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From Commitment to Implementation: Reframing Climate Action through Policy Coherence, Green Finance and Multilevel Governance in Nepal

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ABSTRACT

Climate change has become a major constraint on sustainable development in Nepal, where climatic hazards interact with socioeconomic vulnerability, infrastructure deficits, fiscal constraints, and uneven institutional capacity. Nepal has progressively strengthened its climate-policy architecture through the National Climate Change Policy, successive Nationally Determined Contributions (NDCs), the National Adaptation Plan, the Sixteenth Plan, and the revised Climate Change Financial Blueprint. Nepal's NDC 3.0, covering the period to 2035, further expands the country's mitigation and adaptation ambition and places greater emphasis on implementation, finance, institutional coordination, and mainstreaming climate action across levels of government. Nevertheless, the existence of increasingly comprehensive policies does not necessarily translate into measurable climate-development outcomes.

This study examines Nepal's climate action through an integrated analytical framework linking policy coherence, climate and green finance, institutional transformation, multilevel governance, and SDG localization. The study employs a qualitative documentary research design based on systematic analysis of government policies and plans, climate-finance and budgetary documents, international institutional reports, and relevant peer-reviewed literature. The analysis focuses on the extent to which climate commitments are translated into financing arrangements, institutional responsibilities, subnational implementation mechanisms, and outcome-oriented monitoring. The documentary evidence indicates that Nepal's principal challenge has increasingly shifted from a policy-formation deficit to an implementation-coherence deficit. Policy integration has improved, but fragmentation across sectors and levels of government, limited project-preparation capacity, uneven access to climate finance, institutional capacity constraints, and weak outcome-based monitoring continue to restrict implementation effectiveness. The study therefore distinguishes between administrative localization, in which responsibilities are devolved, and functional localization, in which local institutions possess the authority, finance, technical capacity, information, and accountability mechanisms needed to deliver climate outcomes.

Based on these findings, the study proposes an Integrated Climate Action Acceleration Framework for Nepal (ICAAF-Nepal) consisting of five mutually reinforcing pillars: policy coherence, green and climate-finance mobilization, institutional transformation, localized and community-centred implementation, and evidence-based monitoring and accountability. The study argues that climate finance should be understood not simply as a resource-volume issue but as an institutional system connecting capital mobilization with project preparation, implementation, risk management, and measurable outcomes. The framework contributes to climate-governance scholarship by explaining climate-action effectiveness as a problem of implementation coherence rather than policy adequacy alone. It also provides a policy-oriented pathway for linking Nepal's climate commitments with resilient, inclusive, and low-carbon sustainable development.

1. Introduction

Climate change is increasingly recognized as a systemic development challenge rather than a narrowly environmental problem. Rising climatic variability, extreme events, ecosystem degradation, water insecurity, agricultural disruption, and growing risks to infrastructure and livelihoods increasingly interact with poverty, inequality, public-health vulnerabilities, and fiscal constraints. The implications are particularly significant for developing and climate-vulnerable countries, where limited institutional and financial capacity can constrain the ability to anticipate, absorb, and recover from climate-related shocks. The Paris Agreement and the

2030 Agenda for Sustainable Development consequently frame climate action as inseparable from broader development transformation, emphasizing integrated policy responses, resilience, low-emission development, and institutional capacity (United Nations, 2015; United Nations Framework Convention on Climate Change [UNFCCC], 2015).

Nepal has responded to these challenges through a progressively expanding climate-policy architecture. The policy trajectory includes the National Climate Change Policy 2019, the National Adaptation Plan 2021–2050, the Long-Term Strategy for Net-Zero Emissions, successive NDCs, climate-related sectoral strategies, and integration of climate concerns into national development planning. The current Sixteenth Plan (2024/25–2028/29) places climate resilience, environmental sustainability, disaster-risk management, and green development within the broader national development framework. The National Planning Commission has also explicitly linked the Sixteenth Plan with green and climate-friendly development. The revised Climate Change Financial Blueprint 2024 further seeks to strengthen the mainstreaming and mobilization of climate finance within planning and budgeting systems.

Nepal's international climate commitments have also become more ambitious. NDC 3.0 extends the country's climate commitments through 2035 and emphasizes broader mitigation coverage, improved emissions and removals data, adaptation, finance, technology transfer, capacity building, and implementation across levels of government. This evolution is analytically important. The central question is no longer simply whether Nepal possesses climate commitments or policies. Rather, it is whether those commitments can be translated into coordinated budgets, institutional responsibilities, investment-ready projects, effective subnational action, and measurable climate-development outcomes. The manuscript under review similarly identifies this shift from policy formulation toward implementation as the central analytical problem.

The institutional dimension is equally important. Climate change involves uncertainty, long time horizons, cross-sectoral impacts, and rapidly changing risk profiles. Traditional administrative systems organized primarily around individual sectors may therefore be insufficient for effective climate governance. Climate action requires coordination among planning, finance, environment, infrastructure, agriculture, energy, forests, disaster management, local government, financial institutions, private actors, civil society, and communities. In a federal system, this coordination must also operate vertically across levels of government. Nepal's current governance structure provides an institutional opportunity for localized climate action, but the effectiveness of decentralization depends on whether local governments possess adequate technical expertise, fiscal resources, climate information, project-development capacity, and decision-making authority.

The relationship between climate action and SDG localization further strengthens the case for an integrated analytical approach. SDG 13 is directly concerned with climate action, but its achievement is closely interconnected with poverty reduction, food security, clean energy, resilient infrastructure, sustainable cities, ecosystem conservation, and institutional effectiveness. Climate action that remains disconnected from local development priorities can generate fragmented interventions and limited development co-benefits. Conversely, climate-sensitive local planning can contribute

simultaneously to resilience, livelihood security, ecosystem protection, and wider SDG progress. The challenge is therefore to ensure that national climate commitments are translated into local planning, budgeting, implementation, participation, and outcome measurement.

Despite these contributions, four dimensions remain insufficiently integrated in the Nepal-specific climate-governance literature: policy coherence, climate and green finance, institutional transformation, and SDG localization. Existing studies and policy assessments often examine these domains separately. Adaptation studies may focus on vulnerability and community resilience; finance studies may focus on the availability and sources of climate resources; governance studies may examine institutional mandates and coordination; and SDG studies may assess progress against individual goals or interactions among goals. The result is a fragmented understanding of the institutional mechanisms through which national climate commitments are translated into local development outcomes. The manuscript identifies this as an integration gap.

A third gap is temporal. Nepal's climate-governance environment has changed considerably in recent years. The adoption of the Sixteenth Plan, the revised Climate Change Financial Blueprint, and NDC 3.0 has altered the institutional and policy context within which climate action must be assessed. A contemporary analysis therefore needs to move beyond assessments based primarily on earlier NDCs or earlier institutional arrangements. The current policy environment provides a more appropriate basis for evaluating whether Nepal's climate governance is evolving from policy formation toward implementation coherence.

Against this background, the study asks three research questions. First, to what extent is Nepal's climate-policy architecture coherent with national development and SDG priorities? Second, what financial and institutional factors constrain the implementation of climate commitments across different levels of government? Third, what institutional and financing lessons from international climate-governance practice can inform a more coherent, adequately financed, and locally responsive climate-action framework for Nepal?

The central argument of the study is therefore that Nepal's climate challenge should increasingly be understood not as a lack of policies, but as a problem of implementation coherence. A more comprehensive climate-policy architecture is a necessary condition for effective climate action, but it is not sufficient. Sustainable outcomes require policy objectives to be aligned with budgets, financing mechanisms to be connected with investment-ready projects, institutional responsibilities to be matched with capacity and authority, local implementation to be supported by predictable resources and climate information, and monitoring systems to capture outcomes rather than merely activities. In this interpretation, climate governance becomes a continuous system in which evidence from implementation feeds back into policy and budgeting.

2. Literature Review and Analytical Framework

2.1 Climate Governance and the Sustainable Development Nexus

The present study adopts this broader understanding of climate governance. It conceptualizes climate action as an implementation system in which policy coherence, finance, institutions, localization, and monitoring interact to determine whether national commitments translate into sustainable-development outcomes.

2.2 Policy Coherence as a Condition of Effective Climate Action

Policy coherence has become an important concept in sustainable-development governance because governments rarely achieve major environmental and development objectives through a single policy instrument. Instead, outcomes emerge from the interaction of multiple policies, budgets, institutions, and regulatory arrangements. OECD (2019) emphasizes that policy coherence requires governments to identify synergies, manage trade-offs, and ensure consistency across sectors and levels of decision-making.

The environmental-policy literature similarly distinguishes between formal policy integration and effective implementation. Jordan and Lenschow (2010) show that environmental objectives may be formally incorporated into policy frameworks without necessarily changing the underlying incentives and practices of government institutions. Nilsson et al. (2012) further argue that coherence must be assessed through interactions among policy objectives, instruments, sectors, and time horizons rather than through textual consistency alone.

Climate policy provides a particularly important context for this distinction. Energy policy can influence emissions, transport policy can affect air quality and fossil-fuel dependence, agricultural policy can influence both resilience and land-use emissions, and infrastructure policy can either increase or reduce exposure to climate hazards. A policy framework may therefore be climate-compatible on paper while remaining incoherent in practice if public investment, sectoral budgets, institutional mandates, or implementation incentives move in different directions.

Three dimensions of policy coherence are particularly relevant to Nepal. First is horizontal coherence, referring to alignment among sectors such as energy, agriculture, forestry, infrastructure, transport, tourism, and urban development. Second is vertical coherence, referring to alignment among federal, provincial, and local governments. Third is temporal coherence, referring to the consistency between short-term investments and long-term climate objectives. These dimensions are interdependent.

Nepal's recent policy architecture indicates progress toward formal integration. Climate considerations are increasingly reflected in national development planning, adaptation planning, NDC implementation, and public financial management. However, the existence of multiple strategies and institutional responsibilities may also increase coordination complexity. The central analytical question is

consequently whether formal policy coherence is reflected in the implementation chain linking national commitments to budgets, institutions, projects, and outcomes.

The present study therefore defines policy coherence not simply as consistency among policy documents, but as the degree to which climate objectives are aligned across policies, budgets, institutional responsibilities, implementation mechanisms, and monitoring systems.

2.3 Climate Finance and the Transition toward Green Finance

The concept of green finance extends this discussion by integrating climate considerations into the wider financial system. Green finance includes instruments and practices such as green bonds, green lending, climate-risk disclosure, sustainable investment, guarantees, blended finance, and other mechanisms through which financial capital can be redirected toward environmentally sustainable and climate-resilient activities.

For Nepal, the emergence of green finance creates opportunities but also institutional requirements. Investors require sufficiently clear definitions of green activities, predictable regulation, credible climate-risk information, bankable projects, risk-sharing mechanisms, and transparent reporting. Without these conditions, the introduction of new financial products may have limited effects on actual investment.

The literature therefore suggests that climate finance should be examined through at least three dimensions:

Finance volume concerns whether the scale of available resources is sufficient to meet climate investment needs.

Finance access concerns whether public institutions, local governments, communities, and private actors can realistically access available resources.

Finance conversion concerns whether mobilized resources can be transformed into technically sound, financially viable, implementable, and measurable climate investments.

The distinction between these dimensions is central to the present study. Nepal's climate-finance challenge is not simply a shortage of money. It is also a challenge of project preparation, institutional capacity, financial governance, and implementation.

2.4 Institutional Transformation and Multilevel Climate Governance

This creates an important distinction between responsibility and capability. Institutional decentralization may transfer functions without transferring the resources and capacities required to perform them. The resulting arrangement may create administrative localization without functional localization.

The concept of institutional transformation used in this study therefore goes beyond the creation of new institutions. It includes:

clearly defined mandates;

intergovernmental coordination;

technical capacity;

climate-risk information;

financial management capability;

project-development capacity;

accountability mechanisms; and

adaptive and evidence-based decision-making.

The objective is not to maximize the number of climate-related institutions but to improve the ability of existing institutions to coordinate and deliver measurable results.

2.5 SDG Localization and Climate Action

The relationship between climate action and the Sustainable Development Goals provides another important dimension of the analytical framework. SDG 13 focuses specifically on climate action, but its achievement is closely related to poverty reduction, food security, clean energy, resilient infrastructure, sustainable cities, ecosystem conservation, and strong institutions. Consequently, climate policy cannot be fully effective when it remains disconnected from wider development planning.

The literature on SDG implementation emphasizes the distinction between alignment and internalization. Persson et al. (2016) argue that governments may align national plans rhetorically with the SDGs without necessarily integrating the goals into actual institutional processes and decision-making. Weitz et al. (2018) similarly emphasize the importance of systemic and contextual approaches to prioritization, particularly where SDG interactions generate synergies and trade-offs.

This distinction is particularly relevant to federal Nepal. National climate commitments may establish broad targets, while local governments translate them into local plans, budgets, infrastructure programmes, livelihood interventions, and community activities. The quality of that translation process affects whether national climate objectives generate tangible local benefits.

Localization therefore requires more than incorporating the language of climate action or the SDGs into local plans. It requires the alignment of:

local priorities + climate-risk information + budgets + technical capacity + community participation + measurable outcomes.

Where these elements are absent, localization may simply redistribute administrative responsibility without improving climate resilience.

The study consequently conceptualizes SDG localization as a functional process through which national climate and sustainable-development priorities are translated into context-specific local actions and measurable outcomes.

2.8 Research Gap

Three closely related research gaps emerge from the literature.

2.8.1 Integration gap

Existing studies frequently examine policy coherence, climate finance, institutional governance, and SDG localization as separate issues. Less attention has been given to how these dimensions interact within a single climate-governance system in Nepal.

2.8.2 Implementation gap

A significant proportion of climate-policy analysis evaluates commitments, strategies, or institutional arrangements without sufficiently tracing the mechanism through which commitments become budgets, projects, implementation, and outcomes. This creates an analytical gap between policy ambition and practical delivery.

2.8.3 Temporal gap

Nepal's climate-policy architecture has changed significantly, particularly following NDC 3.0 and recent developments in climate finance and development planning. An updated integrated assessment is therefore necessary to reflect the current policy environment.

The study addresses these gaps by developing an implementation-coherence perspective that links policy, finance, institutions, localization, and outcomes.

2.9 Conceptual Framework

Based on the literature, the study defines climate-action effectiveness as the capacity of a governance system to translate climate commitments into measurable resilience, mitigation, and sustainable-development outcomes.

Five interconnected dimensions constitute the framework.

Policy coherence

Policy coherence establishes strategic alignment among climate commitments, national development priorities, sectoral policies, budgets, and subnational plans.

Climate and green finance

Finance provides the resources and investment mechanisms required to translate priorities into implementable interventions. Its effectiveness depends on mobilization, accessibility, project readiness, allocation, and financial governance.

Institutional transformation

Institutions provide the authority, technical expertise, information, coordination mechanisms, and accountability structures required for implementation.

Functional localization

Localization translates national objectives into locally relevant programmes by connecting local risk assessment, planning, finance, community participation, implementation, and monitoring.

Evidence and accountability

Monitoring systems generate information concerning whether policies and investments are producing intended outcomes.

This evidence should feed back into policy, budgeting, and institutional learning.

The framework can therefore be represented as:

National Climate Commitments + SDGs



Policy Coherence



Climate & Green Finance ↔ Institutional Transformation



Federal–Provincial–Local Coordination



Functional Localization & Community-Level Implementation



Evidence, Monitoring & Accountability



Climate Resilience + Low-Carbon Development + Sustainable Development Outcomes



Evidence and learning feed back into policy and budgeting

This framework differs from a conventional linear implementation model because each component influences the others. Policy coherence improves investment priorities; finance supports implementation; institutions influence the effectiveness of finance; localization determines contextual relevance; and monitoring provides feedback for policy adjustment.

3. Methodology

3.1 Research Design

This study employs a qualitative documentary research design to examine Nepal's climate-policy architecture and the institutional mechanisms through which climate commitments are translated into sustainable-development action. The research does not use primary survey data and does not estimate causal econometric models. Instead, it systematically analyses secondary evidence contained in government policy documents, development plans, climate-finance frameworks, budgetary and public-finance documents, international institutional reports, climate assessments, and relevant peer-reviewed academic literature. This approach is consistent with the study's research questions, which focus on policy coherence, financing arrangements, institutional responsibilities, localization, and implementation mechanisms rather than individual attitudes or behavioural outcomes.

A documentary design is particularly appropriate for examining a rapidly evolving policy environment. Nepal's climate-governance architecture has undergone substantial change during the period considered in this study, including developments in national development planning, NDCs,

climate finance, adaptation planning, green finance, and federal implementation arrangements. Documentary analysis makes it possible to examine these developments systematically while also tracing policy evolution over time.

The analytical focus is organized around five interrelated dimensions derived from the conceptual framework:

policy coherence;

climate and green finance;

institutional transformation and multilevel governance;

functional localization and SDG-oriented implementation; and

evidence, monitoring, and accountability.

These dimensions are not treated as statistically independent variables. Instead, they are examined as mutually interacting components of an implementation system. The objective is to identify patterns, institutional relationships, constraints, and potential mechanisms through which climate commitments are translated into implementation.

3.2 Data Sources

The study relies primarily on authoritative secondary evidence. National evidence is drawn from policy documents and reports produced by relevant Government of Nepal institutions, particularly the National Planning Commission, Ministry of Finance, Ministry of Forests and Environment, Nepal Rastra Bank, and other public institutions concerned with development planning, climate action, finance, and environmental governance.

The principal policy documents examined include Nepal's National Climate Change Policy, Nationally Determined Contributions, National Adaptation Plan, Long-Term Strategy for Net-Zero Emissions, the Sixteenth Plan, Climate Change Financial Blueprint, and other climate- and development-related planning and budgetary documents. International evidence is drawn from organizations including the United Nations, UNFCCC, Intergovernmental Panel on Climate Change (IPCC), World Bank, Asian Development Bank, United Nations Development Programme (UNDP), and OECD. Relevant peer-reviewed academic literature is used to establish theoretical foundations and contextualize the Nepal evidence.

The analytical period focuses primarily on 2020–2026, while earlier documents are included where necessary to establish institutional and policy continuity. This period captures important recent developments, including NDC 3.0, the Sixteenth Plan, the revised climate-finance framework, and emerging green-finance and climate-governance reforms. The original manuscript likewise identifies 2020–2026 as the principal analytical period.

3.3 Document Selection Criteria

Documents were selected using four principal criteria: relevance, authority, recency, and analytical usefulness. Official government and international institutional documents were prioritized for policy, institutional, financial, and statistical information. Peer-reviewed academic literature was used primarily for theoretical interpretation, conceptual

development, and comparison with empirical evidence from Nepal and other developing-country contexts.

A document was considered relevant when it directly addressed at least one of the study's five analytical dimensions. Authority referred to the credibility and institutional standing of the source. Recency was particularly important for reflecting Nepal's rapidly changing policy environment. Analytical usefulness referred to the extent to which a source provided information on policy objectives, financing arrangements, institutional responsibilities, implementation mechanisms, monitoring, or outcomes.

The review did not treat all policy statements as evidence of implementation. Where a document described an intended reform, target, or commitment, it was classified as evidence of policy commitment. Evidence of implementation was sought separately through budgetary, institutional, programme, assessment, or reporting evidence.

This distinction reduces the risk of equating policy ambition with policy effectiveness and is central to the study's implementation-coherence perspective.

3.6 Analytical Technique

The study applies thematic content analysis. The coding structure was derived deductively from the conceptual framework while allowing important themes to emerge from the documentary evidence.

Within each theme, evidence was classified into four analytical categories:

policy commitment → implementation mechanism → implementation constraint → emerging practice.

This structure allows the study to distinguish formal policy ambition from practical institutional capacity.

3.9 Methodological Limitations

The documentary design has several limitations. First, it cannot directly capture the perceptions and experiences of local governments, communities, private investors, or other stakeholders. Second, policy documents may emphasize intended outcomes rather than actual implementation. Third, Nepal's climate-policy environment continues to evolve, meaning that new institutions, financing instruments, and implementation practices may emerge beyond the analytical period.

The study addresses these limitations through source triangulation, temporal comparison, and explicit distinction between commitment and implementation evidence. It does not claim to establish causal effects of particular climate policies. Rather, it identifies recurring institutional patterns, implementation constraints, and plausible relationships among policy coherence, finance, institutional capacity, localization, and climate-development outcomes.

4. Results and Analysis

4.1 Nepal's Climate-Policy Architecture: Stronger Formulation, Uneven Implementation

The documentary evidence indicates that Nepal has developed a substantially more comprehensive climate-policy architecture than in earlier periods. The Sixteenth Plan, NDC 3.0, National Adaptation Plan, climate-finance framework, and SDG framework collectively provide a broad policy basis for climate-resilient, environmentally sustainable, and low-carbon development. The current policy architecture increasingly treats climate change as a cross-cutting development issue rather than an isolated environmental concern.

The most important finding, however, is that policy coherence is stronger at the formulation level than at the implementation level. Multiple policy instruments may recognize similar objectives while differing in institutional mandates, financial mechanisms, implementation responsibilities, or monitoring systems. Consequently, policy expansion has not automatically eliminated institutional fragmentation.

The evidence can be summarized as follows.

Policy dimension	Recent development	Analytical assessment
Climate commitment	NDC 3.0	More comprehensive and measurable ambition
National development	Sixteenth Plan	Climate concerns increasingly mainstreamed
Climate finance	Climate Change Financial Blueprint	Institutional framework for finance integration
Budget integration	Climate expenditure tracking/mainstreaming	Progress in integration, but implementation effectiveness remains critical
Federal governance	Federal, provincial, and local responsibilities	Greater localization potential with coordination challenges
SDG integration	SDGs incorporated into national planning	Climate-SDG relationship recognized; outcome-level coherence remains uneven
Monitoring	NDC/BTR and national reporting systems	Reporting architecture strengthened; implementation-level monitoring requires further development

Source: Author's synthesis based on the documentary evidence reviewed in this study.

The central finding is therefore not that Nepal lacks climate policies. Rather, the major challenge lies at the policy-to-implementation interface.

A climate policy establishes an objective, but effective implementation depends on whether the responsible institutions possess adequate financial resources, technical expertise, information, coordination mechanisms, and accountability. The existence of multiple climate-development policies is consequently a necessary condition for implementation but not an adequate measure of effectiveness. The manuscript makes

this distinction explicitly in its analysis of the policy architecture.

4.2 Climate Finance: From Resource Shortage to Access and Conversion

Climate finance emerges as one of the most significant implementation constraints. Nepal's current climate commitments recognize that domestic resources alone are insufficient to meet the full scale of conditional climate targets and identify a diversified set of financing channels. These include international climate finance, concessional resources, foreign direct investment, equity, public-private partnerships, blended finance, green bonds, guarantees, green credit, climate-risk insurance, and carbon-related instruments.

This diversification represents an important evolution in Nepal's financing approach. Earlier climate-finance arrangements were heavily dependent on public expenditure and external development assistance. The emerging architecture seeks to combine public, international, and private sources of capital.

However, the documentary evidence indicates that diversification of financing instruments should not be confused with effective finance utilization.

Three distinct finance gaps emerge.

4.2.1 Volume gap

The volume gap refers to the difference between the financial resources required to implement ambitious climate action and the resources currently available. Climate-resilient infrastructure, clean energy, disaster-risk reduction, adaptation, ecosystem restoration, and sustainable economic transformation require significant long-term investment.

4.2.2 Access gap

The access gap concerns the ability of institutions and project developers to obtain available climate finance. Federal institutions may have greater technical and administrative capacity than provincial and local governments. International climate finance often requires technical feasibility studies, safeguards, fiduciary systems, monitoring frameworks, and other documentation that may exceed the capacity of smaller institutions.

4.2.3 Conversion gap

The conversion gap is the difference between finance mobilized and climate investment delivered.

Available resources do not automatically become investment-ready projects. Project identification, feasibility assessment, climate-risk analysis, financial structuring, procurement, implementation, and monitoring all require institutional capacity.

The resulting implementation chain can be represented as:

Climate commitment

↓

Financial requirement

↓

Resource mobilization

↓

Project preparation

↓

Budget allocation / financial instrument

↓

Implementation

↓

Monitoring, reporting and verification

↓

Climate-development outcome

The central implication is that Nepal's climate-finance strategy should focus not only on increasing resources but also on strengthening the institutions and systems that convert resources into measurable investments.

4.3 Green Finance and Private-Capital Mobilization

The emerging green-finance agenda creates an opportunity to broaden climate investment beyond conventional government and donor financing. Nepal's current climate framework identifies private investment, public-private partnerships, blended finance, green bonds, guarantees, and carbon-related instruments as potential mechanisms for mobilizing additional capital.

This diversification is potentially important because large-scale climate-resilient infrastructure and low-carbon development cannot depend exclusively on public budgets. Renewable energy, electric mobility, resilient infrastructure, sustainable agriculture, circular-economy activities, and ecosystem-based investments may require substantial private participation.

However, effective green finance depends on institutional credibility.

Financial institutions and investors require:

clear definitions of eligible green activities;

credible green-taxonomy standards;

climate-risk assessment;

disclosure and reporting requirements;

bankable project pipelines;

predictable regulatory arrangements;

appropriate guarantees and risk-sharing mechanisms; and

credible monitoring of environmental performance.

Therefore, the policy challenge is not simply to create new financial instruments but to build an ecosystem in which public policy can reduce uncertainty and make climate-related investments sufficiently credible and scalable.

The findings support a shift from asking:

How much climate finance can Nepal mobilize?

toward:

How can Nepal create a financial and institutional ecosystem capable of converting public and private capital into measurable climate outcomes?

This represents an important conceptual connection between green finance and institutional transformation.

4.4 Institutional Transformation and Federal Governance

The analysis confirms that institutional capacity is a critical link between policy commitment and implementation. Nepal's climate responsibilities increasingly extend across federal, provincial, and local governments. This creates opportunities for locally grounded action but also exposes significant differences in technical expertise, fiscal resources, information access, and project-development capability.

The institutional problem can therefore be represented as:

National ambition → institutional coordination → local implementation capacity

Where coordination and capacity are weaker than national ambition, implementation gaps are likely to emerge.

Federalization provides an important institutional foundation for climate localization, but decentralization alone does not guarantee effective climate governance. Responsibilities need to be matched by financial resources, technical capacity, information, authority, and accountability.

This is why the distinction between administrative localization and functional localization is important. Administrative localization assigns responsibilities. Functional localization equips institutions to perform them.

The documentary evidence suggests that Nepal has advanced significantly in establishing multilevel responsibilities and embedding climate considerations into planning. However, the translation of these responsibilities into consistent local implementation remains uneven. The challenge is particularly important for areas such as local infrastructure, agriculture, disaster-risk reduction, forest management, ecosystem conservation, water management, and community-based adaptation.

The preferred institutional direction is therefore not necessarily the creation of additional institutions. Instead, the priority should be strengthening coordination among existing institutions, clarifying functional responsibilities, establishing common indicators, sharing climate-risk information, and improving technical assistance and project-development support.

4.5 SDG Localization and Community-Level Climate Action

The findings indicate that climate action and SDG localization are closely interconnected. SDG 13 cannot be pursued independently from goals relating to poverty, food security, energy, infrastructure, cities, ecosystems, and institutions.

At the national level, Nepal has increasingly integrated SDG and climate concerns into development planning. However, the critical challenge is translating these broad priorities into local programmes and measurable community outcomes.

Local governments occupy a strategic position because climate risks are experienced locally. Local institutions can identify context-specific risks, incorporate local priorities into plans, and support interventions involving agriculture, water, forests, infrastructure, settlements, livelihoods, and disaster-risk reduction.

Community participation provides another important resource. Local communities possess contextual knowledge of water availability, agricultural systems, forest use, disaster exposure, livelihood strategies, and environmental change. Combining this knowledge with scientific climate information can improve the relevance and sustainability of adaptation interventions.

However, localization may become counterproductive when responsibility is transferred without adequate resources. The study therefore identifies a preferred localization model:

National standards + local ownership + predictable finance + technical support + community participation + measurable outcomes

This formulation emphasizes that localization should be understood as a functional governance process, not simply as administrative decentralization.

A further major finding concerns the limitations of input- and activity-based monitoring. Climate governance increasingly requires evidence concerning whether policies and investments actually reduce vulnerability, improve resilience, reduce emissions, protect ecosystems, or improve livelihoods.

A policy adoption or budget allocation can demonstrate commitment, but cannot by itself establish effectiveness.

The distinction can be summarized as follows:

Conventional monitoring	Outcome-oriented monitoring
Budget allocated	Budget effectively utilized
Project approved	Project successfully implemented
Number of projects	Quality and climate relevance
Training conducted	Demonstrated capacity improvement
Infrastructure constructed	Climate resilience improved
Finance received	Climate outcomes generated
Report submitted	Verified performance

4.7 International Practice and Transferable Lessons

The comparative review suggests that effective climate governance tends to combine five characteristics: policy integration, public financial management, credible financial instruments, institutional coordination, and outcome-oriented monitoring.

For Nepal, three transferable lessons are particularly important.

First, climate finance should be integrated into public financial management. Climate objectives should be reflected in budget formulation, expenditure tracking, performance assessment, and auditing.

Second, private capital requires credible institutional signals. Green taxonomies, climate-risk disclosure, guarantees, blended finance, and transparent standards can reduce uncertainty and increase investment incentives.

Third, national commitments require strong subnational delivery systems. Local governments need climate data, technical expertise, financial resources, project-preparation support, and predictable institutional arrangements.

The objective should not be to reproduce another country's institutional design. Nepal's federal structure, geography, fiscal conditions, and development priorities require adaptation. The relevant question is therefore which functions and mechanisms can be transferred and how they can be adjusted to the Nepali context.

The comparative evidence consequently reinforces the central finding of this study: the major challenge increasingly lies in implementation and institutionalization rather than the invention of additional policy commitments.

4.8 Integrated Assessment of Nepal's Implementation Gap

The findings can be synthesized into an integrated implementation matrix.

Source: Author's synthesis from the documentary evidence reviewed in the study.

The central finding is therefore that Nepal's climate-governance challenge has evolved from a policy-formation deficit toward an implementation-coherence deficit.

This does not mean that policy formulation is complete or that no additional policy reform is required. Rather, it indicates that the marginal value of further policy statements may be lower than the value of strengthening the systems that connect existing commitments with finance, institutions, local delivery, and measurable outcomes.

5. Discussion

5.1 From Policy Ambition to Implementation Coherence

The findings indicate that Nepal has made substantial progress in developing a formal climate-policy architecture, but that policy expansion has not automatically produced equivalent implementation capacity. The central implication is that Nepal's climate-governance challenge is changing in character. Earlier policy debates were necessarily concerned with establishing climate institutions, national commitments, adaptation frameworks, and mitigation priorities. The current challenge increasingly concerns whether these commitments are connected coherently with budgets, financing mechanisms, institutional mandates, local implementation, and measurable outcomes.

This finding supports the broader literature on policy coherence, which distinguishes formal policy alignment from operational integration. Jordan and Lenschow (2010) and

Nilsson et al. (2012) demonstrate that the existence of environmental objectives within policy frameworks does not necessarily change the incentives or implementation practices of government institutions. The Nepal case reinforces this distinction. Climate objectives may be present across national plans and sectoral policies, while implementation remains fragmented because institutions, budgets, and responsibilities are not sufficiently synchronized.

The finding also extends the policy-coherence literature by placing stronger emphasis on the implementation interface. In the context of Nepal, coherence should not be assessed solely by examining whether one policy refers to another. A stronger test is whether climate priorities are reflected consistently in public investment decisions, budget allocations, institutional responsibilities, implementation mechanisms, and performance indicators.

The theoretical implication is therefore that climate policy coherence should be understood as a dynamic governance property rather than as a static characteristic of policy documents. Coherence improves when institutions coordinate, budgets reinforce policy priorities, implementation systems share information, and monitoring generates feedback. It can weaken when any of these relationships become fragmented.

5.2 Climate Finance: Beyond the Resource Gap

The second major finding concerns climate finance. Existing climate-finance debates often frame developing-country challenges primarily in terms of insufficient resources. The Nepal case suggests that this is only part of the problem. The more comprehensive issue concerns the relationship between finance volume, finance access, and finance conversion.

This interpretation is consistent with the increasing emphasis in international practice on integrating climate finance into public financial management, project-development systems, and institutional governance. Nepal's revised Climate Change Financial Blueprint and NDC 3.0 reflect this evolving approach by emphasizing diversified financing sources and stronger financial integration.

The distinction among the three finance gaps provides an analytical contribution. A volume gap may persist because climate investment needs are large relative to public fiscal capacity. An access gap emerges when available resources cannot easily be accessed by eligible institutions. A conversion gap occurs when mobilized resources do not become high-quality, scalable, and locally implementable projects.

The conversion gap is especially significant because it connects finance directly to institutional capacity. Project preparation requires technical analysis, financial structuring, climate-risk assessment, safeguards, procurement, and monitoring. These functions are institutional rather than purely financial. Consequently, increasing the supply of climate finance without increasing project-development capacity may not generate proportional improvements in climate outcomes.

The broader theoretical implication is that climate finance should be conceptualized as an institutional system for transforming capital into climate-development outcomes. This

perspective moves beyond the conventional distinction between donor finance and domestic finance and draws attention to the governance conditions under which different forms of capital can become productive climate investment.

5.3 Institutional Capacity as the Missing Link

The analysis identifies institutional capacity as a critical mediating factor between policy commitment and implementation. This finding is particularly significant under Nepal's federal structure, in which responsibilities are distributed among federal, provincial, and local governments.

The multilevel governance literature suggests that decentralization can improve responsiveness by bringing decision-making closer to affected communities, but it can also create coordination problems and uneven administrative capacity (Bulkeley & Betsill, 2005). The Nepal case reflects both possibilities. Local governments are strategically positioned to identify climate risks and implement context-specific interventions, yet their ability to do so varies according to financial resources, technical staffing, information, project-development capability, and institutional experience.

This finding supports the distinction between administrative localization and functional localization. Administrative localization occurs when responsibilities are assigned. Functional localization occurs when institutions can exercise those responsibilities effectively. The latter requires a combination of authority, resources, expertise, climate information, and accountability.

This distinction is theoretically important because it explains why institutional mandates alone cannot close implementation gaps. A government may assign climate responsibilities to a local institution while leaving that institution without sufficient capacity to identify risks, develop projects, access finance, implement interventions, or evaluate results. The resulting system may appear decentralized institutionally but remain functionally centralized or weak.

The implication is that future climate-governance reforms in Nepal should focus less on distributing additional formal responsibilities and more on ensuring that existing responsibilities are supported by adequate institutional capabilities.

5.4 Policy Coherence, Green Finance, and Institutional Transformation as a Mutually Reinforcing System

A central contribution of the study is its argument that policy coherence, finance, and institutional capacity should not be treated as independent policy domains.

The relationship can be conceptualized as:

Policy coherence → clear investment priorities → project pipeline → finance mobilization → institutional implementation → local outcomes → evidence and feedback → improved policy coherence

The relationship is recursive rather than linear. Weak policy coherence can make investment priorities uncertain and weaken project pipelines. Weak project pipelines can reduce

access to finance. Limited institutional capacity can further constrain finance access and project implementation. Conversely, predictable finance can support project preparation, institutional systems, climate information, and monitoring.

This interpretation contributes to climate-governance theory by highlighting the importance of systemic interdependence. Individual reforms may have limited effect when the wider governance ecosystem remains fragmented.

For example, a green-finance policy may have little impact if bankable projects are unavailable. A large climate-finance programme may have limited impact if implementing institutions lack technical capacity. A well-designed national climate strategy may have weak local effects if subnational institutions are under-resourced. A sophisticated reporting system may produce little policy learning if it measures activities rather than outcomes.

The implication is that climate action should be approached as a portfolio of mutually reinforcing institutional reforms rather than as isolated interventions.

5.8 Theoretical Contribution

The study makes a theoretical contribution by proposing an implementation-coherence perspective on climate action.

Conventional analyses frequently treat climate governance, climate finance, institutional capacity, and sustainable-development localization as related but analytically distinct fields. The present study argues that their interaction is itself a principal determinant of climate-policy effectiveness.

The framework identifies five connected mechanisms:

Policy coherence establishes strategic direction.

Climate and green finance provide financial resources and investment incentives.

Institutional transformation creates implementation capacity.

Functional localization connects national commitments with local action.

Evidence-based accountability creates feedback for learning and policy adjustment.

The framework consequently suggests that strengthening one dimension in isolation may produce limited gains when other dimensions remain weak.

This contribution is particularly relevant to developing and climate-vulnerable countries where fiscal constraints, institutional fragmentation, and decentralization can create significant distance between international commitments and actual implementation.

6. Integrated Climate Action Acceleration Framework for Nepal

6.1 Rationale and Structure

The findings show that Nepal's climate-action challenge is increasingly characterized by an implementation-coherence gap. The country has developed an expanding policy architecture, diversified potential financing mechanisms, and greater

institutional attention to climate issues. However, fragmentation, limited project-development capacity, uneven subnational capability, restricted finance access, and weak outcome monitoring continue to constrain implementation.

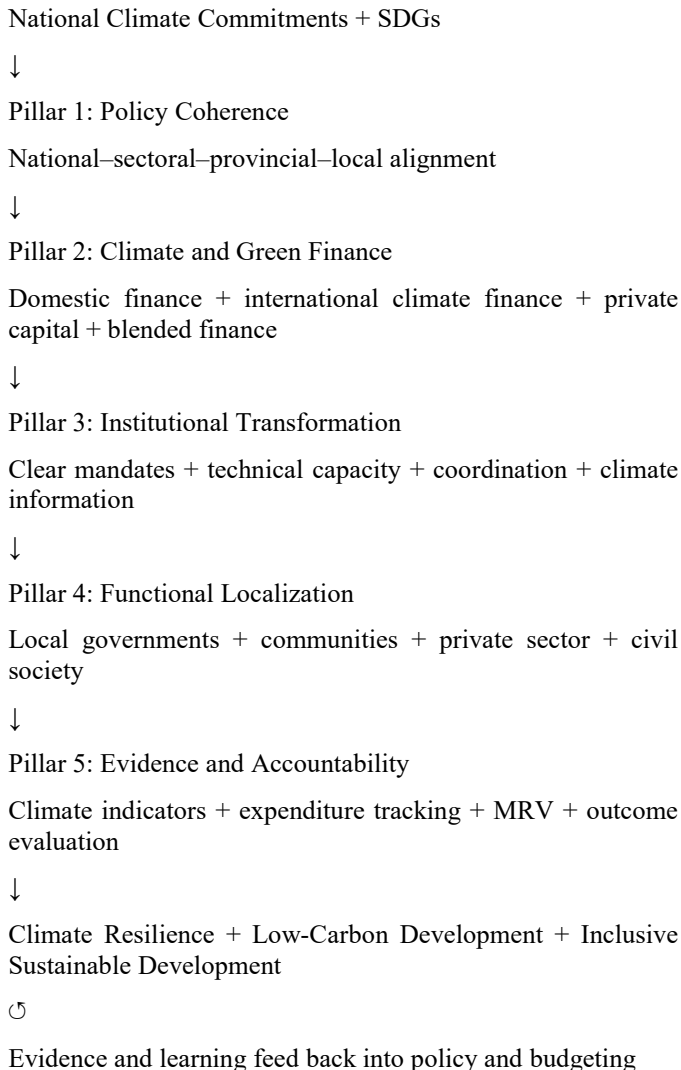
In response, the study proposes the Integrated Climate Action Acceleration Framework for Nepal (ICAAF-Nepal).

The framework is designed around five mutually reinforcing pillars:

- policy coherence and strategic alignment;
- climate and green-finance mobilization;
- institutional transformation and multilevel coordination;
- localized and community-centred implementation; and
- evidence-based monitoring and accountability.

The framework is not intended to replace existing national policies. Rather, it provides an organizing mechanism for connecting existing commitments with financing, institutions, implementation, and results.

Figure 1. Integrated Climate Action Acceleration Framework for Nepal



The circular feedback mechanism is essential. Results should influence subsequent policy design, budget allocation, project selection, and institutional adjustment.

6.3 Pillar 2: Climate and Green-Finance Mobilization

The second pillar addresses both the quantity and quality of climate finance.

Nepal's current policy architecture already identifies multiple financing instruments. The priority now is to create the institutional infrastructure needed to use them effectively.

The study proposes consideration of a Climate Project Preparation Facility (CPPF). Its purpose would be to help federal, provincial, and local institutions transform climate needs into technically credible and financially viable projects.

The facility could support:

local/sectoral climate need

↓

project concept

↓

technical feasibility

↓

climate-risk assessment

↓

financial structuring

↓

funding application

↓

appropriate carbon-market mechanisms.

The objective should be to mobilize private capital while maintaining transparency and environmental integrity.

6.4 Pillar 3: Institutional Transformation and Multilevel Coordination

The third pillar focuses on strengthening the institutional system through which climate policies are implemented.

A stronger multilevel climate-governance mechanism should provide:

clearly defined federal, provincial, and local functions;

regular intergovernmental coordination;

common climate indicators;

shared climate-risk information systems;

technical support to subnational governments;

mechanisms for resolving overlapping mandates;

project-development support; and

performance-based accountability.

Institutional reform should prioritize coordination among existing institutions rather than automatically creating additional organizations. The objective is functional coordination, not institutional multiplication.

The measure of institutional transformation should therefore be the capacity of institutions to coordinate, mobilize resources, share information, implement programmes, and demonstrate results.

6.5 Pillar 4: Functional Localization and Community-Centred Action

The fourth pillar places local governments and communities at the centre of implementation.

Implementation

↓

Community monitoring

↓

Outcome evaluation

The central principle is:

Local responsibility must be matched by local capability and predictable resources.

Functional localization requires predictable finance, technical support, climate information, project-development assistance, and sufficient decision-making authority.

7.1 Proposed Implementation Matrix

Pillar	Major action	Lead level	Key mechanism	Suggested indicator
Policy coherence	Align climate, SDG, and sectoral plans	Federal	Climate Policy Coherence Review	Share of major plans with climate indicators
Green finance	Diversify financing sources	Federal / financial sector	Green bonds, blended finance, guarantees	Volume and diversity of green finance
Project preparation	Develop investment-ready projects	All levels	Climate Project Preparation Facility	Number/value of bankable projects
Institutional transformation	Clarify multilevel functions	Federal–provincial–local	Intergovernmental coordination	Functional coordination mechanisms
Localization	Strengthen local climate action	Local	Local climate-risk and action plans	Local governments implementing climate plans
Community participation	Integrate local knowledge	Local/community	Participatory planning and monitoring	Share of projects documenting participation
Monitoring	Shift to outcome measurement	All levels	MRV performance and evaluation	Verified outcome indicators
Private investment	Mobilize private capital	Financial/private sector	Taxonomy, disclosure, PPPs	Private climate investment mobilized
Learning	Feed evidence into policy	All levels	Periodic review	Policies adjusted based on evidence

Community participation should also be integrated into formal planning and monitoring mechanisms rather than treated as a one-time consultation process. Local knowledge can improve interventions in agriculture, water, forests, disaster-risk reduction, ecosystem management, and livelihoods.

6.6 Pillar 5: Evidence-Based Monitoring and Accountability

The fifth pillar addresses the distinction between reporting activity and demonstrating results.

Climate monitoring should progressively move from:

budget → expenditure → activity

toward:

investment → implementation → output → outcome → impact

The proposed indicators include:

Climate expenditure tracking should therefore be linked with outcome indicators. MRV systems should integrate federal reporting with provincial and local evidence.

This would allow Nepal to assess not only whether climate funds were spent but whether those investments actually reduced vulnerability, strengthened resilience, reduced emissions, protected ecosystems, or improved livelihoods.

7. Implementation Roadmap and Policy Recommendations

The matrix translates the conceptual framework into an operational sequence and creates measurable indicators for future monitoring. It also preserves the study's central

principle that policy reform should be linked directly with institutional and implementation capacity.

7.2 Sequencing of Reform

The framework should be implemented through a phased approach rather than as a single large reform programme.

Phase I: Foundation

Immediate priorities should include:

- strengthening policy coherence;
- clarifying intergovernmental responsibilities;
- improving climate-budget tracking;
- establishing common climate indicators; and
- strengthening climate-risk information systems.

Phase II: Mobilization

Medium-term priorities should include:

- developing climate-project pipelines;
- establishing project-preparation support;
- expanding green-finance instruments;
- strengthening subnational technical capacity;
- improving international climate-finance access; and
- increasing private-sector participation.

Phase III: Transformation

Longer-term priorities should include:

- institutionalizing outcome-based climate governance;
- scaling resilient infrastructure;
- deepening low-carbon investment;
- integrating climate risk into financial decision-making; and
- creating continuous evidence-to-policy feedback mechanisms.

This sequencing reflects the logic that larger volumes of climate finance are unlikely to generate proportionate benefits if project preparation, institutional systems, and monitoring remain weak.

8. Conclusion

Climate change has become a major governance and development challenge for Nepal. The country has made substantial progress in establishing an increasingly comprehensive climate-policy architecture through national development planning, climate commitments, adaptation planning, climate-finance mechanisms, and integration of sustainable-development objectives. The Sixteenth Plan, NDC 3.0, and the revised Climate Change Financial Blueprint

collectively demonstrate a stronger institutional recognition that climate action must be integrated with national development and public financial management.

The findings of this study nevertheless indicate that policy expansion has not automatically produced equivalent implementation capacity. The central challenge has increasingly shifted from the absence of climate commitments to the coherence of their implementation.

The analysis examined this challenge through five interconnected dimensions: policy coherence, climate and green finance, institutional transformation, functional localization, and evidence-based accountability. The evidence suggests that Nepal's policy framework is stronger at the formulation level than at the implementation level. Multiple strategies and institutional responsibilities have created a stronger formal architecture, but coordination across sectors and levels of government remains uneven.

The analysis further demonstrates the importance of institutional capacity. Nepal's federal system creates valuable opportunities for locally grounded climate action, but administrative decentralization is not sufficient. Local governments need predictable resources, technical capacity, climate information, project-development support, and accountability mechanisms. The distinction between administrative and functional localization therefore provides an important way of understanding Nepal's implementation challenge.

Similarly, effective climate action requires more than reporting commitments or allocating climate-related expenditure. Outcome-based governance should increasingly assess whether investments reduce vulnerability, strengthen resilience, lower emissions, protect ecosystems, and improve livelihoods. Monitoring and reporting systems should therefore generate feedback capable of informing future policies, budgets, and implementation choices.

On the basis of these findings, the study proposes the Integrated Climate Action Acceleration Framework for Nepal (ICAAF-Nepal). The framework consists of five mutually reinforcing pillars: policy coherence and strategic alignment; climate and green-finance mobilization; institutional transformation and multilevel coordination; functional localization and community-centred implementation; and evidence-based monitoring and accountability.

The framework's principal proposition is that climate action is unlikely to generate sustainable-development outcomes when these dimensions are strengthened independently. Effective climate governance requires an integrated system in which policies establish coherent priorities, finance supports investment, institutions possess the capability to implement, local governments and communities translate national objectives into context-specific action, and evidence is used to monitor results and improve future decisions.

The theoretical contribution of the study lies in reframing climate-action effectiveness as an implementation-coherence problem. This perspective moves beyond assessing whether countries possess ambitious climate policies and instead

focuses on the institutional mechanisms that connect commitments with finance, implementation, and outcomes. While developed in the context of Nepal, the framework may also provide analytical value for other climate-vulnerable developing countries characterized by limited fiscal capacity, multilevel governance, and substantial climate-development interdependence.

Nepal's next stage of climate governance should therefore be organized around a simple but consequential transition:

from commitment to implementation,
from finance to investment,
from investment to measurable outcomes,
and from evidence to continuous policy learning.

The country already possesses many of the essential policy foundations. The strategic priority now is to ensure that these foundations function as a coherent implementation system capable of generating resilient, inclusive, and low-carbon sustainable development.

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