A study commissioned by the Ministry of Federal Affairs and Local Development has revealed that there is a gap between Development Plans of Local bodies and budget allocations. While social inclusion, environmental management, gender and disaster risk reduction considerations are included in Development Plans, this commitment hasn’t resulted in sufficient budget allocations. This policy brief examines environment related expenditures of local governments, gaps between policies and budget allocations and proposes possible policy responses.

Introduction

In April 2013, the Ministry of Federal Affairs and Local Development conducted a review of the level of inclusion of environment, sanitation, social inclusion, gender equity and disaster risk reduction in local development planning procedures. The desk review looked at published annual development plans and budgets of 15 District Development Committees (DDC) and 5 Municipalities representing various ecological and development regions of Nepal over three fiscal years.
Main findings

• Development plans of selected DDCs and Municipalities reveal that most of them include environmental management (EM), gender equity and social inclusion (GESI), sanitation, disaster risk reduction (DRR) and climate change considerations, but that these receive limited budgets. Although the majority of local bodies have included programmes related to these fields in their annual development plans, so far only an average of 8% of the budgets is allocated to implement them. Specifically, 95% include EM activities, 90% include sanitation activities, 80% include GESI activities, 75% include DRR activities and 35% have Local Adaptation Plans of Action. Moreover, there is no consistency in policies, programmes and budgets related to these fields across the country. Although the country has given a high priority to gender and social inclusion, only 1% of the annual budget of local bodies is allocated to these areas.

• Overall the compliance to policies is not satisfactory while formulating and allocating budgets. Central bodies envisage all of the districts will address the problems as indicated by the Acts, Laws, Regulations, Norms, Guidelines and Directives, and timely circulars from MoFALD, other line ministries and the National Planning Commission (NPC) but in practice all of the districts have difficulties to comply to these. The underlying causes of non-compliance were found to be lack of awareness, capacity and motivation.

• Planning and budgeting in environmental management and disaster risk reduction follows more of a reactive pattern than forward looking strategic allocation of budgets. For example, heavy rainfall followed by flood in Terai in 2009 may have triggered local bodies’ allocating more budgets for disaster risk management in 2010. The concept of true integrated planning still needs to be understood and practiced at the DDC, Municipality and VDC level.

• The capacity of DDC and Municipalities staff should be enhanced to prioritize activities, define long-term plans and understand integrated planning. The MoFALD should include this provision in their upcoming policy directives to local bodies.

• Environmental management and climate change adaptation and mitigation should become regular programmes of DDC’s and Municipalities. The MoFALD should include this provision in their upcoming policy directives to local bodies.

• Promote the participation of local communities and vulnerable groups to define development plans and understand strategic allocation of budgets.

• Establishing a budget code/marker is necessary to track effectively environment, climate change and disasters expenditures. Establishing a reliable baseline would allow to guide future budget allocations.

• Evaluate the impact of current public policies. Evaluating the impact of public policies related to pro-poor environmental management should guide future public investments.

Policy recommendations

• Budgets allocated to pro-poor environmental management, including gender equity and social inclusion should increase. Budgets allocated should be in line with the recognition they receive in most local development plans.

• The MoFALD should provide local bodies with timely oversight and feedback. Local bodies should be provided with feedback on compliance with Acts, Laws, Regulations, Norms, Guidelines and Directives through periodic monitoring visits and onsite interaction meetings.

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