Terms of Reference

Developing Innovative Climate Financing Instruments for Adaptation Action

1. Background:

The Government of India has made significant progress in formulating and preparing a multi-pronged, long-term and integrated strategy for climate change as well as in achieving the key goals in the context of climate change mitigation and adaptation. The National Action Plan on Climate Change (NAPCC) and State Action Plans on Climate Change (SAPCCs) are being implemented at the national and state level respectively to address climate change effectively. SAPCCs outlines state specific issues on climate change along with strategies to address the same.

2. Objective:

The project titled 'Climate Change Adaptation in Rural Areas of India' (CCA-RAI), implemented under the bilateral cooperation of MoEFCC and GIZ, aims to integrate climate adaptation and mitigation measures into national and state development planning through capacity development, pilot experiences, and knowledge management. One important focus area under CCA-RAI is to support identified states and union territories (UTs) in accessing international as well as national climate funds for adaptation action at the state level through the development of SAPCC investment plans.

Mobilisation of finance for adaptation, however, faces numerous challenges, in particular from the private sector due to issues related to quantifying adaptation benefits, lack of reasonably secured return on investment, as well as other institutional, legal and policy barriers. Given this, the majority of adaptation finance is currently mobilised from public sources, such as national funds, and through budgetary allocations; bilateral/ multilateral climate funds, and development finance institutions. Some examples of private sector investment in adaptation, albeit few and far between, do exist in the agriculture and financial services sector. Mobilising further adaptation financing through innovative climate financing instruments could play a significant role in up-scaling adaptation efforts in India.

In this context, GIZ invites proposals for the assignment "Developing Innovative Climate Financing Instruments for Adaptation Action". The objective is to present an assessment of innovative financial instruments that could be employed to mobilise investment for adaptation action and to develop two implementable finance instruments for adaptation in priority sectors in India.

3. Tasks of the assignment:

The assignment shall include but is not limited to the following tasks:

1. Assessment of sectoral/ thematic focus and target groups/ beneficiaries of key adaptation projects funded through NAFCC and bilateral/ multilateral technical support;
2. Assessment of approaches, instruments and policies that are currently being adopted in an effort to scale up adaptation finance;
3. Assessment of the private sector's potential to contribute to adaptation strategies and financing instruments that can be employed including disaster risk management option for adaptation, climate insurance arrangements, credit mechanisms, micro-finance services, green bonds, climate resilience bonds etc.;
4. Identification of barriers in promoting financing instruments for adaptation and risks associated with adaptation investments;
5. Design of at least two types of adaptation finance instruments for the identified priority areas, which can be piloted in India and bear a significant potential for up-scaling, including a stepwise explanation

of the regulatory approvals, policy support, managerial and technical capacities required for implementation.

4. Approach and methodology

The assignment will involve a rapid review of adaptation projects funded through the NAFCC and bilateral/ multilateral technical support to understand thematic/ sectoral focus areas as well as review of climate finance instruments used worldwide for adaptation financing to understand their suitability in the Indian context. The methodology will include secondary research based on the analysis of approved NAFCC projects, private sector adaptation projects and innovative climate finance instruments adopted for climate change adaptation. Interviews of relevant stakeholders involved in the implementation of the climate change adaptation projects or innovative climate finance instruments will be required to include tacit knowledge on design and implementation of adaptation projects. Further, an analysis of the legal, regulatory and policy framework as well as risks associated with the piloting of innovative climate change adaptation financing instruments will be required. The consultants/agency will have to identify potential beneficiaries and a potential implementing organisation for piloting the designed the climate change adaptation financing instruments. The consultants/ agency are expected to further elaborate on the approach and methodology in the technical offer.

3. Expected Output

- Inception document highlighting the strategy and methodological approach and schedule
- Report on assessment of approaches and instruments for private sector investment for adaptation financing
- Report on design of ready to implement pilot finance instrument for adaptation (at least 2 types)

4. Deliverables with timeline and format of delivery

S. N.	Task	Deliverable	Timeline	Number of days
1.	**Piloting innovative climate finance instrument for adaptation**	• Inception document highlighting the strategy and methodological approach and schedule • Report on assessment of approaches and instruments for private sector investment for adaptation financing • Report on design of ready to implement pilot finance instrument for adaptation (at least 2 types)	10 June – 30 October 2018	Up to 90 Days

5. Supervision: The consultants/ agency will work under the direction of Director (Climate Change), GIZ-India

6. Timeline and place of assignment

The study is largely desk-based with Delhi as duty station. Travel might be needed to up to 5 project sites for up to 2-3 days each as per the requirements of the assignment.

Duration: 90-person days spread over the period from June 10th, 2018 to October 30th, 2018.

7. Payment schedule

- 40% advance upon signing of contract
- 30% payment after submission of first draft design of climate finance instrument (August 2018)

- 30% payment after submission of final report on implementation ready climate finance instrument (October 2018)

8. Required qualification/ experience for the consulting agency

a. Agency should have following experience in conducting the assignment:

- Solid knowledge and experience in developing and costing climate change adaptation projects, funded by the NAFCC, other national and international climate funds or through bilateral/multilateral technical support
- Professionally qualified with experience in development finance, CSR, microfinance, and/or banking; substantial know-how of related regulations as well as private sector involvement
- Experience in designing and implementing (innovative) finance instruments for rural development and/or climate change projects with a solid understanding of barriers and risks as well as local level concerns
- Demonstratable experience in report preparation and writing in the area of development finance
- Prior experience of working with GIZ or other multi-lateral/ bilateral organizations would be preferred

b. Agency should have following administrative and financial requirement in conducting the assignment:

- Average annual turnover for the last three financial years should be at least 100,000 Euro
- Number of employees as at 31.12.2017 should be at least 20
- The technical assessment is only based on reference projects with a minimum commission value of 25,000 Euro

c. Profile of experts

Team Leader

- Advanced degree in economics, finance, or a related field from a recognised and reputable institution;
- At least 15 years of professional experience of development financing with 5 years related to climate change financing, CSR etc.;
- Knowledge and experience related to climate financing opportunities;
- Experience of design and implementation of innovative financing instruments related to rural development;
- Profound knowledge on development financing, CSR etc.;
- Strong knowledge on what type of enabling environment is necessary to support climate change adaptation financing.

Banking and Financial Sector Expert

- Advanced degree in finance, banking, economics, or a related field from a recognized and reputable institution;
- At least 5 years of professional experience in banking or financial sector with expertise in development finance, microfinance and banking;
- Excellent knowledge of regulatory issues related to development finance, microfinance etc.;
- Experience and understanding of local level issues and concerns for the design and implementation of development finance projects.

Climate Finance Expert:

- Advanced degree in climate change, finance, economics or a related field from a reputable and recognized university/institution;
- At least 5 years of professional experience in assessing financing needs for climate change adaptation;
- Experience in financial modelling and analysis for climate change adaptation financing, CSR financing etc.;
- Proven experience in climate change adaptation related issues along with experience of developing adaptation projects for NAFCC or other national and international climate financing funds;
- Experience and understanding of local level development and climate change issues and concerns.