

INTERNATIONAL AID AND CLIMATE FINANCE IN NEPAL

BACKGROUND

International aid has significantly contributed to financing Nepal's development endeavors ever since the country stepped into the era of planned development. In recent years, Nepal is also receiving climate finance to implement adaptation and mitigation actions to combat climate change.

This factsheet provides a graphical presentation of the total foreign aid and climate finance received by Nepal and their distribution across various sectors. Data used in this document are derived from sources such as OECD CRS database, Ministry of Finance Aid Management Portal and national budgets of Nepal.

Total International Aid to Nepal

Till date, total international aid received by Nepal is USD 21.4 billion¹. This includes both grant and loan from both bilateral and multilateral donor agencies.

International Development Assistance of the World Bank Group is the biggest donor agency providing international aid assistance to Nepal followed by Asian Development Bank (ADB). Among bilateral agencies, Department for International Development (DFID) of UK government is the biggest followed by China and the European Union.

TOTAL INTERNATIONAL AID RECEIVED BY NEPAL IS USD 21.4 BILLION

Graph 1: Nepal's Top 5 Donor Agencies

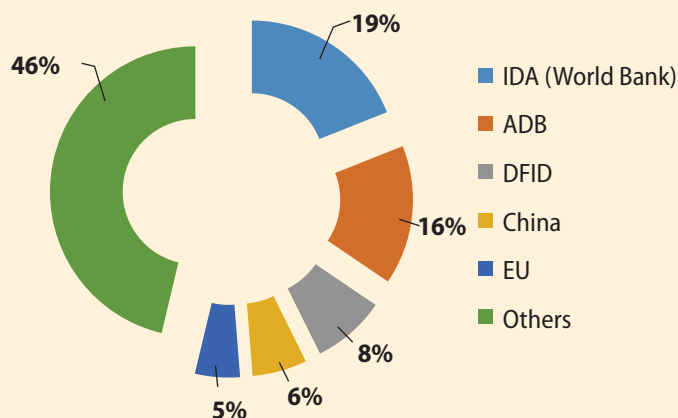


Table 1: Nepal's Top 5 Donor Agencies

Donor Agencies	Amount in Billion
IDA (World Bank)	4.06
ADB	3.32
DFID	1.75
China	1.3
EU	1.07
Others	9.9

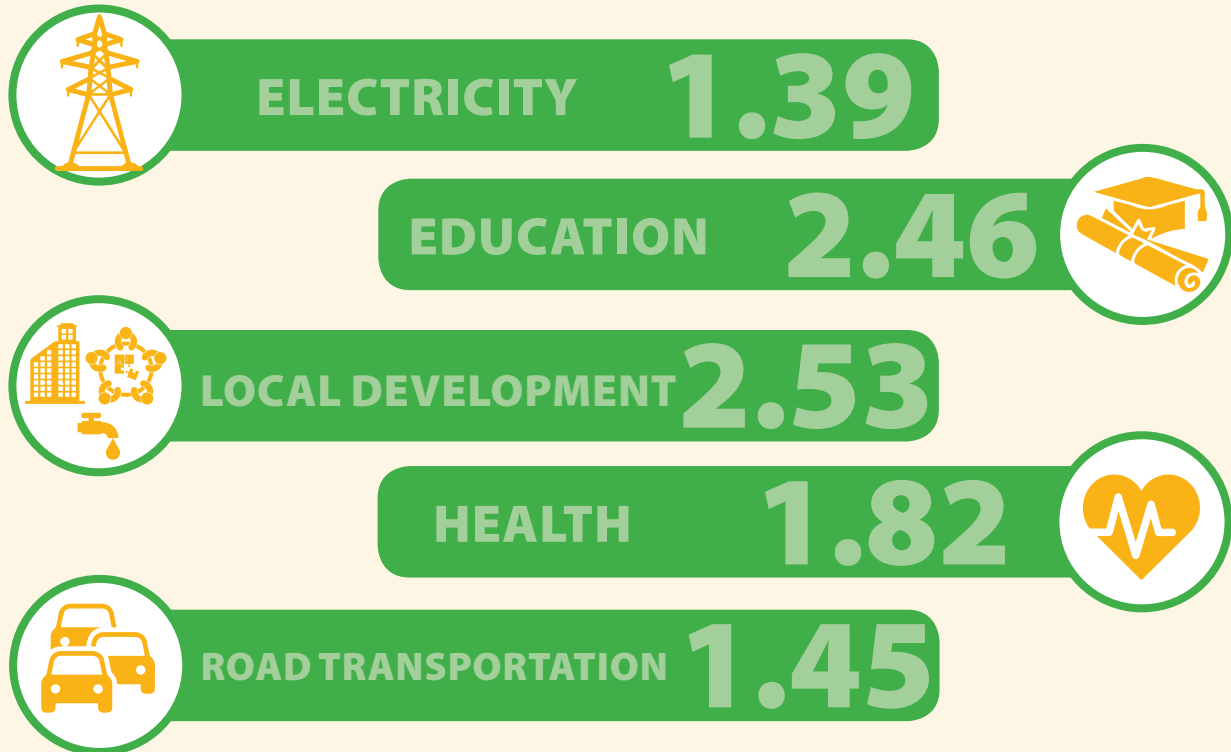
Source: Aid Management Portal, Ministry of Finance <http://amis.mof.gov.np/TEMPLATE/ampTemplate/dashboard/build/index.html>

¹ As reported on December 19, 2018 in Ministry of Finance, the Government of Nepal website <http://portal.mof.gov.np/portal/>

Sector-wise, local development received the largest share of international aid money provided to Nepal. It is followed by education, health, road transportation and electricity respectively.

Graph 2: Top 5 Sectors Receiving Foreign Aid

USD in Billion



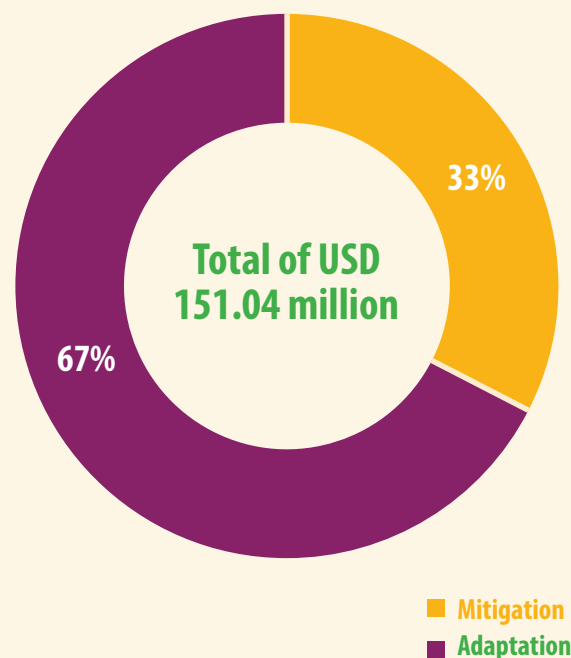
Source: Aid Management Portal, Ministry of Finance <http://amis.mof.gov.np/TEMPLATE/ampTemplate/dashboard/build/index.html>

Climate Finance

According to the United Nations Framework Convention on Climate Change (UNFCCC), climate finance refers 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.

The genesis of climate finance started with the adoption of UNFCCC in 1992. The Convention urged developed countries to provide new and additional financial resources to developing countries to combat climate change. In 2009, the developed countries committed to provide USD 100 billion a year by 2020 to developing countries. This was later reaffirmed in Paris Agreement in 2015.

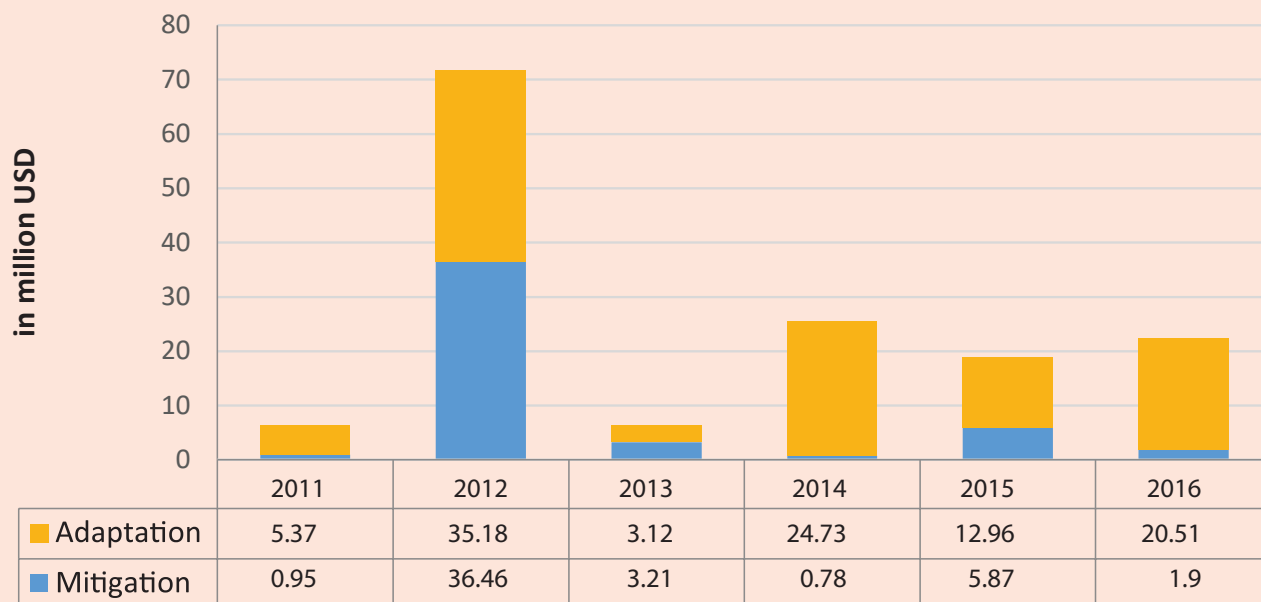
Graph 3: Adaptation and Mitigation Finance



Source: OECD CRS database

Organization for Economic Cooperation and Development Common Reporting Standards (OECD CRS) provides a total climate finance pledged by OECD member countries to developing countries. **Between 2011 and 2016 (post fast-start finance period), a total of USD 151.04 million was pledged as international assistance to Nepal** by several developed countries. Out of the pledged amount USD 49.17 million was for mitigation and USD 101.87 million for adaptation actions.

Graph 4: Climate Finance Pledged to Nepal



National Budget and Climate Coding

The government of Nepal has introduced climate change budget coding tool to tag climate relevant programmes and projects in the national budget. The budget allocated to programmes and projects are classified into three categories based on their climate relevancy as: 'Highly Relevant - 1', 'Relevant - 2' and 'Neutral - 3'. The table below shows climate relevant budget in Nepal's national budgets during the last six fiscal years.

Table 2: Climate Relevant Budget in National Budget of Nepal

Fiscal Year	Total Budget	Climate Relevant Budget					
		Highly Relevant	%	Relevant	%	Total	%
2013/14	517,240,000	27,749,423	5.36	25,733,093	4.98	53,482,516	10.34
2014/15	618,100,000	34,984,543	5.66	31,365,113	5.07	66,349,656	10.73
2015/16	819,468,884	46,366,228	5.66	112,980,501	13.79	159,346,729	19.45
2016/17	1,048,921,354	61,851,376	5.90	139,762,761	13.32	201,614,137	19.22
2017/18	1,278,994,855	57,731,275	4.51	335,627,891	26.24	393,359,166	30.76
2018/19	1,315,161,700	58,004,500	4.41	429,002,200	32.62	487,006,700	37.03

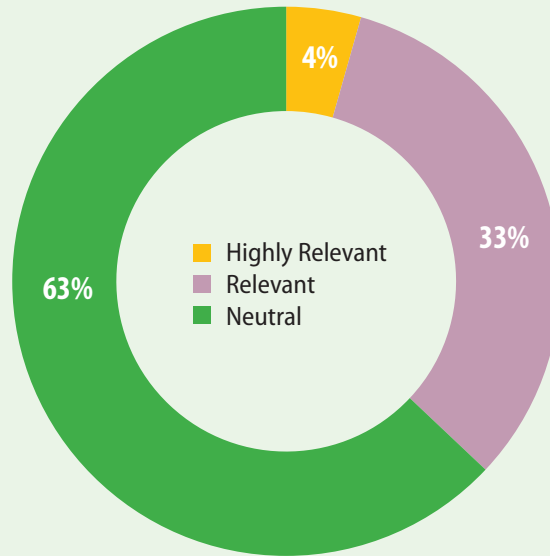
Source: Budget Speech of Fiscal Year 2013/14, 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19, Ministry of Finance, Government of Nepal

Graph 5: Climate Relevant Budget in National Budget FY 2018/19

In the current fiscal year (2018/19), the total national budget figures at NPR 1.315 trillion. Out of it, 37.03 per cent is tagged as climate relevant budget. This includes about NPR 58 billion (4.41%) as highly relevant and about NPR 429 billion (32.62 %) as indirectly relevant to climate change.

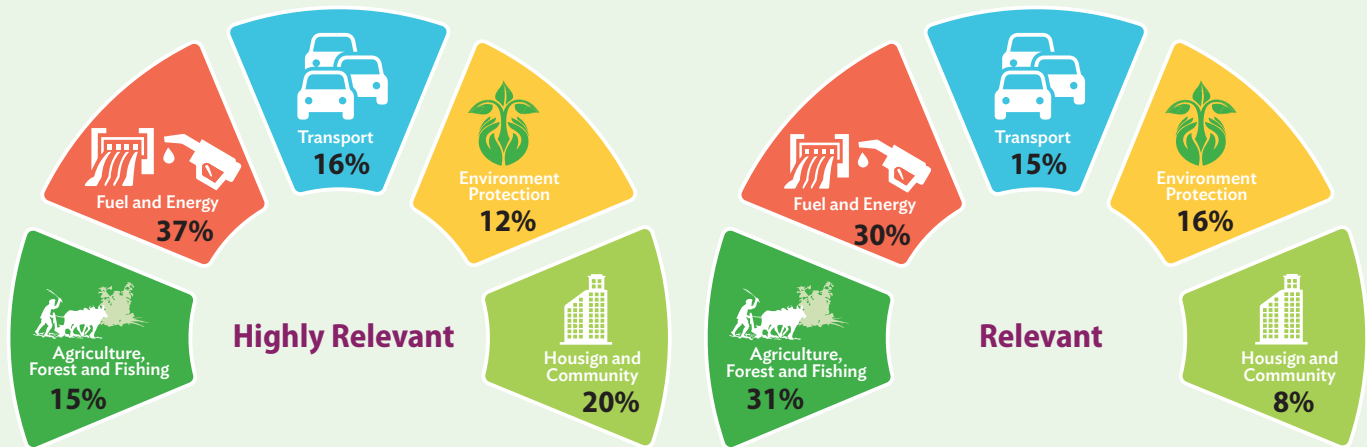
Among the various sectors, the highest climate budget is allocated for fuel and energy sector, followed by agriculture, forest, fishing and hunting sector, transport, environment Protection, housing and community respectively.

OUT OF TOTAL BUDGET OF FY 2018-2019, 37.03 PER CENT IS TAGGED AS CLIMATE RELEVANT BUDGET.



Source: Budget Speech of Fiscal Year 2018/19, Ministry of Finance

Graph 6: Sector Wise Distribution of Climate Budget in FY 2018/19



Source: Budget Speech of Fiscal Year 2018/19, Ministry of Finance, Government of Nepal

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Note: Data used in this document are derived from sources as cited above. PRC has simply compiled the data and put them in this graphical presentation, hence the sources quoted here are solely responsible for accuracy of the data.



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