Climate Change Response by National Plan and Budget in Nepal

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Asia-Pacific Regional Forum on Climate Change Finance and Sustainable Development
Jakarta
1 September 2015
Evolution of the Issue

- Nepal’s vulnerability to climate change
- Government’s commitment for Climate change programming and financing for it
- Findings of Climate Public Expenditure and Institutional Review (CPEIR) in 2011
- CPEIR winning global award from UNGA
- One of MTEF criteria for prioritization of project related to climate change
- Inspiration from Gender Responsive Budgeting (GRB)
• Separate chapter on Climate Change in Thirteenth Plan
• Climate responsive MTEF process
• Climate code and criteria (NPC led Climate Finance Group)
• Eleven specific criteria for Climate Responsive Budget
• Climate code to each budget head since FY 2012/13
• Budget analysis based on climate codes
• Climate change issues in recently adopted Agriculture Development Strategy
• Environment Friendly Local Governance (EFLG) initiated
  (344 indicators for assessment, categorized as “advanced (163)”, “basic (139)” and special (42)”)

B. ARYAL

CLIMATE FINANCE IN NATIONAL PLAN AND BUDGET

1 SEP 2015
Criteria for Climate Code

- Sustainability of natural resources and greenery promotion
- Land use planning and climate resilient infrastructures
- Climate change induced health hazards
- Climate change induced hazards to endangered species
- GHG emissions reduction
- Sustainable use of water resources
- Food safety and security
- Low carbon emission through renewable and alternate energy
- Climate induced disaster risk reduction
- Awareness, education and database creation
- Policy, legislation and plan of action for climate change
In terms of budget allocation for climate change activities, each project and program is categorized as:

- **Highly relevant** if climate change budget is more than 60%
- **Relevant** if climate change budget is between 20% and 60%
- **Neutral** if climate change budget is less than 20%
Climate Responsive Budget (Rs. In Billions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Climate Budget (Percentage of total budget in parenthesis)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Highly relevant</td>
</tr>
<tr>
<td>2012/13</td>
<td>18.00 (4.45)</td>
</tr>
<tr>
<td>2013/14</td>
<td>27.75 (5.36)</td>
</tr>
<tr>
<td>2014/15</td>
<td>34.98 (5.66)</td>
</tr>
<tr>
<td>2015/16</td>
<td>46.37 (5.66)</td>
</tr>
</tbody>
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CLIMATE FINANCE IN NATIONAL PLAN AND BUDGET

1 SEP 2015
Climate Responsive Budget

- Climate budget is in increasing trend – Reached 6.6% of GDP, while it was only 3.1% in FY 2014/15
- While it was only 6.74% of total budget in FY 2012/13, it reached to 19.45% in FY 2015/16
- Understanding about codes and criteria is gradually increasing among stakeholders
- Expenditure from Non Governmental sector is also increasing
Climate Responsive Budget (FY 2015/16)

<table>
<thead>
<tr>
<th></th>
<th>Highly Relevant</th>
<th>Relevant</th>
<th>Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Public Services</td>
<td>0.27</td>
<td>0.00</td>
<td>99.73</td>
</tr>
<tr>
<td>Defense</td>
<td>0.00</td>
<td>0.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Public Order and Safety</td>
<td>0.00</td>
<td>0.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Economic Affairs</td>
<td>8.89</td>
<td>37.77</td>
<td>53.34</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>37.33</td>
<td>9.81</td>
<td>52.86</td>
</tr>
<tr>
<td>Housing and Community</td>
<td>50.64</td>
<td>7.89</td>
<td>41.47</td>
</tr>
<tr>
<td>Health</td>
<td>0.00</td>
<td>0.24</td>
<td>99.76</td>
</tr>
<tr>
<td>Culture and Religion</td>
<td>0.00</td>
<td>0.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Education</td>
<td>0.68</td>
<td>0.00</td>
<td>99.32</td>
</tr>
<tr>
<td>Social Protection</td>
<td>0.00</td>
<td>0.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Housing and Community (58.53%), Environmental Protection (47.14%) and Economic Affairs (46.66%) have highest climate responsive budget.
Challenges

- Knowledge insufficiency within Government agencies
- Inadequate and ineffective monitoring of the expenses
  - Difficult to assess the efficacy of expenditure
- Difficult to assess the climate responsiveness in every project and program
- Lack of incentives for private sector – although some tax incentives are there, but not adequate and specific
- Absence of local governments for bringing the issue upto local level - EFLG is merely a bureaucratic push
- Resource constraint remains dominating challenge
Future Actions

• Mainstreaming climate change into regular national development planning processes
  • Very bottom level to the national level
  • Each broad activity with necessary climate weightage

• Increasing government’s ability to distinguish between environment and climate issues

• Understanding of climate planning and budgeting and of climate fund flow mechanisms
  • Climate finance in Macroeconomic Framework of Periodic Plans
  • Use of climate codes more specifically in budgetary process
  • Align climate issue with budget cycle and budgetary system
Future Actions

- Government coordination between climate change policy and expenditure
  - Expanding criteria further to sub criteria enabling deeper look into the issues
- Review of policies, legal framework and processes
  - Assessment of the impact of budget allocation
  - Use of lessons learning
- Increment and re-allocation of climate related expenditure
  - Introduce incentive mechanism
  - Assess the contribution of climate budget in Sectoral Ministries’ goals
  - Direct expenditure for more vulnerable areas
- Climate coding in Local Governments’ budget
• Enhance capacity in government and non government agencies

• Refine climate budget classification and scores, with quantitative scores – some initiation started, needs to sharpen it

• Reinforce climate change marker in Aid Management

• Reinstate climate assessment in the investment

• Institutionalize and Internalize Climate budgeting

• Adopt and assess Climate Change Integration Index (CCII)
Final words

- Gradual progress in climate budgeting in Nepal
- Many challenges ahead to institutionalize climate budget
- Internalization crucial for localization up to village level (lowest administrative unit)
- Climate codes at present provides the basis for assessing the division of expenditure national and local level to
  - achieve 80% target at the local level through further analysis and dialogue
Thank you for your kind attention!