Climate Budget tagging with focus on policies, risks, and gender-based beneficiaries: Nepal’s Experience

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Nepal in brief

• Nepal is a LDCs with a GDP of 35 billion USD. Per capita income is about 1100 USD. Agriculture employs 2/3 of the population and contributes about 28% to the GDP.

• Remittance has become a major source of income for large number of population.

• One of the most vulnerable countries to extreme events of floods, droughts, wildfires, glacial lake outburst floods. Water sources declining across the country as silent disaster.

• Achieving SDGs by 2030 requires seriously addressing climate change and enhancing resilience of the vulnerable population whose livelihoods depend on the state of natural resources.
Mainstreaming gender in national development plans and budget began with GRB Tagging (2009), while Climate Budget Tagging was introduced in 2013 to integrate climate change concerns in the plans and budget.

**Gaps**

- Climate tagging used 11 criteria to define climate actions, but the blanket criteria for all sectors failed to capture sector specific nuances while defining climate actions and identifying associated budget.

- Budget tagging was done after the development programmes were already formulated by ministries and departments to meet particular sectoral objective.

- Difficult to see how climate investment helps to or hinders supporting gender in reducing vulnerability or increasing resilience.
CC Financing Framework (2017) of Ministry of Finance put forth a road map for reforms required in the financial management systems to:

- Make climate budget more accurate;
- Improve accountability in governance of climate finance;
- Initiate tagging when the projects are being proposed, and not after they have been approved;
- Address sectoral nuances in the climate budget; and
- Enable evaluation of climate investment in reducing vulnerability of the most vulnerable.
Ministry of Agriculture lead

- Ministry of Agriculture and Livestock Development took the lead in improving tagging method with the following changes.
  - Unpacked existing CRITERIA of defining climate related programs and grouped them under 7 TYPOLOGIES and sub-groups to minimize subjectivity in defining climate programs in agriculture, and;
  - Developed new way of assessing level of relevance.

The information about relevance level is fed into the budget database at the Ministry of Finance to indicate different level of climate budget (Highly relevant or Relevant).
### Methodology

<table>
<thead>
<tr>
<th>Typology</th>
<th>Climate functions</th>
<th>Climate related programme within each typology for 2018/19</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable water management</strong></td>
<td>Adaptation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mitigation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Both</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation and maintenance of existing water storage facilities</td>
<td>A</td>
<td>Fisheries development</td>
<td>Expansion of 100 hectares of fisheries</td>
</tr>
<tr>
<td>Watershed restoration</td>
<td></td>
<td>Integrated water resource management project</td>
<td>Vegetable block demonstration 190 hectares.</td>
</tr>
<tr>
<td>Measure to prevent erosion and landslides along canals</td>
<td>M</td>
<td>Small irrigation improvement</td>
<td>Windbreak plantation 1 hectare</td>
</tr>
</tbody>
</table>
Level of relevance

The weighting of relevance is based on three factors reflecting:

- Availability of information about climate risks of the area where the project will be implemented and vulnerability of the people;
- Information about the gender-based beneficiary (who does it help?);
- The degree to which the project is linked with national commitments such as SDGs, NDCs and the national climate policies.
## Fixing level of relevance

<table>
<thead>
<tr>
<th>The availability of information about climate risks and vulnerability</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The information about the climate vulnerability of the area where the activity will be implemented is <em>available and measurable.</em></td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The degree to which a climate relevant activity targets identified gender-based beneficiaries</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The beneficiaries including gender that the activity will support with specified climate objective are <em>known and countable.</em></td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Links of the activity to climate change policy and national commitments such as the SDGs and NDCs</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The linkages of the activity with national climate policy, SDGs and/or NDCs are established.</td>
<td>No</td>
</tr>
</tbody>
</table>
If 2 or more than 2 of the above three factors are positive (answer being ‘Yes’) the activity will be considered ‘highly relevant’.

If 2 of the factors are negative (answer being ‘No’), the activity will be considered ‘relevant’.

Additionally, the planner will provide a narrative for few key projects to help monitoring.

Example:
Small Irrigation Improvement Project
Short narrative:
It is proposed for drought hit area of village X, for which VRA has been conducted. The project will help 100 women farmers grow off season vegetables, support outcome 2 of Agriculture Development Strategy and contribute to SDG 2.
Benefits

• Only activity level budget is tagged, which helps improve **accuracy of climate budget**.

• The planners need to consider climate risks that the activity will address, the gender-based target beneficiaries **who will benefit**, and the policy links of the activity to help **meet national commitments** before tagging.

• It encourages planners to use **available climate information**, and in case if it is not available **place demand** for it from relevant agencies. Connects information generating agencies with the agencies using the information. The process is expected begin a **cycle of demand and supply of climate information** across sectors in the long run.

• Ministry of Finance has provided necessary provisions in the database making a systemic level improvements, as envisioned by CCFF, for tagging at activity level.
Thank You