

CLIMATE ADAPTATION AND FINANCE IN RURAL INDIA (CAFRI-NABARD)

**Mainstreaming climate risk screening in NABARD Development Funds and
agricultural value chain with a focus on blended finance approaches for adaptation**

In 2018, climate change cost India over \$37 billion (Global Climate Risk Index 2020), the economic loss is nearly twice than what India lost (\$79.5 billion) between 1998–2017. Agriculture sector is seen as one of the worst hit and smallholder farmers who constitute about 85% of India's farming population can be put in 'severe' risk category. Between 2010 and 2040 there is a possibility of crop yield fall by 4.5–9% (approx.) due to climate change which may lead to a 1.8% (approx.) fall in GDP. As per a UNFCCC 2019 report, losses to the financial service sector, globally, is estimated at \$1 trillion on account of climate-related risks. Sectors prone to climate change risks, both physical and transition risks, have created an exposure of \$1.4 tn for Indian banks and investors (Trucost, 2015).

Therefore, handling climate risk as a financial risk requires adopting a comprehensive, institution – wide approach cutting across different levels. Mainstreaming of climate risk in India calls for increased awareness, willingness and collaboration between different stakeholders. There is a visible lack of understanding of what climate risk means and why it needs to be considered across all sectors and not be limited to certain environmental sectors only.

The Indo-German Climate Adaptation and Finance in Rural India project commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) aims at addressing the stated challenges. The project supports the National Bank for Agriculture and Rural Development (NABARD) to manage climate risks in their portfolio and improve resilience, by directly incorporating adaptation measures in agricultural value chain. The reduction of risks due to climate change will be strengthened in NABARD's portfolio with better governance, active participation, innovative finance models and processes to ensure all invested time and efforts for development plans do not turn into non-performing assets in due time.

Project interventions shall be directed at building capacities of actors at various levels during planning and implementation, focusing on specific measures to strengthen strategic interests of women groups that can be adapted to local context whilst being scalable countrywide.

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Climate Risks

OBJECTIVE

Support NABARD with the application of climate risk screening tool into the Tribal Development Fund (TDF) and Watershed Development Fund (WDF); and identification of financing opportunities for climate adaptation measures in agricultural value chain.

Specific Objectives

Support Selected NABARD Development Programmes for Gender-Sensitive Climate Risks and Adaptation Measures

Engage with the Private Sector and Banks on Climate Risk & Blended Financing Opportunities of Climate Adaptation in agricultural value chain

OUR APPROACH

The project is supporting and collaborating with NABARD, Farmer Producer Organisations (FPOs) and government line departments to identify, co-design and ascertain climate risk for agricultural value chain; and explores investment options in adaptation measures. In order to leverage financing opportunities from private sector, the project looks into ways of effective blended finance approach for enhancing impacts, and ensuring sustainable livelihoods of farmers.

Approaches to Capacity Development in CAFRI-NABARD

Stakeholder Consultations/Workshops

Training Modules

E-learning Courses

Peer-to-Peer Learning

Handholding (coaching) Support

Application of climate risk screening tool and integration of climate change adaptation into TDF/WDF



Identification & Adoption of climate risk screening tools/approaches for selected NABARD Development Programmes



Application of tools & identification of adaptation measures



Integration of adaptation approaches for climate proofing in award criteria and procedures of WDF/TDF programmes



Capacity development to facilitate application of tools & approaches

Identification of business models for financing adaptation activities and investing in climate proofing of agricultural value chain.



Climate Risk Assessment of agricultural value chain for developing adaptation plans



Identification of FPOs & landscape analysis of relevant actors for climate adaptation planning & financing



Facilitating public-private dialogue for exploring financing opportunities in climate adaptation



Blending private finance with public funds for adaptation in agricultural value chain

EXPECTED ACHIEVEMENTS

Climate change adaptation approaches are integrated into schemes and policy processes of NABARD Development programmes.

Private sector investment is leveraged for adaptation finance with blending of innovative finance approaches, promoting public-private partnership.

Climate risk screening and adaptation approaches are integrated within NABARD's existing training framework for capacity development of NABARD officials, government line departments and NGOs.

Motivating Mandla farmers towards climate adaptive cultivation practices using Millets

CAFRI-NABARD is working with Reliance Foundation and Farmer Producer Organisations (FPOs) in Mandla on climate adaptation using Millets

United Nations General Assembly has declared 2023 as the International Year of Millets

Millets in Mandla fall under 'One District One Product' scheme

Millets Gridlock in Mandla Madhya Pradesh

Poor farming practices

Glaring discrepancy in retail price and the local market

Prominent weight and volume losses due to poor post-harvest handling and processing

Approach Towards Climate Adaptation Using Millets

Climate Risk Assessment and identification of adaptation measures in Millets value chain

Identifying bottlenecks, strategizing & incentivizing Millet value chain in Mandla

Developing climate adaptation based business plans surrounding millet, together with FPOs

Millet Facts

Healthy Superfood- High nutritional and health benefits

Millets market- USD 9 Bn in 2019; projected- USD 12.5 Bn by 2025

India is one of the largest consumers and accounts for 38% of global demand

Millet Matters

Climate resilient crop

Demonstrated wide adaptability to different soils against harsh conditions

Crucial for livelihoods and food security of rural and tribal communities

Income opportunity for farmers

Better reward for farmers with low investment

Project Name

Climate Adaptation and Finance in Rural India (CAFRI-NABARD)

Commissioned By

German Federal Ministry for Economic Cooperation and Development (BMZ)

Project Region

PAN India

Lead Executing Agency

National Bank for Agriculture and Rural Development (NABARD)

Partner Agency

Bankers Institute of Rural Development

Duration

01.01.2020 – 31.12.2022

Published by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Registered offices Bonn and Eschborn, Germany
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As at March 2021

GIZ is responsible for the content of this publication.

On behalf of German Federal Ministry for Economic Cooperation and Development (BMZ)