



CLIMATE FINANCE FLOW MECHANISMS IN NEPAL

International climate funds reach Nepal through three main funding modalities:

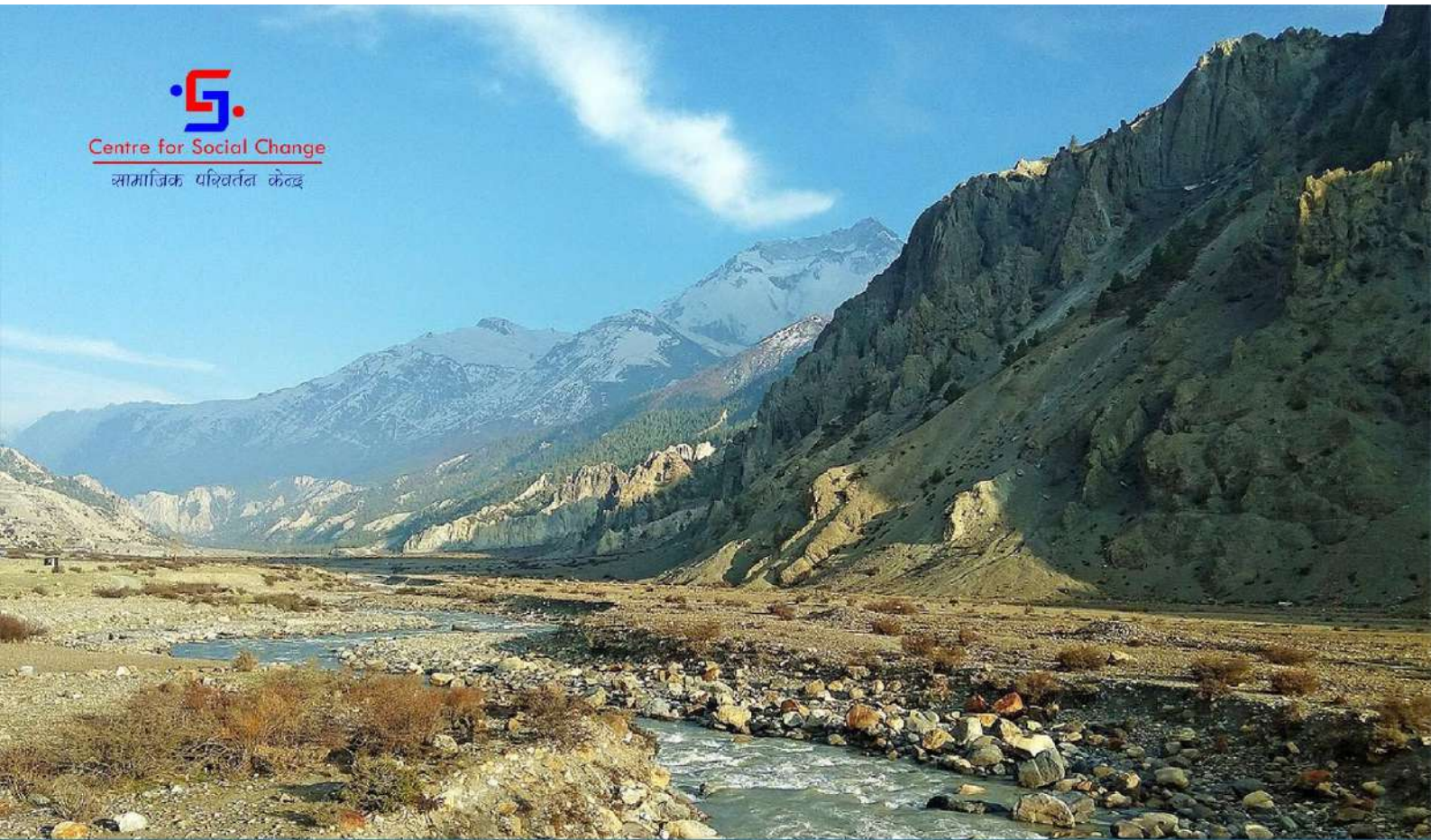
On Budget, On Treasury (OBOT)

- Fully integrated into the government's financial system and listed in Nepal's "Red Book."
- Disbursement & utilization are controlled by the government, ensuring transparency and accountability.
- This is the preferred model for the Nepal government to reduce risks and strengthen financial management.
- Example: The Green Climate Fund (GCF)-FAO Chure Project allocated budget through OBOT.



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Off Budget, Off Treasury (OfBOfT)

- Funds bypass the government system entirely, flowing directly to INGOs/NGOs.
The Social Welfare Council (SWC) regulates these projects, but government oversight is limited. Managed by international agencies and executed through local partners.
- Common for Technical Assistance (TA) projects, donor-driven initiatives, and rapid-response programs. Managed by international agencies and executed through local partners.
- **Note:** The **Nepal government prefers OBOT** for better transparency, but many international donors choose NGO-led models due to their independent implementation structures.



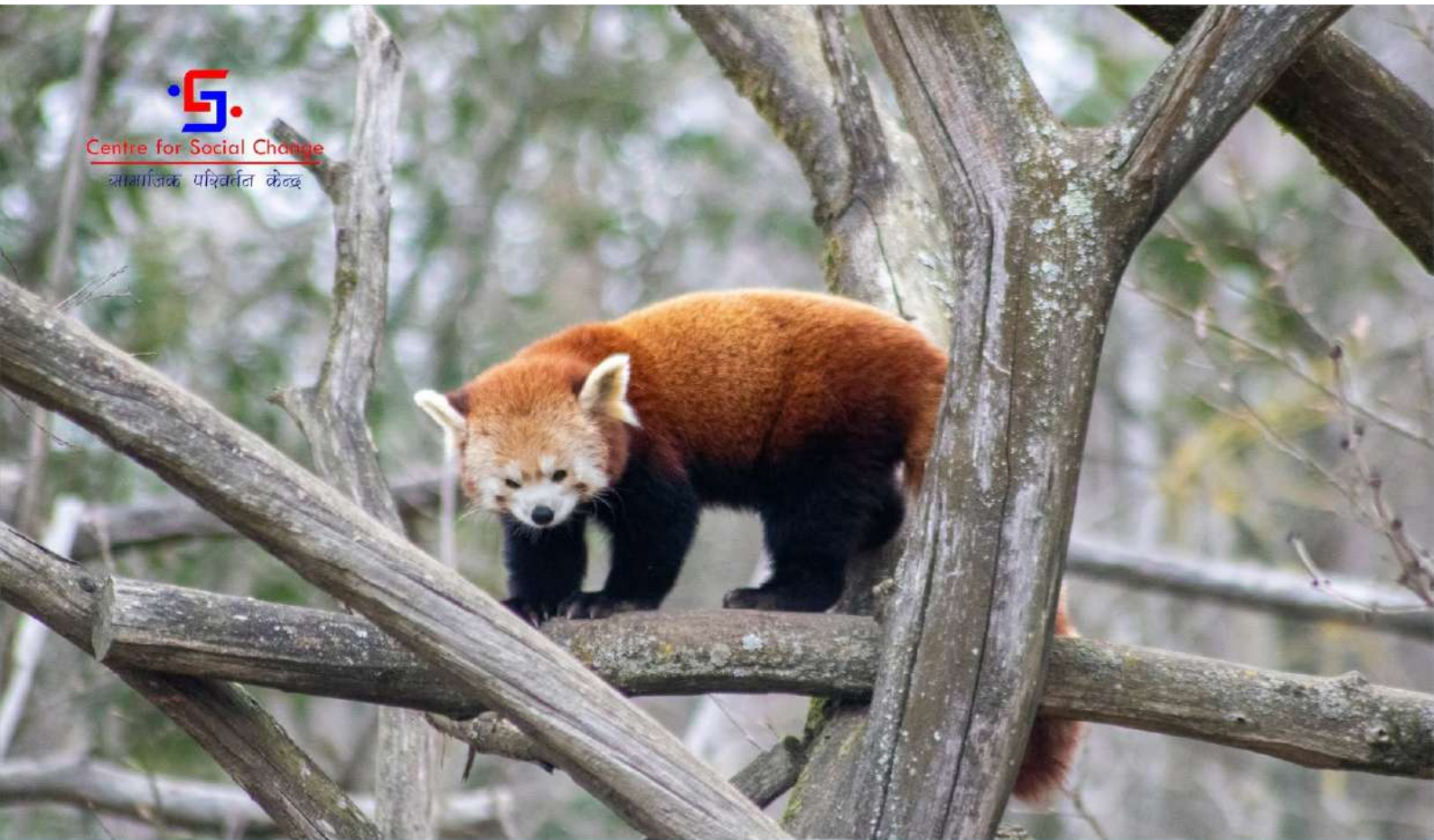
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On Budget, Off Treasury (OBOft)

- The budget is included in the Red Book, but fund disbursement is managed by donors instead of the government.
- Requires government approval, but donors oversee fund utilization. Less direct control by the Nepal government.
- Example: The same GCF-FAO Churia Project allocated \$5.5M (14%) under this model.



Challenges & Way Forward for Climate Finance in Nepal

Challenges in Climate Finance Utilization Managed by international agencies and executed through local partners.

- Limited access to international funds due to bureaucratic impediments.
- Dependency on donor priorities rather than national climate strategies.
- Lack of stronger local government capacity to manage climate budgets.
- Inconsistent tracking & reporting of climate finance.

Strategic Recommendations for Nepal

- Strengthen Fund Tracking & Transparency
- Expand Direct Access to Climate Funds
- Promote Public-Private Partnerships (PPPs)
- Enhance Climate-Smart Policies

Nepal's Climate Finance Future

“Together, we can build a greener, more resilient Nepal.”

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