



Making Climate Finance Work for Women Entrepreneurs in the Coffee and Pashmina Value Chains in Nepal

RECOMMENDATIONS FOR POLICYMAKERS

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THE IMPACT OF THE CLIMATE CRISIS ON WOMEN ENTREPRENEURS IN NEPAL

Nepal has been ranked as the fourth most vulnerable country globally to the climate crisis and is facing extreme and slow-onset climate related hazards.¹ Changing weather patterns are increasing the likelihoods of floods, droughts and heatwaves, affecting 80 per cent of the population.² Substantial damage to crops, livestock and infrastructure is disrupting socio-economic systems and livelihoods. Economically, it has been estimated that, as a result of the climate crisis, by 2050, Nepal risks losing 2.2 per cent of its annual GDP.³

Women and marginalized communities, especially those in impoverished and remote regions who rely on subsistence farming, face the highest risk from climate-induced challenges.⁴ Whilst the effects of the climate crisis are felt across the population, it has a disproportionately negative effect on women, intensifying gender inequality.⁵ Globally, studies show alarming correlations between climate adversities and increases in gender-based violence, human trafficking and child marriage, as well as a 14-fold higher risk of mortality for women and children during disasters.⁶ Similarly, with the majority of caregiving and social reproductive activities falling on women, increased scarcity of fuel, food and water, for example, adds to the time and effort associated with those tasks. Women are also more likely to manage subsistence crop cultivation driven by their societal responsibilities of managing food security and production.

Women play a crucial role in Nepal's agricultural sector with 75 per cent of the female labour force employed in the sector in 2022.⁷ However, employment conditions are precarious for most rural women. Subsistence agricultural production often remains within the informal economy and many work for little or no pay. Additionally, a persistent gender wage gap is visible throughout the country, with women's wages 25 per cent lower than those of men.⁸ Gendered differences in production also exist, with women producing less income per hectare than farms managed by men. These differences are likely to be a result of gendered inequality in accessing, adopting and using technologies.⁹ However, due to out-migration of men, over the past two decades, women have increasingly taken on formerly-male-dominated roles in the labour market, which creates an opportunity for a broader reallocation of roles and opportunities between the genders.¹⁰

The negative spillover effects of the climate crisis within agriculture are widespread, impacting women's adaptability and resilience, heightening gendered economic vulnerability. Changing weather patterns disrupt the planning of agricultural activities making it difficult for farmers to effectively forecast their production and required investments. The uncertainty leads to production losses, as well as increased costs, as farmers try and adapt to changing conditions, such as by investing in pest and disease management and implementing water-saving practices. Whilst the negative effects are not unique to women, they are intensified for women, given the wage gap, lower access to resources and information, a higher burden of unpaid work, and societal norms which keep women in subordinate positions.



- 1 R. Dangal, *Disaster Risk Management: Policies and Practices in Nepal* (Kathmandu, Ministry of Home Affairs, 2011).
- 2 Nepal, Ministry of Home Affairs, *Nepal Disaster Report 2017 - The Road to Sendai* (Kathmandu, 2010).
- 3 World Bank Group and Asian Development Bank, *Climate Risk Country Profile: Nepal* (Washington, D.C., World Bank, 2021).
- 4 FAO, *Country gender assessment of agriculture and the rural sector in Nepal* (Kathmandu, FAO, 2019).
- 5 UN Women, "Explainer: How gender inequality and climate change are interconnected", 28 February 2022.
- 6 ESCAP, *Feminist Finance Forum 2024: Key Takeaways, Highlights, and Recommendations* (Bangkok, ESCAP, 2024).
- 7 World Bank, "Employment in agriculture, female (% of female employment) (modelled ILO estimate)", World Bank Data. Available at: <https://data.worldbank.org/indicator/SL.AGR.EMPL.FE.ZS> (accessed on 13 November 2024).
- 8 FAO, *Country gender assessment of agriculture and the rural sector in Nepal* (Kathmandu, FAO, 2019).
- 9 Ibid.
- 10 B. R. Paudyal, N. Chanana, A. Khatri-Chhetri, and L. Sherpa, "Gender Integration in Climate Change and Agricultural Policies", *Frontiers in Sustainable Food Systems*, vol. 3 (2019).



THE IMPACT OF THE CLIMATE CRISIS ON WOMEN ENTREPRENEURS IN THE COFFEE AND PASHMINA VALUE CHAINS IN NEPAL

This study concentrates on women working in the coffee and pashmina value chains in Nepal, where smallholder women farmers make up 45 per cent¹¹ and 50 per cent¹² of the labour force, respectively. Whilst their male counterparts are mainly engaged in transportation, marketing, export and retail management, women are often over-represented in roles undertaking low-paid activities within the two value chains.

Women in the coffee value chain are primarily engaged in fieldwork, harvesting and processing activities – stages of the value chain that are significantly influenced by climatic conditions. The climate crisis heavily affects these initial stages of the coffee value chain, impacting cultivation, fertilization, flowering, harvesting, and processing operations, and leaving women farmers highly exposed.

"Over the past 5 years, my coffee production has been on the decline primarily due to the harsh cold experienced during the winter months. This extreme cold was an unfamiliar event for me in Lamjung and resulted in the unfortunate death of numerous coffee plants due to frost. Additionally, the coffee production has been adversely impacted by an extended period of drought lasting around 4 to 5 months. To compound matters, the prevalence of the white stem borer has escalated, becoming more frequent compared to previous occurrences."

Coffee producer from Lamjung

Adaptation strategies, such as the adoption of climate-resilient coffee varieties and improved water management practices are crucial for mitigating these impacts and ensuring the long-term sustainability of coffee farming in the region. However, women farmers in Nepal often do not have access to such mitigation and resilience practices. In contrast, men are more commonly responsible for the transportation and marketing of the product, activities that tend to be influenced less by climatic events and disasters.¹³

"Erratic rainfall has significantly affected my coffee production. Notably, the quality of the coffee has declined due to reduced juice content in the seeds compared to previous collections, making it challenging to meet market demands. To adapt to these changes, I've adopted strategies such as halting irrigation pipes and systems passing through the fields during heavy rainfall to prevent waterlogging. Conversely, during droughts, I ensure the irrigation system is in place to supply water to the fields. These measures have become crucial to maintaining the health of my coffee plants and sustaining production"

Coffee producer from Sindhupalchowk

Pashmina is a vital source of income for many rural communities in the Himalayan region. The climate crisis is having a profound impact on the livelihoods and income of Pashmina farmers and producers, which could jeopardize the traditional industry and undermine the livelihoods and income of countless women farmers in Nepal. Within the agricultural segment of the value chain, women predominantly work in goat rearing, fodder management, wool and fibre collection, spinning and weaving, dyeing, and embroidering; and outside of agricultural activities, women are more active as employees working in packaging and labelling, knitting, weaving and spinning, and in finishing the final product. In contrast, men are primarily involved in exporting and retailing finished Pashmina products.¹⁴

11 The Perfect Daily Grind, "Will Nepal produce more specialty coffee in the future?", 15 March 2023.

12 Nepal, Ministry of Industry, Commerce and Supplies, *National Pashmina Sector Export Strategy 2022-2026* (Kathmandu, 2022).

13 FAO, *Country gender assessment of agriculture and the rural sector in Nepal* (Kathmandu, FAO, 2019).

14 Nepal, Ministry of Industry, Commerce and Supplies, *National Pashmina Sector Export Strategy 2022-2026* (Kathmandu, 2022).

Rising temperatures and erratic weather patterns are threatening the survival and well-being of Chyangra goats. Warmer temperatures and changing precipitation patterns require shorter lowland grazing periods, forcing longer use of upland pastures, which are quickly depleted. This causes challenges for herders and leads to reduced animal health, increased animal mortality rates and reduced wool production. Furthermore, changing weather patterns have disrupted the annual breeding and birthing cycles of Chyangra goats, leading to lower birth rates and reduced herd sizes. As a result, Pashmina farmers are faced with lower quality and diminishing wool yields, which directly impact their income and economic stability. In fact, the climate crisis has already driven many households into food insecurity, forcing them to sell their entire Chyangra flocks to feed their families.

"I've witnessed firsthand how climate change is reshaping our landscape and impacting our Chyangra goats. The shifts in temperature and rainfall patterns are bringing about significant changes in vegetation and pasture availability. It's clear that these alterations can spell trouble for our goats' well-being. With rising temperatures and unpredictable precipitation, the forage we rely on for our Chyangra goats is becoming scarcer and less nutritious. This scarcity threatens to leave our goats malnourished and, in turn, affects the quality and quantity of the precious Pashmina wool they produce. The challenges posed by climate change are a stark reminder of the need for farmers, to adapt our practices and seek sustainable solutions to safeguard the future of our herds and our livelihoods."

Pashmina wool producer from Kathamandu

The decline in Pashmina production not only affects local farmers but also has broader implications for Nepal's economy, as Pashmina exports are a significant source of revenue. To address these challenges, adaptation strategies and sustainable practices are crucial. Adaptation practices, such as improved pasture management and the introduction of climate resilient goat breeds can help reduce the effects on livelihoods. However, similarly to their peers in the coffee value chain, women farmers and entrepreneurs in the pashmina value chain often do not have the possibility to take these measures.

The challenges women face in these value chains are exacerbated by gendered inequalities. Women often face a triple burden balancing productive work with reproductive work and community responsibilities, which limits their time, resources, and ability to adapt to quickly, while cultural norms often result in women's limited access to vital resources, such as land, agricultural training, markets, and credit.¹⁵



"I have experienced the challenges associated with limited access to finance, especially for individuals wanting to venture into sectors like pashmina processing and export. When I initially sought loans, I faced multiple rejections due to lower transactions. However, as our export business expanded and began generating revenue in dollars, I was finally able to secure the loans needed for investment. In addition to these financial challenges"

Woman entrepreneur from Kathmandu

15 ICIMOD, UNEP, and UN Women, *State of Gender Equality and Climate Change in Nepal* (2021).



CLIMATE FINANCE FOR WOMEN ENTREPRENEURS IN THE COFFEE AND PASHMINA VALUE CHAINS IN NEPAL

Climate finance refers to all local, national and transnational financial flows, drawn from public, private and alternative sources of financing that seek to address the causes and consequences of climate change, and support the adaptation actions to mitigate the negative impact.

This policy briefing explores how climate finance mechanisms can support women entrepreneurs within the coffee and pashmina value chains. Even though women's businesses tend to be smaller, operate on lower margins and in more vulnerable settings, climate finance is slow to, and in some cases does not, reach women and other vulnerable groups.

"To address these climate-induced hurdles, we've taken the initiative to invest our own capital. Regrettably, none of our farmers currently have access to climate finance resources, except for limited commercial lending from banks."

Chairperson from a coffee cooperative

Climate finance can take shape in several forms. It can, for example, include investments in technological advancements, such as irrigation systems, which can benefit agricultural communities facing drought and allow them to compete with more advanced producers, both nationally and internationally. Similarly, climate finance can be channelled through loans and grants to support entrepreneurs, farmers, and communities to put in place adaptation or mitigation measures; or, it could also come in the form of insurance schemes, for example, to protect against agricultural losses.

The International Finance Cooperation (IFC) estimates that Nepal has the potential to unlock US\$ 46 billion of climate smart investments through green finance by 2030.¹⁶

For climate finance to contribute to positive outcomes for planet and people, it must be gender smart and equalize women's and men's agency and autonomy in managing their long-term climate-related risks. Climate finance is a powerful tool to catalyze structural change towards gender-just climate outcomes. However, as with any finance flows, gender-blind climate finance could also reinforce existing inequalities and vulnerabilities, for example, by further excluding women from economic opportunities, by placing those who are already vulnerable into climate-related debt, and by failing to channel climate finance flows to where they are most needed. Integrating women's first-hand knowledge of how to mitigate the impact of the climate crisis on people and planet, including through innovation, technology, the provision of care, the prevention of violence, and women's diverse and unique lived experiences, is critical for avoiding such risks, designing effective solutions, and creating equitable climate financing mechanisms.¹⁷



METHODOLOGY

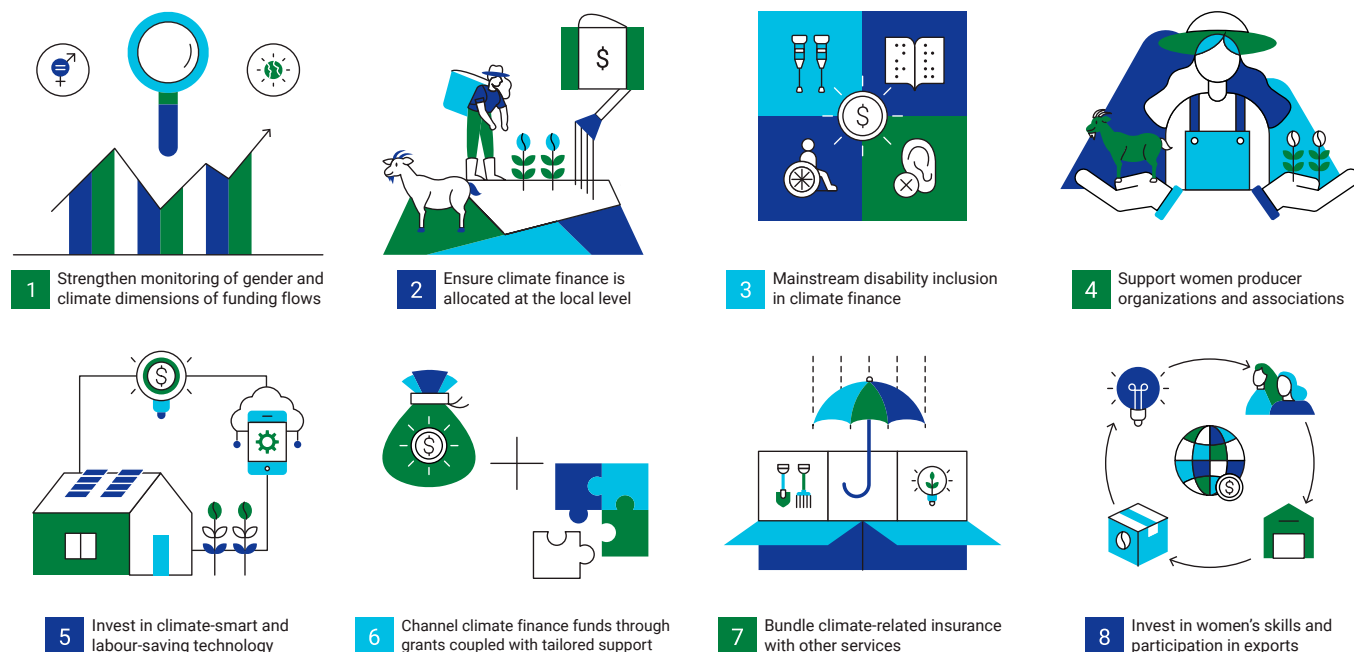
Seeking to develop recommendations to make climate finance work for women entrepreneurs in the coffee and pashmina value chains in Nepal, this study employed a qualitative approach by combining secondary research and semi-structured interviews with key informants. A comprehensive desk review was conducted on key publications, including government strategies, policies and frameworks on climate change and climate finance in Nepal, including reports on gender and climate finance for women and climate solutions for women entrepreneurs. In-person and virtual interviews were conducted with 20 key stakeholders, including farmers working in the coffee (6) and pashmina (2) value chains, industry representatives in coffee (1) and pashmina (1), policymakers (7), regulatory bodies (1), and representatives from organizations representing persons with disabilities (2). Data collected from the literature review and key informant interviews were triangulated to reduce potential bias and ensure validity of the findings.

¹⁶ IFC, *Climate Investment Opportunities in South Asia* (Washington, D.C., IFC, n.d.).

¹⁷ ESCAP, *Feminist Finance Forum 2024: Key Takeaways, Highlights, and Recommendations* (Bangkok, ESCAP, 2024).

RECOMMENDATIONS

Building on the understanding that effective climate finance must not be gender-blind, this document outlines 8 recommendations for policymakers on how climate finance can be channelled to effectively build the resilience of women entrepreneurs and smallholder farmers in the coffee and pashmina value chains in Nepal:



1 Strengthen monitoring of gender and climate dimensions of funding flows

Rationale: Among 361 overseas development assistance (ODA) projects in Nepal in 2021/22 (total funding of US\$ 1.42 billion), 111 were classed as 'relevant' (76 projects, US\$ 379.3 million) or 'highly relevant' (35 projects, US\$ 53 million)¹⁸ to climate finance, leaving nearly 1 billion (250 projects) that were minimally or not linked to climate objectives.¹⁹ The picture looks similar for gender dimensions, with US\$ 915.5 million considered 'neutral' with regards to gender objectives, while US\$ 344.9 million were tagged as 'indirectly supportive' and US\$ 160 million as 'directly supportive'.^{20 21} The Ministry of Finance identified a lack of understanding of project classification criteria among reporting officials as a likely reason for the high number of projects being categorized as 'neutral' in both instances and identified a need for enhanced training on gender dimensions in programming and clarifications on what constitutes climate finance.²²



18 'Relevant' is defined as 20-60% of the budget being allocated to climate-related activities. 'Highly relevant' is defined as over 60% of the funding directly addressing climate-related issues.

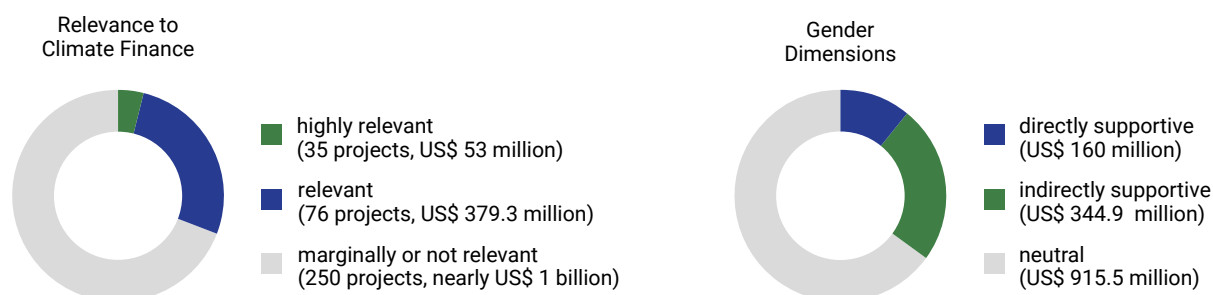
19 Nepal, Ministry of Finance, *Development Cooperation Report FY2021/22* (Kathmandu, 2023).

20 'Neutral' is defined as less than 20% of the budget being dedicated to gender equality and women's empowerment. 'Indirectly supportive' is defined as 20-50% of the budget is dedicated to promoting gender equality and empowering women. 'Directly supportive' is defined as more than 50% of the budget being allocated towards efforts to promote gender equality and empowering women.

21 Nepal, Ministry of Finance, *Development Cooperation Report FY2021/22* (Kathmandu, 2023).

22 Ibid.

Total Funding: US\$ 1.42 billion



Recommendations: Provide training and clarifications to project officials in implementing agencies and in the Ministry of Finance on definitions, classification, and mainstreaming of gender and climate dimensions across ODA-funded projects. This may be complemented with (1) a government requirement for new projects to integrate significant gender and climate dimensions, (2) increased direction in project design toward priorities linked to the climate crisis and gender inequality, and (3) the strengthening of mechanisms for data collection, monitoring, and reporting on climate and gender objectives and impacts of projects, including the intersection of the two (i.e. projects with both significant gender and climate objectives). Better data, in turn, could help to effectively direct future funds to priority actions. A similar approach, including training for key stakeholders and officials, and better tracking of gender and climate contributions could also be applied to funding flows beyond ODA.

2 Ensure climate finance is allocated at the local level

Rationale: Nepal's National Climate Change Policy (2019) sets out that at least 80 per cent of climate finance received through international mechanisms is to be used to implement programmes at the local level.²³ This makes sense, as local-level stakeholders are well placed to reach communities most impacted by the climate crisis, such as those in the coffee growing districts in Nepal's Northeast and communities rearing Chyangra in the high mountain region, to identify on-the-ground priorities, and direct funding to where it is most needed. Such priority areas for investment, could include, for example, irrigation systems for coffee farmers and shelter areas for Chyangra goats. To ensure climate finance is reaching the most vulnerable, as intended, local governments need adequate resources to support women smallholder farmers and other women entrepreneurs along key agricultural value chains. However, it is unclear to what extent the mandated 80 per cent allocation at the local level is fulfilled. This is largely due to insufficient tracking and reporting of climate finance expenditure, including a lack of reporting related to local-level climate funding, as well as limited awareness among local-level actors of the 80 per cent funding provision.²⁴



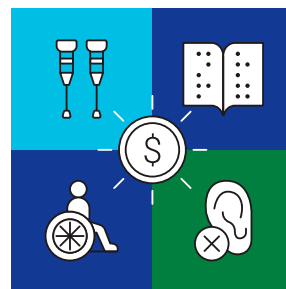
Recommendations: Raise awareness of the mandated 80 per cent allocation among local governments and other community-level stakeholders, including women and those representing lower castes; and provide capacity building for them to effectively access, allocate, and monitor climate funds. In addition, an improved government monitoring system for climate finance allocations at the local level will be necessary to ensure compliance with the 80 per cent allocation. In addition, increasing the voice of local stakeholders (local government, civil society, and others), including women and those representing lower castes, in climate finance allocations and programme design, as well as their direct access to resources, would be important for ensuring that climate finance indeed reaches those who most need it. Collaboration between the Ministry of Forests and Environment (MoFE), the National Planning Commission, and the Ministry of Federal Affairs and Local Development (MoFALD) may be useful to reach this objective.

²³ Nepal, Ministry of Forests and Environment, *Assessment of Climate Financing Allocation: Unpacking Eighty Per Cent Allocation to the Local Level* (Kathmandu, 2021).

²⁴ Ibid.

3 Mainstream disability inclusion in climate finance

Rationale: The climate crisis disproportionately impacts persons with disabilities, given their lower access to finance, assets, social capital and market opportunities, which contributes to a lower ability to prepare for and manage risks.²⁵ This is particularly true for women with disabilities and persons with disabilities residing in remote areas, who face multiple intersections of inequality. In Nepal, only 36.4 per cent of people with disabilities are employed in the labour market and, according to 2018 survey, only 16 per cent had a monthly income.²⁶ At the same time, there are labour shortages in agricultural value chains, which, with some adaptations could create livelihood opportunities for women with disabilities. While the Government has taken steps to increase access to opportunities for women entrepreneurs at large, for example, through the Integrated Subsidized Loan Scheme – a mandate to financial institutions that requires them to provide loans of up to NPR 1.5 million without collateral and at lower interest rates to women entrepreneurs very few women with disabilities have been able to access this financing.²⁷



Recommendations: Strategically allocate climate finance to increase livelihood opportunities for women with disabilities. Climate finance can be directed to making agricultural value chains more accessible and inclusive, for example, by developing tools and relevant assistive devices. In the coffee sector, for example, prototypes of low-tech and cost-effective tools already exist that were designed for persons with disabilities to engage in coffee harvesting. These can be scaled up and made available through climate finance investments and in collaboration with the private sector. In addition, efforts should be made to increase accessibility of training programmes, and to expand outreach and awareness raising activities targeting women with disabilities, to ensure that information on opportunities and dedicated provisions reaches those who need them. Beyond these targeted initiatives, disability inclusion should be mainstreamed in all climate-related policies and frameworks. This includes Local Adaptation Plans for Action and other frameworks that are tied to funding decisions and that are intended to ensure that funding reaches the most vulnerable. Effective mainstreaming must include consultations with persons with disabilities and ensure their meaningful inclusion in the design and implementation of climate change mitigation and adaptation efforts.

4 Support women producer organizations and associations

Rationale: Producer organizations and women's associations address several key priorities among women farmers and entrepreneurs, including access to information (i.e. on market prices, weather, pests), markets, and finance.²⁸ In terms of financing, producer organizations create a structure for pooling member's funds for saving, shared investments, and borrowing; and for securing external funding on behalf of their members. In addition, women's associations and producer groups can play an important role in building the skills of their members, as well as in increasing their bargaining power and control over their finances and other resources.



Recommendations: Strengthen and scale up women producer organizations and associations through funding, as well as other forms of support. This should include an expansion of women's associations and cooperatives to remote areas. Local government entities in coffee farming and Chyangra rearing districts, such as Mustang Chyangra, as well as centralized organizations, such as the Pashmina Industries Association and the Nepal Coffee Federation can

25 A. Gutnik and M. Roth, *Disability and Climate Change: How climate-related hazards increase vulnerabilities among the most at risk populations and the necessary convergence of inclusive disaster risk reduction and climate change adaptation* (Lyon, Humanity & Inclusion, 2018); Inclusive Futures, *Disability Inclusive Coffee Project: Lessons Learnt* (2022).

26 Inclusive Futures, *Disability Inclusive Coffee Project: Lessons Learnt* (2022).

27 National Network for Beijing-review Nepal, *Civil Society Report on Beijing+30* (Kathmandu, Forum for Women, Law and Development, 2024).

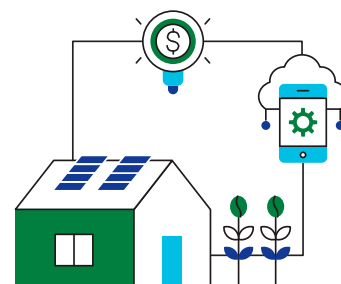
28 S. Kapoor Malhotra and E. Masset, *Agricultural value chain interventions can improve women's incomes, assets holdings, productivity and savings* (Nairobi, International Livestock Research Institute, 2024).

provide support by identifying smallholder women farmers in remote municipalities and by providing connections between smallholder farmers and cooperatives. As needed, funding to these organizations, should be combined with capacity building and continuous advice on financial management, governance, and other relevant topics, to ensure that producer organizations can effectively manage climate funding and support their members.

5 Invest in climate-smart and labour-saving technology

Rationale: Climate-smart and gender-responsive technologies allow women to increase their production and to mitigate and adapt to the impacts of the climate crisis, as well as to reduce women's time poverty. Smallholder women farmers can benefit from labour saving technologies that reduce the drudgery of agricultural and domestic tasks.²⁹ This is particularly relevant in a context where many young people have relocated away, and rural communities are facing labour shortages for agricultural and livestock-related activities. Examples include practices, such as water harvesting, and improved cattle and goats' sheds, which have been shown to be favourable for women.³⁰ Interviewed women entrepreneurs in the coffee sector emphasized a lack of adequate technologies as a key limitation to increasing their productivity. Simultaneously, increased access to information and communication technology (ICT), such as mobile phones, among farmers has been directly linked to improved access to information and better farm-level performance in terms of inputs, prices, yields, and profits.³¹

Recommendations: Channel climate finance into climate-smart agricultural resources and labour-saving technology. The design, selection, and roll-out of technologies must be evidence-based and involve local actors, including women, to ensure that technologies are suitable for Nepal's farming systems and geography and fulfil the needs of women farmers and entrepreneurs both for their paid and unpaid work, as well as related to access, control, and ease of adoption of the technology. Relevant approaches may include rental of technologies or shared purchases to reduce capital requirements, and the scaling up of low-tech and cost-effective solutions, paired with training and demonstrations to communities.³²



"As a coffee farmer in Nepal, I can attest to the critical role of weather monitoring and forecasting in our farming practices, particularly in the face of climate change. Weather information is our lifeline, helping us anticipate and navigate weather-related challenges that affect every aspect of our coffee cultivation, from planting and harvesting to irrigation and pest management. Thanks to increased access to weather data, either through government agencies or local initiatives, we can now better understand rainfall patterns, temperature fluctuations, humidity levels, and extreme weather events, allowing us to make informed decisions. Armed with this information, we can adapt our farming practices, such as adjusting irrigation schedules during predicted dry spells, ensuring our coffee plants receive the right amount of water they need to thrive."

Coffee producer from Sindhupalchowk

29 V. Vemireddy and A. Choudhary, *Labor-saving technologies designed for women can reduce their drudgery*, (Nairobi, International Livestock Research Institute, 2021).

30 FAO, *Improving Water Harvesting and Livestock Rearing in Matrouh Governorate, Egypt* (Rome, FAO, 2021).

31 A. de Haan, *Enhancing the productivity of women-owned enterprises: The evidence on what works, and a research agenda* (Ottawa, IDRC, 2016).

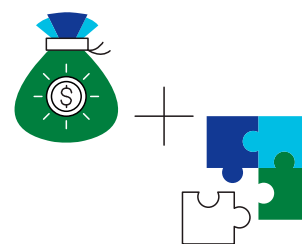
32 V. Vemireddy and A. Choudhary, *Labor-saving technologies designed for women can reduce their drudgery*, (Nairobi, International Livestock Research Institute, 2021).

6

Channel climate finance funds through grants coupled with tailored support

Rationale: In many contexts, the only form of financing available to women entrepreneurs and farmers for climate change mitigation and adaptation measures is in the form of loans. While these can initially provide a good opportunity for women to protect their livelihoods, in the longer term they often generate additional risks due to high interest rates and debt-related vulnerabilities. This is particularly true when climate-related shocks lead to reduced incomes and higher costs, jeopardizing borrowers' ability to repay debt.

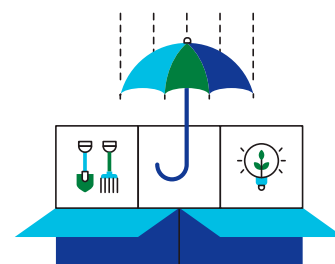
Recommendations: Make grant financing available to women smallholder farmers for them to address climate risks and vulnerabilities, prepare for economic shocks, diversify income streams, and build resilience. It is important that such funds increase women's agency and ownership, and that grants are directed to where they are most needed. Involving women farmers in the design and implementation of such grant making mechanisms can help achieve this. To ensure that grants are invested in the most effective manner, it is recommended to pair grants with training and continuous advisory, coaching, or mentoring. To ensure access to the grants and training, easy-to-understand guidelines and outreach activities within rural areas would be important. ODA funding can be leveraged for such grants.³³ Both grants and training programmes should be monitored and evaluated to ensure their effectiveness.



7

Bundle climate-related insurance with other services

Rationale: While agriculture has always been exposed to adverse weather events, pests, and disease outbreaks, the climate crisis is heightening such risks. Insurance is a mechanism for preparing for such risks and to avoid financial losses, and various insurance products have been developed for this purpose. However, generally the uptake among farmers is low. This is particularly true for standalone agricultural insurance schemes.³⁴ In Nepal, a subsidized index-based multi-peril crop insurance is available with the government covering 75 per cent of the premiums.³⁵ Nevertheless, the uptake among farmers has been slow, largely due to low expectations of the effectiveness of insurance schemes.



Recommendations: Bundle agricultural insurance with other financial and/or non-financial services. These could include agroeconomic advice, weather information, or the provision of agricultural inputs, such as seeds and fertilizers. Effective bundled insurance services need to be tailored to different types of crops, geographic contexts, and clients' needs. It is important that farmers easily understand the products and their value, as well as that the services involve multiple stakeholders within the agricultural ecosystem (i.e. input suppliers, extension service providers, etc.). To ensure affordability, a bundle insurance could include the existing insurance premium subsidy by the government.

33 T. Mahat, L. Bláha, B. Uprety, et al, "Climate finance and green growth: reconsidering climate-related institutions, investments, and priorities in Nepal", *Environmental Sciences Europe*, vol. 31 (2019).

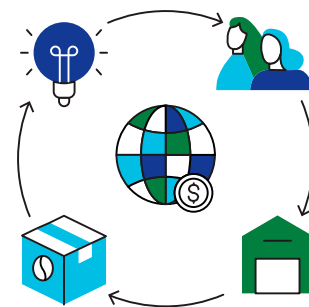
34 P. Mukherjee, M. Pandey, and P. Prashad, *Bundling to make Agriculture Insurance Work* (Geneva, ILO, 2017).

35 N. K. Budhathoki, J. A. Lassa, S. Pun, and K.K. Zander, "Farmers' interest and willingness-to-pay for index-based crop insurance in the lowlands of Nepal", *Land Use Policy*, vol. 85 (2019).

8 Invest in women's skills and participation in exports

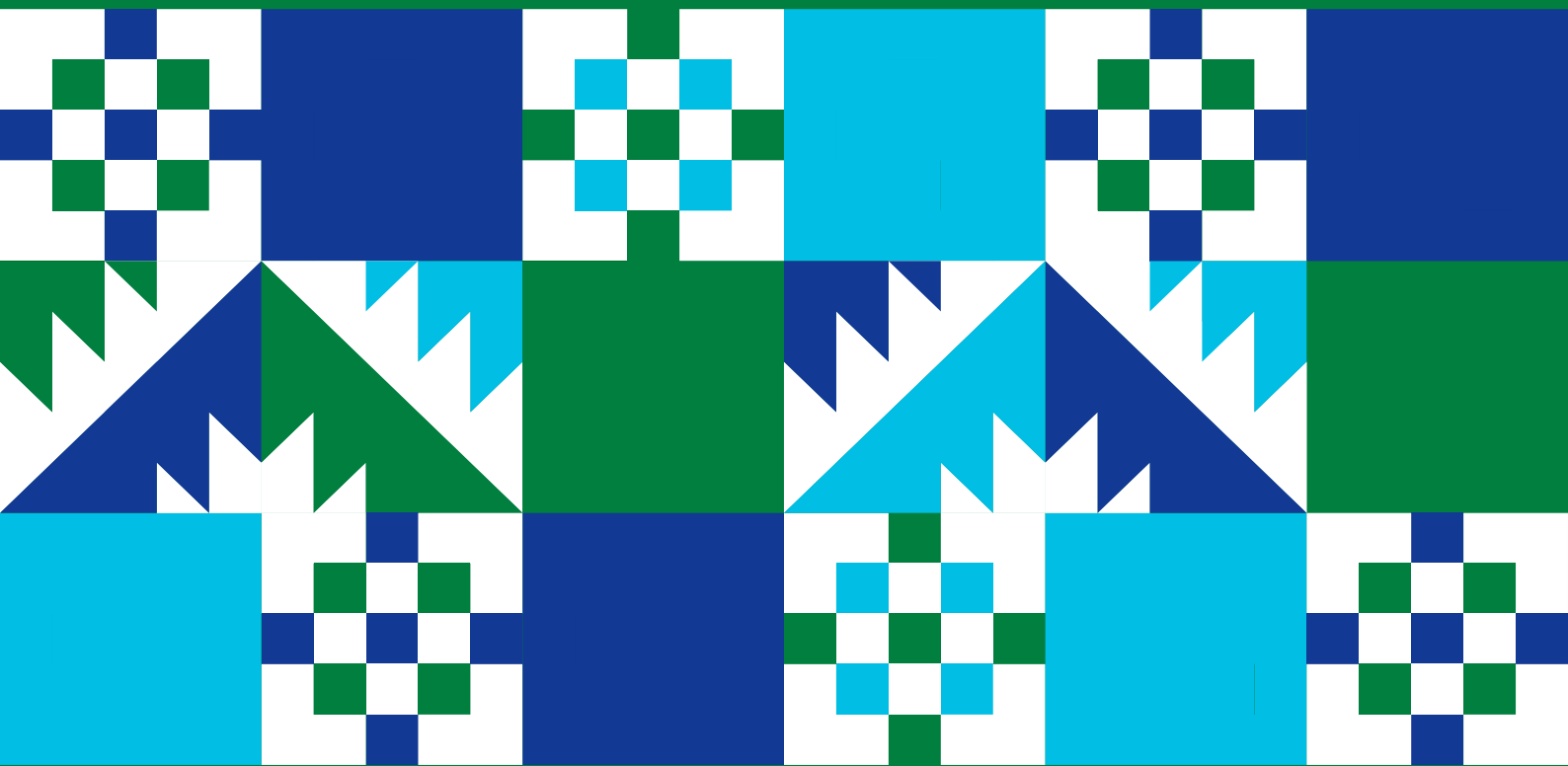
Rationale: High quality exports are important for increasing incomes and livelihood opportunities. For producers, participation in export value chains creates opportunities for higher value capture and access to larger markets. However, to date, women in the coffee and pashmina value chains tend to be concentrated in the earlier stages of production. The Nepal Government has prioritized pashmina exports.³⁶ However, to ensure that the benefit of exports reach communities and those most affected by the climate crisis, strong backward linkages, especially with women farmers, will be needed, as well as opportunities for women to move up the value chain and increase their value addition.

Recommendations: Invest in the skills and networks of women entrepreneurs and farmers for them to participate in export value chains. Training topics could include elements directly linked to climate change adaptation and mitigation, such as climate-smart agriculture and income diversification, as well as on value addition, quality, digital skills, financial management, and other skills required for taking on more profitable elements of the value chain and for engaging in exports. In addition, the Government could provide direct incentives (i.e. subsidies) for women to move into higher value-added segments of export value chains.



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36 See Nepal, Ministry of Industry, Commerce and Supplies, National Pashmina Sector Export Strategy 2022-2026 (Kathmandu, 2022).



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