

Consolidation and devolution of climate finance in India

India International Centre
7 August 2015

Purpose of the meeting

To discuss national arrangements for climate finance in India, in particular:

- access by local stakeholders, particularly the most vulnerable, and
- sub-national governance arrangements

To discuss developments at the Green Climate Fund (GCF), in particular with regard to Enhanced Direct Access Pilot Phase

To approach actors who have not yet been engaged in the climate finance discussions so far, but could play an important role

Consolidation and devolution of climate finance in India

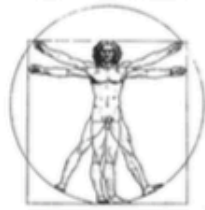
Anju Sharma

Director, Oxford Climate Policy



oxford
climate
policy





Consolidation and devolution of national climate finance

The case of India

By Anju Sharma, Benito Müller & Pratim Roy
March 2015

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European Capacity Building Initiative
www.eurocapacity.org

Sources of funding

- National allocations (for vulnerability reduction, Missions, budgetary announcements for CC)
- Other national sources: NCEF, CAMPA
- Multilateral international sources
- Bilateral sources

Currently dispersed and fragmentary.

- How can these sources work together, to achieve clear and common goals and targets? Need for a level of “consolidation without centralization”
- How can they better target the needs of the poor, and be locally owned and driven? Need for “devolution”

Consolidation w/o centralisation

- Cross-sectoral vision and national roadmap, with high-level leadership
- Principles – such as equitable access by the most vulnerable, balance between adaptation and mitigation
- Capitalisation, blending, coordination and accounting from/of all sources
- Avoid climate finance “silos”, promote cross-sectoral action
- Coherence and synergies with national development strategies, and national budget/ national sources of funding
- *Sustainable* institutional structure for the long term – built on existing national structures
- Monitoring and accountability – including checkpoints and flexibility for change. Top to down accountability

Devolution

- Compliance with Constitutional Amendments, which call for devolution to PRIs and ULBs
- Distributive justice, to ensure that climate finance reaches those who need it most
- Flexibility in decision-making at the local level, particularly given the unpredictable nature of climate impacts
- Ownership at the level of implementation, to ensure effectiveness and durability of results
- Promotion of integrated solutions, which are not tied to sectoral goals and targets

Proposal 1: Consolidation

Done already by many developing countries through the creation of National Funds. Creation of a Indian National Climate Fund could be useful for:

- "Light touch" and transparent guidance from a range of multistakeholders on the use of climate finance, while advancing a devolution agenda
- Providing a clear roadmap, and goals and principles
- Prioritising the needs of the most vulnerable
- Balance between the different thematic areas of mitigation, adaptation, capacity building etc
- Coherence with national strategies
- Integration across sectors – including greater ownership, and the use of existing national institutions and mechanisms
- Continuous review of progress, to make mid-course corrections where necessary

Lessons from the NCEF CAMPA

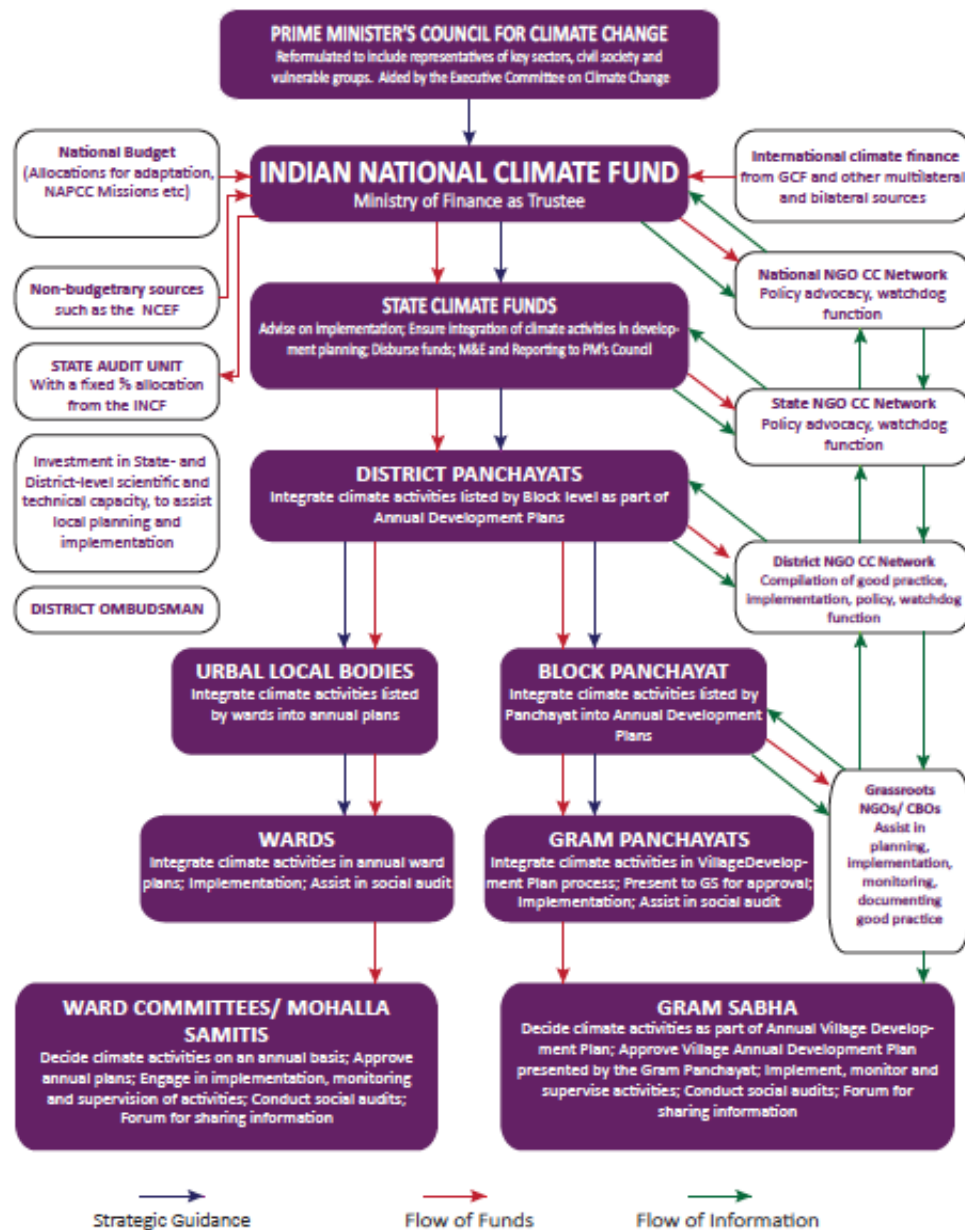
Proposal 2: Devolution

- India has a great deal of experience to offer in the context of devolution – particularly the challenges of *fiduciary* devolution
- India led in the context of “community-based” solutions, and can do the same for “community-driven” solutions to climate change

Examples – NREGA and Kecamatan Development Project in Indonesia

Learning from NREGA

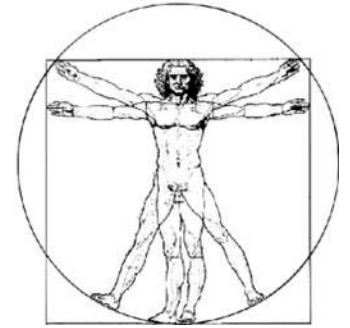
- Perhaps the most successful effort in India so far in devolution to the most vulnerable
- Commitment to fiscal devolution, community planning and decision-making, and importantly, capacity building
- Some amount of certainty of funds, allows for better planning at the local level (compared, for instance, to SAPCCs)
- Synchronized with Village Development Plans, necessary for climate compatible development
- Innovations such as social audits – critical element for national and international sources
- Long term, sustained, capacity building at the local level is possible



Questions

- What are key concerns with regard to consolidation?
- What are key concerns with regard to devolution?
- To what extent can climate finance use the NREGA infrastructure?
- Specific concerns at the level of the State, district and sub-national level

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GCF Enhanced Direct Access Pilot Phase – Synopsis

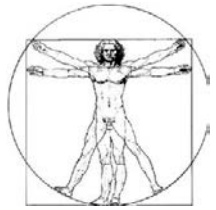
Friday, 7 August 2015, IIC, New Delhi

Benito Müller

Director **ecbi**,

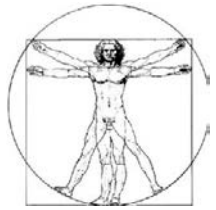
MD **oxford climate policy**

for sustained capacity building in support of international climate change negotiations
pour un renforcement durable des capacités en appui aux négociations internationales
sur les changements climatiques



Content

- A Brief History of Enhanced Direct Access
- The Status Quo: Terms of Reference for the EDA Pilot Phase
- Engaging MSMEs: An Indian Case Study



D. Access modalities and accreditation

1. DIRECT ACCESS

47.The Board will consider *additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes.*

Transitional Committee Meeting
Cape Town, **October 2011**



GREEN
CLIMATE
FUND

GOVERNING INSTRUMENT
For The Green Climate Fund



Industry Recommendations on Green Climate Fund

Delhi Vision Workshop

organised by the Ministry of Finance

15 February 2013

Hotel Taj Mansingh, New Delhi

Mr V Saibaba

Chairman

FICCI Solar Energy Task Force

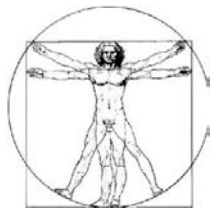
CEO, Lanco Solar

Summary of Recommendations

- National Funding Entity (NFE) should be flexible and non-bureaucratic;
- Transfer of resources from the GCF to NFE and from NFE to private sector should be simple and transparent;
- National Funding Entities should decide what and how to fund
- Utilize existing best possible/proven delivery mechanisms
- Program & Project approval at the country level



DELHI VISION STATEMENT: THE GREEN CLIMATE FUND

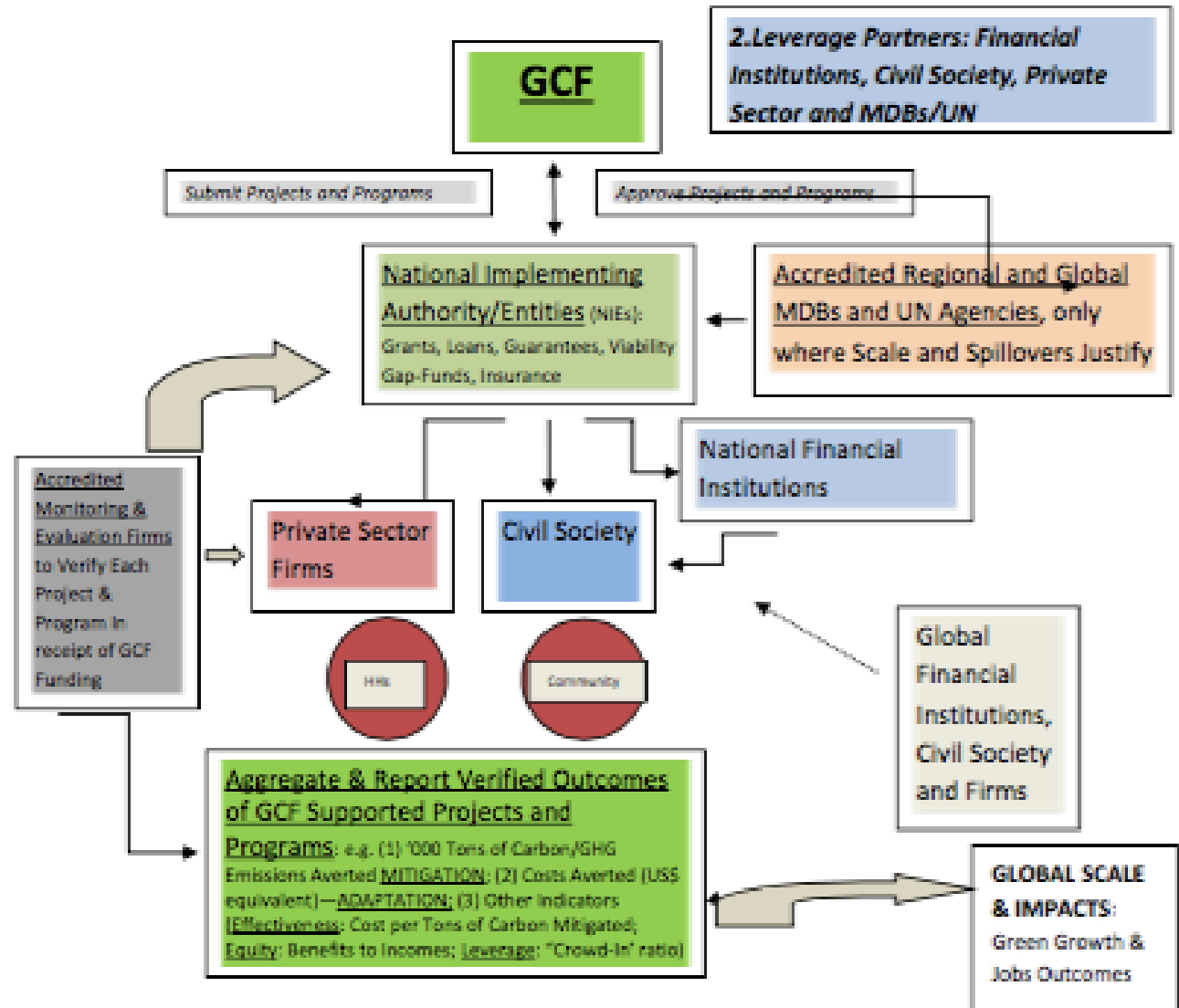


INDIA

DRAFT CONFIDENTIAL: NOT TO BE DISTRIBUTED

3/6/2013

Building a Flexible and Scalable Devolved Model That works: With Partners



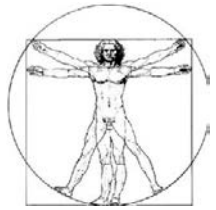
DECISION B.08/09, Barbados 18 October 2014

Decisions of the Board –
Eighth Meeting of the Board,
14-17 October 2014

The Board, ... requests the Secretariat, ... to *prepare terms of reference for modalities for the operationalization of a pilot phase that further enhances direct access, ...*; these terms of reference will launch the pilot phase;



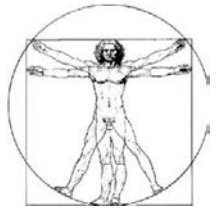
Dipak Dasgupta (India) Jan Cedergren (Sweden)



GCFB.10 Decision, Songdo July 2015

The Board, having considered document GCF/B.10/05 *Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot Phase*:

- (a) *Approves the terms of reference for a pilot phase enhancing direct access* to the Green Climate ...;
- (e) *Requests* the Secretariat ... to carry out a Request for Proposal from countries ... *with the initial aim of providing up to US\$ 200 million for at least ten (10) pilots*;



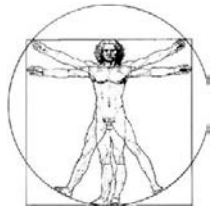
Annex I: Terms of reference for a pilot phase enhancing direct access to the Green Climate Fund

Objective of the pilot phase

The objective of the pilot phase for enhancing direct access is an effective operationalization of modalities to enhance direct access including *devolved decision-making* and stronger *local multi-stakeholder engagement*.

Enhancing direct access is necessary mainly because *decision-making on the specific projects and programmes to be funded will be made at the national or subnational level*, and such direct access is a means to increase the level of country ownership over those projects and programmes.

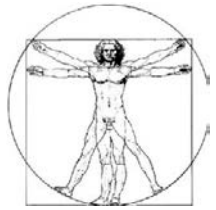
This implies that *the screening, assessment and selection of specific pilot activities would be made at the regional, national or subnational level*. At the same time, mechanisms will be set up to increase *national oversight and multi-stakeholder engagement at the country level*.



Annex I: Terms of reference for a pilot phase enhancing direct access to the Green Climate Fund

Steps of the pilot phase

- A call for pilot proposals by the Secretariat;
- The selection and nomination of a national implementing entity (NIE);
- Submission of a proposal developed by the nominated NIE to the Fund for approval. *Unlike the traditional direct access modality, there will be no submission of individual projects or programmes to the Fund because decision-making for the funding of specific pilot activities will be devolved to the country level;*
- *Decision-making by the entity on the specific pilot activities under the Fund-approved pilot, in consultation with the NDA or focal point, oversight function, and various stakeholders in the multi-stakeholder engagement process.*



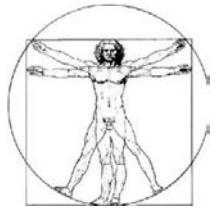
Annex I: Terms of reference for a pilot phase enhancing direct access to the Green Climate Fund

National oversight and steering function and multi-stakeholder engagement

The oversight function should *include the NDA and representatives of relevant stakeholders, such as government, private sector, academia or civil society organizations, and women's organizations.*

Oversight and steering activities may include:

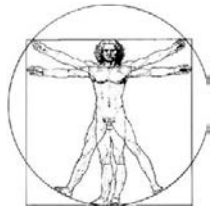
- *A provision of regular strategic guidance regarding the country pilot(s) to the accredited entities;*
- Review of reporting by the accredited entity;
- Periodic field visits; and
- Regular communication with relevant stakeholders and the Fund.



Annex I: Terms of reference for a pilot phase enhancing direct access to the Green Climate Fund

Type of entities to be involved in implementation

- NIEs can be a public-sector institution (development bank, national fund, etc.) or private-sector entity (commercial bank, investment fund, etc.) and non-governmental organizations operating at the regional, national or subnational level.
- To ensure the inclusion of a wide range of stakeholders, the NIE will work with various *types of local actors*, especially those addressing the needs of vulnerable communities and gender aspects, which may include public institutions, local bodies, non-governmental organizations, community-based organizations, actors from the informal sector, and private enterprises, particularly small and medium sized enterprises (SMEs).



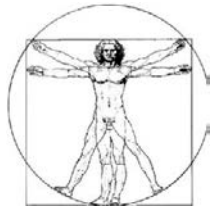
Annex I: Terms of reference for a pilot phase enhancing direct access to the Green Climate Fund

Type of activities to be considered

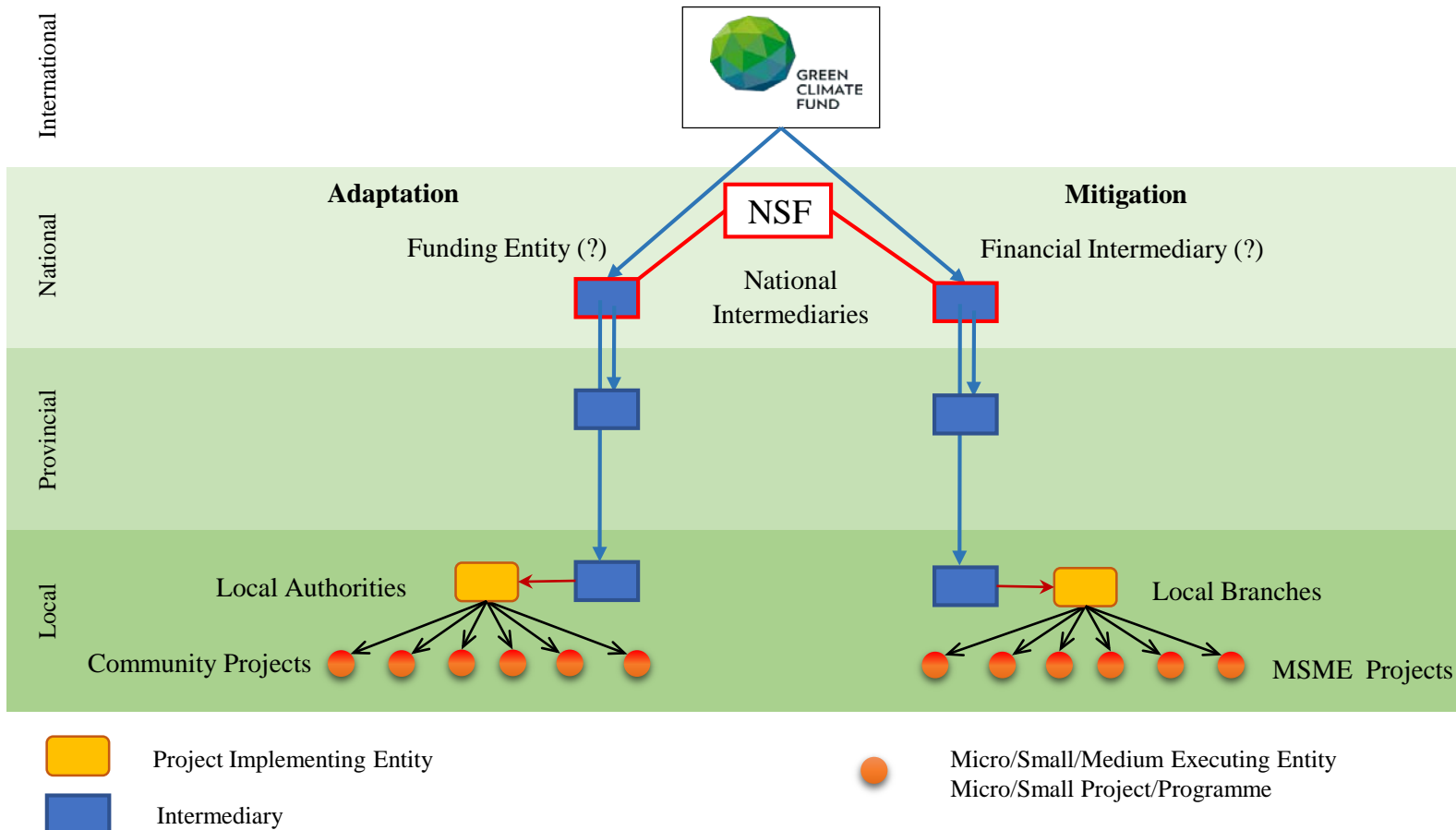
- A significant share of small-scale activities should *directly support communities or SMEs, through, for example, small-scale grants or extended line of credit.*
- The NIEs will work through various types of local actors ..., *particularly local intermediaries* and those addressing the needs of *vulnerable communities, which may include public institutions, non-governmental organizations and private enterprises, especially SMEs.*

GCF Enhanced Direct Access Pilot Phase

- Foreign public sector funding stream consolidation through a National Steering Function (NSF)
- In-country devolved access to the provincial and local level for engaging local stakeholders (communities, MSMEs)



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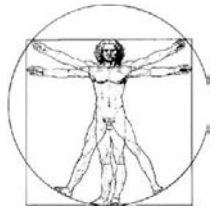


Benito Müller, *Engaging Micro, Small, and Medium Enterprises in developing countries*, OCP/ecbi, February 2015

Anju Sharma *et al.*, *Consolidation and devolution of national climate finance: The Case of India*, ecbi, March 2015

<http://www.eurocapacity.org/public/pubarchive-brief.shtml>

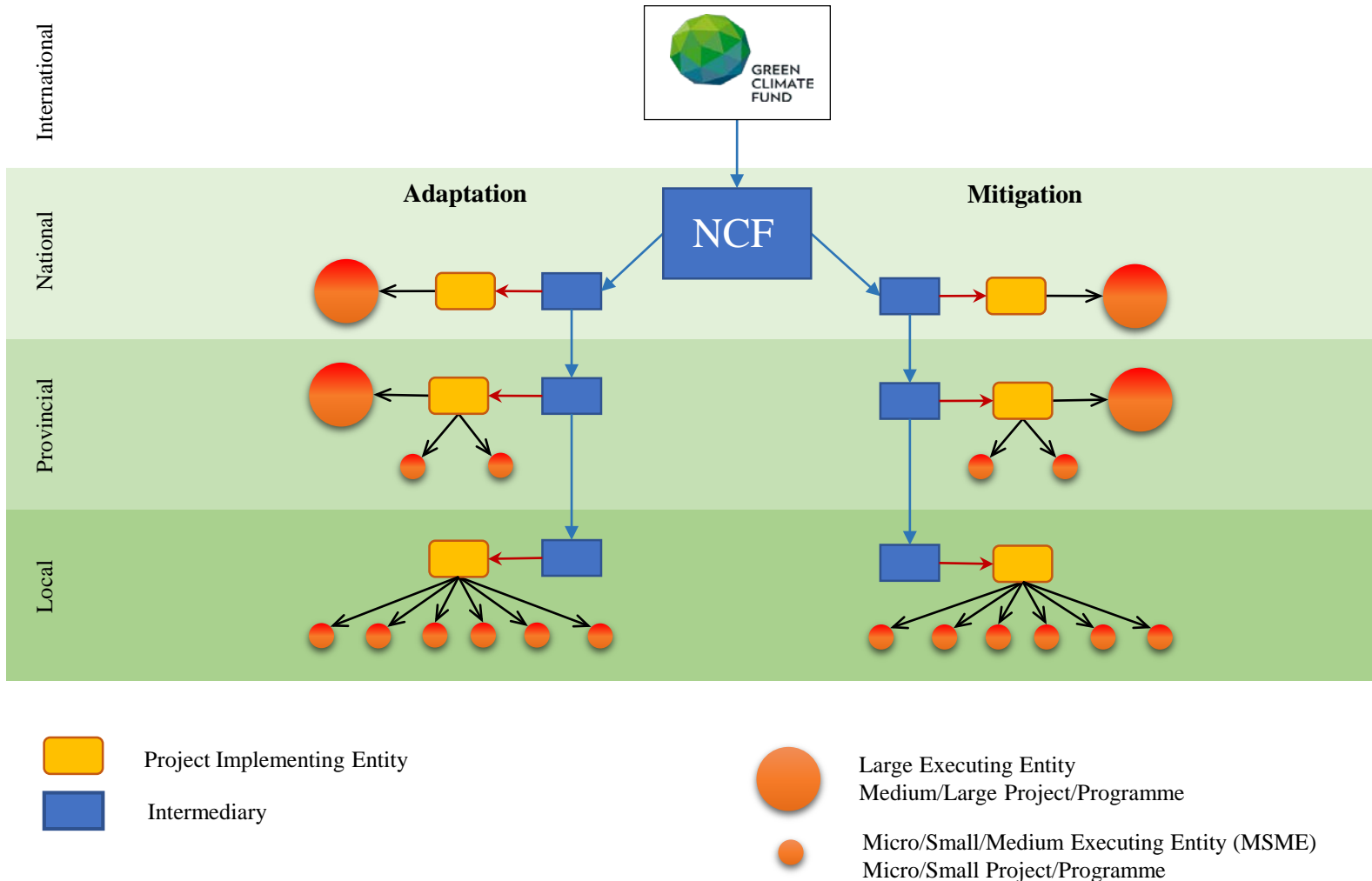
Enhanced Direct Access as GCF “Signature Access Modality”

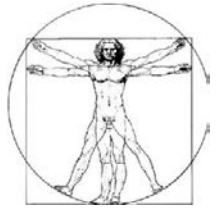


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National Climate Fund (NCF)

- Accredited with the GCF both as funding entity and intermediary
- Governed by the National Steering Committee (incl. NDA)





Engaging Micro, Small, and Medium Enterprises in developing countries

ENHANCED DIRECT ACCESS AND THE GCF PRIVATE SECTOR FACILITY

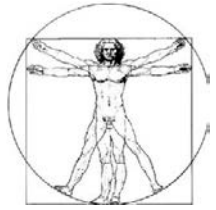
Working Paper¹

February 2015

Annex B. The India-MSME Energy Efficiency Project

by Sameer Pandita*

The Financing Energy Efficiency Project (FEEP)



European capacity building initiative
ecbi



Global Environment Facility (GEF)
Funder

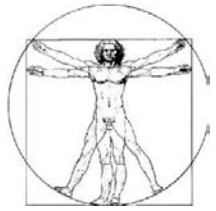


Bureau of Energy Efficiency (BEE)
National Steering Body



Small Industries Development Bank of India (SIDBI)
Local Intermediary

The FEEP Scope



eubi
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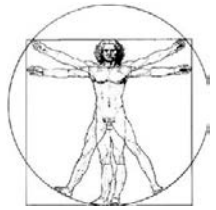


Five Energy Intensive MSME Clusters

- foundries at Kolhapur,
- forging at Pune,
- limekilns at Tirunelveli,
- chemicals at Ankleshwar, and
- a mixed cluster at Faridabad.

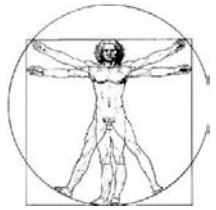
Two Types of Activities

- Activities to build awareness of, and capacity to carry out, energy efficiency measures in MSMEs (assistance with Energy Audits, Detailed Project Reports, and to manage the knowledge generated).
- Energy efficiency investment (enhancing) activities, in particular with regard to mobilizing financing from local Indian banks



Financial Instrument

- FEEP uses *ex post performance-linked grants* to incentivize the participation of MSMEs. To receive such a grant, the MSMEs have to undergo *detailed energy audits* through BEE-certified energy auditors and prepare a *project report* (through agencies contracted by SIDBI) which identify the energy efficiency measures to be implemented and estimate the cost to do so.
- The *grant level* is 15-20 percent of whichever is lower: the *actual capital investment* made by the MSME in implementing the identified energy efficiency measures, or the *estimated implementation cost*.



March 20, 2015 12:03 am

Handelsbanken is intent on getting banking back to the future

Richard Milne

It operates instead on what it calls the “church-spire principle”, a model it has followed since the 1970s under which *each branch is given total freedom to decide how to deal with its customers.*

The model has caught the attention of investors, regulators and analysts around the world. Since the 2008 financial crisis it has *delivered a higher total return to shareholders than any other big European bank.* Analysts at Berenberg, a German investment bank, call it “the blueprint for banking in Europe”.

Andy Haldane, chief economist at the Bank of England, called Handelsbanken’s business model “back to the future” as the Swedish bank has *both some of the highest capital ratios and the highest returns in European banking.*