

# CLIMATE ADAPTATION FINANCE STUDY REPORT

## NEPAL 2020

SAMARTHYA PROJECT: PROMOTING INCLUSIVE GOVERNANCE  
AND RESILIENCE FOR THE RIGHT TO FOOD



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Pentagram Pvt. Ltd. 01-5548180, business.pentagram@gmail.com

# ACKNOWLEDGEMENT

Nepal is a landlocked Himalayan country with high vulnerability to the impacts of climate change and disasters and has already experienced changes in temperature and precipitation at a faster rate than the global average. Climate change adaptation is at the center of Nepal's development plans and policies. Accessing and utilizing international climate finance is key to enhancing Nepal's resilience to climate change and achieving sustainable development. However, climate finance is a new 'genre' for the government. As no clear definition of climate finance exists nationally or internationally, the government is still in the process of understanding and navigating the tools to access internationally available resources. Nepal receives a significant amount in the name of adaptation finance, however, there are discrepancies in tracking how these funds are being planned and utilized by all involved parties and as per the objectives of the United Nations Framework Convention on Climate Change (UNFCCC).

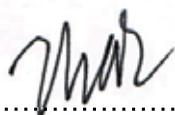
In light of this, CARE Nepal has recently accomplished a study on Adaptation Finance Tracking. This report presents part of the outcome of an international pilot project on tracking climate adaptation finance which was simultaneously conducted covering six developing countries – Nepal, Ghana, Uganda, Ethiopia, Vietnam, and the Philippines. Civil society organizations with expertise in the areas relevant to this report's analysis assessed multilateral and bilateral projects in support of climate change adaptation in the respective countries. In Nepal, the study was carried out in partnership with **Prakriti Resource Center (PRC), Kathmandu**. The project has been financed by CARE Denmark and CARE Netherlands using public funds from Danida and the Dutch government

in the Partners for Resilience Strategic Partnership and is managed by CARE Nepal.

I am very pleased to share with you the **Climate Adaptation Finance Study Report Nepal 2020**. This document intends to provide an overview of the adaptation finance coming to Nepal and whether they are aligned with the standard adaptation finance principal. This report was written by an assessment team from Prakriti Resources Centre and were assisted by an Advisory Group consisting of various experts from Nepal. We wish to thank everyone who has contributed to this report.

I would like to express my sincere thanks to all the multi-lateral and bilateral agencies, I/NGOs; and government agencies who provided their generous support in providing project information, feedback, taking lead; and for their effective collaboration to achieve the results. I am equally thankful to the government officials from Ministry of Finance for their ownership and contribution in the report. The generosity and support of various CARE Nepal colleagues and Samarthya Project Team primarily Mr. Jib Nath Sharma, Ms. Jyoti Baidya and Ms. Barsha Rani Gurung have been instrumental in preparation of this document.

Thanks also goes to CARE Denmark, for their consistent inspiration and their continuous efforts to have the voices of the impact groups heard.



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Program Coordinator for Food and Nutrition Security,  
Livelihoods, Natural Resources and Climate Change  
CARE Nepal

# FOREWORD

Nepal is prone to multiple types of hazards and is disproportionately affected by the effects of climate change. According to the Global Climate Risk Index 2016 it ranks as the 17th most vulnerable country. Climate change impacts have a disproportionate impact on women, poor, vulnerable and socially excluded groups who often lack the resources, capacities, assets and power to adapt to or withstand such shocks and stresses. It is estimated that millions of Nepalese are at risks from the impacts of climate change and disasters impacting lives and livelihoods of people due to reductions in agricultural production, food insecurity, stressed water resources, loss of forests and biodiversity as well as damaged infrastructure. For this, Climate finance is needed for mitigation. According to the Paris Agreement under the United Nations Framework Convention on Climate Change , climate finance is equally important for adaptation, as significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a climate change.. With this, as part of the Paris Agreement, the progress in provision and mobilization of support needs to be tracked.

In view of this, CARE Nepal is proud to present Climate Adaptation Finance Study Report Nepal 2020. This study report provides an overview of

the international and national needs for adaptation finance, received climate finance in Nepal and an analysis of adaptation relevance. The assessment looks into the reliability of the reported amount of adaptation finance and reviews whether the interventions were gender responsive and put climate vulnerable population at the core of their work.

We hope this document will help provide a broad picture of the climate vulnerability context, comparison of assessment and reported adaptation finance and further information on the poverty orientation, gender and the Joint Principles for Adaptation.

I would like to extend my gratitude to everyone who directly or indirectly helped to make this document a success and helped assess multilateral and bilateral projects in support of climate change adaptation in the respective countries.



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John Nordbo  
Senior Advocacy Adviser, Climate  
CARE Denmark

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# Acronyms and Abbreviations

<b>ADB</b>	Asian Development Bank
<b>ADS</b>	Agriculture Development Strategy
<b>AF</b>	Adaptation Finance
<b>CCBC</b>	Climate Change Budget Code
<b>CPEIR</b>	Climate Public Expenditure and Institutional Review
<b>CRS</b>	Creditor Reporting System
<b>CSO</b>	Civil Society Organisations
<b>EIB</b>	European Investment Bank
<b>EU</b>	European Union
<b>GCF</b>	Green Climate Fund
<b>GDP</b>	Gross Domestic Products
<b>GoN</b>	Government of Nepal
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>JPA</b>	Joint Principles for Adaptation
<b>LAPA</b>	Local Adaptation Plan of Actions
<b>LDC</b>	Least Developed Countries
<b>NAP</b>	National Adaptation Plan
<b>NAPA</b>	National Adaptation Programme of Actions
<b>NDC</b>	Nationally Determined Contribution
<bmdb< b=""></bmdb<>	Multilateral Development Bank
<b>OA</b>	Observation Assessment
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>OEDC DAC</b>	Organization for Economic Cooperation and Development – Development Assistance Committee
<b>PD</b>	Project Document
<b>SIDS</b>	Small Island Developing States
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environmental Programme
<b>USD</b>	United States Dollar
<b>UK</b>	United Kingdom
<b>WB</b>	World Bank

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# SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

## Chapter 1: Introduction

This report presents part of the outcome of an international pilot project on tracking climate adaptation finance that covered six developing countries – Nepal, Ghana, Uganda, Ethiopia, Vietnam, and the Philippines. Civil society organizations with expertise in the areas relevant to this report's analysis assessed multilateral and bilateral projects in support of climate change adaptation in the respective countries.

The Nepal part of the project assessed 15 such bilateral and multilateral interventions, 10 of them the largest ones implemented in the country between 2013 and 2017, with a focus on the donors' reporting on adaptation finance. The assessment looked into the reliability or accuracy of the reported amount. The project further investigated whether the interventions were gender responsive and put the poorest and most climate vulnerable segments of the population at their centre.

## Chapter 2: International and national needs for adaptation finance

Across the 15th and 16th sessions of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen and Cancun, respectively, developed countries committed to mobilise climate financing to developing countries of 100 billion USD per year by 2020, to address the needs of developing countries. At COP21 in Paris, it was urged that the allocation of funds strive to be balanced between adaptation and mitigation objectives. Yet, recent OECD (2019) reporting indicates that these targets and the stated balance are far from being met. With public climate finance from developed to developing countries reaching

USD 54.5 billion in 2017, of which only 12.9 billion USD, or 23%, targeted adaptation activities and only 15% was channelled towards LDCs.

Nepal is a landlocked Himalayan country with high vulnerability to the impacts of climate change. According to ND-GAIN index, it is the 47th most vulnerable country to climate change. An LDC with a per capita gross national income of USD 1,012, the country bears a huge cost due to extreme climatic events every year. The growing impact of climate change requires Nepal to take urgent action. Accessing and utilizing international climate finance is key to enhancing Nepal's resilience to climate change and achieving sustainable development.

## Chapter 3: Overview on received climate finance in Nepal

A total of 609 climate-related projects were committed to Nepal in the period 2013-2017. The total climate commitments amounted to 1.92 billion USD, of which 643 million USD was committed in 2017. Nepal's three largest climate finance providers are Multilateral Development Banks (MDBs -- the World Bank (WB), Asian Development Bank (ADB) and European Investment Bank (EIB). The contribution of WB, ADB and EIB to Nepal's total climate-related finance flow over the period was about 33%, 29% and 11% respectively.

**Key finding 1:** Only some projects reported by MDBs, mostly in 2017, have detailed mitigation and adaptation budget breakdowns, severely decreasing the accuracy of recipient perspective climate finance calculations.

The breakdown of adaptation and mitigation finance received by Nepal was 640 million USD

(53%) and 563 million USD (47%) committed for adaptation and mitigation projects respectively, marginally tending towards adaptation.

**Key finding 2:** Adaptation finance received by Nepal grew rapidly in 2017 and was primarily a result of large MDB led projects.

Between 2013-2016, just over half of adaptation projects in Nepal also reported gender equality objectives. Yet, only 39% of adaptation finance to Nepal is found to target gender equality, meaning that 61% of this adaptation finance lacks gender co-targets.

**Key Finding 3:** The projects Rio Marked by the donors as climate relevant are not necessarily understood as climate projects by the national stakeholders as there is no national system to verify them. Hence having a clear national data base (eg incorporating climate finance data into aid management platform) is imperative.

**Key finding 4:** Although the majority of donor's adaptation projects report gender co-targets, 61% of adaptation finance does not address gender equality, indicating that many large adaptation projects lack a gender equality focus.

**Chapter 4: Analysis of adaptation relevance**  
Chapter 4 presents the results from the assessment of the 15 adaptation-relevant climate finance commitments received in Nepal, including the 10 largest from 2013-2017. The assessment focused on analysing the quality of the adaptation activities undertaken and the accuracy of donor reporting on adaptation finance. For this purpose the study followed a multi-step process adapted from the 3-step assessment developed by the MDBs, including assessments of: (1) the climate vulnerability context outlined by a project; (2) the stated intent of a project and its consideration of the identified risks, vulnerabilities and impacts; and (3) the demonstration of a direct link between these identified risks, vulnerabilities and impacts, and the financed activities.

An initial and important finding of this report is concerned with donor transparency. Accessing full project documents of many of the adaptation-relevant development projects was extremely difficult due to donor reluctance to share information. Of the initial list of 19 projects for assessment, 5 were hindered by such issues. For 3, project documentation was not publicly available whilst for another 2 the documentation provided was insufficiently detailed.

**Key finding 5:** Accurate and independent analysis of adaptation finance, and climate finance more generally, is hindered by a lack of willingness among donors to make project documentation public. This lack of transparency makes it difficult for recipients of climate finance to determine if it suitably meets national, regional and local needs and priorities.

Within the individual assessments, the 3-step process highlighted key characteristics of projects which effectively target adaptation. Most importantly it was found that a project's ability to adequately assess and outline the climate vulnerability context within the relevant implementation area or sector leads to more successful adaptation projects.

**Key finding 6:** Adaptation projects which more successfully address adaptation needs produce vulnerability analyses relevant to the project activities, location(s), and impacted stakeholders. Furthermore, projects which are found to have effectively considered the relevant context of climate vulnerabilities, are also found to have developed activities addressing the identified risks, vulnerabilities and impacts. Similarly, projects which fail to outline an adequate vulnerability context, often fail to meet the adaptation needs of those affected by the project's activities.

With a specific focus on their adaptation activities, the team assessed 769 million USD of climate-related finance, or 40% of the total climate-related commitments received by Nepal between 2013 and 2017. Using the individual assessments the

team was able to produce adaptation-relevance coefficients for each project, which allowed adaptation finance figures to be calculated from a project's climate finance commitment. This enabled the team's adaptation finance figures to be compared with those reported by donors, who make use of the Rio marker method or a 3-step approach (utilised by the MDBs).

**Key finding 7:** The team calculates that, of the 649 million USD of adaptation finance reported by donors across the 15 assessed projects, 384 million USD can be considered over-reported, or 59%. This figure is the result of over-reported adaptation finance across 9 projects provided by multilateral donors, and furthermore predominately a result of over-reporting from a single project, the World Bank's "Earthquake Housing Reconstruction Project", which accounted for 328 million USD, or 90%, of the adaptation finance found to be over-reported in this report.

The team also found that cross-cutting projects target mitigation and adaptation co-targets to different extents, depending on the specific activities undertaken. This is at odds with current climate finance accounting methods, which produce generic cross-cutting finance figures without mitigation and adaptation breakdowns, or simply split a cross-cutting figure equally to attribute it to mitigation or adaptation finance figures.

**Key finding 8:** The team also found that 6 million USD of adaptation finance, resulting from two cross-cutting projects with both mitigation and adaptation objectives, was under-reported. Providing evidence that mitigation and adaptation finance in cross-cutting projects, as estimated using current non-project-specific climate finance accounting methods, can also be a source of donor inaccuracy.

Although a significant portion of adaptation-relevant finance to Nepal is found to be over-

reported, the team determined that only 4 adaptation Rio marked projects were inaccurately allocated by donors indicating that the source of inaccurate adaptation finance reporting is primarily a consequence of current non-granular climate finance accounting methods.

The team also found that only 3 projects reported by Finland, UK and EU have reported well the adaptation finance figures as close to the assessment. All these projects have rio marker 1 indicating that 40% of the total budget allocation is for adaptation finance.

**Key finding 9:** For many of the projects accessing the right and full document was extremely difficult. The transparency level was found to be low. Similarly, since the project scope did not allow it, field verification accessing the right source for information was also difficult.

## Chapter 5: Analysis of poverty orientation, gender and the Joint Principles for Adaptation

Chapter 5 assesses whether the 15 projects adequately integrate gender concerns, poverty orientations, and the Joint Principles for Adaptation within their design.

Most of the projects have some element of gender analysis within them, but they fall short of adequately covering the particular context of climate vulnerability viewed through a gender lens, and how disproportionately women and girls get affected by climate change. Furthermore, the reviewed projects demonstrate varied poverty orientation and poverty ratings. Although most of the project analyses imply that they have prioritized diversity, they do not seem to be addressing the specific needs of marginalized groups including ethnic minorities.

## **Recommendations**

Several interesting findings have been generated through this assessment. The scope for improvement still remains when it comes to transparency, information disclosure and reporting adaptation finance accurately, in such a manner as to benefit the poor and climate vulnerable communities. Some of the specific recommendations are as follows:

### **For the government:**

- The government needs to develop a definition or a set of criteria to define what climate finance means for Nepal. This would clearly help assess the donor supported climate finance as well as the national contribution made by the government in tackling climate change.
- It is important that the government develops a system to track climate finance right from planning to the actual implementation phase, for all donor funded projects.
- The projects Rio marked by the donors as climate-relevant are not necessarily understood as climate projects by the national stakeholders as there is no national system to verify them. Hence having a clear national database (e.g. an aid management platform) is imperative.

### **For donors:**

- For many of the projects, accessing the right and full documents was extremely difficult. The transparency level of bilateral donors was found to be low. Although in the case of some donors, such as the Multilateral Development Banks, project documents were publicly available online, in several other cases they were not, or the documents that were available were limited in scope. It is important that these documents are made available for public.
- Donors should increase the detail in their project documentation regarding the share of the budget and objectives relating to climate change in project's with climate change as one of multiple development objectives. Some projects with multiple development objectives including climate change were found to have large differences in the budget amount mentioned in the project document and the actual amount reported to OECD, without any explanation as to how the climate-relevant portion had been deduced. It is difficult to ascertain and evaluate the accuracy of these allocation of climate finance if a record of the decision making process/methodology is not made clear.

# 1

## INTRODUCTION

This report is part of an international pilot project on tracking adaptation finance. The project builds on civil society assessments of international support for climate adaptation to six developing countries: Ghana, Uganda, Ethiopia, Nepal, Vietnam, and the Philippines.

The project seeks to assess if multilateral and bilateral donors' reporting of adaptation finance is reliable in the sense that the amounts reported are reasonably accurate. Earlier studies of international climate finance have indicated that donors have a tendency to report higher than the actual amounts spent on adaptation activities on the ground.

The project also investigated whether the interventions were gender responsive and put the poorest and most climate vulnerable segments of the population at their centre. Although politically important, this subject has not been researched adequately.

This report is only about adaptation finance going to Nepal but results from all six countries will be summarized in a global report.

The project is a pilot project in the sense that it aims to facilitate future adaptation finance tracking activities by others, and all seven reports from the project will be available at <https://careclimatechange.org/>. An overview of background materials for this report can be found in Annex D at the end of the report.

This report was written by an Assessment Team from Prakriti Resources Centre. The team was assisted by an Advisory Group consisting of various experts from Nepal (see Annex B). We wish to thank everyone who has contributed to this report.

The project has been financed by CARE Denmark and CARE Netherlands using public funds from Danida and the Dutch government in the Partners for Resilience Strategic Partnership and managed by CARE Nepal.

# 2

## INTERNATIONAL AND NATIONAL NEEDS FOR ADAPTATION FINANCE

Nepal is a landlocked Himalayan country that is highly vulnerable to the impact of climate change. It is experiencing the impacts of climate change in the forms of floods, landslides, retreating Himalayan glaciers, erratic but intensive rainfalls, and warm and drier winters. As a Least Developed Country (LDC) Nepal has a mere per capita GNI of USD 1,012. According to the Human Development Report 2018 (UNDP, 2018), Nepal lies in the low human development category with the positioning at 149 out of 188 countries and territories. Poverty incidence or poverty headcount rate for Nepal is 21.6%. According to 2017 data of ND-GAIN index, Nepal is the 47th most vulnerable country to climate change with high vulnerability score of 0.516. It ranks 131 among 181 counties in ND-GAIN index for climate vulnerability.<sup>1</sup>

Therefore, it is perfectly appropriate that the United Nations Climate Change Convention from 1992 establishes the obligations of developed countries to assist poor and vulnerable countries in meeting the costs of climate adaptation. Ten years ago, this commitment was quantified at COP15 and COP16. It was agreed that developed countries would deliver new and additional climate financing to developing countries and that funding should gradually be scaled up to USD 100 billion per year by 2020. It was further agreed that the allocation of funds should be balanced between adaptation and mitigation, and that funding for adaptation would be prioritized for the most vulnerable developing countries, such as the least developed countries,

small island developing states and Africa. These commitments were re-confirmed with the adoption of the Paris Agreement in 2015.

As the impact of climate change is being felt more rapidly Nepal needs to take urgent actions. Climate change has emerged as one of the hurdles to the country's progress as Nepal suffers from high economic costs due to current climate variability and extremes. Accessing and utilizing international climate finance is key to enhancing Nepal's resilience to climate change and achieving sustainable development. However, climate finance is a new 'genre' for the government. As no clear definition of climate finance exists nationally or internationally, the government is still in the process of understanding and navigating the tools to access internationally available resources.

Nepal is supported by various international development partners such as the bilateral donors, multilateral development banks, UN agencies and international organizations to address poverty. Although gradually climate change support is forthcoming, much remains yet to be done. Lately, Nepal is also accessing finance to support adaptation actions by the international dedicated climate funds such as the Least Developed Countries Fund, Adaptation Fund, and Climate Investment Fund. Nepal is in the process of accessing funds from the Green Climate Fund.

Nepal bears a huge cost due to extreme climatic events every year. The Ministry of Home Affairs re-

<sup>1</sup>ND-GAIN Country Index, 2017 <https://gain-new.crc.nd.edu/country/nepal>

ported that during the first 9 months of 2019 the estimated economic loss from climate related disasters such as floods, landslides and other extreme weather events stood at over NRS 5 billion (USD 45 million)<sup>2</sup>. An estimate of the economic cost of climate change in three major sectors (i.e. agriculture, hydroelectricity and water-induced disasters) puts the economic losses at the equivalent of 1.5-2% of Nepal's Gross Domestic Product per year. It amounts to approximately USD 270-360 million at 2013 price. It is projected that the growing trend of climate change in Nepal is likely to increase the current level of impacts and lead to additional costs equivalent to 2-3 % of current GDP per year by mid-century<sup>3</sup>. For these three sectors alone climate finance needs would reach USD 2.4 billion by 2030.

In 2010, Government of Nepal prepared and approved the National Adaptation Programme of Action (NAPA). This was done by conducting a vulnerability assessment in a participatory manner. The NAPA document prioritized nine combined profile projects with an estimated implementation cost of US\$ 350 million. Its implementation framework also envisaged that the operating costs would be kept to a minimum and at least 80% of the available financial resources would reach the local level to fund activities on the ground. However, Nepal is still demanding that these internationally agreed projects be implemented. Lack of finance has derailed the implementation of the identified projects.

*Table 1 Adaptation Cost Estimation*

Type of estimation	Estimation	Period	Source
Loss due to climate change/climate variability	2 % to 3 % of GDP [USD 62.384 billion (2013 est)]	by 2050	IDS-Nepal, PAC and GCAP, 2014
Climate finance needs	USD 2.4 billion	By 2030	IDS-Nepal, PAC and GCAP, 2014
National Adaptation Programme of Action (NAPA)	USD 350	-	Government of Nepal

In 2010, Government of Nepal prepared and approved the National Adaptation Programme of Action (NAPA). This was done by conducting a vulnerability assessment in a participatory manner. The NAPA document prioritized nine combined profile projects with an estimated implementation cost of US\$ 350 million. Its implementation framework also envisaged that the operating costs would be kept to a minimum and at least 80% of the available financial resources would reach the local level to fund activities on the ground. However, Nepal is still demanding that these internationally agreed projects be implemented. Lack of finance has derailed the implementation of the identified projects.

Similarly in 2014, Oxfam Nepal conducted a study on climate change adaptation finance and governance in Nepal. The report stated that a total funding of US\$ 550 million was pledged for adaptation during the period 2009 to 2012 for Nepal. This was based on the assessment of the OECD database. However, the study also found that most of the allocations were ODA related rather than new and additional. While the source of the large amount was unknown, it was not clear what actually it was allocated for.

<sup>2</sup>MoHA. 2019. <http://drportal.gov.np/reports> (Accessed on 17 September 2019)

<sup>3</sup>IDS-Nepal, PAC and GCAP, (2014), *Economic Impact Assessment of Climate Change in Key Sectors in Nepal*

# 3

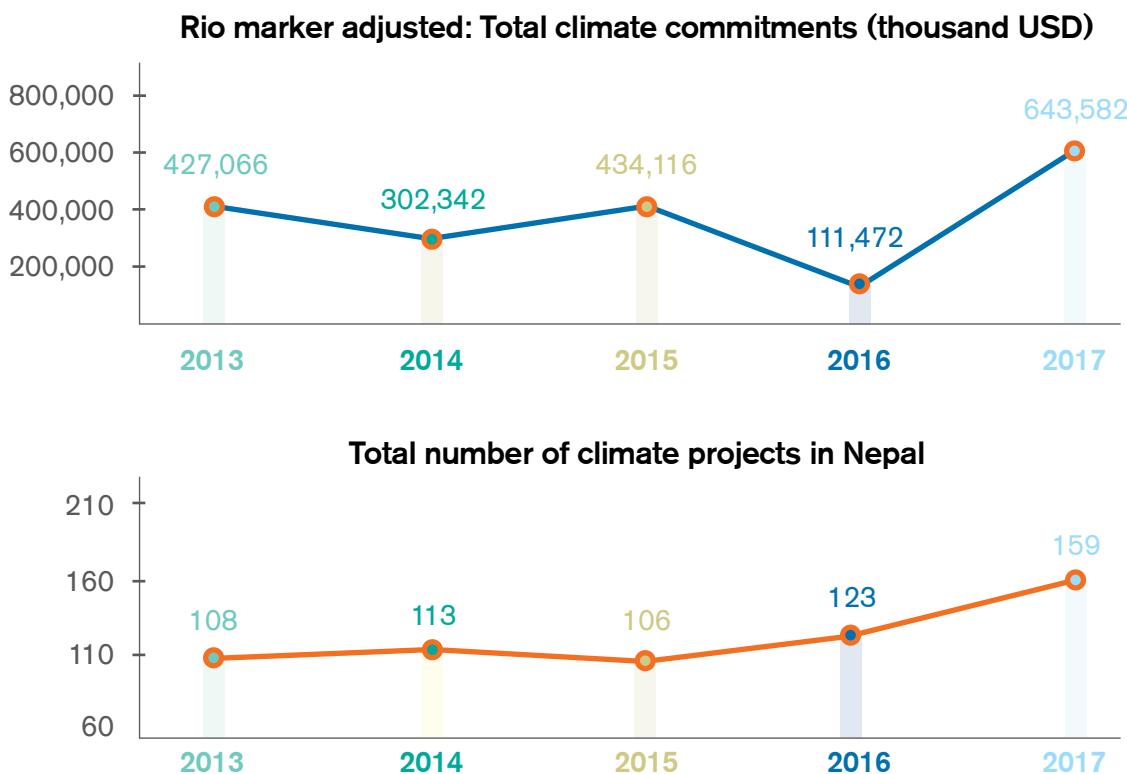
## AN OVERVIEW OF RECEIVED CLIMATE FINANCE IN NEPAL

This overview provides figures on climate finance commitments received in Nepal from 2013-2017. All figures are produced by analysing internationally funded climate change related development projects, for which the donors of climate finance annually report project level information on to the OECD-DAC. Climate finance data was accessed from the OECD-DAC climate-related development aid database<sup>4</sup>, where providers report all project level data to recipient countries along with project budgets and policy markers including climate mitigation and adaptation Rio markers, in the cases of

bilateral and some multilateral providers of climate finance.

A total of 609 climate-related projects were committed to Nepal in the period 2013-2017 with the related total climate commitments summing to 1.92 billion USD. Of the 609 climate-related projects, 159 were committed in 2017 and 123 in 2016. However, commitments were more evenly distributed in the other years covered by the study with 108, 113 and 106 projects in 2013, 2014 and 2015 respectively.

Figure 1: Climate realted projects in Nepal and their commitment values broken down by year



<sup>4</sup>Data is found at OECD's webpage on climate finance: <http://www.oecd.org/development/financing-sustainable-development/development-finance-topics/climate-change.htm>

Commitments in 2017 show a significant increase as compared to those in 2016 and make up the largest figures received by Nepal in a single year over the analysis period. The total climate finance commitment averages at 383 million USD per year for the period. However, the actual commitments are not evenly spread over each year with peaks of approximately 427, 434 and 643 million USD in the years 2013, 2015 and 2017, respectively. The peak in 2015 is primarily due to three large projects financed by the European Investment Bank (EIB) (110 million USD) and two by the World Bank (WB) (81 and 80 million USD) bringing the total figure to 273 million USD. The peak in 2013 is, similarly, a result of large multilateral bank-funded projects. The largest project with a budget value of 86 million USD in this year came from the Asian Development Bank (ADB). This can be compared to another large total commitment figure (302 million USD) for 2014 and the significantly smaller climate finance flows (111 million USD) in 2016 despite the notable increase in the number of climate-relevant projects in that year.

MDBs stand out as the three largest providers of climate finance to Nepal. The largest provider of commitments during the period was the WB, contributing around 33% to all climate-related finance flows. The next largest provider was the Asian Development Bank (ADB) (29%) followed by the European Investment Bank (EIB) (11%).

In 2017, commitments from the WB and ADB totalled 297 million USD (across 7 projects) and 233 million USD (across 14 projects), respectively. The EIB made no climate-relevant commitments to

Nepal in 2017. Two particularly large adaptation projects committed in 2017 were from the WB. Both the projects titled “Earthquake Housing Reconstruction Project” had different CRS identification numbers but the same commitment value of approximately 132 million USD. Analysis of these two similar projects could greatly impact Nepal’s 2017 commitment figures. Another notably large 96 million USD-project provided by the ADB was a mitigation project titled “Power Transmission and Distribution Efficiency Enhancement Project”.

Over the entire analysis period the WB’s commitments totalled 643 million USD spread across 23 projects; 1 in 2013, 6 in 2014, 7 in 2015, 2 in 2016 and 7 in 2017. This equates to an average project commitment of 28 million USD over the full period.

The EIB’s total commitment of 209 million USD is spread across three mitigation projects. These were concentrated in 2013 (71 million USD) and 2015 (138 million USD), which has heavily influenced the totals observed for those years. The ADB committed 567 million USD over 40 projects (10 in 2013, 11 in 2014, 4 in 2015, 1 in 2016 and 14 in 2017) averaging at 14 million USD per project. The ADB is the only MDB of the top three committers to show any gender equality Rio markers, with 11 projects assigning a marker of “1”.

The largest providers of bilateral climate finance over the period are the UK (83 million USD – 4% of total) followed by USA (76 million USD – just under 4% of the total) and Germany (48 million USD – 2.5% of the total).

## RIO MARKER ADJUSTED: PROVIDERS OF CLIMATE FINANCE TO NEPAL 2013-2017

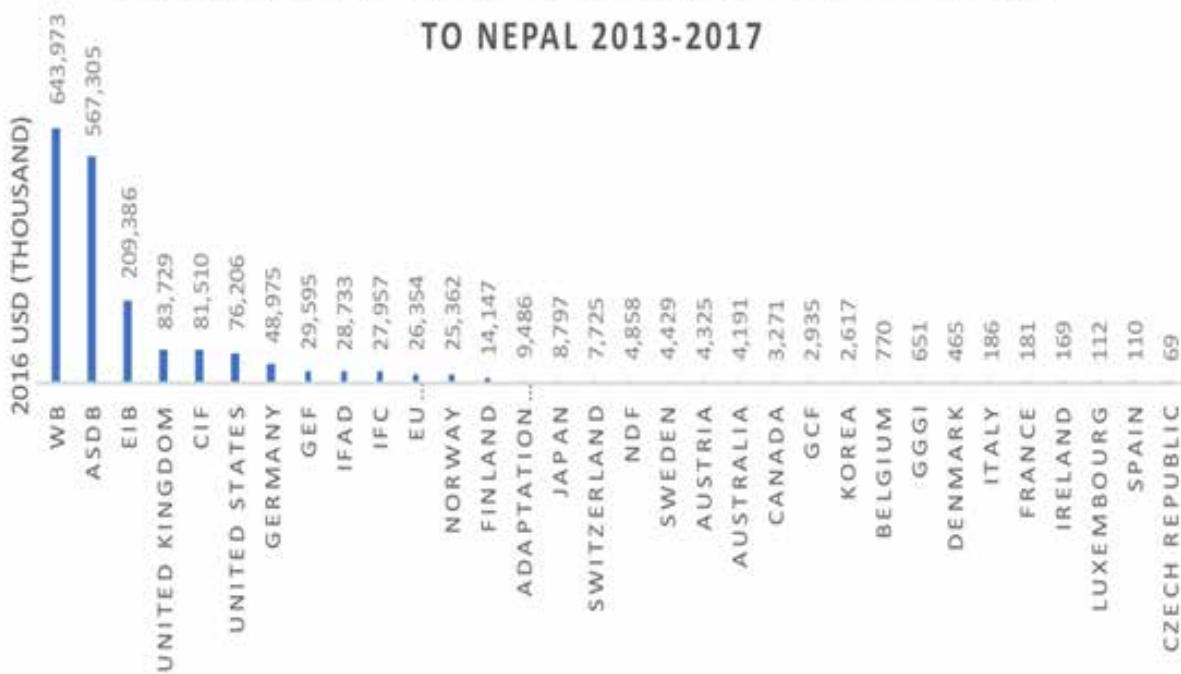


Figure 2 Providers of Climate finance commitment to Nepal

The Paris Agreement calls for a balance in climate finance for mitigation and adaptation, addressing conditions and capacity constraints in the poorest and most vulnerable developing countries (Article 9.4).

The ratio of adaptation and mitigation finance for Nepal during the period 2013-2017 has swayed towards adaptation, as compared to the ratio over the years 2013-2016 (due to the large 2017 annual adaptation commitments observed) with 640 million USD and 563 million USD committed for adaptation and mitigation projects, respectively. When cross-cutting figures are divided between mitigation and adaptation objectives, the ratio stands at 53% finance committed to adaptation and 47% for mitigation.

Ratio of Adaptation Finance (including cross-cutting)	Ratio of Mitigation Finance (including cross-cutting)
53%	47%

The ratio of adaptation to mitigation finance for the single year 2017 is 70% (449 million USD) to 30% (194 million USD) respectively with cross-cutting commitments distributed equally between the two. This may partly be explained by more detailed reporting from MDBs on the breakdown of their project's budgets with regards to separate mitigation and adaptation targets in this year's data.

Parties to the Paris Agreement have recognized the importance of incorporating gender equality aspects into adaptation. Furthermore, COP 23 established a gender action plan. A dataset was provided by the OECD on request by the consultants to include gender equality markers for the years 2013-2016<sup>5</sup>.

For Nepal, the overall trend of adaptation projects with a gender equality marker can be described as relatively stable in the years 2013, 2014 and 2015, before a peak of 66% of projects having a gender marker in 2016 (see Figure 5 below). On an

<sup>5</sup>Gender-related climate finance analysis for the recipient country of Nepal for the period 2013-2017 has been made using data provided on request by the OECD Financing for Sustainable Development team.

average 52% of adaptation projects in the period have a gender equality marker of either 1 or 2.

Approximately 39% (56,071 thousand USD) of the value of adaptation commitments during 2013-2016 targeted gender equality. However, this means 61% (equivalent to 87,886 thousand USD) of the

total value of adaptation commitments lack a gender marker. The fact that such a large total number of gender-adaptation co-marked projects (100) accounts for such a small percentage (39%) of total adaptation climate finance indicates that many large-scale adaptation projects are lacking gender markers.

*Table 2: Number and value of adaptation-related commitments from 2013-2016 with gender co-targets.*

2013-2016	Number of projects	Value of adaptation-related commitments (thousand USD)
Adaptation projects with a gender marker (1 or 2)	100	56,071 (39%)
Adaptation projects without a gender marker (0 or blank)	91	87,886 (61%)
Total	191	143,957

# 4

## ANALYSIS OF ADAPTATION RELEVANCES

### 4.1. Brief methodology

TAs outlined in Chapter 3, this study seeks to assess the accuracy and quality of donors' own reporting to the OECD-DAC - which provides the most comprehensive and detailed set of data at the project level on climate-related development aid. The OECD's guidelines for assigning the adaptation relevance of a project stipulates that a project should only be classified as adaptation-related, when it intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them (OECD-DAC Annex 18, Page 7).

The adaptation (and mitigation) relevance of a development project is assigned by allocating a 'Rio marker' to a project of 0, 1 or 2 to indicate an objective was "not targeted", a "significant" objective, or a "principal" objective, respectively. A "significant" marker would indicate adaptation and/or mitigation objectives are explicitly stated but not the fundamental driver or motivation for undertaking and designing the activity. Whereas a "principal" marker shows that the objectives are explicitly stated as fundamental in the design of, or the motivation for, the activity. Additionally, donor countries have the obligation to inform at project level about policy markers for gender equality.

Rio markers are applied to relevant projects by all developed country providers of ODA and climate finance, and also by multilateral organisations other than the MDBs. Importantly these Rio markers are the basis for the calculation of international flows of climate finance using the so-called 'Rio marker method' of climate finance accounting – which is utilized by all providers excluding the US, UK and MDBs. In which, Rio markers of 2 result in 100% of a project's budget being considered as climate finance, whilst Rio markers of 1 result in lower coefficients being used to report only a portion of the project's budget as climate finance. Where project's are assigned both mitigation and adaptation markers, i.e. cross-cutting projects, a variety of climate finance accounting methods are used by different donors to determine levels of provided climate finance.<sup>6</sup>

Whilst bilateral and multilateral donors report Rio markers to the OECD, this is not the case with the Multilateral Development Banks (MDBs) who have their own "climate components" method of calculating the climate finance resulting from their projects. The method is published, in part, in their annual Joint Report on Multilateral Development Banks' climate finance and Common Principles for Climate Change Adaptation Finance Tracking documents. The method results in a granular percent figure indicating the climate-relevance of a given project, and the portions of its budget going towards adaptation and mitigation budgets.

<sup>6</sup>See the OECD's "Results of the first survey on coefficients that Members apply to the Rio marker data when reporting to the UN Conventions on Climate Change and Biodiversity" for more details on accounting methods: <http://www.oecd.org/dac/financing-sustainable-development/Results%20of%20the%20first%20survey%20on%20coefficients%20that%20Members%20apply%20to%20the%20Rio%20marker%20data%20when%20reporting%20to%20the%20UN%20Conventions%20on%20Climate%20Change%20and%20Biodiversity.pdf>

Due to the limitations of international estimates of climate finance when calculated using a simple and limited set of coefficients relating to combinations of Rio markers, our approach, outlined below, builds on and adapts existing methodologies which produce adaptation finance figures and assess the relevance and quality of an adaptation project's activities.

To assess a selection of adaptation projects, the quality of their activities and resulting accuracy of their reporting a total of 15 projects were selected for this report's assessment. The selection was conducted to include the 10 largest adaptation-relevant projects by budget, which included bilateral, multilateral and MDB funded projects. The other 5 projects were selected as complementary projects, and include projects with adaptation Rio markers of 1, cross cutting projects, projects Rio marked "2,2" (i.e. with "principal" objectives assigned for both mitigation and adaptation) and projects with comparatively smaller budgets.

The methodology follows a 3-step approach analysis informed by the MDB's joint approach to assess the adaptation-relevance of development projects, which includes 3 guiding questions, or steps:

- (1) Climate vulnerability context: How well does the project set out the context of risks, vulnerabilities and impacts related to climate variability and climate change?
- (2) Statement of Purpose or Intent: Is the intent of the project to address the identified risks, vulnerabilities and impacts related to climate variability and climate change?
- (3) Link to Project activities: Is there a demonstrated direct link between the identified risk, vulnerabilities and impacts, and the financed activities?

Project activities were rated based firstly on the project documentation, and, where possible, also by the collective observations of the Assessment Team. These two sources of evidence result in two

strains of analysis: (1) Project Document (PD) - where the assessment was completed by analysing the most relevant information from the project document; and (2) Observation Assessment (OA) – where the assessment was undertaken using field observations from well-connected CSOs working in the relevant area, who collate observations from relevant sources. In this way, a comparison between the planned and actual initiatives can be established and used to inform our analysis of the quality of adaptation activities.

A rating scale of 0-10 was applied to assess how strongly the project performs against each of the three analysis steps. With 0 being the lowest rating, indicating the project does not at all address the guiding questions and 10 being the highest rating which indicates the project fully address all aspects of the guiding questions. The resulting project rating after the 3-step analysis was then used to produce an adaptation-relevance coefficient, as presented in Section 4.5, which allows the calculation of adaptation finance figures from a project's total climate finance figure. Allowing the comparison of this report's assessed adaptation finance figures with those reported by the donors themselves to the OECD-DAC.

The projects for this study were chosen from the suite of projects received in Nepal and reported to the OECD-DAC from 2013 to 2017. About 67% of the chosen projects were marked as adaptation relevant. However, MDB projects which had no indication of adaptation relevance, yet large amounts of non-specified climate-relevant finance, were also chosen so as to not overlook their potential contribution to adaptation activities.

The studied projects were selected on the following basis:

1. Large projects with high volume of adaptation-relevant finance
2. Projects Rio marked as climate adaptation-relevant

3. Projects selected for a balance between multilateral, bilateral, UN agency and international organization providers.
4. Consideration of the suggestions provided by the advisory group.

Information regarding another 3 projects were sought after but not accessed. Project documentation was not readily available for public access for two Swiss projects: "Nepal agricultural

services development programme (NASDP) – main credit phase 1", and "River protection works in East Chitwan". Even after direct communication with the donor, project documentation for the "River protection works in east Chitwan" project was not made available to the assessment team. Regarding the third project, the Climate Investment Fund's "Expansion of IFC-PPCR Strengthening Vulnerable Infrastructure Project", the documents that were available did not provide relevant and necessary information for the assessment.

*Table 3: List of selected projects for assessment*

Project name	Abbreviation	CRS ID	Climate-related commitment (OECD)	Financial instrument	Short description
World Bank: Earthquake Housing Reconstruction Project	WB: EHRP	2015028262	427,802,122	Credit	This project includes both the original financing and first additional financing to the Earthquake Housing Reconstruction Project (EHRP) in 2015 and 2017, respectively. As both are reported as adaptation finance, either to the OECD or in World Bank documentation. The objective is to restore affected houses with multi-hazard resistant core housing units in targeted areas and to enhance the government's ability to improve long-term disaster resilience.

United Kingdom: Rural Access Programme 3	UK:RAP3	2013000572	48,792,977	Grant	Rural Access Programme 3- Road maintenance, Upgrading and economic infrastructure is a component of a larger project named Rural Access Programme 3 (RAP 3) 2013. The overall aim of RAP3 project is:improved incomes and resilience through employment, sustainable access to markets and improved access to economic opportunities.
European Union: EU Contribution to Agriculture and Rural development (CARD) in Nepal	EU: EU-CARD	2017000672	43,768,000	Grant	The programme is a support through policy dialogue, budget support and capacity building measures to the Government of Nepal in implementing its Agriculture Development Strategy 2015-2035 (ADS).
World Bank: Nepal Livestock Sector Innovation Project	WB: Nepal Livestock	2017028618	32,129,210	Credit	The project is basically designed to increase productivity, enhance value addition, and improve climate resilience of smallholder farms and agro-enterprises in selected livestock value-chains in Nepal.

United States: Hariyo Ban	US: Hariyo Ban	2013013487	31,478,000	Grant	Hariyo Ban programme has three main focuses. These include- biodiversity conservation, sustainable landscapes and climate adaptation into a single program that benefits biodiversity and people.
World Bank: Additional Finance to Road Sector Development Project	WB: AFRSD	2007011444	30,800,000	Credit	This is an additional financing to a parent Road Sector Development Project (RSDP) 2007. The additional financing expands the parent project objective as it aims- (i) reduced bridge vulnerability; (ii) enhanced resilience of RSDP roads; (iii) enhanced access as reported by beneficiaries.
Asian Development Bank: Third Small Town's Water Supply and Sanitation Sector Project	ADB: TST	2014001980	23,540,101	Loan	The Third Small Towns Water Supply and Sanitation Sector Project (3STWSSSP) aimed at supporting the government of Nepal (the Government) in providing water supply and sanitation facilities and services to around 26 small towns in Nepal.
International Fund for Agricultural Development: Adaptation for Smallholders in Hilly Areas Project	IFAD: ASHA	2014000135	22,439,620	Grant	The key objective of ASHA projects is to reduce vulnerability of local communities to climate related risks and enable strengthening of institutional environment for climate change adaptation.

European Union: Water, Energy, Agriculture: Village Livelihoods Enhancement in Mid Far West	EU: WAVE	2016000463	22,116,550	Grant	The overall objective of WAVE project is to reduce the multi-dimensional poverty and enhance resilience in the Mid-West and Far West regions by improving significantly the livelihoods and resilience of marginal communities.
Climate Investment Funds: Building Climate Resilience of Watersheds in Mountain Eco-regions	CIF: BCRWME	2013000122	22,023,570	Grant	Project will enable communities in mountainous ecosystems that are significantly vulnerable to climate change impacts to have improved access to and reliability of watershed and water resources
Finland: Rural Village Water Resources Management Project (III PHASE)	Finland: RVWRMP	2014140831	17,078,510	Grant	The project is targated to improved health and reduced multidimensional poverty within the project working area.
Asian Development Bank: Bagmati River Basin Improvement Project- Additional Financing	ADB: BRBIP	2014001895	14,954,360	Loan	The overall objective of the projects is to improve water security and resilience to potential climate change impact in the Bagmati River Basin.
United Kingdom: Nepal Climate Change Support Programme - Implementation through Government	UK: NCCSP	2011000334	15,372,640	Grant	The project enable the Government of Nepal to implement Climate Change Policy, 2011 and develop and implement necessary strategies and most urgent and immediate adaptation actions.

Adaptation Fund: Adapting to Climate induced Threats to Food Production and Food Security in the Karnali region of Nepal	AF: Adapting to CIT	2015000010	9,485,654	Grant	The project aims to strengthen local capacity to identify climate risks and design adaptive strategies, diversify livelihood and strengthen food security for climate vulnerable poor in target areas and increase resilience of natural systems that support livelihoods to climate change induced stresses.
Global Environment Facility: Ecosystem-based Adaptation for Climate-resilient development in the Kathmandu Valley, Nepal	GEF: EbA for CRD	2017000206	6,884,000	Grant	The project objective is to increases capacity of communities living in the Kathmandu Valley to adapt to the negative effects of climate change using Ecosystem-based Adaptation.
Assessed climate-related commitments (USD):		768,665,314			
Total climate-related commitments 2013-2017 (USD):		1,918,577,987			
Assessed finance as a percentage of national climate-related commitments:		40%			

#### 4.2. Step 1 - Climate vulnerability context

This step was analysed to assess if the selected projects had performed vulnerability analyses and whether the associated risks were clearly indicated in the project to address the relevant adaptation needs. Figure 3 below consists of a list of 15 projects and their assessment scores based on project document (PD) and observation assessment (OA) (See section 4.1. Brief Methodology for detail). The score (0-10) indicates rating of the analysis of climate vulnerability where 0 implies that proj-

ect does not at all address the guiding question and the project cannot be considered adaptation finance and 10 implies that the project fully addresses all aspects of the guiding question and is fully relevant for adaptation project.

As seen in the Figure 3, not much difference is seen in the climate vulnerability context of the project as informed by evidence from both PD and OA. Of the 15 projects listed here, 10 are the largest ones based on budget (where this report uses

"large projects" in the analysis to indicate large projects based on their budget) and the other 5 are the complementary projects.

Two large projects IFAD: ASHA and CIF: BCRWME have high scores, ranging from 9-10 (Figure 3 below) based on both PD and OA indicating these projects have clearly presented the context of vulnerability and impacts related to climate change and climate variability and is also supported well by OA. Vulnerability assessment has been carried out in these project's areas and NAPA document forms the basis for almost all the project's vulnerability and risk assessments. Irregular and decrease in rainfall

pattern, drought and water scarcity have been found to be major risks in some of the project areas, while increased rainfall resulting in slope failures have been found to be another risks in other project areas. These risks are exacerbated by poverty, lack of basic needs and limited livelihood alternatives. Four complementary projects - ADB: BRBIP, UK: NCCSP, AF: Adapting to CIT and GEF: EbA for CRD have scores ranging from 6-9 (Figure 3 below) based on PD and OA. The lower score in OA for ADB: BRBIP (PD-7; OA-6) and UK: NCCSP (PD-8; OA-7) projects indicate that there is slight difference in the vulnerability context described in the document and actual implementation on the ground.

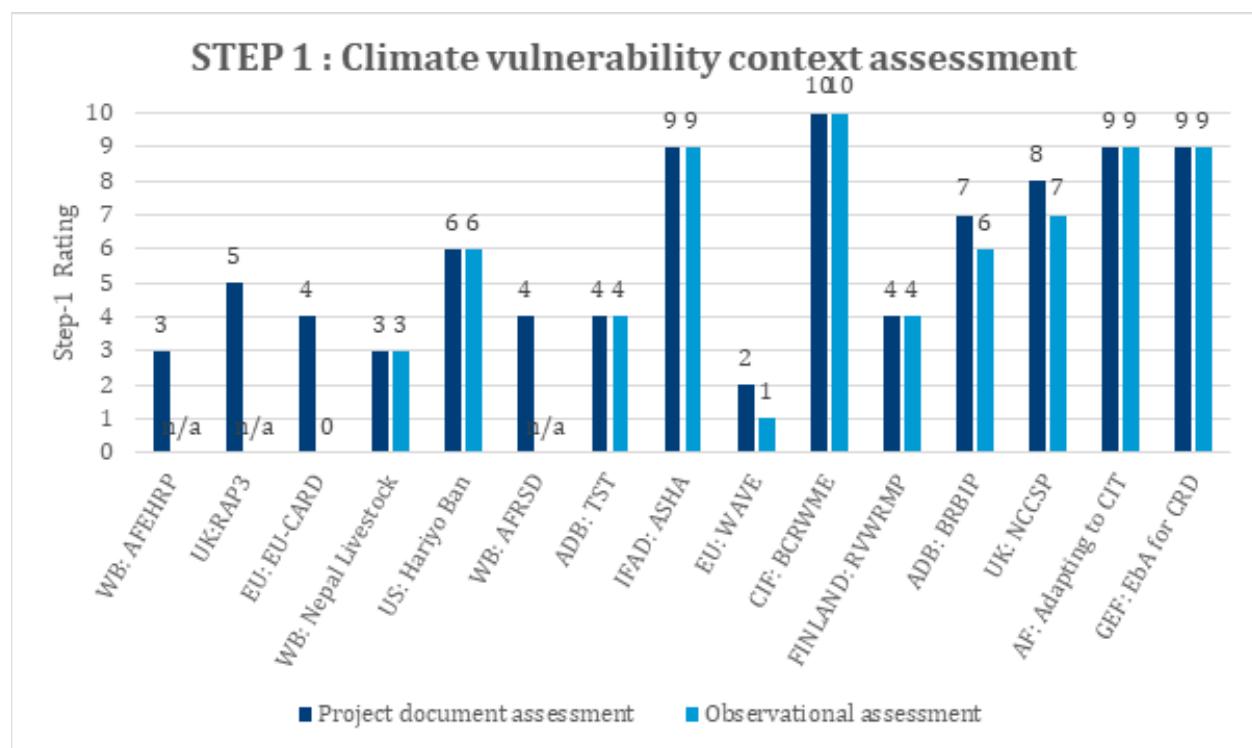


Figure 3: Analysis of climate vulnerability context- summary of project ratings

Other 5 projects such as EU: EU-CARD, WB: Nepal livestock, ADB: TST, EU: WAVE and Finland: RVWRMP have low score ranging from 0-4 because the context of vulnerability and impacts related to climate change and climate variability has not been considered well in the project document which also aligns with the response of the OA. For instance,

EU CARD project has assessment rating of 4 for PD and 0 for OA. Although, project document has marked climate change adaptation as the significant objective, the same is not reflected by OA. According to observation assessment, the programme does not consider the context of risks, vulnerabilities and impacts related to climate

variability and climate change. It was pointed out that, "This is a budgetary support programme of EU to Nepal therefore implementation at the ground level will not be monitored and activities of the programme do not directly address the vulnerability and adaptation needs." Although the PD is informed by climate change impacts in the project area some of the projects received low score ratings as no specific vulnerability assessment was done to categorize the risks and vulnerability. It is also to be noted that not all projects have done their project based vulnerability assessment but rather relied on secondary sources such as the NAPA document or other sources of information.

In case of a cross cutting project, US: Hariyo Ban score is 6 for both PD and OA as assessment score is given with the fact that this project should be looked from the perspective of mitigation as well because mitigation component is as large as adaptation in the project.

Another 3 large projects such as WB: EHRP (largest of all 15 projects), UK: RAP3 (second largest) and WB: AFRSD have low to intermediate score rating ranging from 3 to 5 for this step as per the PD, and assessment is not done for OA and indicated as n/a in the figure 3 above. Here, high score rating is considered 6- 10; 5 is an intermediate score and low score rating is 0-4.

Looking at the trend of all the project ratings, OA score is either equal to or lower than the score of PD. This could be implied to the OA rating of these 3 large projects and estimate that the OA rating for these 3 large projects is also either equal to lower

than the score of PD. Hence, the score rating can be estimated to range from 0 to 5.

One of the major results that can be drawn from the Step 1: Climate Vulnerability Context is that projects with high assessment rating in the project document also have high assessment rating in the observation assessment indicating that the project has set climate vulnerability context very well in the project area. Similarly, low assessment rating of the projects based on both project document and observation assessment shows the climate vulnerability context is not considered well. In addition, the largest of all the 15 projects i.e. WB: EHRP have a very low assessment rating (PD- score 3). While compared to the 5 complementary projects, the 10 largest projects it can be seen that only 30% of the projects from the 10 largest project lists have high score rating for this step and 80% of the projects from 5 complementary project list have high score rating.

#### **4.3. Step 2 - Statement of purpose or intent**

This second step of the analyses is intended to assess if the identified vulnerability is considered a fundamental driver of the project's objective to build adaptive capacity and resilience. This step followed the same assessment rating score (0-10) used in Step 1 for both PD and OA. The analyses shows that out of the 15 projects, 2 large projects (IFAD: ASHA and CIF: BCRWME) including 3 complementary projects (UK: NCCSP, AF: Adapting to CIT and GEF: EbA for CRD) have high assessment rating score 9 for both PD and OA indicating that climate change adaptation is the fundamental driver of projects' objective contributing 90% to adaptation relevance as evident in PD.

## STEP 2 : Statement of purpose or intent assessment

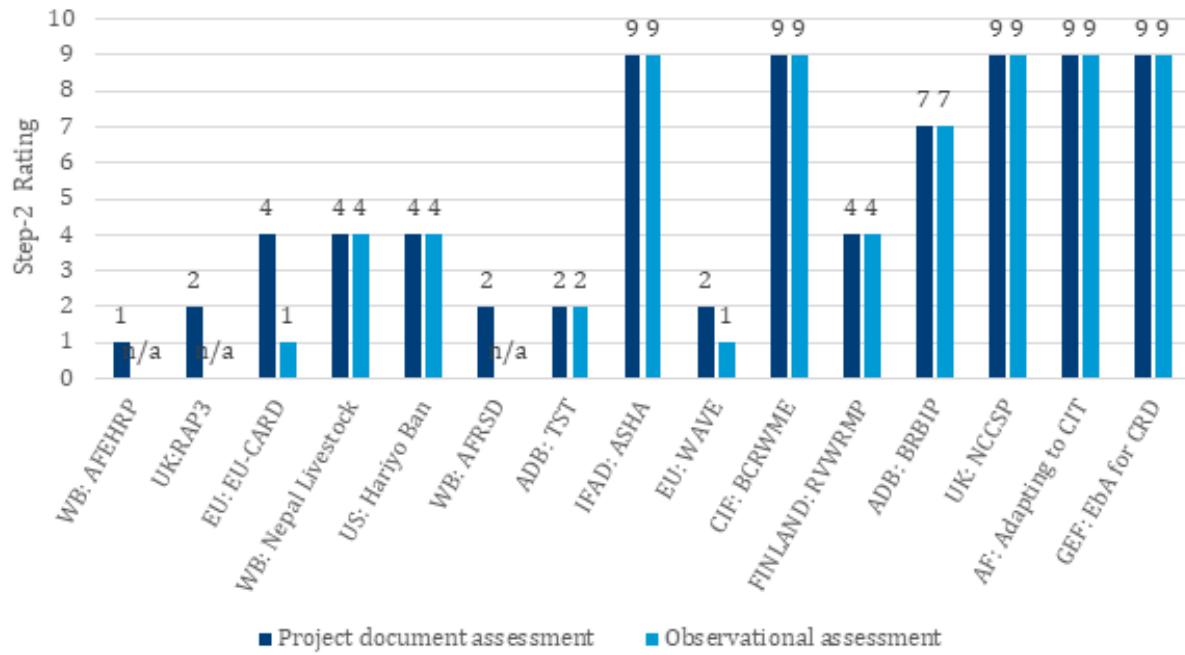


Figure 4: Analysis of statement of purpose or intent- summary of project ratings

For instance the adaptation relevant objective of NCCSP project is to build capacity of the Government of Nepal and implement adaptation measures at the local level. In addition, the NCCSP design is completely in line with NAPA (2010), the Three Year Plan (2010/11-2013/14), Nepal's Climate Change Policy (2011) and National framework on LAPA (2011). The NCCSP project has helped to improve the adaptive capacity at activity level through various activities such as- the project implements 70 LAPAs to deliver effective adaptation services to the most vulnerable; local beneficiaries were provided training events such as forest management, climate change adaptation, improved cooking stove manufacturing, off season vegetable and so on.

As for the other 5 projects (EU:EU-CARD, WB:Nepal Livestock, ADB: TST, EU: WAVE and RVWRMP) with low assessment rating ranging from 1-4 shows that climate change is not the fundamental driver of the project's objective indicating only 10%-40% to

adaptation relevance. One example can be seen for – the WB: Nepal Livestock project which is expected to generate significant adaptation and mitigation co-benefits as per the PD (score 4) equally supported by OA (score 4). Another example is for EU: WAVE project where, climate change adaptation is not the fundamental driver of the project's objective. The objective is to improve the livelihoods and resilience of marginal communities by reducing multi-dimensional poverty. As reported from the OA, the project is not focused on climate change adaption but has indirect linkages (PD-2 and OA-1). Another project with low assessment rating i.e. 4 in both PD and OA is US:Hariyo Ban which is a crosscutting project. Assesment of this project indicates that both adaptation and mitigation are addressed in this project through adaptation activities and REDD+. The analysis and scoring of this project is also a bit different form the rest of the projects due to the crosscutting nature of the project.

Concerning another 3 large projects such as WB: EHRP, UK: RAP3 and WB: AFRSD, all have very low score ratings of 1 and 2 for this step, as per the PD analysis, with assessments not feasible for OA (as indicated by "n/a" in figure 4 above). Looking at the trend of all the project ratings, OA score is either equal to or lower than the score of PD. This could be implied to the OA rating of these 3 large project and estimate that the OA rating for these 3 large projects is also either equal to lower than the score of PD. Hence, the score rating can be estimated to be ranging from 0 to 2.

One of the major results that can be drawn from the Step 2: It appears that these projects are dedicated to addressing climate change impacts with principal objectives focusing explicitly on addressing climate change impacts, while those with significant objectives have indirect contribution to climate change works with least priority to addressing climate change impacts. In addition, the largest of all the 15 projects i.e. WB: EHRP have a very low assessment rating (PD- score 2). When compared with the 5 complementary project, it can be seen that only 30% of the projects from the 10 largest project lists have high score rating for this step and 80% of the projects from 5 complementary project list have high score rating. Here, high scoring rating is 6- 10, 5 is an intermediate score and low score rating is 0-4. This score rate of step 2 is the same as step 1.

#### **4.4. Step 3 - Linkage between climate vulnerability and project activities**

This third step of the analysis was done to see if there was a clear and direct link established between climate vulnerability, identified risks and a project's activities. This step also followed the same assessment rating score (0-10) used in Step 1 and 2 for both PD and OA.

The analyses shows that out of the 15 projects, 2 large projects (IFAD: ASHA and CIF: BCRWME) including 4 complementary projects (ADB: BRBIP, UK: NCCSP, AF: Adapting to CIT and GEF: EbA for

CRD) have high assessment score ranging from 8-10 indicating that these projects demonstrate clear and direct link between the implemented project activities and vulnerability and adaptation needs helping to improve the situation of the communities. For instance, In case of the GEF: EbA for CRD, the restoration of climate resilient wetlands helps reduce the impacts of floods, climate-resilient livelihoods result in the increased adaptive capacity of local communities and groundwater recharge helps in water conservation.

were cited in the projects mentioned above such as income generation and water source preservations, which are directly linked to addressing poverty and also expected to build climate resilience and adaptive capacity of the communities. When compared with the 5 complementary projects, the 10 largest projects it can be seen that only 30% of the projects from among the 10 largest ones have high score rating for this step, while 80% of the projects from 5 complementary project list have high score rating. Here, high scoring rating is 6- 10, 5 is an intermediate score and low score rating is 0-4. This score rate of step 3 is the similar to step 2 and step 3.

Similarly, in AF: Adapting to CIT project the project intervention helped improve the situation related to adaptation as more than 80% of target households have skills and knowledge to adopt adaptation strategies for livelihood diversity, soil management, and resistant crop varieties and so on. IFAD: ASHA, CIF: BCRWME and ADB: BRBIP projects have same assessment rating score 9 for both PD and OA while UK: NCCSP, AF: Adapting to CIT and GEF: EbA for CRD projects differ in their assessment rating score for PD and OA (See Figure 5 below for detail).

The other 4 projects namely EU: EU-CARD, WB: Nepal Livestock, EU: WAVE and Finland: RVWRMP have low assessment rating score ranging from 1 to 4 contributing only about 10%-40% for adaptation relevance which shows that the implemented

### STEP 3: Assessment of linkage between climate vulnerability and project activities

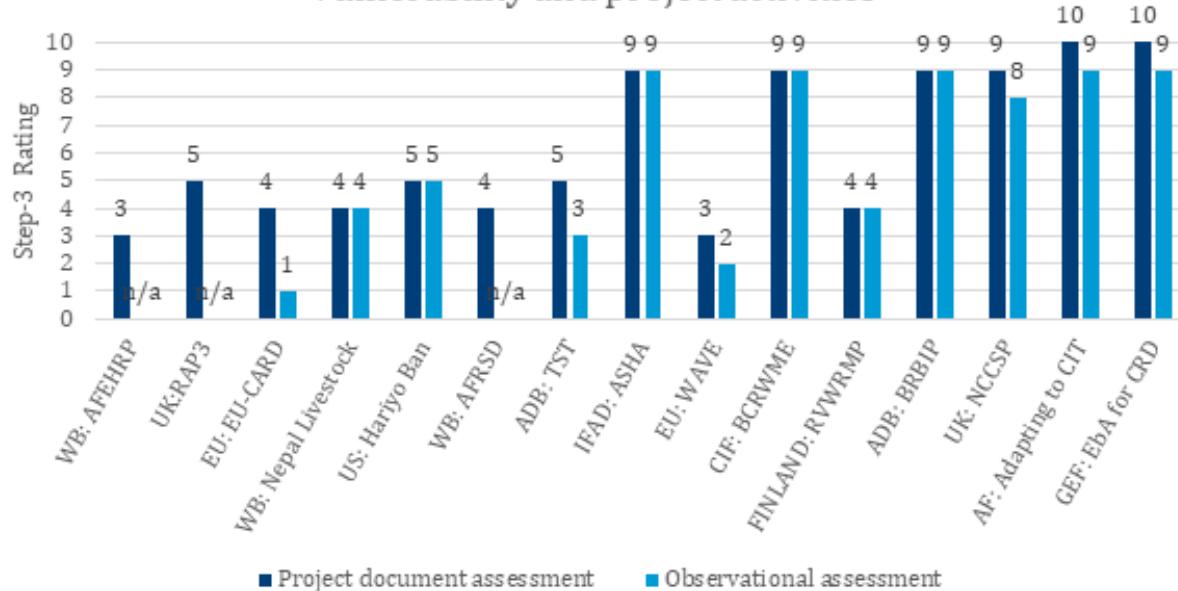


Figure 5: Analysis of the linkage between climate vulnerability and project activities- summary of project ratings.

project activities have very limited or no direct link with the climate vulnerability and assessment needs. However, in case of ADB: TST project, 50% is dedicated to adaptation relevance as per the PD while OA puts it as only 30%. In case of EU: EU-CARD, although the project document (score 4) contains activities that consider climate change impacts such as diversification of production, of incomes, drought and flood resistant seeds, land protection investments and others contributing to increased resilience of farmers to the effects of Climate change and disasters. However the OA presents a different picture. As per the OA this is a budgetary support programme of EU to Nepal and has no direct link of the implemented activities to the adaptation needs thereby making the OA rating score 1. Likewise, the projects with low assessment ratings reflect that only certain activities in the entire project are directed to address climate change issues. For instance, in case of EU: WAVE project the PD has listed plenty of activities which are related to climate change adaptation such as

addressing ground water depletion, DRR trainings and capacity building, improve water catchment areas, slope maintenance, promote greenery, raised planting beds, use of plastic and organic mulch and drip-irrigation and so on making the assessment rating score 3. However, the OA revealed that only about 10%-15% of the activities are designed to address climate change. In addition, the activities that are designed for this project address climate change impacts indirectly making the rating score 2. US: Hariyo Ban project score 5 for both PD and OA indicating that the project activities contributes to climate vulnerability and are linked to improve adaptation. The PD also reflects that mitigation is also of equal priority as that of adaptation.

Another 3 large projects such as WB: EHRP, UK: RAP3 and WB: AFRSD have rating score ranging from 3 to 5 for this step as per the PD. OA has not been done and indicated as n/a in the figure 5 above. Looking at the trend of all the project ratings, OA score is either equal to or lower than the score

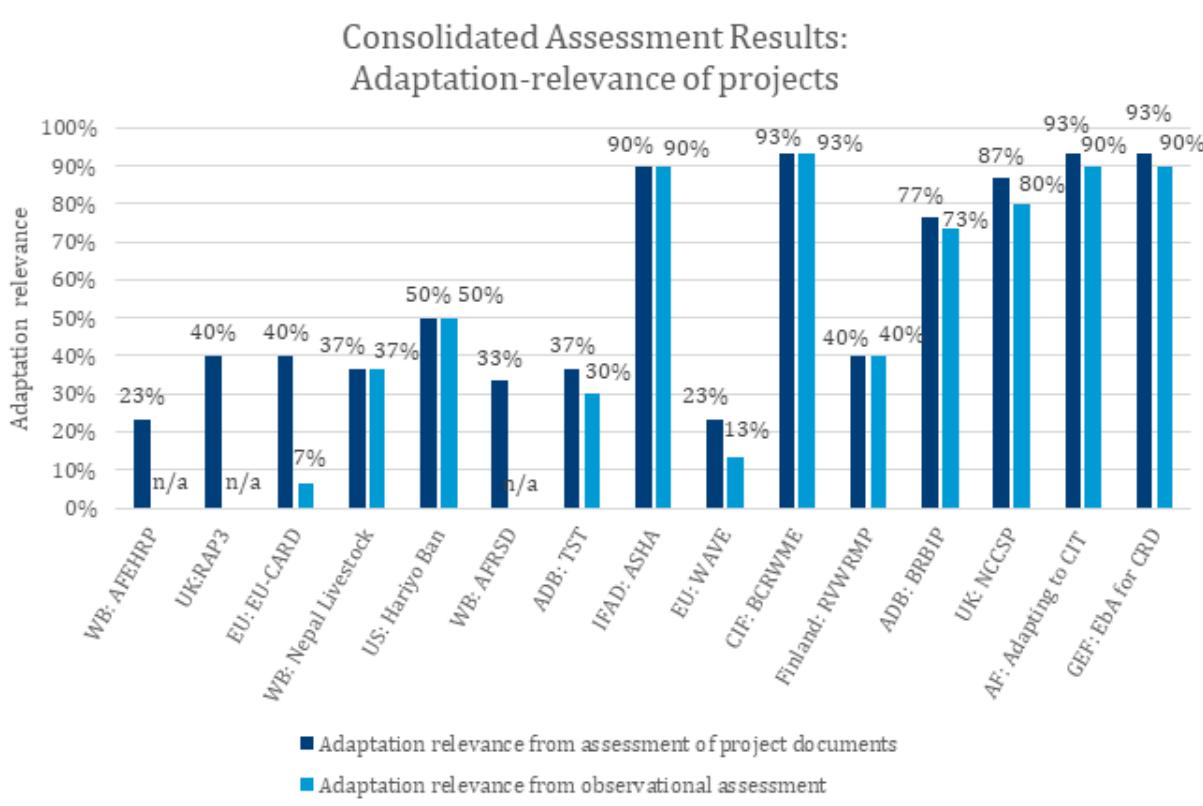


Figure 6: Assessed adaptation-relevance of the projects- consolidated summary of project ratings

of PD It is safely presumed that the OA ratings of these 3 large projects are also either equal to lower than the score of PD. Hence, the score rating can be estimated in the range from 0 to 5.

One of the major results that can be drawn from the Step 3: Those projects whose principle objective is to address climate vulnerability have activities that directly address adaptation needs, while the ones, which do not have principle objective to address climate change risks have some activities that indirectly address adaptation needs and climate change is their crosscutting issue. Such activities directly or indirectly help to build the adaptive capacity of the communities. Various examples were cited in the projects mentioned above such as income generation and water source preservations, which are directly linked to addressing poverty and also expected to build climate resilience and adaptive capacity of the communities. When compared with the 5 complementary projects, the

10 largest projects it can be seen that only 30% of the projects from among the 10 largest ones have high score rating for this step, while 80% of the projects from 5 complementary project list have high score rating. Here, high scoring rating is 6-10, 5 is an intermediate score and low score rating is 0-4. This score rate of step 3 is the similar to step 2 and step 3.

#### 4.5. Consolidated 3-step analysis

A consolidated 3-step analysis of the 15 projects was assessed to demonstrate the adaptation relevance of the projects based on project documents (PD) and observation assessment (OA).

The assessment result shows that out of the 15 projects, 2 large projects: IFAD: ASHA and CIF: BCRWME, and 4 complementary projects: ADB: BRBIP, UK: NCCSP, AF: Adapting to CIT and GEF: EbA for CRD, have high adaptation relevance indicating that these projects are hugely dedicated

to adaptation finance agreed upon by both PD and OA. The adaptation relevance of these projects ranges from 77% to 93% in PD and 73% to 93% in OA. It is interesting to note that of these 7 high adaptation relevance projects only two -- IFAD: ASHA (90%) and CIF: BCRWME (93%)-- have same adaptation relevance percentage for both PD and OA indicating that there is no difference between the planned and actual initiatives. Similarly, other projects such as AF: Adapting to CIT and GEF: EbA for CRD have a difference of 3% between PD (93%) and OA (90%), ADB: BRBIP project has a difference of 4% (PD-77% and OA-73%) followed by UK: NCCSP which have a difference of 7% between PD (87%) and OA (80%). The adaptation relevance of the cross cutting project US: Hariyo Ban is 50% for both PD and OA indicating that the project has equal adaptation and mitigation relevance.

Other 5 projects such as EU: EU-CARD, WB: Nepal Livestock, ADB: TST, EU: WAVE and Finland: RVWRMP show low adaptation relevance indicating that these projects are not principally adaptation projects. Climate change adaptation is the secondary objective or a cross cutting issue for these projects agreed upon by both PD and OA. The adaptation relevance of these projects range from 23% to 40% in PD and 7% to 40% in OA. Two projects- WB: Nepal Livestock (37%) and Finland: RVWRMP (40%) show same percentage of adaptation relevance for both PD and OA. Similarly, other projects such as ADB: TST has difference of 7% between PD (37%) and OA (30%), EU: WAVE project has a difference of 10% (PD-23% and OA-13%) followed by EU: EU CARD, which has a huge difference of 33% between PD (40%) and OA (7%). One of the most significant differences in adaptation relevance that can be noticed is in the EU: EU-CARD project. Although EU: EU-CARD project is not a climate change project, PD shows 40% of the total climate commitment can be considered as adaptation finance, while it is contested by the OA, which puts the dedication to adaptation finance only at 7%. This reveals a

huge difference between the planned and actual initiatives for adaptation indicating that this project has very minimal contribution to climate change adaptation.

Other 3 large projects such as WB: EHRP, UK: RAP3 and WB: AFRSD show adaptation relevance ranging from 23% to 40% as per the PD. The OA is not done and indicated as n/a in the figure 6 above. Given the trend of all the project ratings, which show OA score is either equal to or lower than the score of PD it is safely presumed that the OA ratings for these 3 large projects are also either equal to lower than the score of PD. Hence, the score rating can be estimated at a range from 0% to 40%.

When comparing the 10 largest projects with the 5 complementary projects, the consolidated assessment result shows that only 30% of the projects from among the 10 largest ones have high score rating for the overall 3-steps, while 80% of the projects from 5 complementary project lists have high score rating, which clearly indicates that projects with large budget have the least contribution to climate/adaptation relevance.

#### **4.6. Comparison of assessed and reported adaptation finance**

The Table 5 below shows a list of 15 assessed projects and includes two major aspects: firstly it shows the climate commitments reported by the donor to the OECD, including the climate-related and subsequent adaptation-related finance figures; and secondly the table outlines the assessed adaptation finance finances based on the adaptation-relevance coefficients produced from both project document (PD) analyses, and observational assessments (OAs) detailed in the above sections.

The 10 largest projects (based on budget) appear as the first 10 rows of the below table, and are- WB: EHRP, UK: RAP3, EU: EU-(CARD), WB: Nepal Livestock, US: Hariyo Ban, WB: AFRSD, ADB: TST, IFAD: ASHA, EU: WAVE and CIF: BCRWME.

Of these 10 largest projects, the 5 largest Rio marked projects are EU: EU-(CARD), US: Hariyo Ban, IFAD: ASHA, EU: WAVE and CIF: BCRWME. While the WB: EHRP, WB: Nepal Livestock, WB: AFRSD and ADB: TST are the MDB projects were provided by MDBs which do assign Rio markers. The other 5 projects- Finland: RVWRMP, ADB: BRBIP, UK: NCCSP, AF: Adapting to CIT and GEF: EbA for CRD are complementary projects (selected based on the criteria in methodological paper) and have lower budget than the first 10 projects.

The adaptation finance purportedly committed by the 15 projects, as reported by the donors, is 648,687,802 USD, of which 383,642,353 USD, or 59% of the total assessed adaptation finance in this report, is estimated in our assessments to be over-reported. This over-reported adaptation finance equates to 19% of all climate finance received in Nepal over the 5-year period 2013-2017. A significant figure considering only 15 of 609 climate-related projects were assessed.

*Table 4: Implications of adaptation finance- comparing reported and assessed adaptation finance figures. \*Adaptation-related finance sourced from the OECD has been adjusted for each donor's specific Rio marker 1 coefficient, where possible. When not possible, it has been calculated using a 40% coefficient. For MDB projects that do not apply Rio markers, the stated amount is the "Adaptation-related development finance" figure as reported by the donor to the OECD, with the exception of the 2015 WB: EHRP commitment of 162.3 million USD, which is considered as adaptation finance even though it was reported without an objective breakdown as it is referred to as such in World Bank documentation.*

Project Name	Rio markers		Financial commitments reported to OECD (thousand USD)		Assessed adaptation-related commitments (USD)	
	Adaptation	Mitigation	Climate-related finance	Adaptation-related finance	From project document assessment	From observational assessment
WB:AFEHRP	n/a (MDB)	n/a (MDB)	265,512,240	265,512,240	61,952,856	n/a
UK:RAP3	n/a (MDB)	n/a (MDB)	48,792,977	19,517,191	19,517,191	n/a
EU: EU (CARD)	1	0	43,768,000	17,507,200	17,507,200	3,063,760
WB: Nepal Livestock	n/a (MDB)	n/a (MDB)	19,053,950	19,053,950	7,049,962	7,049,962
US: Hariyo Ban	2	2	31,478,000	15,739,000	15,739,000	15,739,000
WB:AFRSD	n/a (MDB)	n/a (MDB)	30,800,000	0	10,266,667	n/a
AsDB:TST	n/a (MDB)	n/a (MDB)	23,540,101	23,540,101	8,709,837	7,062,030
IFAD: ASHA	2	0	22,439,620	22,439,620	20,195,658	20,195,658
EU: WAVE	1	1	22,116,550	4,423,310	5,086,807	2,875,152
CIF: BCRWME	2	0	22,023,570	22,023,570	20,555,332	20,555,332
Finland: RVWRMP	1	0	17,078,510	6,831,404	6,831,404	6,831,404
AsDB:BRBIP	n/a (MDB)	n/a (MDB)	14,954,360	14,954,360	11,464,733	10,966,267
UK: NCCSP	2	0	15,372,640	7,686,320	13,322,955	12,298,112
AF: Adapting to CIT	2	0	9,485,654	9,485,654	8,853,273	8,537,085
GEF: EbA for CRD	2	0	6,884,000	6,884,000	6,425,067	6,195,600
Totals			593,300,172	455,597,920	233,477,941	121,369,361
			Over-reporting		238,686,777	39,367,480
			Under-reporting		6,300,132	4,611,792

The overwhelming source of over-reporting across the 15 projects, by far, results from the WB: EHRP project. This report's assessment indicates that 327,981,627 USD, or 77% of the adaptation finance reported by the WB for this project, has been over-reported, and is not deemed adaptation-relevant. As outlined further in Box 1 below, the our estimate of the WB: EHRP's adaptation finance figure, and resulting over-reported adaptation finance figure, seems to stem from a more conservative calculation of the funds that can be considered as incrementally relevant towards adaptation, i.e. the portion of funds specifically dedicated to adaptation purposes rather than broader developmental goals.

Throughout the assessments there are discrepancies between the adaptation finance as reported to the OECD, calculated through PD analysis, and as calculated based on OAs. Indicating that the budget reported to the OECD by donors is often higher than the planned budget (as assessed through PD) and much higher than the amount invested during implementation (as assessed through OA). There-

fore, a tentative deduction can be made that there is a notable discrepancy between what is promised at the planning stage and what trickles down to the implementation stage.

When analysing the adaptation finance commitments reported to the OECD and the adaptation finance assessed on the basis of PD analysis, projects such as: WB: EHRP, WB: Nepal Livestock, WB:AFRSD, ADB: TST, IFAD: ASHA, CIF: BCRWME, ADB: BRBIP, AF: Adapting to CIF and GEF: EbA for CRD account for the entire over-reporting figure – all projects provided by multilateral donors. In the subsequent analysis of adaptation finance commitments reported to the OECD and the adaptation finance assessed through OA, where this was possible, it is shown that projects such as WB: Nepal Livestock, ADB: TST, IFAD: ASHA, CIF: BCRWME, ADB: BRBIP, AF: Adapting to CIF, GEF: EbA and EU: WAVE have been over-reported by 39,367,480 USD. Importantly this figure does not include the assessment of WB: EHRP because an OA was not within the scope of the current study for this project.

## BOX 1: THE WORLD BANK'S EARTHQUAKE HOUSING RECONSTRUCTION PROJECT

Across 2015 and 2017, the World Bank reported 162.3 and 265.5 million USD of adaptation finance, as part of its Earthquake Housing Reconstruction Project (WB: EHRP). With both the initial and Additional Finance commitments providing grants for activities relating to resilient recovery and post-disaster reconstruction in the wake of the 2015 earthquakes in Nepal. The project's documentation acknowledges Nepal as vulnerable to a wide array of both geo- and climate-related hazards, and states its intent to engage with multi-hazard reconstruction processes. The World Bank's own assessment of the adaptation-relevance of the project, found that the portion of the project's total budget to be considered as adaptation finance was 81.5% and 88.5% for the EHRP's initial and Additional Finance packages, respectively. Yet, aside from briefly outlining the broad, national climate vulnerability context in Nepal, the project's objectives and stated outcomes primarily relate to earthquake resistant construction, a geohazard which cannot be related to climate change.

This report's assessment finds the project's adaptation relevance to be significantly lower than the figures reported by the World Bank itself, at just 23%, amounting to 99.8 million USD of assessed adaptation finance resulting from the analysis of the project's documentation. Our assessment therefore disagrees that as much of 88.5% of the housing reconstruction project, in response to a non-climate related disaster, should be considered as finance addressing the current and expected effects of climate change.

The 2018 Joint Report on Multilateral Development Banks' Climate Finance, which refers to and outlines the World Bank's climate finance tracking methodology states that Multilateral Development Banks "...make the best possible efforts to differentiate between their usual development finance and finance provided with an explicit intent to reduce vulnerability to climate change. Thus, the methodology for tracking adaptation finance attempts to capture the incremental cost of adaptation activities". Resultingly, the methodology used by the Wold Bank, the Common Principles for Climate Change Adaptation Finance Tracking, calculates climate finance figures by determining the portion of a project's total budget that is incrementally relevant towards reducing adaptation, i.e. the finance which is additional to development finance.

This principle of calculating the incremental share of adaptation finance within a project's total budget it utilized in this report's assessments, and appears to be the source of discrepancy between assessed and reported finance totals. When considering only the discrete activities, objectives, and portions of the budget which reduce vulnerabilities towards climate change, our analysis finds that under a quarter of the project's budget targets adaptation activities. This report's lower figure acknowledges the adaptation-relevant additional costs of climate-proofing housing reconstruction, and further costs regarding adaptation-related capacity building integrated into the objectives. Yet, if more than 81.5-88.5% of the project budget were to be considered as incremental adaptation finance, it remains unclear as to how the project would provide adequate levels of finance, within its budget, for the developmental objectives increasing the resilience of rebuilt housing to non-climate related risks, such as earthquakes, which form the primary driver of the project.

For instance, the CIF: BCRWME project reported total adaptation finance to the OECD of 22,023,570 USD, resulting from Rio markers of 2,0 (indicating 100% of the project budget should be dedicated to adaptation finance totals). Whilst this report's assessment shows that 93% (20,555,332 USD) of the total climate-related budget is adaptation relevant, with the other 7% being considered as over-reported when assessed through both PD and OA.

Assessments of cross-cutting projects including both mitigation and adaptation activities are found to both under-report and over-report adaptation finances. In the case of the cross cutting US: Hariyo Ban project, total reported adaptation finance to the OECD was 15,739,000 USD due to Rio marker allocations of 2,2 (assumed to indicate that 50% of the climate-relevant budget was considered adaptation finance and 50% mitigation finance). This assessment shows good agreement with this reporting, that 50% of the finance is adaptation relevant while the PD analysis also shows mitigation relevance to be as large. In contrast, projects such as EU: WAVE and UK: NCCSP show an under-reporting of adaptation finance by 6,300,132 USD.

The the UK: NCCSP alone, under-reporting 4,611,792 USD. Analysis of the UK: NCCSP project, with Rio markers of 2,2 for both mitigation and adaptation, show its adaptation finance has been under-reported when compared to the commitment reported to the OECD by the donor. This is due to our analysis showing that more than 50% of the project's climate-related commitment value can be considered as adaptation finance – in disagreement with current climate finance accounting methods which are assumed to report 50% of the climate-related commitment value to both mitigation and adaptation finance totals. Further, it can be noted that the UK: NCCSP project is primarily dedicated to adaptation objectives rather than both adaptation and mitigation objectives. Our analysis finds that about 80% of the budget is dedicated

to adaptation activities with no evidence of significant mitigation objectives,. This is at odds with the donor's current Rio marker allocations which state that both mitigation and adaptation are fundamental parts of the project's design and outcomes. The assessment team hence has suggested the Rio markers for the project of 2,0. This finding provides a strong caveat to the analysis which states that adaptation finance for this project has been under-reported. As this finding appears to be entirely a result of inaccurate donor Rio marker allocations and the resulting impact on climate finance calculations. Our suggested Rio marker allocations would result in 100% of the climate-relevant budget being reported as adaptation finance, and therefore the finding of under-reporting would be reversed

In the assessment of the WB: AFRSD project, which only reported a general climate-relevant finance figure (without separate mitigation and adaptation finance figures) to the OECD, we find a significant portion of the budget to be adaptation-relevant. In the PD analysis, the assessment indicates that 33% (10,266,667 USD) of the total climate-related financial commitment reported to OECD (30,800,000 USD) can be considered-adaptation finance. This shows how vital it is for MDB donors to provide separate mitigation and adaptation related commitment figures for all their projects, including those committed prior to 2017. Without them accurate pictures of finance flowing to both objectives from the recipient perspective are hidden.

Of all the 15 projects assessed, only 3 - UK: RAP3, EU: EU (EU- CARD) and Finland: RWWRMP-- have assessed adaptation finance figures which match those reported by the donors themselves to the OECD, as a result of PD analysis.. However, if these 3 projects are tracked and analysed through an OA, only one project, i.e. Finland: RWWRMP, shows agreement between donor and assessed adaptation finance figures. This again seems to indicate that the majority of adaptation finance figures pro-

duced from project document analyses are higher than the actual amount utilized on the ground.

Ultimately, the analysis of the adaptation finance of the 15 assessed projects shows that significant discrepancies can be observed between the figures reported to OECD and assessed at the project-level

#### 4.7. Comparison of assessed and reported Rio markers

A comparative assessment was done based on the Rio markers and gender equality markers as reported to OECD by the donors, and the assessment team's judgement informed by the project document. As MDBs do not provide rio markers it is difficult to specify adaptation and mitigation sub-totals. Therefore, the Table 5 below has "n/a (MDB)" for MDB projects.

*Table 5: Comparison of the Rio markers and gender equality marker*

Project Name	Adaptation Rio marker		Mitigation Rio marker		Gender equality marker	
	Donor	Assessed	Donor	Assessed	Donor	Assessed
WB: EHRP	n/a (MDB)	1	n/a (MDB)	0	n/a (MDB)	1
UK: RAP3	1	1	0	0	Unavailable	1
EU: EU-CARD	1	1	0	0	Unavailable	1
WB: Nepal Live-stock	n/a (MDB)	1	n/a(MDB)	1	n/a(MDB)	1
US: Hariyo Ban	2	2	2	2	1	1
WB: AFRSD	n/a (MDB)	1	n/a (MDB)	0	n/a (MDB)	1
ADB: TST	n/a (MDB)	1	n/a(MDB)	0	n/a(MDB)	1
IFAD: ASHA	2	2	unavailable	1	unavailable	1
EU: WAVE	1	1	1	1	1	1
CIF: BCRWME	2	2	0	0	unavailable	1
Finland: RVWRMP	1	1	0	1	1	1
ADB: BRBIP	n/a (MDB)	2	n/a(MDB)	0	n/a(MDB)	1
UK: NCCSP	2	2	2	0	1	1
AF: Adapting to CIT	2	2	unavailable	0	unavailable	1
GEF: EbA for CRD	2	2	0	0	unavailable	1

Differing from the MDB's own practice of reporting climate finance, other multilateral funds and institutions do make Rio marker allocations for their projects, and calculate climate finance totals using the Rio marker methodology. These multilateral projects with Rio markers of 2,0 (2 for adaptation and 0 regarding mitigation) are IFAD: ASHA, CIF: BCRWME, AF: Adapting to CIT and GEF: EbA for CRD. As a result, these projects report 100% of the total climate-related budget as adaptation finance. However, discrepancies can be seen in this report's assessed adaptation finance figures through both PD and OA analyses, where adaptation finance over-reporting has been found in all cases (See Table 4 and Figure 6 for more details). All 4 projects have adaptation relevance coefficients ranging from 90%-93%.

Bilateral projects with Rio markers of 2,2 (assumed to result in reporting of 50% of the budget as adaptation finance and 50% as mitigation finance, as is common practice among donors) are US: Hariyo Ban and UK: NCCSP. Based on PD assessment these, the UK's NCCSP project was found to have significantly under-reported adaptation finance. This is due to this assessment finding that the project's climate-related budget was primarily targeting adaptation, producing an adaptation-relevance coefficient of 87% suggesting a maximum of 13% of the project's total climate finance figure was targeting mitigation. Yet this appears to be a result of inaccurate Rio marker allocations by the UK, and the knock-on effects on climate finance reporting. Although the project has certain aspects and activities that generate mitigation co-benefits, there was no evidence that mitigation was a fundamental driver of this project. Although a thorough assessment of mitigation objectives and finance was not within this project's scope, given only the limited potential for mitigation co-benefits, the assessment team reduced the Rio marker for mitigation to 1, making the suggested Rio markers (2,1). We argue that the original donor allocated Rio markers over-estimate the mitigation share of the project's budget, and

consequently also result in the under-estimation of the budget targeting adaptation - a result of the project being reported as cross-cutting, rather than primarily adaptation related.

The assessed Rio marker allocations for the US: Hariyo Ban project, based on PD analysis, is same as that of the donor's - i.e. the maintenance of Rio markers of 2 for both mitigation and adaptation. (2,2) This was due to the assessment that both adaptation and mitigation are important and fundamental components of this reducing emissions from deforestation and forest degradation (REDD+) project.

Table 5 above shows "n/a (MDB)" for both adaptation and mitigation Rio markers in case of MDB projects, due to the fact that these institutions do not utilize the Rio marker methodology. MDB projects such as WB: EHRP, WB: Nepal Livestock, WB: AFRSDP, ADB: TST and ADB: BRBIP have adaptation relevance coefficients of 23% to 37%, based on which the assessment team assigned Rio markers of 1 for adaptation. In case of ADB: BRBIP, which has adaptation relevance coefficients of 77%, as per the PD analysis, the assessment team puts the adaptation Rio marker at 2. For projects such as EU: EU (CARD) and Finland: RVWRMP, with donor allocated Rio markers of (1,0), the assessment team did not find evidence suggesting these need to be changed, due to these assessments resulting in adaptation relevance coefficients of 40% allocation as per the PD.

As for gender marking, the assessment team has analysed how these projects address gender equality and suggested gender-markers for the projects. Some of the projects like WB: EHRP, UK: RAP3, WB: AFRSDP, EU: EU-CARD, WB: Nepal livestock, ADB: TST, ADB: BRBIP, IFAD: ASHA, CIF: BCRWME, AF: Adapting to CIT and GEF: EbA for CRD have gender considerations, and were hence allotted a gender equality policy marker 1 by the assessment team.

# 5

## ANALYSIS OF POVERTY ORIENTATION, GENDER AND THE JOINT PRINCIPLES OF ADAPTATION

### 5.1. Poverty orientation

This next section of the assessment aims to determine the performance of the selected projects with regards to poor communities, and levels of project orientation towards poverty reduction within their design and implementation. Four guiding questions directed the poverty assessment, each measured using the 10-point scale utilized in the 3-step adaptation assessment for consistency. The scores for each assessment variable were summed, with a highest possible score of 40. The guiding questions looked to determine the levels of: i) poverty orientation within the project design; ii) prioritization of poor communities, regions, or ethnic groups; iii) the application of Human Rights Based approaches; and iv) evidence of poverty orientation in project implementation.

All of the 15 projects reviewed intend to address poverty explicitly or implicitly. However, their prime focus is on such areas as climate adaptation, mitigation and resilience; environmental degradation; agriculture, livelihoods and food security; and water and sanitation. A few of the projects have quite detailed poverty analysis from various perspectives including social, economic and political (in relation to policies) perspectives, while the others seem to be linking poverty to the specific areas of their prime focus without in-depth analysis.

Majority of the projects have covered the country's poor and vulnerable communities with high

vulnerability, caste and ethnicity-based discrimination, and poverty incidences - both geographically and demographically - such as the mid and far-western regions. The ones, which are implemented in regions other than these (eastern, western and central regions), have also prioritised the areas that have comparatively higher vulnerability emanating from environmental degradation, growing hazards of climate change, a lack of adequate access to public services such as water, energy and health, food insecurity and income opportunities. The only project implemented in Kathmandu valley (GEF: EbA for CRD), which talks about urban poverty, seems to be putting entire urban population in one basket without any analysis of urban poverty. However, whether they are geared to address the specific poverty issues of the marginalised groups including ethnic minorities remains a question. It can be concluded from the review of the projects that majority of them have used the (existing) data from secondary sources; very few of them have mentioned some poverty mapping tools.

Although the assessed projects are not explicit about their rights-based approach or rather they seem to be focussing more on immediate needs of the direct beneficiaries, what has transpired from a detailed study of the project documents is that they have included some elements of human rights approach. However, almost none of them talk about the power imbalance between the rich and the poor, between the so-called higher and lower

castes, and the powerless in general and those in positions of power. Very few of the assessed projects have made some mention of imbalances in power relations and their intention to support or advocate for policy change in the interest of the poor and vulnerable groups.

*Table 6 Poverty orientation- summary of project ratings*

Project Name	Poverty orientation assessment rating (0-40)
WB: EHRP	20
UK: RAP3	30
EU: EU-CARD	21
WB: Nepal Livestock	18
US: Hariyo Ban	28
WB: AFRSD	20
ADB: TST	23
IFAD: ASHA	31
EU: WAVE	25
CIF: BCRWME	31
Finland: RVWRMP	31
ADB: BRBIP	17
UK: NCCSP	29
AF: Adapting to CIT	22
GEF: EbA for CRD	18

transformative activities regarding gender equality within its design and implementation. As with the poverty analysis, there were four guiding questions leading the assessment, each measured using the 10-point scale. The scores for each assessment variable was summed, with a highest possible score of 40. The guiding questions sought to determine the project's orientation towards gender sensitivity by determining whether: i) the project was informed by an analysis of gender differences; ii) the project was planned with indicators that imply the collection and analysis of both sex and age disaggregated data; iii) the project attempts to

## 5.2. Gender orientation

This section presents the results from the assessment of gender within the selected projects, and aims to assess a project's effectiveness in mainstreaming gender into its design and implementation, or successfully involving

meet the distinct needs different genders; and iv) the project's interventions ensure the meaningful participation of different genders.

Very few of the reviewed projects are informed by some gender analysis. Although without any analysis of imbalance of power between women and men and linking it to denial of women's human rights, they intend to support women. Almost all of them describe women as a vulnerable group and, for that matter, passive recipient of services, and remain silent on the agency role they can play or are already playing.

Table 7: Gender integration- summary of project ratings

Project Name	Gender integration assessment rating (0-40)
WB: EHRP	25
UK: RAP3	21
EU: EU-CARD	17
WB: Nepal Livestock	22
US: Hariyo Ban	24
WB: AFRSD	20
ADB: TST	33
IFAD: ASHA	34
EU: WAVE	24
CIF: BCRWME	30
Finland: RVWRMP	16
ADB: BRBIP	33
UK: NCCSP	25
AF: Adapting to CIT	16
GEF: EbA for CRD	13

However, a few of the projects such as UK: NCCSP and US: Hariyo Ban have quite strong gender equality focus from rights (not only needs) perspectives. With a view to providing effective climate adaptation support to women and marginalized groups, UK: NCCSP has developed gender equality and social inclusion sensitive vulnerability assessment tools and intends to make women's voices to be heard at district, VDC, municipality and ward levels. Similarly, US: Hariyo Ban programme intends to ensure women's empowerment to engage, influence and hold accountable the LAPA process, address any institutional barriers to development opportunities; improve intra household gender relations to support sustainable and innovative approach to CC adaptation and build an understanding of how gender and social exclusion exacerbates the CC impact on women and excluded groups. The projects' success in this area is likely to provide

information that supports decision makers to make gender responsive and inclusive processes for all stages of adaptation intervention.

None of the projects have gender equality focussed objectives; some of them have at least one gender informed result and a few outputs or activities. But most of the results, outputs and activities are not related to women's rights or their human rights, particularly in view of the disproportionate impact of climate change on them. They are related more to women's access to services, some capacity building opportunities – mostly to enable them to participate in the project activities-- and their participation in one or the other committees (eg: user committee) created by the project. These indicators call for collection and analysis of data disaggregated by gender but not by age.

Table 8 Joint Principles of Adaptation (JPA) ratings

15	Not good	Moderate	Good
A. The formulation, implementation and monitoring of the (selected) adaptation project is participatory and inclusive.	2	10	3
B. Funds for the adaptation project are utilized efficiently, and managed transparently and with integrity.	0	6	9
C. Government sectors and levels of administration (related to the adaptation project) have defined responsibilities and appropriate resources to fulfil them.	1	5	9
D. The adaptation project is developed through approaches that build resilience of communities and/or ecosystems.	5	4	6
E. The resilience of target groups who are most vulnerable to climate change is promoted.	4	8	3
F. The adaptation project has an appropriate investment in the building of skills and capacities for adaptation, as well as in physical infrastructure.	4	9	2
G. The adaptation project responds to evidence of the current and future manifestations and impacts of climate change.	5	7	3
Total	21 Not good (Max = 105)	49 Moderate (Max = 105)	35 Good (Max = 105)

Majority of the projects have activities designed to meet specific needs of women but not those of boys and girls. Some of the examples include: activities intended to improve land management aiming at increasing the percentage of farm land owned by women individually or jointly; review existing REDD+ provisions affecting women to support advocacy; strengthen the organizational capacity/voice of key women's groups & ethnic minority organizations so that they can influence decision-making processes about climate adaptation and introduce agricultural tools and equipment that are women friendly.

The lack of provisions for transparent information sharing, direct beneficiaries' influence in decision-

making and responsive feedback mechanisms in most of the projects is noticeable. A lack of transparent information sharing and/or feedback mechanism is even more conspicuous. As for decision making, it is difficult to say for sure whether mere certain percentage of women's participation in certain committees created by the projects ensures their 'meaningful participation' and their influence in the committee decisions. However, some of the projects (very few, though) intend to empower women to advocate for change, influence adaptation and mitigation processes and demand accountability giving rise to hope for women's meaningful participation.

### **5.3. Joint principles of adaptation (JPA)**

This part of the assessment aims to summarise adherence to best practice standards for adaptation as outlined by the Joint Principles for Adaptation. As field level validation was out of this assignment's scope, and access to adequate documents for review and information from project responsible personnel was also limited the assessment team has scored the projects based on the review of available documents and information.

Principle D seeks to determine whether an adaptation project is developed through approaches that build the resilience of communities and/or ecosystems, whilst Principle E highlights whether a given project increases the resilience of target groups who are most vulnerable to climate change. Those that do are given a score of 'good'. These projects produce a vulnerability assessment carried out across the project area to identify the most vulnerable households and communities. In addition, project activities such as LAPA preparation, income generation, plantation of trees along road sides, conservation of water resources, and alternative energy and infrastructure development were carried out to meet the adaptation needs of those vulnerable communities. An example can be seen in UK: NCCSP which scored 'good' for both principles D and E. If projects do not have vulnerability assessment or any indication that they

identify and target vulnerable communities, scores of 'not good' as assigned in JPA assessments.

Concerning Principle F, the adaptation project is assessed as to whether it has an appropriate investment in the building of skills and capacities for adaptation, as well as in physical infrastructure. If so, projects receive a score of 'good'. Examples of activities successfully addressing Principle F include when projects invest in enhancing the capacity of priority communities to influence the decision making at the community levels and enhance the capacity of community based organizations to develop Community Adaptation Plans (CAPs), identifying adaptation activities for implementation at the household and communities levels, an example that can be seen in US: Hariyo Ban project which scored 'good' for JPA Principle F.

Overall, the majority of the projects, when reviewed across all principles, have most often scored moderate (score 49) followed by good (score 35) and not good (score 21) in the JPA assessment. However, the projects that have been rated 'good' include: WB: NCCSP, AF: Adapting to CIT, IFAD: ASHA, CIF: BCRWME, US: Hariyo Ban and GEF: EbA for CRD. Moderate rated projects include Finland: RVWRMP, ADB: BRBIP and UK: RAP3 while projects responding poorly to the JPA assessment are WB: EHRP, WB: AFRSDP, EU: EU-(CARD), ADB: TST, EU: WAVE and WB: Nepal Livestock.

#### **5.4. Brief conclusion of the chapter**

The assessed projects demonstrate varied poverty orientation with poverty rating ranging between 17 and 31. One project ADB: BRBIP scored the lowest (17), while three others – ‘Finland: RVWRMP’, ‘IFAD: ASHA’ and ‘, CIF: BCRWME’ received the highest scoring (31). Although most of the project analyses imply that they have prioritized diversity, they do not seem to be addressing the specific needs of marginalized groups including ethnic minorities. The range of gender orientation of these projects is wider. The minimum gender rating given to a

project ‘GEF: EbA for CRD’ is 13, while the highest rating is 34, which has gone to only one project ‘IFAD: ASHA’. Most of the projects have some gender analysis but they fall short of adequately covering particular context of climate vulnerability from a gender lens and how disproportionately women and girls get affected by climate change. It therefore leads to most of the projects not being gender responsive in terms of climate vulnerability context. In terms of JPA, majority of the reviewed projects fall under the ‘moderate’ rating category.



*Discussion during Study report sharing meeting*

# LIST OF ANNEXES

## Annex A: Methodology for the research

The methodology for this research study builds on the initial research guidelines developed by the INKA Consult together with CARE for the purpose of tracking adaptation finance. It is only related to tracking adaptation finance from international donors and not domestic finance for climate change expenditures. Based on the guidelines an Assessment Teams and Advisory Group were formed to conduct the research. Advisory group consists of individual and experts working on climate change and those familiar with climate finance. It also consists of member organizations draws on the widespread experiences of the CSO network organizations from varying sectors.

The research uses the structure from the Multilateral development banks (MDBs) so-called “three-step approach” for tracking of adaptation finance, consisting of the following 3-step approaches:

1. Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change a project or program seeks to address;
2. Stating the intent to address the identified risks, vulnerabilities and impacts in project documentation; and
3. Demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the actual activities financed by that project or program.

The methodology suggests the selection of 20 projects, where the Assessment Team conduct a full assessment of 20 projects in each country, to be presented in a full adaptation finance tracking report. Following criteria were used to select the projects.

- a. The ten (10) largest adaptation projects by budget (including any of the top-ten largest

adaptation projects chosen within the initial 3-project assessment), with the inclusion of multilateral development bank (MDB) funded projects.

- b. Ten (10) other complementary adaptation projects (including the two chosen for the initial assessment). Here there is the opportunity to include large, primarily mitigation, projects that also have an adaptation Rio marker of 1. i.e. large projects Rio marked 2,1 for mitigation and adaptation, respectively. When choosing complementary projects, it is important to include:
  - Projects that reflect the knowledge base within the CSO networks (member organisations) and the Assessment Teams
  - One or two projects having both Rio markers as principal objectives (“2,2”)
  - Projects with a large budget and no gender marker are especially relevant
  - Projects that member organisations of the CSO network consider it important to examine

The assessment is done on the following approaches to assess the selected projects.

1. Explanation of the rating scale (0-10)
2. Project assessment using the 3-step approach
3. Summing the ratings and Rio markers
4. Assessment of Poverty orientation in the project
5. Assessment of Gender in the project
6. Assessment using Joint Principles for Adaptation (JPA)

A rating scale of 0 – 10 is applied to assess how strongly the project performs against each of the three-step questions. Assessment rating is then applied to both sections of the questionnaire (documentation and observations), structured through the 3-step approach.

## Annex B: List of Assessment Team and Advisory Group

### Assessment Team

SN	Name	Position	Organisations	Contact
1	Raju Pandit Chhetri	Director	Prakriti Resources Centre	raju@prc.org.np
2	Sneha Rai	Programme Officer	Prakriti Resources Centre	sneha@prc.org.np
3	BinayDhital	Gender Expert	Prakriti Resources Centre	binaydhital62@gmail.com

### Advisory Team

SN	Name	Position	Organisations	Contact
1	Dr. Pasang Sherpa	Executive Director	Centre for Indigenous Peoples' Research and Development	pdsherpa@cipred.org.np
2	Dr. Meeta Pradhan	Gender Expert	Freelance	meetasp@gmail.com
3	Sunil Acharya	Regional Advisor	Practical Action	Sunil.Acharya@practicalaction.org.np
4	Madhukar Upadhyaya	Climate Finance Expert	Freelance	madhukaru@gmail.com
5	Thakur Chauhan	Food Security, Livelihood and Climate Change Coordinator	Care Nepal	thakur.chauhan@care.org
6	Prabin Man Singh	Programme Director	Prakriti Resources Centre	prabin@prc.org.np

**Annex C: List of persons interviewed or consulted (external persons and from the CSO network)**

SN	Project Name	Contact Person	Position	Organisations
1	EU CONTRIBUTION TO AGRICULTURE AND RURAL DEVELOPMENT (CARD) IN NEPAL.	Govinda Gyawali	Advisor	Agriculture development Strategy
2	NEPAL CLIMATE CHANGE SUPPORT PROGRAMME - IMPLEMENTATION THROUGH GOVERNMENT	Anil KC	Deputy Programme Manager	NCCSP
3	RURAL VILLAGE WATER RESOURCES MANAGEMENT PROJECT (III PHASE)	Narayan Prasad Wagle	Strategic Programme Manager	World Food Programme
4	ADAPTING TO CLIMATE INDUCED THREATS TO FOOD PRODUCTION AND FOOD SECURITY IN THE KARNALI REGION OF NEPAL	Krishna Yogi	Strategic Programme Manager	World Food Programme
5	ADAPTATION FOR SMALLHOLDERS IN HILLY AREAS PROJECT	Anjila Mishra	Climate Change Specialist	IFAD
6	BUILDING CLIMATE RESILIENCE OF WATERSHEDS IN MOUNTAIN ECO-REGIONS	Binod Gyawanli	Soil Conservation Officer	Department of Soil Conservation and Watershed Management
7	ECOSYSTEM-BASED ADAPTATION FOR CLIMATE-RESILIENT DEVELOPMENT IN THE KATHMANDU VALLEY, NEPAL	Bhagawat Bhakra Khokhali	Urban Planner	Kathmandu Valley Development Authority
8	WATER, ENERGY, AGRICULTURE: VILLAGE LIVELIHOODS ENHANCEMENT IN THE MID FAR WEST (WAVE)	Maheshwor Ghimire	Chief Division Engineer	Department of Local Infrastructure
9	NEPAL LIVESTOCK SECTOR INNOVATION PROJECT	Keshab Bhatta	Section Officer	Department of Livestock Services
10	HARIYO BAN - CLEAN PRODUCTIVE ENVIRONMENT	MeghDhoj Adhikari	Coordinator	Nepal Trust for Nature Conservation
11	THIRD SMALL TOWN'S WATER SUPPLY AND SANITATION SECTOR PROJECT	Hari Prasad Sharma	Coordinator	Third Small Town's Water Supply and Sanitation Sector
12	BAGMATI RIVER BASIN IMPROVEMENT PROJECT- ADDITIONAL FINANCING	Pravat Shrestha	Deputy Project Director	Bagmati River Basin Improvement Project

## Annex D: List of documents

Project no.	Provider	Year	Project name	Source
1	WB	2017	EARTHQUAKE HOUSING RECONSTRUCTION PROJECT- ADDITIONAL FINANCING	<p>1. Project Paper on Additional Finance to Earthquake Housing Reconstruction Project (AFEHRP), 2017</p> <p>2. Combined Project Information Documents / Integrated Safeguards Data Sheet (PID/ISDS)</p>
2	UK	2017	RURAL ACCESS PROGRAMME 3- ROAD MAINTENANCE, UPGRADING AND ECONOMIC INFRASTRUCTURE	<p>1. Flag A: Addendum to Business Case for Cost and Time Extension to Rural Access Programme, Phase 3 (RAP 3), Nepal</p> <p>2. Business Case and Intervention Summary Nepal: Rural Access Programme (RAP)-Intervention Summary</p> <p>3. RAP3 Overview: Information Leaflet, 2013</p> <p>4. RAP3- Logical Framework excel sheet</p>
3	EU institutions (excl. EIB)	2017	EU CONTRIBUTION TO AGRICULTURE AND RURAL DEVELOPMENT (CARD) IN NEPAL	<p>Annex- of the Commission Implementing Decision on the Annual Action Programme 2017 in favor of Nepal</p> <p><a href="https://ec.europa.eu/europeaid/sites/devco/files/aap-financing-nepal-annex-c_2017_8218_en.pdf">https://ec.europa.eu/europeaid/sites/devco/files/aap-financing-nepal-annex-c_2017_8218_en.pdf</a></p>
4	United Kingdom	2013	NEPAL CLIMATE CHANGE SUPPORT PROGRAMME - IMPLEMENTATION THROUGH GOVERNMENT	<p>Joint EU and DFID: Broad Programme Framework; Nepal Climate Change Support Programme:</p> <p>Building Climate Resilience in Nepal, Project document</p> <p><a href="https://www.undp.org/content/dam/nepal/docs/projects/nccsp/UNDP_NP_NCCSP%20Project%20Document.pdf">https://www.undp.org/content/dam/nepal/docs/projects/nccsp/UNDP_NP_NCCSP%20Project%20Document.pdf</a></p>

5	Finland	2014	RURAL VILLAGE WATER RESOURCES MANAGEMENT PROJECT (III PHASE)	Rural Village Water Resources Management Project (III Phase)- Final Draft Project Document: Completion Phase
6	Adaptation Fund	2015	ADAPTING TO CLIMATE INDUCED THREATS TO FOOD PRODUCTION AND FOOD SECURITY IN THE KARNALI REGION OF NEPAL	Project/Programme Proposal – <a href="https://www.adaptation-fund.org/wp-content/uploads/2015/06/43NEPALfinal-2.pdf">https://www.adaptation-fund.org/wp-content/uploads/2015/06/43NEPALfinal-2.pdf</a>
7	IFAD	2014	ADAPTATION FOR SMALLHOLDERS IN HILLY AREAS PROJECT	Final Project Design Report- Main Report and appendices- <a href="https://operations.ifad.org/documents/654016/ac09d8d9-583b-4909-b01a-6baa5b610602">https://operations.ifad.org/documents/654016/ac09d8d9-583b-4909-b01a-6baa5b610602</a>
8	CIF	2013	BUILDING CLIMATE RESILIENCE OF WATERSHEDS IN MOUNTAIN ECO-REGIONS	1. ADB concept paper Nepal: Building climate resilience of watersheds in mountain eco-regions 2. Gender action plan: Gender equity and Social inclusion plan 3. Summary- project/program approval request
9	GEF	2017	ECOSYSTEM-BASED ADAPTATION FOR CLIMATE-RESILIENT DEVELOPMENT IN THE KATHMANDU VALLEY, NEPAL	Project Identification Form (PIF) document <a href="https://www.thegef.org/sites/default/files/project_documents/ID8009_rev_NEPAL_Kathmandu_Valley_PIF_30.12.2014_highlighted_1_1.pdf">https://www.thegef.org/sites/default/files/project_documents/ID8009_rev_NEPAL_Kathmandu_Valley_PIF_30.12.2014_highlighted_1_1.pdf</a>
10	EU institutions (excl. EIB)	2016	WATER, ENERGY, AGRICULTURE: VILLAGE LIVELIHOODS ENHANCEMENT IN THE MID FAR WEST (WAVE)	Action Document- Annex 1 of the Commission Implementing Decision on the Annual Action Programme 2016 for Nepal
11	WB	2017	NEPAL LIVESTOCK SECTOR INNOVATION PROJECT	Project Appraisal document- <a href="http://projects.worldbank.org/P156797/?lang=en&amp;tab=documents&amp;subTab=projectDocuments">http://projects.worldbank.org/P156797/?lang=en&amp;tab=documents&amp;subTab=projectDocuments</a>

12	United States	2013-2016	HARIYO BAN	Hariyo ban Nepal ko dhan: Technical application document
13	ADB	2014	THIRD SMALL TOWN'S WATER SUPPLY AND SANITATION SECTOR PROJECT	<p>Nepal: Third Small Towns Water Supply and Sanitation Sector Project.</p> <p>1. Report and Recommendation of the President to the Board of Directors</p> <p>2. Gender action plan: Gender equality and social inclusion action plan</p> <p>3. Risk assessment and Risk management plan</p>
14	ABD	2014	BAGMATI RIVER BASIN IMPROVEMENT PROJECT- ADDITIONAL FINANCING	<p>Nepal: Bagmati River Basin Improvement Project.</p> <p>1. Report and Recommendation of the President to the Board of Directors</p> <p>2. Gender action plan: Gender equality and social inclusion action plan</p> <p>3. Risk assessment and Risk management plan</p>
15	WB	2016	ROAD SECTOR DEVELOPMENT PROJECT- ADDITIONAL FINANCING	<p>1. Project Paper on Additional Finance to Road Sector Development Project (AFRSD), 2016</p> <p>2. Combined Project Information Documents / Integrated Safeguards Data Sheet (PID/ISDS)</p>

## Annex E: List of 19 projects selected for assessment

S.N	Project name	Abbreviation	CRS ID	Climate-related commitment (OECD)	Financial instrument
1	MDB: Earthquake Housing Reconstruction Project	WB: EHRP	2015029091	81,642,760	Grant
2	Bilateral: EU Contribution to Agriculture and Rural development (CARD) in Nepal	EU: EU-CARD	2017000672	43,768,000	Grant
3	Bilateral: Rural access programme 3 - road maintenance, upgrading and economic infrastructure	UK: RAP3: RMUEI	2013000572	38,546,000	
4	MDB: Nepal Livestock Sector Innovation Project	WB: Nepal Livestock	2017028618/ 2017028617/2017028613/ 2017028613/2017028617/2015028264/2 015028262	32,129,210	Credit
5	Bilateral: Hariyo Ban	US: Hariyo Ban	2013013487/ 2014029541/ 2015013900/ 20169007649A/ 2013013488/ 2014029540/ 2015013901/ 20169007650A	31,478,000	Grant
6	MDB: Road sector development project	WB: RSDP	2007011445	25,872,000	
7	MBD: Third Small Town's Water Supply and Sanitation Sector Project	ADB: TST	2014001980	23,540,000	Loan
8	Bilateral: Adaptation for Smallholders in Hilly Areas Project	IFAD: ASHA	2014000135/2014000140/2014000144/2 014000143/2014000141/2014000142/20 14000139/2014000138/2014000136/2014000137	22,439,620	Grant

9	Bilateral: Water, Energy, Agriculture: Village Livelihoods Enhancement in Mid Far West	EU: WAVE	2016000463	22,116,550	Grant
10	Bilateral: Building Climate Resilience of Watersheds in Mountain Eco-regions	CIF: BCRWME	2013000122	22,023,570	Grant
11	Bilateral: Rural Village Water Resources Management Project (III PHASE)	Finland: RVWRMP	2014140831	17,078,510	Grant
12	MDB: Bagmati River Basin Improvement Project- Additional Financing	ADB: BRBIP	2014001895	14,954,000	Loan
13	Bilateral: Expansion of ifc-ppcr strengthening vulnerable infrastructure project	CIF: SVIP	2015900041	14,337,270	
14	Bilateral: Nepal Climate Change Support Programme - Implementation through Government	UK: NCCSP	2011000334	12,619,540	Grant
15	Bilateral: Adapting to Climate induced Threats to Food Production and Food Security in the Karnali region of Nepal	AF: Adapting to CIT	2015000010	9,485,650	Grant
16	Nepal Agricultural services development programme (NASDP) – main credit phase 1	Switzerland: NASDP	2014001297	9,336,380	
17	Bilateral: Ecosystem-based Adaptation for Climate- resilient development in the Kathmandu Valley, Nepal	GEF: EbA for CRD	2017000206	6,884,000	Grant
18	Bilateral: River protection works in east chitwan	Switzerland: RPWEC	2010004637	5,822,690	
19	Bilateral: Watershed capacity building for climate change adaptation	NDF: WCB-CCA	2013000007	4,307,570	





**FOR FURTHER INFORMATION**  
**CARE Nepal**  
4/288 – SAMATA Bhawan  
Dhobighat, Lalitpur  
P.O.Box 1661, Kathmandu, NEPAL  
Tel: 977-1-5522800  
Fax: 977-1-5521202  
Email: [carenepal@np.care.org](mailto:carenepal@np.care.org)  
[www.carenepal.org](http://www.carenepal.org)