(Unofficial Document)

Mapping of accessible climate finance sources for Nepal

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(Delivery Partner to National Designated Authority - IUCN Nepal)

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ABBREVIATION ANACRONYMS

ADB	Asian Development Bank
AEs	Accredited Entities
AF	Adaptation Fund
AFB	Adaptation Fund Board
AFOLU	Agriculture, Forestry and Other Land-use
AP	Accreditation Panel
AR6	Sixth Assessment Report
CBD	Convention on Biological Diversity
CBIT	Capacity Building Initiative for Transparency
CDM	Clean Development Mechanism
CDM	Clean Development Mechanism
CEO	Chief Executive Officer
CERs	Certified Emissions Reductions
CIF	Climate Investment Funds
CMA	Conference of Parties Serving as Meeting of Parties
CN	Concept Note
COP	Conference of Parties
CPI	Climate Policy Initiatives
CPs	Country Programmes
CSP	Concentrated Solar Power
CTF	Clean Technology Fund
DAE	Direct Access Entity
DDT	Dichlorodiphenyltrichloroethane
DFI	Development Financial Institutions
EDA	Enhanced Direct Access
EE	Executing Entities
EFC	Ethics and Finance Committee
EPA	Environment Protection Agency
EWPs	Entity Work Programmes
FAA	Funded Activity Agreement
FIP	Forest Investment Program
FP	Funding Proposals
FSPs	Full-sized Proposals
GCF	Green Climate Fund
GCF	Green Climate Fund
GEF	Global Environmental Facility
GHG	Greenhouse Gas
ICUS	International Council of Scientific Unions
IECCD	International Economic Cooperation Coordination Division
IEO	Independent Evaluation Office
IEU	Independent Evaluation Unit
IoCs	Instruments of Commitments
IPCC	Intergovernmental Panel on Climate Change
IRM	Independent Redress Mechanism
ITAP	Independent Technical Advisory Panel
LDCF	Least Developed Countries Fund
LEG	Least Developed Countries Expert Group
M&E	Monitoring and Evaluation
MCFs	Multilateral Climate Funds
MDBs	Multilateral Development Banks
MEAs	Multilateral Environmental Agreements
MoF	Ministry of Finance

MSPs	Medium-sized Proposals
NAPA	National Adaptation Programme of Action
NAPs	National Adaptation Plans
NDA	National Designated Authority
NGO	Non-government Organizations
NIE	National Implementing Entity
NOLs	No Objection Letters
NTNC	National Trust for Nature Conservation
OPG	Operational Policies and Guidelines
ORMC	Office of Risk Management and Compliance
PFG	Project Formulation Grant
PIF	Project Identification Form
POPs	Persistent Organic Pollutants
PPCR	Pilot Project on Climate Resilience
PPF	Project Preparation Facilities
PPF	Project Preparation Facility
PPRC	Project and Programme Review Committee
RBM	Result Based Monitoring
REDD	Reduced Emissions from Deforestation and Forest Degradation
RFPs	Request for Proposals
SBI	Subsidiary Body for Implementation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SIDS	Small Island Developing States
SREP	Scaling Up Renewable Energy in Low Income Countries
STAP	Scientific and Technical Advisory Panel
STAR	System for Transparent Allocation of Resources
ToR	Terms of Reference
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNGA	United Nations General Assembly
USA	United States of America
USD	United States Dollars
WB	World Bank
WMO	World Meteorological Organization

1 INTRODUCTION

1.1 Evolution of Climate Finance

1.1.1 Environmental agenda on historical perspective

1 Climate change has been an intersectional issue that finds itself common across the most (if not all) of the environmental issues. While climate change is the most discussed environmental concern to be addressed, understanding the history of how environmental agenda got mainstreamed in global political landscape is important. Essentially the environmental issues were considered as agenda for discussion in the political sphere followed by heightened level of environmental awareness triggered by the events of rampant pollution due to various development activities after the end of the Second World War. In the post war era with utmost priorities in the reconstruction and development, few events and works remarkably contributed to understand the importance of environmental conservation and ironically mainstreamed environmental agenda in global discourse.

2 At the dawn of the post-world war era, a number of pollution led disasters were reported from around the world. As early as 1950, Japan faced human tragedy due to neurological disease caused by the industrial mercury poisoning. This was followed by another major incident two years' later in 1952, the Great Smog of London claimed thousands of lives due to heightened air pollution caused by coal based power plants operating around London coupled with environmental condition of cold weather limiting the vertical mixing of the air pollutants. Similarly, another representative case came from the United States of America (USA) in 1969 when a stretch of the Cuyahoga River in Ohio caught on fire which resulted due to industrial oil pollution.

3 In 1962, a ground breaking work in the USA by Rachel Carson titled “Silent Spring”, revealed the ill impacts of application of DDT (dichlorodiphenyltrichloroethane) on the human, environment and bio-diversity. Despite being a scientific work, the “Silent Spring” was more read by the general public making it is bestseller of the time. This book is credited for the impact it imparted to raise the environmental awareness among the general public creating grounds for environmental activism. The book’s impact is evident from the rise of environmental organizations, including Greenpeace and the Sierra Club. Moreover, the work was acknowledged by the political leadership in the USA which culminated with the formation of the federal agency called “Environmental Protection Agency (EPA)” in 1970.

4 The environmental challenges of the 1960s were not confined to national borders; the likelihood of issues such as air and water pollution, deforestation, and the loss of biodiversity were acknowledged as challenges that require efforts beyond national borders. Accordingly, the United Nations General Assembly (UNGA) adopted a resolution in 1968 titled "**Problems of the Human Environment**" (Resolution 2398)[1]. This was the first time UN formally acknowledged the need to address environmental challenges globally. The resolution served three main purposes:

[1] https://legal.un.org/avl/pdf/ha/dunche/dunche_ph_e.pdf

- It acknowledged that environmental problems were of increasing global significance and required international cooperation to address.
- It proposed convening a major conference focused on the human environment, which led to the landmark 1972 Stockholm Conference on the Human Environment.
- The resolution laid the groundwork to establish the United Nations Environment Programme (UNEP), which would become the central institution for environmental governance.

5 The latter 20 years starting after the establishment of the UNEP under the auspices of United Nations, witnessed a progressive evolution in understanding and addressing environmental and climate issues. During this period, environmental issues were largely addressed from a sustainability and conservation standpoint. Climate change, while not yet the central focus, was gradually being recognized as a subset of broader environmental concerns. In 1979, the First World Climate Conference was organized by the World Meteorological Organization (WMO) and UNEP. It was one of the earliest instances where scientists and policymakers convened to discuss climate change explicitly. The conference highlighted impacts of human activities on climate system and called for international cooperation to understand climate variability and change.

6 Several scientific and political events followed the successive years that enriched knowledge base on climate change while reinforcing the global political commitments and institution building at the same time. The Villach Conference of 1985, organized by UNEP, WMO, and the International Council of Scientific Unions (ICSU), provided conclusive evidence that greenhouse gas emissions were altering the Earth's climate. For the first time, scientists issued a warning that rising concentrations of CO_2 and other greenhouse gases could lead to significant climate disruptions. The conference recommended urgent international action, including policy frameworks to address climate risks. The Brundtland Commission Report, officially titled "Our Common Future" published in 1987 introduced the concept of sustainable development, emphasizing both, economic progress and environmental protection simultaneously. Focusing broadly on sustainability, the report acknowledged climate change as a critical global challenge requiring long-term solutions.

7 In 1988, the Intergovernmental Panel on Climate Change (IPCC) was established by the WMO and UNEP to assess scientific, technical, and socio-economic information related to climate change. Establishment of IPCC facilitated to bridge the gap between science and policy. In the same year the Toronto Conference was organized that brought together participants from various sectors, including governments, NGOs, and scientific communities that recommended reducing greenhouse gas emissions by 20% by 2005. This target was one of the first concrete calls for climate action at a global level.

8 The IPCC's First Assessment Report (1990) synthesized existing research and underscored the need for urgent action to mitigate human-induced climate change. Building on earlier efforts, in 1990 itself, the Second World Climate Conference brought together scientists and policymakers to discuss progress since 1979. It reiterated the need for legally binding international agreements to combat climate change. The conference influenced negotiations and while the IPCC report laid the foundation for international negotiations and informed the drafting of the United Nations Framework Convention on Climate Change (UNFCCC), which would later be adopted in 1992.

9 Early 1970s' to late 1980s' was productive era in terms of raising global political consensus towards various facets of the environmental problems. Through this period and prior to the conventions that were adopted as part of the Earth Summit 1992, the global solidarity in response to the trans boundary environmental problems was demonstrated through adoption of six major conventions[2] under the auspices of the United Nations.

- Convention on Long-range Transboundary Air Pollution, 1979
- Vienna Convention for the Protection of the Ozone Layer, 1985
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, 1989
- Convention on Environmental Impact Assessment in a Transboundary Context, 1991
- Convention on the Protection and Use of Transboundary Watercourses and International Lakes, 1992
- Convention on the Transboundary Effects of Industrial Accidents, 1992

1.1.2 Conceptualization of environmental financing

10 Financing the environmental problems that span across jurisdictions requires inter jurisdictional efforts. This was realized, though at smaller scale, as early as 1984 when the countries in then Europe put together a protocol for a long-term financing approach for the cooperative programme for monitoring and evaluation of the long-range transmission of air pollutants. However, more concrete multilateral action specific to the financing arrangement came into existence with the establishment of the "Global Environmental Facility (GEF)" in 1991. Still in operation, the GEF may be considered as the predecessor of all environmental funds today.

11 The idea for the GEF was proposed by France in September 1989, with the aim of providing additional resources to fund environmental projects. France offered to support the initiative with a contribution of 900 million French francs over three years, and Germany quickly seconded the proposal. The GEF was created to address the world's most pressing environmental challenges and to promote sustainable development. It was designed to assist developing countries in taking action on environmental issues and to serve as a financial mechanism for several international environmental conventions, including the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), and the Convention to Combat Desertification (UNCCD).[3]

1.2 The UNFCCC and Related Works

12 In its Sixth Assessment Report (AR6) released in 2021, the Intergovernmental Panel on climate change Climate Change (IPCC) came up with an alarming assessment of the current state of the climate. It highlighted that human influence has unequivocally warmed the planet, causing widespread and rapid changes across Earth's systems. AR6 emphasizes that global temperatures have risen faster than previously estimated, with the past decade likely being the hottest in over 125,000 years. The report outlines the severe impacts of these changes and reiterates the urgency of limiting global warming to 1.5 degrees Celsius above pre-industrial levels to avoid catastrophic consequences, underscoring the need of immediate and drastic reductions in GHG emissions.

[2] https://treaties.un.org/Pages/Treaties.aspx?id=27&subid=A&clang=_en, accessed on 25 Nov. 2024
[3] https://www.thegef.org/newsroom/news/gef-how-it-all-began?form=MG0AV3, accessed on 25 Nov. 2024

13 While rising atmospheric carbon-dioxide (CO_2) levels were evident earlier in the history, it was only by 1989 the global community recognized the urgency of addressing this issue. This realization came with the results of the first assessment report IPCC published in the same year, highlighting that human activities significantly contributed to the rise in GHG concentrations and the climate change. Consequently, the UNFCCC was negotiated, opening for signature in 1992 at the Earth Summit and finally entering into the force in 1994.

14 The objective of the convention, as outlined in Article 2, is "*to achieve, in accordance with the relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner*". Recognizing historical emissions, UNFCCC placed a greater onus on developed countries to lead in addressing climate change. In Article 4, the principle of "*common but differentiated responsibilities and respective capabilities*" is mentioned making a requirement for developed countries to assist developing nations by providing financial and technological support. Paragraph 3 of the article obliges developed country parties to provide "*new and additional financial resources*" to meet the agreed full incremental costs incurred by developing countries in implementing climate action measures. Article 11 of the convention establishes a financial mechanism to provision financial resources on a grant or concessional basis, including technology transfer.

15 The intent to address the need to mobilize additional finance for the climate change adaptation and mitigation activities was already enshrined across various articles in the convention; and, reinforced through the subsequent meeting of the conference of parties culminating to the establishment of several multilateral funds; the Adaptation Fund (AF), Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF), with the onset of the new millennia. The "*climate finance*" as a buzz term however got introduced since COP 16 (decision 1) that decided to establish the Green Climate Fund (GCF) as the operating entity of the financial mechanism of the convention followed by COP 17 (decision 3) that launched the GCF by approving its governing instrument. Latest in the series has been the establishment of a specialized fund for responding to "*loss and damage*" which was established subject to COP 27 (decision 2) followed by COP 28 (decision 1) that approved the governing instrument of the fund.

1.3 Purpose of this Document

16 This status report aims to inform the stakeholders on prevailing sources to finance climate ventures in the contemporary world. This status report will tend to covers different aspects of the available climate funds; the type (bilateral or multilateral), source (private or public), available instruments (grant or loan) and access modality. However, the consultants' focus shall remain on the vertical funds that are available to finance the climate change initiatives globally. Moreover, any funds created for the transaction of the carbon credits (for e.g. ADB's Climate Action Catalyst Fund, WB's Forest Carbon Partnership Facility etc.) are on discussed on detail in this report.

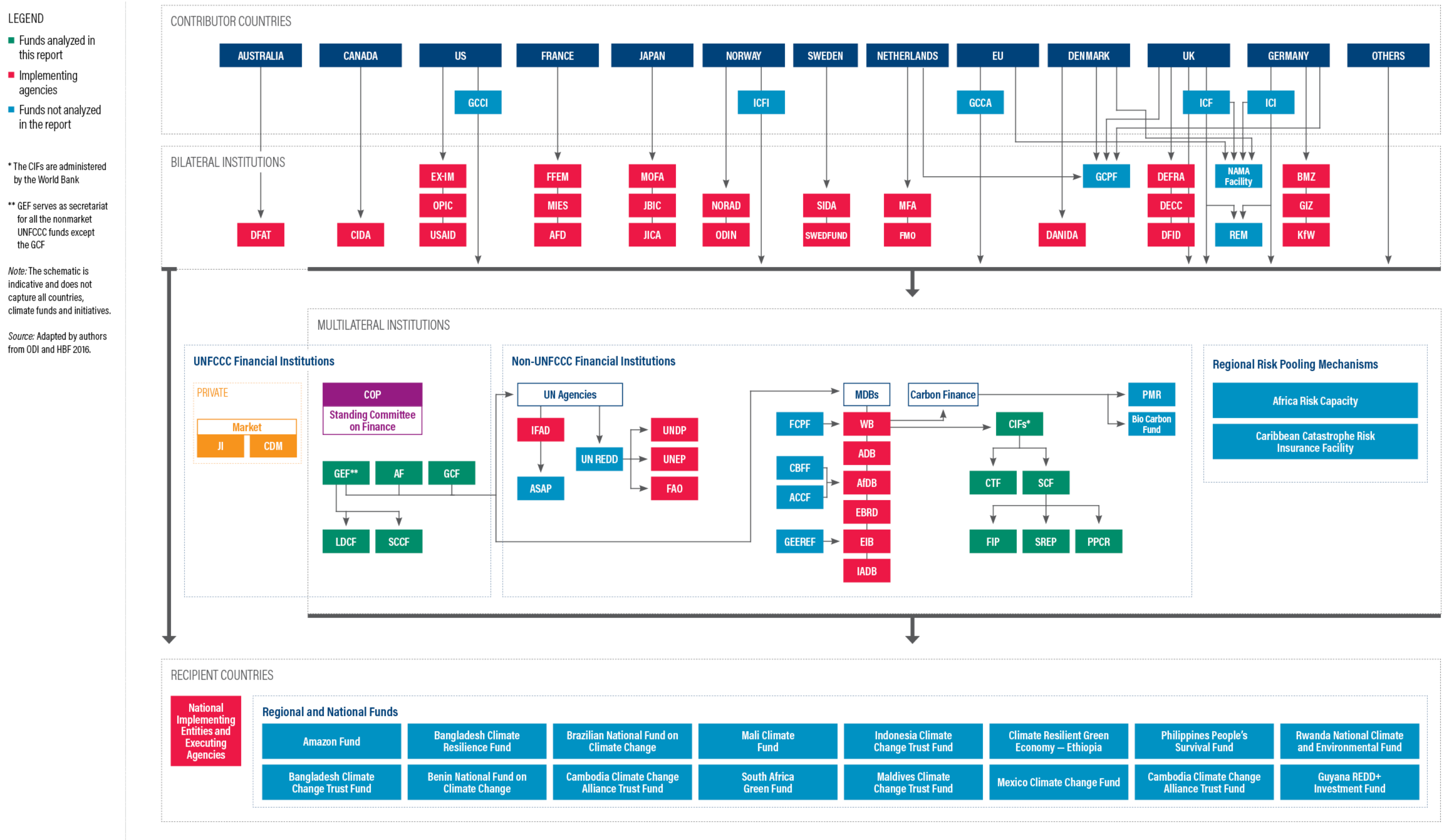
2 GLOBAL CLIMATE FINANCE LANDSCAPE

17 Global climate finance architecture tend to be complex and is on constant evolution, involving multilateral, bilateral, and regional channels for funding. Recipient nations are increasingly establishing national climate change funds to align donor interests with their own priorities. Funding is available through various instruments, such as grants, concessional loans, guarantees, and private equity, governed by diverse structures and purposes. Although the underlying processes to secure these funds are tough they still provide opportunities to access funding, technology, and expertise to advance the climate change initiative. For the information purpose, the active multilateral climate funds available in a public portal[4] is presented in the **Table 1**.

[4] https://climatefundsupdate.org/the-funds/

Table 1: Snapshot of multilateral funds financing climate initiatives

Fund	Fund focus	Pledge	Deposit	Approval	Disbursement	Projects approved
Green Climate Fund (GCF-2)	Multiple Foci	12,833.37	-	-	-	0
Green Climate Fund IRM (GCF IRM)	Multiple Foci	10,322.03	8,310.83	5,234.48	2,999.65	459
Green Climate Fund (GCF-1)	Multiple Foci	10,002.47	9,460.17	8,713.27	1,104.94	338
Clean Technology Fund (CTF)	Mitigation - General	8,001.52	8,001.52	5,364.37	2,052.95	168
Least Developed Countries Fund (LDCF)	Adaptation	2,285.26	1,972.58	1,468.17	541.90	317
Adaptation Fund (AF)	Adaptation	1,828.67	1,613.49	1,139.07	697.16	316
Global Climate Change Alliance (GCCA)	Multiple Foci	1,652.83	1,652.83	891.36	540.14	107
Pilot Program for Climate Resilience (PPCR)	Adaptation	1,155.79	1,155.79	1,014.43	836.37	122
Global Environment Facility (GEF5)	Multiple Foci	1,152.41	1,147.92	808.02	531.02	231
Global Environment Facility (GEF6)	Multiple Foci	1,117.16	1,109.43	940.47	239.12	238
Global Environment Facility (GEF4)	Multiple Foci	1,082.98	1,082.98	930.68	930.68	227
Forest Carbon Partnership Facility - Carbon Fund (FCPF-CF)	Mitigation - REDD	903.78	903.78	721.30	53.10	15
Scaling Up Renewable Energy Program (SREP)	Mitigation - General	772.34	772.34	644.16	233.54	89
Forest Investment Program (FIP)	Mitigation - REDD	749.56	749.56	688.93	417.91	66
Global Environment Facility (GEF8)	Multiple Foci	744.63	744.63	107.93	-	30
Global Environment Facility (GEF7)	Multiple Foci	728.38	728.38	1,725.55	2.57	244
Forest Carbon Partnership Facility - Readiness Fund (FCPF-RF)	Mitigation - REDD	472.54	472.54	314.34	298.04	46
Special Climate Change Fund (SCCF)	Adaptation	449.04	387.67	287.55	204.32	74
UN-REDD Programme	Mitigation - REDD	433.3	377.69	400.67	355.64	40
Adaptation for Smallholder Agriculture Programme (ASAP)	Adaptation	382.34	332.16	295.28	251.22	43
BioCarbon Fund Initiative for Sustainable Forest Landscapes (BioCarbon Fund ISFL)	Mitigation - REDD	355.79	238.84	86.00	-	6
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	Mitigation - General	281.50	275.50	223.59	89.07	19
Partnership for Market Readiness	Mitigation - General	131.50	129.80	82.36	64.37	42
Adaptation for Smallholder Agriculture Programme (ASAP+)	Multiple Foci	129.84	81.04	17.07	1.45	1
MDG Achievement Fund	Adaptation	89.50	89.50	89.52	89.52	18
Total		**58,058.51**	**41,790.97**	**32,188.57**	**12,534.68**	



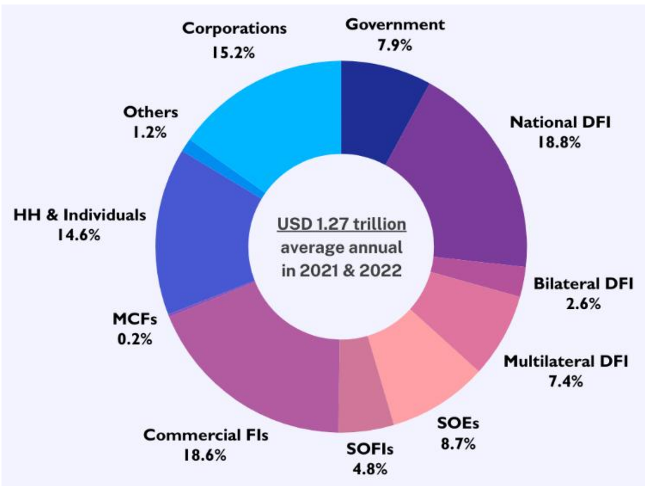
www.wri.org/publication/future-of-the-funds

WORLD RESOURCES INSTITUTE

Figure 1: Global architecture of Climate Finance

18 The global climate finance architecture comprises of the funds that come under the institutional framework of the UNFCCC or even those that are outside UNFCCC institutional framework. Five key funds; the Global Environment Facility (GEF), the Green Climate Fund (GCF), the Least Developed Country Fund (LDCF), the Special Climate Change Fund (SCCF) and the Adaptation Fund (AF) operate under the institutional framework of UNFCCC. Similarly, funds like the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF) under the Climate Investment Funds (CIF) operate outside of the UNFCCC framework. While this section provides an overview of the funds and funding, the next section of the report explores the prominent funds established under the auspices of the UN system.

19 A report[5] by Climate Policy Initiative (CPI) published in 2023 presents an overarching picture of the overall climate finance flows specifying the sources and intermediaries, instruments, uses and sectors. The report presents an average figure of the total mobilization occurring in 2021 and 2022. Based on the report, some 1.27 trillion USD was mobilized towards climate financing on an average during the assessment period. Assessing the contribution, National DFI (18.8%) stand as the largest contributor to the overall budget closely followed by the Commercial FIs (18.6%). It is noteworthy that the Corporations (15.2%) and Household & Individuals (14.6%) also make significant contribution to the total finance flows. The contribution of the Multilateral Climate Funds (MCFs) to the total climate finance budget accounted a mere 0.2%, paradoxical to the intentions to scale-up financing.



DFI Development financial institution
SOE State Owned Entities
SOFI State Owned Financial Institutions
FIs Financial Institutions
MCFs Multilateral Climate Funds
HH Household

Figure 2: Share of various sources & intermediaries in global climate finance budget (2021/2022)

20 Of the total funds mobilized for climate finance in 2021 and 2022, more than 44% of the financing applied project-level market rate debt as the financial instrument. Similarly, more than 39% applied balance-sheet financing as the instrument to fund the climate initiatives. Other instruments included low cost project debt, project-level equity, and grants. Of the total investments made as climate financing, investments in mitigation projects out scaled the investments made for adaptation or cross-cutting nature of projects. Similarly, the sectors that was mobilized the finance for included, Energy Systems (41%), Transport (26%), Buildings & Infrastructure (19%), Water & Waste (5%), AFOLU (3%), Industry (1%) and others & Cross-sectoral (4%). Figure 3 presents the global finance flows in 2021/2022.

[5] CPI (2023): Global Landscape of Climate Finance 2023. Climate Policy Initiative.

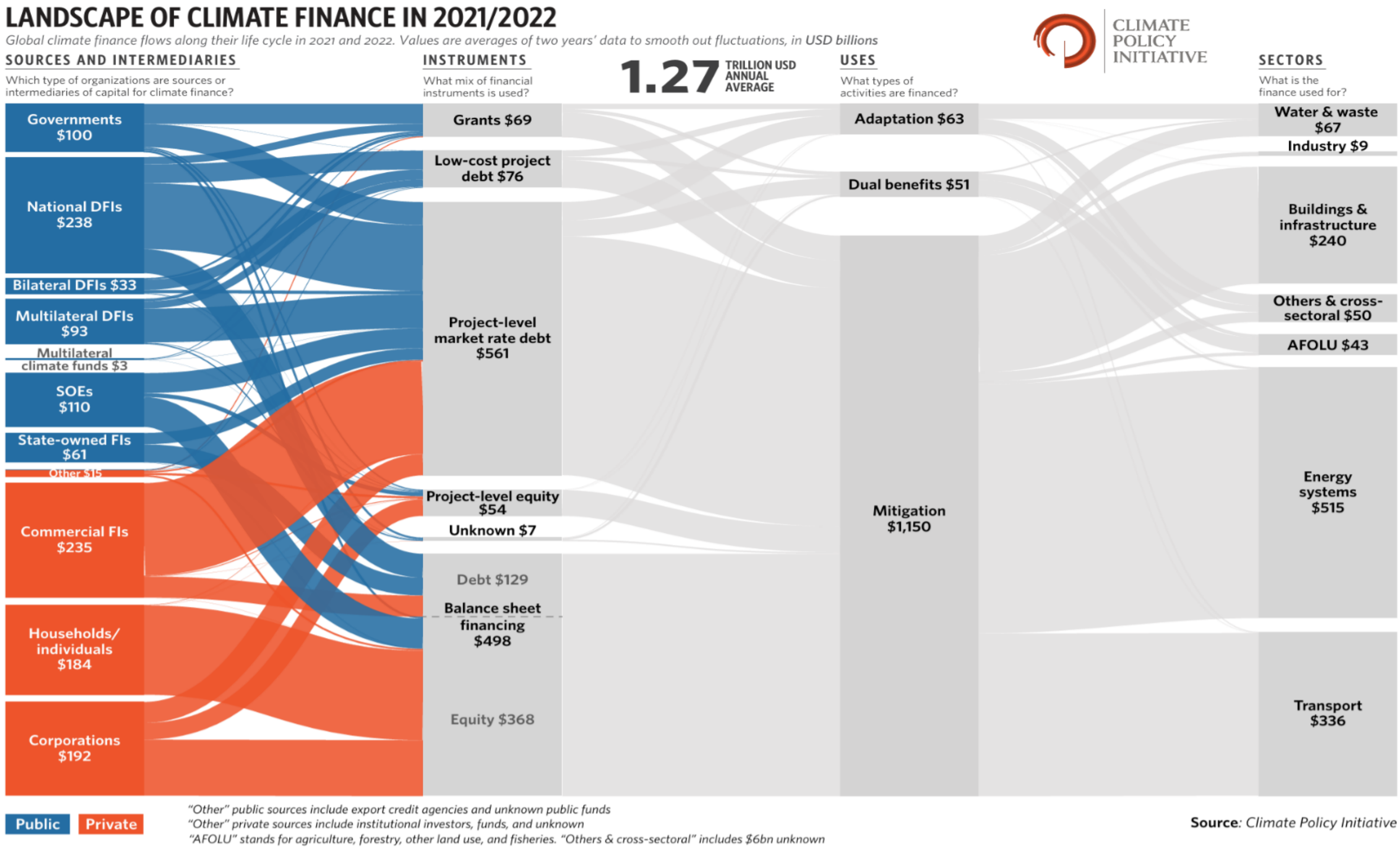


Figure 3: Global Climate Finance Flows in 2021/2022

3 PROMINENT CLIMATE FUNDS

3.1 The Global Environment Facility (GEF)

21 The GEF is the first of its kind initiative dedicated to address the pressing global environmental challenges while supporting sustainable development. The GEF represents a family of funds designed to address pressing global environmental challenges while supporting sustainable development. Established in 1991, the GEF operates as a partnership of 184 countries, international agencies, civil society, and the private sector. It serves as the financial mechanism for major multilateral environmental agreements (MEAs), including the Convention on Biological Diversity (CBD), Biodiversity beyond National Jurisdiction Agreement, United Nations Framework Convention on Climate Change (UNFCCC), UN Convention to Combat Desertification (UNCCD), Minimata Convention on Mercury, and the Stockholm Convention on Persistent Organic Pollutants (POPs).

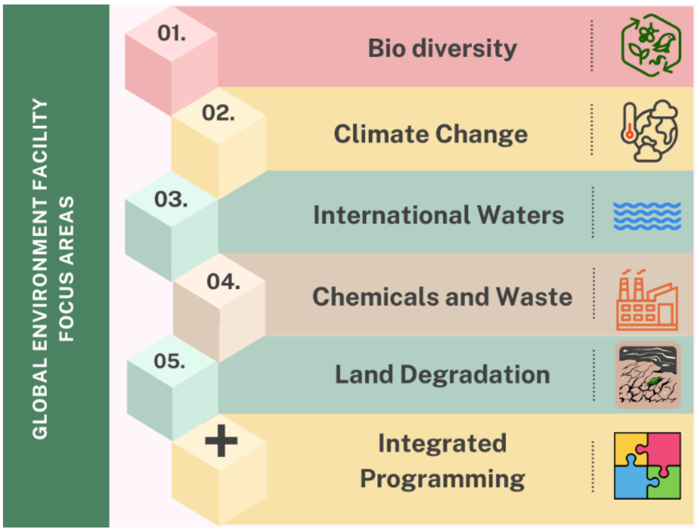


Figure 4: GEF Focus Areas

22 The GEF's financial architecture is anchored by the GEF Trust Fund. Alongside the Trust Fund, the GEF also manages other specialized funds, such as the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF), which focus on adaptation and capacity building in vulnerable countries. The GEF also houses the Capacity Building Initiative for Transparency (CBIT), supporting transparency under the Paris Agreement. The sections to follow discusses the key features of the funds hosted by the GEF including the respective fund's governance and access modality.

3.1.1 GEF Trust Fund

a. <u>Fund Introduction</u>

23 Established in 1991, the GEF is an international partnership that addresses critical environmental challenges. With a mission to support sustainable development, the GEF, through the GEF trust fund provides financial resources to developing countries for projects that benefit the global environment. Such projects focus on five key areas; biodiversity, climate change, land degradation, international waters, chemicals & waste and an additional priority for integrated programming.

Table 2: Funds Overview - the Global Environment Facility

Features	Details
Year Established	1991
Total Funding Mobilized	Over $22 billion (donor contributions), with $120 billion in co-financing mobilized since inception.

Features	Details
Primary Funds	GEF Trust Fund Least Developed Countries Fund (LDCF) Special Climate Change Fund (SCCF)
Priorities	Climate Change Mitigation Biodiversity Land Degradation International Waters Chemicals & Waste.
Fund Access Modalities	Through GEF Agencies, National Focal Points, and the GEF Small Grants Programme.
Governance	Multi-stakeholder structure, including 184 member countries, 18 implementing agencies, and partners.
Replenishment cycle	Every four years (latest: GEF-8, covering 2022–2026).

b. Governance and Administration

24 The instrument for the establishment of the GEF provisions four distinct functional governance elements (Figure 3[6]) for the operation of the facility; the GEF Assembly, GEF Council, GEF secretariat (with Independent Evaluation Office) and the Scientific and Technical Advisory Panel (STAP).

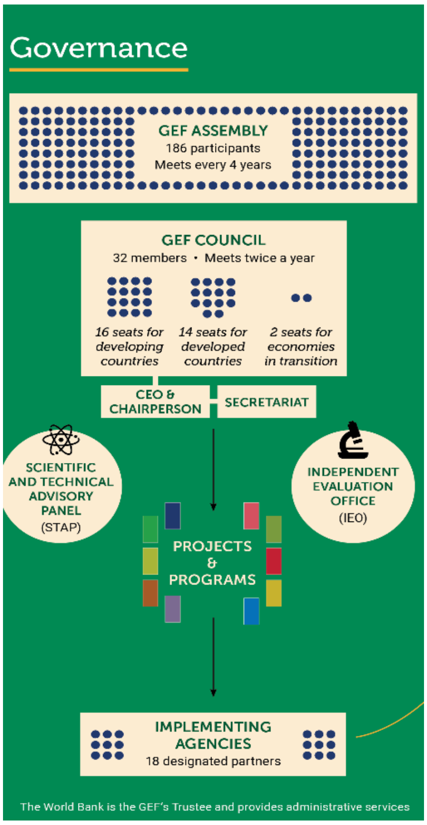


Figure 5/6: Governance structure of the GEF- Left / Governance Entities- Right

[6] https://www.thegef.org/newsroom/publications/gef-glance, accessed on Dec. 07, 2024.

25 **The GEF Assembly** is the apex governing body, comprising all 186 member countries. It meets every four years to provide overall direction, review GEF policies, and approve amendments to its Instrument. The Assembly sets strategic priorities and ensures alignment with global environmental needs. Each participating country are required to appoint political focal point to the facility and for the recipient country, an operational focal point. Nepal as a recipient country has both the focal points[7]; Secretary of the Ministry of Finance (MoF) is the Political Focal Point for the GEF while the Joint Secretary heading International Economic Cooperation Coordination Division (IECCD) at MoF acts as the Operational Focal Point.

26 **The GEF Council** is the main decision-making body, consisting of 32 members representing donor (14 from developed countries and 2 from countries in transition) and recipient constituencies (16 from developing countries). It develops policies, approves work programs, and monitors GEF operations. The Council ensures alignment with conventions and oversees fund utilization. The Council meets twice a year or as needed, typically at the GEF Secretariat's headquarters unless decided otherwise. The Council's responsibilities include reviewing the operations of the GEF, ensuring regular monitoring and evaluation of policies, approving the work program, mobilizing financial resources, and aligning activities with global environmental agreements. Moreover it also endorses Full Sized Projects worth >2 million dollars.

27 **The GEF Secretariat** implements Council and Assembly decisions, coordinates programs, and ensures operational policy compliance. It liaises with stakeholders and manages fund distribution. **The GEF Chief Executive Director (CEO)** is responsible to overall manage the operation of the secretariat, among others, approving the projects that are aligned to the work programme but do not need the council endorsement i.e. the projects valued equal to or less than 2 million dollars. Moreover, the **Independent Evaluation Office** (IEO) within the secretariat evaluates GEF performance to ensure accountability and inform future strategies. The IEO is headed by a Director directly appointed by the council and reports directly to the council.

28 **Implementing Agencies** of the GEF essentially connect the GEF resources to the recipients. As the GEF operates on an agency-mediated approach, recipient countries shall work with one or more of the 18 accredited GEF Agencies, to develop and implement projects. These agencies provide technical expertise, project preparation support, and help ensure that projects meet GEF's standards and requirements. Implementing Agencies are accountable to the GEF Council for the activities they design and implement including the adherence to the operational policies, strategies and decisions of the council. The agencies are accountable to the "Principles of Cooperation among the Implementing Agencies". In order to foster collaboration and communication, periodic meetings are convened by the CEO with the heads of the Implementing Agencies.

29 **The Scientific and Technical Advisory Panel (STAP)** provides expert scientific and technical guidance to enhance the quality of the project submitted to the facility for funding. STAP reviews project proposals, offering insights to enhance their technical soundness and alignment with global environmental priorities. It also advises on GEF policies and strategies, identifies emerging environmental challenges, and promote innovations in

[7] https://www.thegef.org/who-we-are/focal-points?filter=N , accessed on Dec. 07, 2024.

project design and implementation. Additionally, it facilitates knowledge sharing by promoting research, lessons learned, and best practices to strengthen GEF programs.

c. Programming Process and Resource Allocation

30 The GEF operates on a cyclic approach of fund replenishment with each replenishment cycle lasting four years. Since its inception, the GEF has completed seven replenishment cycles and the eighth cycle (GEF8) is going-on which is in implementation since 2022 and will run till 2026. Through the eight replenishment rounds (including the pilot phase), the GEF has raised over 30 billion USD to finance its priority activities across sectors, of which 5.33 billion USD was committed for GEF8. **Figure 7**[8] presents the overall funds raised by the GEF since its inception.

31 The GEF programming begins with **Initiation of the Replenishment Cycle**. The initiation is made through a formal call to donor countries to contribute resources for the subject funding period that runs for four years. This process is initiated by the Trustee of the GEF Trust Fund, in collaboration with the GEF Secretariat. Once the replenishment process begins, donor representatives convene to discuss and negotiate the total funding envelope, strategic priorities, and operational directions for the new cycle. The negotiations are a collaborative effort, ensuring alignment with emerging global environmental needs and the priorities of MEAs that the GEF supports. The negotiation concludes with donor countries making formal pledges to the replenishment by submitting Instruments of Commitment (IoCs) or Qualified IoCs to confirm their contributions. These pledges set the foundation for programming and resource allocation for the cycle.

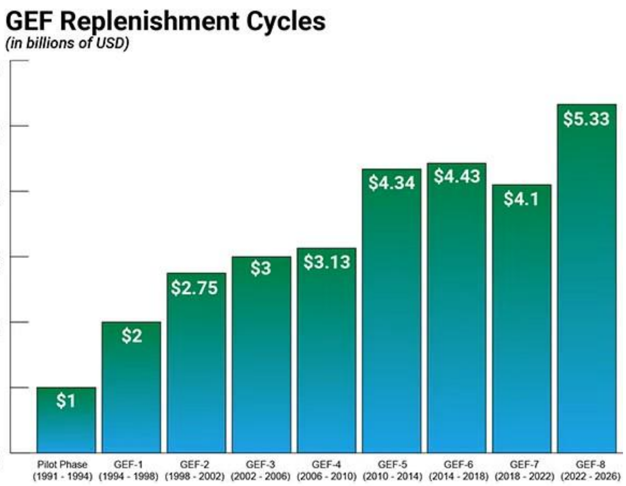


Figure 7: GEF basket through different replenishment cycles

32 Once the replenishment level and strategic priorities are agreed upon, the GEF enters the phase of developing **Programming Directions** for the new cycle. This involves preparing a comprehensive document that outlines the goals, focal areas, and operational approaches to guide the allocation and use of replenished funds. The document is developed in close collaboration with key stakeholders, including GEF agencies, focal

[8] https://www.thegef.org/who-we-are/funding

points, and representatives from MEAs. The programming directions prioritize key global environmental challenges, meanwhile addressing cross-cutting themes like gender equality, private sector engagement, and capacity-building. The draft programming directions are presented to the GEF Council for review and endorsement. Once approved, the document serves as a roadmap for resource allocation, project development, and implementation during the replenishment cycle.

33 Following the approval of the Programming Directions, the GEF secretariat works out on **Resource Allocation** for the replenishment cycle. This step ensures that the pledged funds are distributed effectively across focal areas, regions, and countries in alignment with the agreed priorities. System for Transparent Allocation of Resources (STAR), is applied to allocate resources to the countries based on metrics such as environmental performance, potential impact, and national capacity. The allocation process also considers the strategic objectives outlined in the Programming Directions, ensuring that resources are directed towards high-priority areas. Moreover, specific funds are set aside for global or regional initiatives and cross-cutting themes.

34 The GEF adopts diverse modalities for **Project Implementation** to ensure effective delivery of its programs. Projects and programs are implemented through a network of 18 accredited agencies. These agencies act as intermediaries, helping recipient countries design, implement, and manage GEF-funded projects. GEF financing supports activities such as capacity-building, technical assistance, and pilot demonstrations, with an emphasis on aligning with national environmental priorities and maximizing global benefits. The modalities also include opportunities for direct access in some cases where the countries have demonstrated institutional capacity.

35 The GEF employs a structured process for **Project Approval and Monitoring** to ensure transparency and accountability. After the initial project concept is endorsed, a detailed proposal undergoes Council approval before implementation begins. Approved projects are regularly monitored against pre-determined objectives, with agencies submitting progress reports. The GEF Secretariat and the Independent Evaluation Office (IEO) play critical roles in reviewing performance, ensuring that projects meet environmental, social, and economic outcomes. Adaptive management is encouraged, allowing adjustments to be made during implementation based on monitoring findings.

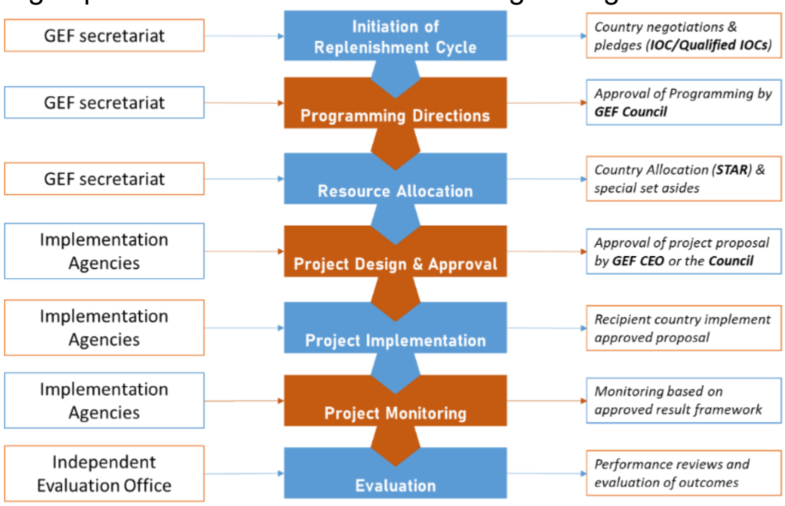


Figure 8: Generalized stages in GEF project

d. Fund Access by Nepal

36 Nepal has been accessing the financial resources from the GEF since its inception. Through the GEF's eight replenishment cycles (including the pilot phase), Nepal has secured USD 48.15 million in Grants from the GEF trust fund. Leaving GEF's fourth replenishment cycle, efficiency in consumption of the available resources allocated is also good with an overall efficiency of 87.6%. With regards to the co-financing, Nepal has significantly leveraged resources for each GEF grant received, the co-financing ratio stand at 1:6 i.e. >6 dollar leveraged for each dollar in grant.

37 Since the fourth replenishment, Nepal got a total allocation of USD 40.65 million out of which USD 35.61 million was utilized. However, this doesn't make-up the exhaustive allocation and utilization as the stated allocations are only for the resources allocated for country while Nepal has been part of other global programmes. Out of total 34 projects that Nepal implemented, 26 projects were country projects while Nepal was a participating country in other 8 global projects. **Table 3** presents the overview of the funds accessed by Nepal from the projects approached to the GEF Trust Fund.

Table 3: Overview of the funds allocation and access from GEF Trust Fund

GEF Period	Total Allocation*	Utilization*	GEF Grant*	Co-finance*	Country projects	Global projects
Pilot Phase	-	-	3,800,000	2,700,000	1	-
GEF - 1	-	-	310,000	-	1	-
GEF - 2	-	-	2,585,200	2,428,015	5	-
GEF - 3	-	-	5,577,173	11,656,230	4	-
GEF - 4	7,100,000	3,668,151	3,400,000	28,780,000	2	1
GEF - 5	8,290,000	8,209,300	6,397,431	42,722,468	4	3
GEF - 6	8,903,860	7,390,000	8,273,395	45,871,904	3	2
GEF - 7	7,028,033	7,020,000	7,394,580	36,694,858	3	1
GEF - 8	9,326,577	9,326,576	10,409,383	124,082,000	3	1
Grand Total	**40,648,470**	**35,614,027**	**48,147,162**	**294,935,475**	**26**	**8**

** All figures are in USD.*

3.1.2 The Least Developed Country Fund

a. Fund Introduction

38 The Least Developed Country Fund (LDCF) was created alongside the Special Climate Change Fund (SCCF) at the 7th Conference of Parties to the UNFCCC in 2001. As part of the financial mechanism under the Convention, the GEF was tasked with managing the LDCF following COP guidance. The fund supports the LDC work program, including the development and execution of National Adaptation Programs of Action (NAPA), strengthening national climate change offices, and providing negotiation training for effective Convention implementation. Based on the initial guidance in UNFCCC Decision 27/CP 7, the LDCF was set up for the following:

- Provide funding to meet the agreed full cost of preparing the NAPAs;
- Ensure complementarity and separation of funding from the LDCF and the other funds with which the operating entity is entrusted;

- Adopt simplified procedures and arrange for expedited access to the Fund by the LDCs while ensuring sound financial management;
- Ensure transparency in all steps relating to the operation of the Fund;
- Encourage the use of national, and where appropriate, regional experts;
- Adopt streamlined procedures for the operation of the Fund.

b. Governance and Administration

39 **Conference of Parties (COP)** UNFCCC is the ultimate body that oversights the LDCF along with the inputs from subsidiary bodies designated to provide inputs to the COP. The COP serves as the highest decision-making body, providing strategic guidance to the LDCF. It directs the fund's policies, program priorities, and eligibility criteria. These directions are based on the Convention's objectives, scientific findings, and the evolving needs of LDCs. The **Subsidiary Body for Implementation (SBI)** and **the Subsidiary Body for Scientific and Technological Advice (SBSTA)** support the COP in guiding the LDCF. SBI advises on implementation matters, including the financial mechanism, while SBSTA provides technical and scientific input. Together, they ensure the LDCF's alignment with climate science and implementation needs.

40 The governance of the LDCF is overseen by the **LDCF/SCCF Council**, which is distinct from but linked to the GEF Council. This joint council, comprising representatives from the GEF Council, is responsible for developing, adopting, and evaluating policies and programs specific to the LDCF. It also approves funding decisions for projects. The Council meets twice annually, back-to-back with GEF Council meetings, and makes decisions through consensus or, when required, a double-weighted majority vote based on participant representation and donor contributions. For the LDCF, the **Least Developed Countries Expert Group (LEG)**, established under the UNFCCC at COP7, provides technical support to LDCs. The LEG advises on the preparation and implementation of NAPAs and National Adaptation Plans (NAPs) and supports other elements of the LDC Work Program. While the LEG does not have a governance role in the LDCF, its advice ensures the technical soundness and strategic relevance of LDCF-supported projects.

41 The day-to-day administration of the LDCF is managed by the **GEF Secretariat**. This includes screening project proposals for alignment with National Adaptation Programs of Action (NAPAs), organizing LDCF Council meetings, and liaising with stakeholders such as GEF Agencies and donor countries. The Secretariat also oversees financial reviews and ensures that project pipelines align with the guidance provided by the COP. The implementation of LDCF projects is carried out by accredited **GEF Implementing Agencies**. These agencies support LDCs by preparing and executing projects, ensuring technical quality, and adhering to LDCF operational policies. They play a critical role in capacity building, stakeholder engagement, and monitoring project outcomes, ensuring projects effectively address climate adaptation needs. The World Bank serves as the **Trustee** for the LDCF. As a trustee it manages financial assets, processes donor contributions, and disburse funds to approved projects. It ensures that the financial transparency and accountability are maintained as per the fund's operational requirement for resource management.

c. Programming Process and Resource Allocation

42 The LDCF employs simplified and streamlined procedures to enable LDCs to access funds quickly and efficiently. To maintain robust financial oversight, it adheres to the GEF's

fiduciary standards, results-based frameworks, and monitoring and evaluation systems. Additionally, the LDCF operates under GEF's standard policies unless the LDCF/SCCF Council, guided by COP decisions, determines otherwise.

43 Unlike GEF trust fund, the project approached to the LDCF is not confined to a funding cycle, rather the LDCF accepts the proposal on a rolling basis. The planning process for LDCF projects begins with the project proponent, a **government agency from the LDC**, developing a project concept and seeking assistance from a **GEF Implementing Agency**. The agency provides technical guidance and support in refining the concept and preparing the project proposal. However in order for the respective LDC to be able to access funds from LDCF, the country should have an approved NAPA submitted to the UNFCCC secretariat. Where not approved, the countries are required to prepare NAPA first and they become eligible to access funds upon the submission of the NAPA to the UNFCCC secretariat.

44 Once the concept is developed, the project proponent secures the endorsement of the national **GEF Operational Focal Point**, who ensures the project aligns with national priorities and the country's climate adaptation goals. Projects are categorized based on their funding size: those exceeding USD 2 million are classified as Full-Sized Projects (FSPs), while those at or below USD 2 million are referred to as Medium-Sized Projects (MSPs). MSPs benefit from a further streamlined project cycle to expedite their approval and implementation. For FSPs, the process begins with the submission of a **Project Identification Form (PIF)** to the GEF, which outlines the project's scope and objectives. This is followed by a **CEO Endorsement Form**, which provides a detailed implementation plan. In contrast, MSPs may bypass the PIF stage and proceed directly to the CEO Endorsement Form, making their approval process faster. Once the GEF CEO endorses the project, the approved funding is released to the Implementing Agency, which works with the project proponent to initiate activities and ensure successful implementation.

45 **Monitoring and Evaluation (M&E)** of LDCF activities are closely aligned with the GEF's Monitoring and Evaluation Policy. Provided the specific types of activities the fund is mandated for, the result management framework used by the LDCF is specifically formulated to include the set of adaptation indicators. During initial submission, the GEF secretariat ensures that the submitted programmes meet the minimum M&E requirements. Once the project is approved, respective GEF Agency is responsible to adhere to the M&E requirements aligning with the Result Based Management (RBM) Framework of the LDCF. The agency is also responsible to submit to the GEF IEO, the project implementation, mid-term and project completion reports, as well as the terminal evaluation report.

d. Fund Access by Nepal

46 Nepal has been accessing the financial resources from the LDCF since its inception. Including the resources requested in February 2024 LDCF work programme, the cumulative resources, the cumulative resources accessed by Nepal through the LDCF amounts to USD 50.88 million. Of this amount USD 45.64 million correspond to the 8 projects exclusive subscribed to Nepal. With regards to the co-financing, through these 8 projects, Nepal has leveraged the co-financing ratio at 1:3.3 leveraging USD 3.3 in co-financing for each dollar in received in grant.

3.1.3 The Special Climate Change Fund

a. Fund Introduction

47 The Special Climate Change Fund (SCCF) was created alongside the Least Developed Country Fund (LDCF) at the 7th Conference of Parties to the UNFCCC in 2001. SCCF and LDCF, in many ways share commonalities, including their establishment, governance council and fund manager. Unlike LDCF, SCCF extends the funding support to all developing countries and the scope of its support is also not limited to the adaptation; rather SCCF works on wider scope including the adaptation, technology transfer and mitigation. Based on the initial guidance in UNFCCC Decision 7/CP 7, the LDCF was established to finance activities, programmes and measures, relating to climate change, that are complementary to those funded by the resources allocated to the climate change focal area of GEF and by bilateral and multilateral funding.

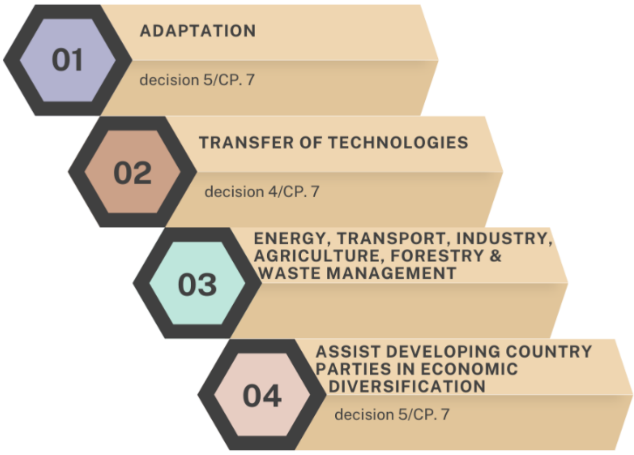


Figure 9: Focal areas for SCCF financing

b. Governance and Administration

48 The governance and administration of the SCCF is identical to that of LDCF; the COP to UNFCCC serves as the highest decision-making body, providing strategic guidance to the SCCF, with inputs from SBI and SBSTA. Managed by the World Bank as trustee, the joint LDCF/SCCF council oversights the fund consistent with the COP guidance while the regular administration is managed by the GEF secretariat and implementation functions carried out by the GEF implementing agencies. Unlike LDCF, the SCCF does not have a separate technical advisory body and it relies on its governance structures and the broader expertise of the GEF system to ensure technical rigor and strategic alignment of the funding proposals it receives.

c. Programming Process and Resource Allocation

49 Similar to LDCF, SCCF also adheres to GEF's fiduciary standards, results-based frameworks, and monitoring and evaluation systems. SCCF programming supports adaptation, technology transfer as well as other activities that intersect through different segments of economy. The financial resources of the SCCF are targeted towards broader adaptation projects and technology-based solutions, including pilot projects and other longer-term initiatives. The projects are approved by GEF CEO aligning with COP guidance on SCCF priorities. The M&E requirement of the projects financed by SCCF is also aligned with GEF's M&E policy and RBM framework.

d. Fund Access by Nepal

50 As evident from the GEF project database, Nepal was evidenced to have financed only one project with the funds from the SCCF. However, there is feeble chance that a Nepal could have subscribed for a global project submitted to the SCCF which was not evidenced from the GEF project database. With regards to this project, the size of the project was USD 4.9 million that leveraged USD 34.7 million in co-financing (i.e. 1:7 co-financing ratio).

3.2 The Adaptation Fund (AF)

a. Fund Introduction

51 The Adaptation Fund (AF) was established in 2001 under the Kyoto Protocol to finance concrete adaptation projects and programs in developing countries that are particularly vulnerable to the impacts of climate change. Its primary objective is to help these nations build resilience and adapt to the adverse effects of climate change. Initially, the fund was capitalized through a two percent levy on certified emission reductions (CERs) generated by the Clean Development Mechanism (CDM). Over time, voluntary contributions from donor countries have significantly augmented its resources. In 2019, the Adaptation Fund transitioned to serve the Paris Agreement, focusing on supporting adaptation efforts aligned with the agreement's goals. The AF is designed to finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties on a full cost basis. Similarly, the fund has adopted the following operational principles that guide the fund administration.

Figure 10: Approaches to mobilization of Adaptation Fund

b. Governance and Administration

52 The governance of the Adaptation Fund (AF) is designed to promote inclusivity, transparency, and alignment with global climate goals. Initially governed under the Kyoto Protocol by the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP), the fund transitioned in 2019 to serve the Paris Agreement, under the oversight of the **Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA)**. Both CMP and CMA provide strategic guidance, program priorities and eligibility criteria.

53 **The Adaptation Fund Board (AFB)** is the primary decision-making body, responsible for managing the fund's operations. The board consists of 16 members and 16 alternates, with a majority of seats held by developing countries to ensure representation from vulnerable regions. The board meets at least twice a year and includes representatives from Africa, Asia-Pacific, Latin America/Caribbean, Small Island Developing States (SIDS), Least Developed Countries (LDCs), Annex I (developed) countries, and non-Annex I (developing) countries. Majority (about 69%) of the board members to the AFB are represented by the developing country. AFB is responsible for developing and approving the fund's strategic priorities, policies, and operational guidelines ensuring that the fund remains responsive to the latest climate science, UNFCCC decisions, and the needs of vulnerable developing countries.

54 Under the board there are two committees; **Project and Programme Review Committee (PPRC)** and **Ethics and Finance Committee (EFC)**. The Terms of Reference (ToR)[9] of PPRC requires it to be responsible for the project and program oversight. Its primary duties include reviewing submissions from eligible Parties in accordance with the Operational Policies and Guidelines (OPG) and addressing any issues arising from these submissions, including unresolved policy matters. Additionally, the PPRC reviews performance reports submitted by accredited implementing entities and provides recommendations to the Board regarding project approvals, terminations, cancellations, suspensions, or other relevant decisions. The committee may also consider any additional matters referred by the Board, ensuring comprehensive oversight and adherence to the Fund's policies.

55 Similarly, EFC plays a vital role in maintaining ethical standards, financial oversight, and operational effectiveness as required by it ToR[10]. Its responsibilities include developing and overseeing the implementation of a Code of Conduct to address conflicts of interest among Board members, alternates, and secretariat staff. The committee reviews and advises on the budget for operating expenses, resource mobilization policies, and monetization of CERs. Additionally, it assesses the financial performance of the Fund, accredited implementing entities, and internal evaluations, ensuring compliance with operational policies. The EFC also oversees monitoring and evaluation activities, including the Annual Performance Report and the work of the Technical Evaluation Reference Group, and supervises secretariat and trustee activities related to its mandate.

56 The **Adaptation Fund Secretariat** supports the AFB in its operations and administration. The Secretariat is hosted by the GEF; however, the AF secretariat operates independently. The AF secretariat is responsible for ensuring smooth operation of the fund. This includes organizing board meetings, supporting the secretarial functions related to the board or a committee established by the board, work as interface between the country and the board, and support the respective committees with assessment of the accreditation applications or project proposal. The secretariat also keeps meeting records and preserves documents in the archives of the entity designated as the secretariat to the Board. Additionally, the secretariat performs other functions as requested by the Board.

57 **Implementing Agencies** of the AF are the means to channelize the AF resources from the fund to the projects. AF pioneered the concept of the direct access of the financial resources from the fund through the local institutions of the recipient countries. AF has accredited 51 entities across the world for the access to the fund's financial resources of which majority (32) are the National Implementing Entity (NIE). In order to facilitate the resource access through the implementing agencies, the AFB has provisioned a dedicated **Accreditation Panel (AP)** which is tasked to review the accreditation applications and recommend the applicant entity's eligibility.

58 The role of the AP includes assessing submitted information, identifying capacity gaps, and determining the need for technical support to help applicants meet accreditation standards. The panel may recommend using external assessors for complex issues, requesting additional information or resubmissions, and conducting on-site visits or

[9] https://www.adaptation-fund.org/wp-content/uploads/2013/03/TOR-of-PPRC-amended-in-Oct2015.pdf
[10] https://www.adaptation-fund.org/wp-content/uploads/2013/03/TOR-of-EFC-amended-in-Mar2018.pdf

observations, where necessary. It recommends Board on the matters assessed (or flagged), ensuring a thorough and transparent accreditation.

c. Programming Process and Resource Allocation

59 The AF is designed to finance projects that specifically result in adaptation benefits; therefore, the programming process is designed to support concrete adaptation projects in developing countries vulnerable to climate change. Proposals submitted to AF shall be required to align with the fund's strategic priorities which the AFB sets periodically on need basis. Strategic priorities of the fund is construed in annex-1 to the fund's Operational Policies and Guidelines, the strategic priorities are listed below. Meanwhile, the fund has also adopted a second medium-term strategy for 2023-2027 wherein it focuses to consolidate Fund's comparative advantage by continuing the strategic focus on three strategic pillars; financing adaptation action, innovation, and learning and sharing (Figure 11[11]).

- Assist developing country Parties to the Kyoto Protocol or the Paris Agreement that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation
- Finance concrete adaptation projects and programmes that are country driven and are based on the needs, views and priorities of eligible Parties
- Finance the projects and programmes that take into account national priorities set out in national strategy documents such as the NAPAs, NDCs, national communications and sustainable development and poverty reduction strategies.
- Finance the projects and programmes by the Parties that consider reports from the Intergovernmental Panel on Climate Change and the Adaptation Committee, Nairobi work programme on impacts, the Cancun Adaptation Framework and where applicable the LDC Expert Group (LEG)
- Finance the projects and programmes where the parties pay special attention to the particular needs of the most vulnerable communities

Figure 11: Adaptation Fund's Strategic Focus for 2023 to 2027 (Strategic Pillars & Crosscutting Themes)

60 The AF allocates resources on a first-come, first-served basis, encouraging countries to submit timely proposals. Funding is divided into thematic areas such as water management, agriculture, infrastructure, and disaster risk reduction. Additionally, the fund emphasizes direct access, enabling countries to receive funding directly through NIEs, bypassing multilateral intermediaries. Initially the cap on single country project funding was set at USD 10 million which was raised to 20 million through the decision from the 36th meeting of the board[12]. However, the allocation doesn't imply that the stated amount is earmarked for a country; rather, the proposals are evaluated based on their alignment with

[11] https://www.adaptation-fund.org/wp-content/uploads/2022/12/Medium-Term-Strategy-2023-2027.pdf
[12] https://www.adaptation-fund.org/adaptation-fund-doubles-the-amount-of-funding-countries-can-access-enhancing-access-to-climate-finance-among-most-vulnerable/

the Fund's strategic priorities, operational guidelines, and demonstrated potential to achieve tangible adaptation outcomes.

61 Financial resources from AF may be accessed by the entities through three different windows; Locally Led Adaptation, Innovation Funding and Readiness Package Grants. These windows supports innovation projects, enhanced direct access (EDA), readiness support and learning and sharing projects in addition to the core funding that is invested towards project execution. Since 2010 AF has received USD 1,914 million in total contributions, of which, USD 1,761.84 million has been paid while USD 152.80 million is yet to be paid to the fund from the contributing parties. Similarly, the AF raised USD 1,545.08 million in grants from the contributing countries; the remaining USD 216.76 million was raised out of the sales of CERs received as share of proceeds by the fund. **Table 4** presents the overall status of the fund referenced from the information made available by the trustee through its website[13].

Table 4: Fund facts from Adaptation Fund

Particulars	Amount (in Million USD)
Total contributions pledged	**1,914.64**
Pledged contributions paid	1,716.84
Pledged contributions unpaid	152.80
Total commitments	**1,368.98**
Administrative budget	109.99
Project supervision fees	96.39
Project preparation fees	5.31
Projects	1,157.29
Total Cash Transfers	**904.82**
Administrative budget	109.67
Project supervision fees	59.71
Project preparation fees	4.84
Projects	730.61
Fund Balance	**1,004.18**

62 The project/programme cycle begins with the submission of a proposal by an implementing entity (NIE, RIE, or MIE), endorsed by the **Designated Authority** of the respective **Party**. In the context of Nepal, Ministry of Forests and Environment (MoFE) is the Designated Authority; hence, any proposal that is submitted to the AF shall be authorized by MoFE. The authorizing agency may develop its own criteria to screen proposals and provide authorization for it. Proposals may be submitted as fully-developed documents or as concepts, initiating a two-step process for approval. Once the proposal is submitted, the Secretariat conducts an initial screening to ensure compliance with the Board's templates and timelines. Upon satisfactory assessment by the secretariat, the proposal is then forwarded to **PPRC** which evaluates them before making recommendations to **the Board**. The Board then decides to endorse, approve, or reject proposals, providing clear explanations for rejected submissions.

63 In addition to the process discussed above for the approval of a project, AF has introduced several other funding windows that come at different stages in the overall project cycle. When a concept note is submitted, the eligible NIEs may request a Project Formulation Grant (PFG) to supports activities related to project formulation, provided the concept

[13] https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/adapt#1 accessed on 25 Dec 2024

meets a minimum budget threshold of USD 0.5 million. All PFG applications are subject to two tier scrutiny by the secretariat and the PPRC and is finally approved by the Board. Upon successful disbursement of the PFG, the proponent shall submit a fully-developed project document within 12 months of such disbursement. Any funds against PFG that remain unspent shall be returned to the fund through the trustee. NIEs may seek for a readiness package grant or grants from other windows created by the AF; irrespective of where it is sought from, the approval process follow the same route.

64 Following approval, a legal agreement is drafted and signed between the Board and the implementing entity. The **Trustee** disburses funds in tranches based on a time-bound disbursement schedule. The Board monitors progress and may suspend disbursements if there is evidence of misappropriation. The Board oversees the strategic monitoring of all projects, requiring annual or bi-annual status reports depending on project size. Terminal evaluations are mandatory for large-scale projects and may be conducted for smaller ones if deemed necessary. Evaluations ensure alignment with the Fund's Strategic Results Framework and facilitate accountability and learning. **The Board** reserves the right to conduct **independent reviews** and evaluations to ensure transparency and improve practices. Allegations of misuse are investigated, and regular updates are provided to the Board. The project cycle is subject to ongoing review for continual improvement.

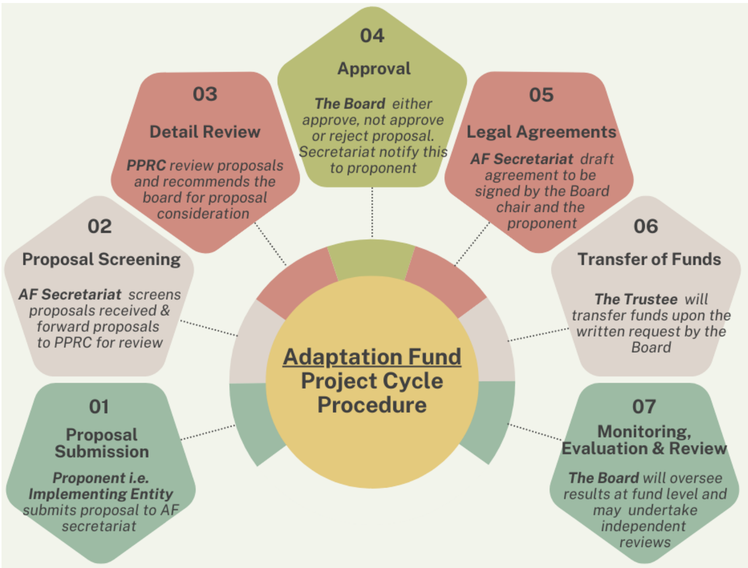


Figure 12: Project Cycle Procedure for the Adaptation Fund

d. Fund Access by Nepal

65 Nepal has accessed the financial resources from the Adaptation Fund. By far, Nepal has completed implementation of one project titled "Adapting to climate induced threats to food production and food security in the Karnali Region of Nepal". The project was implemented by UN World Food Programme and the project brought-in about USD 9.53 million in grant. Since, there is no formally accredited entity to the fund from Nepal, direct access of the funds from the adaptation fund has not yet been materialized.

3.3 The Green Climate Fund (GCF)

a. Fund Introduction

66 The Green Climate Fund was established by 194 countries party to the UNFCCC at the 16th Conference of Parties (COP) in 2010 under the 'Cancun Agreements'. It is an operating entity of the financial mechanism of the Convention and receives guidance from the Conference of the Parties of the UNFCCC. GCF is a climate finance catalyser and it uses its funds to accelerate green market creation, unlocking the financial flows needed for developing countries to transition to low-emission, climate-resilient development pathways. GCF is mandated to equally support adaptation and mitigation projects through a country-driven approach that prioritises direct access and targets the most vulnerable developing countries. Since 2019, the GCF portfolio of climate projects has more than doubled from USD 5.1 billion to USD 13.9 billion of GCF finance, amounting with direct co-financing to USD 53 billion of assets under management.

b. <u>Governance and Administration</u>

67 The GCF is designated as an operating entity of the financial mechanism under Article 11 of the **UNFCCC**. Therefore it is bound to the guidance on policies, priorities, and eligibility criteria, set by the **COP to the UNFCCC**. The GCF Board is required to submit its annual reports to the COP, reflecting accountability and receiving further directives. **The GCF Board** governs and supervises the Fund's activities, with full authority over funding decisions. Meanwhile, country ownership is integrated across every step of GCF programming; in order to ensure this, the any support to a country from the GCF is subject to **National Designated Authority (NDA)** authorization as evident from GCF architecture.

68 The board is composed of 24 members equally representing developed and developing countries. The Board oversees operational policies, funding approvals, accreditation processes, and monitoring frameworks. It appoints key personnel like the **Executive Director** of the Secretariat and the heads of accountability units, while maintaining coordination with international bodies. The Board is also supported by various committees, each with specific ToR to ensure effective governance and operational efficiency of the fund. These include the **Accreditation Committee**, which oversees the accreditation process; the **Budget Committee**, responsible for financial planning and oversight; and the **Ethics and Audit Committee**, which addresses ethical, conflict of interest, and audit-related matters. Additionally, the **Investment Committee** develops strategies for investments, particularly for the Private Sector Facility, while the **Risk Management Committee** ensures comprehensive risk oversight. The **Performance Oversight Committee** evaluates the performance of key leadership roles within the Fund.

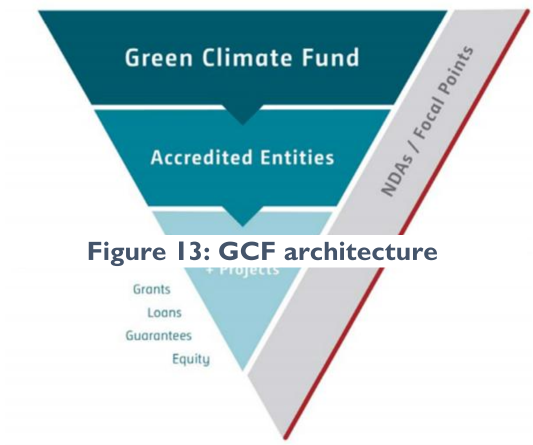


Figure 13: GCF architecture

69 In addition to the committees, the **Accreditation Panel (AP)** and the **Independent Technical Advisory Panel (ITAP)** also support the board in assessing applications from the entities on the matters accreditation and funding proposals respectively. The AP plays a critical role in reviewing applications for accreditation by entities seeking to partner with the GCF. It assesses whether these entities meet the required fiduciary standards, environmental and social safeguards, and gender policy criteria, ensuring that accredited entities are capable of managing GCF funds effectively and responsibly. Similarly, ITAP

provides independent technical assessments of funding proposals submitted to the GCF. It evaluates proposals against the Fund's investment criteria and alignment with GCF objectives and provide expert recommendations to the Board for decision.

70 **GCF Secretariat** is the operational arm of the Fund, executing its day-to-day activities. It is accountable to the Board and led by an Executive Director. Its responsibilities include organizing administrative duties, managing project and program cycles, monitoring financial risks, preparing reports, and supporting replenishment processes. It ensures effective knowledge management and liaises with implementing entities and international institutions. Throughout its operational cycle GCF operates through the National Designated Authorities (NDA), therefore, NDA comes as the key interface in the GCF's governance structure.

71 Implementation of the GCF projects whereas is tasked to the **GCF Accredited Entities (AEs)** who are responsible to prepare funding proposal aligning with the GCF's results areas and the investment criteria. Pioneered by the AF, the GCF also hosts a range of national entities to enable direct access. By its 39th Board Meeting, GCF has 139 entities accredited under various fit-for-purpose accreditation categories to cater varying mitigation and adaptation needs of a country and out of this 52% are the national Direct Access Entities (DAEs), 11% regional DAEs and the rest the international AEs. As **the Trustee** of the fund, the World Bank currently manages the Fund's financial assets, maintaining fiduciary standards and preparing financial reports for the Board. It administers the assets strictly per the Board's decisions, ensuring transparency and accountability in financial management. The Trustee holds the Fund's assets separately and may blend them for investment purposes while maintaining detailed records.

c. <u>Programming Process and Resource Allocation</u>

72 The programming process of the GCF is structured in 10 stages (Figure 14) beginning from the preparation of the Country and the Entity Work Programmes. This programming process doesn't include the process of entity accreditation. Although the GCF programming process often tend to be iterative, here the attempt has been made to present the GCF programming cycle in simplistic form. Certain stages are either completely optional or optional for the DAEs (for example, concept note is completely optional while the preparation of entity work programme is optional for the DAE), however, each stage is discussed here consistent with the programming cycle.

73 Preparation of the **Country and Entity Work Programmes** mark the first stage of the GCF programming cycle. This stage focuses on aligning country and entity priorities with the GCF Strategic Plan and its mitigation and adaptation result areas. NDAs develop Country Programmes (CPs) based on their financial needs and priorities while the respective Accredited Entities (AEs) prepare Entity Work Programmes (EWPs) outlining specific project activities as per their mandate. Structured dialogues facilitated by the GCF Secretariat align these programmes with GCF's goals and

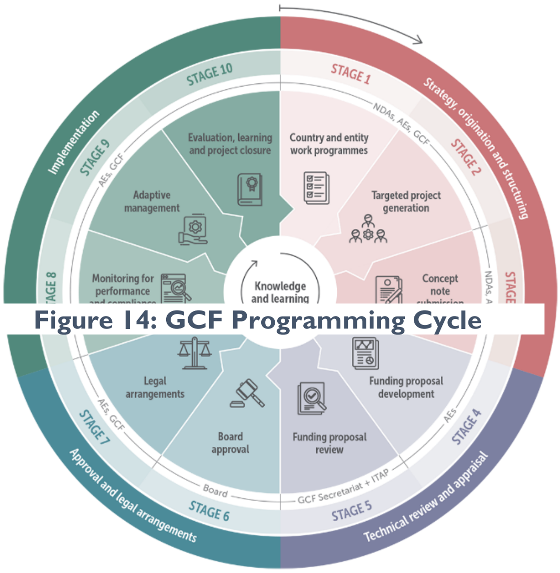


Figure 14: GCF Programming Cycle

investment criteria. GCF provides Readiness and Preparatory Support to help transform project ideas into detailed proposals, ensuring high-quality submissions for the funding pipeline.

74 Apart from the CPs or EWPs, the GCF may opt to generate project ideas through targeted **Requests for Proposals (RFPs)** and partnerships. The GCF Board approves the terms and funding for RFPs, which are published to invite submissions aligned with GCF's investment criteria. Simultaneously, GCF may also collaborates with non-accredited entities to de-risk and scale up "non-bankable" projects via innovative platforms. These initiatives help the evolution of impactful proposals that will eventually find integration into CPs or EWPs for formal submission and approval.

75 The third stage is marked with the submission of a **Concept Note (CN)** which are prepared and submitted by the AEs in coordination with the NDA. Submission of the CN is voluntary, yet GCF encourages the submission provided that CN submission enhances proposal quality and reduces proposal review time. CNs are required to align with the country priorities. Once submitted, the Secretariat reviews and publishes CNs on the GCF website, providing a transparent overview. Submission of CN is mandatory should the AE intends accessing the **Project Preparation Facility (PPF)** grant. AEs take the lead in developing detailed **Funding Proposals (FPs)** based on GCF's investment framework. Proposals are required to demonstrate technical, financial, and environmental soundness, aligning with GCF's criteria and the AE's accreditation scope. AEs conduct due diligence, ensuring compliance with safeguards and securing no-objection letters (NOLs) from NDAs. Proposals include implementation plans with **Executing Entities (EEs)** and are submitted the Secretariat for review.

76 Submission of the funding proposal is followed by the **technical assessment** by the **GCF secretariat** and **review** by the **Independent Technical Advisory Panel (ITAP)**. The Secretariat evaluates the proposal's alignment with investment criteria, while the Office of Risk Management and Compliance (ORMC) assesses risks. After these reviews, the funding proposal package is compiled and shared with the GCF Board for final decision-making. Transparency is ensured through public disclosure, with assessments typically taking around 190 days. The **GCF Board reviews** and may **approve** the funding proposals submitted to it with ITAP recommendations. Prior to the approval the board members may raise queries, which are required to be addressed by Accredited Entities (AEs) before final discussions. Proposals are presented and deliberated in sessions attended by relevant stakeholders. Approved proposals are communicated to AEs and NDAs with next steps. In case of rejection, NDAs can seek reconsideration via the **Independent Redress Mechanism (IRM)**.

77 Followed by the board approval, **legal agreements** through the Funded Activity Agreement (FAA) between GCF and AEs take place. Negotiations begin after proposal approval, focusing on financial instruments and conditions for implementation. The FAA is tailored to specific project needs, ensuring compliance with accreditation standards. Upon signing, the FAA becomes effective after fulfilling predefined conditions. Once finalized, disbursements are made by the GCF Trustee to the AE for project execution against the decided milestone. The GCF Secretariat **monitors** AE compliance with accreditation standards and the performance of funded activities. AEs submit

Figure 15: Status of GCF pledges and confirmed resources across replenishment cycles

annual self-assessments and performance reports, detailing progress against financial, environmental, and social benchmarks. Midterm reviews and risk assessments are conducted to identify potential disruptions. The monitoring framework ensures transparency and identifies areas requiring adaptive management, safeguarding project integrity and effectiveness.

78 Once the project begins implementation, based on the progress made the AEs may require adopting **adaptive management** to address risks and implementation issues flagged during monitoring. Identified risks trigger a "cure period" for corrective actions. Persistent issues may lead to additional measures or even the withdrawal of accreditation. Major changes to project scope require board approval and amendments to the FAA. This stage emphasizes flexibility and accountability, ensuring projects remain aligned with GCF goals while addressing challenges proactively. The final stage focuses on **evaluating project outcomes** and **synthesizing lessons learned**. AEs manage independent evaluations, documenting results relative to projections. These evaluations guide future project designs and replication. The Independent Evaluation Unit (IEU) assesses GCF-wide performance for institutional improvement. Lessons are codified to promote best practices and enhance the effectiveness of transformative climate investments globally.

79 With respect to the funding, GCF adopts a balanced approach from different aspects; the GCF resources are equally allocated towards climate change adaptation and mitigation. Of the total GCF resources available for adaptation purposes; a half is allocated towards the adaptation initiatives in the LDCs, SIDS and Sub-Saharan Africa region while another half is allocated towards other developing countries. Irrespective of the intended use of the resources, GCF finances the projects that meet the required GCF standard. In terms of resource mobilization, the GCF operates on a cyclic approach of fund replenishment with each replenishment cycle lasting four years. GCF currently is progressing on its second replenishment cycle (previous were the Initial Resource Mobilization and GCF-1). Unlike GEF replenishment cycles, projects are not linked to a specific replenishment cycle but the replenishment cycles serve as the means to ensure sustained financial flows to the fund.

d. <u>Fund Access by Nepal</u>

80 Nepal has been accessing the financial resources from the GCF in form of the project investments and the readiness grants. Nepal has secured GCF financing for five different readiness programmes (cumulative worth of USD 5.52 million) and four funding proposals (cumulative GCF investment of USD 112.11 million). In addition to the regular readiness funds routed through the NDA, National Trust for Nature Conservation (NTNC) also has got its IRMF readiness proposal accepted. Moreover, Nepal has also participated in various multi country programmes; in case of both, the readiness and the funding proposals. **Table 5** presents the status of the readiness programmes and project proposals

committed by the GCF for funding which however doesn't include the proposals accessed through the PPF window, as applicable.

Table 5: Status of the GCF projects in Nepal

Particulars	Amount	Status	Remarks
Readiness Programmes			
Adaptation Planning support for Nepal through UNEP	2,935,350	Disbursed	
NDA Strengthening and Country Programming support for Nepal through UNDP	898,509	Closed	
Readiness support for enhancing the capacity of NDA and other stakeholders for project pipeline development in Nepal	700,193	Disbursed	
Readiness Support for the Implementation of the IRMF for Alternative Energy Promotion Centre	199,915	Approved	
Readiness Support for Building Community Resilience through Application of Traditional and Local Knowledge (TLK) System	761,995	Disbursed	Multi-country readiness program shared with Pakistan
Enhancing Country Capacity for Accessing and Implementing Climate Finance Interventions in Nepal	749,811	Disbursed	
Readiness Support for the Implementation of the IRMF for the National Trust for Nature Conservation (NTNC)	199,966	Disbursed	
Funding Proposals			
Building a Resilient Churia Region in Nepal (BRCRN)	GCF=39,299,905 Cofinance=8,042,248	Approved	
Improving Climate Resilience of Vulnerable Communities and Ecosystems in the Gandaki River Basin, Nepal	GCF=27,400,000 Cofinance=5,315,000	Approved	
Mitigating GHG emission through modern, efficient and climate friendly clean cooking solutions (CCS)	GCF=21,128,224 Cofinance=28,023,593	Approved	Funding proposal submitted by AEPC, the DAE
E-Mobility Program	GCF=169,920,000 Cofinance=437,480,000	Approved	Multi-country funding proposal by Asian Development Bank

** All figures are in USD. Source; https://www.greenclimate.fund/countries/nepal (accessed on Dec 2024)*

3.4 Climate Investment Funds (CIF)

81 While the funds serving as the financial mechanism of the UNFCCC are discussed earlier, this section of the report further aims to introduce other key multilateral climate financing mechanisms that operate outside the auspice of the UNFCCC. Climate Investment Funds (CIF) is one of such fund that is administered by a group of multilateral banks.

82 The CIF is a leading multilateral climate finance partnership that channels concessional finance through six multilateral development banks (MDBs). The World Bank Group, including the International Finance Corporation, the African Development Bank, the Asian Development Bank, the European Development Bank, and the Inter-American Development Bank, are the implementing partners of CIF's investments. CIF comprises two funds: the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). CTF has been structured to target large-scale, low-carbon technology projects with significant potential for reducing greenhouse gas emissions, primarily in middle-income and developing economies.

83 On the other hand SCF focuses on smaller-scale, innovative pilots and thematic programs, such as the Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling Up Renewable Energy in Low Income Countries Program (SREP). Although the purpose these funds serve to have marked difference, both these funds share the same administration and governance structure. Irrespective of the source of funds with CIF, there is a common approach to access those funds (Figure 16[14]).

Figure 16: Process to obtain funds from CIF

3.4.1 Clean Technology Fund

a. <u>Fund Introduction</u>

84 The Clean Technology Fund (CTF), one of two multi-donor trust funds under the Climate Investment Funds (CIF) framework, supports large-scale financing for the demonstration, adoption, and transfer of low-carbon technologies aimed at achieving significant long-term reductions in greenhouse gas emissions. Its focus areas include renewable energy,

[14] https://www.cif.org/cif-funding

energy efficiency, and clean transport in emerging markets, middle-income countries, and developing economies. The CTF plays a key role in advancing innovative renewable energy solutions, such as concentrated solar power (CSP). Administered through institutions like the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank Group, the CTF funds 19 country programmes and one regional initiative, encompassing over 90 distinct projects.[15]

b. Governance and Administration

85 The **CTF Trust Fund Committee** is the primary decision-making body tasked with overseeing the fund's operations and activities. It ensures that the fund's strategic direction adheres to the principles of the UNFCCC. The committee has an inclusive structure with equal representation from donor and recipient countries, comprising of the following:

- Eight representatives from donor countries selected through consultations with contributing countries.
- Eight representatives from eligible recipient countries identified through discussions with interested nations.
- Additional members, including one representative from a recipient country under consideration, one senior representative from the World Bank, and one rotating representative, nominated by Multilateral Development Banks (MDBs) committee, from MDB.

86 Decision-making members serve two-year terms, with staggered rotations to maintain institutional knowledge. The committee's responsibilities include approving programming priorities, operational criteria, and financing modalities; endorsing investments; allocating resources for programs and projects; and providing strategic oversight to align CTF's goals with global climate mandates.

c. Programming Process and Resource Allocation

87 The programming process of CTF is structured to allocate investments for the projects promoting low-carbon technologies in the developing and middle income countries. It begins with the **selection of eligible countries** based on their emissions profile and readiness. Respective recipient countries, in collaboration with Multilateral Development Banks (MDBs), prepare **investment plans** outlining priority areas, expected outcomes, and financing needs. The CTF Trust Fund Committee **reviews and endorses** these plans, focusing on alignment with CTF goals and transformational potential.

88 Subsequently, MDBs and recipient countries develop **detailed projects or programs**, including technical and financial analyses, stakeholder consultations, and environmental assessments. The **Trust Fund Committee approves funding**, and **MDBs oversee project implementation**. **Monitoring and reporting** are integral to the process, guided by the CTF's Monitoring and Reporting Toolkit. Regular evaluations assess the impact and scalability of projects. The process concludes with knowledge sharing, enabling insights to inform future programming and global climate action efforts. This ensures that the resources are effectively utilized to meet the fund objectives.

[15] https://climatefundsupdate.org/the-funds/clean-technology-fund/

d. Fund Access by Nepal

89 Unlike all other funds discussed above, Nepal has not yet capitalized on the financial resources from CTF. This is a proxy indicator to the level of technological advancements in Nepal. Although few global programmes were found to have been invested through CTF, Nepal was not a part of global programme either.

3.4.2 Strategic Climate Fund

a. Fund Introduction

90 The Strategic Climate Fund (SCF), is the another multi-donor trust funds established in 2008 under the Climate Investment Funds (CIF) framework. It was created to provide financial support to developing countries in their efforts to mitigate and adapt to climate change. The SCF was designed to address specific, high-impact climate challenges by piloting innovative approaches and scaling up climate solutions. It focuses on piloting innovative approaches to address specific climate challenges and fostering transformative action in developing countries. The SCF encompasses three targeted programs; the FIP, PPCR, and SREP. These programs aim to drive investment in climate-resilient development, forest management, and renewable energy.

91 The SCF was developed with the input of the G8 and other international partners and aimed to bridge the financing gap in key sectors such as renewable energy, forest management, and climate resilience. The SCF's establishment was also a response to calls for more targeted, flexible funding mechanisms that could help countries build sustainable, long-term climate solutions while addressing pressing development priorities. Over time, the SCF has evolved, with its programs focusing on innovative solutions and transformative investments that could serve as models for broader climate action, aligning with the goals of the United Nations Framework Convention on Climate Change (UNFCCC) and other international climate agreements.

b. Governance and Administration

92 The SCF is governed by the SCF Trust Fund Committee, which oversees the fund's operations and ensures alignment with its objectives. Each of the three programs under the SCF has a dedicated Sub-Committee responsible for programming and resource allocation. The governance structure emphasizes equal representation from donor and recipient countries, with Multilateral Development Banks (MDBs) providing operational and technical support. The SCF administrative unit facilitates coordination among stakeholders and ensures transparency and accountability, relying on MDBs' established accountability mechanisms for project implementation.

c. Programming Process and Resource Allocation

93 The programming process for the funds under the CIF (i.e. CTF & SCF) is identical. The SCF project cycle also begins with the preparation of investment plans by eligible countries in collaboration with MDBs. These plans are reviewed and endorsed by the respective Sub-Committee. Following endorsement, specific projects are developed, incorporating stakeholder consultations and rigorous assessments. Approved projects proceed to implementation under MDB supervision, with progress monitored and reported using established frameworks. This iterative cycle of planning, implementation, and evaluation ensures that SCF resources contribute effectively to the targeted climate goals while fostering lessons and innovation for broader climate action.

d. Fund Access by Nepal

94 Nepal has accessed investments from the SCF through all its window. Since 2011, Nepal has developed 12 projects for financing under various programmes of the SCF. Out of the 12 projects, one project is a multi-country project while the others are Nepal based projects. Combined together these projects have secured USD154.3 milion in investment with a mix of various financial instruments; grant (USD 93.15 million), concessional loan (59.75) and guarantee (USD 2 million). **Table 6** presents the climate investment project approved by SCF with their status.

Table 6: Detail of SCF projects in Nepal

Particulars	Approved Amount *Million USD*	Financial Instruments	Disbursement *Million USD*
TAF: Climate Finance for Financial Institutions (FIs) - Bangladesh and Nepal	0.60	Grant=100%	-
South Asia Sub-regional Economic Cooperation Power System Expansion Project B: Rural Electrification Through Renewable Energy	31.20	Grant=100%	10.22
Dedicated Grant Mechanism for Indigenous Peoples and Local Communities	4.50	Grant=100%	0.35
RFF - Additional Financing for the Forests for Prosperity Project	8.10	Concessional loan=100%	-
Forests for Prosperity	24.00	Grant=25% Concessional loan=75%	0.66
Biogas Extended Program (IBRD)	4.18	Grant=100%	4.18
TAF: Nepal's Transition to Green, Resilient, Inclusive Development	0.74	Grant=100%	-
ABC Business Models for Off-Grid Energy Access Nepal	7.61	Grant=74% Equity=26%	1.95
Building Resilience to Climate Related Hazards (IBRD)	24.92	Grant=52% Concessional loan=48%	24.92
Building Climate Resilience of Watersheds in Mountain Eco-Regions (ADB)	20.81	Grant=96% Concessional loan=4%	20.81
Building Climate Resilient Communities through Private Sector Participation / Expansion of IFC-PPCR Strengthening Vulnerable Infrastructure Project	23.09	Grant=9% Concessional loan=91%	-
Mainstreaming Climate Change Risk Management in Development (ADB)	5.15	Grant=100%	5.15
Total	**154.9**		**68.24**

4 CARBON FUNDS

95 In addition to the climate finance, a number of funds or funding instruments are exclusively established for the transaction of the emission reduction credits; both, from REDD+ projects or other emission offset projects. The fundamental factor that separates the "carbon funds" with the "climate funds" is the approach these types of funds adopt for project financing. The climate funds have higher risk appetite and hence the investments made may not always result in cost effective impacts. On the other hand, investments made by carbon funds are result based and desires cost efficient delivery of the impacts i.e. emissions reductions against each dollar spent.

96 Considering that the primary purpose of this report was to present an overview of the available climate finance, this section of the report highlights few carbon funds that have information available publicly. Similarly, the carbon funds that are already closed are also not discussed in this report irrespective of the volume of transaction those funds entailed from Nepal; the Community Development Carbon Fund, Umbrella Carbon Facility, Future Carbon Funds, to name few. Since the end of the CDM period, no active agreements between the project developers and carbon funds are reported from Nepal; the agreement for the REDD+ project being the only exception. Through three different financing facilities Nepal has secured around USD 90 million for mobilization. Of this, around USD 64 million is grant while the rest is mobilized as a concessional loan Table 6 presents a snapshot of the carbon financing received for the REDD+ programme in Nepal.

Table 7: Status of REDD+ financing in Nepal from various sources

Financing Sources	Concessional loan	Grant
Forest Carbon Partnership Facility - Carbon Fund (FCPF-CF)	-	45
Forest Carbon Partnership Facility - Readiness Fund (FCPF-RF)	-	8.23
Forest Investment Program (FIP)	26	10.6
Grand Total	**26**	**63.83**

5 CONCLUSION

97 Nepal needs to leverage global climate finance to address its unique vulnerabilities and accelerate its transition to a low-carbon and climate-resilient economy. The availability of international funds has supported Nepal to implement low carbon and climate resilient projects in renewable energy, forest conservation, and climate adaptation. However, there is a need to unleash the areas that have remained unexplored in terms of capitalizing upon these resources strategically. As the impacts of climate change intensify, mobilizing climate finance will be essential to ensure sustainable development while safeguarding the livelihoods of vulnerable communities.

98 Looking ahead, Nepal's graduation from LDC status presents both opportunities and challenges in accessing climate finance. While the transition reflects economic progress, it will likely reduce access to grant-based funding, which has been a critical source of support for the country's climate initiatives. With limited experience in managing concessional loans, Nepal faces the dual challenge of building expertise in debt management while ensuring climate projects remain financially viable. This necessitates

proactive efforts to diversify funding sources, strengthen project preparation capabilities, and enhance partnerships with the private sector and development finance institutions to bridge potential funding gaps.

99 Though not all global climate funds align with Nepal's specific needs or project scale, emphasis shall be given on the prioritization of projects for various funding windows. Moreover, there is a need to design tailored approaches to access and deploy these funds, applying various financial measures which will be crucial in meeting both immediate adaptation needs and long-term mitigation goals.