TRACKING CLIMATE AND DISASTER BUDGET AT LOCAL LEVEL IN NEPAL

OXFAM

This brief is written by Bibek Karki and Anjil Adhikari. This brief is an outcome of the research co-designed and conducted with Environment and Engineering Research Centre (EERC). Oxfam acknowledges the assistance of the following individuals from EERC in its production: Mr. Madhu Sudaan Gautam, Ms. Tikeshwari Joshi, Mr. Ashesh Shrestha, Mr. Raju Thapa, Ms. Tara Ale Magar, Mr. Jenish Byanjankar and Mr. Ajaya Shrestha.

For further information on the issues raised in this paper please email bkarki@oxfam.org.uk

Citation:
Karki B., Adhikari A., Oxfam in Nepal, 2026. Tracking Climate and Disaster Budget at Local Level in Nepal. Kathmandu, Nepal

Cover photo: Kishor Sharma, Oxfam

1. BACKGROUND

Climate and disaster budget matter most at local level as this is where mandate lies, public services are delivered, risks are experienced, and adaptation and risk reduction decisions are translated into public action. While local governments carry constitutional and legal responsibility for climate and disaster risk reduction, they operate with limited fiscal space, limited resources and capacity, fragmented data systems, and weak budget tracking practices. This creates a serious governance problem, money may be visible in budgets, but its real contribution to resilience is left unanalysed and often unclear.

This brief distils the research's core message for policy audiences. It focuses on whether local climate and disaster finance is sufficiently prioritized, how it is spent, and what reforms are needed so public finance produces stronger and more equitable resilience outcomes.

2. OBJECTIVE

To present policy-relevant findings from the study in a concise format and identify the reforms needed to make local climate and disaster budget utilization more transparent, strategic, and effective for risk reduction and climate resilience.

3. METHODOLOGY

The underlying study used a mixed-method design. Quantitatively, it reviewed annual budget data from the SuTRA[1] system and tagged climate and disaster related activities using a purpose-built coding framework[2]. The analysis examined allocation, expenditure, sectoral distribution, project size, financing source, and budget timing across five sample local governments representing Mountain, Hills, and Terai regions.

Qualitatively, the study drew on interviews with stakeholders and field observation of financed interventions to test whether budget patterns translated into meaningful resilience results.

1 In Nepal, SuTRA stands for Sub-National Treasury Regulatory Application. It is an online portal-based public financial management system developed to manage the accounting and budgeting of local and provincial governments.

2 For this, the study involved developing criteria for budget coding at the activity level in limitation of the structured mechanism for systematic budget coding related to climate and disaster finance at LG

4. KEY FINDINGS

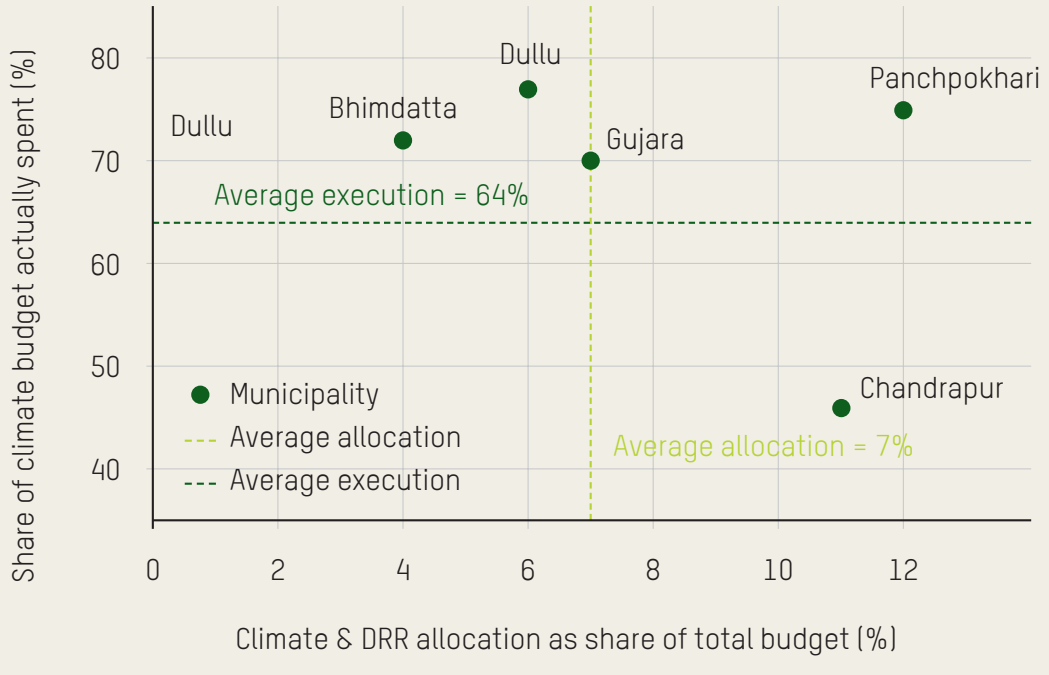
FINDING 1: More allocation does not guarantee stronger execution

Across the sample, only 7 percent of total municipal budgets were tagged to climate adaptation and disaster risk reduction, and only 64 percent of that tagged budget was spent. This implies that, in aggregate, just **4.76 percent of total municipal budgets** were effectively utilized in climate and disaster-related actions.

The key message is that higher allocations do not automatically translate into effective implementation or expenditure performance. Chandrapur Municipality, for example, allocates a relatively high share of its budget to climate and disaster priorities but demonstrates weak spending efficiency, pointing to institutional and execution constraints rather than simple resource scarcity.

Overall, the findings suggest that the central challenge is not only the level of allocation, but the ability of local governments to execute and convert budget commitments into timely and effective investments.

Climate and Disaster budget allocation and execution reality at the study LGs



FINDING 2: Financing mixes are shifting toward structured transfers

The figure shows that climate and disaster budget financing is gradually moving away from heavy reliance on one-off cash grants toward a more structured, though still uneven, mix of own-source revenue, equalization grants, conditional grants, and revenue allocation across municipalities. Bhimdatta and Dullu show clear shifts from early cash-grant dependence toward stronger use of equalization and conditional transfers, although both remain volatile in some years. Chandrapur stands out for its stronger role of own-source financing, suggesting greater local fiscal ownership, while Gujara increasingly relies on equalization grants even as its own-source share improves. Overall, the chart suggests that municipal climate and disaster budgets are becoming more diversified over time, but the transition is not linear and several municipalities still remain vulnerable to concentration in one dominant funding source.

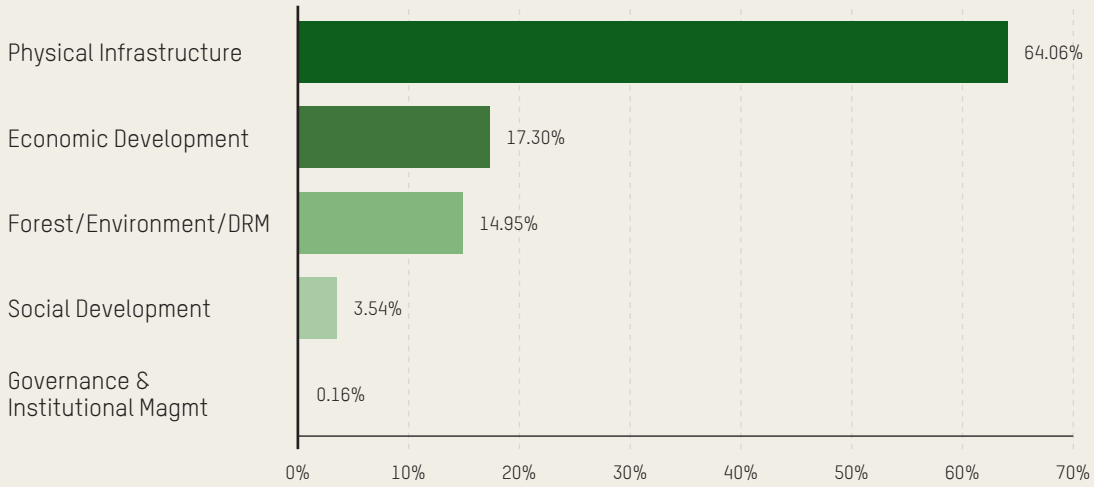
Municipal climate and disater budget sources: composition and diversification trend

FINDING 3: Spending remains heavily concentrated in physical infrastructure while governance and institutional management is negligible

Physical infrastructure absorbs 64.06 percent of tagged climate and disaster finance across the sample. Economic development accounts for 17.3 percent, while forests, environment and disaster management account for 14.95 percent. In contrast, governance, institutional strengthening, and system-level capacities receive negligible or near-zero allocation.

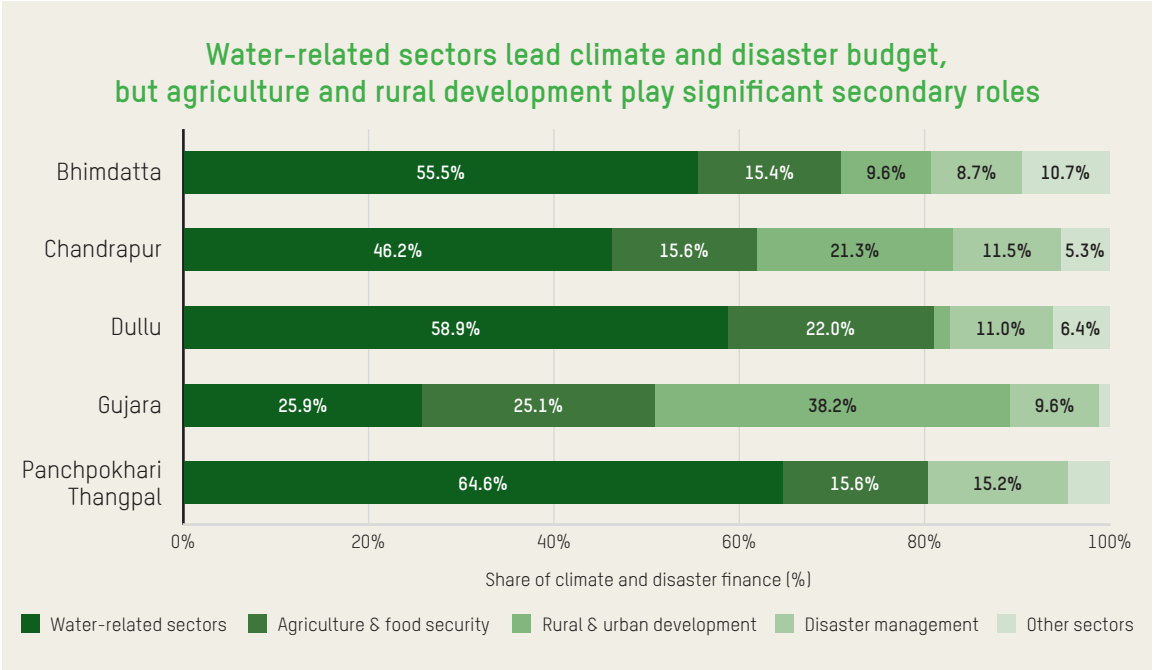
This matters because resilience does not come from assets alone; it depends on planning, preparedness, maintenance, staffing, accountability, and community systems that keep those assets functioning. Without adequate investment in governance and institutional systems, infrastructure investments risk becoming underperforming.

Climate and Disaster Management budget expenditure is heavily concentrated on physical infrastructure



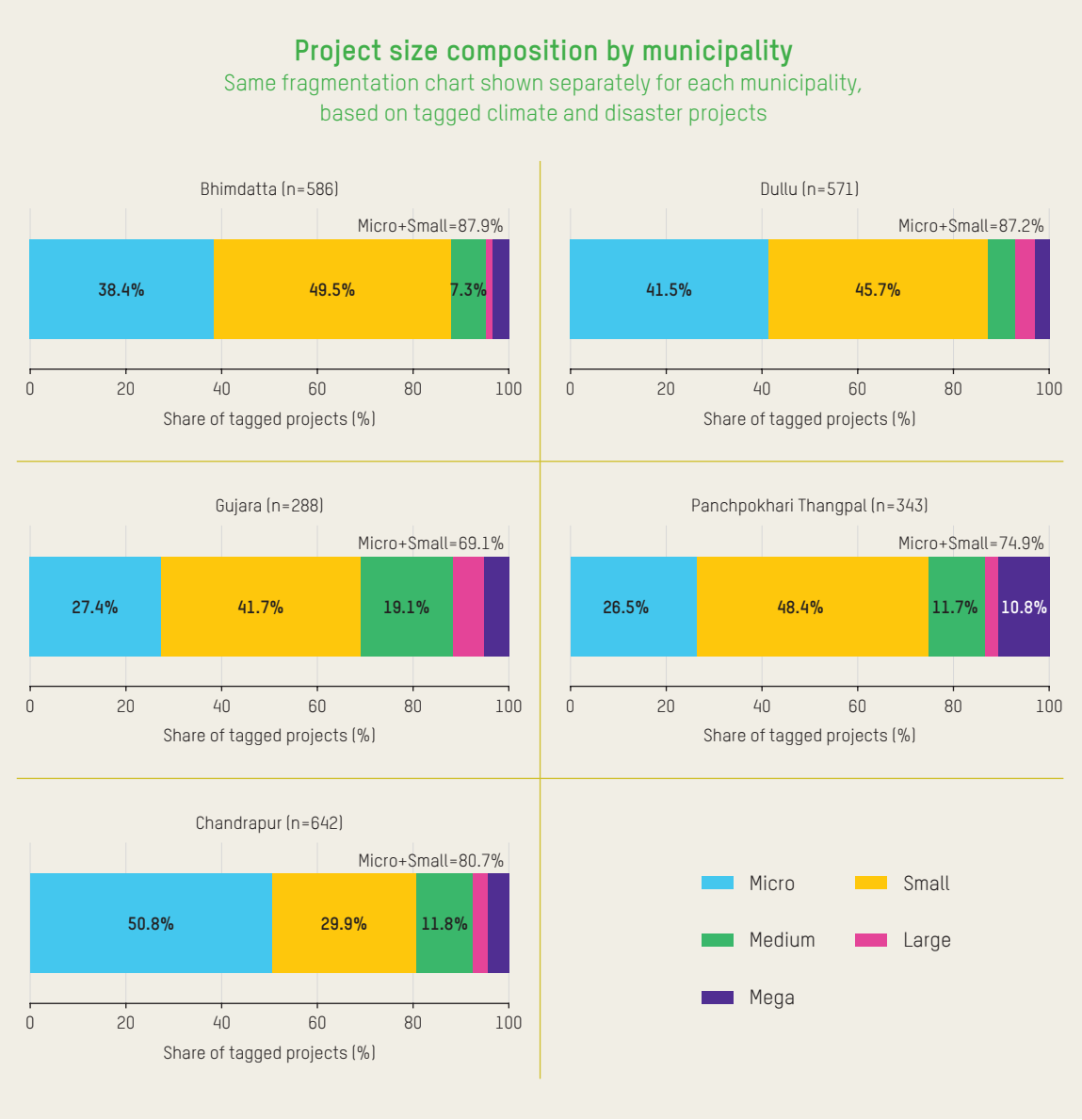
FINDING 4: Climate and disaster finance is concentrated in water-related sub-sectors

Across the sampled local governments, climate and disaster budget is strongly concentrated in water-related sub-sectors, particularly Water Resources & Irrigation and Drinking Water & Sanitation occupies nearly half of the allocation. **Agriculture and Food Security** emerges as second priority reflecting its importance and indicating that financing continue to favour basic services and visible infrastructure linked to immediate livelihood and service delivery needs.



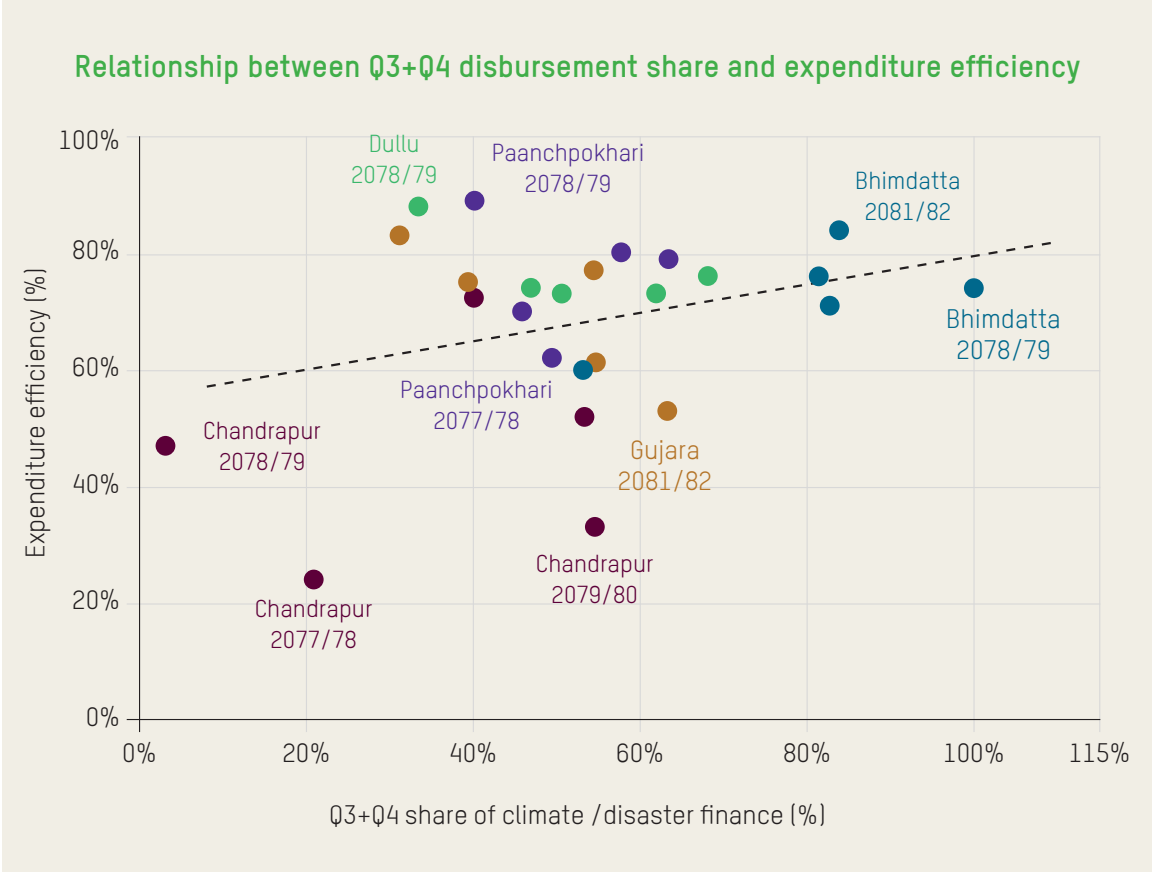
FINDING 5: The project portfolio is fragmented

The figure shows that municipal climate and disaster portfolios are dominated by micro and small projects, indicating a fragmented pattern of investment across local governments. This is most pronounced in Chandrapur, Bhimdatta, and Dullu, where the majority of tagged interventions fall into the lower project-size categories. Gujara presents a relatively more balanced mix, while Panchpokhari Thangpal stands out for a comparatively higher share of mega projects. The overall trend indicates that climate and disaster budgets are spread across small-scale activities rather than consolidated into larger, more strategic, and potentially higher-impact investments. For policy, this highlights the need for stronger project bundling, multi-year planning, and more integrated financing approaches to ensure that local climate and disaster spending can deliver greater scale, coherence, and resilience outcomes.



FINDING 6: The relationship between later-year disbursement and expenditure efficiency is uneven across local governments.

The figure shows that a higher share of climate and disaster budget released in Q3 and Q4 does not automatically lead to stronger expenditure efficiency. Some local governments convert relatively high Q3+Q4 disbursement shares into strong spending performance, while others continue to record weaker efficiency despite substantial late-year releases. This suggests that disbursement timing matters, but it is not the only factor shaping results. The pattern is more consistent with the report's broader conclusion that expenditure performance depends on implementation capacity, procurement readiness, and the ability of local governments to translate allocations into timely delivery.



FINDING 7: Effectiveness of Climate and Disaster Finance

Field assessments show that climate and disaster finance has supported interventions such as embankments, bioengineering, irrigation ponds, early warning systems, and community preparedness. These investments have produced visible resilience benefits, including slope stabilization, improved water security, stronger livelihoods, and in some cases reduced loss of life during major flood events. However, long-term effectiveness remains constrained by fragmented and short-term financing, delayed budget release,

weak technical design, limited institutional capacity, and weak monitoring. Governance and equity gaps further reduce impact, as political influence can override risk-based prioritization and vulnerable groups, including tenants, landless households, Dalits, Janajatis, older people, and persons with disabilities, are not consistently reached. Overall, climate and disaster finance is generating local benefits, but stronger results will require more consolidated and risk-informed investments, better technical quality, timely financing, stronger institutions, and more inclusive governance.

5. INTERPRETATION

What the evidence means for policy

> The real policy problem is not whether money enters local budgets. The real policy problem is whether those resources are turned into coherent, risk-informed and accountable resilience outcomes for people most exposed to climate and disaster risk.

First, Nepal's local climate and disaster finance challenge is fundamentally a public management challenge. The evidence points to weak execution, fragmented programming, human resources, and low institutional investment rather than to a simple shortage of funding lines. Municipal climate and disaster budget therefore need stronger systems for planning, tracking, procurement, implementation and public accountability.

Second, the spending profile is too asset-heavy and too thin on the systems that make assets resilient. Infrastructure can be politically visible, but resilience also depends on operation and maintenance, staffing, emergency readiness, risk-informed design, monitoring and inclusive local governance. These functions are precisely where budgets are weakest.

Third, the current project mix suggests that local governments are often buying visibility rather than durable resilience. Many small projects can satisfy short-term political pressure, but they rarely build the scale, technical depth or lifecycle support needed for long-term risk reduction. This creates a bias toward scattered works rather than integrated resilience packages.

Fourth, the shift toward more structured transfers creates an opening for reform. With equalization and conditional grants becoming more important, government can leverage transfer design, budget tagging and performance conditions to reward municipalities that plan well, spend effectively and report transparently.

6 RECOMMENDATIONS

POLICY ASKS

The evidence points to a reform agenda that is practical rather than abstract. Nepal does not need climate and disaster budget that are only larger on paper. It needs local public finance systems that can identify climate spending consistently, protect the right types of expenditure and convert available resources into resilience gains that last.

INSTITUTIONALIZE CLIMATE AND DISASTER BUDGET TAGGING IN LOCAL PUBLIC FINANCE SYSTEMS. Government should move from ad hoc identification of climate- and disaster-related activities to a standard tagging protocol embedded in budget systems so allocations, expenditure and outcomes can be tracked consistently across municipalities.

SHIFT FROM SCATTERED ANNUAL WORKS TO MULTI-YEAR, RISK-PRIORITIZED RESILIENCE PACKAGES. Budgeting should favour fewer, larger and technically reviewed interventions linked to local risk evidence, lifecycle costing and operation and maintenance planning rather than a long list of isolated small projects.

PROTECT RECURRENT SPENDING ON READINESS, MAINTENANCE AND GOVERNANCE. Local resilience cannot be built through capital works alone. Municipal budgets need dedicated space for staffing, planning, monitoring, emergency preparedness, water safety, maintenance and public accountability systems.

USE TRANSFER DESIGN TO REWARD EXECUTION QUALITY, NOT JUST ALLOCATION VOLUME. Equalization and conditional grants should increasingly reflect climate risk, implementation readiness and spending quality. Performance-linked conditions can help ensure that finance supports real resilience rather than symbolic budgeting.

ADDRESS THE CRITICAL UNDER-FINANCING ON CLIMATE AND DISASTER GOVERNANCE AND CROSS-CUTTING SYSTEMS AT LOCAL LEVEL. The lowest-financed sectors - governance, coordination, and cross-cutting systems are the very functions that determine whether climate investments deliver sustained resilience, and therefore require deliberate budget prioritization.

STRENGTHEN INCLUSION, TECHNICAL QUALITY AND PUBLIC ACCOUNTABILITY AT LOCAL LEVEL. Municipal climate finance should be backed by independent technical review, stronger procurement pipelines, transparent public reporting and beneficiary verification rules that do not exclude tenants, land-poor households and other highly exposed groups.

OXFAM

Oxfam Country Office
Jawalakhel, Lalitpur-5, Nepal
Telephone: +977 (1) 5430574
Email: oxnepal@oxfam.org.uk, Website: www.nepal.oxfam.org
www.facebook.com/OxfamInNepal | www.instagram.com/oxfaminnepal