

CHAPTER 7: FINANCING SAPCC

India is doing its best to meet the promised adaptation and mitigation actions as per Paris agreement, finance still remains a critical issue. It is estimated that India's climate change adaptation gap by 2030 is around 1 trillion USD¹, therefore creative financing strategy by the States is the need of the hour. It has become apparent since the TNSAPCC that additional finance is hard to come by. Therefore, high impact areas need to be identified from the State's ongoing sectoral activities for mainstreaming and tagged. In addition, more and more private sector involvement should be pooled in for high priority activities in a systematic way including public-private partnership mechanism. In addition there will be additional climate finance from International Climate Funds (Green Climate Fund, Global Environment Facility, Adaptation Fund), Bilateral Cooperation (additional financial and technical support for climate change outcomes from Swiss Agency for Development and Cooperation (SDC), German International Cooperation (GIZ), Japan International Cooperation Agency (JICA) and Department of International Development (DFID), Multilateral facility (loan and grant projects through World Bank (WB), Asian Development Bank (ADB), United Nations Development Programme (UNDP), etc.) and National Climate Fund (National Adaptation Fund for Climate Change (NAFCC), Small Grants programme, mission-specific allocation and regular schematic allocation having climate relevance).

The approach taken for financing mechanism is explained in the table 7.1. Various types of financing windows are listed down and source of fund against each of them is figured. Many kinds of instruments can be used to access the funds. The key sectors in which the funds can be used are also mentioned in Table 7.1 along with the modalities and challenges faced in the process.

Table 7.1 Key Instruments for Fund Access

Window	Source of Fund	Instrument	Key sectors	Access modalities and challenges
International climate fund (budget additional)	Green Climate Fund	Loan and grant, guarantee, equity	Food and Water, Health, Livelihood, Infrastructure and built Environment, Ecosystem (for both adaptation and mitigation)	<p>Micro up to 10 million USD Small (10-50) Medium (50-250) Large (>250)</p> <p>National Designated Authority (MoEF&CC) as focal point</p> <p>Through (Direct Access Entity and multilateral access entities) approved as National Implementing Entities (NIE) or Multilateral Implementing Entities (MIE) by National Designated Authority (NDA), MoEF&CC</p> <p>1-2 years, elaborate process</p>
	Adaptation Fund	Grant, But Loan as co-finance (by NIE or MIE) maximum up to 50 percent of the project cost	Natural resource systems (addressing climate risks), eco-system, hazard	<p>Regular project size >1 million USD Small <1 million USD</p> <p>Through NDA through NIE and MIE 8-12 months</p> <p>Maximum cap for country 10 million USD (India exhausted)</p>

¹CEEW

Window	Source of Fund	Instrument	Key sectors	Access modalities and challenges
Global Fund	Global Environment Facility (GEF)	Grant	Based on the sectors under the star allocation both for adaptation and mitigation. 1) Food systems, Land Use and Restoration; 2) Sustainable Cities; and 3) Sustainable Forest Management (under GEF 7 series)	Full sized project > 2 million USD Medium size (upto 2millionUSD) Enabling activity (strategy development under a convention) Minimum 12 months
National Fund	NAFCC	Grant, Co-finance, convergence fund from State	Agriculture, horticulture, agro- forestry, environment, allied activities, water, forestry, urban, coastal and low-lying system, disaster management, human health, marine system, tourism, habitat sector and other rural livelihood sectors to address climate change related issues. Climate scenarios, capacity building, consultation, monitoring	Though no upper limit specified typical maximum for a State is about Rs 25 Crore. Through NIE Typically, 6months for preparation and sanction Maximum preparation cost is Rs 10 lakhs, NIE fee capped at 3 percent of the project cost
Bilateral and Multilateral projects/programmes	Programs/Projects linked to clear climate outcomes	Loan, Grant	Sectoral (both for adaptation and mitigation)	On State partnership basis and through the concurrence of National Government
International Non Governmental Organizations (INGOs)	Programs/Projects linked to clear climate outcomes	Grant	Sectoral (both for adaptation and mitigation)	On State partnership basis and through the concurrence of National Government
Corporate Social Responsibilities (CSR)	Programs/Projects linked to clear climate outcomes	Grant	Sectoral (both for adaptation and mitigation)	As per statutory requirement under Company Act for the eligible companies, private foundations with voluntary pledge with programmatic Convergence
Budgetary (National and State)	Regular schematic (may not be additional)	Budget (grant in aid) State, Central and Centrally sponsored schemes	Sectoral (both for adaptation and mitigation)	Some of the schemes are listed in the document, not all required/proposed strategies/priorities are covered under the scheme Guideline. This needs to be classified as climate relevant and possible have a climate tag for reporting. Currently, there is no standard approach available
Budgetary (Mission specific)	As per mission guideline	Both demand-driven and as per target	Sectoral (both for adaptation and Mitigation)	Some of these have been specified in the Report

There are four broad steps to be taken for the financing in climate change domain. Typical process to be followed in the climate finance area is explained stepwise in Table 7.2.

Table 7.2 Steps for Financing in Climate Change Domain

<p>Step 1a: Identify high impact/high priority activity/strategy having linkage to SDG/NDC</p>	<p>Identify relevant schemes in the State budget and place in the right demand (some examples have been given in the report).The expenditure can be treated a climate relevant expenditure based on how many components of the project activities have been covered.</p>
<p>Step 1b: Identify activities linked to National missions</p>	<p>Draw down resources from relevant Mission based on the demand/target</p>
<p>Step 2: There is no correspondence or availability of funds from State budget/National Missions</p>	<p>Map to Central and State (CSP), external aided projects or sources under bi-lateral or multilateral cooperation. Prepare proposal under the formats/processes given by the agency. The lead department/agency can initiate the process.</p> <p>Look for grants from CSR and INGO sources</p>
<p>Step 3: There is correspondence or availability of funds from special climate funds available Nationally</p>	<p>For NAFCC, prepare project concept note, do a preliminary go-no go check with National Implementing Entity (NIE)</p> <p>If agreed, go ahead with the detailed project report and submit through NIE to National Designated Authority</p> <p>Executing agency signs the grant agreement and project cycle operation starts.</p>
	<p>Baseline and endline assessment conducted by external agencies track outcomes as per the project result framework</p>
<p>Step 4: There is correspondence or availability of funds from special climate funds available internationally</p>	<p>Assess the concept based on the result/impact areas and investment criteria (for GCF)</p> <ol style="list-style-type: none"> 1) Impact potential 2) Paradigm shift potential 3) Sustainable development potential 4) Needs of the recipient 5) Country/State ownership 6) Efficiency and effectiveness <p>Submit proposal to NDA through National Implementing Entity (NIE) or MIE as per the format. Once approved by relevant board sign subsidiary agreement with NIE/MIE</p> <p>Executing agency starts the project cycle operation.</p>

7.1 SYNTHESIS

In the TNSAPCC, 260 climate actions were proposed, out of which 59 percent of these activities were under adaptation, 36 percent were under mitigation and 5 percent of these activities had both adaptation and mitigation components (Figure 7.1). The tentative budget to implement these actions was Rs. 404,258.14 Crore for five years (2012-17). Out of this budget, 74 percent was allocated for mitigation related activities and 26% was allocated for mitigation related activities. (Figure 7.1)

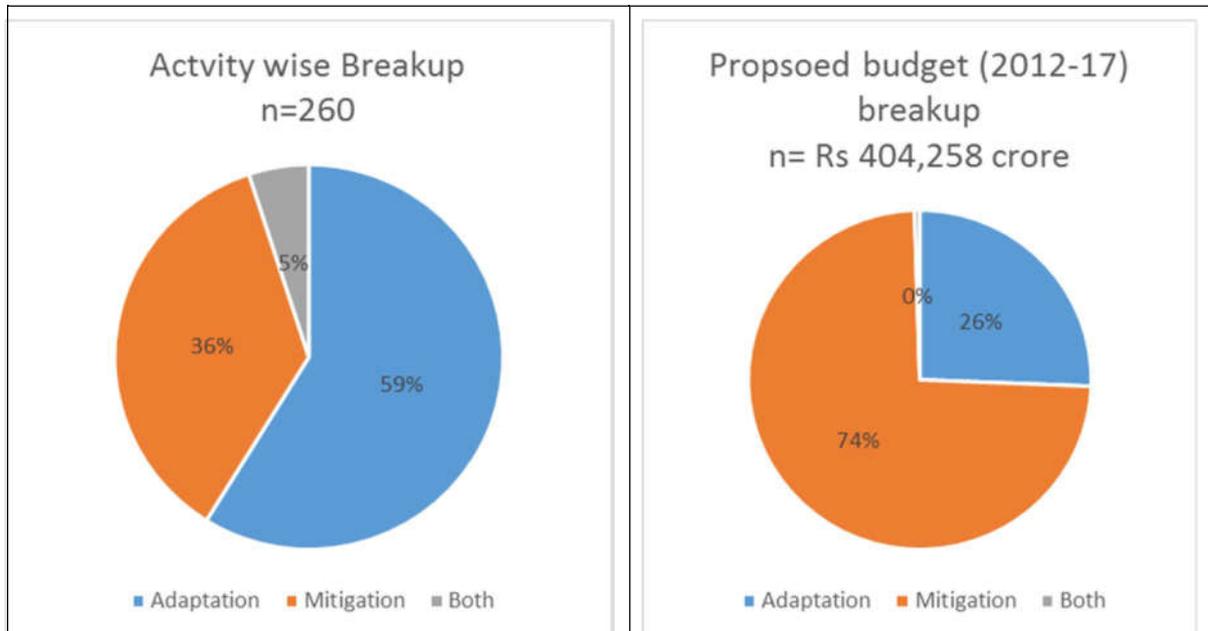


Figure 7.1 Breakup of climate actions (2012-17)

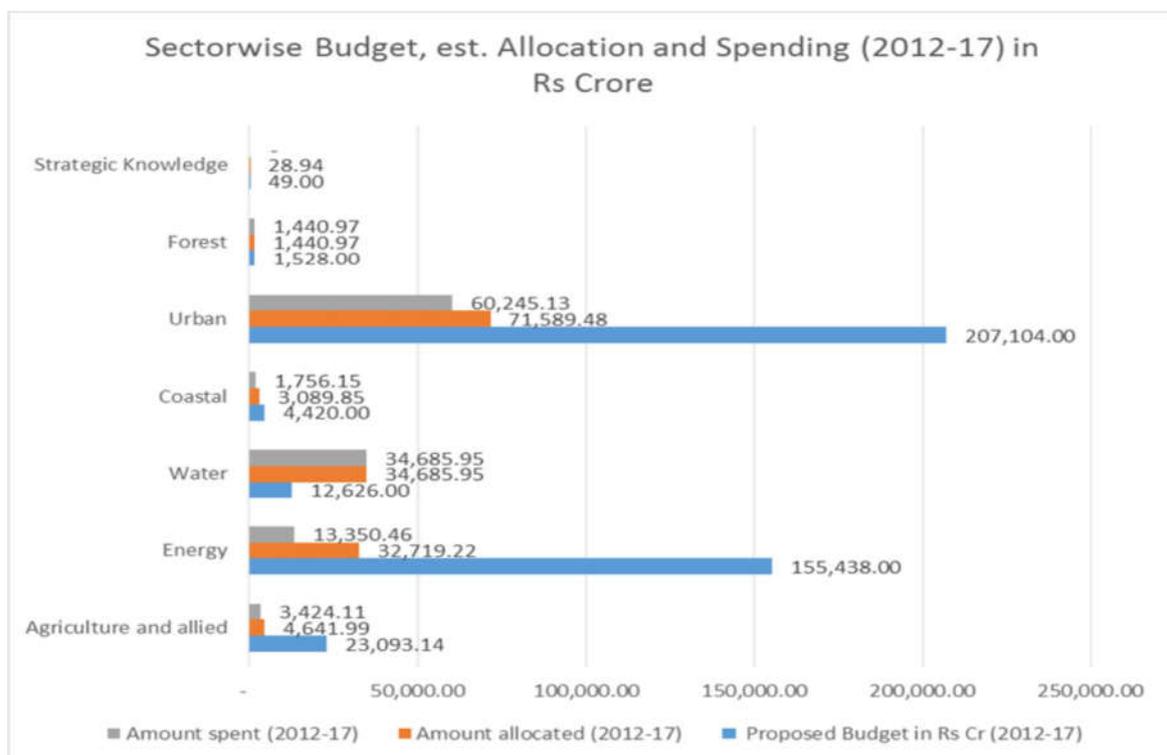


Figure 7.2 Allocation and spending by Sector wise budget

The allocation and spending by sector wise budget are given in the figure 7.2. Majority of the activities were proposed under Energy and Sustainable habitat sector those have strong linkages to mitigation targets under NDC. Table 7.3 the sector wise breakup of the proposed budget under TNSAPCC were depicted in Table 7.3.

Table .7.3 Sector wise proposed budget for TNSAPCC (2012-17)

Sector	Proposed Budget (as in SAPCC 2012-17) INR in Crore
Sustainable Agriculture	23,093.14
Water Resources	12,626.00
Forest & Biodiversity	1528.00
Coastal Area Management	4420.00
Strategic Knowledge for Climate Change	49.00
Enhanced Energy Efficiency and Solar Mission	155,438.00
Sustainable Habitat	207,104.00
TOTAL	404,258.14

The above table 7.3, the investment focus has been more on the Sustainable habitat sector which has strong relevance with the NDC and is highly affected by climate change. Investment in power infrastructure for energy efficiency has received the second highest allocation which will contribute to the NDC goals. Similarly, rapid modernisation in agriculture in the State also shows third highest allocation to Agriculture sector. The fourth allocation has been to water resources. The fifth highest allocation has been to forestry sector which has strong bearing on addressing climate variability, soil conservation as well as it helps in creating the carbon sink.

7.2 SUMMARY OF PRIORITISED INTERVENTIONS FOR 2021-30

Based on the discussion with all relevant stakeholders and departments 199 planned activities have been identified in seven sectors for prioritization, in which financial allocation have been proposed merging similar activities. The key method of prioritisation is driven by the following:

- (a) Adaptation activities that addresses high vulnerability and fits in to the impact chain (as relevant to sector)
- (b) Low carbon development linked to mitigation activities
- (c) There are some activities where adaptation and mitigation both possible, the co-benefit approach has been taken. Further sharpening has been done based on their linkages to SDG-NDC, with funding linkage and implementation potential. The details have been given in **Annexure 3**.

Though for prioritization of activities, a multi criteria-based analysis-based score card was used, first the activities have been screened based on vulnerability/impact as well as low carbon development process. Thereafter, NDC-SDG linkage was assigned highest weight of 50 percent. Implementation potential based on low barriers was assigned 30 percent weight and funding linkage was assigned 20 percent weight (since our funding is mostly schematic and climate relevance for proposed activities is still not standardized). The activities based on this were scaled as (1) meager (2) reasonable (3) significant. The weighted averages were used for ranking and prioritization.

To give some examples from agriculture sector, the State suffers from water stress and extreme weather events that makes the sector more vulnerable, The top strategies (given below) clearly show such linkages: (1) Extension strategies to popularize climate resilient management practices to mitigate extreme weather events (ART and MLT)

(2) Climate proofing with Integrated Farming Systems: Popularising the Integrated Farming System for wider adoption

(3) Recharging the aquifers using the abandoned open wells and defunct bore wells.

Table 7.4 SDG-NDC linkage of proposed activities

			NDC-SDG linkage			Total
			Meager	Reasonable	Significant	
		Number	0	11	40	51
	Agriculture & Allied					
		% of Total	0.0%	5.5%	20.1%	25.6%
		Number	0	14	24	38
	Coastal					
		% of Total	0.0%	7.0%	12.1%	19.1%
		Number	0	7	20	27
	Energy					
		% of Total	0.0%	3.5%	10.1%	13.6%
		Number	0	13	24	37
	Forest					
		% of Total	0.0%	6.5%	12.1%	18.6%
		Number	1	3	8	12
	Strategic Knowledge					
		% of Total	0.5%	1.5%	4.0%	6.0%
		Number	0	8	16	24
	Urban Habitat					
		% of Total	0.0%	4.0%	8.0%	12.1%
		Number	1	5	4	10
	Water Resources					
		% of Total	0.5%	2.5%	2.0%	5.0%
		Number	2	61	136	199
Total						
		% of Total	1.0%	30.7%	68.3%	100.0%

Table 7.5 inferred that 99 percent of the planned activities across seven sectors have reasonable and significant linkages to SDG and/or NDC. Agriculture, Coastal area management, energy, urban and forestry sectors have more such linkages. These sectors significantly can contribute to climate goals under NDC as well as have reasonable co-benefits.

Since majority of the activities are having significant linkages to SDG and NDC, a further analysis was done to identify funding linkage.

Table 7.5 Funding Linkage

			NDC-SDG linkage			Total	
			Meagre	Reasonable	Significant		
Funding Linkage	None	Number	0	1	0	1	
		% of Total	0.0%	0.5%	0.0%	0.5%	
	Meagre	Number	0	34	31	65	
		% of Total	0.0%	17.1%	15.6%	32.7%	
	Reasonable	Number	2	12	59	73	
		% of Total	1.0%	6.0%	29.6%	36.7%	
	Significant	Number	0	14	46	60	
		% of Total	0.0%	7.0%	23.1%	30.2%	
	Total		Number	2	61	136	199
			% of Total	1.0%	30.7%	68.3%	100.0%

Table 7.5 inferred that only 1 percent of the activities have meager SDG-NDC linkage but reasonable funding linkage. Overall 6 percent activities have reasonable funding linkage as well as SDG-NDC linkage, 23.1 percent of the activities have significant linkages to SDG-NDC as well as funding, 22.7 percent activities have meager funding and implementation linkage. 17.7 percent have reasonable funding and implementation linkage and 14.6 percent have significant funding and implementation linkages.

Table 7.6 Implementation linkage

			Implementation				Total	
			None	Meagre	Reasonable	Significant		
Funding Linkage	None	Number	1	0	0	0	1	
		% of Total	0.5%	0.0%	0.0%	0.0%	0.5%	
	Meagre	Number	0	45	16	4	65	
		% of Total	0.0%	22.7%	8.1%	2.0%	32.8%	
	Reasonable	Number	2	7	35	29	73	
		% of Total	1.0%	3.5%	17.7%	14.6%	36.9%	
	Significant	Number	0	4	6	49	59	
		% of Total	0.0%	2.0%	3.0%	24.7%	29.8%	
	Total		Number	3	56	57	82	198
			% of Total	1.5%	28.3%	28.8%	41.4%	100.0%

Only 0.5 percent of the proposed activities have no funding and no implementation linkage (Table 7.6). It is also validated that without any funding linkage no implementation takes place.

A detailed score card of activities has been presented in **Annexure 3** of the report.

The proposed budget for next 10 years is given in Table 7.7 with the probable linkages to funding and gaps.

Table 7.7 Proposed Budget for next 10 years (2021-2030)

S.No	Sector	Proposed budget in Rs. Crore (2021-30)	From State/Central budget available Rs. Crore	Gap in Rs. Crore
1	Sustainable Agriculture	71,731.94	58,426.94	13,305.00
2	Water Resources	19,041.84	16,728.00	2,313.84
3	Forest & Biodiversity	2,834.44	2,301.44	533.00
4	Coastal Area Management	4,776.10	2,626.58	2,149.52
5	Strategic Knowledge for Climate Change	280.87	271.68	9.19
6	Enhanced Energy Efficiency and Solar Mission	98,056.68	42,522.31	55,534.37
7	Sustainable Habitat	127,489.33	98,021.77	29,467.56
8	TOTAL	324,211.20	220,898.72	103,312.48

The State has proposed 199 activities that include some of the existing activities and new ones based on their linkages to NDC/SDG. The total resource requirement is expected to be Rs 324,211.20Crore. Apart from accounting from all possible sources of funds, there will still be a gap of Rs103,312.48 Crore.

Out of the proposed actions for next 10 years 56 percent were for adaptation, 43 percent for mitigation and 1percent had characteristics of both. (Figure 7.3)

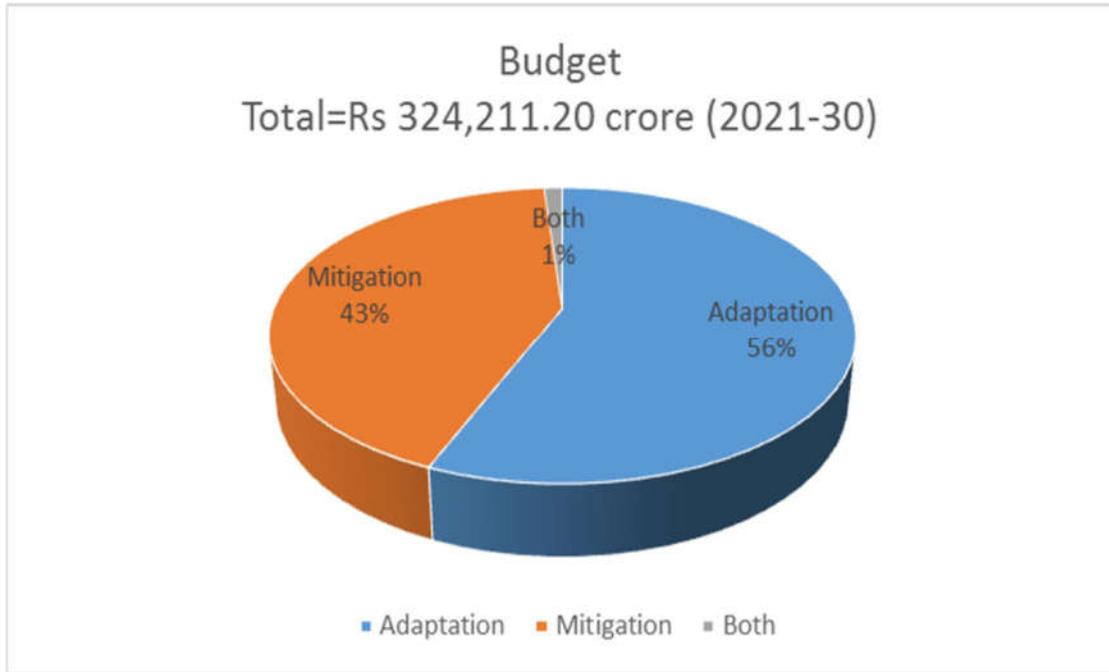


Figure 7.3 Breakup of Climate Actions (2021-30)

In terms of the nature of activity of the actions proposed for next 10 years, 64 percent of the activities were investment oriented, 18 percent were for capacity building, 11 percent for research and assessment, 4 percent of the total are pilot actions and 3 percent were meant for policy related actions. (Figure 7.4).

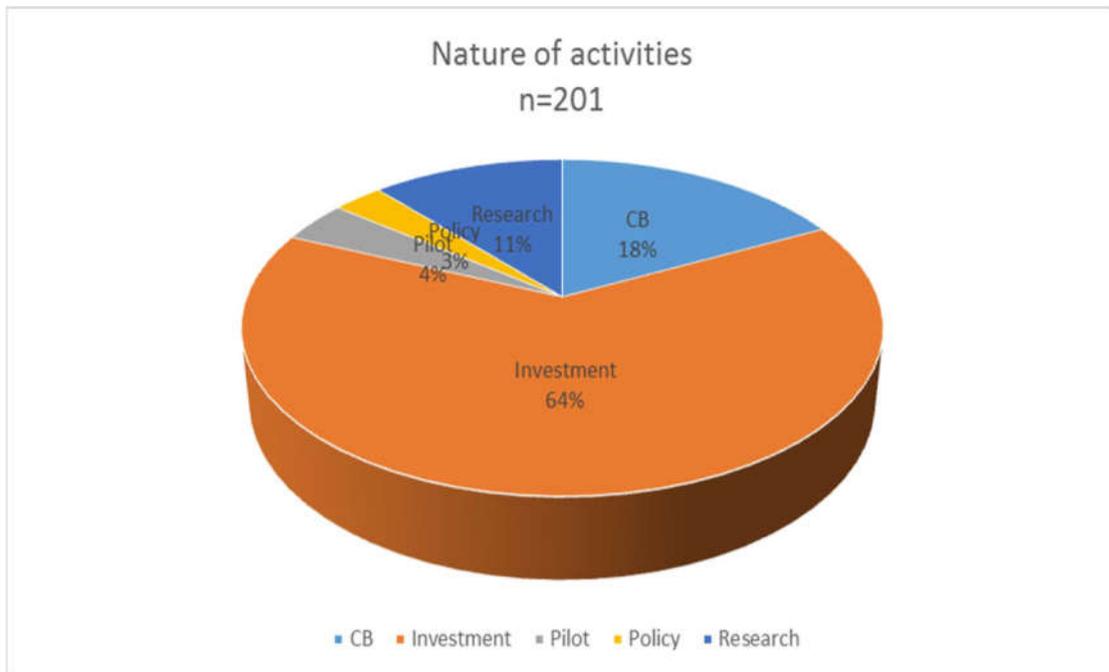


Figure 7.4 Allocation by Nature of activities (2021-30)

The focus on investment programs clearly shows a journey from pilot to policy and their main streaming through schematic convergence in various sectors. It also highlights the creation of the necessary infrastructure and institutional framework to ensure that climate change activities are carried out in a planned manner.