Moving Towards Partnerships:
Civil Society Organisations and Budget Effectiveness in Climate Change Finance

Summary: This policy brief presents the rationale for governments to engage with civil society organisations (NGOs, think-tanks, research institutes, and others) to improve the effectiveness of the budget as it relates to climate change investments. It presents sample areas and issues where CSOs can bring in value-added within the context of the budget cycle. It also sets the ground for institutionalizing partnerships among CSOs and government for a collaborative approach for increased effectiveness of the budget.

1. How is Climate Change Finance currently addressed in Nepal?

The Government of Nepal (GoN) – in response to the country’s high vulnerability to climate change – has taken various steps to address this pressing challenge. Numerous policies have been developed, and different institutional set-ups have been established to enable a response to climate change. As part of these efforts, with the support of partners like UNDP, the GoN through the National Planning Commission, initiated a number of reforms to enable it to track climate finance – both international and national. Currently, the government is leading efforts to integrate climate finance in its budgeting process to facilitate a more effective and efficient response. By using the budget process as the entry point to do this, the government, under the leadership of the Ministry of Finance, is mainstreaming climate finance in its core business processes.

This brief examines the ways in which the government’s efforts can be supplemented by the efforts of other actors, particularly Civil Society Organisations (CSOs). It discusses the options through which CSOs and government can collaborate and form partnerships to ensure that climate finance is not only integrated in development plans and the budget, but that it is also leading to more effective results. The brief will present how the budget, as a policy statement and a policy implementation tool, can enable an efficient, and equitable delivery of climate change finance resources to the people and communities who are most vulnerable to climate change impacts.

Civil society, which can be composed of various non-state and non-market organisations, play an important role in bringing together diverse groups of people to solve social problems. Civil society organisations can be made up of community groups, non-governmental organisations (NGOs), labour unions, charitable organisations, and foundations, as well as think-

2. Is there potential for CSOs and the Government to work together?

In joint consultations that took place in early 2015 between CSOs and the government in Nepal, a number of areas for potential engagement of CSOs in the area of climate finance were discussed.

A study undertaken by Clean Energy Nepal identified 88 NGOs that work explicitly on climate change (at both national and sub-national level), though none are registered with that specific objective, except for the Climate Change Network Nepal. With regard to engagement in the budget process, there are organisations working in monitoring the budget process of specific projects and programmes; however their ability to influence the national process remains somewhat limited.1

1 Consultations, January 2015
While on the one hand the government recognises the contributions of CSOs – particularly their capacities to better understand and represent the needs of local communities, on the other hand, it also shared its perception that CSOs are often more concerned about criticising the government and its work, rather than having the intention to work in a collaborative manner. At the same time, CSOs are not fully aware of the government’s constraints, nor do they fully appreciate the capacity that the government does have in terms of resources, administrative channels, as well as tools to enable change.

The GoN has been spearheading efforts on the delivery of climate change finance through existing country systems, however, they continue to face certain obstacles, such as insufficient information flows about domestic climate finance expenditures. Likewise, other targeted knowledge, especially to assess the effect of climate change investments on those who are poor and most susceptible to the consequences of climate change is not readily available. These are pieces of information that would be helpful in improving policy-making and budgeting decisions, as well as improving overall policy-budget coherence.

This context highlights a situation where there is an implicit demand for information and knowledge on various dimensions of climate change finance, but where the supply does not necessarily meet it – partly due to the relatively new topic of climate change finance, as well as the inadequacy of existing information, including access to required data.

Taken together, the potential that the government systems and processes offer, combined with the CSOs’ ability for outreach and the demand for research and analysis, offers a significant prospective for collaboration.

3. What can CSOs offer?

CSOs are diverse, represent different needs, and operate according to those specificities. Yet, during the dialogue between government and CSO representatives, there were a number of areas that were jointly identified which highlighted the value-added that CSOs can bring.

**Awareness raising.** Many communities are often disempowered, or are not able to participate fully in public affairs due to insufficient understanding of a particular issue. CSOs can often fill this gap by making information available to the public in ways that make it more accessible. Examples often include radio talk shows, street theatre, or using imagery for transferring such information. In a highly technical area such as the budget, this is a particularly significant gap that CSOs can help to address.

**Support implementation.** The recent historical context in Nepal, particularly the 10 years of civil war, highlighted the significant role that CSOs filled in terms of reaching communities and providing them with services – in health, education, irrigation, for example - where government was unable to do so. And they continue to play an implementation role to this day, as local representatives of various development projects and initiatives, whether international or national. Given their relative flexibility in terms of operating procedures and limitations, they can also be more innovative in providing development solutions.

**Representation of community needs.** Local CSOs are often represent the voice of communities, particularly at the local level. Their proximity to the communities in specific localities, combined with their access to government structures – often due to conducive local governance – can result in them being conduits of community voices by articulating their needs and demands. This can then result in more inclusive and responsive decision-making from the part of the (local) government. This is often linked with their role of advocates for change and reform.

**Fill in information gaps.** Where the capacity exists, and there is technical expertise in a particular area, CSOs – particularly think-tanks and research institutes - can be a good source of information, research and analysis on specific topics. In the context of climate change, they can help in connecting high-science with the local climate contexts, thereby enabling more informed decision-making. In well-established organisations, methodological rigour and breadth of knowledge can be a significant advantage over other government entities, which may not have the required capacities (human, financial, time) to undertake dedicated research.

**Oversight.** A commonly acknowledged mandate of CSOs is their contribution to the budget oversight function. CSOs can review the actions taken by government, and assess whether they are in line with stated policy objectives and commitments, whether they are in the public interest, whether there is transparency in the decision-making, and whether public resources are being used efficiently and effectively.

4. Options for the way forward in Nepal

The potential areas for CSO engagement identified above are recognized globally, and applicable in different sectors. However, to narrow down the options within the remit of climate change finance and the budget, a number of options can be considered. Anchoring targeted support around the budget cycle – and in this case, to the budget calendar in Nepal – is necessary for these interventions to add value.
This generic budget cycle can be broken down into many different sub-components – but as a guideline, these are the commonly accepted phases. Examining the Budget Guidelines of Nepal\(^2\), the review highlighted a number of areas where the budget process, which in principle has core elements to make it efficient, is not performing as efficiently and effectively as it could. Some of the reasons for these include: a) insufficient information flows and systems; b) discrepancy between allocations and expenditures; c) lack of an effective system for evidence-based policy decisions. This list is not exhaustive, but it can provide a rational starting point for collaboration and partnership to take place between the government and relevant CSOs. Specifically, the focus will be on the preparation, and monitoring phases.

**Insufficient information flows and systems**

The preparation phase requires different levels and types of information, which is informed by national priorities, strategic vision, and sectoral priorities, among others. Importantly though, this phase is also when lessons learned from past initiatives – including results on poverty and vulnerability dimensions – should be taken into account, and captured in the budget formulation. In the case of climate change finance, climate vulnerability assessments (and results from previous years) become particularly relevant.

At a systemic level, there is a gap in terms of collating the information that exists. Likewise, the absence of an efficient mechanism to bring together top decision-makers (drivers of policies, strategic vision etc.), with bottom-up stakeholders (represented by CSOs, for instance, and who have information related to poverty impacts, and actual results of interventions) further compounds this.

---

\(^2\) Integrating a Climate Change Financing Framework into the Budget Process of Nepal. April 2015
through low delivery rates of implementing ministries, as well as entities that received less than indicated in the budget allocations. While more advanced PFM systems are able to capture real-time data on actual expenditures, in countries such as Nepal where the PFM system is still being strengthened, exercises for expenditure monitoring surveys, such as Public Expenditure Tracking Surveys (PETS), can be helpful verifying and adding value to the information generated by the Treasury systems, particularly in understanding whether once disbursed, the resources went to the intended activity, as well as whether resources have been spent via the intended delivery mechanisms and actors. The scope of such an exercise can vary from looking at a whole sector, multiple sectors, or on the other hand a specific programme budget. Depending on the intended objectives, it can also be expanded this primarily quantitative review can be expanded to bring in a qualitative assessment to examine why discrepancies in allocation and expenditure exist. For the Ministry of Finance in Nepal, this may serve as a good feedback mechanism to understand where bottlenecks exist in the financial delivery channels (and help to explain potentially low delivery rates). The remit of the exercise is an issue to be resolved by the concerned partners.

- **Evidence-based policy decision**

An already stretched government may not have the resources – human and financial – to undertake the level and type of impact analysis desirable for assessing results, and subsequently informing more effective budget formulation.

Many think-tanks as well as research and analysis oriented NGOs often have issue-specific expertise that they focus on. Furthermore, they also have access to non-governmental funds – through development partners, or research grants -, and flexibility in their operations which can enable them to undertake specific monitoring exercises. These can vary from benefit incidence analyses, poverty and vulnerability impact assessments, programme evaluations and others. The findings from such undertakings can help government – sector ministries, National Planning Commission, and Ministry of Finance – make more informed, and evidence-based decision-making. Budget Expenditure Analyses, for example, can use various tools, such as budget effectiveness analysis, cost-effectiveness, benefit incidence analysis), which can be useful in making recommendations to reallocate and prioritise allocations in the following budget cycles to be more targeted and pro-poor oriented (or other criteria, as appropriate). Public Expenditure Reviews can be organized by specific programmes or districts to start with and gradually increase the coverage involving specific sectors.

5. **Conclusion**

The options presented above are only a sample, and there are many other tools that exist which can be used to fulfil the objective of increased budget effectiveness. Moreover, there are a number of preconditions in putting them in practice, including:

- Willingness from different stakeholders to work collaboratively in partnership
- Capacities enhancement to use specific tools
- Capacities enhancement in strengthening research and analysis
- Clear channels for transmission of results and findings either through existing mechanisms (preferred), or by establishing new ones

This brief has used information that is currently available to examine potential ways in which government and CSOs can best work together for a common objective of greater effectiveness from climate change finance investments. Though a relatively new area, both the Government of Nepal and CSOs have made efforts to engage with, and address the opportunities presented by climate change finance. The question thus becomes about increasing the effectiveness of those efforts through collaboration, working on the value added and comparative advantage of each set of actors. On the one hand, the set of systems and procedures that relate to the budget provides the right machinery to deliver climate change finance; on the other hand, the information and knowledge generated by CSOs are valuable in presenting a realistic picture of the results and impact of implantation. Establishing the link, systems and mechanisms to sustain these efforts, and to create dialogue between these different paths can strengthen policy and budget coherence.

For additional information, please contact; Sujala Pant UNDP Bangkok Regional Hub sujala.pant@undp.org www.CFADE.org