

Inter-government fiscal transfer and Natural resource revenue management in Nepal

- Poverty Environment Initiative Program being implemented since 2010 under broader framework of Local Governance and Community Development Programme of the Ministry of Federal Affairs and Local Development

Strengthened Performance Measure System and Sustainable Management of Sand Gravel and Stones

- Introduced poverty, climate change and environmental indicators in the Minimum Conditions and Performance Measures (MCPM) Manuals for grant allocation to Local Bodies (LBs) in 2011
 - In District Development Committee (DDC)- MCPM Guidelines
 - There were only two indicators directly related to environmental performance with a total mark of 2.25 in 2008. The Environmental performance indicators increased to four with a total of 8 marks in 2012.
 - In Municipality MCPM Guidelines
 - There were only three environmental performance indicators with a total of 10 marks in 2008. There are four environmental performance indicators with a total of 12 marks in 2012.
- **Assessed effectiveness and impact of the Poverty-Environment-Climate indicators in 2016**
 - It was revealed that proportion of marks obtained by DDCs in environmental poverty indicators were higher compared to the the marks obtained in total indicators

Study on Natural Resources Based Revenues

- **Carried out a study in 2011 on “Current Practice of Revenue Generation from Natural Resources for the Local Bodies”**
 - The study showed that economic returns from sand, gravel and stone extraction were a significance source of revenue to the district level and bringing many benefits to local communities
- **Follow up study in 2017**
 - Prepared Procedure on Sustainable Management of Sand, Gravel and Stone and Revenue Sharing Mechanism
- **Study on Economic Analysis of Local Government Investment in Rural Roads in Nepal was carried out in 2011.**
- **Poverty environment criteria included in the Local Bodies Resource Mobilization Guidelines in Nepal**

Environment Friendly Local Governance (EFLG) – Transitional Support Program (TSP)

- UNCDF in collaboration with PEI started the LoCAL program in Nepal in 2014 under MoFALD's EFLG framework with a pilot in two District Development Committees (DDC), Rupandehi and Dhadhing, covering 3 Village Development Committees (VDC) in each district
- The LoCAL performance based financial mechanism adopted by MoFALD as the national EFLG financing mechanism for climate related development grants to Local Governments.
- The EFLG financing mechanism is being piloted under EFLG-TSP in Kabhre and Sindhuli Districts.
- Together with WWF, PEI and LoCAL are preparing proposal to be submitted to Green Climate Fund

Issues

- MCPM grant system adoption in new governance system
- Locally elected representatives are putting priority on infrastructure development to environmental issues
- Inadequate capacity of local government in implementing various pro-poor and environment policies, plans and guidelines
- In the changing governance context, local elected representatives are yet to be empowered through reforming policies and institutions that demands time and resources

Opportunities

- Performance based climate resilient grant (PBCRG) and learning of integrating poverty and environment issues into local development planning will act as a tool for accessing green climate fund
- As PEI program is being implemented under leadership of the government, any innovation in revenue generation can be replicated and upscaled effectively and efficiently
- Study on sand gravel and stones and rural roads will support developing information based policies and plans to the local government
- Effective implementation of Sand Gravel and Stones Procedure will help addressing multiple issues – environment, poverty and income of local government

Thank you