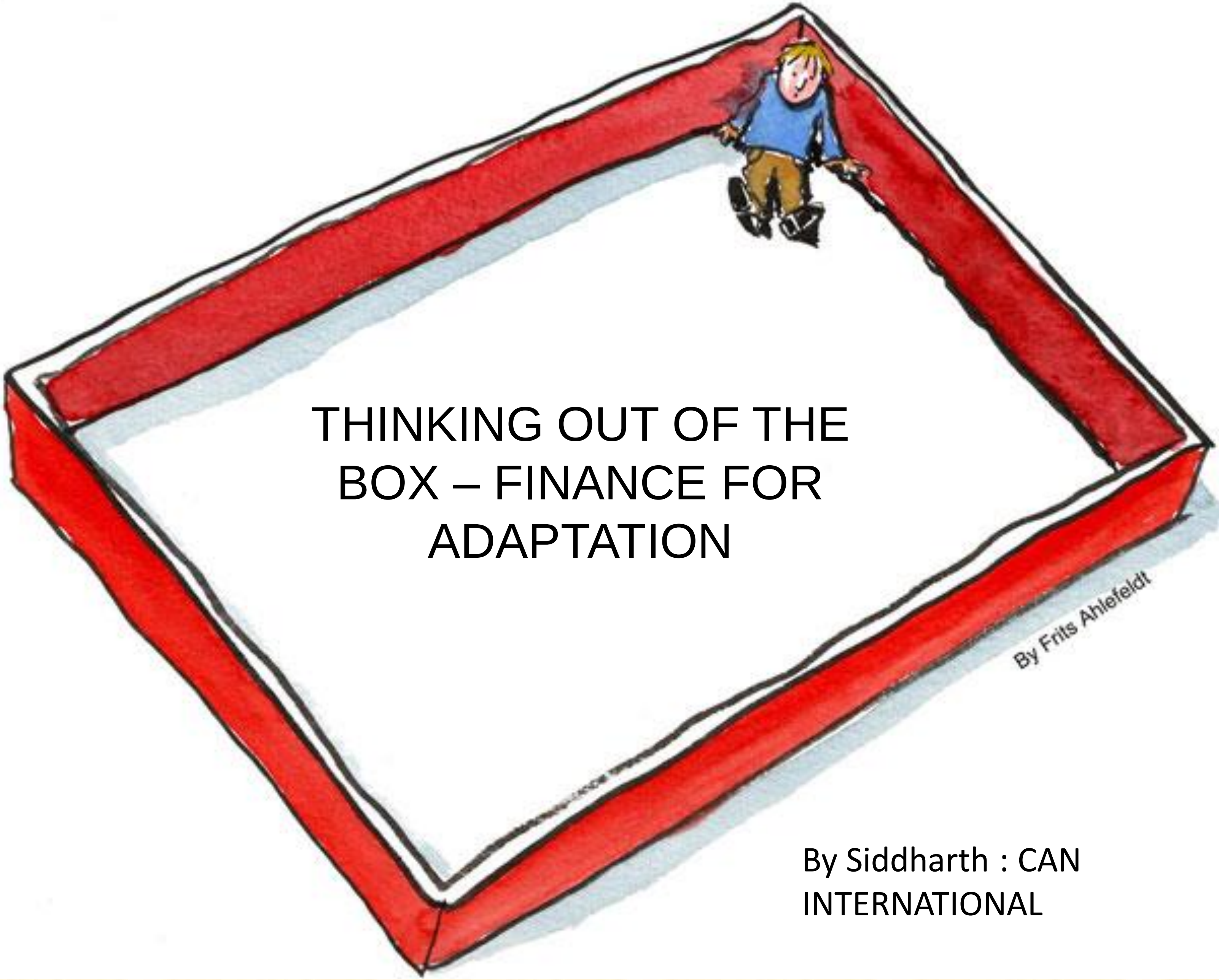
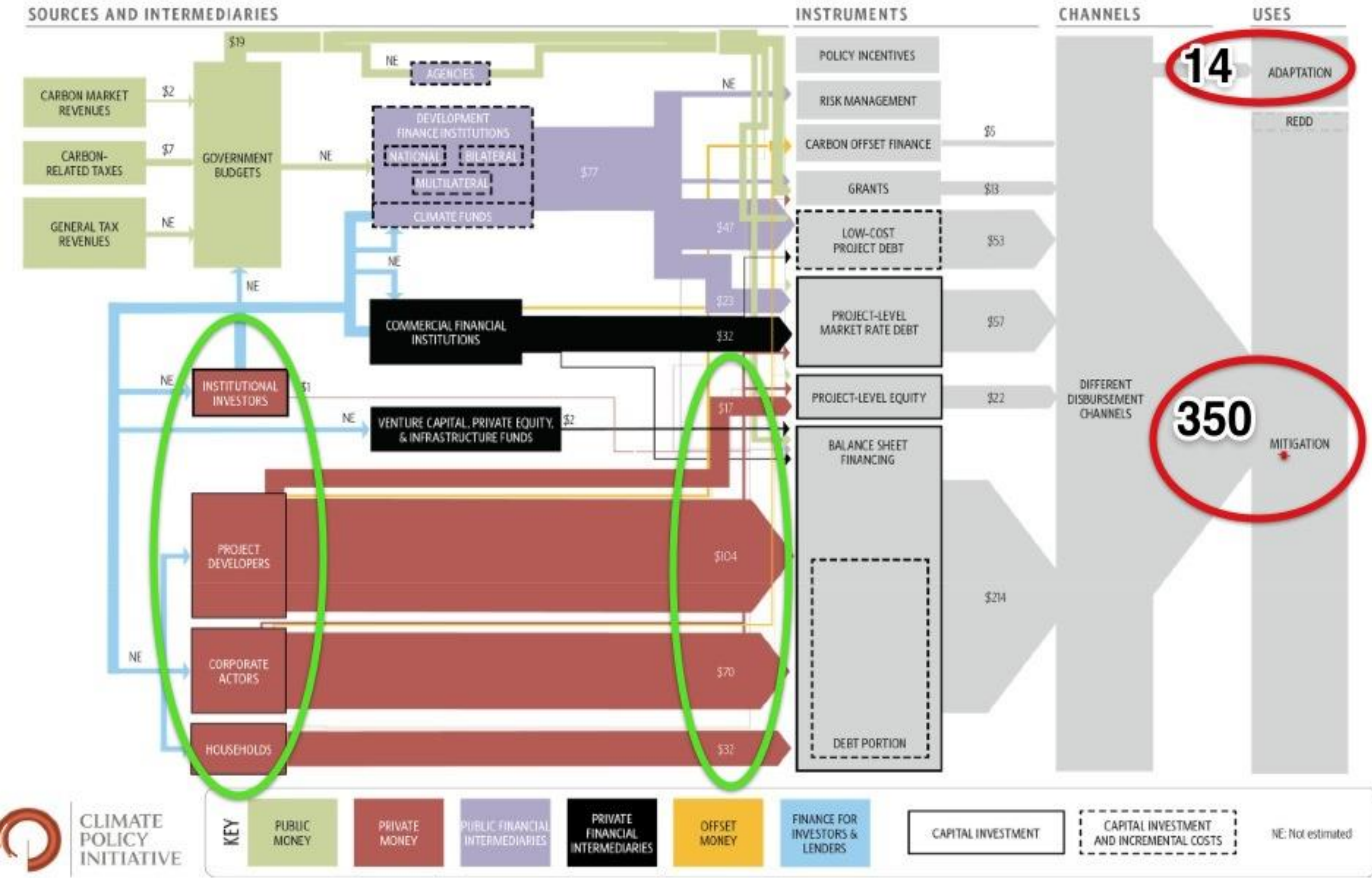


THINKING OUT OF THE BOX – FINANCE FOR ADAPTATION

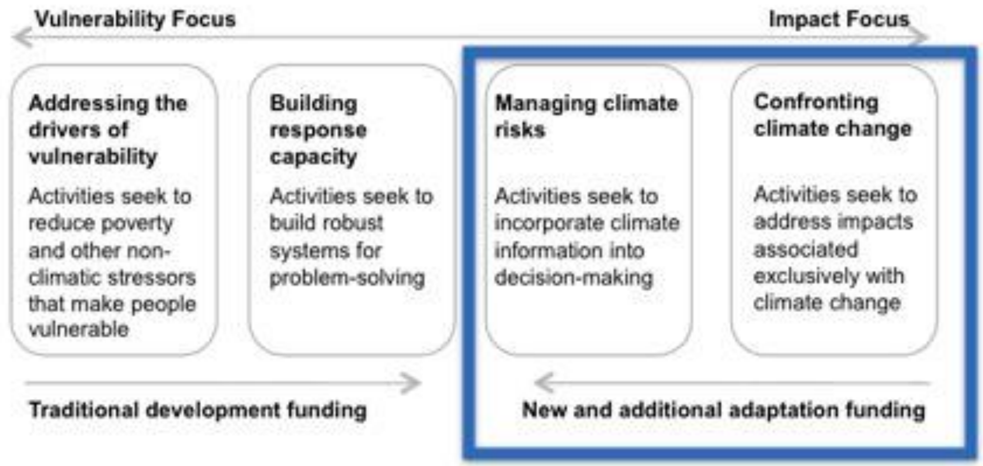
By Siddharth : CAN INTERNATIONAL

2010/11 climate finance flows (in USD billions)



CLIMATE POLICY INITIATIVE

ADAPTATION – DEVELOPMENT CONTINUUM



Source: adapted from McGray et al. (2007) in Klein and Persson (2008).

We need finance for both but impact focus clearly gets the short end of the stick….

Financial Narrative : Mitigation and Adaptation

Mitigation Actions : Bankable, profitable, returnable capital, large scale, incentives

Co- Benefits : Energy security, resource security, environmental protection, green jobs

Core drive : <u>Profits</u>

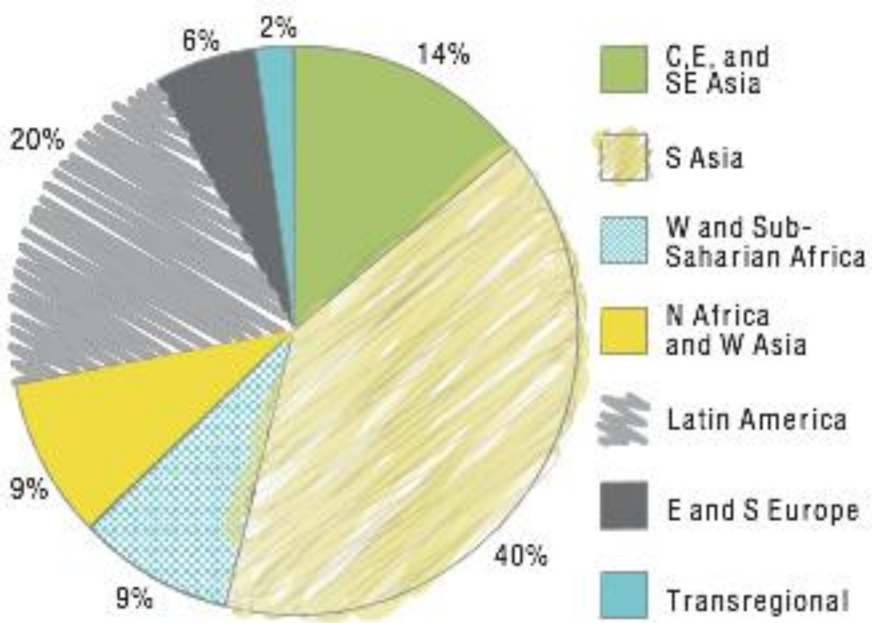
Adaptation Actions : Development oriented, addressing core needs, grassroots, small scale

Co-Benefits : Meeting development objectives, livelihoods, protecting vulnerable peoples

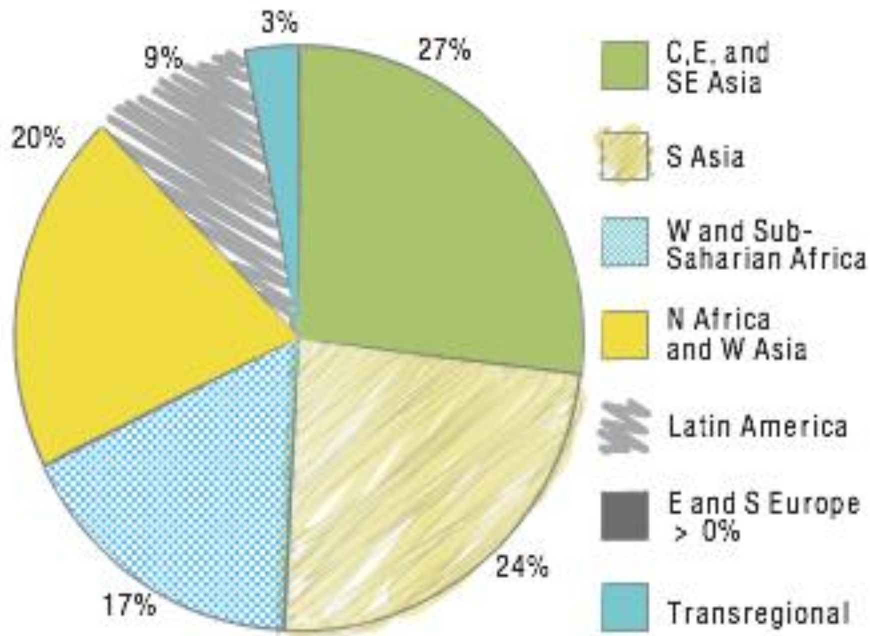
Core Drive : <u>Moral</u>

Regional distribution of climate financial flows 2011

Mitigation



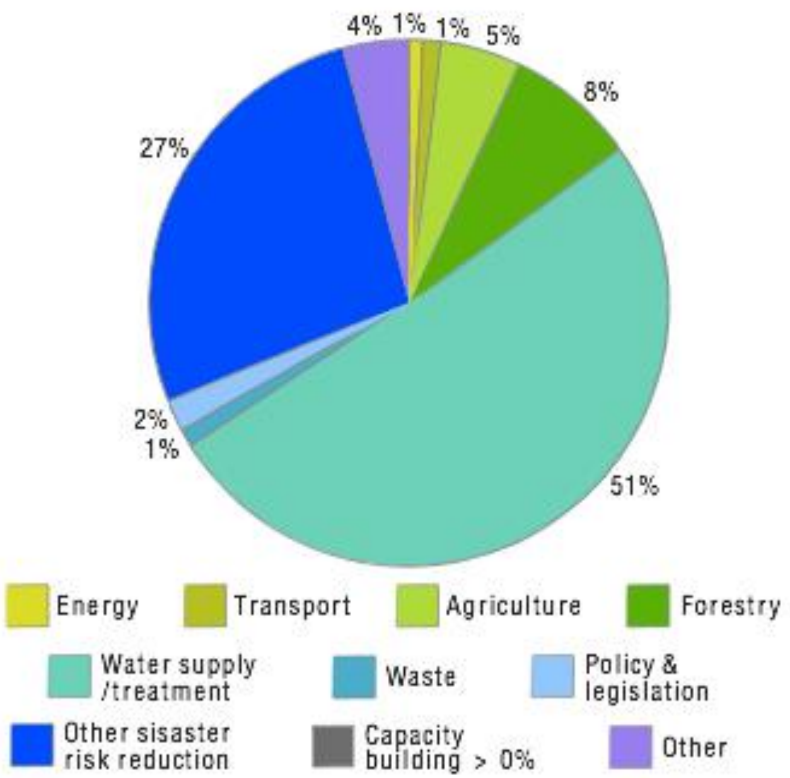
Adaptation



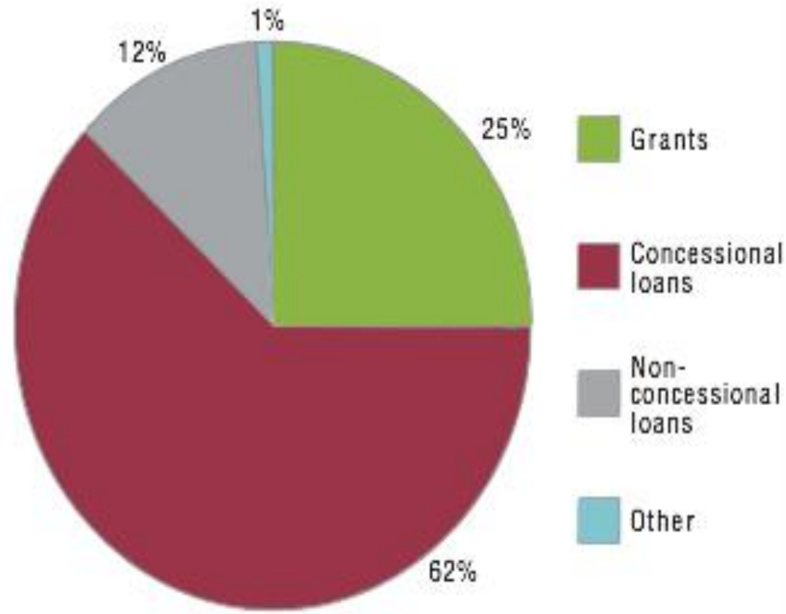
Source: UNEP

ADAPTATION FINANCE

Sectoral Distribution



Financial Instruments



Source: UNEP

Innovative sources of finance

Innovative Source	Scale	Problems
Carbon Tax / emission trading auctioning	$30 Billion	Mitigation Targets, Earmarking
International Bunker (Aviation, Maritime) Levy	$10 Billion	CBDR, Earmarking, Cost of Incidence
Redirecting Fossil Fuel Subsidy	$10 Billion	CBDR, Cost of Incidence
Carbon Market Finance	$30 – 50 Billion	Carbon price at all time low
Private Finance	$100-200 Billion	Problems around attracting

Adequate – yes
Predictable – Maybe
Application in adaptation – problematic
Issue of political will

Recent attempts at generating adaptation finance in South Asia

Country	Initiative
Afghanistan	-
Bhutan	UN capital development fund - 27 million ngultrums
Bangladesh	Bangladesh Climate Change Resilience Fund (BCCRF) - $170 Million (Grants) Bangladesh Climate Change Trust Fund - $300 Million (Budgetary Allocation)
India	National Clean Energy Fund : Rs.50 per tonne of coal
Nepal	Climate Change Budget Codes
Maldives	-
Pakistan	Climate Adaptation Fund - $3.96 Million (Grants) Slashed domestic budgetary allocation by 50%
Sri Lanka	-
SAARC	Climate Adaptation Fund - ?

Sources for Climate finance – Adaptation

- **Budgetary Allocations** from national budgets
- **Polluter pay levies** – earmarking for adaptation
- **Special taxes** – Like the education cess
- **National market based Levy**
- **Global Levy** – Repatriation of developing country share
- **Consumption based Levy** – tapping burgeoning middle class
- **Private sector**

Mainstreaming adaptation in development – ODA and Climate Finance

Country	NET ODA RECEIPTS (2011)
Afghanistan	6384
Bangladesh	1398
Bhutan	133
India	3013
Nepal	828
Maldives	43
Pakistan	3341
Sri Lanka	562
Total	**USD 15.7 Billion**

USD Million

SECTORAL BREAKUP OF ODA 2011 (Asia)

Sector	Components	Percentage
Social	Education, Health, Population, Water supply and sanitation, Government and civil society, other social infrastructure	52.6
Economic	Transport, Communications, Energy, Banking, Business	21.1
Production	Agriculture, Forestry, Fishing, Industry, Mining, Trade, Construction, Tourism	14
Multi sector		7.5
General Programme Aid		0.7
Humanitarian		3.8
Others		0.8

How to make it happen ?

- ✧ Development and adaptation go hand in hand and have *positive and negative feed back loops*
- ✧ *Core Logic* for development assistance and Adaptation is similar (*Moral*)
- ✧ *Plug into the post 2015 MDG process*
- ✧ *Integrate Adaptation and climate change within these sectors* (Overcoming additionality issues and transparency issues)
- ✧ *Closer collaboration* between climate and development communities

Consumption based sources : Air Passenger Levy

COUNTRY	PASSENGERS CARRIED (2012)
Afghanistan	1,737,962
Bangladesh	2,429,981
Bhutan	179,807
India	70,501,495
Pakistan	7,746,829
Maldives	-
Nepal	776,864
Sri Lanka	4,616,075
Total	86 Million

Renewed look at the private sector

- ✧ The private sector is an important source of climate finance**.**
- ✧ There are various ways in which private finance can support adaptation. **Debt**, in particular, can be used as an enabling instrument for both publicly and privately initiated adaptation, including direct project lending and credit lines to local finance institutions.
- ✧ **Drawing on capital markets** to raise new finance for adaptation
- ✧ **Leveraging** : Using public finance to help spread private finance more evenly
- ✧ Build In-country **policy and institutional readiness** to facilitate access and increase impact

But what is still relatively unexplored -

- ✧ Raising awareness among the investor community illuminating the importance of adaptation from social and environmental perspectives, could ***attract new 'responsible' capital.***

Caveat : There cannot be any bidding process for adaptation activities for accessing private capital as that would mean giving importance to some human lives over the others. So there is a clear need to ensure that enough finance is made available for different adaptation needs in order to avoid competition.

CORPORATE SOCIAL RESPONSIBILITY & CLIMATE FINANCE

Recently India passed a legislation mandating any profit making listed company with a net worth of Rs. 5 Billion or more; a turnover of Rs 10 Billion or more; and a net profit of Rs 50 Million or more during any financial year is required to spend 2% of the average net profits for the preceding three financial years for CSR activities. *(Out of the Top 50 Indian companies only 2 have done this so far)*

CSR activities recognized under the Bill include: Eradicating extreme hunger and poverty; Promotion of education; Promoting gender equality and empowering women; Reducing child mortality and improving maternal health; Combating HIV, AIDS, Malaria and other diseases; **Ensuring environmental sustainability**; Imparting employment enhancing vocational skills; Social business projects; and Contribution to certain funds.

It is estimated that the total CSR spending for companies with the current profit margins would amount to <u>USD 1.26 Billion</u>