

Session 2: Integrating Poverty-Environment-Climate Nexus in Budgeting and Financing

Guiding Questions

- What is/are the poverty-environment-climate nexus issue(s) in the budgeting systems and financing mechanisms in your country?
- What tools and approaches were developed to integrate the poverty-environment-climate nexus into the budgeting system and financing mechanisms?
- What were the challenges faced (institutional, political, technical, etc.), how did you try to overcome these, and what were the lessons learned?
- How do these tools and approaches from PEI help your country implement the SDGs?

Climate Change Finance in Nepal- Context

- Meeting needs of the most vulnerable to climate change require a strong local financial delivery mechanism (National Planning Commission, 2010)
- A study carried out Global Climate Adaptation Partnership (**GCAP**), Integrated Development Society (**IDS**) **Nepal**, Practical Action Consulting (**PAC**) Nepal in 2014 estimated adverse effects of the climate change in agriculture, hydropower and water induced disaster in Nepal is equivalent to 1.5 to 2 % of current GDP /year and as high as 5% in extreme years
- Government's commitment for addressing climate change issues particularly budget allocation as against the climate change policy, 2011 of bringing upto 80% climate change budget at local level.

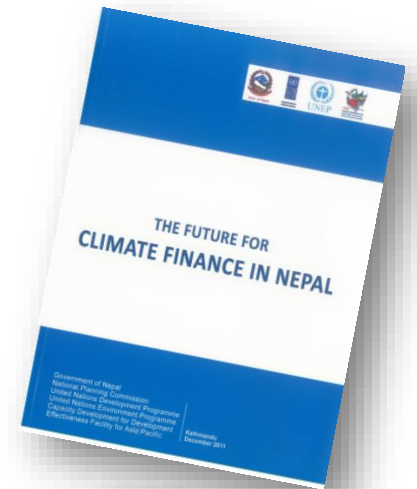
Integration Initiatives

A study on “The Future for Climate Finance in Nepal ” suggested.

- Moving from project delivery to a programmatic approach for public funding of climate programmes
- Exploring possibility of tracking climate change public expenditure within the national budget
- Tracking climate expenditure flows to the local level

As follow up to climate finance study, ***Climate Public Expenditure & Institutional Review (CPEIR)*** was conducted in 2011.

Environmental and climate change indicators constitute in the MCPM indicators for performance based grant allocation at the local level.



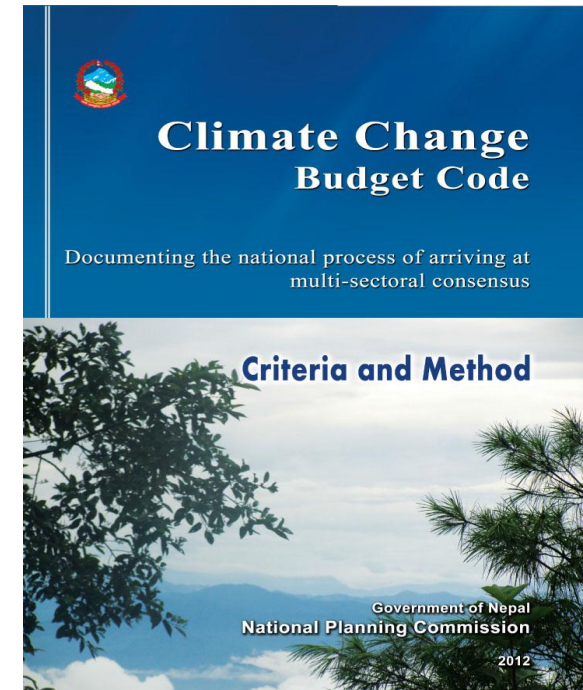
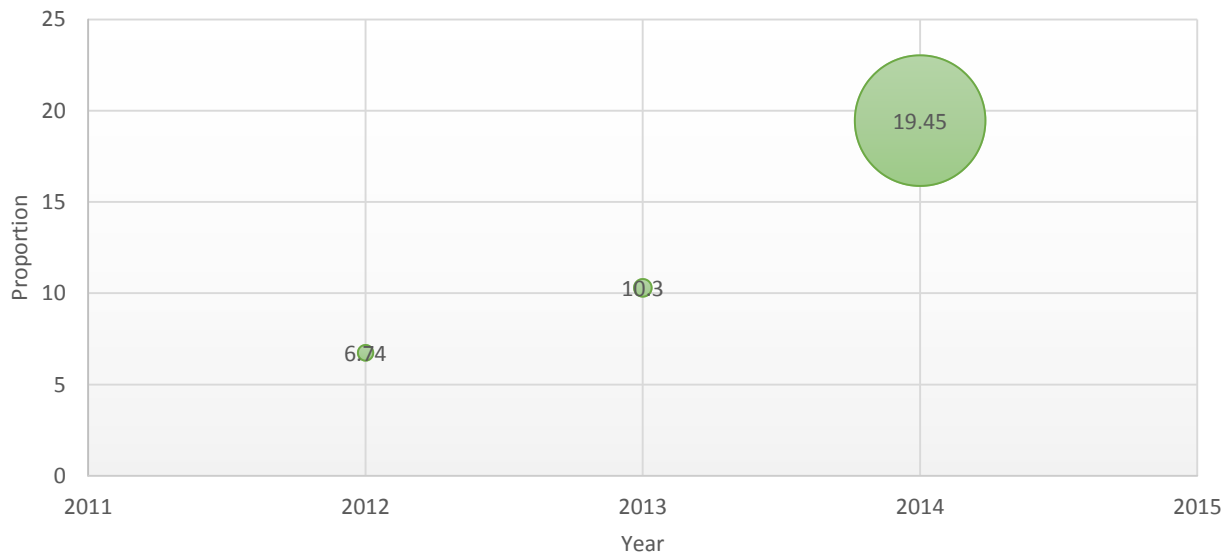
Environment Friendly Minimum Conditions Performance Measures (MCPM) for local bodies.

- Fulfillment of MCPM secures additional performance based grants for local bodies in Nepal.
- Under PEI initiative, the MCPM guidelines were revised to include environmental concerns.
- MCPM indicators for DDC includes :
 - District transportation management plan and its implementation
 - Energy and environment
- Municipal MCPM indicators include:
 - All infrastructure above NPR 5mn should undertake feasibility study one of which is environment assessment.
 - Use of IEE/ EIA
 - Plantation along the roads
 - Environment program formulated and implemented
 - Local adaptation plan prepared and implemented to address climate change
 - Environment units established and a focal person identified
 - Environment management special fund established and mobilized.

Climate Public Expenditure Review (CPEIR)

- Climate Public Expenditure Institutional Review (CPEIR) Report produced in 2011
 - Useful to understand government's commitment for addressing climate change issues particularly budget allocation as against the climate change policy, 2011 of bringing upto 80% climate change budget at local level.
 - Moreover, the report acted as a baseline on climate change adaptation budget allocated by public sectors in Nepal.

Budget Allocation for Climate Change



Bringing upto 80% climate change budget at local level

Issues / Challenges for	Strategies Adopted/ under consideration
No mechanism was in place for tracking of climate change expenditure at central and local level	District Climate Change Public Expenditure Institutional Review (DCPEIR) being carried out Local Climate Change Adaptive Living Facility (LoCAL) being piloted to track climate change expenditure at local level
Actual expenditure from private sector and NGOs is yet to be accounted	DCPEIR will help exploring possibilities of consolidating NGO budgets
Inadequate human and institutional capacity for accessing, consumption and disbursement of climate funds	Strengthen environment management special fund (EMSF) at District Level Introduce climate change budget code at local level Enhance capacity of Ministry of Finance, Line Ministries(including MoFALD), Financial Comptroller General Office (FCGO), District Treasury Office
Public policy put priority on poverty reduction, infrastructure development and state restructuring	Producing knowledge documents and communication strategies to aware stakeholders on importance of considering climate change issues in development plan and budgets
Transfer of climate budget from central government to local bodies – takes time	Prepare and implement fiduciary risk reduction strategies and action plan to ensure transparency and accountability

How do these tools and approaches from PEI help your country implement the SDGs?

- The tools and strategies adopted in managing climate finance will be useful to access more resources from international level and thereby contributing to attain SDG goals mainly - 1, 2, 5, 6, 7, **11,12, 13**, 15 & 17
- PEI can play the role of integrating environment, poverty and climate change issues by extending technical support
- Pilot Local Climate Change Adaptive Living Facility (LoCAL) in Dhading and Rupandehi Districts of Nepal will showcase accountable and transparent ways of using climate finance that will justify for accessing more resources

Thank You