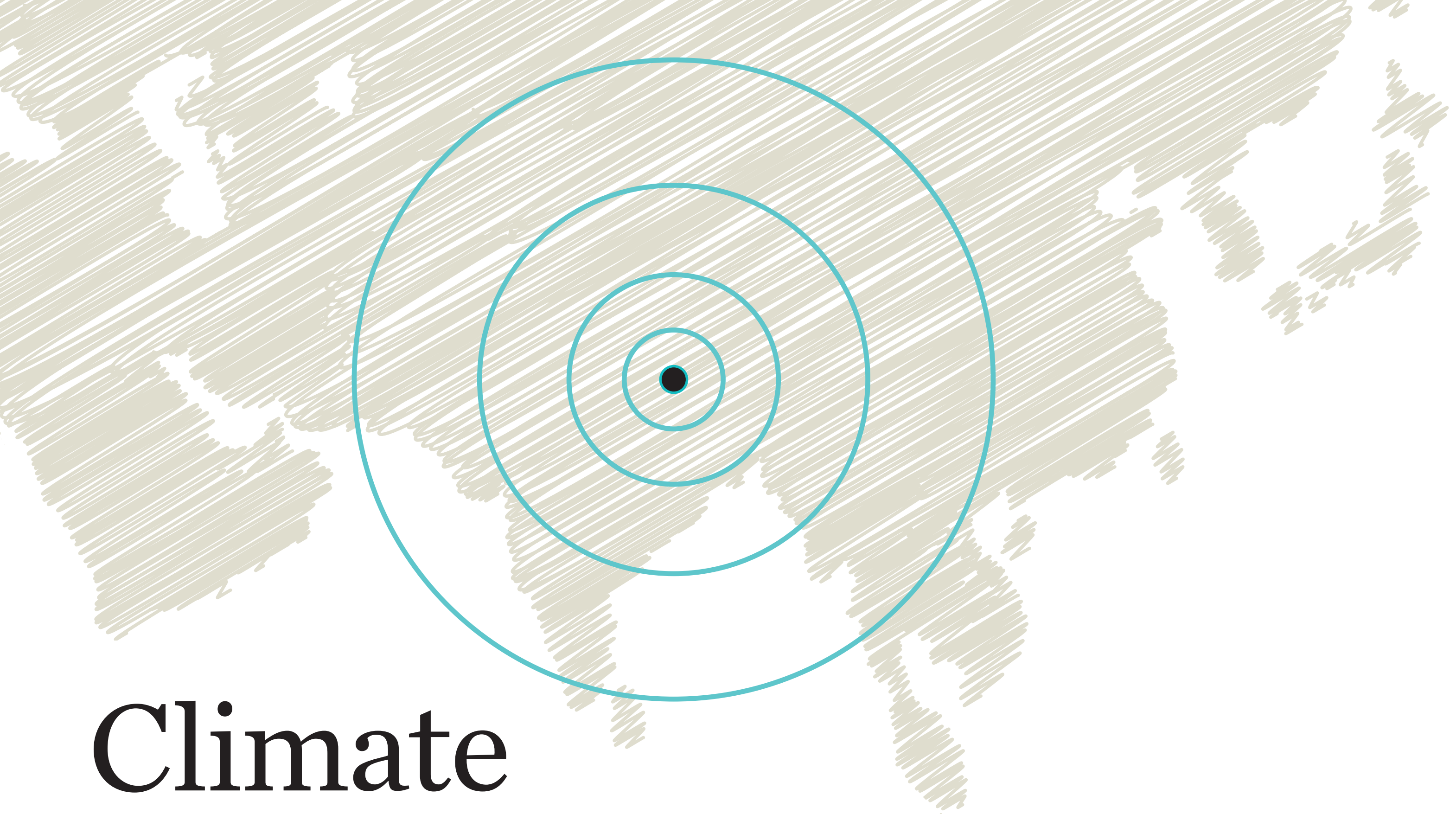

Climate Investment Funds

Pilot Programme for Climate Resilience (PPCR) in Nepal – a status review

Neha Rai, Kerstine Appunn, Barry Smith and Susannah Fisher

Country Report
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Climate change

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The Climate Change Group works with partners to help secure fair and equitable solutions to climate change by combining appropriate support for adaptation by the poor in low- and middle-income countries, with ambitious and practical mitigation targets.

The work of the Climate Change Group focuses on achieving the following objectives:

- Supporting public planning processes in delivering climate resilient development outcomes for the poorest.
- Supporting climate change negotiators from poor and vulnerable countries for equitable, balanced and multilateral solutions to climate change.
- Building capacity to act on the implications of changing ecology and economics for equitable and climate resilient development in the drylands

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Jargon buster – Climate Finance

ADB	Asian Development Bank
CIF	Climate Investment Funds
CTF	Clean Technology Fund
LAPA	Local Adaptation Plans of Action
MDBs	Multilateral Development Banks
NAPA	National Adaptation Programs of Action
PPCR	Pilot Programme for Climate Resilience
SCF	Strategic Climate Fund
SPCR	Strategic Programme for Climate Resilience
SREP	Scaling Up Renewable Energy Programme

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Sustainable development in a country like Nepal, that is largely reliant on its mountain ecosystems and extremely vulnerable to environmental change, is closely linked to climate change adaptation.

The Climate Investment Fund (CIF) is a funding channel designed to assist developing countries pilot low emission and climate resilient development approaches. As the fund unfolds, lessons can be gathered from the early stages of the programme. IIED is undertaking case studies of selected countries participating in two Strategic Climate Fund (SCF) programmes – one of which is the Pilot Programme for Climate Resilience (PPCR) in Bangladesh and Nepal. This country report looks at the status of the PPCR in Nepal. These initial reflections point to areas where further in-depth analysis will be needed to understand how planning and implementation decisions are made and to find the causes behind observed trends.

Contents

Summary

Developing countries are most vulnerable to climate change, with extreme weather events and changing precipitation patterns already affecting the livelihoods of millions. In the Copenhagen Accord (2009) wealthier countries promised financial support for their adaptation to climate change. Part of these pledges are channelled through the Climate Investment Fund (CIF) and pilot countries like Nepal are first in line to make use of the funds that could potentially make a lasting impact on their economy and society.

This report examines how one of the CIFs strategic climate funds, the Pilot Programme for Climate Resilience (PPCR) is helping the pilot country Nepal move towards a resilient, sustainable and poverty-cutting development path. It provides a cursory narrative around the status of PPCR in Nepal, prior to a deeper political economy analysis.

The PPCR is designed to integrate climate resilience into core development planning and implementation. PPCR programs are designed to be country-led and build on National Adaptation Programs of Action (NAPAs). The funding is disbursed in two phases. In Phase One, preparation grants are used by the pilot countries to develop a Strategic Programme for Climate Resilience (SPCR), and in Phase Two, funding for actual investments and scaling-up initiatives.

In this report, a policy process matrix approach is used to understand PPCR programme processes, actors involved in different stages of scheme, likely points of contention and hindrances going forward. It highlights facets of the programme requiring further investigation.

Introduction

Developing countries require an estimated US$100 billion per year in climate finance by 2020 to move towards climate resilient and low-carbon development paths (as per the Copenhagen Accord). The Climate Investment Fund (CIF) is one donor commitment designed to assist developing countries to pilot low emission and climate resilient development approaches.

1

CIF financing is disbursed through two different multi-donor trust funds – the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF) – with targeted programmes designed to address the issues of adaptation and mitigation. The fund is designed as pilot programmes, which have a 'sunset clause', setting an end date once countries have an effective 'architecture' – including policy, institutional, and financial systems – for responding to climate change.

As the fund unfolds, various lessons can be gathered from the early stages of the programme. These lessons, besides informing the current governance of CIFs, will also guide the future design of the global financial architecture for climate change. As part of a broader political economy study on CIFs, IIED is undertaking case studies of selected countries participating in two SCF programmes – the PPCR and the Scaling up Renewable Energy Programme (SREP). The studies examine how SREP is helping **Nepal** and Ethiopia shift to a low green-house gas development pathway, and how effective the PPCR is at supporting **Nepal** and Bangladesh move towards a resilient, sustainable and poverty-cutting development path. Besides examining the linear processes of programme planning and implementation, these assessments will also analyse how planning and implementation decisions takes place within broader political economy realms of the country.

This country report provides a cursory narrative around the status of PPCR in Nepal, prior to a deeper political economy analysis at a later stage of our programme of work. A policy process matrix approach is used to understand PPCR programme processes, actors involved in different stages of PPCR, likely points of contention and hindrances going forward, and highlights facets of the programme requiring further investigation. The finding of this paper serves the broader purpose of defining the focus and informing the subsequent analysis of the political economy assessment of CIFs.

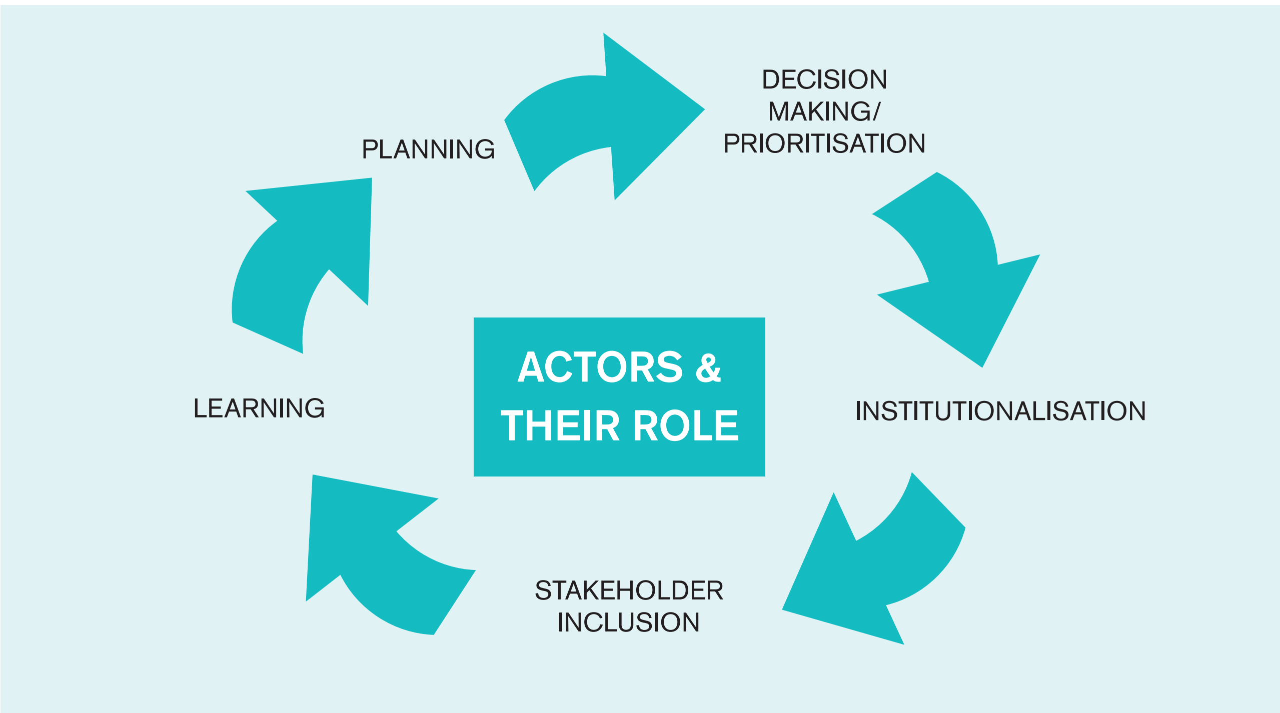
The policy matrix approach (Guldbrandsson *et al.*, 2005) is applied by adapting and amalgamating the policy process approach (Kingdon, 1995; Howlett and Ramesh, 2003; Tanner and Allouche, 2011) and actor-structural approach (Popper, 1966; Mayhew, 1980; Elster, 1982) to understand:

(a) How Nepal drives different stages of PPCR – planning, decision making/prioritisation, institutionalisation, stakeholder inclusion and learning?

(b) Which actors are involved and their roles within these processes?

This country paper reflects Nepal's experiences with each of the PPCR process stages and the actors involved.

Figure 1 – Policy matrix approach



Overview of PPCR

The PPCR, approved in November 2008, was designed to demonstrate ways to integrate climate resilience into core development planning and implementation in participating countries. It was the first programme under the SCF to become operational, and aims to create an integrated, scaled-up approach to climate change adaptation in a number of participating low-income countries, preparing them for future adaptation finance flows such as those emerging from the UNFCCC processes (Tanner and Allouche, 2011). The programme is being piloted in 18 countries, including Bangladesh, Bolivia, Cambodia, Mozambique, **Nepal**, Niger, Tajikistan, Yemen and Zambia, and two pilot regions including six Caribbean Island countries and three Pacific Island countries.

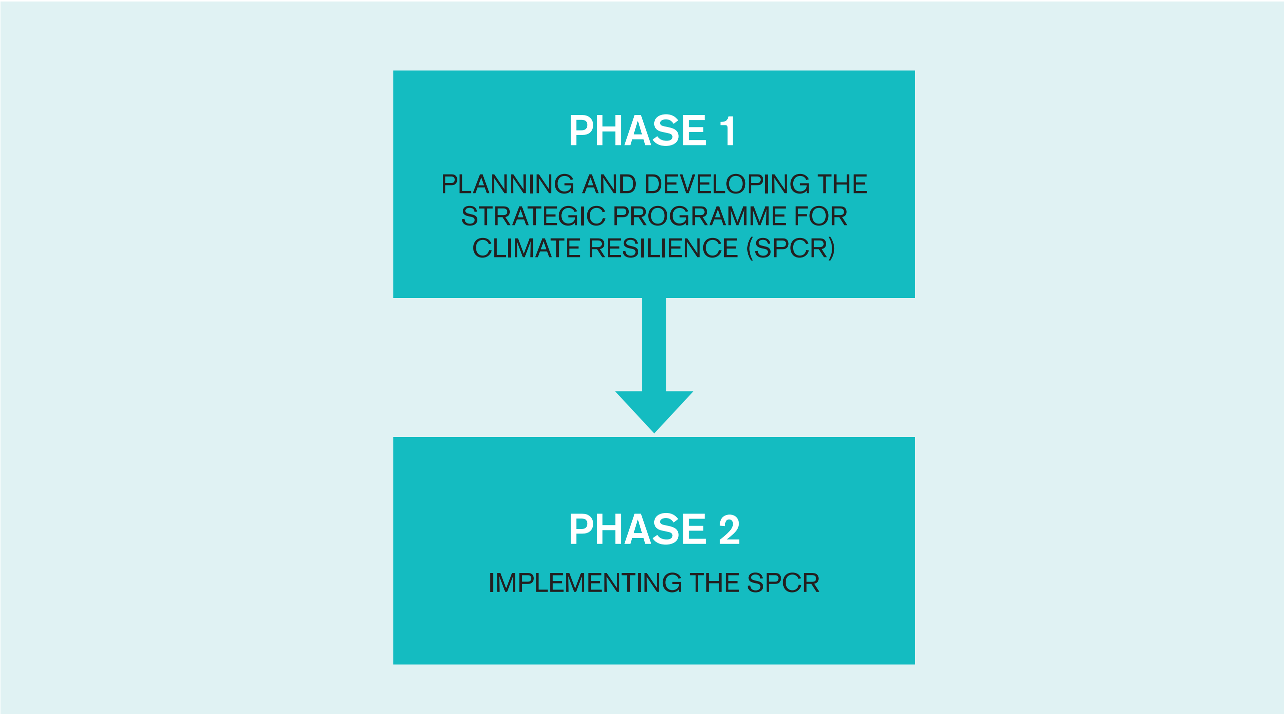
PPCR seeks to effect transformational change by taking a paradigm shift from the 'business as usual' project-led approach, to a programmatic and coherent strategy to achieve climate resilience at the national level. PPCR programs are designed to be country-led and build on NAPAs, which are expected to dovetail with existing adaptation funds. The PPCR is expected to complement existing development efforts and support actions based on comprehensive planning consistent with countries' poverty reduction and development goals.

There has been a total of US$1 billion in contributions to the PPCR (CIF, 2011a). Funding is provided in two stages:

1. The first stage involves planning and includes a preparation grant which ultimately results in the proposal for a SPCR. The SPCR includes proposals for two type of funds; i) technical assistance and ii) investment programme. Technical assistance is used to allow developing countries to integrate climate resilience into national and sectoral development plans, and includes grant funding for policy reform, capacity building, and long-term institutional strengthening. The finance element is for investment components or on the ground investments, which focus on one to three themes or sub-regions within the country and are financed through a combination of grants and loans.
2. The second stage provides financing of up to US$60m in grants and up to US$50m in loans for implementing the proposed SPCR investments. This stage also includes technical assistance such as capacity building and integration of climate resilience measures.

These phases are designed to be flexible and iterative and the amount of time taken by countries to plan and implement SPCR depends on the country's readiness or what stage the country is in addressing their climate risks.

Figure 2 – Programme stages of SREP



Governance of PPCR

The PPCR and each of the CIF programmes are administered by the World Bank led CIF admin unit. The decision-making arrangement for PPCR within the SCF comprises of a PPCR Sub-committee, Observers and an Expert Group.

- **The PPCR Sub-committee** is established by the SCF Trust Fund Committee to oversee the operations of PPCR. It comprises of six representatives from donor countries, six representatives from recipient countries, the developing country chair or vice-chair of the Adaptation Fund Board, and one representative of a recipient country that is under Sub-committee consideration for funding. The first three groups of representatives are the key decision-makers who serve a one-year term and can be re-appointed. The selection process of the early developing country representatives on the Sub-committee involved exclusive consultation between World Bank executive directors and Multilateral Development Banks (MDB) representatives, and four out of five countries originally selected were invited to participate as pilot countries in the PPCR.
- There is also an **Expert group** established by the PPCR Sub-committee, which comprises eight members with varied expertise in climate change from specific sectors such as forestry, agriculture and fisheries. The Expert Group was tasked with identifying countries based on those eligible for financing under the PPCR, taking into account the vulnerability and eligibility (preparedness to move towards climate resilient development plans, and willingness to adopt a strategic approach) of that country as the chief selection criteria when recommending countries, as well as the country distribution across regions (CIF, 2009).
- **Observers** for the PPCR Sub-committee include four Civil Society Organisation (CSO) representatives, two private sector representatives, one community-based organisation and two indigenous people's representatives. Whilst the observer role of CSOs can be viewed as a progressive move in terms of transparency and accountability, CSOs do not have any latitude to participate in decision-making, and as such cannot actively help safeguard equity in the decision-making process (CIF, 2011a).

These programmatic phases and governance mechanisms are common across all pilot countries. However, the participating pilot countries were at different stages of addressing their climate risks, so a "one-size-fits-all" approach to shaping climate mainstreaming would not have worked. Country contexts and MDB approaches have significantly determined the way PPCR has operationalized in pilot countries.

The following sections provide an overview of the vulnerability and governance context of Nepal and also describe how PPCR is operating along different programme stages, including: (a) planning the PPCR; (b) prioritising investment components; (c) defining institutional mechanisms; (d) stakeholders' participation; and (e) developing a learning framework.

Country context

Nepal's high vulnerability to climate change and related disasters make it an eligible candidate for PPCR finance. According to climate models, the region is likely to experience an increase in temperature over the next decades of up to 1.4 degrees Celsius by 2030 and 2.8 degrees Celsius by 2060 (NAPA, 2010). Given Nepal's geography, these impacts could result in glacial melt, glacial lake outburst floods and increases in droughts and floods. These changes could be highly significant for a society largely reliant on agriculture and mountain ecosystems (NAPA, 2010).

2

Nepal is greatly affected by climate change related hazards. It has a varied geography and climatic changes are difficult to predict; this is compounded by a lack of historical weather data and weather monitoring stations. Predictions on precipitation vary according to the region, but most areas are expected to experience increased precipitation due to changing climate, including increased rainfall intensity. The annual monsoon may also become more unpredictable. Given Nepal's geography, these impacts could result in glacial melt, glacial lake outburst floods and increases in droughts and floods. These changes could be highly significant for a society largely reliant on agriculture and mountain ecosystems (NAPA, 2010). The country is also one of the poorest countries in the world, and is currently ranked 157th on the HDI index out of 187 countries.

There have been a number of actions taken in Nepal to integrate climate change considerations into the policy and planning framework. The Government of Nepal (GoN) has prepared the National Adaptation Programme of Action (NAPA), a dedicated Climate Change Policy and more recently the Local Adaptation Plan for Action (LAPA).

Nepal's NAPA was initiated in May 2009 and formally launched on November 4th, 2010. Several other Least Developed Countries (LDCs) had already completed their NAPA, allowing Nepal to learn from collective experience (NAPA, 2009). Known as the 'expanded' NAPA process, the NAPA formulation process in Nepal was also used as a launch-pad for the development of a multi-stakeholder framework on climate change action to help ensure that the NAPA-related stakeholder processes were institutionalised and backed up by a dedicated knowledge management and learning support (MOSTE, 2009) The final NAPA presented the national climate change vulnerability and adaptation priorities for Nepal including urgent and immediate adaptation needs for addressing extreme climate events and their consequences.

In drafting the NAPA, it was the government's intention to enable a prioritisation process that would be sufficiently comprehensive to form the basis for the development of an adaptation strategy. This strategy would then draw on financial resources for implementation from various global, multilateral and bilateral sources. It was envisaged that the NAPA would strategically align with other national climate change and development processes to ensure effective mainstreaming and rapid follow-up to implementation of adaptation projects (NAPA, 2010).

In the process of preparing the NAPA it was suggested that the preparation of Local Adaptation Plans of Action (LAPAs) would aid effective implementation of the most urgent and immediate adaptation needs that were prioritised under the NAPA. LAPAs were to reflect the location-specific adaptation needs of the most vulnerable local communities (NAPA, 2010). Nepal has now piloted the LAPAs in 10 districts as a means of implementing the NAPA and assimilating adaptation into development policy and planning processes.

The LAPA is a mechanism to promote and ensure people's participation and ownership, involving climate vulnerable communities in adaptation (Kabir, 2013). The GoN took a strong 'community-centric' approach and aims to build an integrated framework that is more 'bottom-up' with respect to planning for adaptation needs, options and priorities. The LAPA framework is now endorsed by the Government of Nepal to operationalize NAPA and it's the National Climate Change Policy in 2011 (Tiwari *et al*., 2012).

The GoN began drafting The National Climate Change Policy in 2009 and it was promulgated in January 2011. During the preparation process the policy underwent several rounds of consultation with civil society and Government stakeholders. The Policy has seven objectives (MOSTE, 2011):

1. To establish a Climate Change Centre as an effective technical institution to address issues of climate change and also strengthen existing institutions;
2. To implement climate adaptation-related programmes and maximize the benefits by enhancing positive impacts and mitigating the adverse impacts;
3. To reduce GHG emissions by promoting the use of clean energy, such as hydro-electricity, renewable and alternative energies, and by increasing energy efficiency and encouraging the use of green technology;
4. To enhance the climate adaptation and resilience capacity of local communities for optimum utilization of natural resources and their efficient management;
5. To adopt a low-carbon development path by pursuing climate-resilient socio-economic development;
6. To develop capacity for identifying and quantifying present and future impacts of climate change, adapting to climate risks and adverse impacts of climate change; and
7. To improve the living standard of people by maximum utilisation of the opportunities created from the climate change-related conventions, protocols and agreements.

This Policy is also designed to dovetail with the NAPA (MOSTE, 2011). A salient feature of the policy is that an integrated and bottom-up approach is essential, and there is reiteration that local communities will be entitled to up to 80% of the total climate change funds. The funds will be channelled through activities at the grassroots level, which is key for working with the local communities (MOSTE, 2011). However, it is worth noting that there is no implementation strategy included in the Policy.

There are also a number of other policy and legislative measures that help to mainstream climate change, such as recent moves to instigate a climate change budget code for tracking climate expenditure in the overall development expenditure (NPC, 2012). There is also the Nepal Climate Change Support Programme (NCCSP), with UK funding of (£10.6m) combined with EU support of (£7.6m), and technical support from the United Nations Development Programme (UNDP). This is the first programme to put the NAPA into practice. The programme includes the commitment – in line with the Policy – to ensure that at least 80% of resources directly flow to the beneficiaries, to provide support for irrigation, landslide and flood protection, access to clean energy and promotion of climate resilient crops (DfID, 2012).

Nepal was chosen for the PPCR in 2009 and work began on it in 2010 when it received a US$225,000 grant for technical assistance to prepare its SPCR in March 2010. The PPCR process aimed to build on the NAPA priorities, but did not fund NAPA projects entirely due to a perceived difference in aims and scope. The SPCR was approved in June 2011. The programme is bringing US$110m in loans and grants to adaptation in Nepal for five core components with the higher objective of transformational change.

Planning and prioritisation

The PPCR is carried out in two phases: Phase One is focused on planning the Strategic Programme for Climate Resilience (SPCR); Phase Two involves implementing the SPCR. The planning phase supports countries to assess their needs and develop a proposal with investment priorities. The first phase also prepares the countries to implement the SPCR. This includes identifying policies, strategies and development plans that need to be updated, defining key agencies, deciding division of tasks among government, MDBs and other partners and developing a results framework to track progress (CIF, 2009).

3

Preparation and planning

A well-defined policy framework for climate change existed in Nepal to support PPCR financing. However, there was still a degree of ambiguity in the early stages of PPCR planning which meant in spite of the GoN's preferences, Nepal was unable to skip Phase One, as in the case of Bangladesh. Early discussions between donors and the GoN around opportunities for synergies between NAPA and PPCR revealed a divergence of opinions on what the synergies could be. GoN suggested that complementarities between NAPA outputs and PPCR objectives might enable "the PPCR to fund some NAPA projects"(Ayers et al., 2011). The Multi-lateral Development Banks contended that NAPAs are intended to cover urgent and immediate needs for adaptation, whereas the PPCR is focused on longer-term goals of achieving development that is climate resilient. Conversely, the GoN believed that the NAPA had already identified national climate change priorities, and adaptation options through a consultative process, and that the PPCR could fund the adaptation options identified under the NAPA. This disharmony in viewpoints led to suggestions that the PPCR was not building on national priorities as earmarked through the NAPA process, and that the process was not entirely country led (Ayers et al., 2011).

The relationships between stakeholders evolved and the governments work on the NAPA was reflected in later versions. To allay concerns by the GoN, the thematic working groups involved in developing the NAPA was engaged in the SPCR prioritisation planning process. It was highlighted that the assessment of climate change risks would build on the initial work undertaken during the NAPA preparation process, especially in relation to setting the context of climate change risks and analysing sectoral hazards. There was repeated referencing of the NAPA throughout the PPCR inception documents, and the use of NAPA-generated information as 'background' to the SPCR processes (IIED, 2011, p. 32). NAPA prioritised biodiversity project was also considered when prioritising the PPCR projects.

The preparatory stage of PPCR also experienced differences around acceptance of loans for funding adaptation actions. When Nepal was first invited to apply for the PPCR, there was an agreement within the Ministry of Environment, Science and Technology-MOEST (now MOSTE) that the Government would only accept grant funding (CCNN, 2012). From the perspective of the MDBs, this reluctance to accept the loan component of the PPCR was coming from the MOSTE only and was not representative of overall Government opinion; i.e. not that of the Ministry of Finance (MoF) or the National Planning Commission

Table 1: Strategic Programme for Climate Resilience (SPCR) – Key Components

PROGRAMME COMPONENT	SCALE OF INVESTMENT (US$)	IMPLEMENTING AGENCIES
1) Building Climate Resilience of Watersheds in Mountain Eco-Regions	Preparation: $900,000. Estimated Investment: $33m	MDB – ADB GoN – Department of Soil Conservation and Water Management
2) Building Resilience to Climate-Related Hazards	Preparation: $500,000. Estimated Investment: $31m	MDB – World Bank GoN – Department of Hydrology and Meteorology
3) Mainstreaming Climate Change Risk Management in Development	Preparation: Estimated Investment: $7.164m	MDB – ADB GoN – Ministry of Environment, Science and Technology
4) Building Climate Resilient Communities through Private Sector Participation	Preparation: $300,000. Estimated Investment: $8.7m	MDB – IFC
5) Enhancing Climate Resilience of Endangered Species	Estimated Investment: $5m	MDB – World Bank GoN – Ministry of Forests and Soil Conservation

(IIED, 2011, p. 36). The negotiation over grants versus loans again represents an issue over which the Government of Nepal and the MOSTE in particular, felt a strong need to be able to nationally own the programme. The perceived pressure to accept 'loans for adaptation' was taken as a clear indication that the ownership principle was not supported (IIED, 2011, p. 36). While this issue was eventually resolved, much of the tension generated around this negotiation could have potentially been avoided with earlier clarity and understanding of the MOSTE's viewpoint and stance on accepting loans (IIED, 2011, p. 36).

Selection outcomes

After a series of negotiations the SPCR outlined five components that would be supported under this programme under the next five to seven years. The PPCR Sub Committee agreed these in principle in June 2011 and all five components are currently in various stages of development (SPCR, 2011):

- The first component of the programme aims to ***improve the climate resilience of vulnerable freshwater resources in mountain eco-regions***. By implementing water shed management plans the programme aims to improve the agricultural productivity of vulnerable areas. To implement the proposed projects (as of May 2013), the work of the main design consultant team has been completed and new consultants are being fielded to prepare detailed designs for the subprojects.
- The second component aims to ***build community resilience to climate related hazards***, by supporting early warning systems and weather forecasting for vulnerable communities. The programme will also establish a climate risk insurance mechanisms for agricultural community. Project negotiations for this programme were successfully completed by May 2013. Implementing agencies in hydrology and metrology have commenced key procurement activities.
- The third technical assistance component facilitates the ***integration of climate change risk management into planning and practices***. It also supports development and application of knowledge management tools for climate change. The programme has developed climate change and environment training package on community based climate change vulnerability assessment for which service providers are also shortlisted. The programme will also facilitate documentation of traditional and indigenous adaptation practices in Nepal.
- The fourth component is a ***private sector oriented programme*** that aims to address market barriers that discourage private sector and local financial institutions to invest in climate change adaptation actions and products. The programme will seek public and private collaboration in climate resilient agriculture, hydropower and low cost climate resilient housing. By May 2013, four lead firms for agri-business have been selected and MoU signed to provide extension services to farmers in the project areas.
- The last component aims to address the risks ***of climate change on the habitats of endangered wild life species.***

Institutionalisation of PPCR in Nepal

PPCR supports the pilot countries to define an implementation mechanism in the short term, as well as strengthen and establish institutions to address climate change in the long term. The prior existence of a national arrangement to address climate change has significantly affected the way PPCR is institutionalised in pilot countries. Building on the NAPA process, Nepal has established various new institutions to address its climate risks. PPCR further harnessed these institutions and also set up some specific ones to steer the PPCR process.

4

Existing national arrangements

At the central level, the Ministry of Science, Technology and Environment (MoSTE) (Formerly MOEST) is responsible for coordination and for reporting to and liaising with the Climate Change Council (which forms the apex body responsible for policy coordination). Within MoSTE, a Climate Change Program and Monitoring Unit provides operational coordination to different programmes.

MoSTE is the focal point for most climate change activities including those under the UNFCCC and Kyoto Protocol. There was a Climate Change Management Division launched in 2010 (Pandey, 2011). MoSTE plays a key role in overall coordination between adaptation policy and planning and on-the-ground implementation, and across actors in coordinating between different donor support avenues, different climate change projects, and activities across Ministries under programmes of work managed by MoSTE (IIED, 2011, p. 12). In 2009 the Prime Minister established the Prime Minister's Council on Climate Change. The Climate Change Council is a high-level coordinating body and MoSTE functions as a secretariat to the Council (MoSTE, 2012).

A well-established institutional mechanism for addressing climate change can also in large part be attributed to the NAPA process. In conjunction with the NAPA document an implementation framework was drafted, which delineated roles and responsibilities for various institutions. The GoN has established the Multi-stakeholder Climate Change Initiatives Coordination Committee (MCCICC). The MCCICC comprises over 21 members. As a coordination body at the functional level, the Committee reports to the Climate Change Council, and contributes to mainstreaming the climate change programmes into the development planning and implementation (MCCICC, 2012).

Under the NAPA implementation framework, technical responsibilities are delegated to the appropriate ministries and the appropriate governance level, but the implementation of all adaptation projects (including those outside the NAPA) should be subsumed under this common co-ordination, management and monitoring mechanism.

Institutionalisation of PPCR

The SPCR is co-ordinated through the MoSTE, although different implementing agencies are involved in each component that works in partnership with an MDB. A Joint-Secretary in the MoSTE is the national focal point. There is an overall PPCR co-ordination committee (PPCR CC) co-chaired by the secretary for MoSTE and the Honourable Member of the National Planning Commission (NPC). This committee reports to the MCCICC and the Climate Change Council.

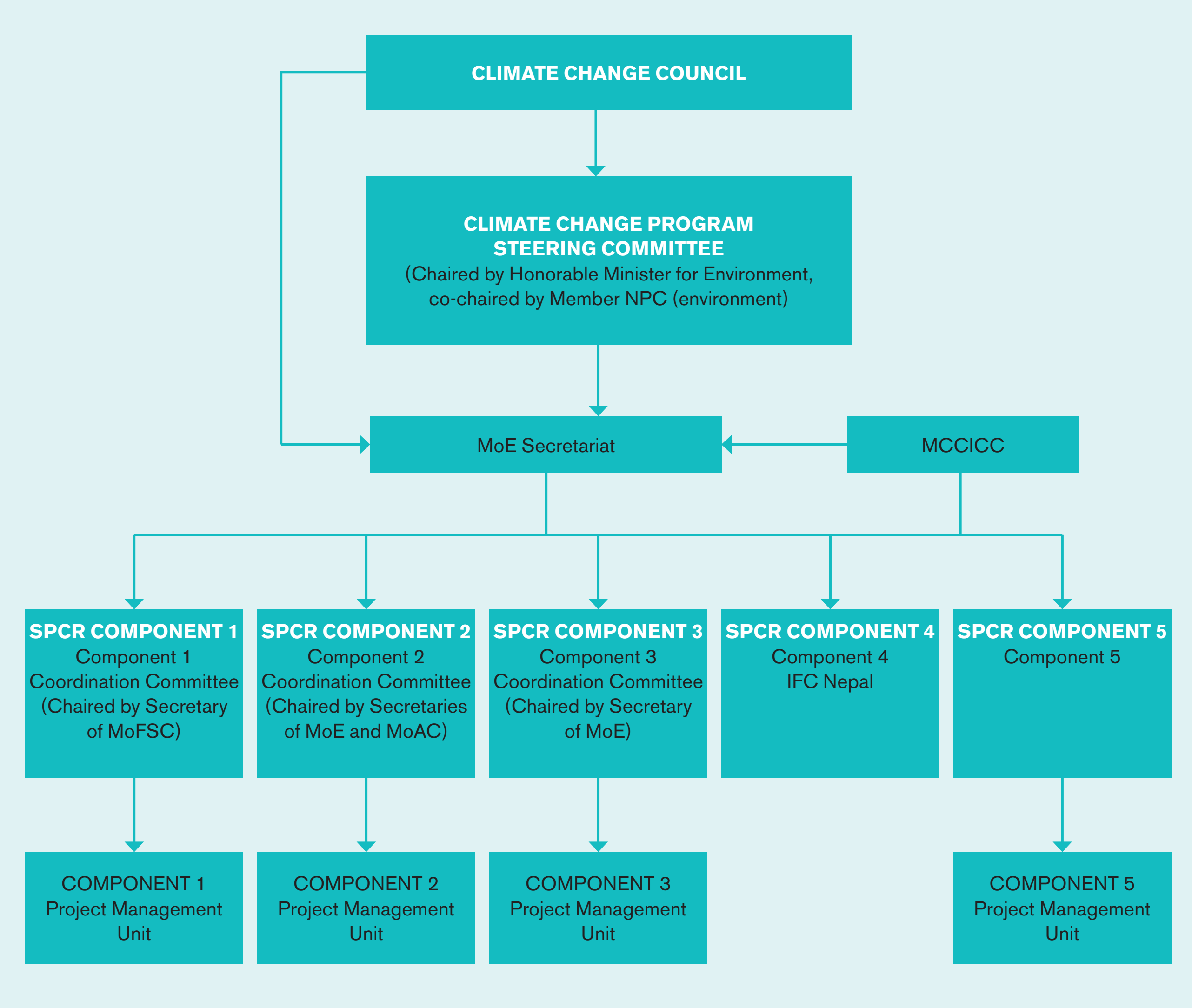
Under the SPCR, coordination and results management for the SPCR will ultimately rest with the Climate Change Management Division, with the head of the Climate Change Section overseeing a results management system and day-to-day activities (SPCR, 2011). From this perspective PPCR is integrated into the existing structure. However, there has also been proliferation of various mechanisms to steer the SPCR components. Evolving from the NAPA, MoSTE has set up two co-ordination committees: A PPCR Co-ordination Committee co-chaired by MoSTE and NPC; and the MCCICC, discussed above. The PPCR Co-ordination Committee will report directly to the Climate Change Council and MCCICC (CIF, 2012).

Each climate change adaptation project under PPCR has a dedicated steering committee chaired by the Joint Secretary or Project Director. Nepal also agreed to set up a new co-ordination mechanism in 2012, including a Climate Change Program Results Framework (CCPRF) Co-ordination Committee (CCPRF CC) that facilitates high-level co-ordination between the three committees and the operational activities under the MoSTE. A CCPRF Technical Work Group has also been proposed to support the CCPRF CC and oversee the implementation of the results management framework. This arrangement allocates responsibilities to specific steering bodies, but these newly formed committees will continue to be accountable to established institutions (IIED, 2011, p. 13).

Casting MoSTE in a leading role in co-ordinating PPCR in Nepal raised initial concerns for the MDBs; as it is not clear how fiduciary standards will be managed, and the Ministry has not had the opportunity to demonstrate its capacity in this central co-ordination role. At the same time, the PPCR programme as a 'pilot' scheme has to demonstrate lessons and results quickly; this does not offer incentives for taking new risks on administrative structures, when the programme itself is relatively new and untested. Instead, the incentives are directed towards maintaining low fiduciary and management risks, which lean towards the engagement of the MoF and NPC with whom the Banks are used to working within a higher-level role.

While the climate change agenda in Nepal has raised the profile of MOSTE significantly, there remain important issues of Government protocol. Senior ministries carry more weight in Government, and this is important for the PPCR to achieve its goal of mainstreaming climate change and achieving 'transformational change' across sectors (IIED, 2011, p. 35).

Figure 3 – Institutional set up for implementation of SPCR



Stakeholder inclusion and results framework

Stakeholder inclusion in the PPCR processes is crucial for ensuring country priorities are defined and investment proposals are developed through a cross-sectoral dialogue. This would include inclusion of civil society, private sector and other ministerial stakeholders that are directly or indirectly related to the programme.

Besides learning from each other, PPCR aims to enhance lesson learning from the programme activities. The PPCR results framework was therefore designed to help countries monitor and evaluate PPCR performance. The framework also guides the countries to develop national M&E frameworks and assimilate PPCR indicators within them.

5

Stakeholder consultation

The SPCR process has sought to be consultative from the start, leading to consultation with 850 stakeholders in its inception phase, including 450 from district and community levels. The process sought to build on the extensive work and consultations done under the NAPA. Several MDB joint missions were held in the preparation phases to consult with government officials and other stakeholders. The Federation of Nepal Chamber of Commerce and Industry (FNCCI) led the private sector engagement with the IFC. There is a 15-member private sector thematic technical working group under the leadership of the FNCCI, facilitated by the IFC (CIF, 2011).

In spite of the consultation process that has sought to engage civil society, PPCR in Nepal has struggled to gain the genuine support of civil society organisations that are actively engaged from community level to national and international policy lobbying level. The process of stakeholder consultation has been condemned as lacking transparency in the engagement process. The main criticism has centred lack of involvement of NGOs active at the community level on climate change, with very few of these organisations consulted on the PPCR (Thapa, 2011).

Learning framework for PPCR

The institutional responsibility for the results management of the SPCR lies with the MoSTE. The MoSTE has a Planning, M&E section based in the Administration, Planning and Monitoring and Evaluation Division. The main national M&E section is based in the Ministry of Finance (CIF, 2011).

Each component will have its own results-based framework, which will be developed as the programmes are finalised. Component 3 of the SPCR includes capacity building on M&E for adaptation and alignment and coordination of initiatives in the MoSTE. As part of this, the MoSTE has announced its intention to create a Climate Change Program Results Framework (CCPRF) co-ordination mechanism, and to establish a Management Information System (MIS). The aim of this initiative is to better co-ordinate adaptation interventions, align results frameworks and set baselines.

The CCPRF Technical Work Group that has been proposed to support the CCPRF CC will be composed of the M&E specialists from each of the eight CCPRF projects. The group will have primary responsibility for designing and overseeing the implementation of a co-ordinated results management framework for MoSTE and will provide quarterly briefings to the CCPRF CC (Geissler, 2012).

Conclusion and key issues

This paper provides a wide-angle snapshot of interim findings around PPCR operations in Nepal. As PPCR further unfolds there is still more to learn from the early stages of its operations. We conclude with some key findings from the PPCR processes that can direct us to areas that need further exploration.

6

Nepal experienced a quick if somewhat shaky start to its PPCR process but now the scheme is beginning to move towards implementation. Various projects have received subcommittee and MDB approvals with funding and implementation. Initial reflections point to areas that need exploration. A further in-depth political economy analysis is needed to understand and attribute the real cause behind observed trends. Some key issues or facets of the programme that may require further investigation are highlighted below.

Government ownership

A perceived pressure from the MDB's to accept "loans for adaptation" caused the GoN to question its position and ownership of the PPCR process from the very beginning. While this issue was eventually resolved, much of the tension generated around this negotiation could have potentially been avoided with earlier clarity and understanding of the MOSTE's stance on accepting loans.

Given the pre-existing NAPA process in Nepal, the Government also felt that it should be allowed to skip Phase One of the PPCR process and select NAPA priorities. However initial disagreements between MDBs and GoN caused tensions and questions surrounding true country ownership. And while the GoN looked for opportunities to harmonise planning and financing of its NAPA projects with the PPCR process, the MDBs pointed out the differences between urgent adaptation under NAPA and long-term sustainable adaptation and development under PPCR. This clearly highlights conflicting interpretations around the relationship between the NAPA and the PPCR. Notwithstanding, overtime the SPCR development process in Nepal has evolved to become more government owned.

Concerns about lead agency to manage PPCR projects

The MDBs expressed concerns surrounding MoSTE's capacity to manage PPCR projects and funding, as it had not had the opportunity to demonstrate its capacity in this central co-ordination role. As the PPCR is a new and untested scheme itself, the MDBs feel that it does not lend itself to piloting new administrative structures at the same time. In their view, working with the more experienced MoF and NPC that are familiar with managing fiduciary standards would have been preferable and less risky.

Difficulties in involving private sector companies in adaptation

Even though providing financial resources for private sector investments to implement strategies for climate resilience is part of the PPCR objective, reservations have surfaced when it comes to lending money to private sector companies. Private companies are perceived as being unaware of climate adaptation issues and low in ability to contribute to achieve the community resilience as envisioned by the fund.

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Sustainable development in a country like Nepal, that is largely reliant on its mountain ecosystems and extremely vulnerable to environmental change, is closely linked to climate change adaptation.

The Climate Investment Fund (CIF) is a funding channel designed to assist developing countries pilot low emission and climate resilient development approaches. As the fund unfolds, lessons can be gathered from the early stages of the programme. IIED is undertaking case studies of selected countries participating in two Strategic Climate Fund (SCF) programmes – one of which is the Pilot Programme for Climate Resilience (PPCR) in Bangladesh and Nepal. This country report looks at the status of the PPCR in Nepal. These initial reflections point to areas where further in-depth analysis will be needed to understand how planning and implementation decisions are made and to find the causes behind observed trends.

IIED is a policy and action research organisation. We promote sustainable development to improve livelihoods and protect the environments on which these livelihoods are built. We specialise in linking local priorities to global challenges. IIED is based in London and works in Africa, Asia, Latin America, the Middle East and the Pacific, with some of the world's most vulnerable people. We work with them to strengthen their voice in the decision-making arenas that affect them – from village councils to international conventions.

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