

Introduction

Despite the 2006 Comprehensive Peace Accord, which ended a decade of political conflict, serious problems persist in Nepal and it remains one of the world's poorest nations. With a per capita GDP of \$427, it ranks 157th out of 164 countries.¹ According to the UN Development Programme (UNDP)'s Multidimensional Poverty Index, 65 per cent of the population lives below the poverty line (although the national scale puts it at 31 per cent). The gap between rich and poor remains wide and political uncertainties abound.

The economy relies heavily on imports and foreign aid but donors have little faith in the public financial management system. Therefore development assistance comes mostly through bilateral projects, not via the national budget.

Based on data from the UNDP's Climate Change Vulnerability Index comprising 170 countries, Nepal is one of the most most vulnerable to the impacts of climate change over the next 30 years. Several factors put the country at risk, including its diverse topography, fragile ecosystems and widespread poverty. Climate conditions have worsened. Snow and glaciers are melting faster, rainfall has intensified, and floods have become more severe and frequent. At the same time, the country has to contend with limited climate-science data and technology.

Policy Instruments and Implementing Tools

Nepal has ratified the 1994 United Nations Framework Convention on Climate Change (UNFCCC) and the 2005 Kyoto Protocol. Various government agencies are managing increasing numbers of separate initiatives on climate change funded by different donors through separate agreements.

National Adaptation Programme of Action (NAPA)

The cabinet finally approved the NAPA in September 2010 after much delay and a long process, which included preparing and disseminating the NAPA document, developing and maintaining a Climate Change Knowledge Management and Learning Platform, and developing a Multi-stakeholders' Framework of Action. The plan was financed by \$200,000 from the Global Equity Fund (GEF), under the Least Developed Countries Fund (LDCF), with a further \$50,000 from the UNDP, \$875,000 from the UK's Department for International Development (DFID) and \$200,000 from the Danish International Development Agency.

Consultation was widened to include, for example, national and international NGOs, civil society groups, academia and communities. It also emphasises gender and social inclusion to ensure more effective adaptation actions, and prioritises nine projects at an estimated cost of \$350 million. Eighty per cent of available funding is earmarked for village/ municipal-level projects through implementing line ministries, but there is scepticism about the feasibility of this plan.



Nine National Adaptation Programme of Action priority projects

- Promoting community-based adaptation through integrated management of agriculture, water, forest and biodiversity sector
- Building and enhancing adaptive capacity of vulnerable communities through improved system and access to services related to agricultural development
- Community-based disaster management for facilitating climate adaptation
- Glacial lake outburst flood monitoring and disaster risk reduction
- Forest and ecosystem management for supporting climate-led adaptation innovations
- Adapting to climate challenges in public health
- Ecosystem management for climate adaptation
- Empowering vulnerable communities through sustainable management of water resource and clean energy supply
- Promoting climate-smart urban settlement

¹ World Bank (2009), World Development Indicators database.

Pilot Programme for Climate Resilience (PPCR)

The PPCR process is divided into two stages: analysis, coordination and planning across ministries to mainstream adaptation into development plans; and implementation of plans and programmes. In Nepal, which is one of nine PPCR-recipient countries, the process has reached the first stage of planning.

Initial funding commitments of \$60 million were split equally between grants and loans. The amount has since increased to \$110 million (\$50 million as grants and \$60 million as loans). Despite a broad-based civil society campaign to press the government to refuse the loan – reflecting both the ‘polluter pays’ principle and concerns that reliance on loans to finance adaptation will mean that the most vulnerable and marginalised communities will not benefit from the resources they require to adapt – indications are the government will accept the loan. Five inter-related components have been identified: building climate resilience of watersheds and water resources in mountain eco-regions; building climate resilience to climate-related extreme events; mainstreaming climate change risk management within development; building climate-resilient communities through private sector participation; and enhancing climate resilience for endangered species.

Aligning PPCR with NAPA

The fragmented nature of climate-change programming in Nepal is illustrated by the separation between the PPCR and the NAPA. The PPCR was expected to build on ‘the comprehensive, inclusive and country-driven process to develop Nepal’s NAPA’, with additional activities aimed to fill the perceived gaps in the 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; and design of implementation modalities. The same Thematic Working Groups established under the NAPA were used in the development of the PPCR.

A distinction has also been made, however, 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’.² Nepal’s NAPA document stipulates that prioritised projects include urgent and long-term adaptation strategies.

Hopes were high that donors would collaborate with the government to develop a comprehensive and coordinated strategy for programming and financing adaptation. After the first joint PPCR mission of the Asian Development Bank and World Bank, however, prospects for alignment began to dim. The mission confirmed that the PPCR should focus on long-term concerns while the NAPA favoured urgent needs, but the PPCR was becoming more independent of the NAPA, even setting its own guidelines. The former stressed resilience; the latter emphasised adaptation.

PPCR has been criticised for headquarters-driven priorities and conducting its own processes. This may be contributing to its divergence from NAPA.

Local Adaptation Programme of Action (LAPA)

The LAPA was prepared at 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 will help ensure consolidated and coordinated adaptation responses.

² Proposal for the Allocation of Resources to PPCR Pilots, June 2010.

The pilot phase of the LAPA is managed by the private consultancy firm HTSPE, and subcontracted to seven NGO partners for implementation across ten districts.

The LAPA's three main objectives are to:

- enable communities to understand changing and uncertain future climactic conditions and engage effectively in the process of developing adaptation priorities;
- implement climate resilience plans flexible enough to respond to changing climactic and vulnerability conditions;
- inform programmers and catalyse integrated approaches between sectors.

The LAPA has been developed outside of the NAPA, given the delays and time constraints of the latter. But the NAPA recognises that insights from the LAPA's implementation will enhance policy refinement and formulation. Nepal's NAPA affirms the needs-based LAPA as a practical approach to analyse critical and site-specific climate issues and encourages people's participation. DFID has committed \$16.5 million to the LAPA, although this amount could increase significantly. The European Union will probably infuse an additional \$20 million. If pilot LAPA projects succeed, the programme will be integrated into mainstream development planning and national strategies.

Ensuring that learning and capacity for LAPA implementation is systematised within government will be critical. It is too early to be drawing lessons from the LAPA, but its design and potential funding resources could support vulnerable communities significantly as adaptation actions move up and are integrated into planning processes.

Various initiatives by civil society in research, advocacy and programming are complementing government-led efforts. These organisations include World Wide Fund for Nature (WWF), Practical Action, Oxfam, CARE ICIMOD, LiBIRD and Clean Energy Nepal. A number of major civil society forums exist: Climate Change Network Nepal (CCNN), NGO Group on Climate Change, AIN Climate Change Task Force and Climate Action Network-Nepal (CAN-Nepal).

The emergence of the NAPA, PPCR, LAPA and civil society projects highlights the need to pull unlinked initiatives together. Government and donors must push for the PPCR to connect meaningfully with the NAPA, LAPA and other initiatives and not work in isolation.

Forums for coordinating climate change initiatives

The Ministry of Environment (MoE) serves as focal point for the UNFCCC and all climate-related work, with climate change initiatives coordinated by its Climate Change Management Division. Their climate change policy envisions disbursing at least 80 per cent of the funds for climate change to village/municipal levels. However, it is understaffed and current assistance is about to run out.

The Climate Change Council (CCC) provides national coordination, guidance and direction for the formulation and implementation of climate change-related policies, and for the integration of climate change in the government's perspective, plans and programmes. The Council has 25 members, is chaired by the Prime Minister and includes ministers, other senior government officials, and 'experts' (including those from the private sector, NGOs and academia).

Forests and Biodiversity – lessons in adaptation

Almost one-third of the forest area in Nepal is managed by community-based systems that have evolved based on local knowledge. They include community forest, collaborative forest, leasehold forest, buffer zone community forests and conservation areas. The Livelihoods and Forestry Programme is working with 2,500 forest-user groups in 300 Village Development Committees (VDCs) in 15 districts to draw up community adaptation plans and provide funds. They have identified watershed management, farm land conservation, forest management, awareness raising and capacity building through income generation activities.

Nepal National Adaptation Programme of Action, September 2010

Council members interviewed were unclear about their roles in the Council due to lack of detailed Terms of Reference.

The Multi-Stakeholder Climate Change Initiatives Coordination Committee (MCCICC) improves the communication and coordination of climate-change initiatives at programme level to foster synergy and avoid duplication, as well as to optimise benefits and financing programmes and projects. It is made up of representatives from key ministries, national and international NGOs, academia, development partners and local government bodies.

The links between the MCCICC, the CCC and the proposed Climate Change Centre and Nepal Climate Change Knowledge Management Centre (NCCCKMC), however, are unclear.

Financing Mechanisms and Issues

Nepal needs a common, robust and accountable financing mechanism to ensure effective climate change adaptation down to the regional and local levels. The government had hoped that several NAPA projects would be implemented through the Adaptation Fund, and nominated the MoE as national implementing entity. Donors, however, regard the MoE's capacity for such a task as a challenge, the agency being young and understaffed. Fiduciary risk, therefore, remains a significant concern of donors.

Outside the UNFCCC, a number of scattered initiatives are being funded by bilateral and multilateral donors. However, the big picture remains incoherent because of differing definitions between agencies about what constitutes a climate change programme, and a lack of coordination among donors and within government between various ministries implementing climate change projects.

The MoE brought 14 donors together to sign a donor compact in 2009 to improve alignment with government and information sharing and coordination between donors. Though no funding was guaranteed under this, it was a vital step towards harmonising support to the government.

Recently-endorsed policy anticipates the creation of a Climate Change Fund. Money from various sources, including the UNFCCC, bilateral and multilateral development partners, the Nepalese Government, and others, for climate change works will be administered through the fund and used for national climate change priorities. At least 80 percent of money in the fund will be utilised for direct implementation of works in the ground. However, there is lack of clarity as to how the fund will be administered and who will act as its trustee.

Lessons Learned and Recommendations

1. Policy harmonisation

Although it is still too early to draw lessons from pilot projects under the LAPA, efforts to harmonise projects funded under the NAPA and LAPA could offer a more integrated approach to climate change adaptation. Government and donors need to continue to push for the PPCR to connect meaningfully with the NAPA, LAPA and other initiatives and not work in isolation.

2. Strategic leadership

Although the NAPA was credited by many as a consultative and inclusive process, now that the document has been finalised the future picture is unclear. Stakeholders lack consensus, giving rise to concern that the

programme will be implemented in isolation. With a relatively small and young agency at the helm, the strategic sourcing of funds and effective channelling of these remain in question. Implementation also depends to a large extent on whether the government receives funding through the Adaptation Fund and LDCF.

3. Capacity building

The MoE is constrained by a lack of human resources and has had to depend on technical inputs by consultants funded by donors. It is questionable, however, to what degree these consultants have helped to build capacity and institutionalise learning. With much of the support to the Ministry due to end soon, and no clear plan for how this gap will be filled, the government's climate-change initiatives are in a fragile position.

4. Financing strategy

Much expectation was placed on the NAPA to galvanise efforts and build a harmonised platform for action and finance, but climate change financing in Nepal is fragmented. Despite serious efforts to improve donor coordination, in the absence of a coordinated mechanism to capture climate change adaptation funding, it is highly possible that the number of different modalities and agencies involved will proliferate as funds increase. In addition, although financial management has improved, with more local-level funding than before, there are many bottlenecks at district level.

5. Interim financing mechanism

Nepal is at a critical point. If work on climate change adaptation is to continue, a quick interim mechanism to pool adaptation funding and foster alignment is imperative. The creation of an Apex Steering Committee could serve such a purpose if accountability, decision-making and coordination is worked out and made transparent. For the long term, however, government, donors and other stakeholders need to ensure a financing mechanism that meets the modicum requirements of transparency and trust.

More information on this issue can be found in Oxfam's new briefing paper, *Owning adaptation: Country-level governance of climate adaptation finance*. To download your free copy of *Owning adaptation*, please go to www.oxfam.org.uk/publications.

As financing for climate change adaptation gathers pace, it has become fundamentally important to identify how it flows into developing countries. This is a major opportunity to shape the governance of funding at the national level so that the needs of the most vulnerable can be met. The core issue is country-level ownership of adaptation finance. Consequently, providers of adaptation finance must put developing countries in the driver's seat, and the countries themselves must exercise leadership and respond to the needs of those most affected by climate change. Most importantly, civil society and vulnerable communities must be able to steer and hold accountable the way in which adaptation finance is used.

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