resilience (SPCR) was reviewed during an ADB/World Bank joint mission in November and has been tentatively agreed. The next joint mission is planned for early February 2011. The initial funding committed for PPCR in Nepal was US\$ 60 million, divided between grant and loan. There are ongoing discussions that this will increase to US\$110 million: a 50 million grant and 60 million concessional loans.

The loan component of PPCR is highly contentious with sharply divided opinions both for and against. A clear majority of local civil society organisations are firmly opposed to loan, which is also evidenced by the recent reports

and articles in the mainstream media³¹. The arguments against the loan component in Nepal mirror those arguments that have been made for a number of years at the international level. As Muller articulated in a paper in 2008: 'Given the patterns of differentiated (historic) responsibilities, the costs for developing country adaptation are seen as debts to be borne by the still largely responsible industrialised world, and debts cannot be repaid by loans, or even by 'grants' – if that notion is interpreted in terms of the provider of the funds doing the recipient a favour. Moreover, given this pattern of differentiated responsibilities, there are also very strongly held views on the importance of an equitable distribution of the burden of such funding'³².

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 the Climate Change Policy was being drafted by government and there was a strong push for improved coordination between donors. There was optimism that donors would work jointly with government to develop a comprehensive and coordinated strategy for programming and financing

³¹Khadka, 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>

³²Benito Müller, *International Adaptation Finance: The Need for an Innovative and Strategic Approach*, Oxford Institute for Energy Studies, EV 42, June 2008

adaptation. The two project teams for NAPA and PPCR came together to look at how this could work.

The 'Prioritization Planning Process Draft' document of PPCR states that it will 'build on the comprehensive, inclusive and country-driven process to develop Nepal's NAPA'³³. However 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.' Although the NAPA document states that prioritised projects include urgent and long term adaptation strategies³⁴. Additional activities have been undertaken to address what were considered gaps in NAPA and to ensure compliance with PPCR guidelines. These include: assessment of climate change risk; adaptive capacity assessment; definition of priority action needs; resilience assessment; cost/benefit analysis; design of implementation modalities. The same Thematic Working Groups, established under NAPA, have been used in the development of PPCR.

After 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. As seen in the paragraph above, it was felt that PPCR's focus was on strengthening national systems on a long-term basis, whereas

NAPA's remit was around urgent and immediate needs. It is noteworthy that these are seen as mutually exclusive as opposed to striving to ensure that they are brought together for a comprehensive and strategic approach to climate change adaptation. It now seems certain that PPCR will fund some of the activities identified under NAPA. The recent PPCR Aide Memoire states that the design of the components is complementary and reinforcing to NAPA³⁵. Yet distinctions between resilience and adaptation and short-term and long-term measures are still stressed by the MDBs as reasons for distinguishing between PPCR and NAPA. Recently GoN has also been using these distinctions in countering arguments against loans³⁶. However, these distinctions seem increasingly opaque and unhelpful to other climate change actors.

Four inter-related components have been proposed for the Strategic Program on Climate Resilience: Building Climate Resilience of Watersheds and Water Resources in Mountain Eco-Regions (\$45 million with a combination of grant and credit, lead: MoFSC); 2. Building Resilience to Climate-Related Extreme Events (approximately \$40 million with a combination of grant and loan: lead: MoE/DHM and MoAC); 3. Mainstreaming Climate Change Risk Management in Development (US\$10 million (anticipated grant financed, lead: MoE); and 4. Building Climate Resilient Communities through Private Sector Participation (approximately \$13 million with a combination of grant and loan).

³³PPCR *Prioritization Planning Process Draft* – www.ppcrnepal.gov.np

³⁴Ministry of Environment, National Adaptation Programme of Action, Government of Nepal, September 2010, p. xiv.

³⁵Nepal: Pilot Program for Climate Resilience (PPCR) World Bank / ADB / IFC Joint Mission, 15-21 November 2010 Aide Memoire.

³⁶For example the justification for taking a loan made by MoE recently was that it was not to be used for adaptation projects but instead long-term resilience: "The loan is not at all going for adaptation projects they are actually for climate resilience that include long term projects like, for instance, building bridges, embankments, development of resilient seeds in agriculture..." <http://www.bbc.co.uk/news/science-environment-12357200>

BOX 4: PPCR COMPONENT AND CORRESPONDING NAPA ACTIVITIES³⁷

PPCR Component	Corresponding NAPA Activities
Component 1: Building Climate Resilience of Watersheds and Water Resources in Mountain Eco-Regions	<ul style="list-style-type: none"> ● Integrated Watershed Management in Churia to ensure ecosystem and community adaptation to climate change ● On-farm soil and water conservation initiatives to support hill and mountain communities vulnerable to climate change. ● Promotion and up-scaling of Multi Use System (MUS) for the benefit of poor and vulnerable communities in mid-hills and Churia range of Nepal ● Up scaling and implementation of non-conventional irrigation systems in water stressed areas. ● Construction of water retaining structures as sustainable adaptation measures to address the effect of climate change. ● Integrated wetland management ● Promotion of rainwater harvesting structures and technologies. ● Water supply source conservation (quality as well as quantity) and strengthening programs of existing projects affected by source reduction
Component 2: Building Resilience to Climate-Related Extreme Events	<ul style="list-style-type: none"> ● Flood management to reduce the vulnerability of communities and increase their adaptive capacity ● Community-based disaster risk reduction with climate change dimension ● GLOF monitoring and disaster risk reduction ● Early warning system development in disaster prone areas ● Interlink climate change with DRR and enhancement of institutional capacity at different levels ● Management of existing hydrological and meteorological network at DHM and up-scaling the services ● Strengthening forecasting / early warning and surveillance system on climate change & health in Nepal
Component 3: Mainstreaming Climate Change Risk Management in Development	<ul style="list-style-type: none"> ● Building capacity to enhance community adaptation to climatic hazards
Component 4: Building Climate Resilient Communities through Private Sector Participation	<ul style="list-style-type: none"> ● Enabling climate vulnerable communities sustain livelihoods by improving access to agricultural services ● Increasing community climate adaptive capacity through improved production and marketing systems

³⁷Nepal: Pilot Program for Climate Resilience (PPCR) World Bank / ADB / IFC Joint Mission, 15-21 November 2010

Gender has not been significantly addressed in the draft programme document³⁸. The component on watersheds and water resources makes the most direct reference: ‘addressing the availability of water in mountain ecosystems can help Nepal meet its social inclusion goals. The burden of carrying water usually falls to women and children, so addressing their multi-use water availability needs and increasing their access to water resources will help in addressing gender issues’³⁹. It is not clear how addressing multi-use water availability needs per se will specifically target women or how gender will be explicitly built into the project design and monitoring to tackle some of the structural issues that result in women having inequitable access to water resources. The second component on resilience to climate-related extreme events includes ‘establishment of appropriate micro-insurance programs for vulnerable farming communities, home owners and women, most probably as a public/private sector partnership’. Again, differentiated strategies and targeting are not addressed. Similarly the proposed institutional structure

and implementation framework make no reference to gender considerations. The Ministry of Women, Children and Social Welfare seems to have had no involvement.

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. Other donors and government have found it hard to engage and the space to influence the process has become increasingly smaller – even though the governments of these donor countries are major funders of PPCR. 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 fund⁴⁰. This rigidity is unhelpful.

³⁸Part 1 – Nepal’s Strategic Program for Climate Resilience - Consultative Draft (20/11/10)

³⁹Ibid, Annex 4

⁴⁰Nepal: Pilot Program for Climate Resilience (PPCR) World Bank / ADB / IFC Joint Mission, 15-21 November 2010 Aide Memoire

TABLE 2: NAPA AND PPCR: OVERVIEW OF KEY FEATURES

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

2.7 ADAPTATION FUND (AF)

The Adaptation Fund was established by the Parties to the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol. The Fund is financed with 2% of the Certified Emission Reduction (CERs) issued for projects of the Clean Development Mechanism (CDM) and other sources of funding.

As Tandon and Vogt state ‘the fund has a number of unique features in its ownership, access, funding, revenue generation, governance and legal structure, and has garnered a heightened sense of awareness and anticipation in the international environmental community⁴¹.’ It has created particular interest as it allows ‘direct access’ to funding by Parties, as opposed to through a third party implementing agency, usually a multilateral, as is the model with other climate funds. It is seen as an ‘important development to secure greater national ownership over funded activities, whilst maintaining high fiduciary standards and minimising transaction costs⁴². The Adaptation Fund Board has recently approved its Operational Policies and Guidelines which allow eligible Parties, seeking financial resources from the Adaptation Fund, to submit proposals either directly through their accredited National Implementing Entity (NIE) or using the services of Multilateral Implementing Entities (MIEs). All project proposals require the endorsement of the authority which has been designated by the relevant Government to make such endorsements⁴³.

In order to qualify for funding Nepal has submitted its fiduciary risk assessment with Ministry of Environment nominated as the

National Implementing Entity (NIE), and it awaits a decision. The government hopes that several NAPA projects will be funded. Whether Nepal will be able to access direct funding will be critical. Donors view this as a testing ground for MoE to prove its capacity.

2.8 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, as highlighted above and detailed in table 3 below. 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 between the various ministries that are implementing climate change activities. The more significant pieces of funding are all in the form of projects either implemented through Ministry of Environment, Ministry of Forests and Soil Conservation or Ministry of Agriculture through separate MoUs or contracted out to private companies and implemented by NGOs. 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 2009⁴⁴. Though no funding was guaranteed under this it was seen as an important step in agreeing to harmonise and align actions on climate change in support to the government. However little over a year on from signing the donor compact indications are that there is danger of further fragmentation, with disagreements over PPCR, at the critical time when significant levels of funding for climate change adaptation might start flowing⁴⁵.

⁴¹In The Hands of Women: Climate Change Finances, *Oxfam Internal Background Paper*, Nidhi Tandon, Erich Vogt, June 2010)

⁴²Climate Finance Policy Brief No.4, Design Challenges for the Green Climate Fund, Bird, Brown and Schalatek, Heinrich Böll Stiftung and ODI, January 2011

⁴³www.adaptation-fund.org

⁴⁴Compact on Climate Change in Nepal: An Understanding between the Government of Nepal, Ministry of Environmental and development partners on ways to address climate change challenges, September 2009.

⁴⁵See table 3 which represent current funding sources, projects and government implementing agency.

2.8.1 LOCAL ADAPTATION PROGRAMME/PLAN OF ACTION (LAPA)

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. Given the delays and time constraints of NAPA it was concluded that LAPA could not be taken up during NAPA planning. DFID agreed with MoE that it would take on the funding and design, in close alignment with NAPA. The same consultants have been used for design as were used in the early stages of NAPA development. DFID's intention is for LAPA to be its vehicle for funding NAPA sectoral work at the community level.

The LAPA is a plan prepared at the local level by a multi-stakeholder team including vulnerable communities. It involves decentralised and bottom-up planning processes and aims to identify local adaptation needs. It should also strengthen institutional mechanisms for ensuring consolidated and coordinated adaptation responses. In a recent paper on LAPA, Regmi and Karki lay out the vision 'to develop a system of adaptation planning that does three things:

- Enables communities to understand changing and uncertain future climatic condition and engage effectively in the process of developing adaptation priorities;
- Implements climate resilient plans that are flexible enough to respond to changing climatic and vulnerability conditions; and
- Informs programmers and catalyses integrated approaches between sectors⁴⁶.

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. Indications are that the EU will contribute a further Euro 19.4m (approximately \$26.3m). The pilot phase is managed by the private consultancy firm HTSPE, and sub-contracted for implementation to seven NGO partners for implementation across ten districts. Six of these projects follow the six NAPA themes. Although this is not fully incorporated in NAPA, MoE sits on a Steering Committee and considers LAPA as integral to NAPA. As the NAPA document states 'Lessons learned from LAPA's implementation [will] contribute greatly to policy refinement and formulation.... Nepal considers need-based LAPA as one of the practical approaches to analyze critical and site-specific climate issues and address them accordingly with peoples' participation'.

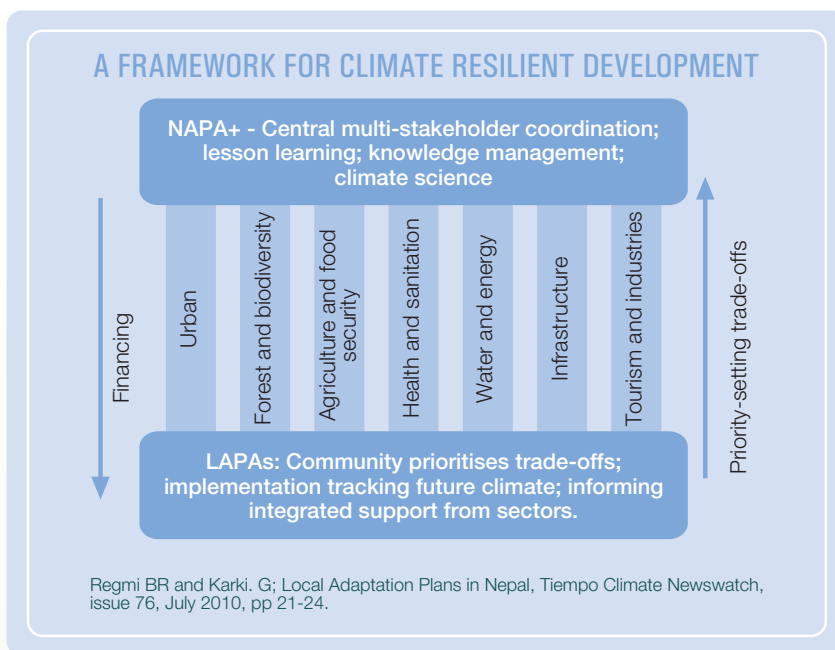
The NAPA implementation framework recognises the important role of village development committees and municipalities in local development planning with plans to support them to incorporate adaptation perspectives into their local development plans, aligning fully with the NAPA.

In recent discussions DFID made clear that LAPA implementation would continue to go through a managing agent, given MoE's capacity constraints. MoE has stressed that funding does not need to go through MoE but should go through government, channelled to the appropriate line agencies. It is unclear how this will be resolved. As funding comes in to support identified NAPA projects and full implementation of LAPA develops it is essential that these initiatives can remain linked and aligned. Ensuring that learning and capacity for LAPA implementation is systematised within government and shared widely with

⁴⁶Regmi BR and Karki, G; Local Adaptation Plans in Nepal, Tiempo Climate Newswatch, issue 76, July 2010, pp 21 – 24.

networks and active organisations, will be critical. 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. Used strategically LAPA and NAPA could mobilise further funding and continue to support a comprehensive and country-owned response to climate change adaptation.

FIGURE 2: NAPA + AND LAPA - A FRAMEWORK FOR CLIMATE RESILIENT DEVELOPMENT



BOX 5: CASE STUDY: PILOTING LAPA IN NEPAL FROM REGMI, B AND KARKI, G.⁴⁷

One of the existing models that LAPA design...will draw on is that of the Livelihoods and Forestry Programme (LFP). This has been piloting a LAPA-type approach to forest management in over 300 VDCs since 2009. The community forestry programme...has helped enhance rural livelihoods - hence providing climate change adaptation benefits - by conducting wider livelihoods-based and community development activities at the community level. Community forestry has provided livelihood opportunities...by using pro-poor inclusive approaches that target poor

and disadvantaged people using wealth ranking.

Key to the success of the LFP programme (is) effective formalized local institutions known as Community Forestry User Groups. The LFP supports the Community Forestry User Groups by providing technical and financial backstopping to help them understand, plan and implement forestry and climate change related activities...The LFP has recently started developing...adaptive capacity...by systematically developing Community Adaptation

Planning through community forestry. This is done using existing mechanisms such as Community Forestry User Groups and Public and Institutional Land Management groups. The Community Adaptation Planning programme covers 512 village development committees and 2292 community groups (about 50 per cent of the total number of LFP Community Forestry User Groups) in 15 districts. Rather than creating new mechanisms, the LFP has used existing mechanisms to develop community adaptation planning in support of the most vulnerable

⁴⁷Regmi BR and Karki, G; Local Adaptation Plans in Nepal, Tiempo Climate Newswatch, issue 76, July 2010, pp 21 – 24.

communities and people. The process started with sensitization of local communities on climate change issues, developing guidelines for field facilitators/ practitioners, enhancing the capacity of more than 500 local facilitators/community practitioners on vulnerability assessment and adaptation planning, and supporting the preparation of adaptation plans...targeting poor and vulnerable households. The Community Forestry

User Groups and their network provide very strong sustainable grassroots-level institutions that can take the lead on natural resources conservation and management. The piloting of local-level adaptation planning and community-based adaptation is done by mobilizing these 300 User Groups and the Village Development Committee-level forestry coordination committees. The programme has also established

grassroots-level community-based adaptation funding to help innovative users and vulnerable households access resources and obtain support for their adaptation plans. The LFP initiatives...provide good lessons for LAPAs. The NAPA will build on learning from the LFP, particularly from the pilot projects, on institutional design, institutional linkages and natural resource management interventions.

2.9 CIVIL SOCIETY PROGRAMMES AND COORDINATION

There are a number of civil society programme, research, and networking initiatives being undertaken on climate change. As with current government programming, defining what constitutes a climate adaptation programme is not entirely clear but initiatives are certainly growing within organisations and discourse is becoming more prominent. WWF has been supporting the development of the Climate Change Policy with government and implements two adaptation specific projects in Langtang and Indrawati river sub-basin. CARE, Oxfam and Practical Action are also active international NGOs. LiBird is one of the most prominent national NGOs, with Environment and Public Health Organization (ENPHO), Clean Energy Nepal (CEN), and FECOFUN (Federation of Community Forestry User Groups in Nepal), Nepal Forum of Environmental Journalists (NEFEJ) also important actors.

With limited funding and a nascent knowledge base many of these organisations are in the early days of addressing what the

uncertainty of climate impacts means to current programming and are starting to review their projects to examine how to meaningfully integrate climate change adaptation into their work⁴⁸. 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 forum was established to share information. It meets several times a year. 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 Climate Action Network South Asia (CANSAs). CANSAs is the regional node Climate Action Network International. The main objective of the alliance is to disseminate information, discuss and lobby on climate policies at a national and international level. It organises various events and workshops to

⁴⁸SAGUN 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

inform climate negotiations at the international level. Only NGOs and INGOs can be members of the alliance. Representatives of NGOs are also on the MCCICC and the Climate Change Council though the lack of formal and detailed terms of reference for both these bodies and any contractual arrangements for members limits their effectiveness and the degree to which they can serve as accountable representatives.

As these are loose and informal alliances, representing a large and diverse number of organisations coordination and effective information flow is a challenge. Activity has tended to be centred in Kathmandu and dominated by the larger international and national NGOs. However some deliberate cross over in membership between the networks, attempts to make better linkages and increasing attention to organisation and information flow is beginning to address these weaknesses. Lack of legal status can also a barrier to progressing work and dialogue with policy makers. There is some resistance to spending time and energy on formalising these platforms amongst members, who have little spare time and resources and believe their work is in implementation at the community level. The difficulty comes in presenting a coherent and informed voice to policy makers and ensuring that the evidence from programming and local knowledge feeds into decision making. Clearly these NGOs are not the sole purveyors. However they are often at the forefront of working with communities and community organisations; innovating, piloting initiatives and seeing the results of policy implementation. As a collective they have strength in this experience and their breadth and diversity. Finding ways to pool this knowledge and effectively communicate to decision makers is critical to informing strong debate and influencing successful policy making.

These networks have not yet played a significant role in gathering information and advocating around financing and governance at the national level, although recently there has been a fairly strong collective voice advocating against the PPCR loan. This is in part because discussions tend to be held behind closed doors and the issues are opaque. However these alliances can be maximised by members examining the impact, or lack, of current financing and governance models on climate programmes in the communities where they work and use platforms strategically to agree common key policy objectives and actions. To achieve this entails a level of structure and formalisation as well as the need for dedicated resources.

As climate adaptation initiatives are growing and organisations struggle to understand what this means to their programming, there is an increasing need to prioritise good knowledge management practices. It is critical that resources and capacity are put into building knowledge and gathering evidence to demonstrate what is working and what is not working. Only once this is happening systematically, can successful actions be scaled up, learning more widely shared and effective policy and advocacy platforms built. 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. These alliances need to continue to explore effective ways to reach out, represent their members and be strategic in their actions. A future climate model must incorporate sufficient resources, separate to project implementation, for civil society to play the information, coordination and watchdog role that is desperately needed.

TABLE 3: MAIN CLIMATE CHANGE PROGRAMMES AND CAPACITY BUILDING INITIATIVES FUNDED IN NEPAL⁴⁹

Mechanism	Programme/Project	Donor Agency	Funding committed or disbursed \$	Funding projected \$	Implementing Agency/Administrator	GoN Agency	Timeline	Detail and Current status
ADAPTATION PROGRAMMES								
Climate Investment Funds/ Strategic Climate Fund	Pilot Project for Climate Resilience (PPCR)	Various - multi-donor trust fund	225,000		WB/ADB jointly	MoE	2009-2012	Proposal tentatively approved. Funding currently in the form of TA with project team within MoE.
..	Strategic Programme for Climate Resilience (PPCR)	Various - multi-donor trust fund		1.10 million: 50m grant and 60m loan	ADB	MoE		ADB/WB Mission in Feb to make final decisions on funding and implementation (see above).
Global Environment Facility /Least Developed Countries Fund	National Adaptation Programme of Action (NAPA)	GEF (various - multi-donor trust fund) UNDP DFID Danida ⁵⁰	200,000 50,000 875,000 200,000		UNDP	MoE	2009-2012	NAPA approved by cabinet in Sept 2010 and submitted to LDGF. 9 priority projects identified with a cost of \$350m budgeted. Currently no funds committed.
Adaptation Fund	-	Various - multi-donor trust fund		CDM levy of 2% on CERS plus small donor support	MoE nominated by government as the National Implementing Entity (NIE).	MoE		Fiduciary risk assessment submitted and awaiting response from Adaptation Fund Board. Hope that fund can be used for identified projects under NAPA.
In-country donor funds	Reducing the Climatic Vulnerability of the Poor (Local Adaptation Programme of Action (LAPA)	DFID EU	17.3m (£10,730,000)	26.3m (£19.4m)	Contracted to HTSPE as managing agent. Pilot implementation to 6 NGOs.	MoE (on Steering Committee)		Piloting due to finish in Jan/Feb 2011 with implementation beginning in March. Commitment for four years. EU expected to co-fund. Implementation expected to continue under a managing agent.
In-country donor funds	National Forestry Programme, component on climate change	SDC Finish DFID		42.4m 6.8m 64m		Ministry of Forests and Soil Conservation	2010-2020	The new National Forestry Programme will contribute to better livelihoods of the poor, vulnerable and disadvantaged people, particularly women.
In-country donor funds	Livelihoods Forestry Programme	DFID	37m (£22.8m)			Ministry of Forests and Soil Conservation	2001-2011	Enhance the assets of rural communities through more equitable, efficient and sustainable use of forests and natural resources.

⁴⁹Adapted and sourced from 'Matrix of Climate Change Activities in Nepal funded by UN Agencies' provided by UNDP and 'Matrix of Climate Change Activities in Nepal' provided by DFID as well as the Nepal Climate Change and Development Portal, www.climatenepal.org.np Where possible this has been cross-checked with agency project information. This is not an exhaustive, up-to-date list but hopes to provide a snap shot of the current funding situation.

⁵⁰UNDP, DFID, Danida supplemented funding in country

In-country donor funds	Strengthening Capacities for Disaster Preparedness and Climate Risk Management in the Agriculture Sector	FAO/UNDP	722,555			Ministry of Agriculture and Cooperatives	2008-2010 and 2009-2011	Pilot project implemented by Ministry of Agriculture to address agricultural vulnerability to climate change impacts of farmers
CAPACITY BUILDING to GoN								
GEF Trust Fund	Climate Change Enabling Activities/National Capacity Self-Assessment ⁵¹	GEF - multi-donor trust fund	410,000		UNEP	MoE	1999	Preparation of initial National Communication for UNFCCC. Unclear whether this support is ongoing or not.
ADE/Technical Assistant Special Fund	Strengthening Capacity for Managing Climate Change and the Environment	ADB	1.275m ⁵²		ADB	MoE	2008 onwards	Support to government in the form of TA to strengthen capacity to manage climate change and the environment through long-term vision and planning.
	Building a Climate Resilient Development Plan	ADB			ADB	NPC		Integration of climate risk and resilience into development policies and planning: 2011 – 2013 National Development Plan
	Climate data digitization and downscaling of climate change projections	ADB	400,000			DHM	9 months	Digitization and quality control for meteorological data and development of statistical climate downscaling
In-country donor funds	Supporting national climate change capacity building	Danida	137,576 (DKK 748,000)			MoE		Emphasis on preparing Nepal for global negotiations
In-country donor funds	Supporting national climate change capacity building	DFID	\$500,000			MoE		Emphasis on preparing Nepal for global negotiations
In-country donor funds	Improved capability of the Government of Nepal to respond to the increased risks related to the weather-related natural disasters caused by climate change	Finland	680,000			DHM	2010-2012	Improve capacity to respond to increased risks of natural disasters related to weather and climate
In-country donor funds	Strengthening Capacity for Flood Reduction and Adaptation to Climate Change	Danida	400,000			DHM	2009-2011	

⁵¹United Nations Environment Programme, Global Environment Facility, *Climate Change Expedited Financing (Interim), Measures For Capacity Building In Priority Areas (Part II)*, Nepal Project Document and [geforline.org](http://www.adb.org/Projects/project.asp?id=40545)
⁵²<http://www.adb.org/Projects/project.asp?id=40545>

MITIGATION AND CARBON MARKETS										
Forestry Carbon Partnership Facility	Reducing Emissions from Deforestation in Developing Countries (REDD)	Various - multi-donor trust fund	3.2m		World Bank		MoFSC	REDD cell established and Nepal is working towards the preparation of the readiness plan.		
Climate Investment Funds	Scaling Up Renewable Energy Programme (SREP)	Various - multi-donor trust fund	40m	MoE	ADB			The project proposal approved by the SREP Expert group and decided to finance.		
GEF Trust Fund	Kathmandu Sustainable Urban Transport (SUT) Project		2.8m	MPPW	ADB		2010-2014			
	Alternative Energy Promotion Centre (AEPCC)/Energy Sector Assistance Programme (ESAP)	DANIDA Norwegian Embassy	30m 22m	AEPC			2007-2012	Energy Sector Assistance Programme – building capacity for AEPC to function as national resource centres for alternative energy promotion		
	Renewable Energy Project	EU	21m				2004-2012	Creating renewable energy infrastructure in 21 districts		
	Biogas Project	World Bank	7m				2006-2015	To reduce global emissions of carbon dioxide, two biogas operations are being supported. This project aims to increase access to modern energy sources in the rural and peri-urban areas of Nepal		
	Biogas Plants	Germany	31m		KFW		1997-2011	Use of underground 'digesters' that utilize bacteria to generate methane gas from cattle dung.		
	Nepal Swiss Community Forestry Project	Swiss Dev. Cooperation (SDC)	44.5m (CHF 4.2m)	MoFSC			2008-2011	Linking community forest user groups to carbon markets and strategy development and preparation for REDD		

3

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. Given the conflict and political uncertainty that has followed, the aid effectiveness agenda has struggled to make much progress. Although a donor compact achieved some success in improving donor coordination it commits but does not bind donors to a set of principles and does not indicate financial commitments or modalities. Attention is being paid to developing a national financing model and governance framework but progress is slow and getting traction is challenging whilst gaps in expectation between government and donors remain extremely wide.

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 efforts. A specific Climate Change Management Division is being 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 functioning. These are significant achievements. Much expectation was placed on NAPA to galvanize efforts and build a strategic and harmonised platform for action and finance. The momentum built in the early days of NAPA managed to progress efforts to improve donor coordination with achievements such as the signing of the donor compact between Ministry of Environment and a number of donors; and alignment behind NAPA and the Ministry of Environment with additional pooled funding from donors in-country. NAPA has been credited by many with being a consultative and inclusive process that has gone a long way to narrow the gap in current knowledge and identified needs.

...BUT 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. The newly formed climate division does not yet have the resources, capacity or authority it needs. There are a number of ongoing pieces of separate capacity building initiatives funded by donors. The most significant of these is a technical assistance project from ADB that should result in the institutional and financial framework for climate change and developing professional skills. It is hard to see how these various pieces link up and become part of an overall strategy. Unless its staff and technical capacity are augmented soon the MoE will struggle to manage the growing climate change project portfolio. Since the NAPA document was finalised, action has been taken on several areas of coordination and knowledge management. However securing significant levels of funding for projects remains unclear. What looks likely is funding for NAPA projects will come from various different mechanisms, divided between different donor implementing agencies.

NAPA RECOGNISES THE NEED TO DELIVER RESOURCES TO THE LOCAL LEVEL AND LAPA PRESENTS A POSSIBLE MODEL BUT THERE ARE BOTTLENECKS TO OVERCOME:

NAPA also leaves many of the more detailed questions of adaptation implementation unanswered. There are concerns about the amount of time it will take to significantly operationalise NAPA. Under the coordination of a relatively small and nascent ministry it will be critical to figure out how to remain strategic and effectively channel funds, through a number of larger implementing line ministries to the district level and down. MoE needs political backing and authority across government. Although there have been improvements in financial management with channels of funding to the local level more open than before, there are still many bottlenecks, particularly at the district level. 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. With funds from DFID and EU for a large programme lined up tensions on the funding modality for LAPA need to be overcome to ensure that MoE remains meaningfully engaged and LAPA continues to be aligned to NAPA. If present conditions mean DFID and EU will channel funding for LAPA outside government this needs to be put within a larger discussion about commitments towards the long-term financing framework. In the meantime other institutional mechanisms could be put in place to ensure MoE and the government remain centrally engaged and do not feel alienated.

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. However, there have been some successes in aligning the PPCR with Nepal's NAPA. The proposed grant component is likely to be the first piece of significant funding explicitly for climate change adaptation and national system strengthening. Stakeholders should continue to use existing forums and networks to engage with PPCR and push to influence its implementation in alignment with NAPA.

In addition, the loan element is becoming increasingly contentious amongst domestic constituencies. Considerable additional analysis and discussion is required to clarify the issue and decide on the best course of action in the spirit of the Nepal Government's recently issued climate change policy and Nepal's position as a leading LDC affected by climate change.

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. There is much heated debate at the international level on ‘distributive justice’ (deciding equitable use of resources between countries) and ‘thematic balance’ (between mitigation, adaptation, technology transfer and capacity building)⁵³. These considerations also need to filter down to the national level to consider appropriate mechanisms for fair resource distribution between and within communities. Existing funding mechanisms are not designed to deliver resources that prioritise the most vulnerable. NAPA planning incorporated a significant examination of gender and vulnerability dimensions and has paid attention to this in the implementation framework to some extent by incorporating the need for gender and social inclusion analysis at the local level but it is hard to see how this translates into current project profiles and corresponding activities when it is absent in objectives, outputs and outcomes. Gender also seems to be largely missing in PPCR design. It is too early in Nepal to assess the extent to which gender and social equity ambitions on paper translate into action but unless policies and programmes are more explicit about how activities address the different needs of poor men and women there is a danger it will not happen in practice.

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. There are positions for civil society representation on the MCCICC and ‘nominated experts’ on the climate change council are from NGOs. More formal, detailed terms of reference and contractual relationships for members of these bodies would add greater legitimacy and weight to their presence. The main civil society coordination bodies are disconnected, not best serving effective dialogue, policy influence and information flow. Lack of legal status for the key civil society networks and dedicated resources for coordination and information sharing limit their potential. As programming develops and opportunities for funding open up, coordination and convergence between organisations will be important to ensure funds flow effectively down to the local level targeting the most appropriate projects and people.

BUILDING AN EVIDENCE BASE FOR SUCCESSFUL ADAPTATION:

There 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. NAPA has begun to do this through the establishment of the MCCICC and the Climate Change Knowledge Management Centre but it is early days and there are many civil society organisations beyond the scope of current NAPA initiatives, working directly or indirectly on climate adaptation actions with vulnerable communities. In particular evidence of effective gender transformative activities and challenges are needed.

INCREASED FUNDING WITHOUT BETTER HARMONISATION AND ALIGNMENT INCREASES THE BURDEN ON ALREADY WEAK INSTITUTIONS:

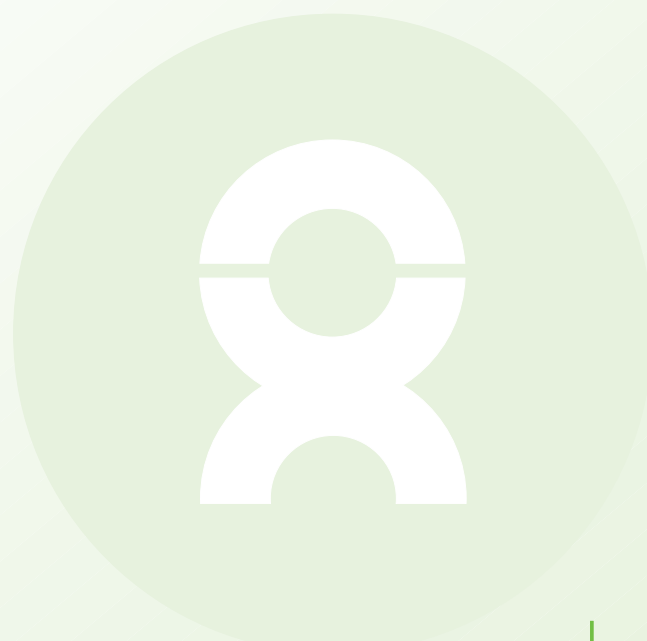
In the absence of a coordinated mechanism to capture climate change adaptation funding there is a real fear that funds will increase and

⁵³Müller, B. ‘The Time is Right! Devolution of funding decisions to designated national/regional climate change funding entities’, November 2009, Oxford Institute for Energy Studies, p. 1

the number of different modalities and agencies involved will continue to proliferate and fragment. Whilst government juggles the different modalities, with more funding expected, MoE will struggle to strategically manage the different strands without better harmonisation and a clear commitment from donors of how they will pool resources and initiatives in support of development of national systems. This could depend to a large degree on the government's leadership in identifying resources and clear plans for the Climate Change Management Division as well as a being able to produce a sound proposal for a national funding entity. It could also depend on the degree to which donors are forthcoming in agreeing to a joint position on their minimum criteria for channelling funding, and working with government on a roadmap to get there. Domestic stakeholders must not be left out of these discussions. Wide consultation and participation in design will help to promote ownership and engagement, which will be vital for any transformative action on climate change adaptation. If MoE is accredited by the Adaptation Fund and manages to obtain funding it may help to further propel these efforts but this is currently unknown. Interim options must be considered, whilst MoE's capacity is strengthened. Channelling funding through another entity following a model such as the Alternative Energy Promotion Centre

(AEPC), with MoE providing oversight and coordination, are two such options.

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. A programme that can deliver resources and tools to enable poor and marginalised communities to adapt, that places women at the forefront of this change and prevents any further slowing in the gains that have been made in development. There are concrete steps that have been made, but progress is fragile. With the almost simultaneous emergence of NAPA, PPCR and LAPA coming together with a climate change policy and proposals for establishment of a climate fund, it is essential to pull unlinked initiatives together. 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. If the barriers can be overcome there is an opportunity for these actions to chart a new path for sustainable development in Nepal.



4

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.
- 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.
- Donors should ensure that climate change

financing is in addition to and does not displace any existing ODA commitments.

CIVIL SOCIETY

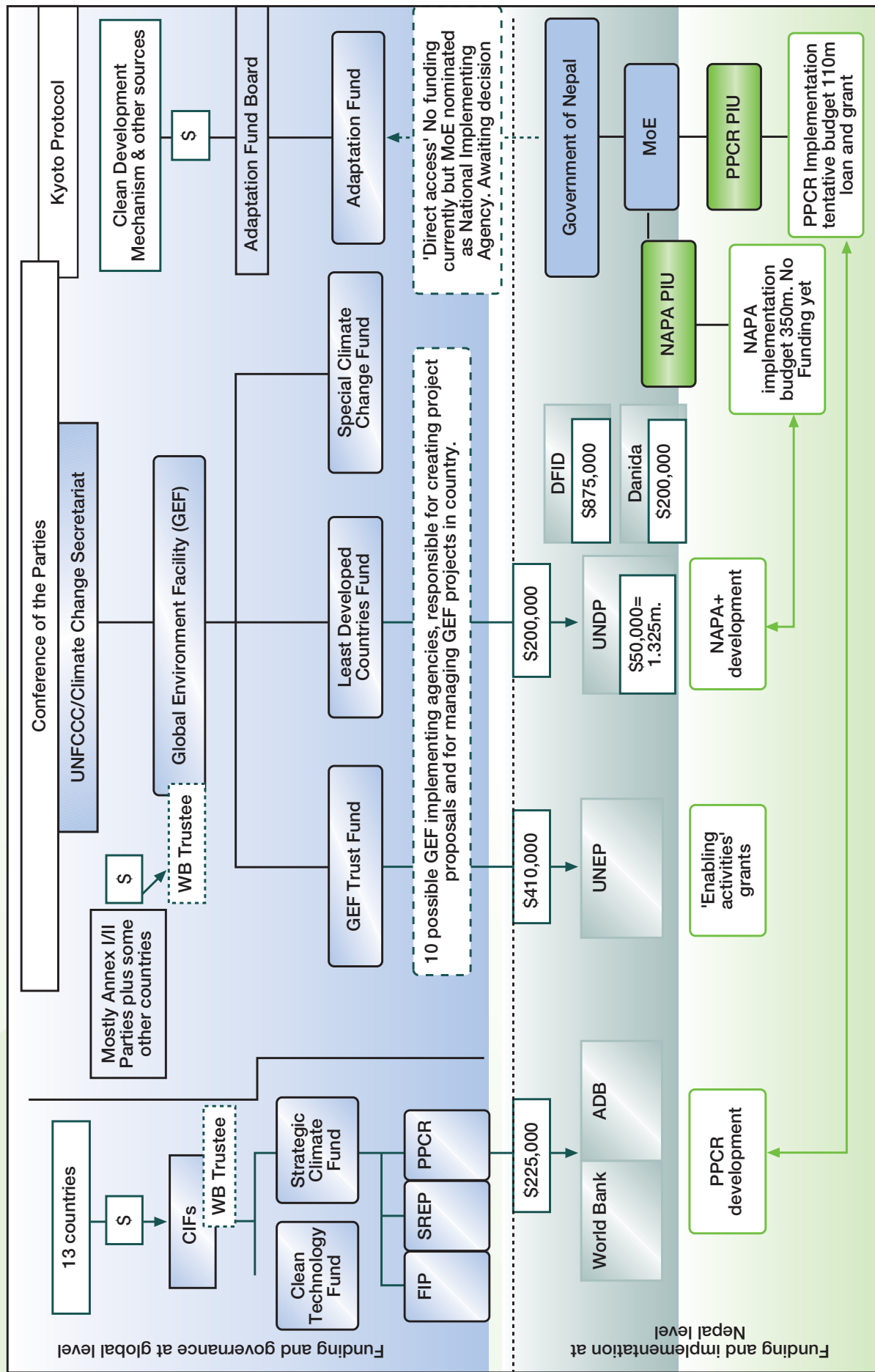
Formalise and improve coordination, broaden coalitions and build evidence

- 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 adaptation 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.

FIGURE 3: INTERNATIONAL CLIMATE FUNDING ARCHITECTURE AND LINKS TO MAIN CLIMATE ADAPTATION PROGRAMMES IN NEPAL



EXPLANATORY NOTES (FIGURE 3)

Sources: unfccc.in, gef.org, gefonline.org; climateinvestmentfunds.org, adaptationfund.org and climatefundsupdate.org

Conference of the Parties (COP)

The supreme body of the United Nations Framework Convention on Climate Change (UNFCCC) Convention. It currently meets once a year to review the Convention's progress. The word "conference" is not used here in the sense of "meeting" but rather of "association," which explains the seemingly redundant expression "fourth session of the Conference of the Parties."

Global Environment Facility (GEF)

The Parties to the Convention assigned operation of the financial mechanism to the Global Environment Facility (GEF) on an ongoing basis, subject to review every four years. The financial mechanism is accountable to the COP, which decides on its climate change policies, programme priorities and eligibility criteria for funding,

Global Environment Facility Trust Fund

The common funding resource of the Global Environment Facility (GEF). Climate Change is one of the six focal areas supported. The objective of this part of the fund is to help developing countries and economies in transition to contribute to the overall objective of the UNFCCC. The projects support measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change. The GEF Trust fund has received a total of \$10.885 billion during four replenishments. There are 39 donors that have committed funds: Argentina, Australia, Austria, Bangladesh, Belgium, Brazil, Canada, China, Côte d'Ivoire, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece,

India, Indonesia, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

Least Developed Countries Fund (LDCF)

Set up to address the needs of the 48 Least Developed Countries (LDCs) that are especially vulnerable to the adverse impacts of climate change. Supports a work programme to assist Least Developed Country Parties (LDCs) carry out, inter alia, the preparation and implementation of NAPAs. To date, the fund has 19 donors: Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom. Contributions of about \$180 million have been received for the LDCF; the target in the next four years is to reach \$500 million, which is the amount estimated by the UNFCCC needed to finance NAPA implementation as well as to move toward a four-year replenishment process.

Special Climate Change Fund (SCCF)

To implement long-term adaptation measures that increase the resilience of national development sectors to the impacts of climate change. The SCCF should serve as a catalyst to leverage additional resources from bilateral and other multilateral sources. The Parties to the Climate Convention identified adaptation to climate change as the top priority of the SCCF, and that technology transfer and its

associated capacity building activities as another essential area for funding. 14 funders: Canada, Denmark, Finland, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States. As of May 31, 2010, the total amount deposited is USD eq. 110.48 million, 97m disbursed.

Adaptation Fund (AF) and Adaptation Fund Board (AFB)

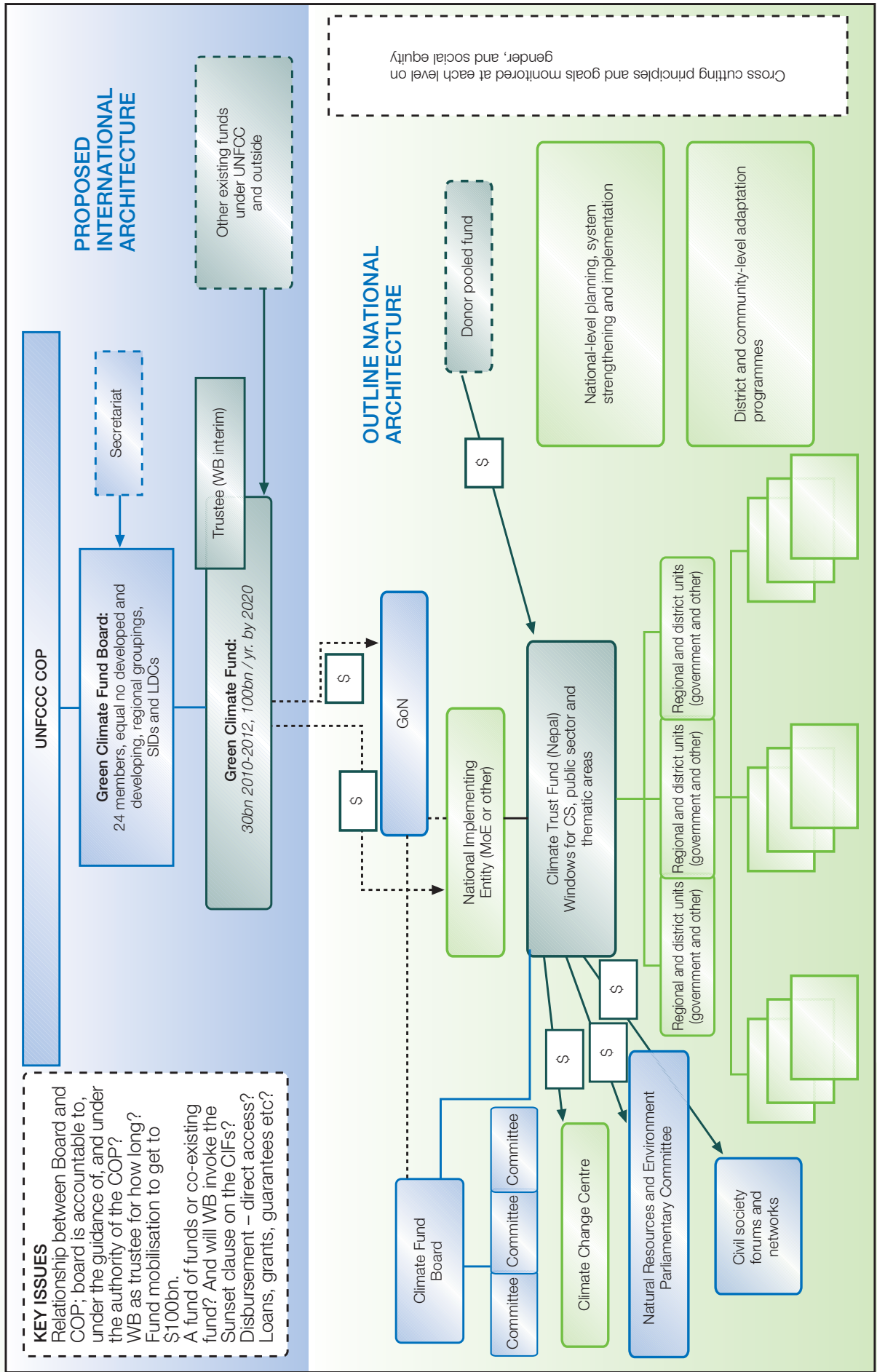
The Adaptation Fund is supervised and managed by the Adaptation Fund Board (AFB). Upon invitation, the GEF provides secretariat services to the AFB and the World Bank serves as trustee of the Adaptation Fund on an interim basis. The Adaptation Fund finances concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol. It is financed with a share of proceeds from the Clean Development Mechanism (CDM) project activities and funds from other sources. The share of proceeds amounts to 2% of certified emission reductions (CERs) issued for a CDM project activity. As of November 2010, the total amount pledged to the Adaptation Fund, including CERs, is USD 216.15 million and the total amount deposited, including CERs, is USD 202.11 million. The Adaptation Fund received 10 funding proposals up to September 2010, with a total requested funding amount of USD 60.9 million. The Adaptation Fund allows direct access to the fund by parties, as opposed to through a multilateral institution, as is the model of other funds. It has accredited three

National Implementing Agencies: the Centre de Suivi Ecologique from Senegal, the Planning Institute of Jamaica and the Agencia Nacional de Investigacion e Innovacion of Uruguay. The following multilaterals are also accredited as implementing agencies: UNDP, the World Bank, ADB, the International Fund for Agricultural Development (IFAD), UNEP and the World Food Programme (WFP). It has so far approved two projects in Senegal and Honduras, amounting to approximately \$14.3m and endorsed six more.

Climate Investment Funds (CIFs)

Two funds to help developing countries pilot low-emissions and climate-resilient development. 45 developing countries are piloting projects. The CIFs are channeled through the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group. The funds are disbursed as grants, highly concessional loans, and/or risk mitigation instruments. There are 13 countries providing funding: Australia, Canada, Denmark, France, Germany, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, UK, US. \$6.1b pledged. The CIFs are divided into two funds: the Clean Technology Fund (\$4.5b) and the Strategic Climate Fund (\$1.9b). The Strategic Climate Fund supports three programmes, one of which is the Pilot Programme on Climate Resilience (PPCR), currently under development in Nepal.

FIGURE 4: PROPOSED COUNTRY LEVEL OUTLINE FOR NATIONAL INSTITUTIONAL STRUCTURE



EXPLANATORY NOTES (FIGURE 4)

Climate Trust Fund

Options to establish a new semi-autonomous body, a body directly under GoN/MoE or open a window under existing Fund, such as the Environment Protection Fund.

Separate windows for CS, public sector and thematic areas. Clearly earmarked funds and criteria for decisions over allocation of resources.

Climate Fund Board

New provisions and fiduciary standards formulated to govern it.

Climate Change policy as guidance.

Members of government, private sector, cross-parliament, civil society and technical experts. Gender balance on the board. Regional representation.

Donors observer status.

Responsible for drawing up criteria and guidance to select national implementing entity and sub-national entity(ies)

Responsible for high-level finance, policy and strategic guidance

Establish separate committees on finance, programmes, as appropriate. MCCICC folded into a committee or continues to operate as is.

Climate Change Council folded into the Board but appointments reconsidered according to clear criteria and guidelines

National Implementing Entity

Under authority of Fund Board

Possibly MoE with sufficient human resources and legitimacy, a new body or other existing institution

Acts as focal point and main coordination body.

Implementation of national Climate Change

Policy and Strategy

Oversees implementation of climate programmes

Monitoring, reporting

Climate Change Centre

Research and technical guidance.

Responsible for regularly publishing and disseminating information about funded programmes and climate research.

Donor pooled fund

Short-term minimum requirement for donors to set up a donor trust fund to pool funding. MDBs continue to channel money through government for Climate Fund.

Interim as projects phase out and to capture small levels of in-county funding, possible TA etc.

Donors nominate lead donor to channel fund – such as under Nordic Plus Agreement.

Watchdog Body/Parliamentary Committee

Separate funding stream for funding watchdog body. Existing parliamentary committee to be reviewed and properly resources. Examine possibility of funding separate watchdog body to provide independent scrutiny in coordination with parliamentary committee. Committee of civil society, academia and parliament members.

Adaptation programmes - other government agencies, civil society, private sector

Funding to government agencies. Specific window or % for civil society and public private partnership initiatives.

REFERENCES

- ADB Technical Assistance Report, 'Federal Democratic Republic of Nepal: Strengthening Capacity for Managing Climate Change and the Environment', Nov 2008
- World Bank/ ADB/ IFC, 'Aide Memoire, Nepal: Pilot Program for Climate Resilience (PPCR) World Bank/ ADB/ IFC Joint Mission, 15-21 November 2010', 23 Novmeber 2010
- Bird, Brown and Schalatek;, 'Design Challenges for the Green Climate Fund', *Climate Finance Policy Brief No.4*, Heinrich Böll Stiftung and ODI, January 2011
- Central Bureau of Statistics, National Planning Commission, 'National Population and Housing Census', Nepal, 2001
- Central Bureau of Statistics, National Planning Commission, 'Statistical Yearbook of Nepal', Government of Nepal, 2009
- DFID, 'Country Business Plan in Nepal, 2009 – 2012', DFID Nepal
- Dixit, A, 'Scoping Assessment on Climate Change Knowledge Platform in Nepal', ISET-Nepal, 2010
- FAO, 'Global Forest Resources Assessment 2010', Forestry Department, FAO
- Immerzeel W W, Van Beek L P h and Bierkens M F P (2010) 'Science 328': 1382-1385
- Maplecroft, 'Climate Change Vulnerability Index',
- Ministry of Environment, 'Compact on Climate Change in Nepal: An Understanding between the Government of Nepal, Ministry of Environmental and development partners on ways to address climate change challenges', September 2009.
- Ministry of Environment, 'National Adaptation Programme of Action', Government of Nepal, September 2010
- Ministry of Health and Population, 'The Sector-Wide Approach in the Health Sector; Achievements and Lessons Learned', Government of Nepal, May 2010
- Ministry of Finance, 'Joint Evaluation of the Implementation of the Paris Declaration, Phase II Nepal Country Evaluation', Government of Nepal, 2010
- Ministry of Forests and Soil Conservation, 'The Future of Nepal's Forests, Outlook for 2020', Government of Nepal
- Müller, B. 'International Adaptation Finance: The Need for an Innovative and Strategic Approach', Oxford Institute for Energy Studies, EV 42, June 2008
- Müller, B. 'The Time is Right! Devolution of funding decisions to designated national/regional climate change funding entities', November 2009, Oxford Institute for Energy Studies

Nelson, G; Rosegrant MW.; Koo, J; Robertson, R; Sulser, T.; Zhu, T.; Ringler C.; Msangi S.; Palazzo, A.; Batka, M.; Magalhaes, M.; Valmonte-Santos, R.; Ewing, M.; and Lee, D.; 'Climate Change, Impact on Agriculture and Costs of Adaptation', *Food Policy Report*, IFPRI, October 2009

OECD-DAC, 'Paris Declaration 2008 Monitoring Survey for Nepal'

Oxfam International, 'Even the Himalayas have Stopped Smiling: Climate Change, Poverty and Adaptation in Nepal', August 2009

Oxford Poverty and Human Development Initiative, 'Multidimensional Poverty Index', University of Oxford

PPCR, 'Prioritization Planning Process Draft', available at www.ppcrnepal.gov.np

Regmi BR and Karki, G; 'Local Adaptation Plans in Nepal', *Tiempo Climate Newswatch*, issue 76, July 2010, pp 21 – 24.

South Asia Sustainable Development Department, World Bank, 'Shared Views on Climate Change', 2009

UNDP, 'Nepal Human Development Report 2009; State Transformation and Human Development', 2009

UNDP, 'Human Development Report: Asian countries lead development progress over 40 years', 2010

United Nations Environment Programme, Global Environment Facility, 'Climate Change Expedited Financing, (Interim), Measures for Capacity Building in Priority Areas (Part II), Nepal Project Document', Date?

Tandon, N. and Vogt, E.; 'In the Hands of Women: Climate Change Finances, Oxfam Internal Background Paper', June 2010

Wily, Chapagain and Sharma, 'Land Reform in Nepal: Where is it Coming from and Where is it Going?', DFID, Nov 2008



MINDING THE MONEY

GOVERNANCE OF CLIMATE CHANGE ADAPTATION FINANCE IN NEPAL

This research is linked to an Oxfam global policy brief and series of country researches on the governances of climate change funding in developing countries. The research is designed to inform Oxfam's advocacy on how climate change adaptation funding should be managed in developing countries so that it fulfills the goals and needs of the marginalized and most vulnerable communities, with a particular focus for smallholder women farmers. Country researches have also been conducted in Bangladesh, the Philippines, Cambodia, Vietnam and Ethiopia. Country briefs are also intended to feed into policy dialogue and advocacy at the national and regional level.



Country Programme Office, Nepal
Jawalakhel-20, Lalitpur
GPO Box 2500, Kathmandu
Tel: +977-1-5530574/ 5542881
Fax: +977-1-5523197
E-mail: oxnepal@oxfam.org.uk