GOVERNMENT OF NEPAL

MINISTRY OF FOREIGN AFFAIRS

INSTITUTE OF FOREIGN AFFAIRS

Diversifying Nepal's Climate Finance Relationships and Building Institutional Capacity: A Diplomatic Track for MoFA

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PROBLEM STATEMENT

Nepal argues internationally that its climate vulnerability justifies continued financial support and a longer transition out of least-developed-country status, most recently in its May 2026 request to defer LDC graduation to 2029, now before the UN General Assembly. That argument carries more weight when Nepal can show it is actually converting the access it already has into finance **at scale. Right now, it cannot.**
As of July 2026, Nepal holds Green Climate Fund accreditation through four national entities, but two have not moved past an institutional-readiness grant into a funded project. One of the four, the Town Development Fund, exists specifically to finance municipalities, but no subnational government itself holds accreditation directly. Nepal's largest GCF-funded projects still route through international intermediaries, and its funding base remains concentrated in that same GCF/Adaptation Fund architecture, leaving regional relationships like China's underused.

Measured against Nepal's own estimated need, USD 121.12 billion, the roughly USD 668 million secured across all major climate funds is, by the Ministry of Finance's own figure, less than one percent of what is required.

Part of the reason is coordination: the Ministry of Foreign Affairs, the Ministry of Finance, and the Ministry of Agriculture, Forests and Environment each hold a separate piece of this picture, but no standing practice keeps communication regular between them.

EXECUTIVE SUMMARY

This research examines what the Ministry of Foreign Affairs can concretely do, within its own authority, to close the gap between Nepal's climate finance access and its actual use. It draws on Nepal's domestic climate finance instruments, Foreign Policy 2077, Green Climate Fund and Adaptation Fund accreditation records, and interviews with officials at MoFA, the Ministry of Agriculture, Forests and Environment, and UNDP.

As of July 2026, Nepal holds Green Climate Fund accreditation through four national entities, but two remain in an institutional-readiness phase with no funded project yet. One of the four, the Town Development Fund, exists specifically to finance municipalities, though no subnational government itself holds accreditation. Nepal's largest GCF-funded projects still route through international intermediaries, and its funding base remains concentrated in that same architecture, leaving regional relationships such as China's underused.

The research also traced Nepal's own diplomatic track record for a working model, rather than importing one from elsewhere. Nepal already runs a comparable reporting mechanism as Chair of the LDC Group's Global Coordination Bureau, where missions report developments back to a capital that needs to stay briefed. That same structure, adapted for climate finance, is a precedent Nepal already owns.

The result is three recommendations, each scoped to an instrument MoFA already controls: a standing climate finance briefing that forces one concrete follow-up each quarter, deeper climate-specific framing within Nepal's existing China relationship, and a Ministry-linked officer placed in Seoul or Washington DC, alongside the fund secretariats themselves.

POLICY RECOMMENDATIONS

Establish a standing, shared climate finance document, which can also take the form of a diplomatic briefing, that missions and officials engaged in climate negotiations and funding asks update on an ongoing basis, tabled quarterly through MoFA's Foreign Policy Coordination Committee.

02. Deepen Nepal's existing bilateral relationship with China to secure explicit climate-specific framing in future development pledges, diversifying where Nepal's climate finance comes from beyond the GCF and Adaptation Fund.

Post a Ministry official or a designated focal person as a climate finance expert at Nepal's missions in Seoul and Washington DC, working alongside the GCF and Adaptation Fund secretariats to track progress, help accredited entities move from readiness grants to actual funded projects, and coordinate that information back to update the briefing.

KEY VISUALS



KEY TAKEAWAY

Access to climate finance can always be expanded further; what Nepal needs most right now is strong institutions capable of converting the access it already has into finance at the scale its people require.