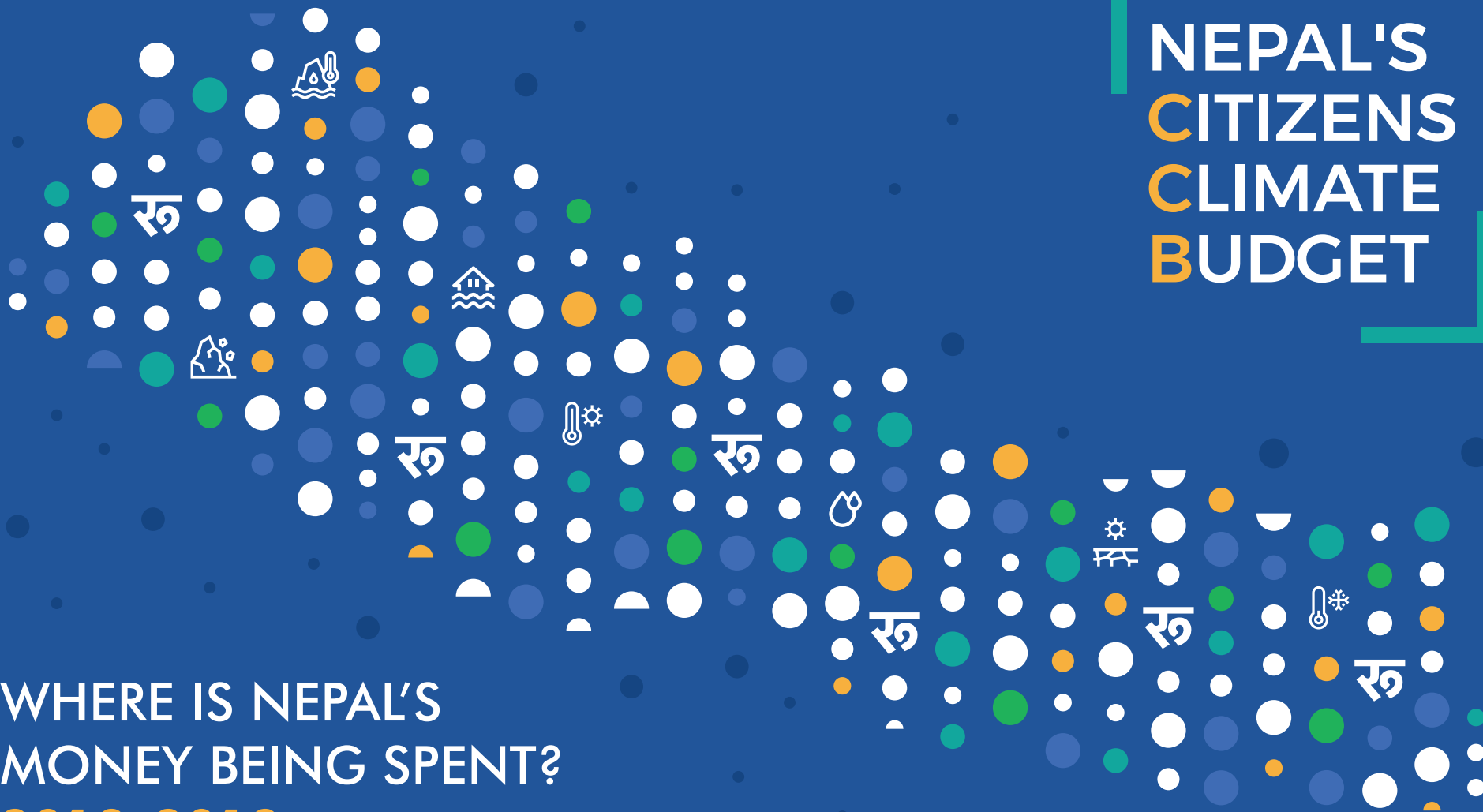


NEPAL'S CITIZENS CLIMATE BUDGET

WHERE IS NEPAL'S
MONEY BEING SPENT?
2018–2019



WHERE IS NEPAL'S MONEY BEING SPENT? (2018–2019)

Climate Change and Nepal's future

Nepal is one of the world's most vulnerable countries to global climate change. It ranks in the top 20 countries that have suffered the most from the impacts of climate change, through floods, forest fires, drought and other climate-induced disasters. An increase in these climate impacts would threaten Nepal's development efforts and the lives and livelihoods of its people, particularly women and those who are poor. There is already evidence of an increase in these impacts. Government, businesses and people must act now to reduce the emissions that cause global warming (mitigation) and to ensure that the people are protected from climate events and better able to predict and respond to climate changes through effective adaptation measures.

Much of the government's response will involve raising and spending financial resources. The Nepal Citizens Climate Budget describes the steps the government is taking to manage climate-related financial resources and presents the 2018/19 climate budget.

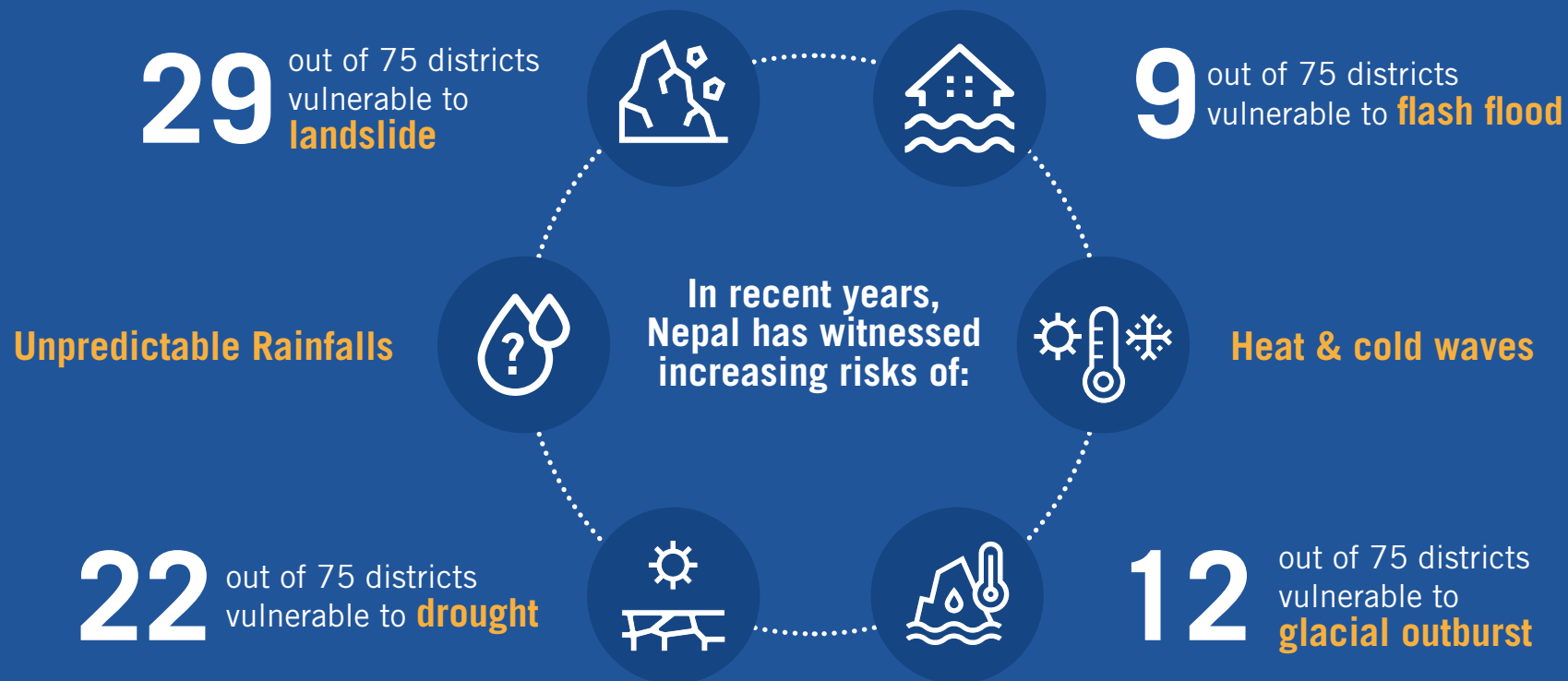
What is the Citizens Climate Budget—and why does Nepal need one?

Citizens, civil society organizations (CSOs), people's representatives, parliamentarians and others must play an important part in: 1) ensuring that decisions about raising and spending money to address climate change are aligned to what people, natural systems and the economy need; 2) monitoring the implementation (how government actually collects and spends budgeted money on services and activities) of those choices; and 3) holding the government to account. To help ensure that relevant public funds are used effectively and as intended to address the potential impacts of climate change and support sustainable development, citizens and CSOs need access to budget information that they can understand and opportunities to engage in budget decision making and oversight processes.

To inform and encourage public understanding and engagement, Freedom Forum developed this Citizens Climate Budget (CCB) to present the government's budget plans to raise and spend public money to address climate change and its effects. The CCB presents information from 2013/14 through 2018/19. This document is designed to help citizens, CSOs and journalists, as well as people's representatives and parliamentarians and other policymakers, to understand how the government uses public finance to address climate change. The CCB can be used to facilitate dialogues about climate finance accountability at different levels of government, and it also provides evidence for stakeholders to use to engage in budgetary discussion and decisions.








CLIMATE CHANGE VULNERABILITIES IN NEPAL

One of the world's most vulnerable countries



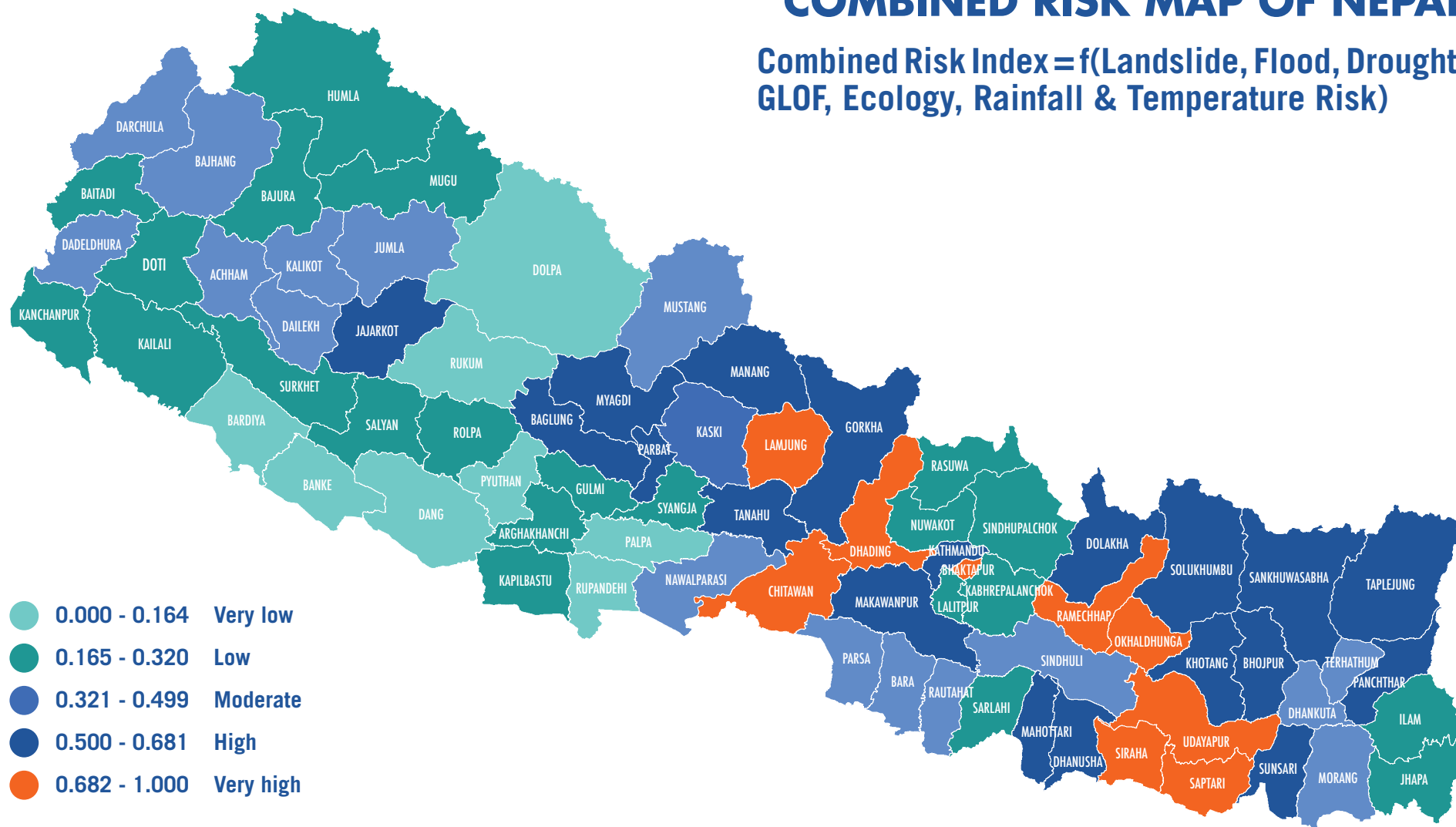
Note: Nepal's districts were extended to 77 from 75 districts in the run up to state restructuring. Nawalparasi and Rukum districts were split, resulting in the addition to the existing numbers.

CLIMATE IMPACT AS INDICATED BY RESPONDENTS DURING CLIMATE IMPACT SURVEY 2016

Impact area		Impact indicators	Respondent in (%)	
	Rainfall	Monsoon delayed by 1-4 weeks	84.58	<div><div></div></div>
		Winter rain delayed by 1-4 weeks	57.14	<div><div></div></div>
	Water sources	Observed changes in water sources	74.29	<div><div></div></div>
		Observed decreased in amount of surface water	84.47	<div><div></div></div>
		Complete drying up of surface water in mountain region	74.56	<div><div></div></div>
		Complete drying up of underground water in hill region	48.81	<div><div></div></div>
	Invasive plants	Observed invasive creepers in agricultural land	92.03	<div><div></div></div>
	Hot & cold waves	Increase in cold wave in central mountain region	100.00	<div><div></div></div>
		Observed a decrease in cold wave in central hill	100.00	<div><div></div></div>
		Increase in hot wave Eastern Terai	56.25	<div><div></div></div>
	Drought	Increase in drought	99.33	<div><div></div></div>
	Landslides	Increase on incidence of landslides	78.12	<div><div></div></div>
	Diseases and insects	New disease emerging on crops	60.25	<div><div></div></div>
		Appearance of new insects	66.09	<div><div></div></div>
		Appearance of new disease in livestock	45.98	<div><div></div></div>
		Increase in disease/insects and sporadic rain	97.69	<div><div></div></div>

COMBINED RISK MAP OF NEPAL

Combined Risk Index = f(Landslide, Flood, Drought, GLOF, Ecology, Rainfall & Temperature Risk)



Source: Government of Nepal, Ministry of Environment, September 2010

WHAT HAS BEEN THE ECONOMIC IMPACT OF CLIMATE CHANGE?

Climate change threatens recent development gains and undermines future results and aspirations.

1983-2005

Average loss/year
NRs. 1.2 billion

Total loss
NRs. 28 billion

2010-2016

Average loss/year
NRs. 2.2 billion

Total loss
NRs. 16.8 billion

2016



Loss due to floods
NRs. 15.5 billion



Loss due to landslides
NRs. 1 billion+

Ministry of Home Affairs, 2016.

2017



The total estimated loss in
35 flood affected districts
NRs. 60.7 billion



Drought and forest
fires have increased in
frequency and coverage
in the recent years,
causing serious damage
to agriculture and the
environment, **there is no
information about these
losses.**

Loss and damage due to floods (NRs. billions)

Housing	19.5
Irrigation	17.5
Livestock	10.7
Agriculture	7.2
Transport	2.9
Education	1.2
Water and sanitation	0.88
Health	0.62
Energy	0.22
Total loss	60.72

Source: National Planning
Commission 2017

2013

Loss due to current
climate vulnerability and
extreme weather events
NRs. 28-38 billion

Estimated loss and damage due to climate related disaster events ('000 NPR)

Flood	15,518,718
Landslide	1,071,802
Flashflood	11,000
Heavy Rain	218,173
Thunderstorm	25,120
Epidemics	1,800
Total loss	16,846,614

Source: <http://drrportal.gov.np/reports>

GOVERNMENT EFFORTS TO ADDRESS CLIMATE CHANGE

The Government of Nepal (GoN) has taken critical steps as part of meeting the climate change challenge. It has committed through the historic Paris Agreement to ambitious action to reduce its greenhouse gas emissions and adapt to the negative impacts of climate change on the country's development and its people. To manage its response to climate change, the GoN has put in place several laws, frameworks and guidelines and important policy reforms. Key among these reforms include those for managing climate-related public funds and integrating climate change in planning and budgeting across the different sectors in order to make development programmes climate responsive.

Climate change impacts all of the natural systems that support Nepal's people and the economy, and so the government will need to act on many fronts—agriculture, water, environmental protection, energy, transport, health, and so on. Climate spending will cut across most of the sectors covered in the budget,

so the GoN's efforts above are essential to identifying what Nepal needs to do to adapt to climate changes and reduce emissions and then providing the money to take these actions.

So how do we track this spending across the budget and ensure that the actions needed are adequately funded?

The latest measures to improve management of climate-related finances include a climate expenditure tagging system that identifies exactly what funds are to be spent on which climate-related actions. The tagging has two climate-related spending categories: Highly Relevant and Relevant. The GoN has also endorsed a Climate Change Financing Framework¹ (CCFF) and is developing a roadmap for integrating climate actions into the country's budgetary systems and development plans and for improving accountability and reporting on the expenditure (spending of budgeted funds) as well as the effectiveness of climate investments.

What is in the Government's 2018/19 Budget for Climate Action?

The GoN through its national budget 2018/19 has set priorities related to climate change in the areas of agriculture, forest and environment, energy, drinking water, irrigation and river control, housing building and urban infrastructure, transport, post-earthquake reconstruction and flooding, and local infrastructure. The following presents detailed description of budget allocations (money that is budgeted for specific activities, while 'expenditures' refers to money that is actual spent) under the prioritized areas related to climate change.

1. https://mof.gov.np/uploads/document/file/CCFF_FINAL_Web_20180222050438.pdf



Information for the Nepal Citizens Climate Budget

The CCB uses official information from the Ministry of Finance, Financial Comptroller General Office and other Government agencies and sources in Nepal. When Freedom Forum developed the first CCB in 2018, the government had published climate-specific budget data, so the information needed to develop the CCB was easily available. The government did not publish this same data for the 2018/19 budget, causing serious challenges for both the development of the CCB and for the public to get timely and useful information for monitoring and accountability purposes. In addition, most climate change actions will be implemented at the local level, and it is currently very difficult to access information about how provincial and local governments are managing climate-related finances.

Recommended action

Public engagement and accountability on budgets requires reliable access to comprehensive and timely information, so this CCB could be used by the government as a model for making information available and accessible. The Government of Nepal should also encourage and support government at all levels to provide public access to climate-related budget information.



Climate Change Roadmap and the Sustainable Development Goals

In addition to helping it achieve Nepal's climate change commitments, the GoN intends for the CCFF to help it pursue the Sustainable Development Goals (SDGs) more effectively. The CCFF sets up the processes for monitoring the impact of the government's investments at national, provincial and local levels, and the roadmap is both guiding sector ministries in integrating and implementing climate and SDG plans and actions and supporting local-level activities, which is where most actions will be taken.

Recommended action

As Nepal moves forward in meeting its climate change and SDG commitments, the GoN could enhance public understanding of and accountability for how public funds are being managed by publishing more information that presents how the budget links to these commitments across sectors. The more that it can present this information in easy to understand language and graphics, the more accessible it will be to all of Nepal's people.



Women and those who are poor face greater climate change threats

Those who are poor or otherwise marginalized are at greater risk from climate change. Poor people, particularly poor women, are more likely to be harmed by climate hazards (flooding, storms, drought and so on) because they live in poorly constructed homes in high-risk areas; often rely heavily on natural resources for food, fuel, and income; and have limited economic options.

Poor people and women also struggle to respond to climate hazards because of existing structural inequalities like discrimination; unequal access to financial services like credit and insurance; insufficient public services like education, health care, and disaster recovery supports; and little or no opportunities to participate in decision-making processes that might allow them to challenge these structural issues.

Therefore, the way that the government manages public funds to mitigate the causes of climate change and protect and build the resilience of vulnerable people and communities will determine whether climate change further entrenches or deepens poverty and forces more of those who are “near poor” into poverty.

Recommended action

The GoN needs to ensure that it is meeting its commitment to addressing the climate-related needs of women through the budget, but it currently does not produce or publish information on how the climate-relevant budget is being used to address gender-based climate vulnerability.

GOVERNMENT'S COMMITMENT AND CLIMATE CHANGE RELATED SECTOR-WISE PRIORITIES



Agriculture

- Prime Minister Agriculture Modernization Project
- Agriculture Knowledge Center
- Agriculture insurance: subsidizing 75 percent of the insurance premium for agriculture, livestock and fisheries insurance
- Field soil test through mobile lab and distribution of soil quality test kit at the local level
- Agricultural Management and Information System: minimize the risk of investment in agriculture sector to be caused by climate change
- National Social Security Certificate to poor households



Forest and Environment

- Tree plantation and forest expansion in unutilized land, along river banks and landslide prone areas
- Programs such as environment conservation and management, erosion control and protection of river banks
- President Chure Protection Program: Gully stabilization, dry drain, landslide control, promotion of agroforestry system, lake and ponds for rainwater harvesting and biodiversity preservation
- Climate change adaptation and mitigation program: protection of mountains and glacier lakes, cleaning of the Mount Everest, including various other mountain peaks and their vicinity
- Clean, Green and Pollution Free Nepal campaign: for biodiversity preservation and climate change adaptation
- Sound, dust and air pollution control and waste management in Kathmandu valley



Energy

- Energy Decade (2018-2028): development and expansion of hydroelectricity and other types of renewable energy
- Subsidize installation of bio-gas plant for 25 thousand poor households in plains and hills.
- Grants to micro hydro projects and renewable energy production initiated by cooperatives and local communities in collaboration with the local governments.
- Irrigation and River Control:
- Small and medium sized irrigation including lift irrigation and shallow tube-wells



Solar Irrigation

- River control works using biological and innovative method
- People's Embankment Program for the protection of life and wealth by controlling large rivers
- Installation of weather forecast systems, radar equipment



Drinking Water

- Complementary grant to the water supply projects
- Solar and wind energy-fed and highly advanced technology-led irrigation and drinking water projects
- Arsenic free drinking water program in Tarai-Madhes
- Melamchi Drinking Water Supply Project



Housing, Building and Urban Infrastructure

- Grants to households below the poverty line to build safe houses
- Safe and well-managed settlement: landless and deprived of houses due to natural calamities

- Integrated settlement of families living in geographically remote and disaster-prone areas



Transport

- Feasibility study and Detailed Project Report of Mechi-Mahakali electric railway and Construction by preparing Detailed Project Report of Birgunj-Kathmandu and Bardibas-Simara railway and Rasuwagadhi-Kathmandu-Pokhara Lumbini railway
- Production, import and use of electric technology-based public transport



Post-Earthquake Reconstruction and Flooding

Budget for construction of houses for victims of natural disasters including floods, landslides and forest fire.





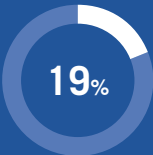
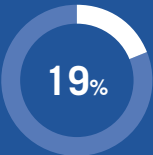
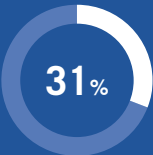

Local Infrastructure

Local Infrastructure Development Partnership Program: maximum of five projects related to road, drinking water, irrigation and river control in one constituency to be completed within three years

Source: Budget Speech Fiscal Year 2018/19.

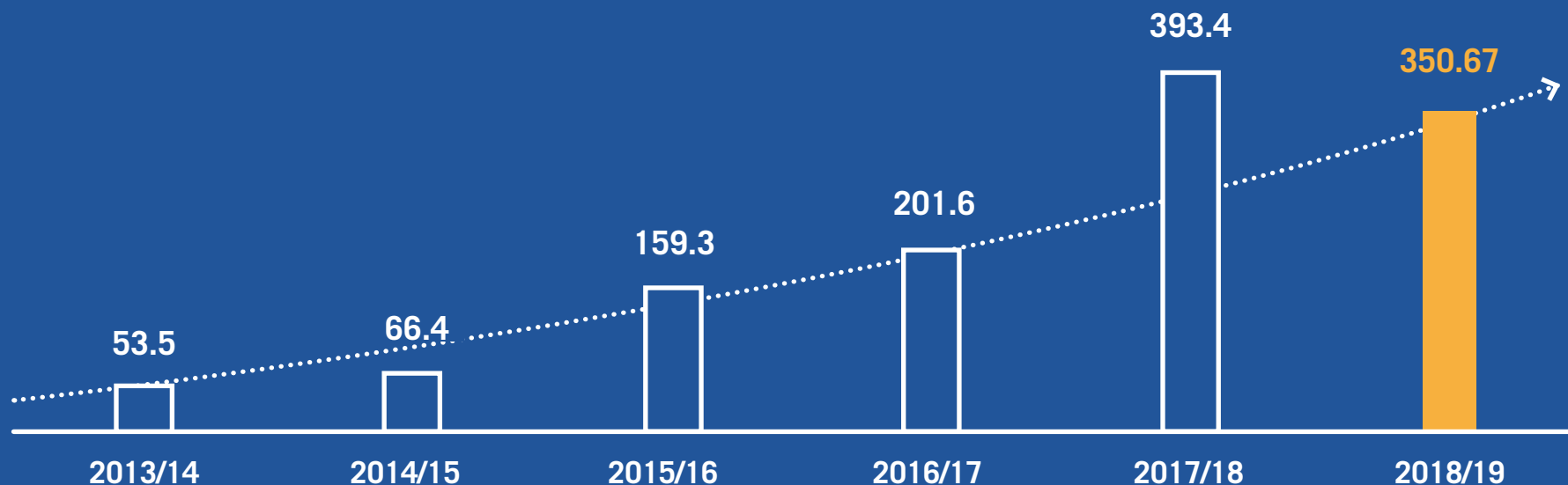
HOW IS NEPAL RESPONDING TO THE VULNERABILITY?

Government's planned spending on actions to respond to climate change over time

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total annual budget (NRs. billions)	517.24	618.10	819.46	1,048.92	1,278.99	1,315.16
Total amount in budget relevant to climate change (NRs. billions)	53.5	66.4	159.3	201.6	393.4	350.67
Total budget that is relevant to climate change (%) (rounded to nearest decimal)	 10%	 11%	 19%	 19%	 31%	 27%

WHAT HAS BEEN THE TREND IN THE LAST 6 YEARS?

Nepal's Climate Change budget has increased by almost **6.5-fold** since FY 2013/14.



Total amount in budget relevant to climate change (NRs. billions)



Earthquake
in 2015



Large allocations
for reconstruction

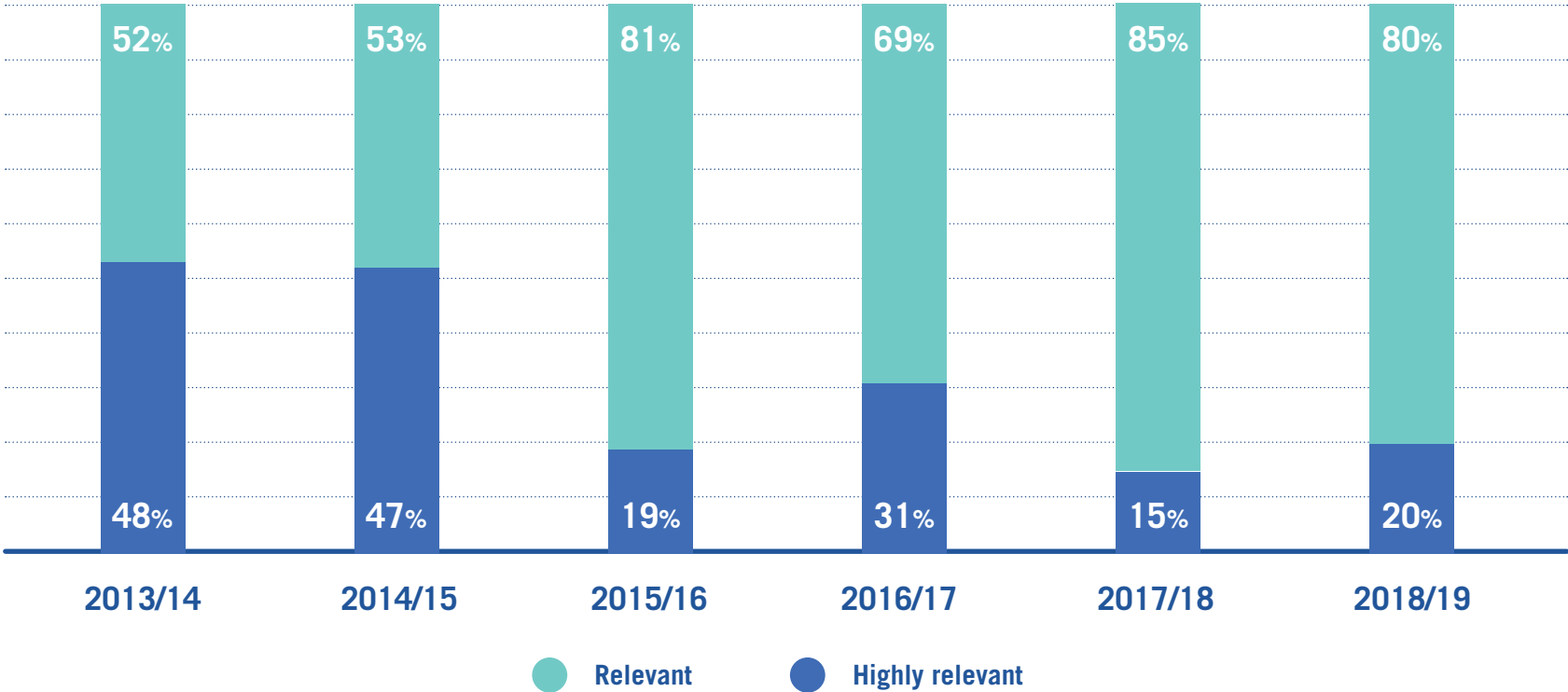


Rise in the
climate budget
in 2017/18

There was an exponential rise in the climate budget in 2017/18 due to large allocations for reconstruction following the 2015 earthquake – all of the reconstruction was required to be 'climate resilient' and so the allocations were identified as climate-relevant budget. Likewise, a big share of the rise in the climate budget in the same year was due to grants set aside for the newly established provincial and local governments.

HOW MUCH OF THE CLIMATE CHANGE BUDGET IS GOING TO “HIGHLY RELEVANT” ACTIVITIES?

For FY 2018/19, even though the total Climate Change budget has decreased, the proportion of the Highly Relevant budget has increased from 15% to 20% from FY 2017/18 to 2018/19.



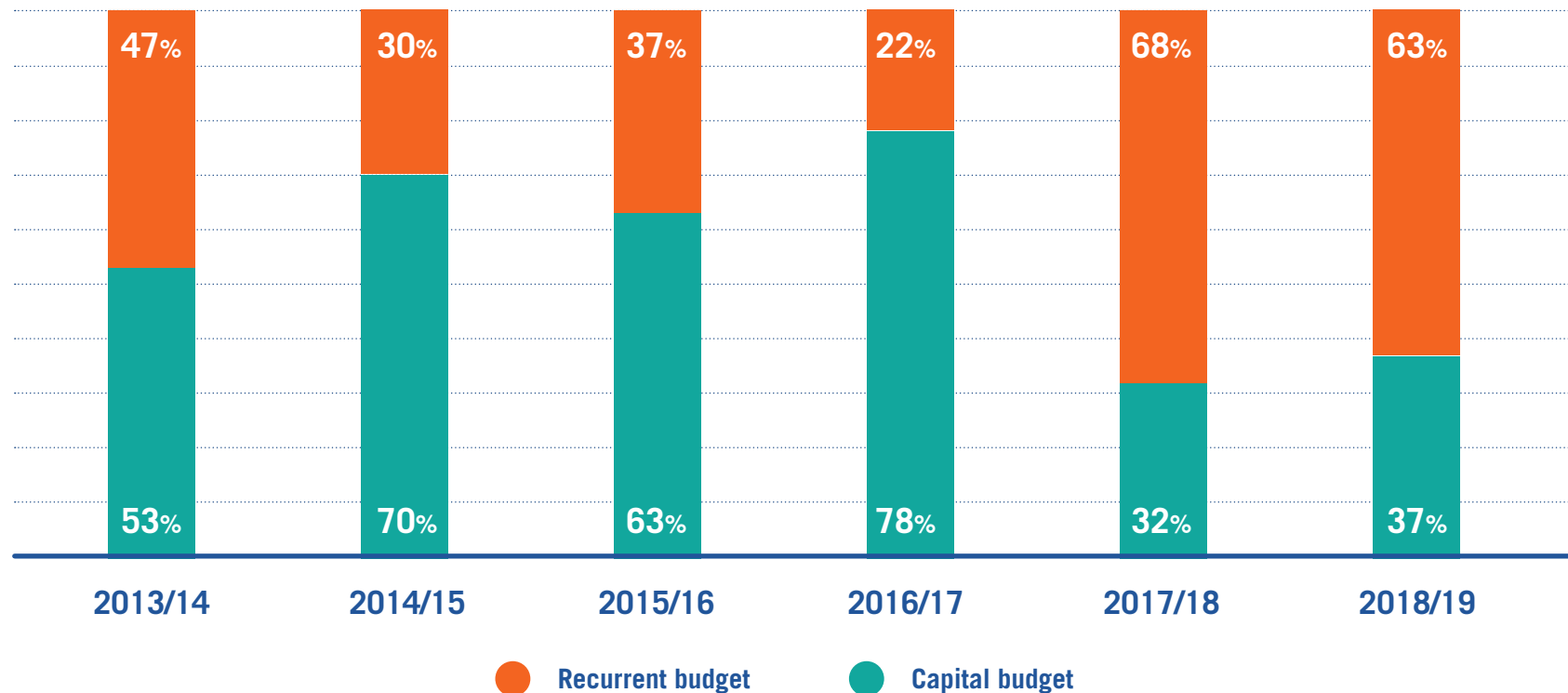
According to the Climate Budget Code developed by the National Planning Commission:
Programmes are considered 'relevant' if 20-60% of the allocation is related to climate change.
Programmes are considered 'highly relevant' if 60% or more of the allocation is related to climate change.

HOW IS THE BUDGET DIVIDED?

Nepal's budget is divided into **capital budget** and **recurrent budget**.
Of the Climate Change budget the division of capital and recurrent has been:

The capital budget shows planned spending for projects like roads, dams, floodwalls and other infrastructure.
The recurrent budget, which includes the government's ongoing costs for programmes and activities, still holds the majority of Climate Change budget.

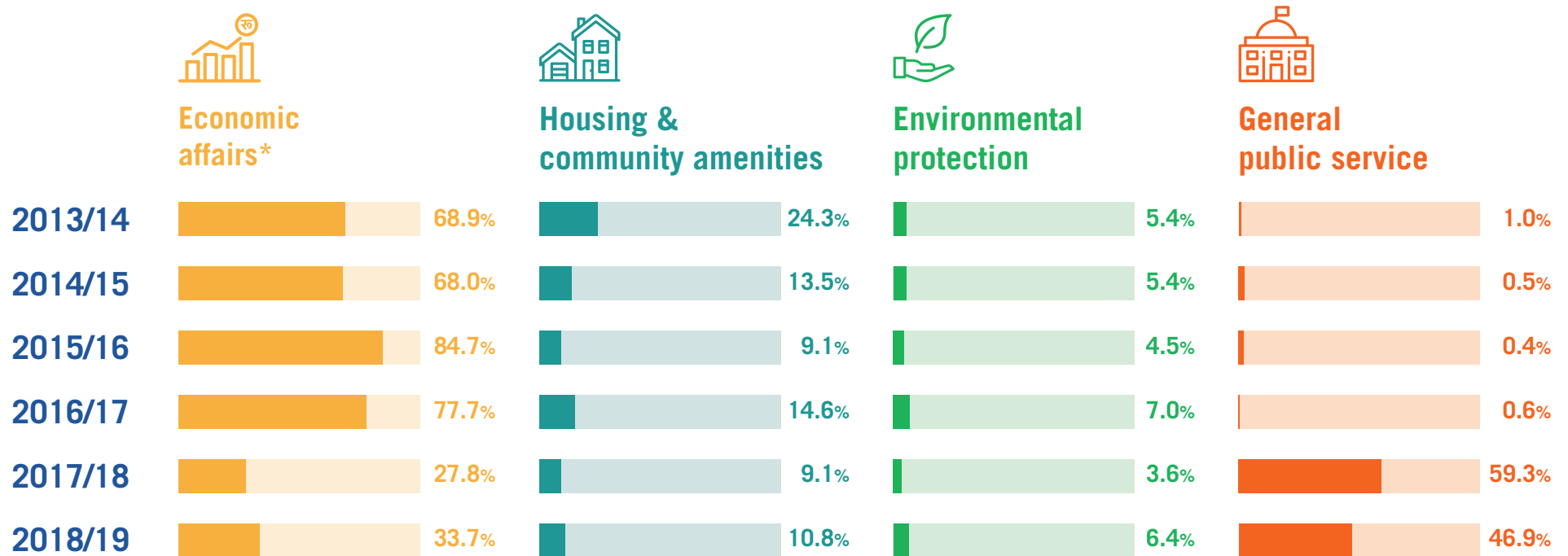
(on aggregate)



WHERE DOES THE MONEY GO?

“Economic Affairs” and “General Public Services” receive the largest share of the Climate Change budget.

For FY 2013/14 to 2018/19, 60.13 % (in aggregate) of Climate change Budget has been allocated to Economic Affairs

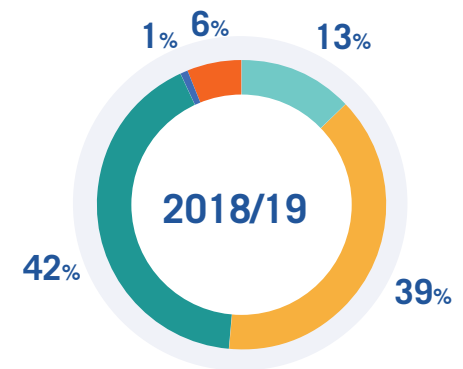
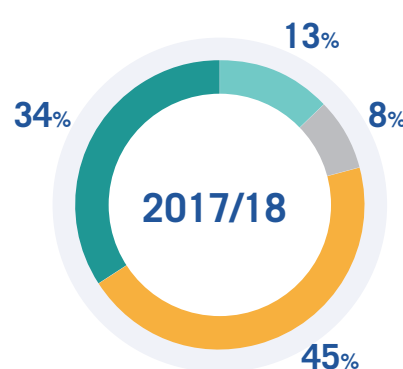
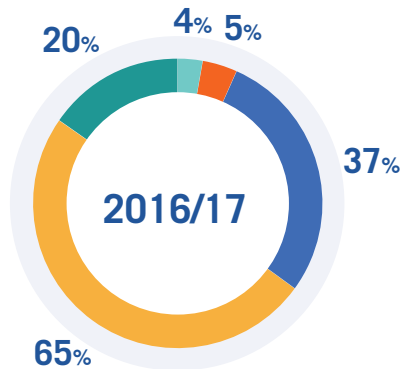
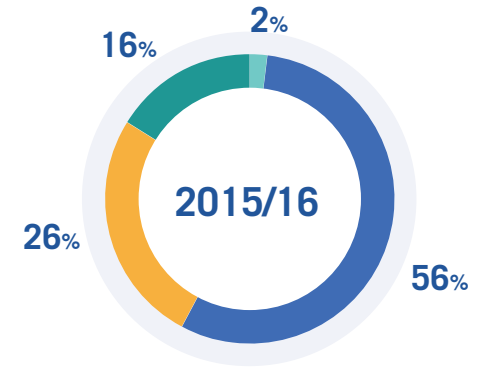
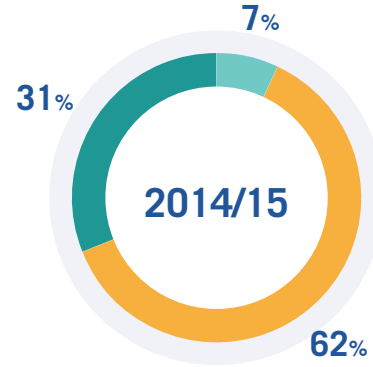
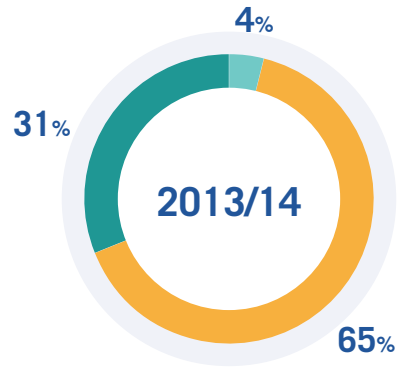


*Economic Affairs includes general economic, commercial and labour affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing and construction, transport, communication and other industries

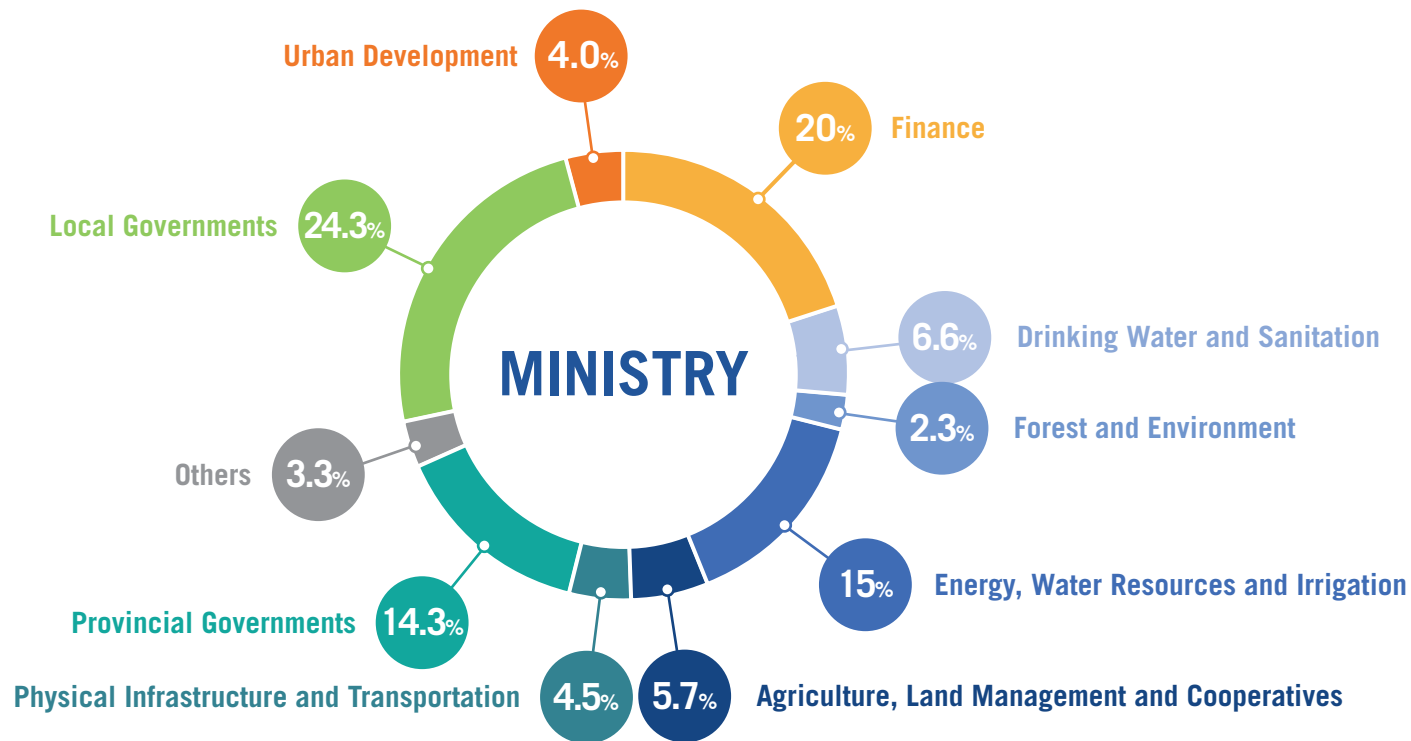
Note: The budget in general public service in 2017/18 and 2018/19 has been increased due to fiscal transfer to provincial and local government.

WHAT ARE MAJOR ALLOCATIONS IN “ECONOMIC AFFAIRS”?

Within the Economic Affairs, the major allocation is in “Agriculture” and “Fuel and Energy”




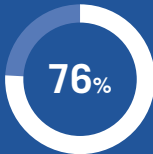
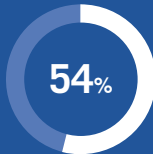
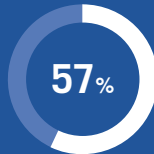
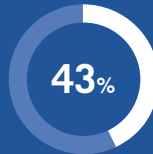
APPROPRIATION OF CLIMATE CHANGE BUDGET BY KEY MINISTRIES IN FY 2018/19



More than a third (38.6%) of the Climate Change budget is allocated to the Local and Provincial Governments. Among the ministries, “Ministry of Finance” and “Ministry of Energy, Water Resources and Irrigation” have the largest share of the Climate Change budget.

Note: The ministry of Agriculture, Land Management and Cooperatives has been split into two ministries after restructuring of state in 2018.

HOW MUCH OF THE CLIMATE CHANGE BUDGET IS ACTUALLY SPENT?

Fiscal Year		2013/14	2014/15	2015/16	2016/17	2017/18
Total Climate Relevant Budget Allocation (NRs. billions)		53.5	66.4	159.3	201.6	393.4
Expenditure (NRs. billions)	Highly Relevant	22.0	28.5	36.8	56.3	6.3
	Relevant	20.7	22.0	48.7	59.2	163.4
	Total	42.7	50.6	85.6	115.6	169.7
	%					

Note: Allocations are the amount of funds budgeted for public programs and activities, while Expenditures are the funds that ultimately are spent on the ground.

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UNDP's Governance of Climate Change Finance Programme

🌐 www.cfade.org



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