

‘INNOVATIVE FINANCE FOR CLIMATE AND THE PLANET’ -
DELIVERING ON COMMITMENTS TO MOTHER NATURE

- **An initiative by CUTS International**

As we face a race against time to limit the temperature rise and stem biodiversity losses, there is a need to address the overarching challenge of the burgeoning finance requirements, to combat these happenings.

Driven by an urge to make an impactful contribution, CUTS International has embarked on an international initiative, advocating “**Innovative Finance for Climate and the Planet**” to bridge the widening gap of environmental finance.

As we build a global campaign on this issue of critical importance, we seek your earnest support.

Project Advisory Committee:

1. Montek Singh Ahluwalia – Committee Chair (*An Indian Economist and former Deputy Chairman of the Planning Commission of India*)
2. Amar Bhattacharya – Senior Fellow, Global Economy and Development, Center for Sustainable Development, Brookings Institute, USA
3. Amar Patnaik – MP Rajya Sabha, BJD National Spokesperson & Head, IT Wing, India
4. Benito Muller – Managing Director at Oxford Climate Policy, UK
5. Jacob Werksman* – Principal Adviser, DG – CLIMA, European Commission, Brussels
6. Nagesh Kumar – Director, Institute for Studies in Industrial Development (IISD), India
7. Nitin Desai – Former UN Under Secretary General for Economic and Social Affairs, India
8. Onno Ruhl – General Manager Aga Khan Agency for Habitat, Geneva
9. Prodipto Ghosh – Distinguished Fellow, TERI, India
10. Sait Akman – Academic at TEPAV (Economic Policy Research Institute), Turkey
11. Shloka Nath – CEO, India Climate Collaborative (ICC)
12. Arunabha Ghosh – CEO, CEEW, India
13. Avinash Persaud, Special Envoy of the PM of Barbados
14. Vera Songwe, Co-Chair of the High Level Expert Panel on Climate Finance, USA
15. Pradeep S. Mehta, Secretary General, CUTS International, India

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1. BACKGROUND AND CONTEXT

1.1 Increasing carbon emissions and biodiversity losses have resulted in huge imbalances and pose one of the gravest threats to the existence of mankind. The vagaries of human-induced environmental threats spare none. Vulnerability of socially and economically weaker sections is compounded by their position, but it does not mean that the more privileged are likely to get away. The inadequacy of available resources to avert this crisis has dragged down international environmental negotiations over the decades.

1.2 With conventional levers of policy not yielding desired results, there is an urgent need to reorient the global environmental finance architecture, to catalyse increased flows for achieving global climate and biodiversity targets. The current flows of climate finance are estimated at just over US\$ 600 bn., which must grow by nearly 600 percent to meet globally agreed targets by 2030. Similarly, the existing finance gap to achieve commitments under the Convention on Biological Diversity (CBD) is estimated to be in the range of US\$ 598 bn. - US\$ 824 bn.

1.3 Though ambitious commitments were made to provide adequate finance for climate and biodiversity at the 27th session of the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) at Sharm el Sheikh (COP 27 - UNFCCC) and Montreal (COP 15 - CBD), in 2022, respectively, a roadmap to achieve the same is still not in place. Cognizant of the ever-growing threats posed by climate change and biodiversity loss which have been compounded by inadequate resources, the world needs innovative solutions to tackle this burgeoning challenge. Uncertainty over finance has far too long delayed the fight against environmental damage.

1.4 Given this background and context, CUTS has launched a global initiative which advocates **'Innovative Finance for Climate and the Planet'** to bridge the prevailing global financing gaps. This initiative will drive discussions on how the implementation of innovative tools including **green bonds, sustainability linked loans, tailor made blended finance solutions, ecosystem driven investments**, can be scaled up to deliver actionable outcomes to advance progress on climate and biodiversity goals.

2. GOAL AND OBJECTIVES

2.1 The **overarching goal** of this initiative is to nudge the global community to integrate and accelerate implementation of Innovative Finance Solutions in the global environmental finance landscape. Our efforts under this campaign are driven by a push to address some of the existing bottlenecks in global environmental finance and offer pragmatic solutions to reduce the vulnerability faced by the most disadvantaged groups on the planet. With the capacity of federal governments and multilateral financial institutions constrained in the post covid world order, conventional policy responses are unlikely to yield desired results. This initiative aims to harness the potential of innovative finance to make demonstrable progress towards meeting global climate and biodiversity goals.

2.2 The **specific objectives** will be:

- To place before global platforms a set of actionable recommendations, which can catalyze accelerated implementation of actionable solutions. The mega exercise (*to be carried out over a period of three years*) intends to onboard important stakeholders associated with the global environmental governance architecture.
- To highlight important concerns of those most disproportionately affected by climate and biodiversity calamities on important public platforms, so that deliberations can be held in a consultative and progressive manner.
- To leverage the position of platforms like the G20. G20 countries, together, account for nearly 75 percent of global greenhouse emissions. Therefore, the G20 offers a platform for deliberations to determine the outline of a proposal for Innovative Finance Solutions.
 - Being the only G20 country which is on track to achieve its Nationally Determined Contributions, India's presidency in 2023 offers an opportunity to demonstrate its credentials to shape a 'climate conscious' world. A global endeavour to solve one of the biggest crises which threatens the future of mankind, seamlessly blends with India's theme of '**One Earth, One Family, One Future.**'

- CUTS has engaged with relevant stakeholders to take forward our initiative within the rubric of G20 India, through Engagement Groups of G20 such as Business 20 (B20), Civil 20 (C20), and Think 20 (T20). It intends to pursue a similar approach with G20 Brazil and G20 South Africa as it moves on over the next two years.

3.ACTIVITIES

3.1 Research Component

- Under this initiative driven by CUTS International, a policy brief has been developed and shared with subject matter experts. The brief highlights the disproportionate impact of such crises on the most vulnerable regions/countries and the loss and damage suffered on account of these. It further talks about how Innovative financial instruments could be utilized to catalyse much needed investment to bridge the existing financial gaps to meet global climate and biodiversity commitments. It also proposes a set of recommendations on innovative finance for the consideration of important global forums, including the G20.
- The texture of recommendations will include outline of a proposed governance framework as well as a draft roadmap for accelerated implementation of innovative finance, which could be considered for implementation by global organizations. The objective of recommendations will incorporate specific concerns of sections facing a disproportionate threat on account of climate change and biodiversity losses.
- A series of policy briefs will be prepared and disseminated on the subject **‘Innovative Finance for Climate and the Planet,’** over the next three years. The briefs will be authored by distinguished individuals from international organisations, think tanks, and governments. These will offer a detailed examination of multiple aspects of the subject, while also representing continuity in deliberations as the campaign progresses.

3.2 Advocacy and Networking Component

3.2.1 As we intend to galvanise global support for our initiative, CUTS would engage in a range of advocacy activities in some prominent cities (including capitals) of the world. Their objective will be to explain the importance and utility of innovative finance instruments to the most important stakeholders in different parts of the world.

3.2.2 Proposed activities include:

- Organising discussions with relevant stakeholders in the concerned city. Relevant stakeholders will include:
 - Representatives from the concerned office(s) of the federal/provincial government in the country.
 - Representatives of the respective country offices of relevant international organizations like the United Nations Environment Programme (UNEP).
 - Officials connected with the Loss & Damage Fund, including country representatives in the **Transitional Committee**.
 - Members of prominent international civil society organisations, with a special focus on those working on themes such as climate justice, mobilisation of climate funds, and adaptation finance.
 - Representatives of responsible corporate houses which have set an example by:
 - Following an environment conscious approach in their operations; or
 - Providing monetary/non-monetary assistance to organisations involved in climate awareness campaigns; or
 - Have been felicitated for climate action by an international organisation/federal government/industry association; or
 - Representatives of global climate philanthropy organisations; or
 - Pressure groups with a demonstrable record in advocating for climate action in the country and the surrounding region.

- Seeking partnership with specialised multilateral institutions. We will be reaching out to the **United Nations Environment Programme (UNEP)** for assistance and support, among other organisations. UNEP has successfully executed many programmes in different parts of the world, including in many least developed countries (LDCs) and Small Island Development States (SIDS). Many of the projects which have been implemented have been on themes suggested in our initiative such as Ecosystem-based approach, community adaptation, prevention of climate induced losses. Support will also be sought from institutions like the **World Bank, Regional Development Banks, environmental and philanthropy groups.**
- Building support in the form of a **global coalition.** The coalition, to be called the ‘**Global Alliance for Leveraging Innovative Finance (GALIF)**’ will include influential individuals/organisations, who will lend public support to the initiative. The vagaries of climate change spare none, with every section being enveloped by its effects. To give the campaign an inclusive touch, we will try to ensure that this coalition has a diverse representation. From corporate leaders to active citizen groups, our campaign will draw support from different sections. Once a substantial number of organisations/individuals affirm their support for our initiative, events will be held under the banner of this global coalition.

3.2.3 Activities Calendar

- We plan to kickstart our campaign with an event in Dubai, venue of the 28th session of the Conference of Parties to UNFCCC (COP-28) Summit, to be held during **November 30th - December 12th, 2023.**
 - We intend to organise an event on the sidelines of COP 28, in Dubai. **An application to host an official side event submitted by CUTS in this regard has been accepted.** This event will take stock of the work done by the Transitional Committee to finance resources under the Loss & Damage Fund. It will be a platform to demonstrate the existing disparities between available climate finance resources and global requirements.

- During the event, we would make a pitch for Innovative Finance instruments and explain how these could plug some gaps in global environmental finance requirements. It will also be an opportunity to discuss concerns of stakeholders who hold divergent opinions about Innovative Finance Solutions and challenges associated with their implementation.
 - The event will culminate with a set of recommendations for parties meeting during COP28 in Dubai taking forward the narrative to establish a Fund of Funds to be used for salvaging damage to the environment.
- Other cities where such events are planned include **Washington D.C., Geneva, Johannesburg, New Delhi, Canberra, Paris, Accra, Nairobi, Addis Ababa, Jakarta, Bangkok, Rio de Janeiro, Suva** through 2026. This is subject to the availability of funding.

3.3 Capacity Development of NGOs

This initiative will offer an opportunity for organizations working on the ground in the domains of climate and biodiversity action to acquaint themselves the relevance of innovative finance in their respective countries. Such organisations will include non-Governmental organizations, civil society groups, pressure groups working on environment, climate action groups. Investing in the capacities of such organizations will help build support for this initiative in decision making circles at the national level. Since the organizations mentioned herein have an understanding of environmental priorities in their respective countries, their inputs can play a vital role in helping ascertain the pathways for integrating innovative finance in the national framework towards meeting climate and biodiversity targets. A **module for capacity building** of these organizations will be developed, which will include components on specific areas of intervention under the initiative.

4. BUDGET (ESTIMATED REQUIREMENTS)

Innovative Climate & Biodiversity Finance			
Budget for three years			
SN	Budget Item	Amount (USD)	Remarks
1	CUTS Personnel Cost	2,00,000	Research and Project Management Unit cost. Coordination with stakeholders, secondary research, identification of potential speakers and coordination with them and logistical arrangements.
2	Honorarium to Continents-Specific Partners	1,20,000	US\$20,000 to one partner for three years in each continent. Total six partners in six continents. Assistance in coordination with stakeholders and event organisation.
3	Events	4,90,000	Cost of travel, meals, event venue, audio-visual equipment hire charges, resource materials etc. for 14 locations.
	<i>Asia</i>	<i>1,40,000</i>	<i>Locations: Dubai, Delhi, Jakarta and Bangkok</i>
	<i>Europe</i>	<i>70,000</i>	<i>Locations: Geneva and Paris</i>
	<i>Africa</i>	<i>1,40,000</i>	<i>Locations: Johannesburg, Accra, Nairobi and Addis Ababa</i>
	<i>Australia</i>	<i>70,000</i>	<i>Locations: Canberra and Suva</i>
	<i>North America</i>	<i>35,000</i>	<i>Location: Washington DC</i>
	<i>South America</i>	<i>35,000</i>	<i>Location: Rio de Janeiro</i>
4	Printing and Publication	15,000	
	Total Direct Costs	8,25,000	
	Overhead Expenses (10% of total direct costs)	82,500	
	Grand Total	9,07,500	

5. EXPECTED OUTCOMES

5.1 Global Consensus on Utility of Innovative Finance: As indicated earlier, the mega exercise is expected to build consensus on the utility of Innovative Finance to help bridge the prevailing gaps for meeting Global Climate and Biodiversity goals. Comprehensive deliberations with multiple stakeholders will add more depth to this initiative, over a three-year period. The exercise will also help in determining the structure to integrate Innovative finance into the global environmental finance landscape.

5.2 Creation of a Global Coalition: As mentioned earlier, we aim to have a global coalition of like-minded organizations in place to steer the campaign in different parts of the world. The ‘**Global Alliance for Leveraging Innovative Finance (GALIF)**’ will comprise multiple entities with a stake in a more environment-conscious world.

5.3 Agreement on pathways of impactful action: In addition to developing consensus around Innovative finance, the exhaustive advocacy exercise will also come up with globally acceptable pathways to achieve the desired objectives on climate and biodiversity. The contours of these pathways will be determined based on their capacity to deliver impactful outcomes for climate and biodiversity.