Mobilizing Finance for Adaptation in South Asia

The context of the session was put in place by Ms. Anna French, Deputy Country Head, UK Department for International Development, who stated that climate change is one of the biggest threats to sustainable development which has been reiterated in the recent IPCC report.
She asserted that the current government budgets will be insufficient to cater to the adaptation needs and would require a collaborative effort by the public and private sectors to mobilize finance. The United Kingdom's leadership in the investment space, mainly through prioritization of climate resilience in all of their development partnerships and its action to drive awareness and mobilize actions to build climate resilience, also provided a strong precedent to the agenda.

In his presentation, Dr. Aditya V Bahadur, Regional Development Manager, Action on Climate Today (ACT), stated that in the past 4 years, more than $1.2 billion was accessed or shaped for climate resilient growth in South Asia. He focused upon a few key lessons that have emerged on adaptation finance - (i)mobilizing domestic finance is vital to make sustainable gains for resilience (ii) international climate finance still plays a vital catalytic role (iii) investments in adaptation must spring from an understanding of impacts (iv) building institutional capabilities is of paramount importance (v) understanding the political economy of climate finance is crucial.
In continuation, Mr. Bahadur asserted that integrating climate finance into domestic budgets and aligning it with the prevailing policy narratives will act as a key element in mobilizing adaptation finance.

Mr Koyel Mandal, Climate Change Expert, Infrastructure for Climate Resilient Growth, IPE Global, shared his experiences of mainstreaming climate change into developmental schemes like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) taking place under the Infrastructure for Climate Resilient Growth (ICRG) programme. Driven by rural infrastructure, mostly in the domain of natural resource management, the two key interventions used in the process include the selection of infrastructure based on climate projections and modification of the present design to make infrastructure more climate resilient. Their work also tries to mobilize public finance (~ 21 Million Pounds mobilized) by converging MGNREGA with other relevant line departments like agriculture, in order to provide them with drought resistant seeds, paving the way for sustainable land development practices.

This was followed by a panel discussion moderated by Ms. Clare Shakya, Director: Climate Change Group, International Institute for Environment and Development, on the channelization of global and national finance flows for maximizing impact. She emphasized that the previous ways of acquiring climate finance have not really worked out due to the fly-in-fly-out nature of technical assistance. The road ahead, therefore, should look at ways to build long term institutional mechanisms in order to achieve scale of finance mobilization. Building on her experiences of work done with progressive countries, she mentioned the need to focus on the underlying drivers of climate vulnerability - namely climate poverty, resources and climate, addressing which can help reduce poverty, build resilient infrastructure and meet climate targets respectively.

Ms. Vidya Soundarajan, India Programme Head, ACT, briefly discussed about the Action on Climate Today (ACT) program which mainstreams climate change into sub-national development budgets. With government budgets being directed mainly towards climate mitigation, the objective of the program is to bring adaptation as a financial priority area for government budgets. This involved challenges at both the levels of convincing government and implementation. She suggested that articulating discussions in a way that highlights the climate relevance and the benefits of such an intervention is essential to gain government interest. Quoting their work with the Government of Assam which has colossal interest in sustainable development goals (SDG's), she stated that the team had to take up a different approach by making government understand the linkages between adaptation and SDG's. She further added that another way to engage governments is to highlight their current efforts and link them to climate change, which further builds their motivation.

Shri Sunil Kumar, General Manager Farm Sector Policy Department, National Bank for Agriculture and Rural Development (NABARD), stated that NABARD is currently having 35 projects in the climate change realm, out of which 6 projects are under the Adaptation Fund, 27 projects under National Adaptation Fund and 2 projects under Green Climate Fund. Along with this, NABARD is also funding a number of projects in the climate change arena entirely through its internal resources. One of the initiatives being implemented by NABARD is the Umbrella program on Natural Resource Management which uses blended finance to finance small sustainable community led projects. He highlighted that based on the experience of implementing the climate projects there are some key challenges faced while mainstreaming climate finance- (i) low levels of awareness amongst various stakeholders (ii) inability to identify vulnerable sectors (iii) generation of quality proposals and (iv) lack of coordination between the nodal and the implementing departments which delays implementation.

Ms. Sangeeta Agrawal, Senior Sector Specialist- National Resource Management, KfW, highlighted, the efforts of the German government in directing 3.65 billion Euros from its official budget fund into climate change (both mitigation and adaptation) in 2017.
In addition to this, KfW has been able to bring in another 4.5 billion Euros for financing projects related to climate and environmental protection. She highlighted that in India, KfW has been active for the last 60 years and has brought financing of about 16.74 billion Euros focusing on key sectors such as energy, urban infrastructure and the natural resource management programs. Out of this whole volume of funding, around 24% of the money goes for adaptation programs. To conclude, Ms. Agrawal emphasized that the biggest challenge while designing projects, is to identify the type of funding that is primarily adaption focused.

Mr. Charanjit Singh, Private Sector Climate Finance Expert, discussed about the climate adaptation investments mainly in the business and industrial domain and identified two major challenges. Firstly, the lack of understanding in the investor community, about the advantages (from the incremental capital expenditure) coming from climate resilient infrastructure, disables the community from taking a well informed decision. Secondly, there is a lack of depth and breadth in the Indian financial market, especially for long term financing instruments like grants, insurance and pension funds. He acknowledged Government of India's effort to involve private sector in the infrastructural space and mentioned that the agenda for integrating climate with infrastructure should start at the level of the asset owner i.e. the government. He concluded his presentation by mentioning the key role of think tanks in hand holding, educating and building capacities of the investor community to take well informed decisions.

Ms. Nanki Kaur, Regional Programme Manager, International Centre for Integrated Mountain Development (ICIMOD), discussed about the collaboration between the public sector investors and the private sector investors towards improving the quantity and quality of climate finance into adaptation.
She highlighted that for a strategic coalition, greater alignment and joint involvement and/or interaction between the investors is an essential component. In continuation she reiterated her discussion around three areas - the types of coalitions that are emerging around adaptation action; portfolio of investments and; policy coherence.
For example, in MGNREGA, the investment (6 billion) is in some way or the other aligned to the national climate change mission, to create climate resilient infrastructure is considered as a way to pool in domestic sources. To conclude, Ms. Kaur, highlighted four aspects that can enable a strategic coalition- (i) need to have a clear understanding of what will be the return on investment (ii) policy coherence- need for a policy direction to invest in adaptation (iii) need to put in place institutional coordination mechanisms that can help in bringing different investors together (iv) to have enabling environment- engage think tanks and utilize financial technologies.