

Position Paper No. 01-23

TOWARDS RESILIENCE AND SUSTAINABILITY

SOUTH ASIA RESILIENCE FUND (SARF)

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CIL Position Paper No. 01-23

South Asia Resilience Fund (SARF)

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Climate and economic vulnerabilities of South Asia

Climate change is no longer a distant threat; it is knocking on our doors, particularly in South Asia. South Asian nations like Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka are facing the immediate and devastating consequences of climate-induced disasters that are intensifying day by day. A key IPCC report (2022) on climate impacts emphasized how economic damage resulting from floods, cyclones, storm surge, salinity intrusion, and heat waves, as well as slow-moving crises like declining agricultural productivity, would severely affect the region. [i] The Global Climate Risk Index 2021 of the German Watch has identified that Bangladesh, Nepal, and Pakistan are among the top ten most climate-affected countries in the last 20 years.[ii]

South Asian Countries	DAC Economic Classification	Headcount Below US\$5.5 Poverty Line (2019)	Public Debt Vulnerabilities 2022-2023	LT Climate Risk Rank in SA (2012-2021)
Afghanistan	LDC	No data	NA	4
Bangladesh	LDC	76.0%	Moderate	1
Bhutan	LDC	29.0%	High	7
India	LMIC	87.5%	Moderate	5
Maldives	UMIC	2.0%	High	8
Nepal	LDC	67.9%	Low	3
Pakistan	LDC	76.0%	High	2
Sri Lanka	LMIC	37.3%	High	6

Economic condition of South Asian Nations

Source: Sovereign Debt Vulnerabilities in Asia and the Pacific, ADB, April, 2023

[i]<https://www.thethirdpole.net/en/climate/what-is-loss-and-damage-south-asia/>

[ii]https://urlis.net/34dgg1py_

* DAC – Development Assistance Committee

** LT – Long term

Climate and economic vulnerabilities of South Asia

Climate change-induced loss and damage is projected to cost South Asia US\$ 518 billion by 2050, according to a [2019 study](#). By 2070, this number could jump to USD 997 billion.[i] Economic losses in 2022 due to disasters relating to floods exceeded the average for the 2002–2021 period. The most significant losses of this type were in Pakistan (over US\$ 15 billion), followed by India (over US\$ 4.2 billion).[ii] Super cyclone [Amphan](#), which hit India and Bangladesh in 2020, caused an estimated loss of US\$ [14 billion](#) and displaced 2.4 million people in India and 2.5 million in Bangladesh.[iii] As a result, both negative macroeconomic factors and climate-related disasters have put the economy in a very challenging situation.

\$518
billion

South Asia's loss and damage projected cost in **2050**

\$997
billion

South Asia's loss and damage projected cost in **2070**



The bi-annual survey of the South Asia Economic Policy Network (SAEPN) found that “Elevated inflation and negative shocks such as the severe floods in Pakistan last year continue to pressure banks' balance sheets as many distressed loans are concentrated on firms suffering losses from these shocks. Private sector credit growth has accelerated, in Bangladesh, Bhutan, and India, while deposit growth has declined and has fallen behind credit growth. The widening gap between credit growth and deposit growth could limit the ability of banks to lend. Governments increased borrowing from domestic banks to finance their unprecedented debt, and as a result, sovereign-bank nexus increased, heightening the financial sector's vulnerability, especially in the Maldives, Pakistan, and Sri Lanka.”[iv]

[i][springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf](https://www.springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf)

[ii][springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf](https://www.springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf)

[iii]<https://www.thethirdpole.net/en/climate/what-is-loss-and-damage-south-asia/>

[iv]https://urlis.net/wi65guky_

PHOTOGRAPH BY BISWARANJAN ROUT, AP

Climate and economic vulnerabilities of South Asia

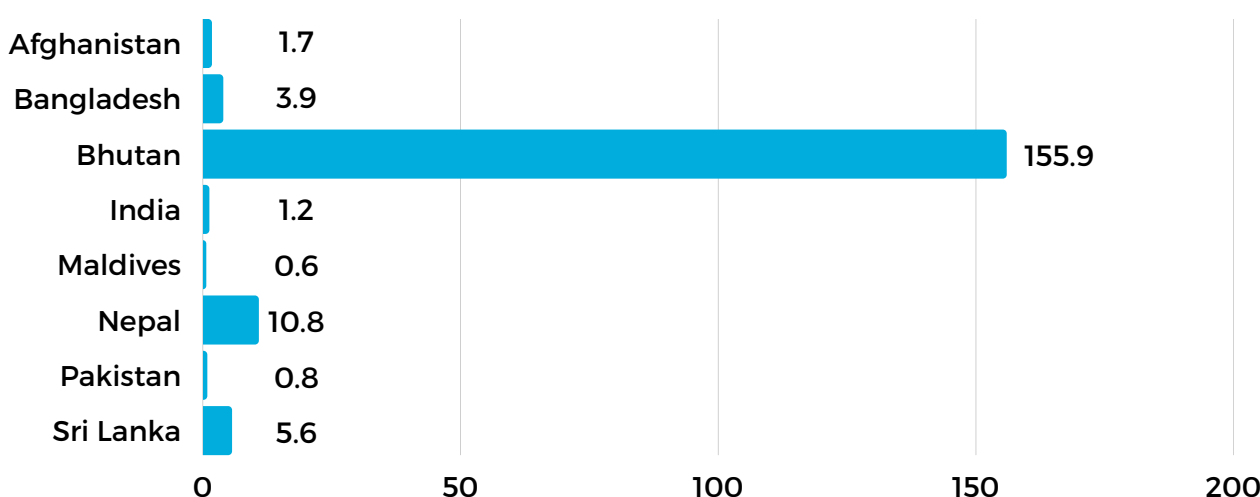
Those have clearly identified the growing incapability of the South Asian nations to mobilize more public resources from their own budgets, which have been reducing significantly. It has been evident that the global flow of both ODA and climate finance in the LDCs is lukewarm in terms of the requirements. South Asian countries have come out of the pandemic with eroded fiscal space and record public debts. Public money alone will not be enough to meet the pressing adaptation needs. The international community should support country-specific endeavors by mobilizing grants and loans that are more generous and flexible than those on the market through multilateral development banks.[v]



International flow of climate finance to South Asia

Article 9.4 of the Paris Agreement (PA), signed in 2015, emphasized country-driven strategies and the priorities and needs of developing country parties, especially those that are climate vulnerable (e.g., CVF) and have significant capacity constraints, such as the LDCs and SIDS, considering the need for public and grant-based resources for adaptation. However, in reality, it is also not obligatory for the developed nations to mobilize climate finance to meet the US\$ 100 billion per year since 2020.

It has been manifested in the allocation for the climate-vulnerable countries and, on average, the per capita climate finance allocation for South Asian nations, the lowest on average allocation for each Maldivian is US\$ 0.6, and the highest allocation of US\$ 155.9 has been estimated for each Bhutanese.



Per Capita Climate Finance Allocation for South Asians

Source: Change Initiative estimates, September, 2023

The PA has adopted the Warsaw International Mechanism to address loss and damage, but Paragraph 52 of the CoP 21 Decision adopted alongside the Paris Agreement states: “Article 8 of the Agreement does not involve or provide a basis for any liability or compensation.” This means the Paris Agreement does not place any legally binding obligations on countries to address the loss and damage associated with climate change and makes no mention of financial commitments to support those countries facing significant loss and damage. However, in CoP 27, parties agreed to provide loss and damage financing for the developing countries, particularly the vulnerable developing countries.

[i][springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf](https://www.springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf)

[ii][springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf](https://www.springer.com/content/pdf/10.1007/978-3-319-72026-5.pdf)

[iii]<https://www.thethirdpole.net/en/climate/what-is-loss-and-damage-south-asia/>

Joint Decision of South Asian Nations to Address Climate Change

The Fourteenth SAARC Summit in 2007 expressed "deep concern" over global climate change and called for pursuing climate-resilient development in South Asia. Pursuant to this decision, a Ministerial Meeting on Climate Change was held in Dhaka on July 3, 2008, and adopted the "Dhaka Declaration and SAARC Action Plan on Climate Change".



The Eighth Meeting of the SAARC Environment Ministers in 2009 adopted the "Delhi Statement on Cooperation in Environment," which identified many critical areas that need to be addressed and reaffirmed the commitment of Member States towards enhancing regional cooperation in the area of environment and climate change.[i]

SAARC has been an accredited observer of the United Nations Framework Convention on Climate Change (UNFCCC) since the Sixteenth Conference of Parties (CoP16) in 2010 and has presented common SAARC positions on climate change.

[i] <https://www.saarc-sec.org/index.php/areas-of-cooperation/environment-natural-disasters-biotechnology>
Photo By Change Initiative/ Shadman Khalili of Regional Climate Summit 2023



Thimphu Statement on Climate Change

It recognized that South Asia is particularly prone to climate change and related disasters, making the need for a regional response to meet the challenge of climate change more urgent and compelling; convinced that South Asia could benefit from cooperative regional initiatives and approaches, exchange of experiences and knowledge, transfer of technology and best practices to address climate change related challenges.

Kathmandu Declaration of SAARC in 2014

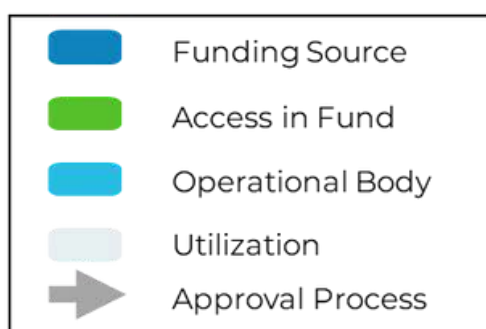
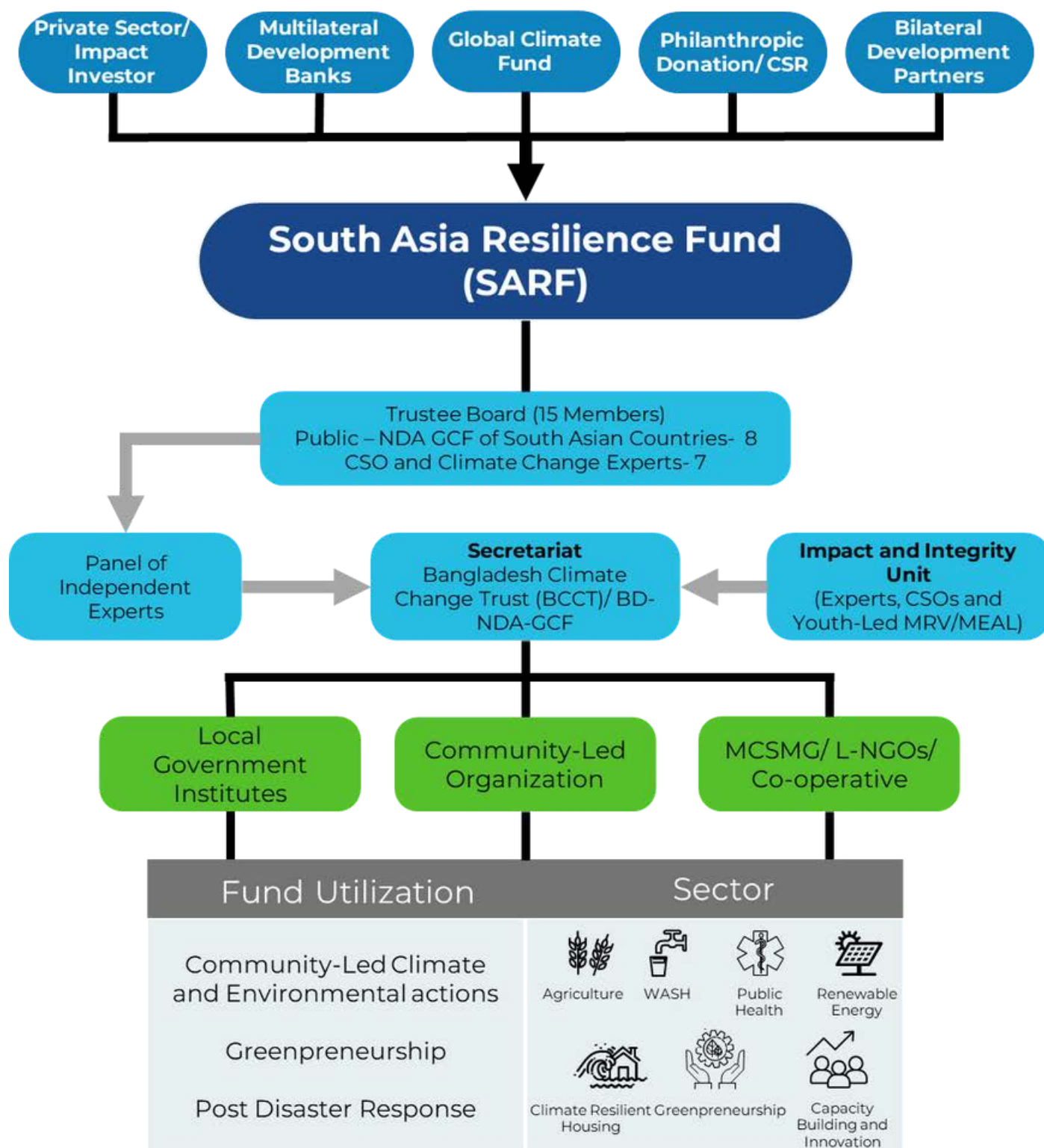
SAARC leaders “directed the relevant bodies/mechanisms for effective implementation of the SAARC Agreement on Rapid Response to Natural Disasters, the SAARC Convention on Cooperation on Environment, and the Thimphu Statement on Climate Change, including taking into account the existential threats posed by climate change to some SAARC Member States.”^[i] More particularly, they welcomed the decision to establish the SAARC Environment and Disaster Management Centre and implementation of the Paris Agreement based on the principles of Common but Differentiated Responsibility, Respective Capabilities (CBDR & RC), and Equity under the UNFCCC.

SAARC Action Plan on Climate Change (2009-2011)

It identifies climate finance and investment among seven thematic areas of regional cooperation. In response to that decision, Change Initiative proposes to establish the South Asia Resilience Fund (SARF) to harness the collective strength of South Asian nations towards prioritized and appropriate climate resilience activities, building upon the success of Bangladesh and other countries on climate finance fronts.

[i] <https://www.saarc-sec.org/index.php/press-release/106-18th-saarc-summit-declaration>
 Photo by The Economic Times, India

Flowchart 1: Framework of South Asia Resilience Fund (SARF)



South Asia Resilience Fund - A Path Towards Sustainability

SARF envisions a South Asia where vulnerable sectors are resilient to the effects of climate change. Nature-based green initiatives are the key to sustainable economic growth.

Focus

Ensure the resilience of households and communities, particularly marginalized individuals and groups, disabled, elderly, women and children, youth, and Greenpreneurs impacted by climate change. Priority will be given to the sectors that are directly linked to basic rights and conservation of nature, including poverty alleviation, food and water security, pollution reduction, and enhancing adaptation and mitigation processes through Greenpreneurship. SARF will prioritize projects that enhance community-led resilience across countries.

Innovation for Impact

A standout feature of SARF is its commitment to innovation. An **Innovation Hub** will be established within the secretariat, fostering cutting-edge solutions, research, and development. This hub will serve as a catalyst for technological advancements, promoting climate-smart innovations and sustainable practices across our region. Supporting greenpreneurs: SARF actively encourages greenpreneurs, both individual and community-based, to address local pollution issues, climate change adaptation and mitigation, and foster innovation and sustainable solutions.

In a world with international climate funds, SARF distinguishes itself through localized responses, community-led, sustainable, nature-based action, rapid decision-making, innovation, and regional collaboration. SARF is uniquely positioned to address South Asia's specific climate challenges effectively, ensuring that climate action is deeply rooted in the communities to protect and empower.

South Asia Resilience Fund

Structure and funding

01

Global Climate Funds

SARF plans to utilize Global Climate Funds, including Green Climate Fund, Adaptation Fund, and Climate Investment Funds, and other international support for climate initiatives in South Asia

02

Multi-lateral Development Banks

SARF plans to leverage funding from the private sector to foster significant change by directing resources towards climate-sensitive projects

03

People-powered Contributions

SARF aims to foster shared responsibility by encouraging contributions from individuals, NGOs, and philanthropic entities, making everyone a stakeholder in our collective climate future

04

Private Sector Catalyst

SARF plans to leverage corporate social responsibility to drive significant change by directing significant resources towards climate-impacting projects through the private sector

05

Impact Investment

Smart investment will drive innovative climate solutions and sustainable economic growth

South Asia Resilience Fund

Implementation and Engagement

SARF will employ two funding mechanisms: direct and indirect. LGIs and L-NGOs can directly access funds through public-private partnerships following the SAARC modalities. Greenpreneurs will access funds indirectly through local private financial entities. SARF, in collaboration with designated LGIs, local NGOs, academia, and experts, will map the priorities and requirements of the community through risk and vulnerability assessments to create a database. Aligning with each country's adaptation plans and NDC, these assessments will guide SARF's interventions.

SARF will employ two delivery mechanisms for funding:

- Direct: Community-led Organizations, Local Government Institutes
- Indirect: L-NGOs and Private Financial Entities will work as fund managers where informal Community-led Organizations or Greenpreneurs do not have direct access



Community Led Organization

To empower local communities into taking ownership of climate projects



Local Government Institutes

To facilitate project implementation at the grassroots level.



Cottage, Micro, Small and Medium Greenpreneurs

To encourage entrepreneurial solutions to address the challenges of climate change

Local NGOs (L-NGOs) and Cooperatives will provide resources, expertise, and support to local communities and individuals interested in addressing climate change. They will work closely with community-led organizations and local government institutes to ensure effective implementation of climate projects

South Asia Resilience Fund

SARF will concentrate its efforts on Six core thematic areas:



PUBLIC HEALTH

Strengthening healthcare systems to address climate-induced and pollution related health hazards through innovative and reliable universal health coverage system



WATER, SANITATION AND HYGIENE (WASH)

Ensuring access to clean water from surface and rainwater harvesting, hygiene, and an inclusive and gender-friendly secured sanitation system for vulnerable communities



RENEWABLE ENERGY

Spearheading renewable energy initiatives to reduce greenhouse gas emissions and foster sustainable economic growth



CLIMATE RESILIENT HOUSING

Supporting the construction of climate resilient and environment friendly housing that reduces vulnerability to extreme weather events and secures the environmentally friendly living condition



CAPACITY BUILDING AND INNOVATIONS

Capacity building and innovation can boost low carbon economy and climate resilience. For this, training and resources on health, WASH, renewable energy, energy efficiency, and housing will be provided to researchers and communities.



AGRICULTURE

Advancing climate smart and environment friendly agricultural practices to ensure food security, ecosystem and biodiversity

South Asia Resilience Fund

Operational Framework



SARF will establish a 15-member Trustee Board, comprising a 50:50 ratio of the public and private sectors

Eight public/government representatives from each South Asian country, akin to National Designated Authorities (NDAs) of Green Climate Fund (GCF). For instance, the NDA of Bangladesh is the Secretary ERD, Ministry of Finance

Seven members of the Trustee Board, including Climate Change Experts and Civil Society Organization (CSO) representatives from South Asian countries. They will approve projects and forward them to the Technical Committee.

- The Trustee Board approves projects and forwards them to the Technical Committee.
- Independent experts in relevant fields will be appointed to offer technical and intellectual support for project action plans and
- To ensure transparency and project viability, a technical committee of subject matter experts will conduct due diligence.
- SARF's secretariat, coordinated by the Bangladesh Climate Change Trust Fund (BCCT) or Economic Relations Division (ERD), NDA-GCF, will oversee efforts and ensure efficient fund utilization.

South Asia Resilience Fund

Funding Mechanism and Size

\$ 10,000 to \$ 100,000
Emphasizing micro initiatives



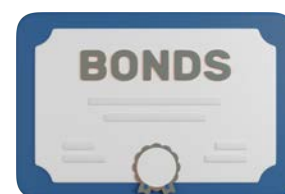
Grants



Interest Free Loan



Equity



Green Bond

Impact and Integrity Unit

An independent Impact and Integrity Unit under the secretariat, involving local organizations, will oversee monitoring. Priority areas identified in vulnerability assessments will receive preference during the design phase. SARF will actively solicit projects in these areas, ensuring accessibility for vulnerable individuals who may struggle to access government or other funds independently.

Mentorship: Design to Implementation

A hallmark of SARF is its robust mentorship support during the project's design phase. A panel of experts will assist in designing projects for community organizations, local NGOs, or greenpreneurs, resulting in well-structured proposals. The approval process by the trustee board will be efficient, with a maximum timeframe of 6 months. It will draw inspiration from GCF's indicators while incorporating SARF's principles, including Just Transition, Localization, Innovation, and Sustainability.

South Asia Resilience Fund

Together, SARF offers an actionable and practical response to the immediate climate crisis facing South Asian nations. Let's unite today to establish SARF and secure a sustainable future for generations to come.



Silke von Brockhausen/UNDP

Let us act today to secure a sustainable tomorrow driven by practical, action oriented regional solutions

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