

CASE STUDY

MERCY CORPS NEPAL



Establishing local financing for resilience

This case study shows how filling data gaps in data-deficient contexts supports the development of new policy and investment.

Authors: Mercy Corps Nepal – Sajjan Neupane (saneupane@mercycorps.org); ISET-International – Kanmani Venkateswaran, Karen MacClune, Rachel Norton, and Atalie Pestalozzi

Key Alliance terminology

Zurich Flood Resilience Alliance (Alliance):

The Alliance is a multi-sector collaboration between the humanitarian sector, academia, and the private sector focusing on shifting from the traditional emphasis on post-event recovery to pre-event resilience. We are nine years into an eleven-year program that has been delivered in two Phases (Phase I from 2013-2018; Phase II from 2018-2024).

Flood Resilience Measurement for Communities (FRMC):

Created by the Alliance in 2013, the FRMC is a framework and associated web-based data tool/app which conceptualizes flood resilience as a function of social, human, natural, physical, and financial capitals. The FRMC is implemented at the beginning of Alliance work to assess resilience strengths and gaps. This information is used to shape community programs and advocacy.

The win

After three years of targeted data provision and advocacy by Mercy Corps Nepal (Mercy Corps) in partnership with the UNDP:

- Sudurpaschim Province endorsed the [Provincial Disaster Risk Reduction and Management \(DRRM\) plan \(2020-2025\)](#), which includes a clause for 5% of municipal budgets to be allocated to disaster risk reduction (DRR) and climate change adaptation (CCA) activities. This represents a consistent source of financing for resilience for five years. In the 2020-2021 fiscal year, approximately USD 4.4 million was spent from this budget, and for the 2021-2022 fiscal year, USD 7.2 million was allocated. Over 2.5 million people are estimated to have indirectly benefited from this new government spending.
- Mercy Corps is now working both to track spending to understand how this money is spent, and to understand resilience needs, gaps, and strengths, and identify interventions directly with communities. It plans to use this data to advocate on how to best use local



Community contribution for flood protection measures © Khagendra Bhattarai, Dadeldhura

financing for DRR and CCA to build resilience in the context of a changing climate.

How the win was achieved

Establishing a local financing mechanism

DRR and CCA, both critical for building resilience, are inherently local endeavors, but are significantly constrained by a lack of local financing. Mercy Corps has been working in the Sudurpaschim Province, Nepal to establish a local financing mechanism for DRR and CCA. In Nepal, the 2015 federalization of the government opened up new opportunities and mandates for provincial and municipal governments to improve their policy and fiscal frameworks related to DRR. Mercy Corps saw an opportunity to work with the Sudurpaschim Province — where it had been working since 2013 on community programming and supporting disaster response and recovery — to create and build local capacity to execute budgets for DRR and CCA.

Mercy Corps partnered with UNDP, which was supporting the development of the Sudurpaschim DRRM plan. Together with UNDP, Mercy Corps conducted a series of discussions with provincial authorities to understand where authorities needed support. They found that sub-national governments needed technical support to develop plans that were aligned with the National Policy and Strategic Action Plan for Disaster Risk Reduction and Management 2018-2030 — there were federal mandates but no guidance on how to structure DRRM plans and establish financing mechanisms. They also found that, though DRRM requires local financing, there is little to no local budget data to help understand what level of financing there has been, what that money has been spent on, and what level of financing is required.

To fill this gap, in 2018, Mercy Corps commissioned a budget study and the development of a budget tracking tool to track municipal DRR and CCA investments. It found that local DRRM investment hovered between 1.2% to 3% of the annual local government budget and was largely spent on protection infrastructure and response. There

was little investment in preparedness and non-structural DRR solutions. Mercy Corps conducted a series of bilateral conversations and convened workshops with provincial and local authorities to present these research findings. It also presented Alliance messaging that investing USD 1 in DRR would save on average USD 5 in future losses and that preparedness and non-structural DRR solutions can be more cost-effective than large-scale structural solutions. This was important framing for municipal governments which are responsible for implementing DRRM activities identified in provincial plans despite the lack of resources. Based on the evidence presented, Mercy Corps was able to generate commitments from provincial and municipal governments to create DRR and CCA budgets and thus work toward closing the financing gap.

Subsequently, in 2019, Mercy Corps and the UNDP facilitated a two-day workshop in which ministry officials came together to write Sudurpaschim's DRRM plan, which included a new budgetary clause for DRR and CCA. In addition, a large proportion of the budget was directed toward addressing climate change. After this plan was finalized and endorsed, further advocacy led to verbal commitments from municipal governments to invest in DRR and CCA with the support of provincial governments.

Supporting policy implementation

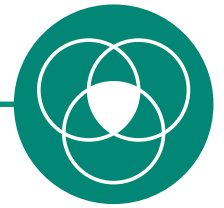
Much of Mercy Corps' engagement with provincial and municipal government since the finalization of the provincial DRRM plan has consisted of bilateral discussions (due to the COVID-19 pandemic) to support and influence implementation, tracking, and evaluation of DRRM financing. In particular, Mercy Corps is tracking the annual budget to determine how much money has been spent relative to what was budgeted and what DRR and CCA activities it has been spent on. It is also working to understand how DRR and CCA expenditures have shifted since 2019. Eventually, Mercy Corps will present this evidence back to the provincial and municipal governments.

Since 2021, Mercy Corps has also been implementing the FRMC in communities in the province. Mercy Corps plans to use the data from the FRMC to empower community-based groups to work with municipal authorities to include interventions in local plans and leverage the 5% budget clause for funding. This highlights how critical it is to not only achieve policy and spending change, but to then build the capacity of government to effectively implement new policies and spending in ways that will improve the lives of the most vulnerable.



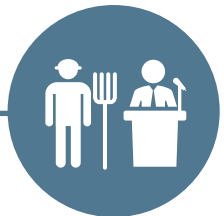
Community embankment of Atthanifata © Nabin Bhatta, Kanchanpur

Why Alliance advocacy was successful



ESTABLISHED RELEVANCE

- Leveraged new influence opportunities emerging from federalization — whereby local governments have substantially more decision-making power — by supporting municipalities to fulfill national mandates on local DRR and CCA.
- Based advocacy goals and strategy on an understanding of local DRR governance gaps gained by conducting baseline research and talking with key local government stakeholders.
- Aligned program advocacy goals with government priorities by identifying and targeting a local policy process — the provincial development planning process — relevant to local flood resilience.
- Built a shared understanding of the need for local DRR/CCA financing by convening local and provincial stakeholders, which generated shared commitments.



BUILT RELATIONSHIPS

- Engaged with and lobbied provincial and municipal government stakeholders by using Mercy Corps' knowledge, connections, and overall credibility from prior work in Sudurpaschim Province.
- Accessed the provincial development planning processes by building a strategic partnership with the UNDP, which was providing the government with technical support for development planning.
- Developed an implementable DRR/CCA financing solution by simultaneously engaging with and convening (via workshops) municipal and provincial government stakeholders.



PROVIDED EVIDENCE-BASED KNOWLEDGE

- Increased knowledge of decision-makers on local DRR and CCA financing gaps by developing and implementing a budget tracking tool and presenting evidence of under-investment.
- Continuing to influence the implementation of new spending by monitoring and tracking budget expenditures on CCA and DRR, and collecting data on community resilience gaps and needs that could be addressed using this money.

Additional resources

- [Budget governance for disaster risk reduction and climate change adaptation under Nepal's new federal system](#)