



A Snapshot Review of Nepal's

CLIMATE-RELEVANT BUDGET TREND

With increasing records of human casualties and property damages caused by climate-induced disaster events in the recent years¹, Government of Nepal (GoN) 's emphasis on building climate change mitigation and adaptive strategies has also increased by significant strides. According to reports, estimated direct loss caused by climate change impacts in Nepal accounts for 1.5 to 2% of GDP per year i.e., USD 270 to 360 million per year and overtime, climate change costs may amount up to GDP loss at more than USD 62 billion per year by 2050².

Recognizing this alarming likelihood, climate change is one of the central aspects of GoN's development policies and budget plans today, but climate budget is a relatively 'new' category among Nepal's priority sectors,³ and if the government is able to effectively track the implementation of climate budget at national, provincial and local levels is a growing concern. Hence, this short review aims to provide a snapshot of Nepal's 10-year climate-relevant budget trend, spotlighting major factors and events that may have influenced the trend and some recommendations to address the identified gaps.

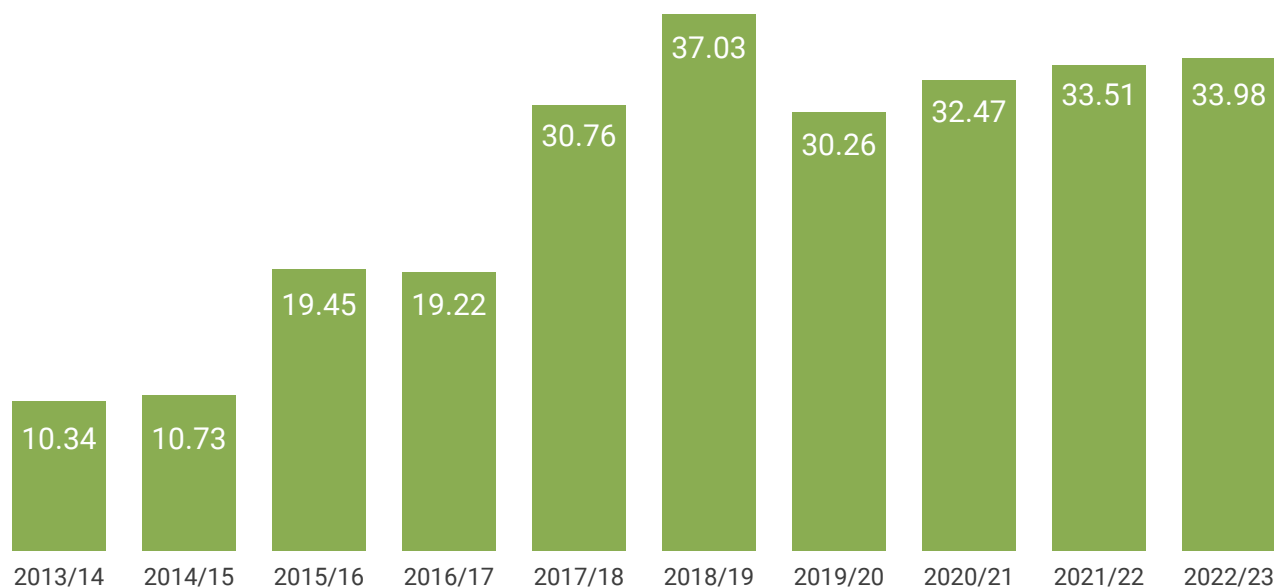
1 [Nepal Disaster Risk Reduction Portal \(drrportal.gov.np\)](http://drrportal.gov.np)

2 [2021-s8Na61-ADPC-Policy_Brief_on_CC_Financing_and_Planning_Nepal.pdf](#)

3 [Nepal-Climate-Adaptation-Finance-Tracking \(1\).pdf](#)

Climate-related budget allocation

% share of total fiscal year (FY) budget



Country Climate and Development Report: Nepal, World Bank, 2022

In the past 10 years, share of national budget allocated towards climate-related actions in Nepal has increased by nearly 3 folds. World Bank reports that in the last five years alone, Nepal's climate-relevant budget has increased from USD 3.2 billion in FY 2017/18 to USD 5.2 billion in FY 2022/23⁴. Additional reports state that multiple factors have contributed to this upward trend, which is good news for the country, however, for a developing nation like Nepal, annual budget portion as large as 37% (in FY 2018/29) is a substantial amount that can support momentous development in any area.

This growth may suggest that climate governance in Nepal is increasingly concerned towards issues relevant to climate crisis, but can Nepal truly offer this outlay, and can these developments be observed in real time?

So, what factors have contributed to this upsurge in climate-relevant budget in the past 10 years? Here is a breakdown of the trend-

- 🌐 Large allocations for reconstruction and construction of 'climate resilient' infrastructures following the 7.8 magnitude earthquake in 2015
- 🌐 Grants set aside for the newly established provincial and local governments in 2015, especially after the first tenure of local elections in 2017
- 🌐 National Disaster Risk Reduction and Management Act establishing Disaster Risk Management (DRM) funds at the federal, provincial, and local levels to facilitate DRM-related works.

- 🌐 Mandate on establishment of an Environment Protection Fund (EPF) for the management of climate change by Environment Protection Act, 2019
- 🌐 Establishment of dedicated funds to undertake climate and DRM actions
- 🌐 Provision of at least 5% of the annual budget of every public institution for DRM as mentioned by Disaster Risk Reduction National Strategic Plan of Action (2018-2030)

Although Climate Change Budget Code (CCBC) was introduced in 2013 to track climate change related expenditure at the national level and Climate Change Financing Framework (CCFF) was prepared in 2017 to mainstream climate change in planning and budgeting at all levels of government, ability of government bodies to monitor resource distributions and implementation from national to local levels is ambiguous.

Also, a closer look at the budget trend shows that this noteworthy chunk of budget does not exclusively focus on climate crisis alone, rather, it covers cross-cutting areas like environment, agriculture, energy, tourism, transportation, infrastructures development, etc.⁵ Although this recognition reiterates the significance of climate actions in intersecting areas; it is important to analyze if this imbrication has simplified or further complicated the budget tracking process at all levels.

Moving forward, Nepal's ongoing as well as upcoming plans and strategies will highlight where and how much of the budget and finances will be prioritized in the future.

So, let's take a look at the Nepal's Nationally Determined Contributions (NDC) commitments:

Climate Change Adaptation Strategies to achieve:

By 2025	By 2030
<ul style="list-style-type: none"> 🌐 Operationalize climate information system 🌐 Climate change related information in all secondary schools 🌐 2000 climate change adaptation resource person 🌐 Advancement in climate-sensitive disease surveillance systems 🌐 Inclusion of climate risk assessment mechanisms into existing WASH program planning and implementation program 	<ul style="list-style-type: none"> 🌐 Increase population having access to basic water supply to 99% with improved water supply to 40% 🌐 Installation of multi hazard monitoring system and early-warning system.



CLIMATE CHANGE MITIGATION TARGET AREAS



Then, is Nepal's climate governance headed towards the right direction to effectively utilize the climate related budget and resources while addressing public's climate concerns? Here are some recommended actions to ensure that:

RECOMMENDED ACTIONS

- 🌐 Strengthen capacities of local level government to effectively track and utilize climate-related budget, since they are to eventually direct the local level implementations of climate-relevant activities
- 🌐 Establish sector or region-specific tools and mechanisms to allocate, mobilize and track resources to avoid overlapping of sectors and issues
- 🌐 Integrate local/ indigenous knowledge and resources to create cost-effective and sustainable measures to address climate crisis
- 🌐 Establish an integrated information system to provide information regarding government actions on climate change and Disaster Risk Management
- 🌐 Establish sector or region-specific mechanisms to allocate, mobilize and track resources to avoid overlapping of sectors and issues
- 🌐 Enhance mechanisms to increase civic engagement, transparency and accountability of proper utilization of climate budget and resources
- 🌐 Improve spaces for public to engage in dialogues with government bodies regarding climate change related initiatives/ expenses in their communities

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