

Climate Finance

HANDBOOK

For the Federal Parliament,
Provincial & Local Assemblies

Rs



Legislative Parliament

2017



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Provincial & Local Assemblies



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Legislative Parliament, Finance Committee and Environment Protection Committee

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Foreword

Nepal is one of the most vulnerable countries to the affects of climate change. On the one had Nepal needs to address the emerging climate threats to achieve the Sustainable Development Goals for graduating from a least development country to a middle income country by 2030, while on the other with the ratification of the Paris Accord in 2015 it would also need to meet its commitments to addressing the impact of climate change on citizens. This will require a significant amount of funding, both from national and international sources. Nepal is already a global leader in identifying funds allocated for climate adaptation and mitigation (i.e. – climate finance) and reporting on climate expenditure.

An important component of the national climate finance system is robust and effective parliamentary monitoring of how funds are allocated, how they are used to assist vulnerable communities in reducing climate risks, and for improving the effectiveness of the funds. This handbook, developed with the technical support of UNDP, is a practical guide for Member of Parliament(MPs) and parliamentary staff for scrutinising the funds identified in the annual government budget and during the various stages of budgeting including it's development, approval, implementation and monitoring.

Climate change is cross cutting and involves issues and subjects that are dealt by other parliamentary committees as well. The thematic committee in the last parliament believed that all committees should be aware of and discuss climate issues in the annual program and budget.

The thematic committees involved in the preparation of this handbook consulted with stakeholders in the field in an attempt to assess the current situation and understand the need to address climate impacts in an integrated manner. The handbook was tested during field visits to Myagdi and Bardiya in September 2017 and is now ready for use by all committees not only in the federal parliament but also in the provinces and local councils. We hope this handbook will be a useful tool as Nepal continues to develop and address the impact of climate change.

We thank all Hon. Members of our thematic committees for the support and enthusiasm in endorsing the handbook. Thanks are also due to the parliamentary staff of the thematic committees. We would like to extend our thanks to UNDP and UKAID for providing the technical and financial support in preparing the handbook.

Hon. Prakash Jwala
Chair
Finance Committee

Hon. Gita Chhetry
Chair
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SECTION 1

Overview

Purposes of the Toolkit

This Climate Budget Review Toolkit for Parliamentarians is aimed at supporting the Federal Parliament and provincial assemblies as well as the people's representatives at local level to engage in climate change finance, scrutinise allocation, and monitor its use, as per the mandate given to the legislature by the Constitution of Nepal.

This Toolkit will:

- Provide an overview of what the Government of Nepal has done so far to respond to climate change, mainly the investments it has made
- Outline the roles that parliamentarians and staff can take at each stage of the budget cycle, with suggested questions and issues that can be raised
- Present approaches that relevant parliamentary committees can put in place to institutionalise engagement with relevant ministries, civil society and the citizens and to scrutinise climate change finance in the budget, and
- Provide a list of existing resources, research findings, and experts that can facilitate the work of lawmakers in fulfilling their oversight role.

The handbook will also promote the need for partnerships between parliaments and other actors, such as line ministries, civil society or independent state oversight institutions, to ensure the funds intended for addressing climate impacts actually reach the intended beneficiaries and vulnerable communities.

The handbook, which focuses on climate change and climate finance (SDG 13) as well as other related goals, complements the “Parliament’s Role in Implementing the SDGs: A Parliamentary Handbook”. While the latter focuses on all the goals, as well as on all key functions of parliamentarians, this handbook focuses specifically on climate change and climate change finance, and on the budget oversight role of parliamentarians.¹

¹ https://www.abora-parl.org/sites/default/files/e_parliamentary_handbook.pdf

Introduction

Government of Nepal has been responding to the challenges resulting from climate change that have, and will continue to affect the social and economic development objectives of the country. This response has been financed through own resources, and also that received from international development partners. As a country that is one of the most vulnerable to climate change, Nepal has seen and will continue to see significant funds from national and international sources invested for addressing climate impacts.

Box 1: Key Terms

Climate Change: A change of which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

Mitigation: Efforts reduce or eliminate greenhouse effect

Adaptation: Practical steps to protect countries and communities from the likely disruptions and damage that will result from effects of climate change.

Climate Finance: There is no accepted definition, however, it can be generally said to include financial resources from domestic and external sources used to fund climate change mitigation and adaptation projects and programmes

Climate-resilient: refers to a socio-ecological and economic system that has the capacity to absorb stresses and continue functioning in the face

of climate change impacts. It includes the need for the system to adapt and reorganise to ensure its sustainability.

Low carbon economy: is an economy based on low carbon energy sources that have a minimal output of green house gas (especially carbon dioxide) emissions.

Capacity building: refers to the process of developing and strengthening the skills, abilities, processes and resources that organisations and communities need to survive, adapt, and thrive in the face of changing climate.

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-tanks.

In this context, the federal and provincial parliaments, and local councils will need to perform their oversight, law-making and representation roles in a manner that ensures that public investments made to respond to the climate change are allocated effectively and spent as intended.

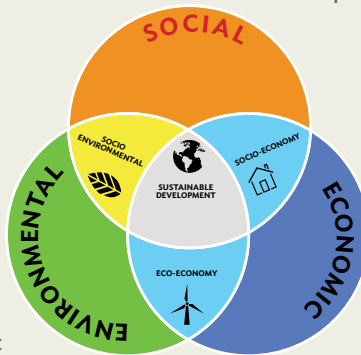
Box 2: Climate Change and the Sustainable Development Goals

In 2015 Nepal and the other members of the United Nations endorsed the Sustainable Development Goals (SDGs) to be achieved by each country by 2030. The SDGs are goals and indicators related to social, environmental and economic developments of society that assist in measuring

if those goals are achieved. SDG-13 focuses on climate change but the impact of climate change will influence the implementation of all the 17 Goals.

For example, fluctuations in weather patterns brought by climate changes will affect agricultural productivity, which will in turn affect food security, particularly for those already a part of the more vulnerable segments of society (SDG 1,2,3,5,12, for example). Addressing climate change is an integral part of a comprehensive, long-term development response to

achieving the SDGs. This will require ministries that traditionally work on sector specific issues to think of the implications of climate change on their activities. In turn, citizens, civil society, and parliamentarians, among others, must also press on the government to respond in a more comprehensive manner.



UNDP has produced a guide with regard to the role of parliaments and parliamentarians in implementing all the SDGs. Parliament's Role in Implementing the Sustainable Development Goals: A Parliamentary Handbook provides a detailed review of the various functions of a parliament and how they relate to the SDGs. It should be seen as a companion document to this more detailed handbook that focuses on climate finance. (https://www.agoraparl.org/sites/default/files/e-parliamentary_handbook.pdf)



SECTION 2

Climate Finance in Nepal and the role of Parliament

Why is Climate Finance Important?

What is climate (change) finance?

Climate Change Finance (hereafter, Climate Finance) is likely to be, in the coming years, the most significant source of resources for development because it relates to the required and available funds needed to address the issues of climate change adaption and mitigation. Along with the SDGs, which provide an overarching framework, there are other international agreements, such as the Paris Agreement, Sendai Framework, and the Financing for Development Agenda, which set out directions for reaching development objectives from different perspectives, including climate change.

Climate finance refers to sources of funding relating to climate change mitigation and adaptation projects and programmes. The purpose of the funding is to enable the transition towards climate-resilient growth and development by investing in a low carbon economy, providing capacity building to key actors, the provision of research & development support, and general economic development.

Following the Paris Agreement in 2015, (negotiated at the 21st Conference of Parties, CoP 21) to limit global temperature rise well below 2⁰ Celsius and if possible below 1.5⁰Celsius, countries presented the nationally determined contributions (NDCs) that presented actions they planed to take post-2020. The NDCs outline the strategy and commitments by governments to tackle climate change, which also forms the basis for future funding from vertical funds. It means that the GoN should direct its plans and budgets to meet these commitments. Nepal NDC targets are given in Box 3.

Where does climate finance come from?

Nepal's climate vulnerability as well as its status as a Least Developed Country (LDC), means there is a need for additional international funds to implement adaptation and mitigation programmes to sustain development gains already made, and to build resilience to emerging climate threats. It needs climate finance in addition to the development finance it is receiving. Further, in addition to directing its domestic sources through regular development plans to implement projects that help communities adapt to climate threats, Nepal is also accessing funds through multilateral and bilateral sources to implement dedicated climate projects (see: Table 1 for sources of climate finance). This need for climate finance will be substantially higher in years to come.

Box 3:

Nepal's NDCs communicated to the UN Framework Convention on Climate (UNFCCC) SOURCE

1. Formulation of National Adaptation Plans (NAPs).
2. Strengthening implementation of Environment-Friendly Local Governance (EFLG) Framework.
3. Undertaking scientific approaches to understand and deal with the impacts of climate change.
4. Studying and further understanding loss and damage associated with climate change impacts.
5. Formulating Low Carbon Economic Development Strategy to promote economic development.
6. Achieving 80% electrification by 2050 through renewable energy. Reducing fossil fuels dependency by 50%.
7. Reducing dependency on biomass through: Mini and Micro Hydro Power (25 MW), Solar Home System (600,000), Institutional solar power systems (1,500), Improved Water Mill (4,000), Improved Cooking Stoves (475,000), Biogas (130,000 households; 1,000 institutional; and 200 community plants).
8. Electrical rail network by 2040 to support mass transportation.
9. Maintaining 40% country's area under forest cover.
10. Decreasing the rate of air pollution by 2025.

Governments both national and sub-national are spending their own resources –public and private – to respond to climate change through adaptation measures, as well as to mitigate its effects.

- 1. Multi-lateral Development Banks:** The World Bank and the Asian Development Bank provide funding to national governments as part of their social and economic development support, which include funding for adaptation and mitigation related to climate change.²
- 2. Private Sector:** The private sector may invest directly in areas related to their own businesses or as part of charitable foundations in adaptation and mitigation of climate change. Instruments such as green bonds and sector-specific investment funds have been initiated in recent years.³
- 3. Charitable Foundations/Civil Society:** Various national and international non-profit organisations are raising funds for use in countries most significantly impacted by climate change.

Requirements to access the climate funds:

- Accessing global funds would require meeting high standards. A precondition is to have system in place to manage climate finance in a transparent, participatory, and accountable manner. Strong fiduciary standards are keys to access, absorb, and spend climate finance effectively.
- Direct project funding or other “off budget” support for climate mitigation/adaptation outside of the budget process can provide managerial flexibility, but can only reach a limited area and beneficiaries. Evidence also suggests that parallel systems increase the possibility of misusing funds.⁴ Direct funding is available to projects that can provide extra control and allow demonstration and attribution of results, but it is applicable only as a temporary arrangement for a short period.
- The he Addis Ababa Action Agenda (AAAA),⁵ a global agreement, encourages the use of public finance management (PFM) systems to effectively manage climate finance. The benefit of using the PFM system is that it allows full country ownership,

² See: Asia Development Bank to Double Annual Climate Finance Funding by 2020 (25 September 2015) <https://www.adb.org/news/adb-double-annual-climate-financing-6-billion-asia-pacific-2020> Also See: <http://www.worldbank.org/en/topic/climatefinance/overview#2>

³ See: Trends in Private Sector Climate Finance (2015)(United Nations)<http://www.un.org/climatechange/wp-content/uploads/2015/10/SG-TRENDS-PRIVATE-SECTOR-CLIMATE-FINANCE-AW-HI-RES-WEB1.pdf>

⁴ See: Best Practice Guidelines – Off-Budget and Tax Expenditures (2004) (OECD) Madrid, Spain

⁵ Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda), 2015. Available at http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

transparency and strengthens the country systems required for ensuring funding is directed in the most cost-effective manner, and according to national development priorities. However, the capacity to absorb funds in the national system and attributing the results to specific fund flow remains a challenge.

- Nepal has already set in motion reform processes to strengthen its PFM systems for greater transparency in allocating and reporting climate finance. An integral component of such an accountability system is the oversight role of parliamentarians to ensure that funds are delivered to vulnerable areas to address climate impacts facing vulnerable people in a transparent manner.

Table 1: Sources of Climate finance

Source	Definition	Method of Delivery
Domestic		
National government	Public or private funds mobilised through domestic sources	Through state budget and public-private partnership (PPP)
Provincial government	Federal grant, local sources and private sector sources	Through provincial budget and PPP
Local government	Federal grant, local sources and private sector sources	Through local budget and PPP
International		
Global Multi-Lateral Funds	Trust funds established as a component of various international agreements and conventions or by groups of countries	
Adaptation Fund (AF)	Independent fund established under UNFCCC for financing adaptation projects and programmes	Direct access of grant by accredited national entities
Climate Investment Fund (CIF)	Supports the filling of the finance gap of projects aimed at mitigation or strengthening resilience	Fund disbursed through multi-lateral development banks as loans, grants or co-financing
Global Climate Change Alliance+ (GCCA)	Established by the European Union (EU) to strengthen dialogue and cooperation with Least Developed Countries (LDCs) and Small Island Developing States (SIDS)	Grant, ODA, and technical assistance
Global Environment Facility Trust Fund (GEF)	Global fund established to assist in the protection of global environment	Co-finance and grant provided through accredited funding agencies

Green Climate Fund (GCF)	Established as operating entity of the financial mechanism of the UNFCCC	Funding provided through national or multinational implementing entity
Least Developed Countries Fund (LDCF)	Established under UNFCCC to meet special needs of LDCs	Grants provided through accredited agencies
Nordic Climate Facility (NCF)	Established to combat climate change and reduce poverty in low-income countries	Grants provided to projects in line with National Adaptation Programmes of Action (NAPA)
	income countries	Programmes of Action (NAPA)
The International Climate Fund (ICF)	Global fund aimed at supporting low carbon growth and adaptation in developing countries	Grant provided through accredited funding agency

Climate Finance in Nepal

How much climate related investments are being made in Nepal (domestic or international)?

a) National

Subsequent to the formulation of the National Adaptation Programme for Actions (NAPA) in 2010, the Government of Nepal (GoN) took the following actions in mobilising international as well as domestic resources and steps to improve policy to address climate change.

- Accessed climate finance from various international sources for different urgent climate projects (Table 4) as identified by NAPA.
- Conducted Climate Public Expenditure and Institutional Review (CPEIR) to assess the state of climate finance being delivered through the regular development programmes using domestic sources.⁶ The main goal of the CPEIR was to steer the formulation of a framework to coordinate implementation of climate programmes in an effective and transparent manner.

⁶ NPC, 2011 Climate Public Expenditure and Institutional Review, National Planning Commission, 2011.

- Developed and introduced climate budget codes to track climate finance being delivered through the PFM system.⁷ The climate budget code provides information about climate budget as either “highly relevant” or “relevant” to climate change under each ministry.

The overall climate-relevant budget share in the national budget as shown by climate budget code is shown in Table 2.

Table 2: Climate relevant budget share in national budget

Budget details	Fiscal Year						
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total national budget (in billion rupees)	384.9	404.82	517.24	618.1	819.46	1048.92	1278.99
Climate relevant budget (in billion rupees)	27.63	27.2	53.47	66.34	159.34	201.61	393.35
Climate relevant budget as % of total national budget	7.18%	6.74%	10.34%	10.73%	19.45%	19.22%	30.76%

(Source: NPC, 2011, MoF⁸; 2013, 2014, 2015, 2016, 2017⁹)

The increase in climate budget from 2015/16 onward is due to the budget allocated for post-earthquake reconstruction. Similarly, the climate budget in 2017/18 has further increased because the grants provided to the newly established local governments will also be used in implementing climate-relevant activities.

The climate policy (2011) commits to deliver 80 per cent of climate funds at the local level. An initial assessment of the implementation of policy conducted in 2014/15 revealed that about 52 per cent of the climate relevant budget goes to the sub-national level.¹⁰ Efforts will continue to meet the policy commitment of delivering 80 per cent of the climate relevant budget to the local level.

⁷ NPC 2012, Climate Change Budget Code, Documenting the National Process of Arriving at Multi-sectoral Consensus, Criteria and Method, Published by Government of Nepal, National Planning Commission with support from UNDP/UNEP in Kathmandu, Nepal in September, 2012.

⁸ MoF; 2013, 2014, 2015, 2016, 2017 (budget speeches of respective years published by the Ministry of Finance, Kathmandu)

⁹ NPC, 2011: Nepal Climate Public Expenditure and Institutional Review (CPEIR), Published by Government of Nepal, National Planning Commission with support from UNDP/UNEP/CDDE in Kathmandu, Nepal

¹⁰ UNDP; 2015, Climate Change Financing Policy Implementation Review, Review of 80% policy commitment on climate change finance. Governance of climate change finance to benefit the poor and vulnerable in Asia Pacific, UNDP BRH, Bangkok.

b) Sub-national

Further, the climate budget code does not provide the full picture of the climate budget at the sub-national level. Therefore, the GoN has undertaken the district level CPEIR or d-CPEIR in selected districts to understand the strengths and gaps in local level planning and budgeting to integrate climate change in local plans, where all agencies including the local governments, the private sector and the I/NGOs and others invest on climate change relevant activities. The results of the d-CPEIR show that the districts have increasingly allocated regular budgets (see table 3) to programmes that are climate relevant.

Table 3: Climate relevant budget share in district budget

Sub-national level climate budget	Fiscal Year				
	2011/12	2012/13	2013/14	2014/15	2015/16
District total budget (average of sample districts, in '000 Rs.)	1986263	1922418	2356118	2872143	3319717
Average climate relevant budget (in '000 Rs.)	190339	185975	224829	403890	568905
Climate budget share as % of total district budget	9.6%	9.7%	9.5%	14.1%	17.1%

(Source: MoFALD, 2017¹¹)

How much climate funds project wise?

Table 4 gives a brief account of the urgent climate projects the Government has implemented with multilateral as well as bilateral support.

Table 4: Climate projects funded by international sources

Fund	Multilateral Projects	Amount in USD Million	
		Approved	Disbursed
Adaptation for Smallholder Agriculture Programme (ASAP)	Adaptation for Smallholders in the Hilly Areas (ASHA)	15	1
Adaptation Fund (AF)	Adapting to climate induced threats to food production and food security in the Karnali Region	9.5	2.3
Forest Carbon Partnership Facility (FCPF)	Readiness preparation grant	3.8	3.2

¹¹ MoFALD, 2017: Improving the governance of climate change finance at the sub-national level, Lessons based on the district Climate Public Expenditure and Institutional Review (d-CPEIR) of the districts of Achham, Bardiya, Dhading, Myagdi, and Udayapur, Ministry of Federal Affairs and Local Development, Kathmandu

Global Climate Change Alliance (GCCA)	Building Climate Resilience in Nepal	9.6	0.7
GEF4	Kathmandu Sustainable Urban Transport (SUT)	2.8	2.8
GEF5	Renewable Energy for Rural Livelihood (RERL)	3	3
Least Developed Countries Fund (LDCF)	Catalysing Ecosystem Restoration for Resilient Natural Capital and Rural Livelihoods in Degraded Forests and Rangelands of Nepal	5.2	
	Community Based Flood and Glacial Lake Outburst Risk	6.3	6.4
	National Adaptation Programme of Action to Climate Change	0.2	0.2
	Reducing Vulnerability and Increasing Adaptive Capacity to Respond to Impacts of Climate Change and Variability for	2.7	2.7
Pilot Programme for Climate and Resilience (PPCR)	Building Climate Resilience of Watersheds in Mountain Eco-	24.	3.5
	Building Climate Resilient Communities through Private Sector	9	
	Building Resilience to Climate Related Hazards (IBRD)	31	8.4
	Expansion of IFC-PPCR Strengthening Vulnerable Infrastructure Project	14.	
	Mainstreaming Climate Change Risk Management in	7.2	3.7
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	Extended Biogas Program (IBRD)	7.9	0.3
	South Asia Sub Regional Economic Cooperation Power System	20	
	South Asia Sub-regional Economic Cooperation Power	11.	
	System Expansion: Rural Electrification Through Renewable Energy	6	0.7
Bilateral Projects			
Germany's International Climate Initiative	Improving the Resilience of Vulnerable Population Groups to Climate Change	0.3	
UK's International Climate Fund	National Forestry Programme	1.5	
	Nepal Climate Change Support Programme	4.7	
	Nepal Multi-stakeholder Forestry Programme (now terminated)	2.7	

(Source: Climate Funds Update¹²)

¹² Climate Funds Update: Information about Climate Finance Recipients is available at <http://www.climatefundsupdate.org/data>.

How Nepal is identifying climate resources?

Three things are important in addressing the threats of climate change:

- 1) Stakeholders must know who is impacted, where, by what kind of climate impact in what way and to what extent,
- 2) What needs to be done, including design and delivery mechanism of responses, to help the vulnerable communities to deal with or better adapt to the impacts, and
- 3) Which agency(ies) are responsible to generate climate information, assess vulnerability, identify potential threats, develop common understanding among different actors about the possible responses, and deliver the climate response.

Evidently, the huge task of responding to climate change does not fall under one ministry or agency but requires coordinated actions and varied skills, multiple expertise, diverse mandates and sometimes, conflicting interests. Table 5 lists some of the climate relevant programmes implemented as regular development programmes of the government.

In order to consolidate the undertaking and help effectively mainstream climate change in planning and budgeting, the GoN is developing a Climate Change Financing Framework (CCFF), which lays out a road map of key reforms to be made in three areas of the PFM including; i) budget cycle; ii) monitoring; and iii) reporting on climate finances. The Ministry of Finance (MoF) is developing an inter-ministerial committee to coordinate climate finances. It is within this larger institutional framework that the role of Parliamentarians is also highlighted.

Table 5: Relevant climate-related programmes share in district budget

Ministries	Climate relevant programmes
Ministry of water supply and sanitation	Construction and maintenance of drinking water schemes to ensure sustained drinking water supply to water deficit areas.
Ministry of Agriculture Development	All activities related to crop production, insect and diseases control, seed production, agriculture research to produce tolerant varieties, extension.
Ministry of Irrigation	Construction and maintenance of irrigation schemes to meet water needs of agriculture, and control and prevention of water induced disasters.
Ministry of Population and Environment	Climate change policy coordination and monitoring, NAP formulation, coordinating LAPA, low carbon strategy, Renewable energy, hydro-meteorological data generation and weather forecast, early warning technology promotion.

Ministry of Forest and Soil Conservation	Protection and management of forests, national parks, watershed management, implementation of REDD+
Ministry of Federal Affairs and Local Development	Local level irrigation, drinking water, river control works, environment protection, water conservation.
Ministry of Physical Infrastructure and Transport	Road safety and erosion control along the road.
Ministry of Energy	Development of hydropower projects to replace traditional sources of energy
Ministry of Education	Development of curriculum for promoting CC knowledge and awareness
Ministry of Industry	Reduction of GHG emissions from industries
Ministry of Health	Research on climate induced health related issues and their prevention and control
Ministry of Finance	Financing budget for climate relevant programmes

What information is available due to reforms in the climate change finance system?

Some of the reforms as envisaged by CCFF have already been implemented. For example:

- a) Budget and expenditure reporting systems have been linked for expenditure of the climate related budget. This means that information related to expenditure vs. allocation is now available in the government system. This information is available at the Financial Comptroller General Office (FCGO) and its consolidated expenditure report published annually.
- b) Similarly, budget circulars issued by the MoF have been updated to include guidelines on budget coding to indicate the level of relevance to climate change. This means that sector ministries will be required to identify climate change related allocations, which will be helpful in eventually deciphering the level of climate relevance and prioritisation in a given sector.

The establishment of provincial and local governments has added additional layers to the national climate finance system. Given the autonomy these governments will exercise under the new constitution, and based on the results of the d-CPEIR (2017) that revealed that climate change has not been a priority at sub-national level planning, it is still unclear how the climate finance in the federal system of governance will be planned and coordinated among the national, provincial and the local governments. However, the current systems of tracking climate budget and expenditure can provide a head start in this process to different levels of governments.

Climate budget code

a) What is a climate budget code?

A climate budget code is a marker assigned to a budget head to define the level of relevance of the budget to climate change adaptation and/or mitigation. Accordingly, the budget head is marked as either highly relevant or relevant or neutral depending upon the percentage of the allocated budget related to climate-relevant activities.

b) Why is a climate budget code needed?

A budget code is needed to identify part of the annual budget that is climate-relevant. At the national (and sub-national) levels the code helps track the climate-relevant budget and expenditure across sectors, while within a sector it helps decision makers to allocate available fund to a specific programme(s) or area to help vulnerable communities adapt to the climate risks and reduce the climate threats.

c) How is a budget code utilised?

The National Planning Commission (NPC) has developed eleven criteria (Box 4) to define climate activities within regular development programmes and has developed a method to

Box 4:

Development activities related to any of the following subjects have been considered as climate change related activities.

- | | |
|--|---|
| i. Sustainable management of natural resource and greenery promotion. | vii. Plan/programmes supporting food safety and security. |
| ii. Land use planning and climate resilient infrastructures. | viii. Promotion of renewable and alternative energy; technology development for emission reduction and low carbon energy use. |
| iii. Prevention and control of climate change-induced health hazards. | ix. Preparedness for climate induced disaster risk reduction. |
| iv. Prevention and control of climate change-induced hazards to endangered species and biodiversity. | x. Information generation, education, communication, research and development, and creation of database. |
| v. Management of landfill sites and sewage treatment for GHG emissions reduction. | xi. Preparation of policy, legislation and plan of action related to climate change. |
| vi. Sustainable use of water resource for energy, fishery, irrigation and safe drinking water. | |

assign a climate code. The details about the criteria and the method for applying a climate budget code are found in the NPC's publication.¹³

In the current PFM system, development plans and programmes are tagged if they are relevant to climate change adaptation or mitigation. A detailed account of the climate relevant programmes and budgets under each development ministry appears in the budget book, commonly known as the 'Red Book'. The climate code helps MPs to identify climate relevant programmes and budget.

A consolidated list of climate relevant programmes and budgets also appears in the annex of the budget speech (table 6). A system has also been developed to report on the expenditure of climate relevant programmes which helps to assess the contribution they made towards helping communities to address climate threats.

With regard to the climate finance that are 'off budget', the CPEIR (2011) identified that about USD 13 million per year, which is about 5 per cent of the climate expenditure, is not budgeted or accounted for through government systems. More than a third of the district climate budget, which is mostly mobilised through I/NGOS is off budget (d-CPEIR, 2017).

Table 4 : Screen shot of annex 16 of the budget book showing budget with climate code

Climate Budget, Fiscal Year 2015/16							Annex - 16 (Rs. in 000)
Description	Highly Relevant		Relevant		Neutral		Total
	Recurrent	Capital and Financing	Recurrent	Capital and Financing	Recurrent	Capital and Financing	
34 Prisons	0	0	0	0	1,882,882	178,883	1,772,340
314 Ministry of Home	0	0	0	0	1,882,882	178,883	1,772,340
38 Public order and safety n.e.c.	0	0	0	0	4,388,716	2,768,942	7,859,757
301 Prime Minister and Council of Minister's Office	0	0	0	0	218,227	142,780	1,881,817
314 Ministry of Home	0	0	0	0	2,521,286	174,352	3,888,646
340 Ministry of Peace & Reconstruction	0	0	0	0	1,887,172	1,381,380	2,941,152
94 ECONOMIC AFFAIRS	8,838,939	17,681,949	46,591,835	62,791,213	47,381,152	198,383,205	289,298,238
4.1 General economic, commercial and labour affairs	0	0	0	0	8,285,888	8,383,796	18,579,684
301 Prime Minister and Council of Minister's Office	0	0	0	0	38,472	78,338	198,880
330 Ministry of Commerce and Supply	0	0	0	0	385,380	1,318,187	2,214,487
382 Ministry of Cooperative and poverty Alleviation	0	0	0	0	913,388	488	913,886
385 Ministry of Federal Affairs and Local Development	0	0	0	0	8,177,388	4,884,388	11,781,646
371 Ministry of Labour and Employment	0	0	0	0	872,814	183,879	1,884,688
4.2 Agriculture, forestry, fishing and hunting	2,288,782	18,818,727	18,883,835	15,818,727	23,878,884	8,381,386	68,821,889
325 Ministry of Finance	0	0	0	0	1,285,388	0	1,285,888
312 Ministry of Agriculture Development	1,882,884	18,728	18,278,388	147,825	13,888,838	1,822,386	38,842,181
329 Ministry of Forestry and Soil Conservation	83,489	2,888,838	427,238	2,488,388	8,211,388	318,878	12,278,888

¹³ Climate Budget Code, documenting the national process of arriving at multi-sectoral consensus. <http://www.npc.gov.np/images/category/Climate-change-budget-code.pdf>

Parliament's Role in Climate Finance

With the adoption of the Constitution of Nepal¹⁴ in September 2015, the country has established a permanent system that identifies the three branches of government – the Executive, the Judiciary and the Parliament. Each branch has a key role to play in ensuring the social and economic development of Nepal. With the introduction of a federal system of governance, there will also be three levels of government – the federal (national), provincial and local.

Specifically, it is the role of the Parliament of Nepal¹⁵ and the provincial assemblies to:

- Pass the laws under the jurisdiction of each level of government¹⁶ (law-making) (e.g. – Renewable Energy Funding Framework; Forestry Management System);
- Pass the Annual State Budget¹⁷ (Budget Approval) (e.g. – Funding for environmental protection inspections; Revenue from carbon taxing);
- Monitoring the implementation of laws and budget expenditures (Oversight) (e.g. – Has air pollution been reduced? Is at least 40 per cent of the land covered by forest?);
- Ratify international treaties and conventions related to key areas¹⁸ (e.g. – UN Framework Convention on Climate Change); and
- Reflect the perspective of the citizens of Nepal in its work (Representation) (e.g. – Engaging citizens and constituents to understand their perspective and experience with new laws and programmes related to climate change).

As stated in the Introduction, the focus of this handbook is on the budget approval and oversight functions specifically, which also requires an understanding of the priorities of citizens to feed back into the processes.

i) National & Provincial Obligations

It is the mandate of the GoN or a province (the Executive branch of government) to manage the day-to-day implementation of laws passed by the parliament. The resources required to implement such laws, through an annual national budget, is

¹⁴ <http://www.wipo.int/edocs/lexdocs/laws/en/np/np029en.pdf>

¹⁵ The Parliament of Nepal consisted of the Legislature-Parliament before federal and provincial elections were held in 2017. There will now be two chambers will be in the National Parliament – the House of Representatives (Lower House) and the National Assembly (the Upper House).

¹⁶ Federal Parliament: ss. 110-114 of the Constitution; Provincial Assemblies: ss. 198-202 of the Constitution

¹⁷ Federal Parliament: Part 10 of the Constitution; Provincial Assemblies: Part 16 of the Constitution

¹⁸ Article 279 of the Constitution of Nepal

submitted to the parliament for review and approval. The annual budget is also the vehicle through which international commitments are translated into domestic actions through allocations and execution. The parliament can also assess and monitor whether the funds are spent as the parliament intended.

This handbook is a primer on how a parliament can use its authority under the Constitution and its own Rules of Procedure to maximise its ability to ensure the funds destined for climate related activities are allocated appropriately. Unlike sector specific initiatives, such as infrastructure, or health, climate finance allocations will be dispersed throughout national budget, and parliamentarians will need to identify the climate relevant items. This will be facilitated by climate change budget code.

ii) International Obligations

The Constitution of Nepal provides a role for the Federal Parliament in the ratification of international treaties and conventions signed by the GoN that relate to certain key issues, including “natural resources and the distribution of their uses” (Article 279(d)). It is possible that the agreements to which Nepal is committed (or may commit in the future) may require ratification by the parliament before they can be translated into implementable actions.

The Parliament also has a role to play monitoring the implementation of international commitments made by the GoN, which includes among others, scrutiny of how commitments are translated in financial resources allocations. In the case of climate change, this includes, for example, the Nationally Determined Contributions (NDCs) that the GoN has committed to. The approach to climate finance oversight is similar to that for other issues in that the institution has certain tools at its disposal to seek information, documentation and testimony related to the methods and effectiveness by which an agreement is being applied in the country. Parliamentary committees can hold inquiries can be conducted and prepare reports to determine if Nepal is meeting its commitments.

Effective Work Through Parliamentary Committees

Committees are at the centre of a productive parliament. It is at the committee where the budget is reviewed line by line. It is also where the parliament can engage the public and civil society to gain insights from their experiences. This is also a place where technical expertise, from parliamentary staff and elsewhere, can be engaged to provide advice as it gathers information, knowledge and evidence to support its decisions.

Therefore, for Nepal to have an effective, functioning climate finance system, it must have an effective, functioning parliamentary committee system. This may mean more resources allocated for the work of committees, both in parliament and through field visits. It will likely mean changes to the Rules of Procedure for the Federal Parliament (and careful consideration of the provincial assembly rules), to ensure the committees have the powers to gather information, and also the obligation of openness to ensure public scrutiny of the work of committees.

In order to be effective, parliamentary committees will need to ensure three key aspects of their work in meeting international and regional standards:

1. Data Gathering: A thematic committee that is reviewing the annual budget must ensure that it is gathering data to support its conclusions. A committee must engage the GoN and its various ministries and officials, and also have access to independent expertise on climate change and financing, which may come from academia, civil society, international organisations or the general public. It will need to ask the correct questions and know who to engage to get the correct answers.¹⁹

2. Public Input: A parliament should engage with the public in its work. It is the citizens of Nepal who have to observe the implementation of climate adaptation and mitigation measures. The citizens are a source of knowledge onto whether or not the funds allocated are (i) adequate; and/or (ii) effectively spent. Engagement can take the form of public consultations, where a committee directly interacts with civil society and citizens. This could be as simple as a request for submission of information informally or formally through public hearings, or even seeking information through the media. No matter the means are used, the feedback from the public will be invaluable

¹⁹ Annexes 1 & 2 of this Toolkit provide lists of reference materials and government and civil society contacts that will be of assistance with regard to the implementation of the climate finance system in Nepal.

to the work of the committee as it can provide data and evidence to support its conclusions, and to strengthen its engagement with specific ministries/departments during budget formulation.²⁰

3. Dialogue with Ministries: In order for the CCFF system to work effectively, there is a need for an ongoing dialogue between the key thematic committees (i.e. – Finance; Environmental Protection) and relevant ministries. By routinely engaging in discussions, both formal and informal, the committees will have a full understanding of the challenges facing the executive in implementing a CCFF system. Routine engagement can help committees to:

- a. Know where there are gaps in data and knowledge related to CCFF that will require engagement with external experts or for specific research from committee staff
- b. Contribute to discussions around budget formulation, and advocate for the need to prioritise climate change perspectives, and therefore, budget allocations
- c. Ensure the parliament has access to as much information as possible and is able to provide evidence-based recommendations that address the challenges facing the Government.

What can Individual MPs do?

Though thematic committees MPs play an integral role in an effective parliament, this does not preclude their individual ability to make an impact as well. For at the heart of a functioning parliament are MPs who are willing and able to engage constituents, advocate for policy and legislation and work through thematic committees and party groups.

In particular, each MP should consider the following as key opportunities to consider the Impact of climate change in Nepal and what needs to be done to ensure sufficient financing is allocated to address such challenges:

1.Engaging Citizens: MPs should be routinely in dialogue with citizens to ensure they are constantly hearing about issues of concern and their expectations for political interventions. This can be achieved through various methods, including formal meetings, bilateral discussions with citizens and CSOs and informal Q&A sessions;

2.Working Through Party Groups: Almost all MPs are part of a party group and they should work through these groups to promote specific issues related to climate change and financing. If one MP is hearing concerns from citizens then it is through

²⁰ Annexes 3 & 4 of this Toolkit provide a sample checklist and timeline for conducting an inquiry.

party groups that these concerns can be aggregated and then are turned into draft legislation, inquiries and other means of advocating for changes to law and policy;

3.Question Time: Raising questions during the question time is an important tool for oversight of how climate change is being addressed;

4.Research: MPs have a responsibility to be up-to-date on current trends in climate change and the impact on citizens. This Toolkit should not be seen as a comprehensive document but as a starting point for further research and knowledge sharing to ensure MPs are aware of the challenges faced by Nepal and their role in addressing those challenges.

5.Thematic Committees: Committees are important parts of the parliament. MPs who are members of a committee should take their work seriously and actively advocate for the issues that are concerning the citizens they represent.

Box 5: Using this Handbook: National, Provincial and Local levels

The Constitution of Nepal recognises three levels of government – national, provincial and local – each with its own rights and responsibilities, including the adoption of laws and annual state budgets. Therefore, it can be expected that after the three levels are established each will have certain responsibilities related to climate change and the financing of adaptation and mitigation as it relates to such change.

Each level of government will also have an elected assembly (i.e. – a national parliament, a provincial assembly or a local council) each with the authority to pass laws, adopt annual state budgets and to monitor

the implementation. This handbook has been produced to be used by all elected officials in Nepal (both provincial, national and local).

The key will be for each parliament, assembly or council to focus on the aspects of climate change and its funding that relates to their jurisdictions – local, provincial or national – and to allow other aspects to be dealt with by other assemblies. Each level of government will also need to adopt development plans and each council/assembly/parliament should see this as a key document for identifying the climate change challenges and the resources that will be required to address these challenges.



SECTION 3

Parliament and the Budget Cycle

THE BUDGET CYCLE

The Budget Cycle (figure 1) is the annual process by which the national budget is developed, adopted and reviewed. There are four stages in the Budget Cycle²¹ :

Formulation: The process prior to the introduction of the annual national budget to a parliament for adoption, in which the executive produces planned expenditures for the fiscal year ahead.

Approval: Once a draft national budget is developed, it is submitted to parliament where the details and required legislative changes are scrutinised and adopted.

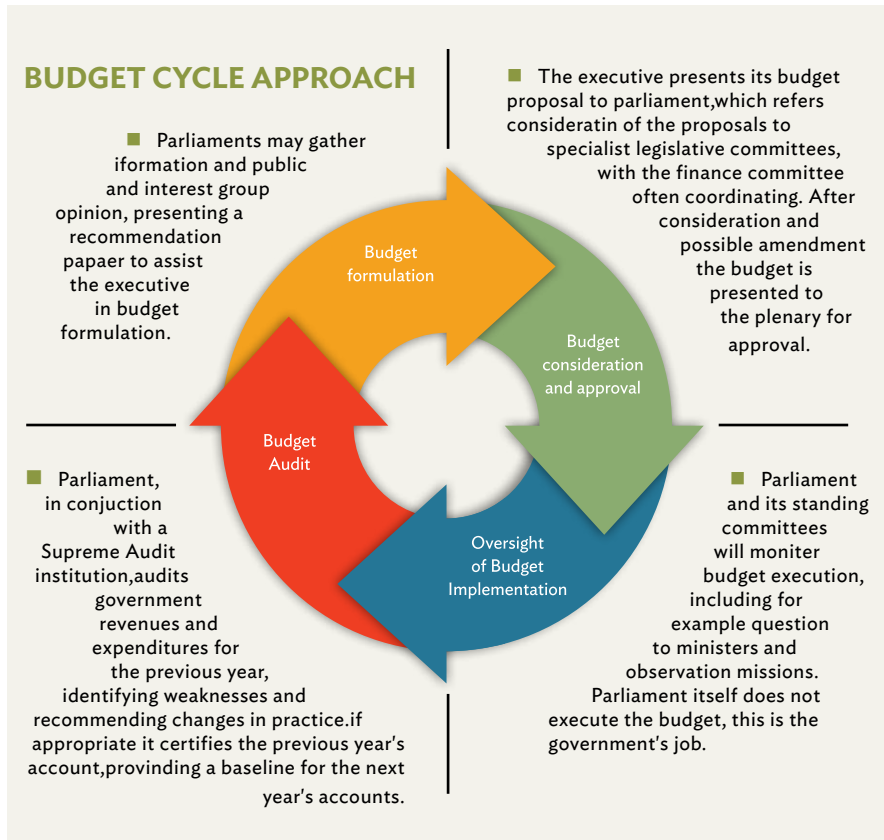
Implementation: The executive implements the national budget after it is adopted by the parliament. During this stage the parliament starts to monitor the implementation of the budget to ensure the funds are being allocated as the parliament directed while adopting the budget details.

Auditing: By the end of the fiscal year the actual expenditures for the national budget are known and are reported by the executive to oversight institutions, such as the Auditor-General. During this stage the parliament is focused on the specific expenditures by the government and reviewing the impact of the expenditures on the citizens.

Even though the main components of the Cycle are similar from jurisdiction to jurisdiction, the context in which the national budget is formulated, approved, implemented and monitored will vary. Key factors in the effectiveness of the budget process²² will depend on

²¹ The Role of Parliament in Curbing Corruption; Stapenhurst, Johnston & Pelizzo (2008); World Bank; Washington, DC, USA <http://elibrary.worldbank.org/doi/abs/10.1596/978-0-8213-6723-0>

²² Budget Institutions and Fiscal Responsibility; Santiso (2005); World Bank; Washington, DC, USA; p.15 referring to Legislative budgeting in Mexico: Aspirations and Choices, Meyers (2000); paper prepared for the Conference on Reform of the State: Budget and Public Spending in Mexico, Mexico City, January 27



five key institutional features determining the effectiveness of legislative involvement in the budget process²². By considering these criteria, it is possible to identify the specific strengths and weaknesses of the budget cycle. This will include the legal framework through which the budget is approved and the powers of the parliament to engage throughout the cycle. It will also require a look at the political context in which the budget cycle is implemented, including the specific political context within the parliament (i.e. – the current relationship between government and opposition benches and their willingness to cooperate) and the broader national context. It will also be important to understand the role of the other key actors in the budget cycle as they relate to the parliament. Table 7 describes the factors and the application in the context of Nepal:

Table 7: Parliament Effectiveness during the Budget Cycle

Budget Effectiveness Factor	Nepal Context
1. The level of engagement by the parliament in the formulation of the budget	No formal role in budget formulation; Some committees provide input to relevant line ministry prior to finalisation of budget document
2. How long the parliament has to review the budget, once submitted for review	One month (June of each year)
3. Resources and capacity of the parliament to be able to provide substantive inputs into the budget cycle	Committee secretariats and Joint Secretaries; limited access to research capacity;
4. The level of budgetary expertise within the parliament	No parliamentary budget office; limited research capacity
5. The ability of parliamentary committees to coordinate their efforts to review and monitor the Annual State Budget	No committee role in approval process; Limited coordination amongst committees during implementation and auditing stages

In Nepal, a parliamentary inquiry into the national budget can occur during any of the four stages of the budget cycle. The nature of the inquiry and the topic under discussion will change, depending on the stage, but the parliament can be active during all stages to ensure the budget is as open, transparent and accountable.

In order to be an effective component of the climate finance system being established in Nepal, the parliament and each thematic committee must have an annual plan as to how it will conduct its work, including with regard to climate finance. This can be in the form of an annual work plan or a legislative calendar, either of which will highlight the subjects for inquiries and detailed scrutiny by each committee. Such a plan should also include the identification of resources that will be required to fully deliver on such inquiries and scrutiny.

PARLIAMENT & THE BUDGET CYCLE

Budget Formulation

i) Executive Role

The budget cycle starts months before the budget documents are tabled before the parliament (table 8). The executive branch, and the MoF mainly does this work, as it is directly responsible for the development of the draft budget. It conducts its own consultations within the government to seek the expectations of the various ministries and agencies prior to preparing the draft. As noted early in the document, in Nepal, the line ministries also have an important role to play in the development of the budget.

The Constitution has granted rights to local governments (see box 5 for new government structure) to plan, approve, and implement development programmes related to drinking water, sanitation, agriculture, health, education, transportation, disaster management, and preservation of the environment. Similarly, the provinces have been granted rights to plan programmes that cut across local governments in coverage, while national development programmes that are inter-state in nature are planned and implemented by the federal government. This is particularly relevant in the context of climate change as it does not respect administrative boundaries, and there may be instances where inter-local government or inter-state actions would be more effective, both in terms of expected impacts, as well as in the use of resources.

The provinces and the local bodies will generate local revenue and also receive funding from the federal government for development. This means that the current budget cycle of the central government will change substantially, with the provinces and the local governments having corresponding budget cycles. The central government will provide lump-sum budget as grants to the local governments based on population, Human Development Index (HDI) rating, and geographical area. Under the new system the national parliament will only approve the lump-sum grant, which also includes the budget dispersed through district offices of the sector ministries under the earlier arrangement, to the provinces and the local governments. The provinces and local governments, in turn, will develop, approve and implement their own budgets based on funds transferred and local revenue. The federal government is currently drafting financial procedures for the provinces and local governments.

From the year 2017/18, development programmes implemented by the district offices and projects in the specific sectors mentioned above have been transferred to the local

governments.²³ The federal government, however, will implement national projects. The role of national parliament will be to provide overall guidance to the provinces and local governments through broader legislative frameworks, whereas, the responsibility of ensuring that adequate attention has been paid to climate concerns in the local plan now lies with the local governments. Provincial and local assemblies can take on a role to advocate for effective climate change prioritisation in both the local development plans and budgets.

Box 6:

Nepal Finance Committee Pre-Budget Consultations (2015 & 2016)

With support from the National Democratic Institute for International Affairs (NDI) the Finance Committee of the Nepal Legislative-Parliament conducted public consultations prior to the introduction of the Annual State Budget in 2015 and again in 2016. In 2016 the focus was on traveling to six districts that were most impacted by the 2015 earthquake.

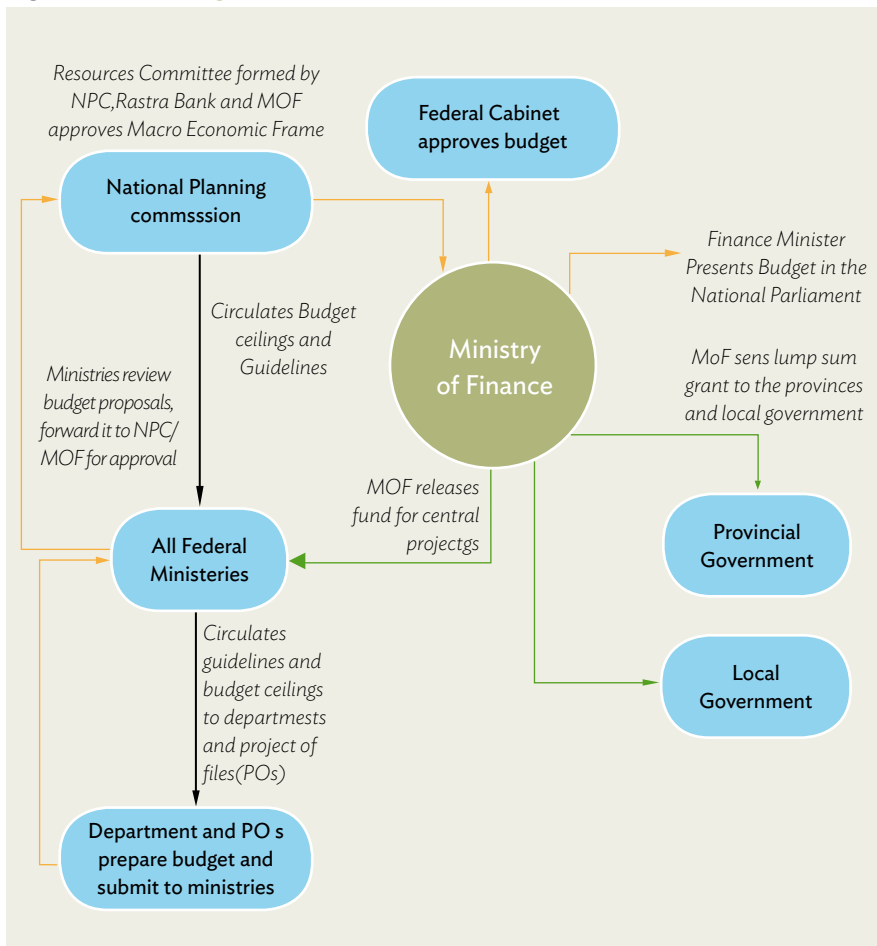
In 2015, prior to the finalisation of the Constitution of Nepal, the Finance Committee, through its consultations, noted a need for a fixed date for the introduction of the annual budget and for it to occur sooner than what had been the tradition. As a result of the information and evidence gathered by the Committee through consultations, it advocated for and saw the inclusion in the Constitution of a fixed date (May 28) for the presentation of the budget.

At the national level the planning process will begin with the Resources Committee comprised of the MoF, NPC, and the central bank that will approve the macro-economic framework that sets the budget ceilings, based on which the NPC and the MoF will send directives to the other ministries with guidelines to prepare the budget for the new year. The provinces and the local governments, though free to formulate their own development plans, need to also follow the national policies and

²³ The finance minister presented the budget for 2017/18 on May 28, 2017 in the parliament, which spelled out the programmes that have been handed over to the local bodies. He stated 'this year, Honorable Members of Parliament, if you try to search your plan and programme in the budget book you will not be able to find it. However, you can definitely see how much resources have been allocated to the rural municipality and municipality of your respective constituency' (Budget Speech, MoF, 2017).

guidelines as a broader frame to formulate their plans. The ministries will continue to implement some central level programmes they had implemented earlier, until the local governments are capable to undertake the responsibility. Figure 2 below shows the new planning process that is evolving and remains to be tested.

Figure 2: Planning process in the federal system



Parliament Role

A number of thematic committees (but not all) in the Parliament conduct pre-budget discussions with relevant line ministries. Each year these committees meet with ministry officials and provide input on their priorities for the upcoming budget (Box 6). This is a stage at which committees can take on an active role in engaging with the relevant ministries to raise questions, and offer citizen perspectives (as per their representational role) to inform budget proposals. The ministry, in turn, will take the feedback and, after other consultations and internal discussions, will produce a draft budget for the ministry that is submitted to the NPC and MoF prior to the finalisation of the annual national budget.

Table 8: Budget cycle and possible parliament engagement

Month	Budget cycle event	Parliament engagement
December	NPC & MoF send budget ceilings, guidelines to line ministries, who then sent them to departments and projects	
February	Line ministries consolidate and submit draft proposals to NPC & MOF	Pre-budget discussion with stakeholders in the provinces to provide guidance to the ministries
March-April	Program & budget discussion in NPC & MOF	
April-May	Budget head wise discussion in MOF	
May	Final draft preparation	Pre-budget discussion with sector (ministries) representatives
Last week of May	Budget presentation in Parliament	
June – July 15		Ministry wise budget discussion

However, there can be a more robust, formalised and consultative role for a parliament during this pre-budget consultation stage of the budget cycle. It has become more common for relevant parliamentary committees to conduct their own public consultations, parallel to those that may be held by the executive branch. This allows the MPs on the committee to be informed (and, through them, to inform all MPs) of the priorities of citizens on where they want the state to allocate funds. It is also an opportunity for a parliament to hear from voices that may otherwise not be heard during pre-budget consultations conducted by the executive, which have a tendency to be dominated by well-organised groups, including those from the private sector all of who try to influence the budget to benefit them.

Process Issues for Committees to Consider:

General:

- What resources does the committee have access to in order to conduct a pre-budget inquiry?
- Are there policies, customs or rules that prevent the committee from conducting a pre-budget consultation?

Dialogue with Ministries/Departments:

- Has the committee met with the relevant line ministry(s) to discuss budget priorities of each?
- If the committee has conducted pre-budget consultations, has a copy of the report been shared with the relevant line ministry?

Public Input:

- Has the committee developed a plan for engaging the public prior to the budget

being introduced in parliament?

- How will the committee ensure the voices of marginalised groups are heard during a consultation?
- What specific tools will the committee use to engage the public?
- How will the committee report on how public inputs were used in its decisions?
- How will public input feed back into the formulation discussions?

Data Gathering:

- Has the committee specific areas of work or sets of data for which it wants to verify the information provided by a line ministry?
- What data or evidence does the committee want to gather to support its advocacy to a line ministry prior to the budget being introduced in parliament?

Questions for Committee Members to Ask in the Budget formulation stage:

1. General: Sustainable development and climate change priorities of government

To Central Ministries:

- How have the key development sectors complemented each other in the national programme and budget to build synergy in addressing climate responses?
- What are the priorities of the government for the coming year with regard to climate adaptation?
- What are the priorities of the government for the coming year with regard to cli-

mate mitigation and meeting the commitments made in the NDC?

- How has the government ensured that provincial and local budgets are aligned with the national plan?

To MoFALD/Local Governments:

- What are the priorities of the government for the coming year with regard to climate adaptation?

To Sector Ministries/Sector Departments:

- What are the climate responses developed by each climate relevant government agency to address climate change impacts in respective sectors?
- What are the strategic steps that the proposed annual programme has proposed to follow to achieve SDG 13 specifically, and contribute to other goals as they relate to climate change (such as those related to health, access to clean water, sustainable cities, clean energy, responsible consumption and production?)

2. Institutional mechanisms:

To Central Ministries:

- Are the institutional arrangements at the national and provincial levels adequate in translating all climate change commitments and intentions (objectives, targets, expected results) into realistic plans, actions and concrete activities -- and to monitor, evaluate and report on achievements or non-achievements?
- At what level of hierarchy from local governments to the centre, are the decisions on developing climate programmes and budget made, and how do the key sector agencies support these initiatives?
- What are the government's plans to meet inadequacies, if there are any?
- Has the climate finance system been fully implemented throughout governments from centre to the local level? If not, what barriers or bottlenecks are preventing the full rollout of the system?

To MoFALD/Local Governments:

- Which agency is responsible to provide information about actual and anticipated climate impacts to the local governments and the planners to make the plans climate resilient before formulating plans and budget at all levels.

To Sector Ministries/Sector Departments:

- Which agency is responsible to provide information about actual and anticipated climate impacts to the local governments and the planners to make the plans climate resilient before formulating plans and budget at all levels.

3. Consultative processes for inclusion:

To Central Ministries:

- What is the information available on the efforts made by the Government of Nepal to help the local governments to enhance the adaptive capacity of the communities?
- What are the methods and technology being used, initiated or promoted to deal with the climate change impacts including carbon sequestration?
- What mechanisms are being developed for the federal government to help the provincial and local governments to deal with climate impacts?
- How is climate change incorporated in the development plans and budget of the key economic sectors?
- What mechanisms are being developed to help provinces and local governments to facilitate inter-state and inter-government climate actions?
- What systemic reforms might be required, and at what level to see that investment decisions are made according to need?

To MoFALD/Local Governments:

- How have marginalised groups been consulted during budget formulation process by the local governments?
- Which areas and ecological zones are affected most by increasing CC impacts such as water shortages, drought, flash floods, landslides, plant diseases, insect/pests, change in crop cycle?
- What mechanisms are being developed to help provinces and local governments to facilitate inter-state and inter-government climate actions?
- What systemic reforms might be required, and at what level to see that investment decisions are made according to need?

To Sector Ministries/Sector Departments:

- What are the priorities for citizens for the coming fiscal year with regard to climate change projects and programming?

Box 7: The Need for Planning & Coordination

The focus of this rest of this Toolkit is on the specific role(s) played by thematic committees during each stage of the budget cycle. However, before committees can do any work, it is important that all committees are well-coordinated and to know the roles each will play with regard to climate finance.

Each committee has its own jurisdiction and expertise and these should be reflected in the work being contemplated.

Climate Finance: As the Finance Committee has the primary responsibility for the approval and review of the Annual State Budget it makes sense for it to be the lead committee on all matters related to financing of adaptation and mitigation of climate change.

Climate Change: The Environmental Protection Committee is primarily responsible for the adoption, and review of the implementation of legislation and policies related to climate change; therefore, it is logical for the committee to lead in such matters.

Planning & Coordination: Given that there are two key aspects to climate finance – the allocation of funds (finance) and the addressing of climate change challenges (climate impact), it is critical that the Finance and the Environmental Protection Committees work in a collaborative manner to ensure that such issues are properly addressed. This

should include:

- Annual Joint Work Plan between the two committees
- Regular joint meetings of the committees
- Constant dialogue between committee secretaries
- Consensus on topics for inquiry during all stages of the budget cycle
- Memorandum of Understanding between committees as to their roles in climate finance

It may be as simple as saying that the Finance Committee takes the lead during the budget formulation and budget approval stages and the Environmental Protection Committee leads during the last two stages of the cycle. What is important is that the committee agree on a set of formal rules and responsibilities in order to avoid conflicts and challenges in the years to come.

Other Committees: It is clear that climate finance is not focused only on the work of these two committees. Other committees will also need to be engaged, and their support will be required to ensure an effective climate finance system. As the Environmental Protection and Finance Committees start to plan and coordinate on a routine basis, it is vital that recognise the necessary interventions of other committees and engage them regularly to ensure they are brought into coordination and planning as required.

- What are the expected losses in specific crops in specific areas due to climate change induced impacts (loss of crops to floods/hailstorm, impacts of droughts, damage due to insect/pests, diseases, etc.)?
- What are the methods and technology being used, initiated or promoted to deal with the climate impacts including carbon sequestration?
- What baselines have been adopted or, alternatively, how is climate change impact information generated to help plan responses in agriculture, forest, irrigation, health, physical planning, water supply, tourism and health sectors?
- How has this type of information been helping the budget planners to incorporate the feedback into planning?
- How is climate change incorporated in the development plans and budget of the key economic sectors?

Budget Approval

Historically, it is the approval stage of the budget cycle that has been the primary focus of parliament. Since the mid-1700s the British House of Commons has approved the budget of the government on an annual basis.²⁴ From there, the adoption of an Annual State Budget approved by a parliament spread throughout the world via the British Empire and its establishment of legislatures based on the Westminster parliamentary system. However, this same system, to which Nepal prescribes, has limited the ability of parliament to make changes to the budget that is introduced for approval.

In Nepal, Chapter 18 of the Legislature-Parliament Rules of Procedure provides details as to the procedures to be followed in reviewing and adopting the annual budget. Key aspects of the procedures include:

- In general, each ministry has its own heading, to provide specific funding allocated to it for expenditure (s. 148) with specific notations (or tagging) of funds allocated for climate change
- Motions to amend the estimates to reduce the amount allocated can be introduced, under limited circumstances, and are generally intended to express the displeasure of the mover of the motion with the funding allocation (s. 150)
- The Finance Bill that accompanies the estimates is debated like any other Bill by the Parliament (s. 156)

Chapter 24 of the Rules of Procedure speaks of the powers, mandate and authority of the committees of Parliament. Each thematic committee is assigned a specific list of ministries and agencies for which each is responsible for engaging and monitoring (s. 177).²⁵ All thematic committees have the mandate “to check the estimates relating to revenue and expenditure of the ministries, departments and other offices ... to give necessary directives(emphasis added) ... on the methods of preparing the annual estimates, the alternate policy that could be adopted instead of the current policy in annual estimates...” (s. 182(b)).

²⁴ The First Budget: Walpole’s Bag of Tricks and the origins of the Chancellor’s Great Secret, March 7, 2012 Blog Post: History of Parliament
<https://historyofparliamentblog.wordpress.com/2012/03/07/the-first-budget-walpoles-bag-of-tricks-and-the-origins-of-the-chancellors-great-secret/>

²⁵ For example, the Finance Committee is assigned the Ministry of Finance, Ministry of Cooperative and Poverty Alleviation and the National Planning Commission.

However, in practice, the thematic committees do not look at the estimates provided for their relevant ministries and agencies as part of the approval of the annual budget and do not provide recommendations and advice to the executive branch on the spending priorities and allocations made in the budget.

How do these rules apply in practice and how do they apply to climate finance?

Given Nepal's extreme vulnerability to climate change, the GoN has responded by investing in climate change adaptation, and to an extent, on mitigation as well. The required funds for those investments, which come from various sources, are allocated through the annual budget in some instances (some are implemented directly, which can create a duplication of efforts. Please refer to Table 9). These are the funds over which the Parliament has an oversight role. It is through the process of approval of the respective budgets that the Federal Parliament and provincial and local assemblies will have the opportunity to identify the specific amounts of funding being allocated for specific purposes.

Each thematic committee should have a role to play in the review of the budget including the grants that go to the provincial and local governments as it relates to climate finance. Climate finance is not limited to one ministry or only allocated to issues related to the environment. Funding is allocated to issues as diverse as agriculture, forestry, road works, industry, and power generation (among others) and is integrated to each ministry. Therefore, each committee must be prepared to consider such funding and how it will impact the citizens. This should include a series of committee meetings and consultations to determine if the Budget meets the needs of the citizens before it is approved by the national or provincial parliament. The process should include the engagement of technical experts, academics, civil society and the general public. An understanding of how climate relevant initiatives at each ministry have been designed and what purpose they are expected to meet, is crucial during this stage.

The work of thematic committees with regard to climate finance can be divided into two areas:

- **Funding Allocations:** The funds allocated with regard to climate finance must be reviewed to ensure the government has prioritised the allocation in a manner that reflects national and sub-national interests. The review should also ensure that adequate funds are allocated to address each challenge and that systems are in place to monitor the implementation of such funds.

- Climate Finance Systems:** The GoN has introduced various reforms to identify climate finance allocations in the budget including: i) the climate budget code; ii) the amendments in the planning guidelines and budget circular; and iii) a link between the climate budget allocation with expenditure statements to produce climate expenditure reports. Continued monitoring of the system is needed to ensure that it is operating effectively. Therefore the role of parliament for providing overall guidance in ensuring continued reforms of the system is crucial.

To effectively review the annual budget, a parliament will require well-resourced thematic committees that have access to expertise and data to effectively scrutinise the budget that is submitted prior to approval. Table 9 provides area of expertise required and their potential sources. The goal is to start the process of review of climate financing and to simultaneously advocate for the resources required to do the work effectively. Committees also have to build partnerships with others, such as CSOs, who may have knowledge or information that the committees can use to enhance their effectiveness.

Table 9: Suggested expertise required and their potential sources

SN	Expertise	Available at
1	Water management specialist	Ministry of Irrigation, Ministry of Drinking water and Sanitation, Department of Hydrology and Meteorology, Water and Energy Commission, I/NGOs, Civil Society (NGO Federation)
2	Disaster specialists (preparedness, management and rehabilitation)	Department of Water Induced Disaster Prevention, Department of Hydrology and Meteorology, and Tribhuvan University (TU), Kathmandu University (KU), DPNET-Nepal, OXFAM –Nepal, Nepal Red Cross, NGO Federation, Research Institutes
3	Watershed management expert	Department of Soil Conservation and Watershed Management, I/NGOs, Geography Department TU,
4	Community development expert	I/NGOs, NGO Federation
5	Agriculturists	Ministry of Agriculture, National Agriculture Research Council (NARC), NGO Federation, I/NGOs
6	Entomologists	Ministry of Agriculture, National Agriculture Research Council (NARC)
7	Plant pathologists	Ministry of Agriculture, National Agriculture Research Council (NARC)
8	Geologists	Department of Mines and Geology, Geology Department TU, KU

9	Biodiversity expert	Department of Forest, Department of National Parks and Wildlife Conservation, FECOFUN, I/NGOs
10	Land reclamation specialist	Department of Soil Conservation and Watershed Management
11	Climatologist	Department of Hydrology and Meteorology, and Meteorology Department TU
12	Environmentalists	Department of Environment, NGO Federation, I/NGOs, TU, KU, Pokhara University (PU)
	Poverty experts	Ministry of Poverty and Cooperatives, National Planning Commission, I/NGOs, TU, KU, PU
	Gender experts	Ministry of Women, Children and Social Welfare, I/NGOs, NGO Federation, TU

Process Issues for Committees to Consider:

General :

- What resources does the committee have access to for reviewing the budget prior to approval by the parliament?
- What process or rule change is required to ensure each committee has the authority and capacity to scrutinise the relevant sections of the budget prior to its approval by the parliament?

Dialogue with Ministries/ Departments:

- Has the committee met or invited the relevant line ministries to explain the funding allocations under their jurisdiction?
- If the committee has conducted pre-budget consultations, how can the evidence gathered during this process be used to advocate for changes to the budget prior to approval?

- Where a specific line item has been increased or decreased, what is the data or evidence to support such a decision?

Public Input:

- Has the committee developed a plan for engaging the public as part of its scrutiny of the budget?
- What tools will the committee use to consult the public?
- What experts should be consulted as part of the budget scrutiny?
- How will the committee ensure the voices of marginalised groups be heard during the budget scrutiny?

Data Gathering:

- If the committee disagrees with a funding allocation in the proposed budget, what data or evidence must it gather to support its position for a change?

Potential Questions to Ask During Budget Approval Stage:

1. Quantity of climate change finance:

Central Ministries:

- In which ministries and agencies has the funding related to climate change increased from the last fiscal year? Where are the extra funds being allocated? What is the rationale for the increased allocation?
- In which ministries and agencies has the funding related to climate change decreased from the last fiscal year? Why are less funds being allocated? What is the rationale for the decreased allocation?

MoFALD/Local Governments:

Sector Ministries/ Sector Departments:

- In which ministries and agencies has the funding related to climate change increased from the last fiscal year? Where are the extra funds being allocated? What is the rationale for the increased allocation?
- In which ministries and agencies has the funding related to climate change decreased from the last fiscal year? Why are less funds being allocated? What is the rationale for the decreased allocation?
- Are there implications of these allocations on future years' budgets (e.g. – multi-year projects or equipment purchases that will incur operation and maintenance costs going forward)?
- How much funding is being allocated for programmes related to climate adaptation or mitigation? Are the costs allocated for such programmes realistic?
- How much funding has been allocated for enforcement and monitoring? Are the costs allocated adequate to ensure projects and programmes will be implemented in a cost-effective manner?

2. Quality and equity of climate change investments:

Central Ministries:

- How do national climate change policies, strategies and guidelines contribute to meeting GoN's international commitments in the conventions and declarations related to climate change, through the proposed annual budget?
- How do the proposed revenue and expenditure policies address the needs of the poor, women and other vulnerable groups, and how do they contribute to equity?

MoFALD/Local Government:

- Do the projects and programmes funded in the budget match the priorities of citizens and civil society and the vulnerable communities of Nepal?
- Which non-climate policies have influenced the allocation decisions? For instance, have the Gender and Social Inclusion strategy been used as a guideline for investment decisions?

Sector Ministries/Sector Department:

- Has the Budget incorporated gender and poverty adequately into climate finance? If not, what efforts are being made to ensure that such issues are addressed as part of climate finance?
- Which non-climate policies have influenced the allocation decisions? For instance, have the Gender and Social Inclusion strategy been used as a guideline for investment decisions?

Suggested questions to scrutinize the proposed Climate Change relevant programme and budget are as follows:

3. Expected impact:**Central Ministries:**

- How will the proposed programme help reduce GHG emissions?
- How will the proposed programme help increase climate resilience?

MoFALD/ Local Governments:

- How will the proposed programme help to address the increasing problem of water shortages including droughts?
- What will the programme do to contribute to groundwater recharge in areas that have seen rapid groundwater depletion?
- How will the proposed programme help to improve food and health security at the local level?
- How will the proposed programme help to reduce disaster events such as landslides and flash floods?
- How will the programme help communities prepare for disaster events?
- Is there any plan to follow to help rehabilitation of disaster affected people and area?
- How will the programme help generate knowledge about climate change impacts specific to the local area where it is being implemented?
- Is there a mechanism in place to help inform decision-making within the local

government on the effectiveness of the proposed programme in adaptation and mitigation?

- How will the programme help improve inter-community networking for coordinated approach to adaptation?

Sector Ministries/ Sector Departments:

- How will the proposed programme help build greenery and support carbon sequestration? What is the overarching climate related impact of different programmes under each sector ministry/department?
- Which aspect of adaptation will the proposed ministry programme (?) help to tackle? How will the proposed programme help to reduce GHG emissions?
- Will the programme help to generate sector specific information on climate change impacts required for effective planning of sectoral programmes?
- Is there a mechanism in place to help inform the decision-making within the ministry on the effectiveness of the proposed programme in adaptation and mitigation?
- How will the proposed programme of a ministry seek opportunity to build synergies by complementing the programmes of other ministries?

Box 8: Public Accounts Committee and the Auditor-General's Report

In April 2017 the Public Accounts Committee (PAC) of the Nepal Legislative-Parliament initiated an inquiry into uncollected tax revenues. Based on information gathered from the Auditor-General's Report on Rs21

billion in taxes not collected, the PAC requested the MoF to submit to the committee a report from the Tax Settlement Commission on the collection gap.

<http://kathmandupost.ekantipur.com/news/2017-04-28/house-panel-investigates-rs21b-tax-exemption-case.html>

Budget Implementation and Auditing

Process Issues for Committees to Consider:

General:

- What resources does the committee have access to monitor the implementation of the budget?
- What process or rule change is required to ensure each committee has the authority and capacity to effectively monitor the implementation of the budget?
- What are the specific areas of work or topics for which the committee will conduct inquiries in the coming year?
- How is PAC interacting with the Auditor-General to ensure that audit findings are publicised and that there is follow up by the executive on audit recommendations?

Dialogue with Ministries/ Departments:

- For each inquiry into budget implementation, has the committee started its work by inviting the relevant line ministries to explain how implementation is progressing?
- Prior to completing an inquiry, has the committee invited the relevant

line ministry to return to respond to issues raised during the inquiry (prior to the inquiry report being published)?

Public Input:

- Has the committee developed a plan for engaging the public as part of each budget monitoring inquiry?
- What experts should be consulted as part of each inquiry?
- How will the committee ensure the voices of marginalised groups be heard during each inquiry?

Data Gathering:

- If the committee believes that the relevant portion of the budget is not being properly implemented, what data or evidence has the committee gathered to support its position?
- In addition to the Auditor-General's Annual Report, what are other sources of independent data and evidence to determine if the budget is being properly implemented?

The third and fourth stages of the budget cycle – implementation and auditing – are where a parliament focuses on oversight on the implementation of the annual budget. As noted in the Constitution of Nepal (2015), at the time of the submission of the annual budget to parliament, the Minister of Finance must also table “...a statement of the expenses allocated to every Ministry in the previous financial year and particulars of whether the objectives of the expenses have been achieved.” (s. 119(2)).

Between the adoption of the annual budget each year and the start of the pre-budget process for the following year, each thematic committee should be allocating time to review the expenditures from the previous fiscal year to determine if the funds were allocated as intended and to determine if the level of funding was sufficient to address the challenge at hand. The details of the expenditures from the previous fiscal year should be reported as part of the annual budget tabled in parliament in May of each year.

At the same time, thematic committees can be monitoring the implementation of the current annual budget. The GoN has the capacity to provide real-time expenditure updates on an ongoing basis. The Federal Parliament or provincial assemblies should empower their thematic committees to routinely examine specific aspects of the work being implemented by their relevant executive branch ministries and departments to ensure they have the proper systems, legislation and funding to accomplish what is envisioned in the annual budget. If not in the current budget, the thematic committees can then advocate for changes in subsequent budgets.

A challenge may be that the committees monitoring budget implementation need to be able to translate the data collected by the government, for instance, raw data related to climate expenditure, into information that can be used by the committees to address any questions it may have. However, by building relationships with CSOs, academics and technical experts, committees can turn raw data into usable information that can form the basis of inquiry reports and recommendations.

A further step in monitoring the annual budget will occur when the Auditor-General releases its annual report. The report is a review of specific government projects and programmes based on a detailed policy and accounting audit by the Auditor-General. These reports are not released for some months after the end of the fiscal year, but provide great details that can be used by the Public Accounts Committee as it provides in-depth monitoring of government expenditures.

Other thematic committees, besides the Public Accounts Committee, may be engaged in reviewing certain aspects of a report from the Auditor-General. The committees may also use the tabling of an annual report from a ministry as the basis for a review of the funding that has been provided to the ministry to achieve its goals, including those that are climate relevant.

Potential Questions to ask During the Budget Implementation and Audit Stages:

Accountable Use of Resources:

Central Ministries:

- Did the amount of funds allocated in the Budget achieve each climate goal of the government? If not, what is being done for future budget formulation to ensure that the correct amount of funding is allocated?
- Is the national Public Finance Management (PFM) system able to generate realistic climate budget and expenditure reports at the national and sub-national levels to support informed decision making?
- Are the systems in place within the executive branch to monitor if spending is adequate? If not, what changes are required to achieve an effective system of monitoring?
- Is spending in accordance with government policy, where 80 per cent of the climate related funds needs to be spent at the local level? If not, what steps are being taken to meet the target?

MoFALD/ Local Governments:

- Has the government (and each ministry within the government) received and spent all the funds allocated for climate projects and programmes as intended? If not, what is the reason for some funds not being spent? Where were the unspent funds allocated?

Sector Ministries/ Sector Departments:

- Has the government (and each ministry within the government) spent all the funds allocated for climate projects and programmes? If not, what is the reason for some funds not being spent? Where were the excess funds allocated?
- Is spending in accordance with government policy, where 80 per cent of the climate

related funds needs to be at the local level? If not, what steps are being taken to meet the target?

Socio-economic impact:

Central Ministries:

- Have past results/analyses on the effect and impact of climate related investments on the most vulnerable groups been factored in the overall budget allocation?
- If not, why not? What mechanisms are in place to enable this type of policy feedback loop?

MoFALD/Local Governments:

- Does the local government conduct impact analyses to assess the impact of climate relevant investments on the most vulnerable groups?
- Does the local government have partners with whom it can collaborate to undertake analyses to assess the impact of climate relevant investments on the most vulnerable groups?
- Have past results/analyses on the effect and impact of climate related investments on the most vulnerable groups been factored in the overall budget allocation?
- If not, why not? What mechanisms are in place to enable this type of policy feedback loop?

Sector Ministries/ Sector Departments:

- Does the ministry/department conduct impact analyses to assess the impact of climate relevant investments on the most vulnerable groups?
- Does the ministry/department have partners with whom it can collaborate to undertake analyses to assess the impact of climate relevant investments on the most vulnerable groups?
- Have past results/analyses on the effect and impact of climate related investments on the most vulnerable groups been factored in the overall budget allocation?
- If not, why not? What mechanisms are in place to enable this type of policy feedback loop?

Gathering Evidence & Data

There are several ways by which parliament, including the committees, can access data about climate change and related issues. Some of them are as follows.

Climate Change Vulnerability Mapping for Nepal published by MoPE in 2010²⁶ provides vulnerability, and its magnitude for all 75 district based on sub-indices such as sensitivity of human and ecology; risk/exposure to floods, landslides, droughts; and adaptive capacity determined by the socio-economy, infrastructure, and technology. The document provides information about the most vulnerable districts for targeting adaptation planning and mobilisation for financial resources to implement adaptation programmes.

National Adaptation Programme of Actions (NAPA) formulated by MoPE provides composite vulnerability of the districts to hazards such as Glacial Lake Outburst Floods (GLOFs), landslides, floods, and drought. The NAPA information has been the basis to develop adaptation projects and the experience of implementing these projects has helped the formulation of National Adaptation Plan (NAP).

NAP process is underway to formulate plans to address medium (2018-2030) and long term (up to 2050) adaptation needs, and to reduce vulnerability by building adaptive capacity and resilience through integration of climate change adaptation in policies and programmes. NAP will also provide a work programme on loss and damage.

National Climate Change Impact Survey 2016, A Statistical Report (2016)²⁷ published by the Central Bureau of Statistics, provides data and knowledge on impact and effect of climate change across the country covering three ecological belts. The data includes broad topics such as demography, household income, level of education, knowledge and perception about climate change, climate induced disasters and socio-economic impacts; natural resources and bio-diversity. It provides national figures on the changes in the floristic behaviour, local water resources, extent of invasive species, climate change and health (animals and humans), and adaptation practices (farm and off-farm) adopted by households to cope with adverse conditions created by climate change.

²⁶ <http://www.mope.gov.np/download/CLIMATE%20CHANGE%20VULNERABILITY%20MAPPING%20FOR%20NEPAL%20INNER.pdf.9c65a3385899194206e28d0e224f5dec>

²⁷ National Climate Change Impact Survey 2016.A Statistical Report.



SECTION 4

Engaging Partners

Climate change is crosscutting, and various government ministries and agencies are engaged on the issue. For parliamentarians to fulfil their roles effectively, they will need to engage with different parts of the government, as well as with other stakeholders, to access important sources of information.

Engaging the Government of Nepal

The most relevant entities are as follows:

- 1. The National Planning Commission** coordinates all climate relevant programmes as part of the annual programme and budget.
- 2. The Ministry of Finance** provides information about budget allocation on climate relevant programmes. The Red Book of the ministry provides information about ministerial programmes and the level of their climate relevance. The ministry has led the formulation of the Climate Change Financing Framework (CCFF) with a reform road map to improve the PFM system to integrate climate change with national planning and budgeting, for mainstreaming climate finance for effective climate responses.

Meanwhile, as part of the reform, the ministry has linked the Budget Management Information System (BMIS) with the Financial Management Information System (FMIS) to produce a report on climate relevant expenditures against allocation as indicated by climate budget code. The ministry also produces economic analysis of budget expenditure before the budget for the following year is prepared.

3. The Ministry of Population and Environment (MoPE) – the focal point for UN Framework Convention on Climate Change (UNFCCC)–works as a lead agency in formulating the national climate change policy, its coordination and monitoring. It is the nodal agency for international cooperation and commitment including the NDC that Nepal submitted with specified targets to the UNFCCC following the Paris agreement.

Climate change division of the MoPE is mandated to carryout the following.

- Formulate climate change related policy and programmes and their implementation
- Carryout climate change policy research
- Prepare and publish annual national climate change status report
- Focal point of all international climate change affairs
- Coordinate all climate change activities carried out by line ministries as well as other agencies and organisations
- Take necessary steps to mainstream climate change strategy in sectoral policies
- Take policy steps to promote carbon trade and monitor and evaluate activities related to carbon trade
- Take policy steps to promote activities related to GHG reduction and promotion of clean energy and green productivity
- Formulation of sustainable development related policies, strategies, programmes and projects and their implementation, monitoring and evaluation.

4. Ministry of Forest and Soil Conservation (MFSC) is a key agency for all Reducing Emissions through Deforestation and Degradation (REDD +) initiatives. Nepal’s REDD strategy envisages that the GHG emissions resulting from deforestation and forest degradation will be significantly reduced by forest conservation and enhancement by addressing the livelihoods concerns of the poor and marginalised forest dependent people, and by establishing effective policy, regulatory and institutional structures for sustainable development of forests, watershed management and wildlife conservation.

5. Department of Hydrology and Meteorology (DHM) is responsible to generate real-time hydro-meteorological information and weather and flood forecasting. This information is used by other sectors and organisations for research and planning (ag-

riculture needs forecasting on weather, monsoon time and strength, drought, floods etc.). Tourism needs it for mountaineering expedition groups.

6. Central Bureau of Statistics (CBS) has begun to conduct survey on climate change issues at the selected areas to provide information about how people have felt the impacts. The information is available on request for selected areas.

7. Nepal Academy of Science and Technology (NAST) is mandated to conduct climatological and metrological studies. NAST and MoPE have established the Nepal Climate Change Knowledge Management Center (NCCCKMC) with an objective to enhance public access to climate change and related information in order to build their capacities to address the challenges posed by climate change and strengthen climate research in Nepal. It also aims to facilitate the interface between scientific research and policy-making processes and development planning of the government.

8. The development programmes implemented by 12 ministries of the GoN are in some ways relevant to either climate adaptation or mitigation. Among the ministries, the Ministry of Water Supply and Sanitation (MoWSS) has the highest budget relevant to climate change followed by Ministry of Agriculture Development (MoAD). The Ministry of Irrigation (MoI) and MoPE are in the 3rd and 4th places in terms of the budget allocated to climate relevant programmes. The budget allocated to climate relevant programmes has been on increasing indicating that the regular development programmes of the have been increasingly investing in climate relevant activities.

9. Most of the development programmes implemented by the local governments are relevant to climate change. The local governments deliver the climate finance directly at the field level where vulnerable communities are located. Therefore, their role is more important. In addition, there are agencies outside the government that are engaged in knowledge generation, technology development, skill enhancement, applied research and other activities that are helpful for improving the effectiveness of climate responses.

The information about the climate finance part delivered through the budget system is available, but not about the climate expenditure made by the local governments, which have multiple sources of funds including locally generated funds and block grants of the government. In the new federal system, it will be even more important because what was delivered through departments and district offices will now be delivered

through the provincial and local governments. Therefore, getting information about the climate expenditure at the local level has become more important than ever before. There is no information about the climate expenditure delivered by I/NGOs and the private sector that are also key actors in climate responses. The role of private sector in implementing climate change relevant programme is critical.

The objective parliament (and its relevant committees) should be to establish regular engagement with the institutions above and other government institutions in order to ensure there is a constant flow of information between the two branches of government. The more constructive the relationship between the parliament and the executive can be, the more likely that issues can be addressed in a timely manner, and without the need for complex inquiries.

Finally, no matter what the relationship is between parliament and the executive, the role of parliament is to seek out and confirm what it is receiving from the government by means of information and data. This can be achieved by maintaining, parallel to the relationship with the government, separate relationships with the non-government sector.

Civil Society and Other Non-State Partners

1. Civil Society Organisations (CSOs):

While government is a major source of information, it is also limited in its capacity to generate all information required for an effective system of monitoring to ensure accountability and transparency. Therefore, there is an important contribution that CSOs – NGOs, think-tanks, academic institutions, among others - can make in this information network, as well as in delivering climate relevant services to various communities.

The presence of CSOs at the local level to interact with people impacted by climate change in specific localities, and their access to government structures enables them to be a bridge between the communities and the government to bring community concerns to the decision makers. Collaboration between CSOs and government in complementing information for evidence based policy decisions can make climate finance more inclusive and bring in added value for a more transparent and effective delivery of climate finance.

In improving the quality of climate finance, CSOs can examine the actions taken by government, and assess whether or not they are in the public interest, whether or not there is transparency in decision-making, and whether or not public resources are being used efficiently and effectively. This is the type of information that parliamentarians can use for their own assessments. Not only can they use the results of the partnership between government and CSOs, they can also forge that collaboration directly with CSOs to generate information that they require specifically to aid their oversight role.

Local CSOs are often 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 enable them to become conduits of community voices for articulating local needs and demands. This can then result in more inclusive and responsive decision-making from the part of the (local) government.

The role of CSOs is already increasing in shaping policies. The state recognises their contributions and has engaged them in several awareness raising programmes where they are known for having an expertise. CSOs have played a very important role in raising awareness particularly in the field of environment, and health and sanitation by organizing campaigns.

2.Think tanks:

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 science with the local climate contexts, thereby enabling more informed decision making. In well-established organisations, methodological rigor 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.

Several agencies including universities and research organisations generate information about local level climate threats and vulnerability, but there is no clear mechanism to ensure that the design of the climate programmes funded through public money is benefited by this information. There is a need for a lead agency in the government to pull together the knowledge and skills available in the country to help the national climate response efforts.

3.Media:

The independent media plays an integral role in increasing accountability and promoting policy changes by directing the attention of both politicians and the public to different aspects of an issue and also by reframing issues that may otherwise only be understood in a certain way.

Parliamentarians can benefit from the media in two ways. Firstly, by accessing information in a straightforward manner, based on newspaper articles, op-eds, television debates, etc. Likewise, it can also benefit from using the media as a vehicle to transmit its concerns and priorities to large audiences, thereby helping to create pressure to prioritise climate change in the GoN's actions.

A parliament can play a role in gathering this data and information. When committees conduct an inquiry or are reviewing the annual budget, they can seek input from non-government sources for evidence. Parliament committees can also advocate for the resources to produce or commission primary research that can form the basis of their report

ANNEX1: SAMPLE ANNUAL WORK PLAN PROCESS

EXECUTIVE

Budget Formulation

- Ministry of Finance provides framework for Annual State Budget
- Ministries conduct internal process for identifying priorities and funding allocations
- Budget finalised and approved by Cabinet

**Budget Approval**

- Budget presented to Parliament for adoption

**Budget Implementation**

- Ministries implement funding allocated under Annual state Budget
- Real time monitoring of budget implementation by Ministries and Ministry of Finance

**Budget Auditing**

- Internal government monitoring & evaluation of final expenditures
- External auditing by Audit-General
- Evaluation results reflected in formulation of next Annual State Budget
- Public Accounts published

PARLIAMENT

Budget Formulation

- Develop annual work plan for budget
- Identify priorities for coming year
- conduct pre-budget consultations with public & stake holders
- Meet with relevant ministries to share priorities
- Request resources required to implement annual work plan

**Budget Approval**

- Conduct hearings on draft budget
- Seek feedback from public & stakeholders
- Engage relevant ministries to explain budget priorities
- Recommend amendments/adjustments to budget parliament

**Budget Implementation**

- Conduct inquiries into priority areas
- Engage relevant Ministries to get updates on spending throughout fiscal year
- Engage public & stakeholders to gather evidence and data to support budget revisions
- Product report(s) for parliament on inquiries

**Budget Auditing**

- Review Auditor-General's Report to identify key issues for further review
- Conduct internal evaluation of annual work plan
- Identify lessons learned for next budget cycle
- Identify resources required to enhance capacity for next budget cycle



ANNEX 2: REFERENCE MATERIALS

Anti-Corruption Assessment Tool for Parliamentarians

Produced by GOPAC and UNDP, the tool provides a series of detailed questions to allow parliamentarians to determine the strengths a weakness of their parliament with regard to issues related to anti-corruption, including the budget process and public financeoversight.

http://gopacnetwork.org/Docs/AntiCorruptionAssessmentTool_EN.pdf

A Description and Analysis of the Budget Formulation and Implementation Process in Nepal

A 2014 policy paper produced by the Alliance for Social Dialogue.

<http://asd.org.np/wp-content/uploads/2015/03/Budget-Formulation-and-Implementation-Process-in-Nepal.pdf>

A Primer on Parliamentary Budget Offices

A straightforward and concise review of the role and impact of parliamentary budget offices around the world.

<https://www.desjardins.com/ressources/pdf/pv160303-e.pdf>

Collaborative Research

The findings of the research on effectiveness of climate public finance being allocated by the annual programme in agriculture sector with focus on gender and poverty will be available by July 2017.

CPEIR (national level)

Nepal Climate Public Expenditure and Institutional Review (CPEIR), Published by Government of Nepal, National Planning Commission with support from UNDP/ UNEP/CDDE in Kathmandu, Nepal, 2011.

<http://www.unpei.org/sites/default/files/dmdocuments/Nepal%20CPEIR%20Report%202011.pdf>

Climate Change Budget Code

Documenting the national process of arriving at multi-sectoral consensus, Published

by Government of Nepal, National Planning Commission, with support from UNDP/UNEP in Kathmandu, Nepal in 2012. <http://www.npc.gov.np/images/category/Climate-change-budget-code.pdf>

Climate Change Budget Code, Application Review

Climate Change Budget Code, Application Review, Published by Government of Nepal, National Planning Commission with support from UNDP/UNEP in Kathmandu, Nepal, in 2013. https://www.unpei.org/sites/default/files/e_library_documents/Nepal_Climate_Change_Budget_Code_Application_Review_2013.pdf

Climate Change Financing Framework (CCFF)

Work in progress. The CCFF provides a road map of reforms of the Government of Nepal to integrate climate change in the planning and budgeting. (The document is in process of approval by the government).

Climate Finance Options for Nepal

A document published by Prakriti Resource Center (undated), Kathmandu, gives information about major international funding sources for Nepal to finance climate change projects.

<http://www.prc.org.np/programs/details/getting-ready-for-international-climate-finance-and-the-green-climate-fund>

d-CPEIR (sub-national level)

The report covering CPEIR findings in five districts provides information about climate finance situation in the study districts for five year beginning 2011, and indicate way forward to improve climate finance integration in the planning and budgeting at the sub-national level for effective climate finance delivery.

Future for Climate Finance in Nepal

The future for Climate Finance in Nepal, Published by Government of Nepal, National Planning Commission, with support from UNDP, UNEP, Capacity Development for Development Effectiveness Facility for Asia Pacific, Kathmandu, 2011. http://www.npc.gov.np/images/category/future_climate_change.pdf

National Adaptation Programme of Action (NAPA)

National Adaptation Programme of Action to Climate Change, Published by Government of Nepal, Ministry of Population and Environment, Kathmandu, Nepal in 2010.

National Adaptation Plan

Work in Progress. MoPE has led the formulation of NAP and is expected to be complete by 2018.

National Climate Change Impact Survey, 2016

A Statistical Report published by Central Bureau of Statistics, Kathmandu, Nepal .
http://cbs.gov.np/image/data/2017/National%20Climate%20Change%20Impact%20Survey%202016%20Report_final.pdf

Open Budget Survey – Nepal

Part of the global survey conducted regularly to examine the state of budget transparency in any given country. Provides a summary of the observations by the International Budget Partnership. <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/country-info/?country=np>

Paris agreement on Climate Change

Paris Agreement on Climate Change (Nepali version), Published by Government of Nepal, Ministry of Population and Environment, Kathmandu, Nepal.
http://www.moep.gov.np/downloadfile/Paris%20Agreement_1475662885.indd

Parliament and the Budgetary Process, Including from a Gender Perspective

A 2002 publication from the Inter-Parliamentary Union based on a conference held in the Philippines.
http://www.ipu.org/PDF/publications/manila02_en.pdf

Public Expenditure Tracking Survey (PETS)

A survey conducted in two districts to track public expenditure of the budget allocated to a government funded small irrigation programme of MoAD presents findings on the flow of fund from the government to the beneficiaries and how has it benefited the small farmers in adapting to the water shortages by utilising local water sources to improve their livelihoods.

Public Hearing Manual

Published in 2009 by the National Democratic Institute for International Affairs (NDI), the manual is a practical, how-to handbook for MPs to draw upon as they conduct public hearings.

<https://www.ndi.org/sites/default/files/Service%20and%20accountability%20Public%20Hearing%20Manual.pdf>

Resilient planning tool

Climate-Resilient Planning, A Tool for Long Term Climate Adaptation [Working Document], Published by Government of Nepal, National Planning Commission, Kathmandu, Nepal with support from ADB, in 2011.

http://www.npc.gov.np/images/category/climate_resilent_planning.pdf

Role of the Legislature in the Budget Process: Recent Trends and Innovations

A 2009 paper commissioned by the OECD that discusses historic and recent developments in the role of parliament in the budget process.

<https://www.oecd.org/gov/budgeting/43411793.pdf>

The Role of Parliaments in the Budget Process

A 2005 publication from the World Bank that details the various aspects of the work of a parliament as it relates to the Budget Cycle.

<http://siteresources.worldbank.org/PSGLP/Resources/TheRoleofParliamentsintheBudgetProcess.pdf>

The Budget Process in India

Published by the Lok Sabha, a summary of the budget process in India.

<http://www.parliamentofindia.nic.in/l/intro/p4.htm>

ANNEX 3: CONTACT DETAILS FOR KEY PARTNERS

Agencies	Contact Details
Ministry of Population and Environment	Joint Secretary Climate Change Division, Phone 97714211641, 4211586, 4211737 Email : info@mope.gov.np
Ministry of Finance	Joint Secretary Budget and Programme Division, Phone 4211401, 4211355
National Planning Commission	Joint secretary Energy, Environment and Administration Division Phone 4211127
Ministry of Federal Affairs and Local Development	Joint Secretary Municipality and Environment Division 4200309 Email : info@mofald.gov.np
Municipality and Environment Division	security, Agribusiness Promotion and Environment Division Phone:4211905,4211950,4211697 Fax: 977-1- 4211935, E-mail: memoad@moad.gov.np
Ministry of Agriculture Development	Joint Secretary Food security, Agribusiness Promotion and Environment Division Phone:4211905,4211950,4211697 Fax: 977-1- 4211935, E-mail: memoad@moad.gov.np
Ministry of Forest and Soil Conservation, REDD Implementation Centre	Joint Secretary REDD Implementation Centre Babarmahal, Kathmandu, Nepal. Tel : 977 1 – 4239126 Fax : 977 1 – 4239126 Email : info@mofsc-redd.gov.np
Nepal Academy of Science and Technology	Chief Nepal Climate Change Management Centre Centre's email: ncckmc@nast.gov.np Phone: 5547715, 5547717, 5547720, 5547721 E General email: info@nast.gov.np

Agencies	Contact Details
Department of Hydro-meteorology	Director General Phone: 4436272, 4432409, 4433477, 4428532 Email: dg@dhm.gov.np
Central Bureau of Statistics	Director General Phone: 4229406 Email: info@cbs.gov.np
Prakriti Resources Centre (PRC)	107/22 Aruna Lama Marg, Ganesh Basti, Narayan Gopal Chowk, Kathmandu, Nepal Phone: 4428602 Email: info@prc.org.np
Clean Energy Nepal	Programme Manager Clean Energy Nepal Pragati Path, Talchikhel, Lalitpur, Nepal Tel No. : 977-1- 4464981; 5538660 Email: info@cen.org.np
Freedom Forum	Thapathali Kathmandu, Nepal Phone: 977-1-4102022; 4102030

ANNEX4: SAMPLE TIMELINE FOR ORGANISING AN INQUIRY HEARING²⁸

Progress		Action	Comments
.	N/A		
		15 DAYS BEFORE START OF INQUIRY	
		Meet with relevant ministry staff to collect key documents for briefing and to answer any questions related to topic of inquiry	
		10 DAYS BEFORE START OF INQUIRY:	
		Set a date and time for the public hearing	
		Arrange a venue and a room for the hearing	
		Confirm the list of witnesses and questions with the committee (or the committee chairperson in the absence of the entire committee)	
		9 DAYS BEFORE THE HEARING:	
		Prepare and send invitations to witnesses	
		Arrange for translation and transcription personnel and equipment	
		Produce briefing materials for committee members, including suggested questions and key areas of evidence required to answer key questions	
		8 DAYS BEFORE THE HEARING:	
		Prepare the press announcement and get the approval of the chairperson for its release	
		7 DAYS BEFORE THE HEARING:	
		Prepare an agenda and submit it to the chairperson for approval	
		Prepare a briefing pack and send it to members of the committee	
		Confirm attendance of invited witnesses and members of the committee	
		5 DAYS BEFORE THE HEARING:	
		Send approved press announcement to the media	
		Distribute briefing materials to committee members	
		3 DAYS BEFORE THE HEARING:	
		Confirm all logistics are ready for the hearing	
		2 DAYS BEFORE THE HEARING:	
		Prepare briefing pack for the press	
		Assemble witness list and photocopy any written submissions	

²⁸ Adapted from Service and Accountability – Public Hearing Manual (Annex 2) (2009); National Democratic Institute for International Affairs (NDI); Washington, DC, USA <https://www.ndi.org/sites/default/files/Service%20and%20accountability%20Public%20Hearing%20Manual.pdf>

Progress		Action	Comments
./	N/A		
		1 DAY BEFORE THE HEARING	
		Provide written submissions to members of the committee	
		Follow up with committee members on briefing materials	
		DAY OF THE PUBLIC HEARING	
		Provide briefing pack to media attending the hearing	
		Ensure extra copies of materials are available	
		DURING THE HEARING	
		Ensure key questions are asked to address any knowledge gaps	
		For each witness, have a list of key information to be gained from testimony	
		Ensure all testimony is being recorded	
		Provide procedural advice to Chairperson and committee members during hearing	
		AFTER THE HEARING	
		Review the transcript of the hearing	
		Summarise the testimony from the hearing and produce a list of recommendations	
		Based on the recommendations of the committee, produce a draft report	
		Finalize the recommendations and the report and get final approval from the committee	
		Follow up the recommendations and keep the committee chair and members informed of progress	

ANNEX5: CHECKLIST FOR APARLIAMENTARY COMMITTEE INQUIRY ²⁹ BEFORE THE HEARING

Progress		Action	Comments
./	N/A		
		Has all the relevant information been sent to the chairperson?	
		Has all the relevant information been sent to committee members?	
		Has all the relevant information been sent to witnesses?	
		Has all the relevant information been sent to the media?	
		Have you booked the hearing venue? Have you obtained the key to the room?	
		Is there a need to hire a photographer?	
		Is the room prepared with seats, tables, a backdrop and has catering been organized?	
		Do witnesses need transportation to and from the hearing, or expenses for a hotel?	
		Do the microphones work?	
		Is there a sign-in desk?	
		Are notices, nameplates and any directional signs needed, properly displayed?	
		Do witnesses know where to go, what they are expected to say, how long they are expected to speak, and what time they will be able to leave?	
		Will witnesses be offered food and drink?	

AFTER THE HEARING

Progress		Action	Comments
./	N/A		
		Thank, in writing, your witnesses and any others who helped	
		Send any follow up information, reports, etc. to attendees and to those non-attendees who also need to be informed	
		Phone target journalists and tell them about the hearing	
		Ensure that all witnesses expenses have been covered and that the costs of hiring the hall and the catering have been settled	
		Follow up on any other action that needs to be taken as a result of the hearing	
		Arrange for a small working group to evaluate the success of the hearing and plan for the next one	

²⁹ Adapted from Service and Accountability – Public Hearing Manual (Annex 1) (2009); National Democratic Institute for International Affairs (NDI); Washington, DC, USA
<https://www.ndi.org/sites/default/files/Service%20and%20accountability%20Public%20Hearing%20Manual.pdf>

About the handbook

In the process of preparing this handbook, a joint workshop was organised with the honourable members of the Finance Committee and the Environment Protection Committee of the Legislative Parliament to discuss the adverse impacts of the climate change on Nepal's natural resources, economic activities, development, and livelihood of the people. The workshop also deliberated on necessary steps required to adapt to and mitigate the adverse impacts, and see how the oversight role of the parliament can be made more effective in: enhancing the adaptive capacity in the longer term; mainstreaming climate finance in development plans; and improving transparency of climate finance. A decision was made to form a taskforce comprising of honourable members of both the committees to review the draft handbook prepared for the purpose. A series of discussion and brainstorming sessions including a two-day residential workshop was organised to review the handbook where the taskforce members, after a deliberation, finalised the draft.

The objective of the handbook is to help the Members of Parliament and the members of provincial and local assemblies to review climate finance during all stages of the budget cycle including budget formulation, approval, and implementation and monitoring. A field testing of the handbook was carried out by honourable members of the both thematic committees by visiting Myagdi and Bardiya districts, where they were appraised of climate related problems and projects being implemented to address the problem. This handbook is expected to help people's representatives at federal, provincial and local levels in addressing climate change effectively by enhancing prudent and judicious use of climate finance.

Honorable members of the taskforce:

Prakash Jwala, Gita Chhetri, Damodar Bhandari, Kunti Shahi, Kamala Panta, Sirjana Taramu Khatri, Ganesh Prashad Bimali, Raja Ram Shyangtang, Kamala Bishwakarma, Hari Lal Gyawali, Dal Bahadur Sunar, Sita Luitel Gyawali, Rita Shahi, Santa Prasai, Hari Bahadur Rajbansi and Radhika Tamang

Coordination:

Krishna Hari Khadka, Secretary, and Laxmi Bhandari of Finance Committee; Suraj Kumar Dura, Secretary, and Rabin Adhikari of Environment Protection Committee; Dr. Raj Bahadur Shrestha, Manager, Parliament Support Programme, Team Leader Dila Pant, Programme Analyst Kalpana Sarkar, UNDP and Policy Analyst, Apar Paudyal UNDP, Nepal.

Technical Advisors:

Sujala Pant, Suren Poghosyan, Glenn Hodes, Governance of Climate Change Finance Programme, UNDP, BRH, Bangkok.

Prepared by:

Kevin Deveaux and Madhukar Upadhyia

Edited by:

Binod Bhattarai



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