PILOT PROGRAM FOR CLIMATE RESILIENCE MDB Request for Payment of Implementation Services Costs			
1. **Country/Region**:	Nepal	2. **CIF Project ID#**:	XPCRNP025A
3. **Project/Program Title:**	Building Climate Resilience of Watersheds in Mountain Eco-Regions		
4. **Request for project/ program funding (USD million):**	*At time of country program submission (tentative):* $41 million (including $0.9 million in project preparation grant)	*At time of project approval:* $23.537 million	
5. **Estimated costs for MDB project implementation services (USD million):**	*Initial estimate - at time of Country program submission:* $0.97565 million *Final estimate - at time of project approval:* $0.97565 million	*MDB:* Asian Development Bank (ADB) *Date:* 28 June 2011	
6. **Request for payment of MDB Implementation Services Costs (USD):**	☐ First tranche: ☒ Second tranche:	US$ 487,825 US$ 487,825	
7. **Project/program financing category:**	a - Investment financing - additional to ongoing MDB project ☐ b- Investment financing - blended with proposed MDB project ☐ c - Investment financing - stand-alone ☒ d - Capacity building - stand alone ☐		
8. **Expected project/program duration** (no. of years):	5 years		
9. **Explanation of final estimate of MDB costs for implementation services:**	The payment request for project preparation and supervision is within the agreed SCF benchmark.		

10. **Justification for proposed stand-alone financing in cases of above 7 c or d[1]:**

During preparation of the SPCR, a climate change risk assessment was carried out at the sectoral, district, and community levels to identify major risks. The most critical risks in Nepal are (i) quantity and quality of water, (ii) food security, and (iii) ecosystem health. While many of the specific, projected impacts on Nepal's water resources are still uncertain, an overall impact will be reduced reliability of water supplies relative to historical experience. The problem of too little or unreliable water is being addressed through this project. Communities observe that the yield of their traditional water sources in the hills and mountains (springs and streams) is declining, especially during the long dry season[2]. Extensive consultations during SPCR preparation concluded that communities living in the hills and mountains need support to rehabilitate their

[1] The justification should include an explanation of (i) why no linkages to ongoing or planned MDB financing have been possible or pursued, and (ii) the expected effectiveness of the proposed stand-alone SCF project in addressing the objectives and priorities of the country investment plan/strategy; and a confirmation that the proposed project forms part of the MDB's agreed country assistance strategy.

[2] Annual precipitation in the project area ranges from 743 millimeters (mm) to 3,351 mm under current climate conditions, but about 75% of the rain falls within a 3-4 month monsoon season.

watersheds and improve the yield of their water sources.

Several government agencies were identified in the early stages of project preparation as key stakeholders. Since the intent of the project is to improve water availability for use for drinking, irrigated agriculture, livestock watering, and other domestic purposes, the departments of irrigation, water supply, and agriculture were identified as agencies whose programs will benefit from the project. The Department of Soil Conservation and Watershed Management (DSCWM) under the Ministry of Forests and Soil Conservation was identified as the lead agency because they have the mandate for water source protection.

Both ADB and the World Bank support the Government's long-standing programs in water resources[3], but neither the MDBs nor the programs of other development partners are designed to address the specific impacts of climate change on Nepal's water resources, nor do they focus on the specific vulnerability of communities to impacts of climate change and the specific interventions required to increase resilience. The project will address the sustainable use of water resources rather than just extracting water resources for use (water supply and irrigation). Communities now recognize that, as a result of their actions and climate change, water resources are limited. They have expressed their commitment toward protecting and enhancing their water sources in addition to developing the water resources. This project will emphasize ways to protect water sources while at the same time storing and efficiently using the water.

ADB indicated its willingness to contribute its own resources to the project, but only loan financing is available for Nepal for the period 2013–2015 and the Government prefers to finance projects focused on building resilience to climate change solely through grant resources. The Nordic Development Facility (NDF) is contributing €3.6 million for key capacity development, project management, and knowledge management technical assistance. This project may therefore be considered as a stand-alone with NDF cofinancing.

Initial work in the project area on the first batch of subprojects reveals that a variety of donors and government agencies has constructed water-related infrastructure, mainly piped water supply systems, and much of the infrastructure is at least partly defunct. Communities in the project area are now acutely aware of the value of local water sources and have expressed their commitment toward restoration and management of source catchment areas. The project will demonstrate a new and more comprehensive approach to community water resources management. It will also directly support the Government's community-based water supply and irrigation programs (see list of projects in *Development Coordination* document) in that once the yield of water sources is made more reliable, they may be further developed. It is intended that lessons learned will inform the design of traditional rural water supply and irrigation projects, and that future water supply and irrigation projects supported by the Government and development partners will include watershed management in their designs.

The investment is fully aligned with ADB's country partnership strategy which includes climate change adaptation and environmental sustainability as one of four strategic pillars. It is included in the country operations business plan 2012-2014.

[3] A summary of related activities of development partners may be found in the linked document entitled "Development Coordination."