Consolidation for devolution: Balancing top-down and bottom-up elements of climate finance governance in India

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In our last blog, we discussed the consolidation of national and international climate finance at the national level in India. In a recent ecbi Policy Brief we propose that this consolidation could take place in the form of an Indian National Climate Fund (INCF), overseen by a national governing body. This national fund could play a critical role in:

- defining a common vision and principles for climate finance in India;
- ensuring coherence with national development goals strategies, and integration across sectors;
- ensuring distributive justice;
- ensuring that climate finance reaches those who need it most, and their needs are prioritised;
- ensuring a balance between different thematic areas (such as mitigation, adaptation, capacity building etc.); and
- providing a continuous review progress, to enable course corrections when necessary.

The INCF could also serve as the national gateway for international climate finance, serving as a high-level, multi-sectoral and inclusive governing body to provide national direction to international climate finance, and oversee its further devolution to the sub-national level. For instance, it could serve as the “national funding entity” to access funds from the Green Climate Fund through its “enhanced direct access” modality. Several other countries have created a national climate fund precisely for such “blending” of national and international resources – examples include the Bangladesh Climate Change Trust Fund, the Indonesia Climate Change Trust Fund, the People’s Survival Fund in the Philippines, Mexico’s Climate Change Fund (the Fondo para el Cambio Climático), Brazil’s National Climate Change Fund, and Rwanda’s National Climate and Environment Fund (FONERWA).

However, the establishment of such an INCF should not result in a (further) “centralisation” of climate finance decision-making. Instead, the INCF vision and principles should underline the need for devolution of decision-making on the use of climate finance, in keeping with India’s 73rd and 74th Constitutional Amendments. Existing national funds like the National Clean Energy Fund and the Compensatory Afforestation Fund are not good models for such an INCF for precisely this reason – both have highly centralised and non-participatory governance structures.

The closest and most successful example we found for “consolidation for devolution” in India is the National Employment Guarantee Fund (NEGF), with its accompanying infrastructure to implement the National Rural Employment Guarantee Scheme (NREGS – based on the NREG Act, or NREGA, passed in 2005).

The governance structure for the use of NEGF funds is far more representative – the Central and State Employment Guarantee Councils not only include representation from all relevant ministries and departments, but also from local governments and non-government stakeholders, including vulnerable and disadvantaged groups. There is

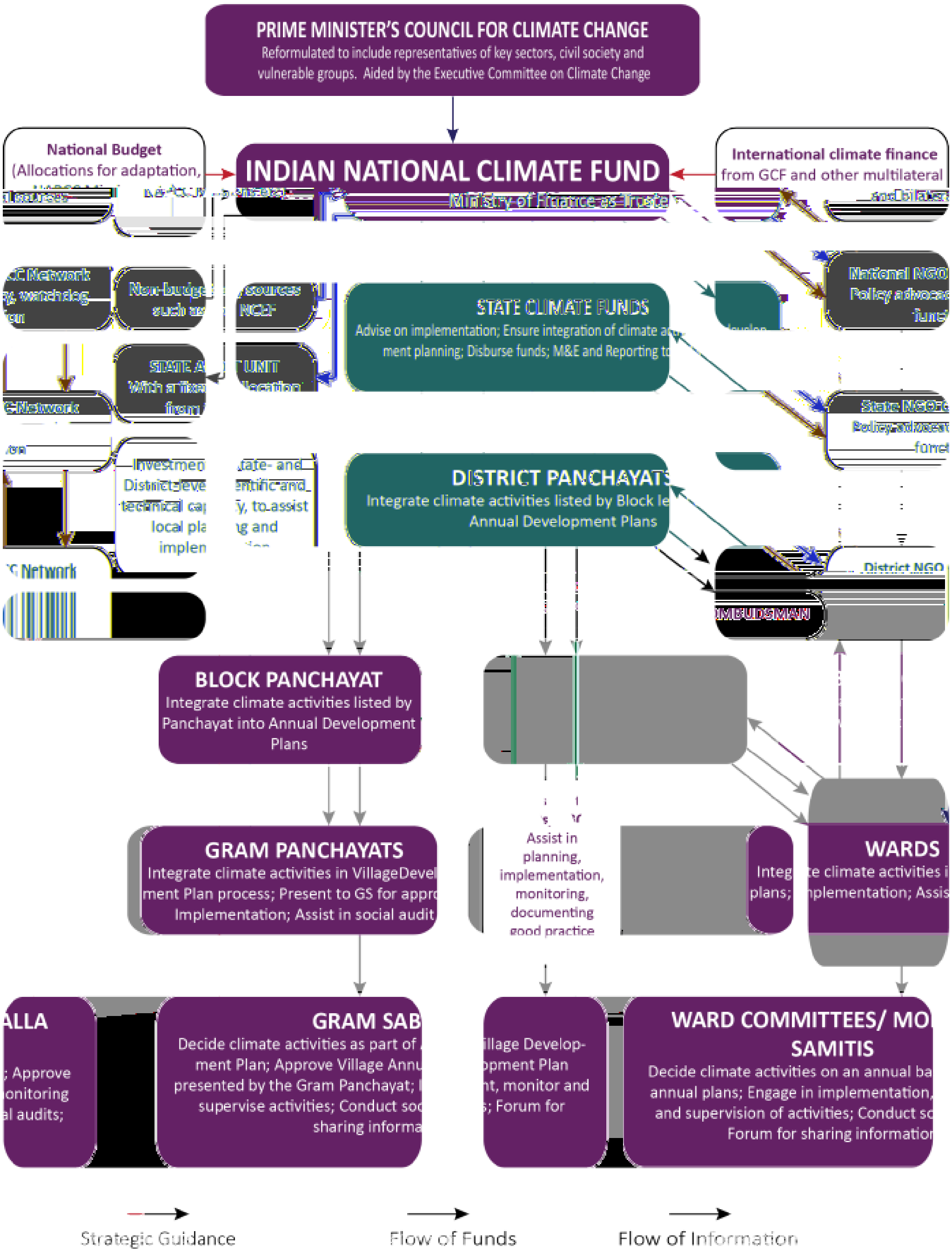
The governance structure of NREGA has also proven its flexibility to learn and innovate, and to address shortcomings identified during implementation. For instance, the social audits are an innovation in promoting 'top to bottom' accountability, and making local office holders accountable to village assemblies. Redressal is possible through a district-level ombudsman. There are a number of "implementing agencies" on the ground, including non-government organisations – but they must all get prior consent from Gram Panchayats (village governments). Finally, NREGA has been successful in reaching out to the poorest in rural areas, at least in States where it has been implemented well.

These characteristics of NREGA are all important and desirable for a national climate fund. Reviews of the performance of NREGS have pointed to its success producing significant transformative outcomes for rural labourers, such as pushing up rural wage levels, enhancing low-caste workers' bargaining power in the labour market and reducing their dependency on high-caste employers. Undoubtedly, there are shortcomings – for instance, the scheme has been found to be less successful in creating durable assets, and promoting grassroots democracy. While these aspects need to be improved, there is no denying that there are many potential benefits in seeking synergies between NREGS and the use of climate finance for adaptation and mitigation in rural areas.

Considerable investments have already gone into the institutional infrastructure for NREGA. Similar investments will most likely not be possible for a national climate fund. However, instead of trying to duplicate the NREGA infrastructure, the INCF should use existing structures and processes where possible. There are already examples of such synergies taking place – for instance, the Social Audit Unit in Andhra Pradesh has proven so successful that it is being called upon to carry out audits of other schemes, such as the Aam Admi Bheema Yojana and the Integrated Watershed Management Programme. Such arrangements could prove mutually beneficial – while the climate fund will benefit from the use of a pre-existing infrastructure, the NREGA infrastructure could benefit from, and be strengthened, through the additional injection of resources.

While the NEGF/ NREGS structure can form the main channel for rural areas, a similar climate finance channel can be created for urban areas in India. The NREGS governance architecture could also serve as an example to strengthen the role of Urban Rural Bodies in implementation. Other channels will also be necessary – including national budgetary channels (especially for funds from the Union budget, and for activities that need investments at the national and state levels); civil society groups and networks (not just to support implementation of local priorities, but also to play a crucial watchdog role); national development finance institutions; and public and private banks that have the infrastructure available to channel finance to the local level, disburse funds, and oversee mitigation and adaptation activities.

Meanwhile, the grassroots democracy element of NREGA and its climate supplement should be further



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It must be said!