Localizing Climate Finance in Nepal

Rhetoric, Rationality and Responsibility

Dilli P. Poudel, Gyanu Maskey, Kunja Shrestha, Rojani Manandhar,
Mani R. Banjade, Dil Khatri, Meeta S. Pradhan and Ananda R. Devkota



SIAS SOUTHASIA INSTITUTE OF ADVANCED STUDIES

IDRC · CRDI
Canada

Published by: Southasia Institute of Advanced Study (SIAS), Kathmandu, Nepal and International Development Research Centre (IDRC), Canada

Date of Publication: March 2026

Suggested Citation: Poudel, D.P., Maskey, G., Shrestha, K., Manandhar, R., Banjade, M.R., Khatri, D., Pradhan, M.S. and Devkota, A. R., 2026*. Localizing Climate Finance in Nepal- Rhetoric, Rationality and Responsibility.* Published by Southasia Institute of Advanced Studies (SIAS) and International Development Research Centre (IDRC).

Photo Credit:

Cover: Kunja Shrestha©

All photographs included in this report are the original work of the author(s), unless otherwise stated

Contents

Executive Summary I

List of abbreviations III

1. Introduction 1

2. Methodology and selection of cases 3

3. Global Climate Finance: Mechanisms and Barriers 6

3.1 Global climate finance mechanisms 6

3.2 Tedious procedures in accessing international climate funds 8

4. Nepal's climate finance policy, institutional landscape and barriers 11

4.1 Nepal's climate finance policy and institutional landscape 13

4.2 Barriers at the national level 13

5. Barriers at the local level 17

5.1 Weak governance, capacity and resource gaps 17

5.2 Differential project designs and governance 17

5.3 Federal-Local dichotomy 19

5.4 Power and Politics 21

5.5 Mechanisms tracking 80% allocations 22

5.6 Disincentivized government officials 23

6. Dubious private agencies 24

6.1 Policy enablers 24

6.2 Regulatory and institutional barriers 25

6.3 Donor accountability and investment priorities 26

6.4 Limitations 27

7. Discussions & Conclusion 28

References 32

Executive Summary

Climate change impacts in Nepal are increasing in scale, frequency, and severity, compounding existing vulnerabilities while introducing new and often unpredictable threats. Future projections suggest an even more alarming trend. The National Climate Change Policy (NCCP) 2019 notes that climate-induced disasters are causing widespread losses across sectors such as health, biodiversity, infrastructure, and livelihoods. With such intensifying risks, climate finance forms a crucial means for resilience, particularly given the equity and justice considerations. Therefore, understanding the barriers to Nepal's access to international climate finance and its effective use at the local level is critical to strengthening the country's capacity to prepare for, respond to, and recover from the growing impacts of climate-induced disasters.

This report presents the findings of a multi-scalar study on barriers to localizing climate finance in Nepal. It draws on a comprehensive review of the existing policies and literature as well as empirical research on two internationally funded climate change adaptation projects implemented by the Ministry of Forests and Environment (MoFE) -Building a Resilient Churia Region in Nepal (BRCRN) and Ecosystem-based Adaptation II (EbA II) - in Sindhuli and Dolakha districts, respectively. Anchored in the country's ambition to allocate 80% of climate finance to the local level, the study critically assesses the institutional and procedural bottlenecks that constrain the realization of this goal. Using a scalar lens – policy at the Federal level, projects at the Provincial level, and implementing units at the Local level – the research identifies systemic challenges in climate finance governance and delivery. Fieldwork, supplemented by policy analysis and stakeholder consultations, revealed a complex landscape of misaligned priorities, capacity deficits, and governance gaps that continue to impede the equitable distribution and utilization of climate finance in Nepal.

At the international level, climate finance is subject to protracted funding cycles including complex documentation and review processes, and delays in fund disbursement which have led to expiration of initially identified risk contexts during project preparation. This highlights the limitation of international climate finance to effectively respond to evolving climate vulnerabilities. At the national level, despite well-intentioned and progressive policies, inter-ministerial and sectoral coordination remains weak, often delaying timely access and implementation which has raised concerns on Nepal's project management capabilities among international funders. The federal government's centralized mindset on climate finance management, both in terms of decision-making and resource allocation, has undermined the decentralization mandate enshrined in Nepal's constitution and climate policy frameworks. Provincial governments, on the other hand, tasked with bridging federal policies and local implementation, are constrained by limited mandates, inadequate staffing, and ambiguous roles in climate governance. Their involvement in project design, fund management, and monitoring remains unclear. Without a clear institutional roadmap or sufficient technical expertise, provinces are unable to meaningfully engage in climate finance governance or support local governments in adaptation planning.

At the local level, the disconnect between policy intent and practice is most apparent. Despite the rhetorical emphasis on 80% allocation to the local level with communities in key climate policy documents (i.e., Climate Change Policy 2019, Local Adaptation Plan of Action 2019), field research revealed that federal as well as local government officials were largely unaware of and were not aligned with this policy provision. Further, local governments lacked the institutional mechanisms, skilled personnel, and financial management systems necessary to plan, implement, and monitor climate adaptation projects effectively.

The study found significant coordination gaps across sectors and scales. The lack of a dedicated institution to oversee climate finance across all levels has led to pervasive coordination gaps and governance inefficiencies. Stakeholders across federal, provincial, and local levels operate with diverse

guidelines, priorities, and modalities, creating barriers to effective implementation.

Despite the integration of climate change into different policies, policy incoherence has remained a persistent barrier to effective climate finance delivery. This is reflected in fragmented sectoral implementation and data gaps on climate impacts, poverty and gendered vulnerabilities, and equitable development, often complicating decision-making and prioritization of adaptation budgets. Additionally, a lack of clarity on how actions under Local Adaptation Plan of Actions (LAPA) align with National Adaptation Plan (NAP) has led to implementational overlaps in climate adaptation and disaster risk reduction measures.

Likewise, institutional instability, marked by frequent transfers of key personnel and lack of financial incentives, have further eroded institutional memory and continuity. The absence of standardized monitoring, evaluation and reporting mechanism for tracking climate fund allocation and utilization has created accountability gaps, with no legal provisions to enforce transparent climate finance reporting at the local level. Weak data systems and the absence of mechanisms to differentiate climate-induced disasters from other types of hazards have constrained evidence-based planning and financial justification for local climate actions.

The private sector's engagement in climate finance, particularly in adaptation, remains minimal. Commercial banks, while interested in green finance, cite a lack of regulatory clarity, weak institutional support, limited access to reliable data (e.g., on emissions), and poor risk-return incentives for adaptation-focused investments. The current ecosystem favours mitigation efforts such as hydropower and electric vehicles, while adaptation remains underfunded.

In conclusion, Nepal's aspiration to localize climate finance policy is undermined by a confluence of structural, institutional, and procedural challenges rooted mainly at the federal government, which are reflected across scales. While the country has made strides in developing progressive policies, implementation gaps – rooted in centralized governance, capacity shortfalls, policy fragmentation, and coordination failures, continue to marginalize local governments and communities. To operationalize an inclusive and effective climate finance system, Nepal must strengthen institutional capacities at sub-national levels, establish a dedicated climate finance coordination body, and develop actionable, context sensitive guidelines to bridge the gap between ambitious policies and local realities. Without addressing these barriers, the transformative potential of climate finance will remain aspirational, leaving the most vulnerable communities exposed to escalating climate risks.

List of abbreviations

ADB	Asian Development Bank
AEPC	Alternative Energy Promotion Centre
AF	Adaptation Fund
BRCRN	Building a Resilient Churia Region in Nepal
CC	Climate Change
CCBC	Climate Change Budget Code
CCDMMRC	Climate Change Data Management, Monitoring, and Reporting Centre
CCFF	Climate Change Financing Framework
CCMD	Climate Change Management Division
CCP	Climate Change Policy
CDM	Clean Development Mechanism
CERP	Critical Ecosystem Restoration Plan
CFUGs	Community Forest User Groups
CIFs	Climate Investment Funds
CO2	Carbon dioxide
COP	Conference of the Parties
CTF	Clean Technology Fund
DCCCC	District Climate Change Coordination Committee
DFO	Division Forest Office
DRR	Disaster Risk Reduction
EbA	Ecosystem based Adaptation
EIA	Environmental Impact Assessment
EIF	Enhanced Integrated Framework
EPA	Environment Protection Act
EPCCMNC	Environment Protection and Climate Change Management National Council
ESMP	Environmental and Social Management Plan
FAO	Food and Agriculture Organization
FPIC	Free Prior Informed Consent
G77	Group of 77
GCF	Green Climate Fund
GDP	Gross Domestic Product
GDs	Group Discussions
GEF	Global Environmental Facility
GESI	Gender Equality and Social Inclusion
GHG	Greenhouse Gas
GRID	Green, Resilient, Inclusive Development
HKH	Hindukush Himalayas
ICIMOD	International Centre for Integrated Mountain Development
IMCCCC	Inter-Ministerial Climate Change Coordination Committee
IPP	Indigenous People's Plan
IUCN	International Union for Conservation of Nature

JI	Joint Implementation
LAPA	Local Adaptation Plan of Action
L&D	Loss and Damage
LDCF	Least Developed Countries Fund
LDCs	Least Developed Countries
Li-BIRD	Local Initiatives for Biodiversity, Research and Development
LMIC	Lower- and Middle- Income Countries
MDBs	Multilateral Development Banks
MDCs	Mountainous Developing Countries
MDGs	Millenium Development Goals
MoF	Ministry of Finance
MoFE	Ministry of Forest and Environment
MW	Megawatt
NAP	National Adaptation Plan
NAPA	National Adaptation Plan of Action
NCCP	National Climate Change Policy
NCCSP	Nepal Climate Change Support Programme
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NGOs	Non-Governmental Organizations
NIMB	Nepal Investment Mega Bank
NOC	No Objection Certificate
NPC	National Planning Commission
NPR	Nepalese Rupee
NRB	Nepal Rastra Bank
NTNC	National Trust for Nature Conservation
OPM	Oxford Policy Management
PCCCC	Provincial Climate Change Coordination Committee
PEPCCMC	Provincial Environment Protection and Climate Change Management Council
PFM	Public Financial Management
PRI	Policy Research Institute
REDD	Reducing Emissions from Deforestation and Forest Degradation
SAP	Strategic Action Plan
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SDGs	Sustainable Development Goals
TADA	Travel and Daily Allowance
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
VAT	Value Added Tax
WB	World Bank
WWF	World Wildlife Fund

1. Introduction

Nepal is among the countries most at risk from the impacts of climate change, despite contributing only 0.027 percent to global greenhouse gas (GHG) emissions (MoFE, 2021; Bardsley & Hugo, 2010; Hussain et al., 2016; Climate Transparency, 2020). Climate-induced events, such as floods and landslides, forest fires, drought, land degradation and biodiversity loss, are growing in frequency and intensity, disproportionately affecting agroforestry-based rural communities whose livelihoods are already precarious (Adhikari, 2018; Hussain et al., 2016; Paudel et al., 2021; Rijal et al., 2022). The resulting losses have heightened Nepal's need for robust adaptation strategies and access to "climate finance" to support resource-poor and highly vulnerable countries and communities to tackle and mitigate climate change-induced disasters (Garschagen & Doshi, 2022).

This urgency is reflected in global debates on climate justice and adaptation finance, particularly regarding the responsibility of developed countries to support vulnerable and least developed nations. Climate finance, as referred to by the United Nations Framework Convention on Climate Change (UNFCCC), pertains to "local, national, or transnational financing—drawn from public, private, and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change." For countries like Nepal, accessing and effectively utilizing international climate finance is essential not only to meet international commitments such as the Sustainable Development Goals and Paris Agreement (Masud et al., 2023), but also to build resilience among its most vulnerable populations—strengthening their ability to adapt, respond, and build long-term resilience to climate risks.

Nepal recognizes the risk of climate-induced disasters and envisions achieving the *socio-economic prosperity of the nation by building a climate-resilient society* through adaptation and mitigation (NCCP, 2076 [2019 AD]). For this, Nepal estimates a substantial financial need, largely depending on external support. These include climate financing mechanisms under the UNFCCC, bilateral and multilateral donors such as the World Bank, the Asian Development Bank (ADB), the Green Climate Fund (GCF), Adaptation Fund (AF), the Climate Investment Funds (CIF), and the Global Environment Facility (GEF). Nepal's National Adaptation Plan (NAP) 2021-2050 outlines 64 priority programs across nine thematic sectors requiring an estimated US$ 47.4 billion, while NDC 3.0 projects a need of nearly US$ 93 billion for adaptation and mitigation targets in the coming decade (GoN, 2025). However, Nepal currently receives just around 1% of its required adaptation finance, equivalent to only 5% of its GDP (Government personnel[1]).

Nepal has formulated several climate finance managements and regulatory policies as well as pilot projects, both before and after the federalization (see section 4). Despite a progressive[2] climate policy landscape, including the National Climate Change Policy (NCCP) 2019, the Local Adaptation Plan of Action (LAPA) 2019, and mechanisms such as the Climate Change Budget Code (CCBC) 2012 and Climate Change Financial Framework (CCFF) 2017, the implementation of these commitments remain weak. While Nepal has committed to channeling 80% of adaptation finance to the local level, structural and procedural bottlenecks persist. Financial mechanisms under the UNFCCC, as well as bilateral and multilateral initiatives, have proven complex, particularly in coordinating Nepal's diverse climate finance landscape and aligning contributors' interests with national priorities.

Studies have highlighted various implementational challenges of these policies, including the difficulty of operationalizing CCBC, and localizing climate finance in practice (Dixit et al., 2016; Gentle & Mainaly, 2024; Khatri et al., 2022; MoF, 2017). Additionally,

[1] A Climate Desk officer (Under Secretary) of the Ministry of Finance (Government of Nepal) shared this information during the "*Closing the Gaps: Actions for Adaptation Workshop*" at ICIMOD on 08 October 2024.
[2] Incremental to previous policies, and responsive to global climate commitments.

the challenge in localization also stems from constraints in institutional capability and uneven resource sharing, despite the devolution (and federalization) of authority to the local governments. This is shaped by the weakly positioned local governments to sustained access to and mobilization of financial resources from domestic and international sources, and the lack of human resources and expertise to develop and implement policies (Eriksen et al., 2021; Ghimire & Chhetri, 2022; Khatri et al., 2023; Khatri et al., 2022; Pokharel et al., 2023). Compounding the issue, the federal government retains authority over mobilizing international climate finance, restricting timely and equitable distribution of the fund to local governments and more importantly, to the most vulnerable communities (Havukainen et al., 2022; Khatri et al., 2022; Nepal et al., 2024; Upadhyay & Bastola, 2024).

These persistent challenges warrant an urgent need for a comprehensive review and mapping of Nepal's climate finance governance, funding landscape and structural issues, the existing climate mitigation and adaptation projects with a particular focus on identifying and addressing barriers to localization and ensuring that climate finance translates into meaningful adaptation and mitigation outcomes at the community level.

This study *investigates climate change adaptation gaps in policy and practice in Nepal and unpacks the barriers to localize international climate finance to strengthen decentralized climate finance governance that benefits the communities*. Through a comprehensive review of the national climate change policies and institutional landscapes of Nepal, and an analysis of two adaptation projects in Dolakha and Sindhuli, we unpack how climate finance practices are conducted at the community level. This enables us to scrutinize existing and potential barriers to translating the government's aim of localizing climate adaptation funds to vulnerable communities, thereby addressing existing adaptation gaps. Specifically, we focused on the following research questions:

1. What are the existing regulatory frameworks, institutional structures and procedures that determine climate finance flow from international to national and sub-national levels?
2. How is the national government engaging in climate action (policy and institutional landscape) and what are the barriers limiting finance flow across scales?
3. What are the barriers or challenges that are being faced in the flow of climate finance to local levels?
4. How are private banks facilitated (e.g. policy options) and what constraints do they experience (policy gaps and execution challenges) to engage in climate finance and adaptation practices?

Following this introduction, we describe the methodology and case selection processes in Section 2. Subsequently, we analyze the overall global contexts of climate adaptation funds and the mechanisms and barriers to accessing them in Section 3. Section 4 presents the climate finance policy and institutional landscapes of Nepal, in addition to the national level barriers in accessing climate finance. Section 5 unpacks the local barriers to accessing climate finance by analyzing the empirics of two cases. Section 6 is dedicated to a brief analysis of the involvement of private banks in the national climate finance endeavors. Finally, Section 7 presents the discussion and conclusion with some policy recommendations.

2. Methodology and selection of cases

Broadly, the methodological approach for this research consisted of three phases.

The first phase entailed a "review of literature" and "selection of cases" for the study. Our aim for selecting and reviewing the literature included diverse studies representing national and international contexts (see Figure 1) and types (e.g. articles, reports, policies, blogs), and identified critical categories and narratives from findings (see analysis sections) (Nightingale, 2009; Rother, 2007). The selected literature was categorized into highly relevant (green) and moderately relevant (yellow). Although we also came across some less relevant literature, it was referred to only when particular information was needed for broader contextual understanding (not included in table). We reviewed highly relevant literature in detail, while the moderately relevant literature was scanned and only relevant sections were reviewed.

For the green and yellow categories, we prepared annotated bibliographies noting down what the literature was about and their objectives and relevance to our study. The literature was reviewed to understand the challenges experienced in accessing and localizing climate finance. Nepal-focused literature was given special attention to extract narratives and discourses. Another aspect of the review consisted of a detailed review of national and provincial level policies related to environment, climate change, climate finance governance and disaster risk reduction and management. The review of the literature helped the authors to contextualize purposively selected *cases* for detailed and empirical studies. Broadly, the review facilitated an understanding of climate finance discourses and associated policies in both national and global contexts, the identification of key gaps in materializing climate finance in the global south, and extract major narratives on localizing climate finance in Nepali contexts.

We needed unique and representative cases for detailed empirical studies and, subsequently, for unpacking barriers to localizing climate

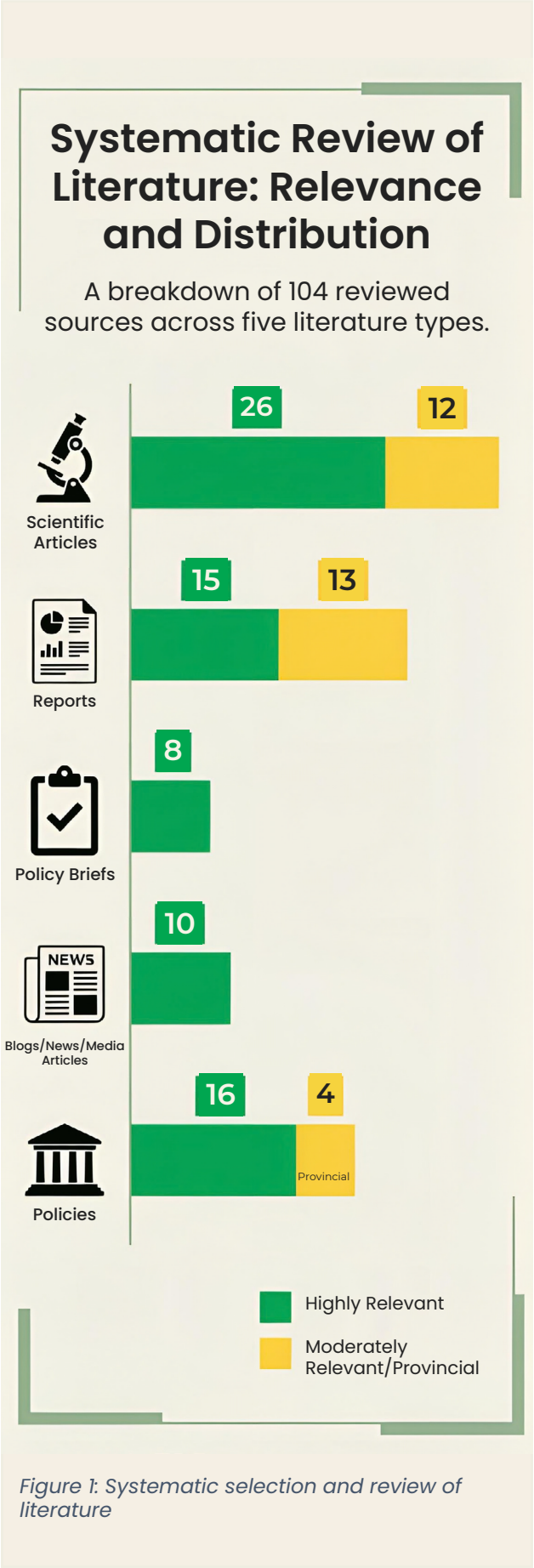
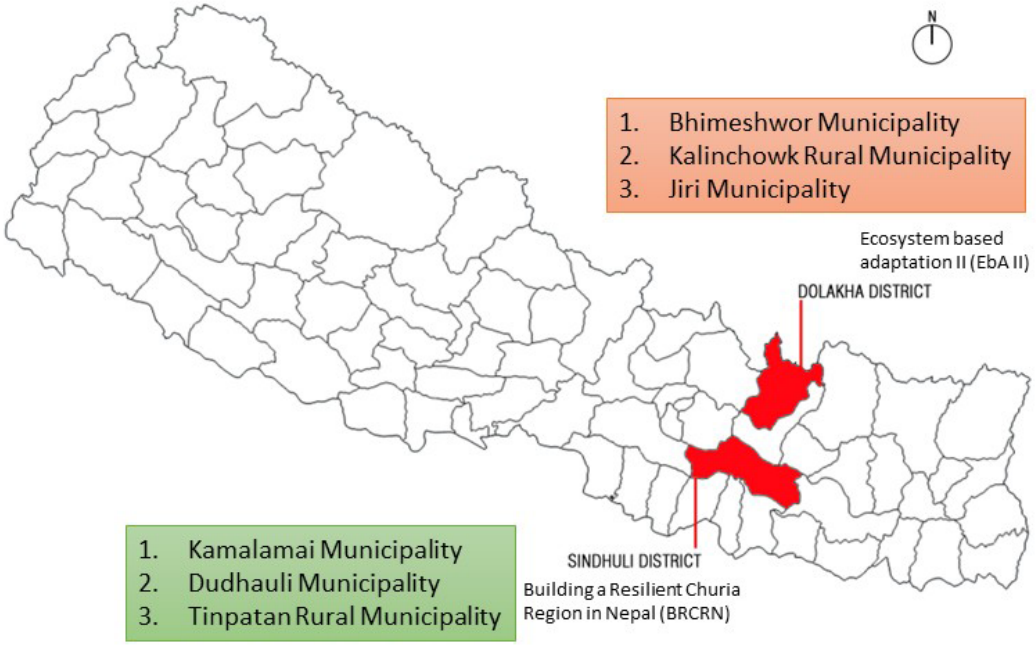


Figure 1: Systematic selection and review of literature

finance in Nepal (see location map). During the literature review phase, we identified several climate finance-related projects (see Annex 1) that were on-going in different ecological and geographical zones of Nepal. We selected two for their adoption and use of different methods of financing communities and local government. First was the "Ecosystem-based Adaptation II" (EbA II) program implemented by the Ministry of Forest and Environment (MoFE) and funded by the UNFCCC's Least Developed Countries Fund (LDCF). This project was implemented in Acchham, Salyan, and Dolakha districts of which Dolakha was selected for a case study. The basis for selecting the EbA II was its direct engagement with the local government and understanding barriers and opportunities during the implementation were our major focus. EbA II also provided funding support to the Division Forest Office (DFO) for the adaptation and mitigation activities at the project sites. However, the DFO and local government were differently engaged, although both were implementing their activities in the same district.

Study area



Map 1: Location map of the study areas (Sindhuli/BRCRN and Dolakha/EbA II)

The second case was "Building a Resilient Churia Region Nepal" (BRCRN) project, which was implemented in 26 river systems of Koshi, Madhes and Bagmati provinces, covering 11 districts, of which, we selected Sindhuli district. BRCRN, funded by the Green Climate Fund (GCF), was implemented by the Food and Agriculture Organization (FAO) in collaboration with the MoFE. The project was selected as BRCRN worked primarily with community-based organizations, particularly with Community Forestry User Groups (CFUGs), rather than directly with the local government. Understanding the local government's perceptions regarding BRCRN climate finance activities was a major concern during our fieldwork. Additionally, we also consulted with the BRCRN project personnel, who were government employees.

In **the second phase,** we conducted fieldwork in case sites (i.e. Sindhuli and Dolakha districts) and interviewed (n = 51) experts, government personnel, and communities (*see* Figure 2). The review of the literature helped us develop checklist questions focusing on identified narratives and discourses. Therefore, we had clear ideas of where to go and whom to talk to prior to departing for the field sites.

Guided by qualitative methodological perspectives, we deployed four techniques to

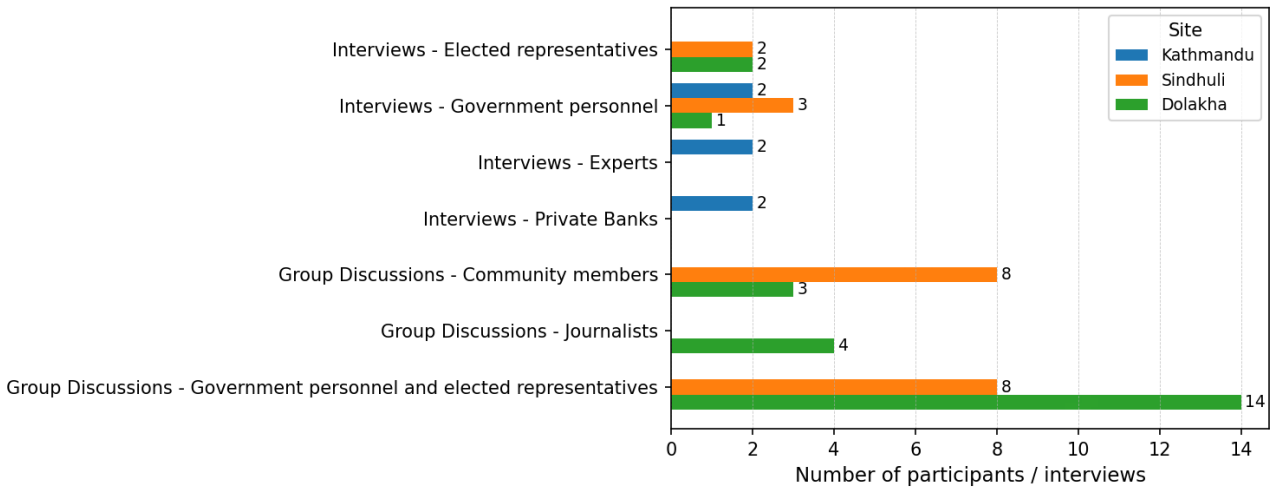


Figure 2 : Fieldwork and data collection

collect empirical data for this study, namely interviews, group discussions, observation and participation in conferences and workshops. We interviewed experts, senior government officers and National Project Directors (e.g. BRCRN) in Kathmandu, i.e., at the federal level. The interviews with project leaders and division forest officers (DFOs) were conducted at the provincial level, i.e. Sindhuli Bazar (Sindhuli district) and Charikot (Dolakha district). However, in Figure 2, we have not listed the provincial level because both DFOs were located in the case study sites and have been categorized accordingly. We also interviewed and interacted with elected representatives, such as mayors, ward chairs and municipal government personnel at the local level.

Group Discussions (GDs) were conducted in the office of local government (ward and municipality) and with the community of the project implementation sites. The objectives of group discussions were twofold. The first was to understand the collaboration mechanisms of community and local government with the projects (i.e. EbA II and BRCRN). Second was to gain clearer idea of the benefits they received and the challenges they experienced during and after the implementation of the projects.

We observed a couple of project intervention sites where EbA II and BRCRN invested resources (finance and technology) to mitigate and adapt to the impacts of climate change. The idea of visiting project sites was not only to observe the activities (e.g. plantation, recharge pond construction) but also to interact with community participants enroute. In this phase of research, we also participated in conferences and workshops[3] related to climate change, climate finance and disasters which not only provided new knowledge on the subjects but also allowed us to extend our network and identify appropriate experts, government officers or stakeholders for interviews and meetings.

Finally, in **the third phase**, after developing a preliminary draft of this report, we organized a sharing workshop on the 25th of April 2025 with experts, academia, NGOs and private banks and disseminated the preliminary findings of this study.[4] The feedback and insights we received were useful in verifying our findings and, subsequently, revise and finalize this report.

[3] Climate finance workshop organized by ICIMOD on 8 October 2024; A stakeholder consultation event on updating the Climate Change Financial Framework 2017 on 19 April 2024; A National Climate Summit organized by Ministry of Forest and Environment (MoFE) on 26 October 2024; and other COP-29 related discussions and workshops.

[4] https://sias-southasia.org/barriers-to-localizing-climate-finance-in-nepal/





3. Global Climate Finance: Mechanisms and Barriers

3.1. Global climate finance mechanisms

Formed under the Rio Convention in 1992, the United Nations Framework Convention on Climate Change (UNFCCC) was established to mitigate and adapt to adverse climate impacts and to mobilize funds towards those ends. The declaration set out the principle of "common but differentiated responsibility and respective capabilities", emphasizing climate change as a global responsibility shared by all nations but differentiated by historical contributions and individual capabilities. Developed countries, given their higher contribution to the exploitation of nature for development, hold a greater responsibility to compensate developing countries to reduce the adverse impacts of climate change (Chaudhury, 2020; UNFCCC, n.d.-b). Based on the principle, developed countries are to provide financial and technological resources to developing countries to lower greenhouse gas emissions and pursue climate-resilient development (UNFCCC, n.d.-b). At the Copenhagen Accord (COP 15, 2009), the climate finance goal of US$ 100 billion per year was announced by the developed countries and was formalized a year later at Cancún (COP 16, 2010) to implement adaptation and mitigation efforts in developing countries (UNFCCC, 2009; UNFCCC, n.d.). The Paris Agreement (COP 21, 2015) also reaffirmed the obligations of the developed countries towards climate mitigation and adaptation and encouraged voluntary contributions by other parties (UNFCCC, n.d.-b).

The development of climate finance mechanisms began in 1994, when the UNFCCC mandated climate funds to be mobilized through the Global Environment Facility (GEF). In 2001, two special funds – the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF) – were created, both managed by the GEF (GEF, n.d.-b, n.d.-c). Both the funds serve the goals of the Paris Agreement to help vulnerable nations address adverse climate impacts. Additionally, the Kyoto Protocol established the Adaptation Fund (AF) (UNFCCC, n.d.-a) to provide financial resources exclusively for adaptation activities in developing countries. And the Green Climate Fund (GCF) was established at COP 16 as the operating entity of the climate financial mechanism, which now is the largest fund providing climate finance for adaptation and mitigation activities. Table 1 provides a brief overview and characteristics of the key adaptation related climate change funds globally.





Table 1: Key adaptation related to climate change funds and their characteristics. Source: Garschagen & Doshi, 2022

Fund	Least Developed Countries Fund (LDCF)	Special Climate Change Fund (SCCF)	Adaptation Fund	Green Climate Fund
Year established / operationalized	2001/2002	2001/2004	2001/2008	2010/2015
Objective	Adaptation only	Adaptation and technology transfer	Adaptation only	Adaptation and mitigation, with a target 50-50 split in allocation
Eligible countries	Least Developed Countries (LDC) Parties to UNFCCC and countries which have completed their National Adaptation Programmes of Action (NAPAs)	Non-Annex I Parties to the UNFCCC, prioritizing most vulnerable countries in Africa, Asia, and Small Island Developing States (SIDS)	Developing country Parties to the Kyoto Protocol, prioritizing those which are particularly vulnerable to climate change	All developing country Parties to the UNFCCC which are Party to the Paris Agreement, prioritizing LDCs, SIDS, and African states
Access modality	Through an Implementing Agency of GEF	Through an Implementing Agency of the GEF	Multilateral, Regional and National	Multilateral, Regional and National
Governance	GEF	GEF	AF Board	GCF Board
Trustee	World Bank	World Bank	World Bank	World Bank





Broadly, international **climate adaptation funds** can be categorized into four streams: *bilateral*, *multilateral, open funds,* and *local private banks*. According to the OECD report,[5] the bilateral climate adaptation finance distributed more than US$ 17 billion in 2018 (cited in Garschagen & Doshi, 2022). Bilateral institutions consist of various governmental institutions from developing countries and aid agencies and developed countries. Multilateral non-fund climate finance sources, which mainly include multilateral development banks (MDBs) - a quickly growing source of international adaptation finance, committed US$ 11.8 billion in 2018 (Garschagen & Doshi, 2018). The World Bank (WB), Asian Development Bank (ADB), and European Investment Bank are some examples of MDBs. Moreover, the WB and ADB are also internationally accredited entities for mobilizing climate finance under UNFCCC mechanisms (see Watson et al., 2022). Open Funds refer to both UNFCCC and non-UNFCCC climate funds. The Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF), Adaptation Fund (AF) and Green Climate Fund (GCF) are non-market or public UNFCCC mechanisms whereas Joint Implementation (JI) and Clean Development Mechanism (CDM) are market-related mechanisms. The Climate Investment Funds (CIFs), which include the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF), are examples of the non-UNFCCC climate funds. Finally, the local private banks, whose accreditation to GCF and other funders is increasing, can serve as another source of climate finance. However, the impacts and activities of private banks have yet to be documented and analyzed (SIAS, 2025).

Despite the significant financial constraints, Nepal has committed to ambitious adaptation efforts, largely reliant on external support. The NAP 2021-2050 has estimated a sum of US$ 47.4 billion; the Green Finance Taxonomy has projected US$ 77 billion by 2030 for adaptation, mitigation and SDGs, and NDC 3.0 outlining a total requirement of US$ 93 billion for both adaptation and mitigation. However, access to international climate finance remains limited with only a few nationally accredited entities successfully securing funds from the AF, GEF, and GCF (Dhakal & Pradhan, 2023).

3.2. Tedious procedures in accessing international climate funds

Accessing climate finance remains a significant challenge for Least Developing Countries (LDCs) such as Nepal, despite the increasing frequency and severity of climate-induced disasters. Nepal's readiness nevertheless, is recognized globally as it has already prepared and released several climate change and climate finance related policies in addition to committing to sharing 80% of benefits to the

[5] OECD. (n.d.). *Development Finance for Climate and Environment*. OECD.

local and vulnerable communities of the nation (see Section 4 below). Procedural complexities, bureaucratic inefficiencies, and rigid funding mechanisms create major barriers, particularly for local institutions seeking direct access to funds. Strict compliance requirements favor international agencies over local institutions, while lengthy approval processes and procedural delays slow fund disbursement. As a result, outdated data and evolving local conditions have rendered implementation ineffective.

Procedural complexity relating to the accreditation process, i.e., determining the eligibility of organizations to receive climate finance, has been a major obstacle, particularly for local organizations. International climate fund disbursements tend to favor multilateral development banks, UN agencies and other international institutions over local entities (Colenbrander et al., 2018), limiting unconditional direct access to climate funding.

The accreditation process involves a rigorous, multi-stage due diligence procedure to evaluate an entity's fiduciary standards, environmental and social safeguards and gender policies. Meeting these requirements demands extensive documentation, and compliance, which is particularly challenging in Nepal, where institutional systems may still be underdeveloped.

As of now, three national entities National Trust for Nature Conservation (NTNC) for micro-sized funding (i.e. below US $ 10 million), Alternative Energy Promotion Centre (AEPC) for small sized funding (i.e. US $ 10 - $ 50 million), and Nepal Investment Mega Bank (NIMB) for medium-sized funding (i.e. US $ 50 - $250 million) and FAO as an international entity have been accredited for accessing climate finance in Nepal under GCF (GCF, n.d.). NTNC has also been accredited under AF (up to US$ 20 million) (NTNC, 2024) while Li-BIRD is currently in the process of accreditation (LIBIRD, 2023), making it the first national NGO going through the process of AF accreditation. Whereas international and regional organizations, including Asian Development Bank (ADB), FAO, International Union for Conservation of Nature (IUCN), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO), and World Wildlife Fund (WWF) have been accredited under GEF (GEF, n.d.-a) and World Food Programme (WFP) and ICIMOD have been accredited under AF for Nepal (AF, n.d.-a, n.d.-b).

A bank personnel (B2f) highlighted the challenges of the accreditation process:

"GCF, being an international fund, requires banks to exhibit international standards to qualify as a GCF entity. Despite of the bank's long experience *demonstrating capacity, it was particularly challenging for us on many fronts."*

Extensive information gathering and rigorous data compilation were the major challenges highlighted during the interviews. NIMB had to draft or revise numerous policies to align with the GCF standards, including policies on sexual harassment, gender equality and social inclusion (GESI), monitoring and evaluation, whistleblowing, grievance redressal, and environmental and social management systems. Moreover, the application process itself was lengthy, with NIMB beginning its accreditation journey in 2019 and achieving accreditation only in 2024, after a period of five years.

Moreover, seeking project funding and initiating projects is another prolonged process which requires an accredited entity to obtain a No Objection Certificate (NOC) from the Ministry of Finance (MoF) based on which the concept notes are submitted. The MoF then reviews, shortlists and forwards them to the GCF for approval. Once approved, the GCF allocates up to US$ 1.5 million per project for proposal development, covering costs for consultants and planning, for example. However, these processes remain lengthy, as indicated by the bank personnel,

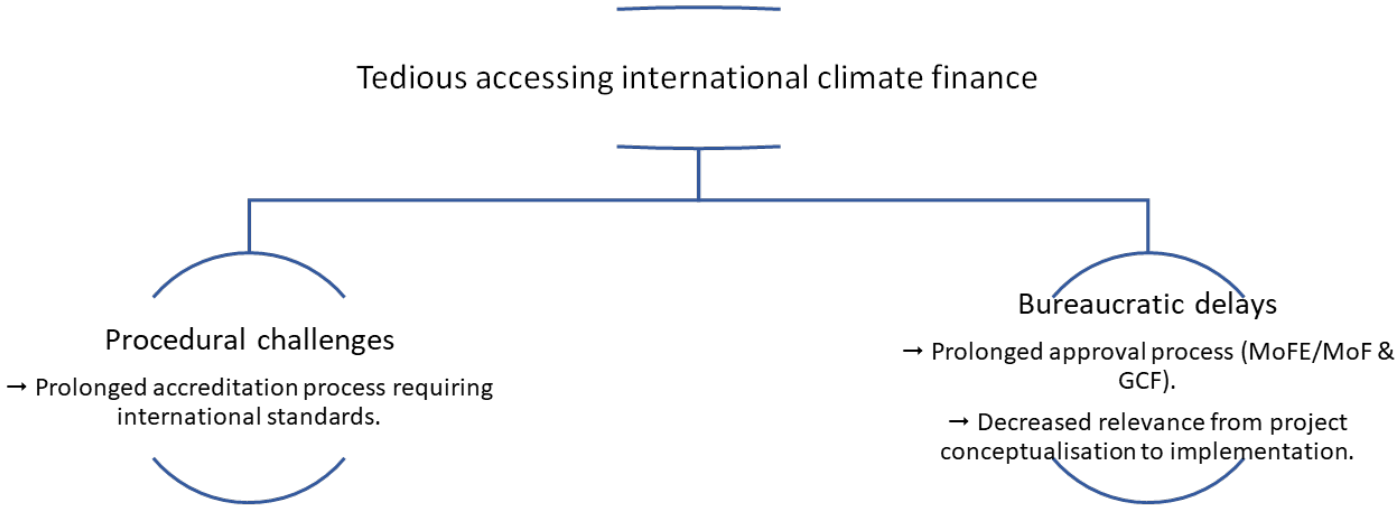


Figure 3: Procedural and bureaucratic challenges to access climate finance

"*Concept notes* were *submitted to the MoF in June 2024, and the projects still have not been shortlisted.*"[6]

Government stakeholders also indicated concerns over significant time gaps between project conceptualization and implementation. A BRCRN representative (GN2m) emphasized:

"*It takes us 2-3* years *to design a project and another 3-4 years to get approval from the Ministry of Finance and GCF. In 7 years, the socio-political dynamics of a place changes, especially when things are evolving so rapidly. Projects get designed in a particular context and become obsolete by the time they are implemented.*"

Similar concerns were echoed by a MoF official (GN1m). Another project focal person (S5m) pointed to outdated project plans, such as the Critical Ecosystem Restoration Plan (CERP), which fail to reflect the evolving realities of climate impact:

"Though CERP was developed through community consultation, it's not updated regularly. Seasonal rivers have changed course in the past five years, with severe flood damage and landslides in new places which aren't included *in CERP. Yet the project activities are still carried out based on five years old data, with no plan to update the document to reflect these discrepancies. They haven't consulted the municipality about the most affected areas presently where intervention is urgent."*

Bureaucratic inefficiencies within international climate finance also contribute to the challenges. A BRCRN official (GN2m) noted that despite an established standard operating procedure outlining the expected approval times, the GCF's review and approval process is often untimely. Conditionalities for fund disbursement, such as developing key documents and adhering to procedural requirements such as FPIC, further exacerbate the delays. He added;

"*The guidelines and procedures of GCF require us to make three key documents: CERP, Indigenous People's Plan (IPP), and the Environmental and Social Management Plan (ESMP). These documents take 2-3 years to get* approved*. As a result, we are often forced to implement activities based on draft plans.*"

[6] Stated on January 2, 2025. The shortlisted projects were submitted to GCF on February 18, 2025 (Khabharhub, 2025)

4. Nepal's climate finance policy, institutional landscape and barriers[7]

4.1. Nepal's climate finance policy and institutional landscape

Nepal's climate finance landscape has evolved alongside its growing climate vulnerability and increasing alignment with international frameworks such as those under the UNFCCC. Over the years, climate finance has moved from being an implicit element in environmental and development policies to explicit provisions, institutional reforms, and dedicated financial mechanisms. This evolution reflects a gradual shift in how climate finance is understood, prioritized, and governed, shaped by global discourse, political changes, and development agendas. Various policies have highlighted its challenges, particularly those pertaining to institutional capacity and policy harmonization (*see* Annex II). Here, we briefly trace the trajectory of climate finance and its institutional landscape in Nepal, highlighting how key national policies have conceptualized, framed, and integrated climate finance over time, shaping the country's current climate finance architecture. Figure 2 outlines key pre- and post-federal policies that illustrate this incremental policy development.

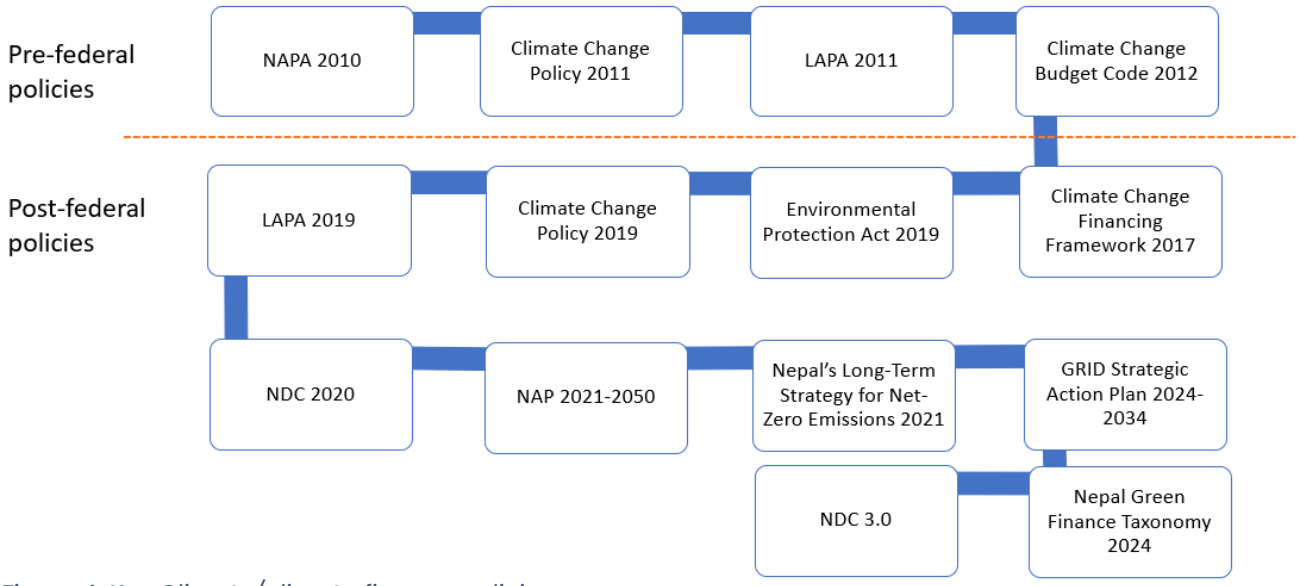


Figure 4: Key Climate/climate finance policies

Nepal's climate finance architecture began with the **National Adaptation Programme of Action (NAPA) 2010**, the first national climate change policy, which called for international financial support for adaptation and introduced the foundational principle of allocating 80% of climate finance to the local level (MoE, 2010). Though lauded globally, the actual implementation of this principle has been questionable and will be discussed in the following sections (Ghimire & Chhetri, 2022; Nagoda & Nightingale, 2017). Building on NAPA 2010, the **Climate Change Policy (CCP) 2011** provisioned for the creation of a Climate Change Fund to consolidate financing from national and international sources and mandated that 80% of the fund to be directed to the community-level programme implementation [GoN, 2011 (BS2067)]. The **Local Adaptation Plan of Action (LAPA) 2011** further attempted to operationalize this principle, specifying the disbursements to be project/programme based, targeting the most climate vulnerable communities (GoN, 2011). However, given the persistent challenges in tracking climate expenditures, the government introduced the

[7] For detail description about the climate policy and institutional landscape, please see Annex II which also includes financial commitments, gaps as well as climate finance related challenges highlighted within policies.

Climate Change Budget Code (CCBC) 2012 to monitor climate-related spending through the public financial management system (NPC, 2012).

Following federalism, several of the existing policies were revised and re-drafted to align with the new state structure, reorganizing the roles and responsibilities of climate action among the federal, provincial and local governments, and addressing the previously identified gaps from implementation.

Drawing on CCBC, the **Climate Change Financing Framework (CCFF) 2017** aimed to integrate climate finance into the national planning and budgeting processes by embedding climate priorities into public financial management systems (MoF, 2017). The **Environmental Protection Act (EPA) 2019,** replacing EPA 1997, further supported climate finance by enabling carbon trading and establishing the Environmental Protection Fund to mobilize resources for community resilience and pollution control (GoN, 2019). The **National Climate Change Policy (NCCP) 2019**, replacing CCP 2011, reaffirmed the 80% local allocation commitment, institutionalized climate budgeting across all levels of government, and promoted diverse financing instruments, including green bonds, blended finance, and private sector engagement (NCCP, 2076 [2019 AD]).

Complementing this, the **LAPA 2019**, replacing LAPA 2011, emphasized fiscal decentralization by encouraging local governments to identify financial resources as well as suggesting the allocation of internal revenue for adaptation based on local needs, priorities and vulnerabilities (MoFE, 2076 [2019 AD]). The **Second Nationally Determined Contributions (NDC 2.0) 2020** prioritized the development of a Climate Finance Strategy to bridge public-private financing gaps and streamline access to international funds (GoN, 2020). The **National Adaptation Plan (NAP) 2021-2050** laid out strategic priorities for adaptation financing and called for the implementation of Climate Resilient Planning and Budgeting Guidelines and the development of adaptation-specific finance mechanisms (GoN, 2021a). In the same year, the **Long-term Strategy for Net-Zero Emissions 2021** underscored the urgency of mobilizing climate finance at scale from both domestic and international sources (GoN, 2021b). The **Green, Resilient, and Inclusive Development (GRID) Strategic Action Plan 2024-2034** aligned financial resources with Nepal's sustainability goals, emphasizing inclusive and climate-resilient development (GoN, 2023). With the emerging shift in the global climate finance policy discourse, the **Nepal Green Finance Taxonomy 2024** was introduced to support the financial sector's transition and provide a standardized framework for identifying and promoting environmentally sustainable investments (NRB, 2024). And most recently, the **Third Nationally Determined Contribution (NDC 3.0)**, endorsed in 2025, reinforced Nepal's commitment to low-carbon, climate-resilient development by calling for enhanced, predictable international climate finance and private sector mobilization to meet ambitious sectoral targets (GoN, 2025).

Nepal's climate policy landscape has established **a multi-tiered institutional framework** for implementing climate action and managing climate finance. Led by the Ministry of Forest and the Environment (MoFE), policies such as the NCCP 2019, EPA 2019, NAP 2021-2050, and NDC 3.0 define the roles and coordination mechanisms across federal, provincial, and local levels. These policies emphasize policy coherence, capacity building, monitoring, and integration of climate finance into national and subnational planning. While the federal government oversees international engagement and overall coordination, provincial governments adapt federal policies into regional contexts, and local governments are empowered to design and implement context-specific adaptation plans through LAPA 2019. Complementing this structure, mechanisms such as the CCBC 2012, CCFF 2017, establishment of a **Climate Change Management Division**, and **Climate Change Research and Data Centre** (both under MoFE) further support planning, data generation and fund management. Together, these institutional arrangements aim to foster an integrated decentralized approach to climate governance and resilience building.

4.2. Barriers at the national level

4.2.1. Policy ambiguities limiting finance flow at scale

Policy ambiguities concerning adaptation finance in Nepal reflect challenges in defining, allocating, and implementing financial resources across international, national and local levels. Central to these ambiguities are two critical questions: **What constitutes "climate finance,"** and **how is the policy commitment to allocate "80%" of climate funds to local levels operationalized?** The lack of clarity in these domains highlights the ongoing tensions between global principles of climate justice, national priorities, practicalities, and implementation on the local level.

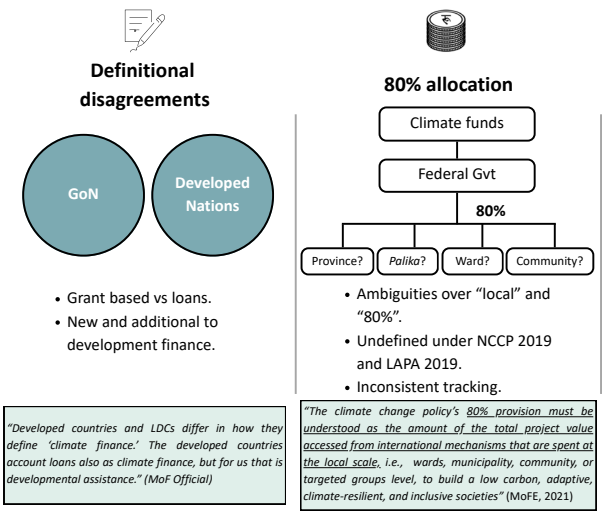


Figure 5: Ambiguities accessing and disbursing climate finance

The Government of Nepal, in line with the UNFCCC, refers to climate finance as the "local, national or transnational financing drawn from public, private and alternative sources of financing that seek to support mitigation and adaptation to address climate change" (MoFE, 2021, p. 20). This broad understanding encompasses a range of mechanisms, tools, and processes, including development and conservation funds, insurance schemes, green and climate bonds, payments for ecosystem services and adaptation funding (Gifford & Sauls, 2024). Several studies suggest that the lack of a clear or formal definition of climate finance which has caused difficulties in coordinating and aligning national priorities, hindering the effective allocation of the available funds (ADPC, 2023; Mahat et al., 2019; Rai et al., 2020; Rawal, 2024).

While this broad framing aims to capture the multifaceted nature of climate finance, critics argue that it renders the term political and contested (Gifford & Sauls, 2024). A key contention pertains to the principle of "new and additional" funding, introduced in the Copenhagen Accord in 2009 and later reaffirmed in the Paris Agreement in 2015 (Mitchell et al., 2021). This principle, which requires climate finance to supplement development aid, underscores the historical responsibility of developed nations and ties into the broader debate of climate justice.

An MoF official (GN1m) articulated Nepal's stance:

"*Developed countries and LDCs differ in how they define 'climate finance.' The developed countries also* consider *loans as climate finance, but we have consistently reiterated that these should instead be considered as development assistance. Due to these definitional disagreements, both our figures for climate finance may vary… Nepal has three clear positions on climate finance. First, climate change is a global justice issue, and the support for this should come in the form of grants, not loans. Second, this funding should be separate from and additional to developmental assistance. Third, the funding should be unconditional, allowing the government autonomy to prioritize national needs.*"

In contrast, an expert (E1m) highlighted the pragmatic acceptance of soft loans for projects with measurable returns, particularly in reference to Nepal's acceptance of a US$ 100 million World Bank loan for Green Resilient and Inclusive Development (GRID) in 2022:

"*If climate finance loans support adaptation purposes and benefit national priorities, Nepal should accept them. Rejecting all loans is unreasonable. Soft loans for national pride projects and projects with returns on investments like airports, hydropower, and roads are justifiable. However, loans should not fund livelihood upliftment or recovery activities.*"

These differing perspectives raise important questions on how justice and practical concerns (e.g. resource mobilization) are considered and articulated in climate finance governance debates.

Further, within national contexts, the commitment to allocating 80% of climate funds to the local level remains ambiguous. Introduced during the NAPA (2010) formulation and later reaffirmed in both CCP and LAPA revisions in 2019, the 80% benefits sharing principle lacks clarity despite the perceived importance. A BRCRN official (S8m) in the province remarked,

"*I find the 80% aspect vague. What is 80%? Does it mean all climate finance that Nepal receives? Or is it 80% of the budget or plan*?"

Such ambiguities have persisted since the introduction of the policy principle in the initial climate policies (Section 4.1 on NAPA 2010, CCP 2011, and LAPA 2011) despite the MoFE's guidelines (MoFE, 2021, pp. 38-40) on unpacking the 80% fund allocation (E1m; E2m). Moreover, opinions from various stakeholders on whether 80% of funds have reached local levels seemed incoherent. While some experts and government stakeholders believed more than 80% of funds are being channeled to local levels, another expert (E1m) suggested that only 20% might be trickling down. On the other hand, the ambiguity also pertained to **what is considered local**. The MoFE study has defined wards, municipalities, and community levels and targeted groups as local, however it has been conceptualized differently under various projects, a policy provision enabled by LAPA 2011 which has been missing in the subsequent policies.

In project contexts, BRCRN considers the province, DFO, and community, including community-based institutions such as Community Forestry User Groups (CFUGs) as local, whereas EbA II considers the municipality and community-based institutions as local. To this, an expert reflected (E2m):

"*It is not* difficult *to ensure 80% of the funds are channelized to the local levels, but rather it is a matter of articulation. If it is considered in terms of the infrastructure that is made in the community, then who should be considered local? Those functionaries working at the provincial unit, who live and work there, should that be counted as well? The government has mentioned that even the intervention activities of the DFO can be accounted for under 80%."*

Such ambiguities have been reflected in other studies as well (Gentle & Mainaly, 2024). The MoFE (2021, p. 43) also acknowledges that "there is no national agreement on what the 80% means and what it entails." Realizing this, MoFE defines and unpacks the 80% allocation criteria and the role of different actors as follows, *"The climate change policy's 80% provision must be understood as the amount of the total project value accessed from international mechanisms that are spent at the local scale, such as wards/municipal/community/targeted groups level, to build a low carbon, adaptive, climate-resilient, and inclusive societies*" (MoFE, 2021, p. 39). Table 2 depicts the Government's position on division and disbursement of the 80%.

Table 2: Unpacking 80% allocation at the local level. Source: MoFE, 2021: pp 38-40.

80% allocation	20% allocation
At least 80% of total funds must be mobilized at the municipal (*Palika*) and lower levels (community/specific targeted groups/ward/settlement).	Up to 20% may be mobilized either at the federal or provincial level or both
The implementation costs, which include administrative and operational costs, account for 80% of funds allocated to the local level. The spirit, however, should be to reduce or limit administrative expenses to 20% or less.	The remaining 20% can be spent on capacity building at the federal and provincial levels. Supporting policy and institutional reform, human resource development, and the establishment of a national and provincial system for data management, information and technology, research and study, field visits, study tours, and monitoring, among other things.
Implementation of both soft and hard measures. Targeted to the most vulnerable households, groups, communities, settlements, wards. Targeted to the most vulnerable sectors, ecosystems, watersheds, land use, etc.	Administrative, monitoring and evaluation, operation, and other costs at the provincial and federal levels.
According to NAPA, the government remains committed to allocating at least 80% to the local level (community and municipal level).	As outlined in NAPA, the government should be more specific in allocating 20% and further disaggregating by allocating 10% to the federal level and 10% to the provincial level, depending on the nature and scope of the support.

(ADPC, 2023; Gifford & Sauls, 2024; Mahat et al., 2019; Mitchell et al., 2021; MoFE, 2021, p. 20; Rai et al., 2020; Rawal, 2024)

4.2.2. Coordination and conflict

Co-ordinational and conflictual challenges persist among governmental ministries, departments, civil society and community-based organizations, and projects. Moreover, the federalization process has disrupted coordination between government tiers, hindering effective project implementation (Khatri et al., 2022), which has been further compounded by the absence of mechanisms to facilitate collaboration across governance levels (E1m). An expert concisely emphasized (E1m) the lack of coordination, capacity and unprepared institutions for using climate funds for society, environment and risk reduction:

"*Capacity limitations, coordination gaps, and lack of policy clarity are pervasive problems across governance levels. These challenges are more problematic than accessing international climate finance. These are also major concerns of the donors, who believe utilization capacity of the government is a greater challenge than access. As a result, funds are either frozen or returned despite the urgent needs.*"

A MoF official attributed this issue to broader governance challenges, stating that coordination challenges are not only limited to climate action but to all functions of the government. Respondents pointed to interministerial and intragovernmental conflicts, particularly between MoF and MoFE (E2m) as well as between federal and provincial governments (S8m), which have undermined the efficient financial flows, subsequently affecting the effectiveness of climate initiatives.

On the other hand, MoF's role as the National Designated Authority was seen as one of the primary barriers (GN2m):

"*MoF* cannot *deal with climate finance. It is bureaucratic and bears a centralized mindset, lacking technical understanding. It does not have the expertise in designing projects as per GCF requirements and has been unable to pass the projects in pipeline.*"

Similar frustrations were shared by bank personnel (B2f) highlighting the delayed decision-making and disrupted project timelines:

"*The* constant *change of officials is really concerning. The newly assigned people take time to understand GCF and its mechanism which delays the decision-making process. For instance, shortlisting of projects to be sent to GCF.*"

4.2.3. Dearth of climate data

A robust data system is essential for ensuring justifiable and effective use of climate adaptation finance. Accurate data on climate budget allocation, tracking of expenditures, identification of vulnerable communities, and climate-induced disasters, among other climate-related data, would facilitate better decision-making and equitable distribution of adaptation funds. However, the lack of comprehensive and collective climate data remains a significant challenge, affecting the design and implementation of climate initiatives. This gap also hinders efforts to ensure that 80% of adaptation finance benefits reach local communities, as intended. Beyond adaptation, data deficiencies in emission accounting, potential mitigation actions, climate predictions, and economic impacts of climate change, including Loss and Damage (L&D) pose additional challenges for project developers seeking donor support (Dhakal & Pradhan, 2023). The CCFF 2017 emphasizes the importance of promoting increased use of data for evidence-based decision-making, yet limited research and data availability remain significant barriers, hindering informed governmental action, strategic planning and access to climate finance (Dhakal & Pradhan, 2023). An expert (E1m) stressed on this constraint:

"*As there* is *no mechanism to attribute a disaster to climate change, chances are that we won't receive much funding in L&D. We are unable to calculate the L&D of the public sector, which is even more difficult for the private sector.*"

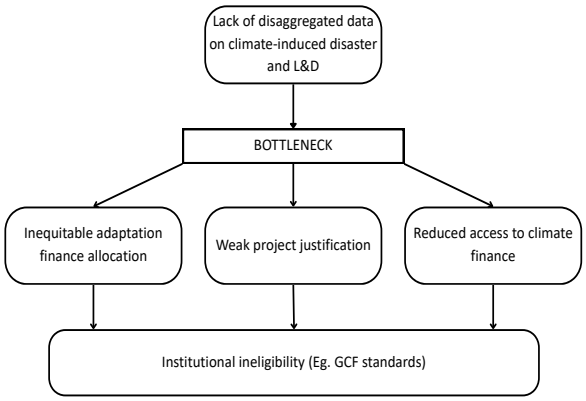


Figure 6: Cascading effects of the dearth of data

The challenge extends to the private sector, particularly financial institutions such as private banks, which struggle to meet donor requirements, such as project rationale, mitigation potential, and emissions portfolio, due to limited emissions data. The GCF, for instance, demands a comprehensive report on GHG emissions from the bank's portfolio and a concrete plan to reduce the emissions portfolio in the future. However, the absence of systematic data collection mechanisms makes it difficult for institutions to provide such evidence.

Uncertainty in climate attribution further complicates efforts to secure funding. Recent disaster events such as floods, landslides (Poudel & Pelling, 2024),[8] the increasing spread of mosquitoes in the Himalayas, and the untimely blooming of rhododendrons were some of the indicators highlighted by various respondents and stakeholders. However, without clear scientific attribution linking these phenomena directly to climate change, securing climate finance for related interventions remains challenging.

[8] https://english.nepalpress.com/2024/10/30/engineered-disasters-the-amplified-september-2024-catastrophe-in-the-nepal-himalaya/

5. Barriers at the local level

Finally, barriers pertaining to climate finance culminate at the local level demonstrating multiple layers of hindrances that affect implementation, limiting adaptation and mitigation endeavors. Local level barriers reflect on-ground challenges in accessing and implementing adaptation finance and initiatives. The challenges here reflect weak governance, capacity and resource gaps; differential project designs and governance; the federal-local dichotomy post federalization; power and politics; mechanisms for tracking 80% allocations; and disincentivized government officials in meeting project objectives.

5.1. Weak governance, capacity and resource gaps

At the local level, i.e. municipalities, institutional weaknesses, particularly the lack of skilled personnel, financial resources and management capacity, have been significant barriers to channelizing climate finance. Government stakeholders and project officials repeatedly pointed to a lack of climate finance training and technical support for provincial and local governments. An expert noted minimal support for local governments on capacity building apart from LAPA preparation. Moreover, the lack of dedicated personnel to handle climate change issues has left them incapacitated. The expert (E1m) further emphasized:

"*The Environment and Climate Change Division consist of only one environmental inspector, who is primarily* responsible *for environmental impact assessment. Given the size* [geographical coverage and population] *of municipalities now, additional technical people are needed. The ones who have been hired are often transferred to the central level for various reasons.*"

Frequent staff turnover has been a consistent issue both at the national and the local level, eroding institutional memory, and limiting the ability to implement sustainable adaptation practices. High turnover rates among project officials disrupt continuity, and the absence of fixed tenures in project design hampers long-term outcomes. Ensuring adequate and consistent personnel on the ground is critical for addressing these barriers and achieving the intended outcomes of climate initiatives. An expert (E2m) lamented about the high turnover rate among National Project Directors in BRCRN:

"*Currently, this is the 7th National Project Director* [within five years] *in a seven-year project. Hardly anyone* must *have stayed for a year. This points to a lack of ownership on the part of the government, particularly MoFE and MoF.*"

Moreover, misunderstandings of key frameworks and concepts such as watershed or ecosystem and landscape-based approaches often undermine implementation. Similarly, the provinces lack the knowledge and resources to work at scale, often focusing on political boundaries rather than ecosystem or landscape-based approaches. For instance, an expert mentioned (E1m):

"*More than 15 LAPAs were destroyed by the recent floods and landslides event in September 2024. Effective adaptation would require ecosystem and landscape-level approaches. Focusing on a single municipality without accounting for upstream degradation undermines resilience efforts. These are often overlooked by political leaders due to limited understanding.*"

5.2. Differential project designs and governance

At the local level, coordination and conflict issues have emerged due to the nature of project design and implementation that often bypass established governance structures. These often dictate which government levels and mechanisms are recognized and engaged, leading to tensions between governance units. Officials from the BRCRN (S8m) summarized this issue succinctly:

"*Although* coordination *among stakeholders is often emphasized, it is not always easy in Nepal. In fact, there is a lack of coordination among*

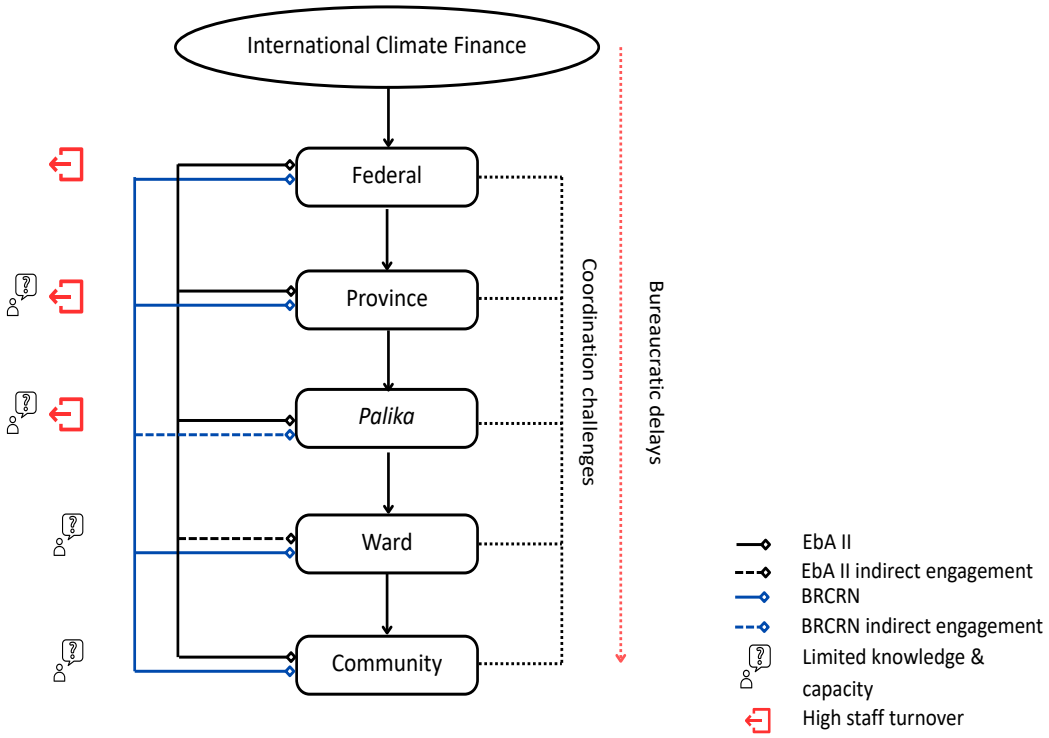


Figure 7: Project-based climate finance models and non-standardization.

different ministries. The need for coordination has complicated delivery, as different entities operate with their own guidelines, objectives, and priorities. Each has its own area of intervention and working modality, which leads to a preference for independence in their activities."

EbA II and BRCRN follow different operational modalities wherein, EbA II recognizes the municipality as the intervention unit, whereas BRCRN primarily recognizes CFUGs and wards (Figure 7). This has led to tensions among the municipality, wards and CFUGs. For instance, BRCRN bypasses municipalities by working directly with the CFUGs and wards as implementation units, frustrating municipal officials who believe their involvement could have enhanced project outcomes and prevented duplication of activities (S6m). A BRCRN focal person at the municipality in Sindhuli stated (S5m):

"*BRCRN views user groups as the sole implementing agency, but that shouldn't be the case. It has overlooked several other stakeholders such as the municipality, elected representatives, concerned authorities, and the community. In doing so, several vulnerable areas in the municipality have been overlooked. Had the municipal technical staff been involved, the project outcomes would have been more effective. However, we had limited knowledge of project activities."*

Although coordination among the DFO, municipality, wards, and project officials reportedly occurs prior to conducting activities, the absence of clear guidelines has resulted in inefficiencies and potential overlaps such as distribution of tree saplings in the same area (S6m). Furthermore, the BRCRN officials in Sindhuli noted that local-level coordination often depends on the willingness of individual leaders to cooperate, as "*coordination in Nepal is purely personal, not institutional*" (S8m).

Similarly, in EbA II, tensions arose between the CFUGs and the municipality despite the project recognizing municipalities as the implementation unit. The CFUGs often delayed submitting their activities for review until the end of the fiscal year, anticipating limited scrutiny from municipal officials preoccupied with year-end tasks. This, according to the officials, was done with the intention of expediting budget disbursements, particularly when project quality was compromised. The

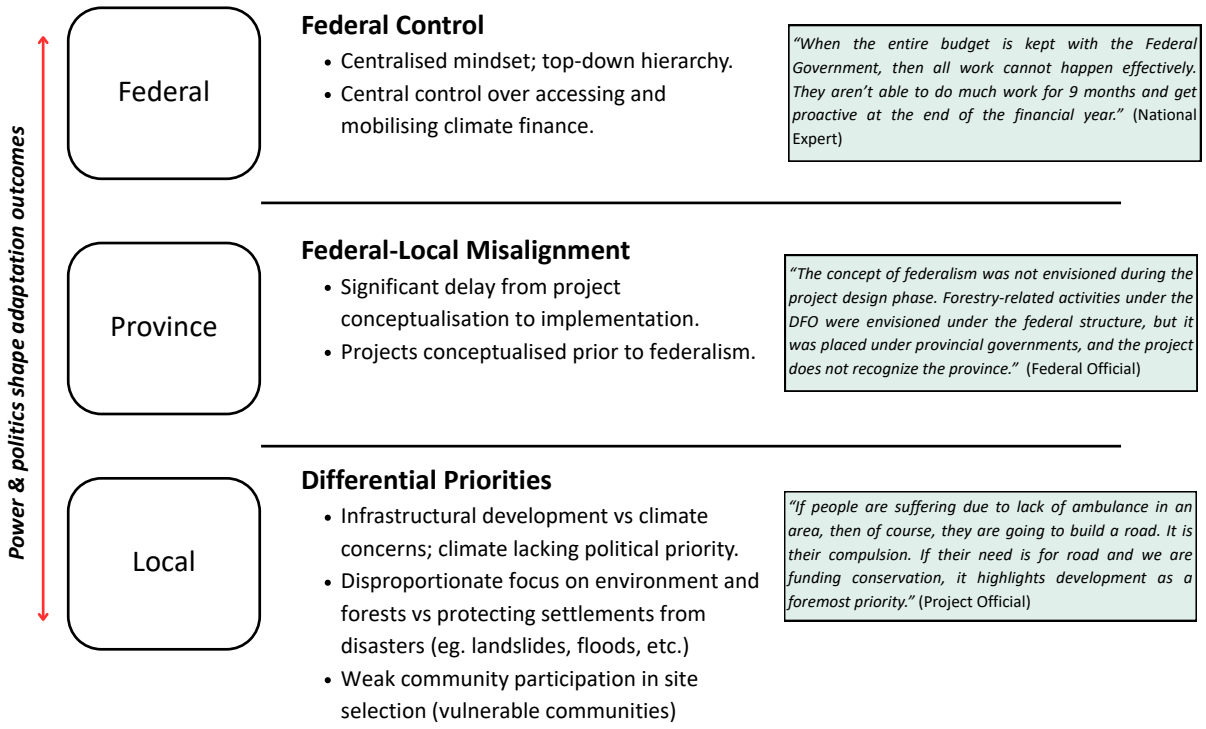


Figure 8: Federal-Local dichotomy of adaptation projects

municipality was also excluded from the site selection process which was conducted by the MoFE and DFO. On the other hand, in Kalinchowk Municipality, logistical decisions also hampered implementation. A municipal official noted (D6m):

"*The location of the project staff is crucial. If the staff is positioned in a place that directly interacts with the local people, the work can be carried out more effectively. In EbA II, the staff was stationed at the DFO, and they directly approached the ward without coordinating with the municipality. The ward lacked planning expertise, and hence the implementation was poor with limited progress.*"

Such tendencies also point to expert-oriented project designs that have disproportionately allocated project personnel, undermining effective implementation of adaptation initiatives. The lack of adequate personnel on the ground as compared to the number of experts hired for consultation has impacted the functionality, sustainability, and community ownership of the projects. This understaffing contributes to delays and ineffective project implementation. A BRCRN official (S8m) highlighted the challenges associated with this:

"*The project's* institutional *setup is problematic, with too many experts hired for high-level roles, while only 2-3 people working on the ground. This imbalance raises questions about resource allocation and the disconnect between planning and implementation, which has undermined the project's effectiveness. The abundance of opinions and instructions creates confusion for those working in the field.*"

5.3. Federal-Local dichotomy

Centralized control over climate funding by federal institutions, coupled with the local government's focus on immediate infrastructural needs, has created a dichotomy that undermines interventions on climate change adaptation. Consequently, climate issues have been deprioritized across all levels of government, with limited coherence between development, disasters and climate policies.

5.3.1. Federal-local misalignment

Considering the significant delay between project conceptualization and implementation, as analyzed above, the projects (i.e. BRCRN, EbA II) were conceptualized prior to Nepal's transition to a federal system, failing to account for implications under federalism. For instance, forest-related activities under BRCRN were originally envisioned to operate through

the District Forest Offices under a centralized framework. However, post federalization, the offices were placed under provincial jurisdiction and renamed as Division Forest Offices (DFOs) creating procedural challenges, as the project does not formally recognize the role of provincial authorities. Consequently, such federal projects must navigate provincial systems to implement forest-related activities, complicating project execution and highlighting misalignments in intragovernmental authority. The National Project Director of BRCRN reflected (GN2):

"*The concept of federalism was not envisioned during the project design phase. Forestry-related activities under the DFO were envisioned under the federal structure, but it was placed under provincial governments, and the project does not recognize the province.*"

Another expert added (E2m), "*The federal director or the secretary has no authority over the DFO. All they can do is request.*"

These structural and institutional misalignments not only hinder the efficient use of climate resources but also perpetuate a disconnect between the objectives of climate programs and the needs of local communities.

5.3.2. Federal control

The Federal Government, particularly the MoF and MoFE, retains centralized authority over accessing and mobilizing international climate funding, bypassing provincial and local governments. It operates with a centralized mindset, maintaining a top-down hierarchical structure that contradicts the principles of devolution envisioned under Nepal's federal system and climate policies. Budgetary control for climate projects remains concentrated at the federal level, increasing the disconnect between governance tiers.

Moreover, federal authorities frequently delay fund disbursement at the end of the fiscal year, leading to rushed and ineffective project implementation. An expert summarized (E2m) the inefficiency of this approach:

"*When the entire budget is kept with the Federal Government, then all work cannot happen effectively. They aren't able to do much work for 9 months* [3 months for bureaucratic processes] *and only wake up at the end of the financial year.*"

Consequently, provincial and local governments often deprioritize climate action, viewing it as the responsibility of the federal government.

5.3.3. Differential priorities at scales

Several studies highlight the tendency of local governments to prioritize infrastructural development, such as building roads, electricity and drinking water systems over climate concerns in a post-federalized context (Bishwokarma et al., 2021; Khatri et al., 2022; Poudel et al., 2021). Political leaders often equate infrastructure with progress, viewing sustainable development and climate adaptation as secondary to immediate development needs. Climate change is rarely a political priority, as visible, short-term projects appeal more directly to the voters. Budget constraints further exacerbate this focus, leaving disaster risk reduction and climate initiatives underfunded (Poudel et al., 2023; Poudel et al., 2021).

The deputy mayor of Bhimeshwar Municipality, Dolakha explained (D7f):

"*With a modest annual budget of NPR 17 crore (~US$ 12.5 million), it is nearly impossible to implement* development *projects across the complex and vast geography of our municipality. Consequently, disaster risk reduction (DRR) often isn't the priority for the municipality, given the resource constraints. Moreover, there is limited awareness and capacity to work effectively on DRR.*"

Similar concerns were echoed by ward and municipal officials in Sindhuli (S6m):

"*Climate change-related issues should be made mandatory by the central government; otherwise, they will* continue *to be overshadowed by day-to-day concerns. Elected local representatives must engage*

in electoral politics, focusing primarily on the issues prioritized by the local people…The lack of sufficient budget, the public demands, and the absence of pressure from government policies all contribute to climate change issues being sidelined."

This prioritization highlights a disconnect between the design of climate programs and the needs of local communities. Projects frequently fail to align with the needs of local communities, leading to low ownership and engagement. Adaptation initiatives have primarily focused on environmental and forest management, overlooking broader community needs such as protecting the settlements and agricultural lands from floods and landslides. Such mismatch creates a dilemma for ward officials, who find it challenging to reject misaligned project activities in fear of funding being redirected elsewhere. These dynamics highlight a systemic failure to incorporate community priorities into project designs, further marginalizing vulnerable populations and reducing the effectiveness of adaptation efforts.

Reflecting on an instance where climate funds under EbA were used for road construction, an official remarked (S8m):

"If people are suffering due to a lack of ambulances in an area, then of course, they are going to build a road. It is their compulsion. That's why we need to understand what their needs are. If their need is for roads, and we are funding conservation, that highlights that development is their foremost priority. If the people themselves are not motivated about conservation, then it won't happen by our emphasis."

Simultaneously, institutions are also constrained by their own mandates, limiting the extent to which they can align with the priorities of the local government. Local governments, led by elected political parties, are often driven by the need to fulfil campaign promises centered on infrastructure development, further widening the gap between local and federal goals.

5.4. Power and Politics

Power dynamics and political influences significantly hinder just and equitable climate adaptation and finance which is pervasive across all levels of governance and was consistently highlighted by various stakeholders during the fieldwork. Disproportionate geographical distribution of climate projects is one of the most pressing concerns with "*some areas hosting multiple projects, while others having none*" (E1m). A DFO official (S9m), framed this in a larger context:

"*Federalism has improved people's access to political networks. However, this access remains limited to specific groups*."

Another official (S5m) highlighted the difficulty of securing FPIC in Nepal, where community decisions are sometimes influenced by political affiliations. "*People can reject good proposals based on party loyalties,*" they noted, underscoring the political and social complexities that further hinder timely access to climate finance.

Such inequities underscore the urgent need for equitable allocation of resources to maximize impact across vulnerable regions. In many instances, political influence, rather than vulnerability assessments, determines where projects are implemented. This prioritization often reflects the preferences of political leaders seeking visible development outcomes in their constituencies, particularly for structural projects (GN2). At the local level, mayors and CFUGs were found to influence the implementation of initiatives. Project stakeholders emphasized the ease of working on projects that focus on the entire wards as compared to those that focus on specific wards where mayors tend to suggest alternative areas for implementation. A BRCRN provincial official (S8m) shared,

"*Our work focuses on Chure areas, covering only a few wards in the Palika/Municipality, while most wards and the mayor vote banks are in the Tarai* [i.e. southern flat land of Nepal boadering India]. *Mayors often push for project implementation in the Tarai areas, but we cannot comply. This creates conflict, as they*

show little concern for the project's success if we don't agree or if it doesn't align with their priorities."

Additionally, centrally imposed site selection in EbA II was also observed by a ward official (D5m):

"*Although there are more vulnerable and affected areas in our Municipality, such as Ward 1 and 2, which have difficult and remote geography, the sites were selected in Ward 5 and 6. This decision was centrally made and* cannot *be changed."*

A Deputy Mayor (D7f) also reported similar processes of site selection wherein the EbA II followed a centralized criterion, prioritizing locations near highways rather than focusing on the most vulnerable, inaccessible areas. This underscores the rigidity of top-down project designs, which lack the flexibility to transfer funds to areas that fall outside the criteria initially proposed by central authorities. Such centralized approaches not only marginalize the most at-risk communities but also reveal the disconnect between national-level planning and local realities, perpetuating inefficiencies in climate finance allocation and utilization. This adds on to the adversarial dynamics between community-based institutions and the local governments due to political affiliations. Such instances highlight the several layers of power and politics that influence adaptation implementation.

5.5. Mechanisms tracking 80% allocations

Although the clarity on 80% allocation target, on paper, for climate funds is a recent development, there remains limited awareness and clarity on the mechanisms for monitoring, evaluation, and reporting of this target. Consequently, it is difficult to effectively track progress, assess the efficacy of allocations, and evaluate the actual utilization and impact of climate funds. The lack of legal/mandatory measures for accounting and reporting at the local level not only hinders the assessment of social returns of climate investment but also points to the use of non-standardized monitoring and reporting mechanisms of individual projects (MoFE, 2021). A municipal official (D6m) in Dolakha remarked:

"*If guidelines are provided for spending the budget according to priorities, it would be easier for us to conduct our* work *effectively. Without clear guidelines, there will always be political debates over where to allocate the budget and which headings to prioritize. Besides, if the activities and budget are directly quoted in the Red Book, then it would be easier for implementation without any confusion or ambiguities."*

The budget coding method for tracking climate finance, while globally innovative, has been criticized for potentially misrepresenting figures, especially with modifications related to earthquake reconstruction and local government grants (MoFE, 2021). Concerns include whether this method effectively integrates climate issues into development planning or whether it has led to increased government spending on climate-related activities over time.

Although provincial budgets have started reporting climate-relevant allocations in the past two fiscal years, local governments have not yet complied. Given their significant role in community-level service delivery, local governments face difficulties in monitoring and reporting climate-related spending. Consequently, the link between the budget code and the 80% climate finance allocation at the local level remains incomplete and underutilized (MoFE, 2021). Additionally, local governmental stakeholders have observed that the devolution of such funds does not necessarily guarantee quality outcomes, particularly when communities lack the capacity to execute projects and resort to hiring contractors. A DFO highlighted (S9m):

"*While communities are effective in conducting needs-based work, tasks lacking local interests often result in* delays *and higher costs, especially when contractors are involved. Therefore, it cannot be generalized that disbursing funds to the local level ensures quality work, especially in cases where the community lacks the capacity to conduct the activity."*

Procurement related challenges are another hindrance that the community often faces due to the rigid policy mechanism of the

government (G_N2m). At the local level, particularly the requirement for original VAT bills, has created significant barriers for community-based projects, as the CFUGs and other user groups are not registered in the VAT system. A Divisional Forest Officer highlighted (S9m) that institutions such as CFUGs often struggle to meet these requirements when seeking reimbursement for purchases. Unlike contractors, who only need to present a VAT bill after completion of the work, CFUGs must submit detailed bills for every transaction. This has been disincentivizing CFUGs. For instance, the officer mentioned,

"*This* discrepancy *not only complicates financial processes but also discourages community participation in such projects, as they face a financial burden that stems from systemic inefficiencies."*

5.6. Disincentivized government officials

The lack of incentivization for local government officials significantly undermines their motivation to execute climate projects effectively, ultimately affecting project delivery. The concern was prominently highlighted by the BRCRN personnel (S8m) and expert (E2m), who noted that government officials at the local level often lack the financial and professional incentives to engage fully with the project responsibilities. The expert mentioned:

"*Officials* receive *their standard salary regardless of their posting, whether in central government offices or remote project locations, leaving little incentive to take on challenging assignments. Moreover, when assigned to specific projects, the officials are expected to work within tight budgets, such as a daily subsistence allowance of only NPR. 1,600, which they argue is insufficient for fieldwork expenses. This lack of additional compensation discourages active participation and effort, as there are no tangible benefits tied to delivering results*."

The major issue here lies in the insufficient allocation of the administrative budget to the project, especially at the district level. For instance, a budget of NPR 1.75 crore was allocated for a plantation program to the DFO which excluded the travel and daily allowance (TADA) for the DFO personnel. A Forest officer (D8m), stated;

"While ministry *officials can easily claim NPR 1,600 for their visits through the ministry, we are unable to claim that. If we do, the accounts department requires us to claim it through the program. Additionally, we need to conduct multiple field visits before the implementation of the program. Since the budget was specifically allocated for the plantation program and does not include any administrative costs, we face difficulties. Therefore, there should be a separate administrative cost allocated for program implementation"*.

Compounding the issue is the absence of accountability mechanisms, even when officials fail to deliver responsibilities. This systemic lack of motivation and accountability creates stagnation in project execution, hindering effective implementation.

6. Dubious private agencies

In response to the global developments in climate finance as well as increasing adaptation finance gap, particularly foreseeing LDC to LMIC graduation, private sector's role has been increasingly recognized internationally (UNEP 2023, 2024) and in Nepal's climate policies (Ref. Taxonomy Policy 2024). Recent climate policies (i.e., Nepal Green Finance Taxonomy 2024) acknowledge and promote private sectors' role and investment in finance mobilization.

6.1. Policy enablers

The CCBC 2012 was the first policy to acknowledge the need to draw the private sector into climate finance in the country. Further, CCP 2019, LAPA 2019, and NDC 2.0, and NAP 2021-2050 all encouraged climate finance mobilization from the private sector through green bonds, blended finance, result-based financing, carbon trading and corporate social responsibility. LAPA 2019 encourages private sector funds and investments available locally to support adaptation plans. NDC 2.0 further aimed to establish a financing and investment framework to streamline climate funds and bridge financing gaps between public and private sectors. Similarly, GRID SAP 2024-2034, highlights the role of policy reforms in creating an enabling environment for private sector investment in green infrastructure and clean energy (see Table 3). Nepal Green Finance Taxonomy 2024 plays a critical role in attracting private sector investments to bridge the financial deficit and Nepal Rastra Bank (NRB)[9] aims to leverage this framework to mobilize private sector investments for sustainable projects. And NDC 3.0 enables private sector investments, public-private partnerships, venture capital, citizen investment funds and carbon tax to generate climate finance domestically. Table 3 outlines the role of the private sector as envisioned under different policies.

Table 3: Role of private sector under different climate policies

Policies	Role of private sectors
Climate Change Budget Code (CCBC) 2012	Contributes to the development of Climate Change Fund, that would garner financial resources, including private investments, to implement climate change related programs and activities.
Climate Change Policy 2019	(e) Mobilization of finance from private sector will be encouraged through Green Bond, Blended Finance, Result-based Financing, Carbon Offset and Corporate Social Responsibilit.(Section 8.12 Climate Finance Management)
NAP 2015-2025	Non-state stakeholders such as academia, development partners and agencies, international and national NGOs, the media, and the private sector also play a crucial role in NAP implementation (Section 9.2. Institutional Arrangements).
LAPA Framework 2019	Encourages private sector funds and investments available locally to support adaptation plans.

[9] The central bank of Nepal is administered by the Nepal government (see https://www.nrb.org.np/)

NDC 2.0	Establishment of a financing and investment framework to streamline climate funds and bridge the financing gaps between public and private sectors.
Green, Resilient, and Inclusive Development (GRID) Strategic Action Plan (SAP) for 2024-2034	Highlights the role of policy reforms in creating an enabling environment for private sector investment in green infrastructure and clean energy.
Nepal Green Finance Taxonomy 2024	NRB aims to expand green financial instruments framework and mobilize private-sector investments for sustainable projects; the taxonomy attracts private sector investments to bridge the financial deficit.
NDC 3.0	Domestic generation of climate finance through private sector investments, public-private partnerships, venture capital, citizen investment funds, and carbon tax.

Simultaneously, private sector investments have also increased in climate, even though isolated (OPM, 2022). With NIMB successfully accredited under GCF, other private entities have begun engaging in climate finance through partnerships, concessional loans, and green bond initiatives, showing a growing private sector momentum towards climate investment (Ghimire, 2025; IFC, 2024, 2025; The Kathmandu Post, 2023). Despite these emerging efforts, multiple barriers have limited effective private-sector engagement in climate finance. Commercial banks and private entities, while increasingly interested, face regulatory ambiguities, lack of incentives, limited technical capacity, and challenges aligning international standards with local contexts. These constraints continue to hinder the potential of private climate finance in Nepal.

6.2. Regulatory and institutional barriers

In addition to perceived financial risks, Nepalese commercial banks exploring green finance face several structural challenges, including weak regulatory frameworks, limited green investment opportunities, inadequate knowledge, experience, and institutional support and lack of leadership commitment (Bhandari et al., 2024). The recently introduced Green Finance Taxonomy 2024 aims to guide green investments by categorizing them into green, amber and red. However, stakeholders find it overly influenced by international standards, which may be unsuitable for Nepal's context. For instance, hydropower projects located in conservation areas are not considered as green investments under international regulations (B1m). Given Nepal's geography and natural diversity, most of the hydropower may be a part of conservation areas, restricting "green investment" accreditation by international donors.

Concerns were also raised regarding the slow implementation of the taxonomy due to unclear categorization and limited acceptance beyond the Nepal Rastra Bank (NRB) and a couple of other Banks. A climate finance focal person of a bank (B2f) emphasized the lack of nomenclatural clarity, i.e., what is considered as green, amber and red categories; and its implementation, given that it is new, will take some time. For this, she stressed on the need of incentives,

"There should be an incentive for people to go from amber to green, such as better interest rates or other economic incentives, *which would not only attract people but also increase competition among banks."*

However, green investments also present an opportunity due to the preference of international donors. A senior relationship manager of a bank (B1m) shared,

"Major donors, particularly from Europe, prioritize green investments. Therefore, it is essential to make our portfolio *green or more environmentally aligned to attract this support. Nepal needs to be prepared for market readiness and capacity development to align with global expectations*."

Flexible regulations are essential for local contextualization, encouraging dialogues between international agencies and national entities. A sustainability officer of a bank sharing a panel at an ICIMOD event[10] emphasized the need for regulators to mandate portfolio allocation to sectors such as energy and sustainability (where private finance institutions are investing) and the adoption of sustainable banking practices. Blended finance models and cost/risk-sharing mechanisms are needed to support investments in underserved areas. Additionally, certification for initiatives like green buildings and climate-smart agriculture is crucial to prevent greenwashing.

6.3. Donor accountability and investment priorities

Despite the increasing recognition of private entities in reducing adaptation finance gap (UNEP, 2023), private sector accountability is still largely shaped by donor expectations rather than community needs. For instance, in reference to an accredited bank for medium-sized funding (i.e., US$ 50 - $250 million), bank personnel (B2f) shared,

"The US$ 50 million (NPR. 6.5 Arba) loan amount is a significant responsibility. The Government will not provide guarantees or assume ownership on our behalf should we fail to repay the amount. Our bank, therefore, is directly accountable to the GCF."

Moreover, private financial institutions continue to favor mitigation over adaptation projects due to higher bankability and financial returns. Though more important for the country, interviewed banks emphasized that adaptation projects can be considered in the future as their initial focus is on mitigation to ensure financial viability and compliance with its responsibilities as an accredited entity. Table 4 maps this preference across sectors highlighting the private bank interests and opportunities.

[10] The authors participated in the event. Read more here - https://clareprogramme.org/update/bridging-gaps-in-climate-change-adaptation/

Table 4: Mitigation and bankable investment priorities of private banks

Sector	Investment Area	Private Sector Interest & Opportunities
Energy	Hydropower	• Previously a priority sector, particularly during load shedding period (2006-2016) • Established infrastructure and government incentives • Alignment with NDC and net-zero transition • Alignment with Green Finance Taxonomy, 2024[11]
	Solar	• Diversified investments in energy mix • Alignment with NDC and net-zero transition • Alignment with Green Finance Taxonomy, 2024[12] • Bankable with cost-saving benefits to customers • Government subsidies for investment • Opportunities for blended finance
Transport	Electric vehicles and charging stations	• More favorable for attracting international climate finance • Alignment with Green Finance Taxonomy, 2024 • Alignment with NDC and net-zero transition • Ensures returns on investment
Housing	Green Homes	• Alignment with NDC and net-zero transition • Diversification of green investments • Untapped growing market for sustainable housing • Financial incentives to attract customers • Growing demand and profitability
Financial	Green bonds	• Exploration of new financial instrument • Commitment to green investments • Adherence to global standards

6.4. Limitations

Besides the policy gaps analyzed earlier, for climate finance to serve its intended purpose, there must be a greater push to direct funds toward adaptation, ensuring that it supports reduction of local climate vulnerabilities and enhances long-term climate resilience. While encouraging Nepalese commercial banks to increase domestic adaptation fund remains an option, limited knowledge and capacity of stakeholders towards green financing is a major hurdle, as mentioned by a senior relationship manager of a bank (B1m):

"Market players like private sectors, banks and other stakeholders are not sufficiently prepared due to a lack of awareness on green finance, due to which agricultural-organic certification or green building certification is not possible in Nepal".

Additionally, private financial institutions are often faced with challenges in meeting donor requirements due to insufficient and timely climate and emissions data. For instance, banks have been unable to provide GCF with a detailed emissions portfolio or future mitigation projections, which could potentially affect future access to international climate funds (B1f). The unavailability of systematic and centralized data might discourage private agencies from getting involved in national climate finance endeavors, thereby managing climate-induced disasters.

[11] based on the following conditionalities: 1) It has to be run-of-the-river plant with no artificial reservoir; 2) Power density of the facility is above 5W/m2. 3) Lifecycle emissions from the facility should be lower than 100gCO2e/kWh.

[12] based on the following conditions: 1) Small, medium, and large-scale, portable solar home systems, mini grids, and other types of standalone systems to power communities; 2) Construction or operation of electricity using solar photovoltaic (PV) technology; 3) Solar plants that consider minimizing losses to ecosystem and biodiversity.

7. Discussions & Conclusion

This study is based on the review of policy documents, interviews with experts and bureaucrats, and an empirical study of two climate finance projects implemented in Dolakha and Sindhuli districts of Nepal by the MoFE. Unpacking the barriers to devolving 80% sharing of climate finance fund to the community as promised by the government, this cross-scale analysis - i.e. Policy at the federal level, climate finance Projects at the province level, and climate finance Practices at the local level - subsequently facilitated us to unveil macro-level challenges that hinder Nepal's smooth functioning of climate finance governance. For this, we analyzed the existing institutional structures and procedures that determine climate finance flow from international to national and local levels. Subsequently, we scrutinized how the Nepal government engaged in climate actions in terms of policy initiatives, planning and institutionalization, and enabling private agencies. Additionally, our in-depth fieldwork in two districts enabled us to unpack the barriers that circumscribe the sharing of 80% benefits to the communities and local governments.

In terms of accessing international climate finance, the following three phenomena are pertinent. First, the lack of a clear definition of "climate finance" created confusion about climate fund management and flow. For instance, some development partners consider loans (with the market rate of interest) as climate funds which the Nepal government disagrees with, and the UNFCCC's definition of climate finance does not explicitly define the "new and additional" funds in the context of adaptation practice. These confusions made the definition vague and politically contested, especially internationally. Second, uncoordinated and lengthy bureaucratic processes among ministries (e.g. between MoFE and MoF) are limiting quick access to international funds and increasing doubt about Nepal's project management capacity and governance at the international forums. Third, the funders' lengthy review, approval and bureaucratic process and the demand for several kinds of new documents limit not only the funds flow but also the expiration of risk contexts that are proposed during project preparation. One of our cases, i.e., BRCRN was affected by of this phenomenon, which was largely implemented in outdated baseline information (in the studied case sites) documented in the Critical Ecosystem Restoration Plan (CERP).

While Nepal's climate policy is progressive and well-intentioned, seeking to address differential impacts and clarify roles across government levels, and its implementation remains a significant challenge (Dhakal & Pradhan, 2023; Gentle & Mainaly, 2024; Mahat et al., 2019). Institutional incapacity, characterized by knowledge gaps, resource constraints, and frequent transfers of key officials, remains a persistent issue. These challenges are further exacerbated by disproportionate concentration of expertise at the federal level, leaving provincial and local governments under-resourced and ill-equipped to deliver climate action effectively (Gentle & Mainaly, 2024; Khatri et al., 2022; Mahat et al., 2019). Moreover, the federal government's centralized approach to accessing and mobilizing climate finance has resulted in duplication of efforts, inefficiencies in resource allocation, and ambiguities in accountability across governance levels. This centralized mindset undermines the decentralization principles embedded in Nepal's climate policies and frameworks.

Although climate change has been integrated into different policies, policy incoherence remains another persistent barrier to effective climate finance delivery. This is reflected in fragmented sectoral implementation and data gaps on climate impacts, poverty and gendered vulnerabilities, and equitable development, complicating decision-making and prioritization of adaptation budgets. Additionally, a lack of clarity on how actions under LAPA align with NAP implementation has led to overlaps, alongside ongoing challenges in coordinating climate adaptation and disaster risk reduction measures.

Centralized control over climate funding by

federal institutions (Dhakal & Pradhan, 2023), coupled with the local government's focus on immediate infrastructural needs such as roads, has created a dichotomy that undermines climate governance. For instance, adaptation projects examined in this study mainly focus on environmental resilience (e.g. plantation, constructing research ponds), often failing to connect directly with local livelihoods (e.g. protecting agricultural land and settlements from floods and landslides, managing flash floods) which has reduced community participation and increased negative connotation about climate finance's potentiality in reducing vulnerabilities (e.g., *"Isn't climate finance also a forest management project?"* – shared by a ward chair in Sindhuli). Climate issues have been deprioritized especially at the provincial and local levels, with limited coherence between development, climate policies, and disaster management. These structural and institutional misalignments not only hinder the efficient use of climate resources but also perpetuate a disconnect between the objectives of climate programs and the needs of local communities, neglecting diverse, i.e. socio-economic and geographical, vulnerabilities (Dhungana et al., 2025).

Vulnerable communities are often treated as passive recipients of benefits, with little knowledge of project budgets, progress, or benefit-sharing mechanisms. Dhungana et al. (2025) and Bishwokarma et al. (2021) also highlighted that vulnerable and marginalized populations often lack meaningful participation in local climate actions. This lack of awareness has created confusion in operationalizing policies and has reduced compliance, further marginalizing local governments in budget allocation and decision-making (Colenbrander et al., 2018; Khatri et al., 2022). Additionally, local governments are considered (or accused of) being weakly capacitated by the provincial and federal governments to manage large budgets or leverage co-financing opportunities. Consequently, this mismatch in authority and capacity has circumscribed the devolution of climate governance envisioned through policies.

Additionally, political instability and frequent transfer of officials and staff at all levels have considerable impact on program implementation and institutionalization of many of the climate initiatives. Lack of financial incentives for those officials involved in projects have further complicated policy implementation and project continuity. Expertise is disproportionately concentrated at the federal level, leaving provincial and local governments under-resourced and ill-equipped (Gentle & Mainaly, 2024; Khatri et al., 2022; Mahat et al., 2019). Despite the formulation of enabling policies and frameworks such as the CCBC 2012 (NPC, 2012) and CCFF 2017 (MoF, 2017), gaps in capacity, knowledge, and practice persist, especially at the local level, limiting the ability to operationalize these policies. Consequently, local governments are marginalized, reducing their role in budget allocation, expenditure, and reporting, while also constraining their ability to access and mobilize climate finance effectively at the local level.

Regarding the sharing of 80% of climate funds to the community, the policy documents i.e. LAPA 2019 and NCCP 2019 are not explicit about what this means and how 80% should be distributed and used. Despite the clarity provided by the MoFE (2021) through the "*Assessment of Climate Financing Allocation: Unpacking Eighty Per Cent Allocation to the Local Level*", federal as well as local government officials have lacked awareness. Moreover, almost all of the respondents from the case sites were unaware of it. Accordingly, the activities and programs of our case projects were not in line with the 80% sharing policies, although the project personnel tried and articulated to justify the 80% rationale implicitly after our interrogation. Although local governments are ostensively authorized, there were no dedicated institutions and guidelines for climate finance use, management and climate adaptation actions. The local governments in our case sites were theoretically aware of designing LAPA, but they were confused about how to do it, relating to climate-induced disasters that they are facing annually and linking it with climate finance actions that the government proposed (i.e. known after our visit). They are not provided with the necessary knowledge and training to

meet the objectives of climate finance policies and disaster management (see also Dhungana et al., 2025). Although prescribed, we argue that the policy articulation of 80% has not been made applicable yet and is not connected with local governments, thereby delinking local adaptation practices.

There is no distinct monitoring, evaluation and reporting process to track the progress and efficacy of the 80% allocations and utilization of climate funds for adaptation (MoFE, 2021). The lack of standard and legal or mandatory measures for accounting and reporting the disbursement of 80% climate financing at the local level has influenced the individual projects' use of their monitoring and reporting mechanisms for their own project areas (MoFE, 2021), which may lead to foster a non-standard climate finance administration practice in the nation. There is no mechanism formed/envisioned at the local level to consult and interrogate about the climate finance disbursement from federal to local, and to materialize and increase local government's access to it. Although provincial budgets have started reporting climate-relevant allocations in the past two fiscal years, local governments have not yet complied. Given their significant role in community-level service delivery and the lack of human resources, the link between the budget code and the 80% climate finance allocation at the local level remains incomplete and underutilized. The 80% rationale, therefore, appears discursive and rhetoric, devised without scrutinizing ground realities, and local capacities (see below), so the hierarchical government did not consider it as responsibility for actualizing climate-resilient society, as envisioned by the climate change policy 2019.

Additionally, the lack of a dedicated institution to oversee climate finance across all governance levels led to pervasive coordination gaps and governance inefficiencies. Stakeholders across federal, provincial, and local levels operate with diverse guidelines, priorities, and modalities, creating barriers to effective implementation, and leaving local governments ill-equipped to manage climate finance due to insufficient technical expertise, financial management capacity, and institutional resources. For instance, in our case studies (1) BRCRN in Sindhuli directly works/collaborates with community forest user groups and wards as an implementing unit, *excluding* municipalities and (2) EbA II project in Dolakha works/collaborates with the Division Forest Office at the province level and municipality at the local level, considering municipality as an implementing unit. However, both DFO and municipality *separately* engage with communities, sometimes duplicating the activities in the community (e.g. sharing saplings in the same community by both DFO and Municipality in Dolakha). In the case of BRCRN, the municipalities were dissatisfied with this governance, arguing that they were bypassed and the local level authority ensured by the constitution of Nepal. Moreover, the selection of sites at the local level was centrally imposed or set conditions/criteria that should be applied by municipalities, resulting in relatively less vulnerable communities being sampled in some cases.

Another barrier at the local and federal level is that there is no mechanism to categorize which disaster is climate-induced and which is not. Although the local government is the one that not only faces disaster first but also attempts to manage and tackle it, there is no or extremely limited database on local hazards and disaster types, climate change impacts, and climate-induced disasters. The lack of a robust database affects the actualization of the Climate Finance Budget Code, and the rationalizing of financial claims related to climate change impacts and L&D.

Moreover, private institutions like commercial banks, which are considered one of the major stakeholders (UNEP, 2024), have also experienced challenges investing in green finance due to the lack of regulatory institutions and framework, delayed bureaucratic process, and the lack of timely data (e.g. CO_2 emission), green investment opportunities, knowledge and experience, strong institutional support and leadership commitments. Given high bankability and financial return, banks prefer investing in mitigation projects such as hydropower, solar energy, electric vehicles, and investment in green homes and bonds. Policy and institutions support and encourage

them towards adaptation initiatives facilitate addressing local vulnerabilities and national climate resilience endeavors as envisioned by the policies.

Finally, although the community-level (i.e. micro) challenges to distributing climate funds are triggered by several barriers related to policy entanglements, weak coordination at scales, and incomplete sharing of resources and technologies, accessing international climate funds and sharing them at the sub-national level, in Nepalese context, is equally hindered by status-quo (e.g. power capture) rooted in the federal ministries and sectors (i.e. macro). The barriers to localizing climate finance therefore are the reflections of disconnected policy designing, project implementation, and silo sectoral administration. Additionally, political commitment is crucial to facilitate sectoral coordination and sharing of resources (finance and knowledge) with the sub-national governments, as capacity building and technical assistance are enablers, the political barriers to addressing climate impacts are considered major challenges in African countries (Pillay et al., 2025). Indeed, tackling climate change impacts through adaptation and mitigation demands holistic thinking that pragmatically and dialectically should internalize multisectoral and multidisciplinary aspects. Thus, increasing pragmatic coordination between sectoral ministries in terms of policy and project designing and resource sharing with the sub-national governments would not only help materialize benefits sharing but also capacitate federal actors to access more international funds and implement climate finance governance at scale.

Acknowledgment

We highly appreciate the people of Dolakha and Sindhuli, specially the respondents, including local authorities, who dedicated their time and engaged with us throughout the research period. We also express our sincere thanks to the relevant federal government authorities for sharing their perspectives during our consultations. We gratefully acknowledge funding from the International Development Research Centre (IDRC), Canada, under Project Component Number 109774-001: *Co-Producing a Shock-Resilient Ecosystem for Women-Engaged Enterprises in Nepal (CREW).*

References

Adhikari, S. (2018). Drought Impact and Adaptation Strategies in the Mid-Hill Farming System of Western Nepal. *Environments*, *5*(9), 101. https://www.mdpi.com/2076-3298/5/9/101

ADPC. (2023). *Accessing Climate Finance in Nepal: Issues and Option.* A. D. P. Center. https://reliefweb.int/report/nepal/accessing-climate-finance-nepal-issues-and-options

AF. (n.d.-a). *AF | International Centre for Integrated Mountain Development (ICIMOD)*. Adaptation Fund. Retrieved 27 June from https://www.adaptation-fund.org/imp_entity/international-center-for-integrated-mountaindevelopment-icimod/

AF. (n.d.-b). *Improving food system resilience of vulnerable communities in Nepal through community-based adaptation*. Adaptation Fund. Retrieved 27 June from

Bhandari, M., Tiwari, G., Dhakal, M., & GC, S. B. (2024). Green finance practices by Nepalese commercial banks: Fostering sustainable development in Nepal. *International Journal of Sustainable Development and Planning*, *19*(5), 1989. https://doi.org/https://doi.org/10.18280/ijsdp.190538

Bishwokarma, D., Sherchan, P., & Singh, P. M. (2021). *Localizing Climate Actions in Nepal: The Role of Local Governments in Implementing National Climate Change Policy and Nationally Determined Contribution*. P. R. Centre. https://www.preventionweb.net/publication/localizing-climate-actions-nepal-role-local-governments-implementing-national-climate

Chaudhury, A. (2020). Role of intermediaries in shaping climate finance in developing countries-lessons from the green climate fund. *Sustainability (Switzerland)*, *12*(12). https://doi.org/10.3390/SU12145507

Colenbrander, S., Dodman, D., & Mitlin, D. (2018). Using climate finance to advance climate justice: The politics and practice of channelling resources to the local level. *Climate Policy*, *18*(7), 902-915. https://doi.org/10.1080/14693062.2017.1388212

Dhakal, S., & Pradhan, M. (2023). Identification and prioritization of barriers to access international climate finance for Nepal. *Asia-Pacific Sustainable Development Journal*, *30*(1), 121-148. https://doi.org/https://doi.org/10.18356/26178419-30-1-7

Dhungana, N., Upadhaya, S., Bishwakarma, M. B., Khadka, C., Bhattarai, H. K., & Lee, C.-H. (2025). Building resilience in communities through integrating climate change adaptation and disaster risk reduction policies in Nepal. *Land Use Policy*, *150*, 107471. https://doi.org/https://doi.org/10.1016/j.landusepol.2025.107471

Dixit, A., Subedi, Y., Aryal, N., Wenju, R., & Shrestha, A. (2016). *Climate Finance: Fund Flow from National to Sub-National Level in Nepal*. Nepal. Institute for Social and Environmental Transition (ISET) - Nepal

Eriksen, S., Schipper, E. L. F., Scoville-Simonds, M., Vincent, K., Adam, H. N., Brooks, N., Harding, B., Khatri, D., Lenaerts, L., Liverman, D., Mills-Novoa, M., Mosberg, M., Movik, S., Muok, B., Nightingale, A., Ojha, H., Sygna, L., Taylor, M., Vogel, C., & West, J. J. (2021). Adaptation interventions and their effect on vulnerability in developing countries: Help, hindrance or irrelevance? *World Development*, *141*. https://doi.org/10.1016/j.worlddev.2020.105383

Garschagen, M., & Doshi, D. (2022). Does funds-based adaptation finance reach the most vulnerable countries? *Global Environmental Change*, *73*, 102450. https://doi.org/https://doi.org/10.1016/j.gloenvcha.2021.102450

GCF. (n.d.). *Green Climate Fund | Nepal*. https://www.greenclimate.fund/countries/nepal

GEF. (n.d.-a). *GEF | Nepal*. Global Environmental Facility. Retrieved 27 June from https://www.thegef.org/projects-operations/country-profiles/nepal

GEF. (n.d.-b). *Least Developed Country Fund*. Global Environment Facility. Retrieved 25 February from https://www.thegef.org/what-we-do/topics/least-developed-countries-fund-ldcf

GEF. (n.d.-c). *The Special Climate Change Fund*. Retrieved 25 February from https://www.thegef.org/what-we-do/topics/special-climate-change-fund-sccf

Gentle, P., & Mainaly, J. (2024). Commitment, actions, and challenges on locally led climate change adaptation in Nepal. *Climate Risk Management*, *46*, 100650. https://doi.org/https://doi.org/10.1016/j.crm.2024.100650

Ghimire, R., & Chhetri, N. (2022). Challenges and prospects of Local Adaptation Plans of Action (LAPA) initiative in Nepal as everyday adaptation. *Ecology and Society, Published online: 2022-12-26 | doi:10.5751/ES-13630-270428*, *27*(4). https://doi.org/10.5751/ES-13630-270428

Gifford, L., & Sauls, L. A. (2024). Defining Climate Finance Justice: Critical Geographies of Justice Amid Financialized Climate Action. *Geography Compass*, *18*(11), e70008. https://doi.org/https://doi.org/10.1111/gec3.70008

GoN. (2011). *National Framework on Local Adaptation Plans for Action* https://climate.mohp.gov.np/downloads/National_Framework_Local_Adaptation_Plan.pdf

Climate Change Policy, (2011 (BS2067)). https://faolex.fao.org/docs/pdf/nep143050.pdf

GoN. (2019). The Environment Protection Act. In.

GoN. (2020). *Second Nationally Determined Contribution (NDC)*.

GoN. (2021a). *National Adaptation Plan (NAP) 2021-2050*. G. o. N. Ministry of Forest and Environment. https://unfccc.int/documents/307952

GoN. (2021b). *Nepal's Long-term Strategy for Net-zero Emissions*.

GoN. (2023). *Nepal's Green, Resilient and Inclusive Development*

Strategic Action Plan 2024-2034. G. o. Nepal.

GoN. (2025). *Nationally Determined Contribution (NDC) 3.0* G. o. Nepal.

Havukainen, M., Mikkilä, M., & Kahiluoto, H. (2022). Climate Policy Reform in Nepal through the Lenses of the Institutional Analysis and Development Framework. *Sustainability*, *14*(12).

Hussain, A., Rasul, G., Mahapatra, B., & Tuladhar, S. (2016). Household food security in the face of climate change in the Hindu-Kush Himalayan region. *Food Security*, *8*(5), 921-937. https://doi.org/10.1007/s12571-016-0607-5

Khatri, D., Marquardt, K., Fischer, H., Khatri, S., Singh, D., & Poudel, D. P. (2023). Why is farming important for rural livelihood security in the global south? COVID-19 and changing rural livelihoods in Nepal's mid-hills [Original Research]. *Frontiers in Human Dynamics*, *Volume 5 - 2023*. https://doi.org/10.3389/fhumd.2023.1143700

Khatri, D. B., Nightingale, A. J., Ojha, H., Maskey, G., & Lama 'Tsumpa', P. N. (2022). Multi-scale politics in climate change: the mismatch of authority and capability in federalizing Nepal. *Climate Policy*, *22*(8), 1084-1096. https://doi.org/10.1080/14693062.2022.2090891

LIBIRD. (2023). *LI-BIRD's Statement on the Adaptation Fund's Environmental and Social, and Gender Policies*. Local Initiatives for Biodiversity, Research, and Development. Retrieved 27 June from https://libird.org/about-us/statement-on-the-adaptation-funds-environmental-and-social-and-gender-policies/#:~:text=The%20Adaptation%20Fund%20(AF)%20recognizes,avoid%20degradation%20of%20productive%20land.

Mahat, T. J., Bláha, L., Uprety, B., & Bittner, M. (2019). Climate finance and green growth: reconsidering climate-related institutions, investments, and priorities in Nepal. *Environmental Sciences Europe*, *31*(1), 46. https://doi.org/10.1186/s12302-019-0222-0

Mitchell, I., Ritchie, E., & Tahmasebi, A. (2021). *Is Climate Finance Towards $100 Billion "New and Additional"?* https://www.cgdev.org/publication/climate-finance-towards-100-billion-new-and-additional

MoE. (2010). *National Adaptation Programme of Action to Climate Change*.

MoF. (2017). *Climate Change Financing Framework: A roadmap to systematically strengthen climate change mainstreaming into planning and budgeting*. G. o. Nepal.

MoFE. (2021). *Assessment of Climate Financing Allocation: Unpacking Eighty Per Cent Allocation to the Local Level*.

MoFE. (2076 [2019 AD]). *Local Adaptation Plan of Action*. https://www.mofe.gov.np/uploads/documents/lapa-frameworknep1589084739pdf-0650-186-1658812623.pdf

Nagoda, S., & Nightingale, A. J. (2017). Participation and Power in Climate Change Adaptation Policies: Vulnerability in Food Security Programs in Nepal. *World Development*, *100*, 85-93. https://doi.org/10.1016/j.worlddev.2017.07.022

NCCP. (2076 [2019 AD]). *National Climate Change Policy*. Kathmandu: Ministry of Law, Justice and Parlimentary Affairs, Government of Nepal

Nepal, P., Paudel, B., Zhang, Y., Khanal, N. R., Liu, L., Wang, Z., Rai, M. K., & Sigdel, S. R. (2024). Integration of climate change adaptation into agricultural policies in Nepal: A diagnostic assessment. *Environmental Development*, *52*, 101085. https://doi.org/https://doi.org/10.1016/j.envdev.2024.101085

Nightingale, A. (2009). A guide to systematic literature reviews. *Surgery - Oxford International Edition*, *27*(9), 381-384. https://doi.org/10.1016/j.mpsur.2009.07.005

NPC. (2012). *Climate Change Budget Code, Documenting the National Process of Arriving at Multi-sectoral Consensus, Criteria and Method*. N. P. C. w. s. f. U. U. C. Government of Nepal.

NRB. (2024). *Nepal Green Finance Taxonomy*. G. o. N. Nepal Rastra Bank.

NTNC. (2024). *Adaptation Fund accreditation for NTNC at COP29*. National Trust for Nature Conservation. Retrieved 27 June from https://www.ntnc.org.np/news/adaptation-fund-accreditation-ntnc-cop29

OECD. (n.d.). *Development Finance for Climate and Environment*. OECD. http://www.oecd.org/dac/financing-sustainable-developm ent/development-finance-topics/climate-change.htm

OPM. (2022). *Capitalising Green Finance for Nepal*. O. P. M. Limited. https://www.opml.co.uk/files/Publications/a1594-strengthening-the-disaster-risk-response-in-nepal/capitalising-green-finance-report.pdf?noredirect=1

Paudel, B., Wang, Z., Zhang, Y., Rai, M. K., & Paul, P. K. (2021). Climate Change and Its Impacts on Farmer's Livelihood in Different Physiographic Regions of the Trans-Boundary Koshi River Basin, Central Himalayas. *Int J Environ Res Public Health*, *18*(13). https://doi.org/10.3390/ijerph18137142

Pillay, K., Mohanlal, S., Dobson, B., & Adhikari, B. (2025). Evaluating institutional climate finance barriers in selected SADC countries. *Climate Risk Management*, *47*, 100694. https://doi.org/https://doi.org/10.1016/j.crm.2025.100694

Pokharel, K., Devkota, K., Fischer, H., Khatri, D., & Maskey, G. (2023). Implications of decentralisation for disaster governance in Nepal's federalism: Case study of COVID-19 response of four selected local governments. *New Angle: Nepal journal of social science and public policy*, *8*(1), 45-64. https://doi.org/10.53037/na.v8i1.70

Poudel, D. P., & Pelling, M. (2024). Engineered Disasters – The amplified September 2024 catastrophe in the Nepal Himalaya. *Nepal Press*. https://english.nepalpress.com/2024/10/30/engineered-disasters-the-amplified-september-2024-catastrophe-in-the-nepal-himalaya/

Rai, S., Chhetri, R. P., & Dhital, B. (2020). *Climate adaptation finance study report Nepal*. C. N. SAMARTHYA: Promoting Inclusive Governance and Resilience for the Right to Food. https://careclimatechange.org/wp-content/uploads/2021/01/Nepal-Climate-Adaptation-Finance-Tracking.pdf

Rawal, S. B. (2024). Climate Change Finance in Nepal: A Review from Policy Framework and Practice. *Journal of Sustainability and Environmental Management*, *3*(2), 121-128. https://doi.org/https://doi.org/10.3126/josem.v3i2.71921

Rijal, S., Gentle, P., Khanal, U., Wilson, C., & Rimal, B. (2022). A systematic review of Nepalese farmers' climate change adaptation strategies. *Climate Policy*, *22*(1), 132-146. https://doi.org/10.1080/14693062.2021.1977600

Rother, E. T. (2007). Systemic Literature Review X Narrative Review. *Acta Paulista de Enfermagem*, *20*(v-vi).

https://acta-ape.org/en/article/systematic-literature-review-x-narrative-review/

SIAS. (2025). *Workshop on 'Opportunities and Challenges of Climate Finance for Inclusive and Resilient Development in Nepal'*. https://sias-southasia.org/barriers-to-localizing-climate-finance-in-nepal/

UNEP. (2023). *Adaptation Gap Report 2023: Underfinanced. Underprepared. Inadequate investment and planning on climate adaptation leaves world exposed*.

UNEP. (2024). *Adaptation Gap Report 2024: Come hell and high water - As fires and floods hit the poor hardest, it is time for the world to step up adaptation actions* (U. N. E. Programme, Ed.). United Nations Environment Programme. https://doi.org/10.59117/20.500.11822/46497

UNFCCC. (n.d.-a). *Adaptation Fund*. United Nations Framework for Convention on Climate Change. Retrieved 25 February from https://unfccc.int/Adaptation-Fund

UNFCCC. (n.d.-b). *Introduction to Climate Finance*. United Nations Framework Convention on Climate Change. Retrieved November 29 from

Upadhyay, B., & Bastola, A. (2024). Breaking the silence: the complex nexus of gender and climate change in Nepal. *Environmental Research: Climate*, *3*(025004). https://doi.org/ https://doi.org/10.1088/2752-5295/ad2eb1

Watson, C., Schalatek, L., & Evequoz, A. (2022). *The Global Climate Finance Architecture*. https://climatefundsupdate.org/wp-content/uploads/2022/03/CFF2-Global-CF-Architecture_ENG-2021.pdf

Annex I: Climate finance projects in Nepal

SN	Project Name	Project period	Province	Districts	Sectoral Ministry and Department	Funding Institutions	Implementing Agency	Type of Funding
1.	Nepal Climate Change Support Programme Phase I (NCCSP-I)	2013 -2019	Karnali, Lumbini, and Sudurpaschim	Accham, Bajura, Bardia, Dailekh, Dang, Humla, Jajarkot, Jumla, Kailali, Kalikot, Mugu, Rolpa, and Rukum	MoFE & MoFAGA	DFID	United Nations Development Programme (UNDP)	Bilateral
2.	Nepal Climate Change Support Programme Phase – 2 (NCCSP-2)	2019 – 2023			MoFE	DFID	Mott MacDonald (Technical Assistance)	Bilateral
3.	Adapting to climate induced threats to food production and food security in the Karnali Region of Nepal	2015 - 2018	Karnali	Jumla, Kalikot, and Mugu	MoEST & MoFALD	Adaptation Fund (AF)	UN World Food Programme (UN WFP)	Multilateral
4.	Ecosystem based Adaptation II (EbA II)	2019 - 2022	Bagmati, Karnali and Sudurpaschim	Accham, Dolakha, and Salyan.	MoFE; MoALD	LDCF (GEF)	United Nations Environment Programme (UNEP)	Multilateral

5.	Tayar Nepal	2019 - 2024	Bagmati, Gandaki, Karnali, Koshi, Lumbini, Madhesh, Sudurpaschim	Bardia, Bhaktapur, Dadheldhura, Dailekh, Dang, Dhading, Dhankuta, Dhanusha, Dolakha, Doti, Gorkha, Ilam, Jhapa, Jumla, Kailali, Kanchanpur, Kapilbastu, Kaski, Kathmandu, Kavrepalanchowk, Lamjung, Mahottari, Makwanpur, Morang, Mustang, Myagdi, Nawalparasi (W), Parbat, Ramechhap, Rautahat, Rupandehi, Sarlahi, Sindhupalchowk, Sunsari, Taplejung, and Udaypur.	MoHA, NDRRMA, MoFAGA	USAID	DAI Global	Bilateral
6.	Developing Climate Resilient Livelihoods in the Vulnerable Watershed in Nepal	2020 - 2024	Koshi	Khotang, and Okhaldhunga	MoFE and Department of Forests and Soil Conservation	LDCF (GEF)	UNDP	Multilateral
7.	Building a Resilient Churia Region Nepal (BRCRN)	2020 - 2026	Bagmati, Koshi, Madhesh	Dhanusha, Ilam, Jhapa, Mahottari, Morang, Saptari, Sarlahi, Sindhuli, Siraha, Udayapur, and Sunsari.	MoFE	GCF	Food and Agriculture Organization (FAO)	Multilateral
8.	Improving Climate Resilience of Vulnerable Communities and Ecosystems in the Gandaki River Basin, Nepal	2021 - 2028	Bagmati, Gandaki, and Lumbini.	Arghakhanchi, Baglung, Chitwan, Dhadhing, Gorkha, Gulmi, Kaski, Lamjung, Makwanpur, Manang, Mustang, Myagdi, Nawalparasi, Palpa, Parbat, Syangja, and Tanahun.	MoFE and Department of Forests and Soil Conservation	Green Climate Fund (GCF)	International Union for Conservation of Nature (IUCN)	Multilateral
9.	Managing Watersheds for Enhanced Resilience of Communities to Climate Change in Nepal (MaWRiN)	2024 - 2030	Bagmati	Sindhuli	MoFE	LDCF (GEF)	World Wildlife Fund (WWF)	Multilateral

Annex II: Overview of climate finance policy landscape in Nepal

This section presents the climate finance policy landscape in Nepal, highlighting how different policies at different periods have been prepared and revised, the stakeholder and institutional arrangements provisioned, climate funds flow and gaps, private sector's roles, and challenges associated with institutional capacity gaps and policy harmonization discussed in policies.

1. Evolution of climate policies

There has been a progressive policy environment on climate change and climate finance management in Nepal, aligning with the international commitments made by the government.

The National Adaptation Plan of Action (NAPA) 2010 was the first national policy exclusively on climate change following Decision 28/CP.7[9] in Marrakesh, 2001**.** Given the significant political disturbances in the country for most of the decade, NAPA formulation for Nepal was thus delayed and developed in 2010. The key objective of the policy was to mainstream climate change adaptation into the national development agenda, while evaluating and prioritizing climate change vulnerabilities, and identifying appropriate adaptation measures (MoE, 2010). Though the policy made no specific mention of climate finance *per se,* it expected "to draw on financial resources for implementation from various global, multilateral and bilateral sources" (MoE, 2010, p.06). Further, NAPA 2010 also set the tone for future climate policies by establishing the policy principle of allocating 80% of climate finance to the local level[10] which has remained a key marker in Nepal's climate finance commitments. However, its practical implementation has been inconsistent and remains a subject of concern.

Following NAPA 2010, **Nepal Climate Change Policy (NCCP) 2011** was enacted to provide a broader policy framework and institutional grounding for adaptation, including NAPA priorities, as well as mitigation. The policy emphasized climate justice, environmental conservation, and sustainable human development, aiming to prevent and reduce the adverse impacts of climate change. Building on NAPA 2010, the policy provisioned for the creation of a Climate Change Fund to streamline financial sources from the Government, bilateral and multilateral agencies, national and foreign entities, and funds established under UNFCCC. It further stated that 80% of the total budget from the Fund would be directly channeled for programme implementation at the community level (GoN, 2011 (BS2067)).

Taking a bottom-up approach, the **Local Adaptation Plan of Action 2011** was also introduced in the same year to implement NAPA priorities with the aim of raising awareness among local communities, conduct vulnerability and adaptation assessments, prioritize adaptation options, and formulate effective plans. The framework was considered as a pioneering approach (Chaudhury et al., 2014; Peniston, 2013) and provided further clarity on the 80% allocation by stating it to be project/programme based.

However, despite attempted alignments the challenges of translating national climate policies into local actions, ensuring systematic integration into local development planning and budgeting, and strengthening institutional capacity to deliver climate adaptation finance effectively (CPEIR, 2011) persisted. Subsequently, the government introduced **Climate Change Budget Code (CCBC) 2012** as a crucial policy mechanism to track climate finance at the national and sub-national levels. Initiated by the Ministry of Finance and the National Planning Commission, this was an innovative approach which recommended the creation of a viable method for monitoring climate-related expenditure within the public finance management system.

Post federalism, Nepal revised and re-drafted the existing policies to align with the new governance structure, reorganizing the roles and responsibilities of climate action among

the federal, provincial and local governments, and addressing the previously identified gaps in implementation.

The **Climate Change Financing Framework (CCFF) 2017** was the first such post-federal policy built on CCBC. The policy aimed to integrate climate change priorities into the national planning and budgeting processes and aimed to enhance the government's ability to mobilize, manage, and target climate finance by implementing a structured set of policy and institutional reforms focused on budget systems. In addition to providing combined guidelines for budget allocation and expenditure tracking across federal, provincial, and local levels, it provides steps to integrate climate finance into Public Financial Management (PFM) systems for effective financing.

The **Environmental Protection Act (EPA) 2019** replaced the Environmental Protection Act 1997, another important legal mechanism which has formed the basis for climate action. The legislative framework is designed to protect the environment and address climate change through a multi-tiered governance structure. The Act addresses various provisions related to climate change, covering areas such as greenhouse gas emission standards, promoting low-carbon technologies, and designating emission control zones. The Act also enables carbon trading and the establishment of an Environmental Protection Fund to mobilize and manage climate finance for conservation, pollution control, and community resilience, particularly in climate vulnerable regions.

Similarly, the **Climate Change Policy (CCP) 2019** and **LAPA 2019,** both replaced their earlier versions, i.e., NCCP 2011 and LAPA 2011. The CCP 2019 aims to contribute to the socioeconomic prosperity of the country by building a climate resilient society. It emphasizes enhancing the adaptive capacity of vulnerable populations, strengthening ecosystem resilience, promoting green economy, mobilizing financial resources, fostering research, mainstreaming climate change considerations into policies, plans, and programs across all sectors and governance levels. Additionally, the policy underscores the importance of gender equality and social inclusion in both mitigation and adaptation efforts.

Regarding climate finance, the policy consolidates relevant provisions from earlier frameworks while introducing some new mechanisms. Alongside international funding sources, such as REDD+, the Green Climate Fund, Global Environment Facility, the Adaptation Fund, the Climate Investment Fund, and carbon trading, the policy encourages the engagement of private actors through instruments like green bonds, blended finance, results-based financing, carbon offsets and corporate social responsibility. Importantly, the policy reaffirmed the 80% allocation provision as well as the institutionalization of climate change budgeting across all sectoral plans and tiers of the government to revise and embed the Climate Change Budget Code. Additionally, the policy introduces the provision to ensure dedicated budget allocations for women, marginalized and disadvantaged groups, climate-affected regions, and vulnerable communities.

LAPA 2019, on the other hand, devolves authority to the local governments for managing the impacts of climate change and disasters in their jurisdiction and to support the identification and implementation of long-term adaptation and development plans. Adopting a polycentric approach, it places local governments at the center of the planning and decision-making processes. It emphasizes the need for local governments, organizations, communities, groups, user committees and the private sector to identify available resources, capacities, technologies, and budgets for climate action. LAPA 2019 also encourages local governments to allocate a portion of their internal revenue to climate change adaptation and risk reduction, enabling them to prioritize actions based on their specific local needs and vulnerabilities. The plan underscores the importance of resource mobilization guided by local economic conditions, internal income, and directives from the federal and provincial governments prioritizing the most climate vulnerable communities.

Further, Nepal submitted its **Second Nationally Determined Contribution (NDC) 2020** to

UNFCCC, outlining the country's commitment to climate action for the period 2021-2030 under the Paris Agreement 2015. It emphasized both mitigation and adaptation strategies, with a long-term vision to achieve net-zero greenhouse gas emissions by 2050[11] through a low-carbon development pathway. To operationalize these commitments, Nepal aimed to develop a Climate Finance Strategy and strengthen national capacity for climate finance management by 2022. Among the key objectives was to establish a financing and investment framework that not only streamlined access to climate funds but also bridged financing gaps between the public and private sectors. The framework intended to ensure efficient, evidence-based allocation of resources in alignment with national priorities, and differentiating between various sources of finance for adaptation, mitigation and Loss and Damage to strengthen the overall climate finance architecture.

Further, considering the conundrum of managing alarming climate change induced disasters, the government of Nepal clarified the total financial needs, temporality of risk management, thematic focus, and governance mechanism through the **National Adaptation Plan (2021-2050),** which builds on NAPA 2010, and takes a more strategic approach towards addressing the short term (until 2025), medium term (until 2030), and long term (until 2050) impacts. For climate finance management, the Plan priorities implementing the Climate Resilient Planning and Budgeting Guidelines 2020 by 2030, formulating the adaptation components of the Climate Finance Strategy, and enhancing national capacity for climate finance management.

Further, **Nepal's Long-term Strategy for Net-Zero Emissions 2021** outlines the country's commitment to achieving net-zero greenhouse gas emissions by 2045 and underscores the urgent need to mobilize climate finance at scale, leveraging both domestic and international funding sources.

Aligning with Nepal's national and sectoral development plans, such as NDC and NAP, **Green, Resilient, and Inclusive Development (GRID) Strategic Action Plan (SAP) 2024-2034** integrates sustainability into public and private sector-led development, emphasizing resilience to natural and economic shocks while ensuring that growth is inclusive and equitable. The GRID approach, initially introduced in 2021, is designed to integrate climate resilience into national policies, infrastructure and economic systems to align financial resources with Nepal's long-term sustainability goals while ensuring inclusive and equitable access to climate finance.

Introduced by Nepal Rastra Bank (NRB) **Nepal Green Finance Taxonomy 2024** is another important policy document to facilitate private banks and other financial institutions in transitioning to the green economy, Nepal Rastra Bank (NRB) implemented a suggestive policy document called. It provides a structured framework for classifying economic activities based on their environmental sustainability and aims to guide financial institutions, investors, and regulators in identifying and promoting investments that contribute to environmental objectives. The taxonomy categorizes investments into three groups – green, amber, and red – to standardize green investments across the financial sectors.

Lastly, Nepal's **Third Nationally Determined Contribution or NDC 3.0 (2025)**, is the latest climate change policy document endorsed in the recent *Sagarmatha Sambaad* or Everest Dialogue held in Kathmandu during 16-18 May, 2025. The NDC 3.0, reinforces its commitment to low-carbon, climate-resilient development and sets more ambitious and integrated targets across mitigation, adaptation, and cross-cutting sectors such as gender, governance and finance. The NDC 3.0 emphasizes the need for enhanced climate finance, particularly international support for meeting sectoral targets in energy, agriculture, forestry, and waste. It also stresses the importance of mainstreaming climate action across Nepal's federal structure and prioritizes capacity building, institutional coordination, and transparent monitoring systems. Further, it highlights that timely and predictable financing remains a key enabler and identifies access to concessional finance, grants, and private sector mobilization as critical to implementation.

2. Stakeholder landscape/ institutional arrangements for policy implementation

The policies outlined above have set the stakeholder landscape and institutional mechanisms for the implementation of climate action and financing. With the MoFE playing a central role in overall policy coordination and guidance, CCP 2019, NAP 2015-2025, EPA 2019, and LAPA 2019, for instance, are some policies setting institutional mechanisms, clarifying roles across the three levels of government, establishing climate funds, and creating various committees for monitoring and implementation. CCP 2019 (Section 9) lists out the **Institutional Framework** for policy implementation that states the policy is to be implemented by integrating it into the plan and programs of the concerned line ministries of the Federal, provincial and local levels, including inter-thematic policies. Additionally, CCFF 2017, EPA 2019, Nepal's NDC 3.0 and Green Finance Taxonomy, NAP 2021-2050, and GRID are also oriented outwards, inviting international donors and organizations towards implementing the aforementioned plans and policies.

Institutional mechanisms for climate governance across scales

Nepal's climate governance framework, as outlined in the Nepal's SDGs, CCFF 2017, EPA 2019, CCP 2019, LAPA 2019, NAP 2021-2050, and NDC 3.0, all encourage coordination and coherence across all governance levels. These frameworks, plans, and policies collectively emphasize multilevel coordination, resource mobilization, capacity building, implementation, and monitoring to ensure policy coherence across governance levels. The CCFF 2017 integrates climate finance into national and sub-national budgeting, while the EPA 2019 and CCP 2019 establish legal and institutional mandates for climate governance. The LAPA 2019 and NAP 2021-2050 further decentralize climate adaptation efforts, ensuring that local, provincial, and national priorities align with NDC and SDG commitments. Additionally, to streamline climate governance, resource allocation, and implementation, these policies provision for inter-ministerial and inter-sectoral coordination under the guidance of MoFE and MoF, emphasizing collaboration among federal, provincial and local governments, thereby facilitating an integrated approach to climate resilience and sustainable development.

Federal Level

The Federal level is provisioned and authorized for accessing and mobilizing climate finance resources through bilateral and multilateral international financial mechanisms like REDD+, UNFCCC's climate funds, Climate Investment Fund, Carbon Trade, etc. (refer to Section 8.12 Climate Finance Management, Section 10 of CCP 2019)**.** In this regard, EPA 2019 has outlined the federal government's exclusive role in formulating policies, strategies, and action plans in mitigating adverse impacts of climate change, and international engagement in carbon trading. CCP 2019 has envisioned a **Council** at the national level for policy coordination on climate change and mentions that MoFE shall make the functional coordination. In NAP 2015-2025, MoFE has been listed as a focal institution for implementing NAP along with Environment Protection and Climate Change Management National Council (EPCCMNC), Inter ministerial climate change coordination committee (IMCCCC), MoFE, NPC, thematic and crosscutting working groups, Provincial climate change coordination committees, sectoral and provincial ministries, and local climate change management committees. To collaborate with sectoral ministries at all three levels, MoFE works through the 'Climate Change Management Division (CCMD)'.

Further, though EPA 2019 does not spell out climate finance, however, it mandates an '**Environmental Protection Fund'** for environment and climate management. The finances for this can be obtained from national, provincial or local government, a native person or organization, and/or any foreign government or international organization with approval of the Ministry of Finance and an audit by the Auditor General.

Provincial Level

The **provincial governments** are responsible for implementing federal environment and climate policies within their jurisdictions (EPA 2019). CCP 2019 envisions the **thematic ministry** at the provincial level to coordinate the actions related to climate change. It has also provisioned a **Climate Change Section, Unit or Focal point** in the concerned thematic ministries of the province.

Local level

Given the federalized structure, l**ocal governments** are authorized to formulate and implement adaptation plans to mitigate and adapt to adverse climate impacts at the local level and can formulate and implement adaptation plans to address climate change impacts specific to their areas. These have been particularly emphasized in EPA 2019, CCP 2019, and LAPA 2019. The CCP 2019 has provisioned for the establishment of a **Climate Change Section, Unit or Focal point** at the local level. Similarly, though LAPA 2019 delineates the role of federal, provincial and local governments towards formulation, implementation and monitoring of integrated development and adaptation plans, it also underscores the central role of local governments. Under LAPA 2019, the local governments are responsible for formulating and implementing integrated development and adaptation plans that pertain to their context-specific priorities and vulnerabilities.

Specific institutions provisioned for climate research/data

Acknowledging climate related research and data needs, CCP 2019 envisions a **Climate Change Research Center** to facilitate research, technology development and expansion relating to climate change mitigation and adaptation. Section 8.11 of the policy on Research, Technology Development and Expansion, highlights, *'Research on economic and non-economic loss or damage caused by climate change to various geographical and thematic areas will be conducted and national data thereof will be updated on a regular basis.'* Further, NAP 2015-2025 mentions that MoFE will create a **Climate Change Data Management, Monitoring, and Reporting Centre** (CCDMMRC) at the federal level to oversee the NAP process. This centre, guided by various committees such as NPC, EPCCMNC, IMCCC, Provincial Environmental Protection and Climate Change Management Council (PEPCCMC), Provincial Climate Change Coordination Committee (PCCCC), and District Climate Change Coordination Committee (DCCCC), collects and compiles data from sectoral ministries, governmental agencies, development partners, NGOs, and private sector entities. For data sharing and reporting, the centre also envisions developing a dedicated system, including an online portal.

LAPA 2019 highlights the need for research on climate change impacts, focusing on vulnerable households and communities. It emphasizes understanding why certain groups are more vulnerable to climate change impacts and examining the effects on different geographical regions, such as watersheds, arid areas, river systems, and topography, as well as on livelihoods and environmental systems. This information would be used to identify vulnerable populations, communities, livelihoods, and ecosystems, forming the basis for developing adaptation strategies and disaster risk reduction and management plans. Additionally, risk profiles will be created at the municipal, community, household, and geographical levels, with periodic updates. Similarly, under adaptation priorities of NDC 3.0, it mentions conducting vulnerability and risk assessments by 2030 in all administrative, physiographic and ecological regions, integrating differential vulnerability of climate vulnerable people and communities. It further targets the completion of one national and three provincial vulnerability and adaptation assessments by 2030, increasing to two national and seven provincial level assessments by 2035.

3. Climate finance challenges

The above policies have identified several challenges mainly related to the institutional capacity and policy harmonization, which are discussed below.

Institutional capacity related challenge

The institutional capacity and capacity gaps have been consistently highlighted across various policy documents, including the CCP 2019, LAPA 2019, Nepal's Second NDC, CCFF 2017 and CCBC 2012. According to CCP 2019, section 8.10 on Awareness Raising and Capacity Development, emphasizes the need to enhance capacity by identifying national implementing agencies for easier and direct access to international climate finance. However, there remains a significant institutional capacity gap in implementing and managing climate adaptation at the local level. LAPA 2019 acknowledges the limitations of its previous implementation, recognizing that addressing climate change as a key development challenge requires substantial efforts for prioritization and mainstreaming at the local level. This gap has made it difficult to ensure the active participation, investment, and capacity of local governments in climate adaptation and disaster risk reduction programs. Additionally, the LAPA 2019 revision highlights challenges in institutionalizing the benefits and lessons learned from various projects. Similarly, to effectively utilize relevant new and emerging technologies, NDC 3.0 calls for strengthening the technical capacity of climate and disaster risk reduction relevant government and non-government, and private sector institutions as well as of local communities. Furthermore, the document stresses the need for developing robust systems for data management, reporting, and evaluation of NDC progress, along with fostering better collaboration among ministries, local governments, and stakeholders to streamline efforts and share best practices. Despite these recognized needs, institutional capacity remains a key barrier to the effective implementation of climate adaptation and resilience measures in Nepal.

CCFF 2017 has identified five key risks, one of which points to limited capacity to effectively implement climate finance owing to the complexities of aligning climate strategies with national development priorities and bottom-up planning processes. The policy indicates the lack of climate change related knowledge and its impacts among decision makers, affecting planning and budgeting. Another challenge highlighted by the policy is the absence of a single agency to coordinate climate finance strategically at ministerial, sectoral and program levels, and the lack of a proper mechanism of the local government to track and utilize locally raised funds for climate adaptation.

CCBC 2012 highlights the challenges of tracking public finance for climate adaptation, especially when the investments are made by CBOs, NGOs, and INGOs. It mentions the climate coding system to be designed to track public finance and development (capital) investments, but it excludes the recurrent expenditures that are necessary for climate change activities. As a result, some essential expenses related to climate change adaptation are not accurately captured under climate expenditures. Additionally, there are significant challenges in tracking climate expenditures at the subnational level due to weak institutional capacity, which further complicates the accurate allocation and monitoring of funds meant for climate resilience.

Policy harmonization related challenge

The policy harmonization efforts outlined in key climate documents such as the CCP 2019, LAPA 2019, CCFF 2017, GRID Strategic Action Plan 2024-2034, CCBC 2012, and NDC 3.0 demonstrate how climate change adaptation and mitigation strategies are aligned across various levels of governance and sectors. CCP 2019 emphasizes mainstreaming climate change into policies, strategies, plans, and programs at all levels of government, aiming for a cohesive integration of climate goals across the state and sectoral areas. One of the objectives of CCP 2019 is '*To mainstream or integrate climate change issues into policies, strategies, plans and programs at all levels of State and sectoral areas*. Specifically, section 8.12 under Climate Finance Management ensures that the

climate change budget is embedded within all sectoral plans, with the CCBC being modified and institutionalized to track climate finance. Nepal's NDC intends to integrate climate finance into the national budget, streamline access to funds, and ensure equitable distribution of resources. LAPA 2019 aligns with several key national policies, including the CCP 2019, NAP 2021-2050, and Nepal's SDGs, ensuring a multisectoral approach to climate adaptation. It integrates adaptation measures into local development planning, addressing sectors like agriculture, water management, disaster risk reduction (DRR), urban planning, and local government. However, LAPA 2019 lacks clarity on the coordination of actions with NAP implementation, leading to potential overlaps and challenges in institutional coordination between climate adaptation and DRR measures. Both LAPA 2019 and DRR policies aim to enhance community resilience but require improved institutional coordination to avoid duplication and maximize their impacts.

The CCFF 2017 highlights gaps in sectoral information on climate impacts, particularly regarding poverty, gender, and equitable development, which complicates decision-making and affects the prioritization of adaptation budgets. The GRID strategy places climate resilience at the center by integrating climate change adaptation into national policies, infrastructure, and economic systems, further promoting policy coherence across various sectors. The CCBC 2012 aligns with earlier climate policies, such as NAPA 2010 and the Climate Change Policy 2011, and is integrated into Nepal's PFM system to track climate-related expenditures. Finally, the NDC 3.0 aligns with the Paris Agreement 2015, CCP 2019, and NAP 2021-2050, promoting coherence between climate objectives and sectoral policies in energy, agriculture, forestry, and DRR to maximize benefits and avoid conflicts. Despite the alignment of these policies, challenges remain in ensuring smooth coordination between national and local levels, which is crucial for the effective implementation of climate adaptation and mitigation measures. As we analyze in the sections below, despite the positive intent of policies, an array of challenges to climate finance and its implementation persists from federal to local.



SIAS SOUTHASIA INSTITUTE OF ADVANCED STUDIES

NK Singh Marga-306, Kathmandu-31
Minbhawan, Kathmandu, Nepal

PO Box no. : 23499

+977-1-4569801

sias-info@sias-southasia.org

www.sias-southasia.org

Follow Us: