



NABARD's Climate Strategy 2030

For Prelims: [National Bank for Agriculture and Rural Development](#) , [Green financing](#), [Greenwashing](#), [Solar-powered irrigation](#), [Climate-smart agriculture](#)

For Mains: NABARD's Climate Strategy, Challenges Related to Green Financing

Source: [NABARD](#)

Why in News?

Recently, [National Bank for Agriculture and Rural Development \(NABARD\)](#) unveiled its Climate Strategy 2030 document which aims to address India's need for [green financing](#).

What is NABARD's Climate Strategy?

- **About:** NABARD's Climate Strategy 2030 is structured around four key pillars:
 - **Accelerating Green Lending:** Focusing on increasing green financing across various sectors.
 - **Market-Making Role:** Playing a broader role in creating a conducive market environment for green finance.
 - **Internal Green Transformation:** Implementing sustainable practices within NABARD's operations.
 - **Strategic Resource Mobilisation:** Mobilising resources effectively to support green initiatives.
- **Objective:** This strategy is designed to tackle the financial gap between the required investment for [sustainable initiatives](#) and the current inflow of green finance.
 - India requires approximately **USD 170 billion annually by 2030**, aiming for a cumulative total of over USD 2.5 trillion.
 - However, current green finance inflows are critically insufficient, with only about **USD 49 billion garnered as of 2019-20**.
 - Also, the majority of funds in India are earmarked for mitigation efforts, with only **USD 5 billion allocated towards adaptation and resilience**.
 - This reflects minimal private sector engagement in these areas due to challenges in bankability and commercial viability.

Note:

- NABARD is the apex development bank focusing on rural sector finance in India.
- Established in **1982** under the **National Bank for Agriculture and Rural Development Act**, it provides financial support for agriculture, small industries, cottage industries, and rural projects as mandated by Parliament.
- It is headquartered in Mumbai.

What is Green Financing?

- **About:** Green financing refers to the mobilisation of financial resources to support investments that have a **positive environmental impact**.
 - These investments can range from [renewable energy projects](#) and **energy efficiency initiatives** to sustainable infrastructure development and [climate-smart agriculture](#).
- **Significance:** The traditional financial system often prioritises short-term profits over long-term environmental sustainability. Green financing aims to bridge this gap by:
 - **Facilitating the Transition to a [Low-carbon Economy](#):** By channelling funds towards renewable energy and clean technologies, green financing helps reduce reliance on fossil fuels and mitigate greenhouse gas emissions.
 - **Promoting Climate Adaptation and Resilience:** Investments in green infrastructure like **flood defences and early warning systems** can help communities adapt to the changing climate and reduce the impact of natural disasters.
 - **Unlocking New Economic Opportunities:** The shift towards a green economy creates new markets for clean technologies and sustainable practices, stimulating innovation and job creation.
- **Challenges Related to Green Financing:**
 - **High Initial Costs:** Green projects often require **higher initial investments** compared to conventional projects, which can deter investors despite long-term cost savings and environmental benefits.
 - **Mismatched Timeframes:** Green projects often have **longer payback periods** and may not align with short-term investment horizons or financial targets of investors and financial institutions.
 - **Lack of Standardisation and Greenwashing:** The absence of globally accepted standards for **green investment** leads to ambiguity and inconsistency in evaluating their environmental impact and financial performance.
 - Also, without clear and standardised criteria, there is a risk of [greenwashing](#), where **investments are misrepresented as environmentally friendly** without delivering substantial sustainability benefits.

How Green Financing Can be Improved?

- **AI-powered Risk Assessment for Green Projects:** Developing AI algorithms that can **assess the environmental and financial risks** associated with green projects with greater accuracy and efficiency.
 - This can encourage traditional financial institutions to participate in green financing.
- **Satellite Data-driven Sustainable Investment Decisions:** Leverage satellite imagery and data analytics to **assess the environmental impact of potential investments** in areas like deforestation or sustainable agriculture, providing investors with data-driven insights.
- **Green Infrastructure Bonds with Government Guarantees:** Developing green infrastructure bonds with **partial government guarantees** to mitigate risk for private investors and incentivise participation in large-scale sustainable infrastructure projects.
- **Micro-grants for Grassroots Green Initiatives:** Establishing micro-grant programs to support local communities in developing and implementing small-scale green projects like [rainwater harvesting](#), [solar-powered irrigation](#), or **community composting initiatives**.
- **Green Impact Scores for Financial Products:** Implementing a system where financial products earn "**green impact scores**" based on their environmental footprint. This allows consumers to make informed choices and prioritise green options.

Drishti Mains Question:

Discuss innovative methods for promoting green financing in the context of sustainable development to facilitate the transition towards a greener economy?

Mains

Q. Explain the purpose of the Green Grid Initiative launched at the World Leaders Summit of the COP26 UN Climate Change Conference in Glasgow in November 2021. When was this idea first floated in the International Solar Alliance (ISA)? **(2021)**

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