

NEPAL INFRASTRUCTURE BANK LIMITED
(NIFRA)

CLIMATE RISK MITIGATION AND ADAPTATION
GUIDELINE, 2023



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Approval Sheet

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NEPAL INFRASTRUCTURE BANK LIMITED

CLIMATE RISK MITIGATION AND ADAPTATION GUIDELINE, 2023

The “Climate Risk Mitigation and Adaptation Guidelines, 2023” is an integral part of NIFRA's Environmental and Social Risk Management Policy, 2020. The core purpose of this Guideline is to provide reference on right policies, procedures and responsibilities relating to mitigating and adapting to the climate risks that impacts NIFRA's projects.

Abbreviations

BFI	Banks and Financial Institutions
CEO	Chief Executive Officer
CO ₂	Carbon Dioxide
DGM	Deputy General Manager
DP	Development Partners
ESRM	Environmental and Social Risk Management
GHG	Green House Gas
GJ	Gigajoule
GRID	Green Resilient and Inclusive Development
GWh	Gigawatt Hours
KgCO ₂ /M ²	Kilogram Carbon dioxide per meter square
Km	Kilometers
Kwh/m ²	Kilowatt hours per square meter
M&E	Monitoring and Evaluation
MWh	Megawatt Hours
NDC	Nationally Determined Contribution
NIFRA	Nepal Infrastructure Bank Limited
p.a	Per Annum
SDGs	Sustainable Development Goals
TJ	Terajoule

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1. Introduction

1.1 Preamble

Nepal Infrastructure Bank Ltd ("NIFRA") is the sole infrastructure bank in Nepal, specifically created to meet the financial requirements of the infrastructure sector. As part of its core mission to accelerate the infrastructure investment and address the financial gap, the Bank acknowledges the significance of aligning its operations with the Government of Nepal's Nationally Determined Contribution (NDC) and Climate Policy to combat climate change. By adhering to the objectives outlined in Articles 4.2 and 4.11 of the Paris Agreement for the 2021-2030 period, NIFRA supports the need to actively contribute to the achievement of Nepal's climate goals. Furthermore, the Bank's portfolio makes a direct contribution to the following UN Sustainable Development Goals (SDGs):

SDG 7: Affordable and Clean Energy

SDG 8: Decent Work and Economic Growth

SDG 9: Industry, Innovation and Infrastructure

SDG 12: Responsible Consumption and Production

SDG 13: Climate Action

SDG 17: Partnerships for the goals

As Climate Change has direct impact over NIFRA's operations, the Bank must prioritize **SDG 13- Climate Action** and play a nodal role in promoting sustainable infrastructure that follows Green, Resilient and Inclusive Development ([GRID](#))¹.

1.2 Scope

Nepal Infrastructure Bank Limited will be addressing Climate Change in Nepal by actively supporting and financing sustainable infrastructure projects that incorporate climate resilience measures, contributing to the country's adaptation and mitigation efforts. The major objectives of this guideline are:

- Integrate climate resilience into infrastructure financing practices of Nepal Infrastructure Bank Limited (NIFRA).
- Align infrastructure investments with the Government of Nepal's climate goals, including the Nationally Determined Contributions (NDCs).
- Identify and address climate-related risks and vulnerabilities associated with infrastructure projects.
- Promote sustainable and low-carbon infrastructure solutions to reduce greenhouse gas emissions.

¹ <https://thedocs.worldbank.org/en/doc/9385bfef1c330ed6ed972dd9e70d0fb7-0200022021/green-resilient-and-inclusive-development-grid>

- Ensure that climate risk is considered alongside other risks, such as financial risk and operational risk. This will help the Bank to identify and manage all of the risks that it faces.
- Foster collaboration, knowledge exchange, and capacity building with stakeholders to enhance investment in climate resilience infrastructure.

2. Climate Risk Assessment

2.1 Climate Related Disclosure Methodology

Nepal Infrastructure Bank Limited (NIFRA) will gradually adopt the [Global GHG Accounting and Reporting Standard for the Financial Industry](#)² to accurately estimate and disclose greenhouse gas (GHG) emissions associated with its Business Loans and Project Financing portfolios. By implementing this standard, NIFRA aims to enhance transparency and accountability in measuring and reporting GHG emissions, contributing to effective climate change mitigation and promoting sustainable financial practices. For the purpose, NIFRA will collaborate with Banking and Financial Institutions (BFIs), Development Partners (DPs), Government Agencies and Private sector.

2.2 Climate Risk Screening Tool

The Bank will gradually develop and implement the Climate Risk Screening Tool. It is a comprehensive assessment mechanism that evaluates the potential climate risks associated with infrastructure projects. It helps identify and analyze the vulnerabilities and impacts of climate change and natural disasters on proposed investments. The tool provides a systematic approach for screening and prioritizing projects based on their resilience and adaptive capacity, enabling Nepal Infrastructure Bank to make informed decisions and allocate resources effectively towards climate-resilient infrastructure development. This tool adheres by the World Bank's [Climate and Disaster Risk Screening Tool](#)³.

The major components of the Climate and Disaster Risk Screening Tool are:

- **Risk Assessment:** Evaluate climate and disaster risks associated with infrastructure projects, considering vulnerability, exposure, and changing climate patterns.
- **Impact Analysis:** Assess the potential direct and indirect consequences of climate change and disasters on proposed projects, including physical damages and socio-economic impacts.

² PCAF (2022). [The Global GHG Accounting and Reporting Standard Part A](#): Financed Emissions. Second Edition.

³ <https://climatescreeningtools.worldbank.org/>

- **Adaptation and Resilience Analysis:** Analyze the resilience and adaptive capacity of projects, identifying measures to mitigate risks and enhance resilience, such as climate-responsive design and disaster risk reduction strategies.
- **Risk Prioritization:** Prioritize projects based on their vulnerability and potential impacts, highlighting high-risk projects that require additional measures for climate risk mitigation and adaptation.
- **Decision Support:** Provide decision-making support by presenting the screening findings, helping inform project selection, resource allocation, and risk management strategies.
- **Reporting and Documentation:** Document the screening process, findings, and recommendations to ensure transparency, accountability, and knowledge sharing within the organization and with stakeholders.

By incorporating these components, the Climate and Disaster Risk Screening Tool shall enable NIFRA to systematically assess, prioritize, and manage climate and disaster risks in infrastructure investments, facilitating the development of climate-resilient projects in Nepal.

3. Impact Reporting

Where feasible, NIFRA will aim to report on the estimated environmental and social impacts arising from the implementation of the projects. The Bank will set up a separate department for regular Monitoring and Evaluation (M&E) of the projects under its portfolio. The M&E will be the key to ensure sustainability of the infrastructure projects that NIFRA finances.

3.1 Impact Reporting Methodology

The impact reporting will also provide information on the methodology and assumptions used for calculation of the impact metrics which will be as follows:

Eligible Sustainable Project Categories	Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent (where possible)

Clean Transportation	<ul style="list-style-type: none"> • Number, type and distance (km) of clean transportation infrastructure built • Number of vehicles converted into green • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Green Buildings	<ul style="list-style-type: none"> • Energy use reduced/ avoided vs local baseline/ building code (kWh/m² of Gross Building Area) • Annual GHG emissions reduced/ avoided in tonnes of CO₂ equiv. vs local baseline/ baseline certification level (kgCO₂/M² of Gross Building Area p.a.) • Volume (m³ of Gross Building Area) of water reduced/ avoided vs local baseline • Waste minimized (tonnes p.a.) in construction/ refurbishment process in new or retrofitted buildings • kWh of power generated from renewable energy
Climate Change Adaptation	<ul style="list-style-type: none"> • Reduced/avoided water loss (in reservoirs / waterways / natural habitats etc.) (m³) • Reduction in number of operating days lost to floods • Reduction in flood damage costs • Increase in agricultural land using more drought resistant crops (hectares) • Reduction in land-loss from inundation and/or coastal erosion (km²)
Environmentally Sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Amount or % of water consumption reduced • Increase in production efficiency • Number of hectares of forests / coastal / marine / watershed environments restored / maintained / protected
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste prevented/minimised/reused/recycled (tonnes) • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)
Sustainable Water Management	<ul style="list-style-type: none"> • Number of water treatment facilities built or upgraded • Reductions in water distribution losses • Amount or % of water recycled • Amount of water reduced

4. Amendments to this Guideline

The Management Committee of Nepal Infrastructure Bank will regularly review and align this Guideline with updated versions of the Principles to meet international standards on climate risk mitigation and adaptation. The Committee shall form a team to revise the existing ESRM Policy, 2020 in line with the Central Bank's (Nepal Rastra Bank) recent publication of the ESRM Guideline, 2022. Any revisions will maintain or improve transparency, reporting disclosures, and external review.