

SIDBI Lands \$120M for Green Climate Fund's First Project

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Context

The Green Climate Fund recently approved the \$120 million Avaana Sustainability Fund, which is anchored by SIDBI as an accredited entity.

Details on News

- IDBI bank has been spearheading a vital project financed by the Green Climate Fund (GCC) which is a multilateral fund.
- This repository of 120 million dollars that is designated for stimulation of green financing primarily focuses on enterprise operation that is being operated by this MSME sector.

About the Project

- **Project Funding:** The project has got a platform from the Green Climate Fund and there is a substantial investment involved which makes the establishment of green initiatives possible.
- **Focus Area:** The main goal is to emerging these enterprises into a new and eco-friendly way of business.

Objectives and Methodology

- **Green Financing:** For the given project, we will be aiming to provide sufficient funds that will go towards energy efficiency investments, renewable energy projects, waste management programs, and any other environmentally friendly initiatives.
- **Project Scope:** The plan comprises not only money allocation for different greener projects but also for the measures like the energy-saving building, water waste treatment, as well as the initiatives with eye on climate change mitigation.

Key Features

- **Financial Support:** Maximum possible mortgage assistance is offered for small-sized projects of Rs.5 crores. This provision in the Credit Guarantee Fund Scheme for Micro, Medium and Small Enterprises will be a lifesaver for such businesses, because they can now borrow a maximum of Rs. For the micro enterprises, there is the provision of primary and intermediate finance and investment to facilitate connections with the financial institutions to the tune of Rs.50 crores.
- **Repayment and Interest Rates:** Lenders provide loans that have a maximum repayment term of up to 10 years and current REPO rate will affect the interest rate.

Challenges

- **Implementation:** Green project scale implementation at multiple levels of diversity including the MSME sector remain controlled by logistical and operational challenges.
- **Awareness and Participation:** It is of extra care to make sure the adequate level of awareness and participation among MSMEs is guaranteed for the mission to be accomplished.
- **Monitoring and Evaluation:** Tendency to perform evaluation and monitoring permanently reflects the degree of effectiveness and achieve goals of the financially supported projects.

Green Climate Fund

Establishment and Purpose

- Created in 2010 by UNFCCC parties.
- Aims to support developing countries in climate change mitigation and adaptation.

Funding and Mobilization

- Funded by developed nations, public and private sources.
- Uses grants, loans, and other instruments to mobilise additional finance.

Areas of Focus

- Invests in clean energy, energy efficiency, sustainable land use, and more.
- Prioritises projects based on country-driven needs.

Governance

- Managed by a balanced board of developed and developing country members.
- Operated by a Secretariat in South Korea.

Unique Features

- Focuses on vulnerable nations like LDCs, SIDS, and African States.
- Aims to address both emission reduction and climate adaptation.

Challenges and Criticisms

- Faces issues in fund mobilisation, procedural complexity, and project efficacy.

Role in Paris Agreement

- Central to meeting the financial goals of the Paris Agreement.
- Supports the \$100 billion annual climate finance target for developing countries.

Recent Developments

- Ongoing updates in funding strategies, partnerships, and operational effectiveness.

Conclusion:

The SIDBI-GCF project represents a significant step towards sustainable development, particularly in the MSME sector. By promoting green financing and supporting environmentally sustainable projects, the initiative not only contributes to the fight against climate change but also helps in achieving Sustainable Development Goals. Ensuring its effective implementation and wide participation will be key to its success.

Source: [Indian startup news](#)

UPSC Mains Practice Question

Q. Analyse the significance of the Small Industries Development Bank of India (SIDBI) securing \$120 million from the Green Climate Fund for its first project. Discuss the implications of this funding on India's climate change initiatives and the role of financial institutions in promoting sustainable development.