



Mobilizing Adaptation Finance: Learning from Nepal's LAPA Implementation

1. Key Messages

The Paris Agreement on Climate Change recognizes that climate adaptation has dimensions covering local to international level, and is essential to protect people, livelihoods and ecosystems from the adverse impact of climate change, particularly in developing countries. The adaptation actions should follow a country-driven, gender-responsive, participatory and fully transparent approach. It should take into consideration the vulnerable groups, communities and ecosystems.

Climate finance is crucial in supporting adaptation actions. There are a lot of barriers for developing countries, especially those with low capacities like the LDCs, in accessing international climate finance and mobilizing it to the local level. The good experiences of developing countries in mobilizing climate finance can contribute in redesigning financing modalities at the national level, as well as internationally. One of the major considerations to be recognized is the creation of enabling conditions for mainstreaming of climate actions and sustainable flows of finance. For this, long-term financial mechanisms need to be established at the country level. This can be achieved by working through the government systems to identify weaknesses, overcome them and harness the strengths. Moreover, a desirable institutional framework for climate change adaptation in developing countries must ensure: a) enhanced national capability of national governments to respond to climate change; b) simultaneously enhance the sub-national level capacity of stakeholders; and c) effective actions to build resilience of the local communities. Such a framework should be complemented by climate change finance that complies with Article 7 of the Paris Agreement, which outlines the principles and modalities for adaptation.

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Authors

Sunil Acharya and Raju Pandit
Chhetri (Prakriti Resources Centre)

The LAPA experience from Nepal provides a number of lessons to that end:

- LAPAs are a means for the government to channel climate finance through its existing national and local institutions, at the same time by creating supporting structures and coordination mechanisms.
- Implementation of climate change adaptation activities through the Public Finance Management System of the country helps strengthen internal capacity in the process.
- Commitment to disburse at least 80 percent of climate finance to the local level helps bring community ownership and strengthen accountability.
- The LAPA experience has shown that experienced and technically sound multilateral agencies can work as technical assistance providers, rather than working as the financial intermediaries, thus strengthening national institutional capacity.
- The LAPAs are emerging as the bridge for integrating climate change adaptation and development planning.
- The LAPA experience also leads to increased readiness for future adaptation programming because of strong government ownership and institutionalization.
- LAPAs have demonstrated the potential for mobilization of diverse stakeholders at the local level, such as the service providers, government line agencies and community user groups.
- With the Paris Agreement coming into force, the LAPA experience becomes even more relevant, as it is one of the tested instruments to channel funding for adaptation to the sub-national level.

2. Introduction

This CFAS fact sheet looks at the experience of Nepal in mobilizing climate finance at the sub-national level for the implementation of local adaptation actions. Focusing on the experience of the Government of Nepal in channeling international climate finance through the Public Finance Management System, it highlights the importance of engaging existing national systems and institutions to remove constraints and barriers related to institutional and technical capacities. The fact sheet further highlights the way international climate finance mechanisms can use the experience to design their funding modality in bringing effectiveness of climate finance investments from sources to recipients and to the end-user level.

3. Local Adaptation Plan of Action: A vehicle to plan and implement climate change adaptation at the local level

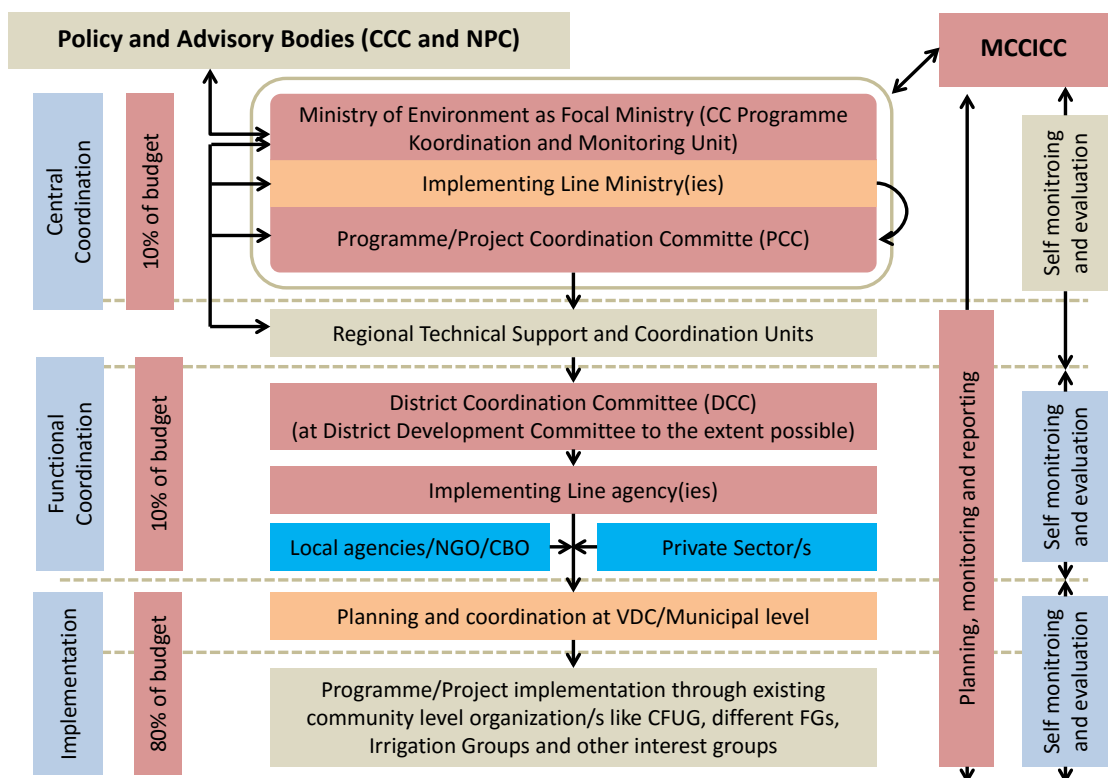
The Climate Change Policy and the National Adaptation Programme of Action (NAPA) of Nepal provides a clear guideline for the disbursement of at least 80 percent of available climate change funds for implementation at the local level. In 2011, the government endorsed and adopted a national framework for a Local Adaptation Plan of Action (LAPA) to implement NAPA prioritized adaptation actions and also as a means to achieve the policy provision that requires disbursement of at least 80 percent funds to the local level.

The LAPA framework provides guidance on the preparation and implementation of local adaptation plans and also the integration of adaptation options into sectoral and development plans. The framework intends to make adaptation planning and its integration into local and national development planning a bottom-up, inclusive, responsive, and flexible process. The framework also provides step-by-step guidance on the formulation and implementation of LAPAs. The ultimate objective is to ensure integration and implementation of climate adaptation and resilience actions into sectoral plans, programmes and projects, and ensure people, community and their resources are adaptive to climate change.

After the piloting of LAPAs in 2010 and its subsequent endorsement by the Government of Nepal in 2011, about a hundred LAPAs have been prepared and are under implementation in the mid and far western development region of Nepal. In addition to the government-led LAPA process, development partners, and non-governmental organizations, following the national framework, are preparing and implementing several local adaptation plans and community adaptation plans across the country.

The significance of LAPAs is taking adaptation planning and implementation to the local level and ensuring participation of vulnerable communities in the process.

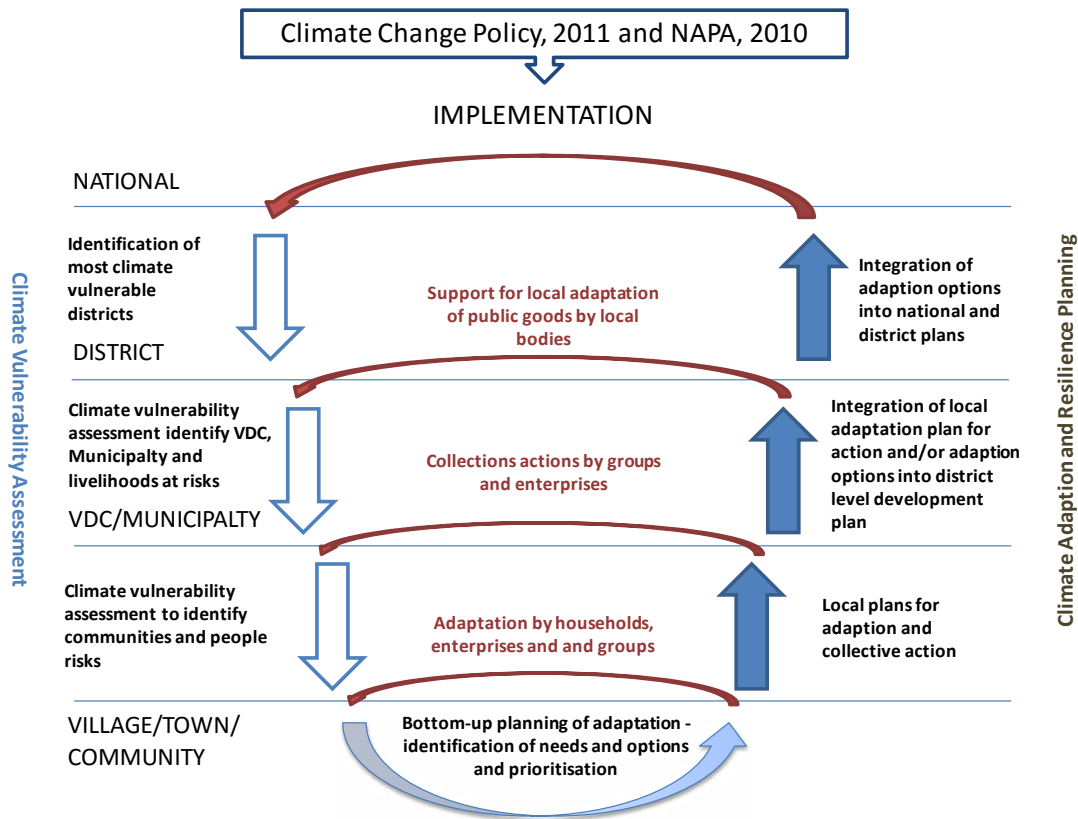
Figure 1: Framework for Implementation of National Adaptation Programme of Action
(Source: Government of Nepal, National Adaptation Programme of Action)



CCC: Climate Change Council; NPC: National Planning Commission; MCCICC: Multistakeholder Climate Change Initiatives Coordination Committee; CC: Climate Change; CFUG: Community Forestry User Group, FG: Farmers' groups



Figure 2: Integrating Climate Change Adaptation and Resilience into Local and National Development Planning. (Source: GON, 2011, National Framework on Local Adaptation Plans for Action.)



4. Financing the Preparation and Implementation of LAPAs

The design of the national framework, preparation and implementation of LAPAs has been possible because of the external funding from UK's Department for International Development (DFID) and European Union (EU) through the Nepal Climate Change Support Programme (NCCSP). This is the project designed to implement the LAPA Framework.

NCCSP is a government-led programme in which the United Nations Development Programme (UNDP) provides technical assistance. The Ministry of Population and Environment (MOPE) leads the implementation at the national and local level through the District Development Committees (DDC) and Village Development Committees (VDC), the local government bodies under the Ministry of Federal Affairs and Local Development (MOFALD). The coordination mechanism for the implementation of LAPAs has been designed in such a way that existing institutions

are supported and mobilized rather than creating entirely new institutions at the local level. However, existing institutions tasked with LAPA implementation are supported by coordinating and oversight bodies with representatives of local line agencies and community groups. Furthermore, the emphasis has also been given to strengthen the local institutions by upgrading the in-house sections or departments, one example being, the upgrading the Energy and Environment Units (EEUs) in DDCs to Climate Change, Energy and Environment Sections (CCEES).

The NCCSP has been designed to deliver climate finance to the local level through the Public Finance Management System (PFMS) of the Government of Nepal. It commits to ensure that at least 80 percent of financial resources reach to the local level. The DDCs implementing the programme receive conditional block grants annually on the basis of the plans sent to MOPE within the ceiling provided.

The project steering committee at MOPE makes decisions regarding overall management and implementation of

the programme. The MOPE receives funds from Ministry of Finance (MOF) as reimbursement to completed activities. The donors (DFID and EU) deposit the funds in the special treasury account in Nepal Rastra Bank, which is the national bank of Nepal. The MOF also transfers a part of the funds directly to Alternative Energy Promotion Center, an autonomous body under MOPE, for supporting activities related to renewable energy. MOPE provides a share of funds it receives to DDCs, through which, the district level line agencies, community user groups, and service providers get funds to implement activities outlined in LAPA. MOPE also provides a part of the fund to UNDP for its service as the technical assistance provider. Given the complex process in hiring staff through the government's Public Service Commission, the project staff is hired through UNDP and paid for through the funds it receives from MOPE. Figure 3, provides a schematic picture of the funding flow modality of the NCCSP.

Nations Framework Convention on Climate Change (UNFCCC). Received finance is spent both through government and non-government channels. Some of the mechanisms include the government's PFMS that are published in the government's budget book, while much of the finance is channeled through non-governmental organizations and institutions just by informing the government. A 2014 study by OXFAM on the governance and funding flow mechanisms of major climate change adaptation projects found that donors and development partners have followed their conventional development assistance model¹.

The difference between NCCSP and other projects is that the government of Nepal directly accesses the funds and that the funds flow through government's mechanism (on treasury and on budget), whereas for other projects, there are UN and multilateral organizations as financial intermediaries that handle most of the funding.

Nepal receives climate finance through various sources, which include regular development partners, as well as specialized climate funds within and beyond United

¹ Finding the Money: A stocktaking of climate change adaptation finance and governance in Nepal, OXFAM, 2014.

Figure 3: Fund flow and Institutional Mechanism of NCCSP
(Source: Climate Finance: Fund Flow mechanism from national to sub-national level in Nepal, ISET, 2016.)

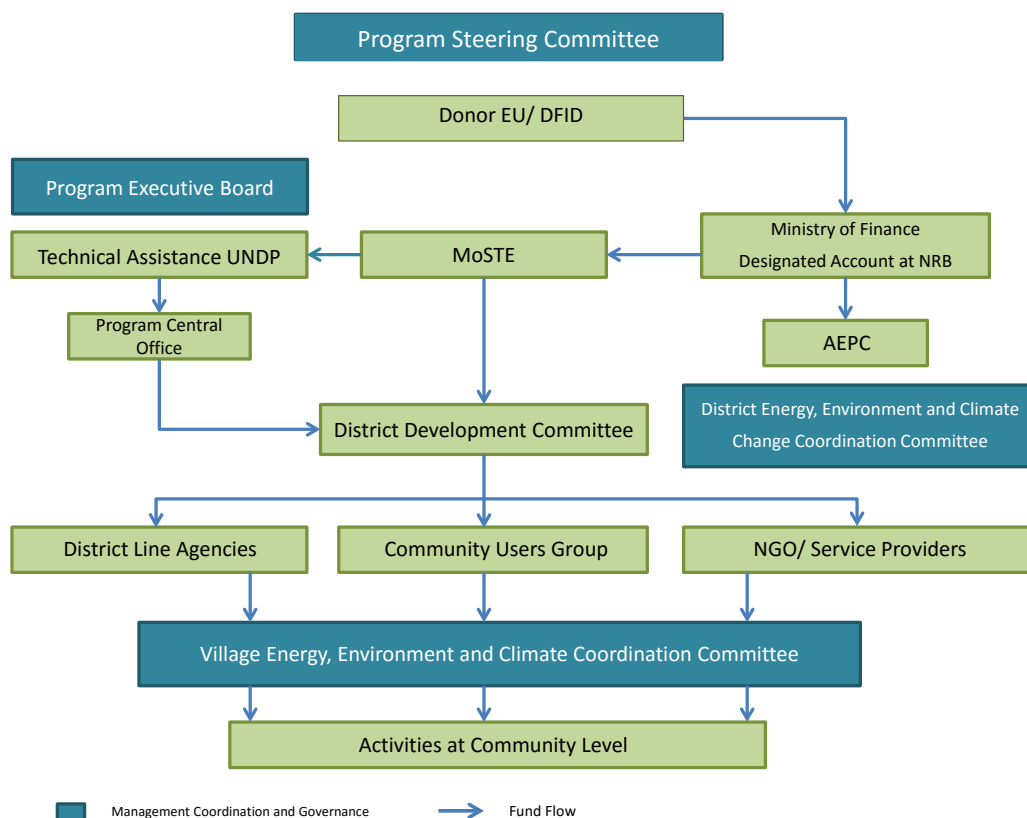
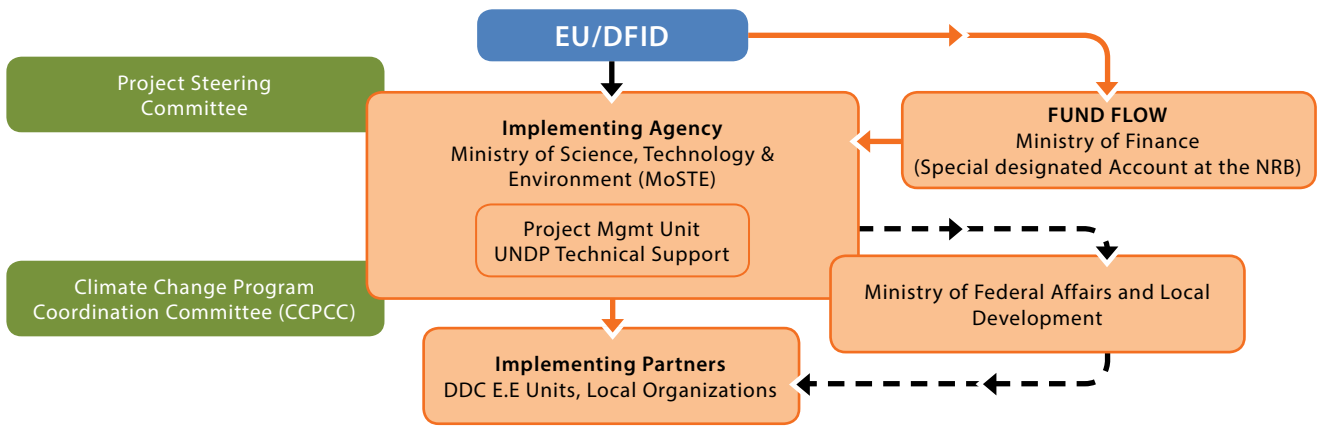
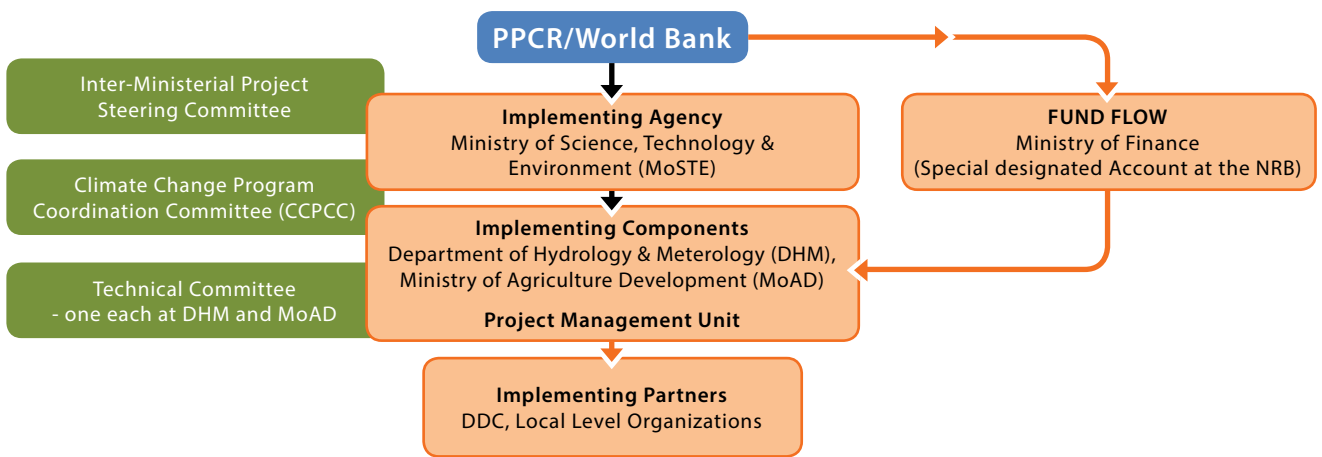


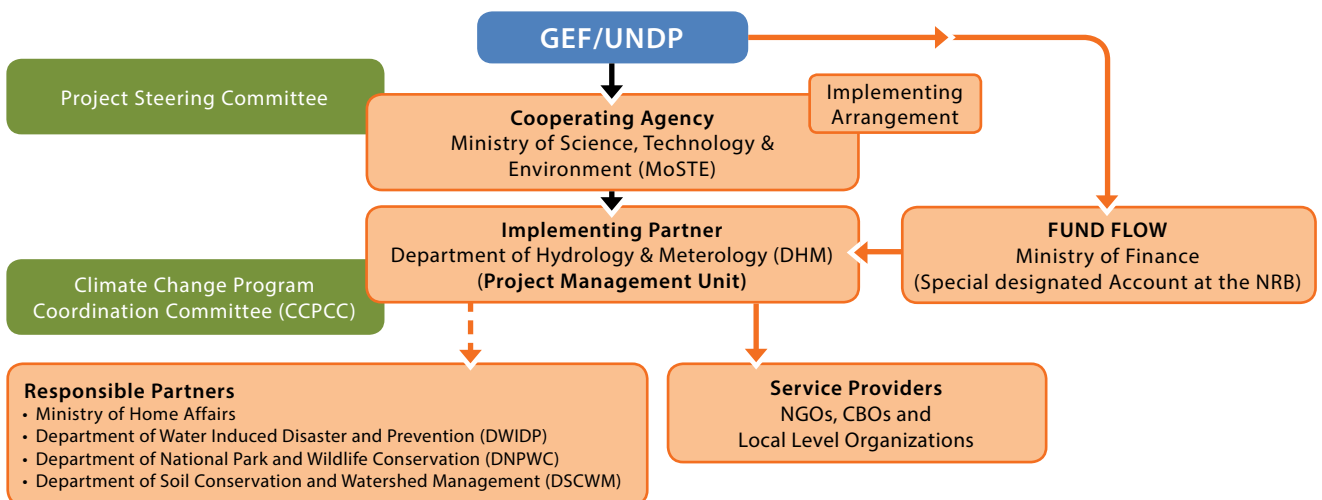
Figure 4: Comparison of Fund flow and governance mechanism of major climate change adaptation projects in Nepal (Source: Oxfam, 2014)



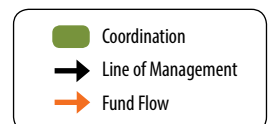
Governance structure and fund flow mechanism for the NCCSP/LAPA



Governance structure and fund flow mechanism component 2 of PPCR



Governance structure and fund flow mechanism CFGORRP



5. Way Forward for Enhanced Direct Access and Effective Implementation

This fact sheet is not a comparison of NCCSP with other climate change adaptation projects in Nepal, nor is it an evaluation of the NCCSP. The review of the funding modalities and project implementation structures reveal that NCCSP is trying to work within the government system, and strengthen it, while other projects use government systems as anchors and implement the activities through international organizations as the intermediaries. Furthermore, there might be limitations and challenges within the NCCSP model that may not have been captured, which are beyond the scope of this fact sheet. Nonetheless, there are some positive aspects in the NCCSP model, which can be considered in designing funding modalities from international sources to local level end-users. Some of these are outlined below:

- The NCCSP model uses the public finance management system of the Government of Nepal, which has resulted in enhanced government ownership.
- It relies on existing government structures and strives to strengthen them from the national to the local level.
- Building into the government system ensures monitoring and operational aspects of the activities beyond the project cycle.
- Following the national framework of LAPAs, it ensures LAPA principles are followed and are consistent in all the implemented areas.
- It commits to disburse at least 80 percent of the available fund to the local level, as mandated by the national climate change policy, a target the government is committed to meet.
- It has facilitated the mainstreaming and integration of climate change adaptation into development planning, as climate change issues are internalized in local level government institutions.
- It takes support from specialized organizations (i.e. UNDP) to provide technical assistance, which is helpful in ensuring and strengthening good governance rather than handing over the entire project to them.



About CFAS

The Climate Finance Advisory Service (CFAS) offers negotiators, policy makers and advisors in the poorest and most climate vulnerable countries bespoke information and guidance to help them effectively participate in complex global climate finance negotiations. It is supported by the Climate and Development Knowledge Network (CDKN).

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About CDKN

The Climate and Development Knowledge Network (CDKN) aims to help decision-makers in developing countries design and deliver climate compatible development. We do this by providing demand-led research and technical assistance, and channeling the best available knowledge on climate change and development to support policy processes at the country level.

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e: enquiries@cdkn.org

t: +44 (0) 207 212 4111

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