



UNDP-UNEP POVERTY-ENVIRONMENT INITIATIVE
PNUD-PNUE Initiative Pauvreté-Environnement
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Nepal

Basic facts of the PEI in Nepal

- After a Preparatory Phase dominated by assessing the overall political risk, PEI Nepal's Phase I started in February 2010. The programme will be implemented through December 2012.
- PEI Nepal is not a stand-alone project, but has been designed to respond to targeted support requested by the Government to coordinate on-going programmes in closely related areas for cost-effectiveness purposes. This includes, in particular, the Institutional Strengthening Support to National Planning Commission Project implemented by the National Planning Commission (NPC) and the Local Government Community Development Programme (LGCDP) implemented by the Ministry of Local Development (MLD).
- The main objective of the PEI in Nepal is to support poverty reduction and inclusive development by integrating climate and environmental concerns and opportunities for the poor into development planning and economic decision-making.
- PEI focuses on the issues related to land based income generation opportunities, renewable energy support policy, benefit sharing in the natural resource sector, and urban environmental policies.
- The National Planning Commission (national level) and Ministry of Local Development (local level) lead the PEI programme with funds from PEI and the UNDP Country Office.
- The programme is coordinated closely with the Asian Development Bank, DFID's support to Nepal on climate mainstreaming and existing projects of UNDP's poverty and governance teams.
- The main national partners include the National Planning Commission (NPC) and the Ministry of Local Development (MLD).
- The total budget is USD 300,000, of which PEI contributes USD 200,000 and UNDP through TRAC funds USD 100,000.

The context of poverty-environment mainstreaming in Nepal

- Nepal witnessed a decrease of poverty levels from 42 per cent in 1996 to 31 per cent in 2004. However, this improvement is negated by a significant increase in income inequality. The Nepal Living Standards Survey (2003/2004) showed that the Gini Co-efficient rose from 34.2 per cent to 41.1 per cent during this period. Rural poverty levels remain as high as 45 per cent in some districts. There are also stark contrasts in poverty levels between lower caste and minority groups versus the upper caste groups of society.
- Nepal's economy is heavily reliant on natural resources. Some 86 per cent of the population resides in rural areas and more than 80 per cent of Nepalese people derive their livelihoods from forest-related products. Nepal relies heavily on traditional energy sources, which account for 93.2 per cent of total energy requirements. Biomass provided 86 per cent of the total energy consumption. Shortages of electricity and the water crisis have emerged as national problems.

- The key environmental issues related to poverty in Nepal are deforestation, loss of biodiversity, land degradation, climate variability and its impacts, and urban environmental problems due to rapid urbanization. The environmental health costs associated with poor environmental management represent a significant burden on Nepal's economy.
- Nepal's economy is extremely vulnerable to climate variability and extreme weather events. This vulnerability is compounded by socio-economic and environmental factors, including increasing pressure on natural resources and land, population growth and governance. The main climate-related risks in Nepal are: the Glacial Lake Outburst Floods (GLOF), impacts on livelihoods and economy from extreme weather with impacts for millions of people, consequences for economic sectors like hydropower and agriculture, and derived longer-term consequences on health (food security, and water and vector-borne diseases).
- The absence of effective local government for over a decade created the space for numerous community-based projects in Nepal. The dominance of community-based projects confined to specific issues, however, also hindered the development of more programmatic policy approaches and systematic scaling up of good practices.
- Following a decade-long conflict termed the "people's war" against what was considered a feudal state, a Constitutional Assembly (CA) elected in 2008 vowed to steer the country through a political transformation to a federal system. The Constituent Assembly committed to strengthening decentralized governance in order to promote more inclusive growth in line with the Local Self Governance Act of 1999 and the Interim Constitution of 2007.
- The transition poses both opportunities and threats for natural resources management. Issues related to people's right over use and management of natural resource are expected to receive considerable attention during the deliberations of the new Constitution.
- A three-year National Development Strategy (2008/2009 – 2010/2011) serves as the Interim National Development Plan for the Constitutional Assembly.
- With the current three-year interim plan term nearing completion and significant delays in drafting of the new Constitution due to political differences between the Constituent Assembly members, the National Planning Commission has led the process of preparing for the next periodic plan.
- The preparatory work has commenced with initiation of an Approach Paper to set out the macro and sector-specific strategic objectives for the next National Development Plan periodic plan.
- The PEI has identified the national and local development plans and budgets - focusing on local government reforms on decentralization and inclusive development, which lie at the heart of the political process and the drafting of a new Federal Constitution as entry points for the integration of natural resources and climate issues.

Main activities

The main activities in support of PEI's efforts to integrate natural resources and climate issues in the national and local development plans and budgets include:

- Provide technical support for the integration of pro-poor environmental measures in national periodic plans through targeted analyses and studies.
- Undertake analyses (e.g. economic analysis and ecosystem assessments) and prepare policy briefs on their findings targeted to central-level policy makers and planners to inform the Approach Paper, prioritization criteria, and subsequent draft plan documents.
- Awareness raising on poverty-environment linkages and sustainable natural resource management targeting National Planning Commission (NPC) officials and task forces involved in the formulation of the next periodic plan.

- Support the improvement of guidelines for the integration of pro-poor sustainable natural resource management at national and local levels.
- Support the integration of pro-poor sustainable natural resource management into the budgetary process by providing technical analyses (e.g. Public Expenditure Review on environment, environmental fiscal reforms) and improving the budgetary guidelines/formats and the NPC approval process of development projects to be included in the budget.
- Improve the macro-level indicators used by the NPC poverty monitoring unit to strengthen monitoring and evaluation of pro-poor environmental outcomes.
- Provide training for NPC poverty monitoring unit for data collection and analysis on poverty-environment linkages and sustainable NRM.
- Review relevant guidelines and directives (e.g. integrated planning, monitoring guidelines, minimum conditions and performance measures, block grant guidelines) to assess their pro-poor and pro-environmental impacts at the local level and propose specific measures to improve them.
- Undertake an economic analysis of local government investments in rural road construction at Village Development Committee level to assess the costs and benefits of alternative road construction approaches including social and environmental concerns.
- Provide policy recommendations on rural infrastructure development in partnership with MLD-led Rural Transport Infrastructure Sector Wide Approach (SWAp) Programme.
- Provide capacity building to support the development of training materials on integrated planning and rural infrastructure development practices - targeted to the district-level environmental officers.
- Provide capacity building to train Social Mobilizers on integrating pro-poor climate and environmental concerns in the development planning process, to include key poverty-environment issues.
- Support design, production and dissemination of public awareness and communication materials on poverty-environment issues as part of the communication strategy.
- Assess the impacts of the existing District Development Committee/Village Development Committee (DDC/VDC) block grants on the local environment and natural resource base for environmental sustainability and poverty reduction.
- Provide technical input to the improvement of the existing DDC/VDC block grant formula to better target the neediest communities and to provide incentives to increase investment in natural resource management and environmental protection for poverty reduction.
- Strengthening the evidence base on poverty-environment linkages by analysis of the current practices for generating revenues and benefit sharing from natural resources and rural energy investment at VDC level, including taxation, royalties, fees on marketable natural resources and payment for ecosystem services; and formulate policy recommendations for the long-term sustainability of the current practice.
- Improve understanding and information of targeted VDC officials and community user groups (specifically targeting marginalized groups) on maximizing revenues from natural resource management and equitable benefit sharing options.

What has been achieved to date?

- PEI programme signed in February 2010 and PEI advisor appointed in March 2010.
- PEI activities designed and incorporated in the 2010/11 Annual Work Plans of the project to support Institutional Strengthening of National Planning Commission (NPC) and Local Government and Community Development Project (LGCDP).

With National Planning Commission:

- A team of sectoral experts, in close co-operation with the National Planning Commission, have identified and incorporated poverty-environment issues into the Approach Paper to next periodic plan. These experts have been commissioned to provide technical inputs to incorporate poverty-environment considerations in environment and climate change, agriculture, rural infrastructure, energy, alternative energy, sanitation and drinking water, and water-induced disaster sectors of the next periodic plan (three-year plan 2010/11-2012/13), which is the equivalent of the national development plan of the country.
- National consultation meeting on pro-poor environmental measures in the next periodic plan organized. The meeting was chaired by the Vice Chairman of the Planning Commission and the Secretary of the Ministry of Local Development, in collaboration with the civil society
- Pro-poor environment and climate change priorities incorporated into project prioritization criteria of National Planning Commission.

With Ministry of Local Development:

- Pro-poor environmental priorities incorporated into participatory planning process of local bodies (DDCs, VDCs and Municipalities).
- Information and communication materials developed in the form of a Resource Book on poverty, environment and climate change for dissemination to local government and local stakeholders.
- Study on economic and environmental impacts on rural road construction in Nepal initiated. Specific recommendations on sustainable rural road construction will be presented through executive summaries targeted to policy makers and different stakeholders –central government agencies, DDCs, VDCs and communities.
- Study on revenue generation from exploitation of natural resources initiated. The recommendations of the study on specific ways to improve the long-term sustainability of the current practice will be presented through executive summaries targeting the central-level planners, policy makers, private sector and communities.

Lessons learned

- Mainstreaming poverty-environment activities within other on-going UNDP programmes (such as the National Planning Commission and the Local Government and Community Development Project) is a cost-effective way in achieving policy impacts. For example, through existing activities, integration of poverty-environment concerns into policy work can benefit from the networks and institutional arrangements already in place.
- Working through on-going UNDP programmes is time-effective. It enabled the PEI programme in Nepal to start activities almost immediately after funds became available, avoiding the time-consuming project mobilization phase.
- Working at a strategic level with local government units through the Ministry of Local Development is the most important way to achieve poverty-environment mainstreaming in countries such as Nepal, due to their strong focus on decentralization.
- PEI results are to be measured in terms of engagement of key government institutions and stakeholders on poverty-environment integration into development planning processes at national and local level, rather than number of studies done and trainings conducted.

Way forward

With National Planning Commission:

- Support finalization of the national periodic plan, facilitating sector inputs by experts in at least eight non-environment sectors.
- Establish national steering committee for PEI in Nepal under the Chair of NPC and develop a Community of Practice (COP) on PEI.
- Conduct Public Expenditure tracking survey of one sector.
- Review and update Poverty Monitoring Assessment System (PMAS) and Project Performance Information system (PPIS) indicators and integrate indicators for poverty-environment issues.

With Ministry of Local Development:

- Provide recommendations on local government revenue collection based on assessing social and environmental impacts of local government natural resource extraction practices.
- Train District Environment Desk officers in collaboration with relevant partners such as DFID.
- Disseminate and advocate PEI-supported economic analysis of local government investments in rural road construction.
- Support the review of Minimum Condition Performance Measures (MCPM) of District Development Committee and integration of pro-poor environment and climate issues in DDC - MCPM manual.
- Undertake integration of pro-poor environment and climate criteria and indicators in the local planning and budgeting manual and scheme of implementation.