

Decision-making processes and donor-led  
climate finance coordination in Indian  
states:

The cases of Odisha & Tamil Nadu

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## Declaration

I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of M.Phil. is entirely my own work, and that I have exercised reasonable care to ensure that work is original, and does not to the best of my knowledge breach any law of copyright, and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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Handwritten signature in blue ink that reads "Shruti K.N." with a horizontal line underneath.

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## List of Abbreviations

ADB	Asian Development Bank
CMZ	Coastal Management Zone
DFID	Department for International Development
DRR	Disaster Risk Reduction
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOI	Government of India
GOO	Government of Odisha
GOT	Government of Tamil Nadu
MoEF	Ministry of Environment and Forests and Climate Change
MOF	Ministry of Finance
MNRE.	Ministry of Renewable Energy
NAPCC	National Action Plan on Climate Change
NIDM	National Institute of Disaster Management
NGO	Non-Governmental Organization
ODA	Overseas Development Assistance
OSDMA	Odisha State Disaster Management Authority
PM	Prime Minister
SAPCC	State Action Plan for Climate Change
SDC	Swiss Development Cooperation
SDG	Sustainable Development Goals
TNSAPCC	Tamil Nadu State Action Plan for Climate Change
UKAID	United Kingdom Aid
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNFCCC	United Nations Framework Convention for Climate Change
USAID	United States Aid
WB	World Bank

## Abstract

Shruti Neelakantan

### Decision-making processes and donor-led climate finance coordination in Indian States: The Cases of Odisha & Tamil Nadu

The role of multilateral or international institutions that serve as donor agencies to support developmental efforts is increasingly prevalent among Indian states. While donor agencies are not dedicated solely to climate change development, they either have significant roles in dealing with climate change or they may have such roles in the future. This thesis examines what role donors play in climate change policy in Indian states and the central research question asks what determines the allocation of international climate finance among Indian states.

Apart from the different domestic resources and mechanisms of climate finance in India, several climate-related projects or activities in India receive money from international funds or multilateral and bilateral agencies. International organisations such as the World Bank (WB), United Nations Development Program (UNDP) or Asian Development Bank (ADB), as well as bilateral aid agencies like Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) from Germany and Department for International Development (DFID) from the United Kingdom assist India in its developmental efforts. They operate concurrently alongside central and state ministries, non- governmental organisations (NGOs) and civil society organisations (CSOs) to implement climate-related projects and programmes in the country.

To identify what determines the allocation of climate finance in Indian states, the thesis follows a triple themed framework focusing on donor interest, recipient need and recipient merit. The study shows that there is a high level of donor interest when investing in India's climate efforts largely, due to the visibility and high-impact results that are produced. As for recipient need, whilst Indian states are in need of donor assistance to further their climate efforts, the climate finance distribution is administered by the centre. This division of power causes confusion on how the assistance is coordinated. In the Indian context, recipient merit seems to have no impact on the climate aid that is provided by donors to Indian states. There are cases of positive reinforcement where donors go back to preferred states as in the case of Odisha , but there is no evidence of any negative impact of donor aid to states due to any lack of merit. Donors allocate aid based on foreign relations, economic benefits and impact visibility, ultimately, it is the centre that decides the climate aid distribution to Indian states.

## Chapter One: Introduction

Foreign aid is a widely held debate topic when discussing India and its development among scholars. From a thesis research point of view, the opportunity to analyse India through the lens of a wide range of stakeholders, truly provides a renewed perspective on the country's development aspects and investigate where the donors fit in. Understanding the donor-state relations, and the dialogues that go into making aid allocation decisions was a great learning that was gathered through the journey of interviews and discussions held offline. The key takeaway was to realise that foreign aid and development are complex in nature and requires deconstruction of layers to truly understand India's relationship with international donors. The thesis attempts to navigate through the maze of international climate finance in Indian states for both the donors and the sub-national departments.

This study aims to identify patterns of donor aid allocation for India's climate finance. What factors influence donors in selecting recipient countries or states and the existing donor relationship with the selected recipients, how recipients perceive the donor organisations, their approaches, and their response to aid allocation. By considering both donor and recipient state perspectives, it may be possible for both emerging and existing donors to implement a more inclusive process. This may enable them to identify challenges, opportunities and prospects for development cooperation strengthening donor-state relations within India.

The objectives of the research are to a) understand the donor processes when making decisions to distribute funding and selecting recipients, b) examine how the recipient country perceives the role of donors and alter their governance arrangements to attract

donor support and c) examine how some of the factors affecting the selection to observe patterns and trends in donor-recipient relations.

The primary research question of the thesis is: What determines the allocation of climate finance to Indian states Tamil Nadu and Odisha between 2009 and 2019?

Donors mostly follow a methodological selection processes based on pre-determined set of indicators. When considering recipient countries, it may be possible for donors, especially relatively new and emerging ones, to re-evaluate their process in aid allocation in a more informed way by including the perspective of recipient countries, in this case, India. This information may enable donors to identify challenges, opportunities and prospects for development cooperation with recipients. This study's gathers data through semi-structured interviews both from donors and the state, including research think-tanks and scholars to provide insight on a) selection criteria involved when selecting partner countries/states and b) how this decision shapes and affects donor-state relations in the context of climate development. With the findings and analysis, this thesis also aims to generate new insights that may assist emerging donors in managing their processes and relationships better and build new constructive partnerships with recipient countries/states.

This thesis on decision-making processes in donor-led climate finance coordination analyses the patterns in aid allocation. The study identifies the factors that lead to recipient selection by donors in the Indian context, especially for climate development. This research focuses on studying donor aid towards climate finance of Indian sub-national states



through the case studies of Odisha and Tamil Nadu between 2009 and 2019. The research question for this thesis is : what factors influence allocation of climate finance to Indian sub-national states?

Research in the past such as (Buffardi, 2011; Michonski & Levi, 2010; Zou & Ockenden, 2016) discusses development assistance in climate and highlights the importance of aid, the impact on the recipient country, climate finance provisions and legal aspects of foreign investments. However, little is known about the role of these donors from the donor side and other stakeholders on how they are perceived (Gogoi, 2019; Kono et al., 2019; Raghunandan, 2019). This research fills this gap in understanding the factors that are considered by donors and their relationship with the subnational climate activities. It identifies and explains factors that lead the donors to choose specific states to distribute aid. The thesis is a qualitative research contribution through analyses of policy documents and project reports, using case studies of international donors in Tamil Nadu and Odisha. Further, in-depth interviews were conducted with donor agencies and other state and non-state actors including research think tanks, academic institutes and implementation partners to help in identifying aid allocation factors.

Since India's Independence in 1947, India has been indecisive in nature with accepting foreign aid. Until 2003, India was in dire need of aid for the country's social and economic development but soon found it difficult to adjust to the terms dictated by the donor parties (Raghunandan, 2019). This left the then Congress government seeking a solution out of this. The finance minister at the time, Dr. Manmohan Singh was cheering on domestic efforts and wanted to begin creating an India that was self-sufficient. This was the beginning of a major shift in policy for foreign aid in India and continues to be so to this

date. In addition, smaller amounts of aid from multiple countries were being fed into the country's budget but was becoming increasingly difficult to account for at a national scale (Berthélemy, 2006b; Dubash & Ghosh, 2019; Sami, 2017).

Keeping in mind the difficulties of coordination and promoting a more domestic led India, in 2003, India requested all these countries to route their assistance through non-governmental organisations (NGOs), the United Nations (UN) and multilateral institutions. These continue to be preferred even today. The government announced that it would no longer accept tied aid, and that it would accept official bilateral aid from only five countries (Germany, Japan, Russia, the United Kingdom, and the United States) and the European Union. Other countries were invited to channel their aid through nongovernmental organizations and multilateral institutions. If the national government of another country voluntarily helps as a goodwill gesture in solidarity with disaster victims, the Centre may accept the offer at their discretion. India continues to be a big recipient of foreign aid. It is just that more and more of this is now multilateral, and project-specific assistance meant for infrastructure and social spending, directed at the state level.

In March 2008, a position paper prepared by department of economic affairs explained fundamental parameters of India's policy on receiving foreign aid (Kumar, 2021). The paper included that, India was no longer reliant on external assistance and that the economy was strong enough to move away from tied aid and would not accept aid in areas where it had substantial control.

India has also now entered into the donor league to assist neighbouring countries and is still trying to have a system in place and give and take aid (Fuchs & Vadlamannati, 2012; Raghunandan, 2019). In its structure, Indian development assistance is centralized in the

MEA which is the Ministry of External Affairs. It is difficult to know how much development assistance India provides, where it goes, and for what purpose. Neither the Ministry of External Affairs (MEA) nor the Ministry of Finance maintain records of Indian aid (Steinbach et al., 2014) .

Through the interviews, literature analysis and review of policy documents, this thesis presents some of the key findings of this research. The findings are discussed in detail in Chapters five and six of the thesis and a longer discussion on the comparison of the states in the final Chapter seven. Overall, the findings indicate that there is high donor interest to provide aid to Indian states. With India limiting aid and donor engagement in 2004, there has been a high interest to be part of a restricted international community to work with India and its states. Among the Indian states, climate finance is a new and emerging concept. While the states welcome external donor support to further climate efforts, it is unclear if the aid received is part of larger development efforts or if climate finance travels a separate stream. In addition to this, the centre or the national bodies coordinate and distribute donor aid internally which adds an additional layer of complexity in the process. A newer theme of recipient merit was added in the literature to investigate if funds are allocated to certain countries due to a reputation for of good governance, high impact results and good performance and on the contrary negative performance resulting in withdrawal or reduction of aid. In the case of India and its states there is no such negative reports that have been mentioned or available. Interviewers in fact suggested that in the present condition as is, recipient merit has had little or no impact on aid allocation to Indian states.

The thesis is structured in seven chapters. Chapter two highlights some of the significant existing literature contributions on aid allocation and details the analytical framework developed for the thesis. The framework consisting of recipient need, merit and donor interest explain how some of the factors under these umbrella themes influence aid distribution. Chapter Three delves deeper into understanding the aim and of the research. It is extended by providing greater depth in the rationale for the selection of states and the discussion on generalizability of the cases to the other states in India. The fourth chapter provides context of India's climate policy landscape. The chapter elaborates on India's foreign aid interactions and their national and state led climate efforts.

The fifth and sixth chapters focus exclusively on Odisha and Tamil Nadu respectively. The sections of these chapters focus particularly on how the aid patterns can be explained through the selected analytical framework. These are supported by systematic data collection and information provided by interviews and analysis of policy documents, and media reports. The last Chapter Six summarises some of the similarities and differences present in both the states and how the results explain donor aid allocation in these two states and identify possible patterns across the country. The thesis concludes with highlighting some of the findings as research contributions from the study and a brief discussion how this can be further developed.

## Chapter Two : How is aid allocated: Donor Interest, Recipient Merit and Need

In this chapter, I analyse the literature on foreign aid and the nuances around the selection and distribution of developmental aid, within that, environment aid, and this assistance's impact at the sub-national level. In subsequent sections and chapters, this creates opportunities further to discuss donors' intent, expectations of recipient countries, and the influence of donor and aid at the subnational regions, primarily directed towards climate change. Highlighting my central research question on understanding which donor gives to which recipient to what cause and why, the literature on foreign aid can be divided into two parts. One part studies the effects of foreign aid on the receiving countries; the other examines what factors determine foreign aid, i.e. who gives out foreign aid and to whom?

There is a large and growing literature on foreign aid, how donors allocate their aid, how they support development, etc. However, the most significant questions remain: how do donors allocate their aid, and how does this influence local policies? (Berthélemy, 2006a; Burnside & Dollar, 2000; Collier & Dollar, 2004; Dudley & Montmarquette, 1976; McGillivray & Feeny, 2008). If countries as aid providers are powerful enough to influence the local policies of other nations, then what are the factors that affect these decisions? Some of the answers to these questions lay in the literature conducted by political scientists, researchers and other scholars. There is a large literature on the motivation behind foreign aid; (White & McGillivray, (1992), Dudley & Montmarquette (1976) and McKinlay & Little (1977) provide a comprehensive survey of the literature prior to 1990, while Dollar & Levin (2006), Burnside & Dollar (2000), Collier & Dollar (2004) and Berthélemy (2006a) provide surveys of more recent studies.

For this research, it is helpful to group these findings and adopt a model of allocation that has been used in the past, that is also applicable to this research. McKinlay & Little (1977) and Dudley & Montmarquette (1976) were the first to distinguish between two different models of aid allocation: recipient need or economic assistance on the one hand, and donor interests or foreign policy on the other. The third and more recent addition is the recipient merit covering good governance and institutional importance. According to the recipient need model, donors provide aid mainly to alleviate poverty in recipient countries, motivated to provide assistance to the less fortunate (Burnside & Dollar, 2000; Weltbank, 1999). In contrast the donor interest model, uses aid instrumentally to promote their own economic, political or security interests (Hansen & Tarp, 2001; Berthélemy, 2006a).

These three models lead to divergent expectations about which countries receive more aid. While the expectation is that poorer countries receive more aid in a recipient need model, countries that are economically or politically important (for instance, large trading partners or political or military allies) receive more aid in a donor interest model (Opršal & Harmacek, 2019; Hoeffler & Outram, 2011). The third group to add to this model is merit factors which reflects the merit in aid allocation. In this context, indicators of institutional quality, environmental performance, human index, and political development among others are used. According to this merit theory, it is assumed that donors reward the better institutional performance of recipients by giving them more aid (Gehring et al., 2017).

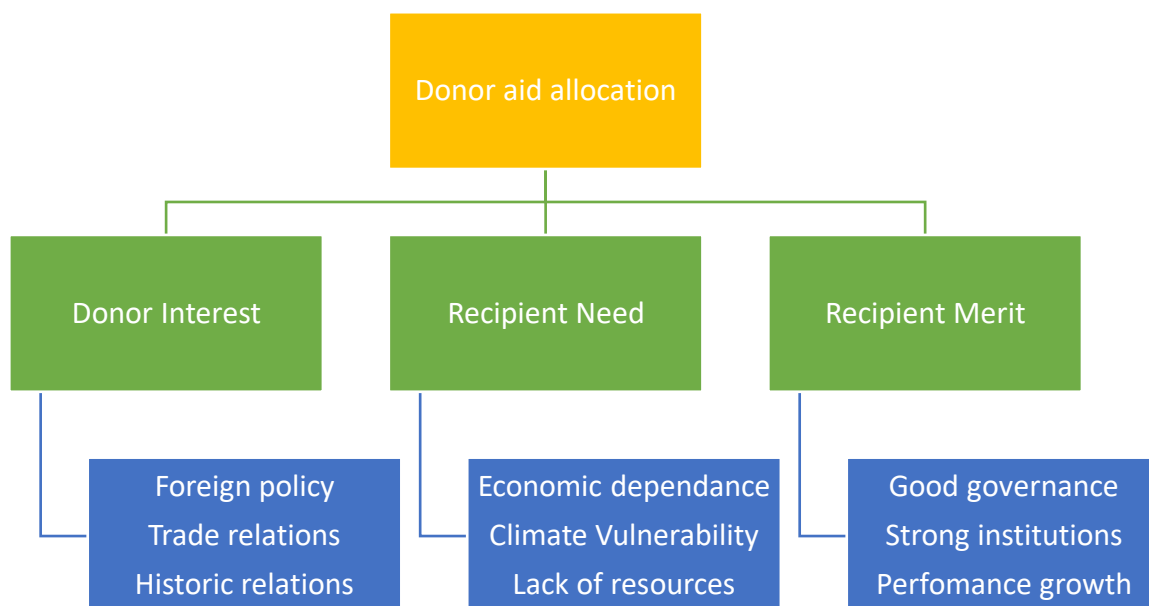


Figure 1 : Patterns of aid allocation framework

## 2.1 Foreign aid and development

The debate on environmental sustainability has influenced international concerns and external aid funding for environmental purposes (Berthélemy, 2006a; Burnside & Dollar, 2000). The increased environmental influence on the international development agenda are more evident from the Sustainable Development Goals (SDGs) adopted at the UN Sustainable Development Summit in 2015 (Opršal & Harmacek, 2019). The environmental component has been strengthened within the framework of the international development agenda and at the level of development strategies of individual donors (Zou & Ockenden, 2016). This reflected a growing consensus that the environment and development are interlinked. Environmental considerations have become a cross-cutting principle, along with other development aspects like good governance, gender sensitivity and diversity of donor development interventions. While sustainable development is a broad concept that encompasses a wide range of interests, overall it has turned into a favourable concept

within the international development community to work towards (Hoeffler & Outram, 2011; Opršal & Harmacek, 2019).

In recent years, examining foreign aid distribution patterns and understanding the aid intervention has increasingly gathered more interest (Alberto, 2000 Berthélemy, 2006; Chong and Gradstein, 2008; Dollar and Levin, 2004). One of the reasons for this is the widespread presence of donors and the results donor led projects have achieved (Berthélemy, 2006a). This distribution applies to international donors and bilateral aid providers to other countries. There has also been a rise in engagement of Overseas Development Assistance (ODA). Studies (Hoeffler & Outram, 2011; Neumayer, 2003) have indicated that these forms of aid are carried out for multiple reasons. While a wide range of explanations have been put forward, including political boosts, economic interests and powerplays, some studies also commonly argued that donors' motives extend beyond the improving of economy and well-being of people in developing countries (Bernstein & Cashore, 2012a; Berthélemy, 2006a).

It is often the case that developed countries provide aid to assist developing countries in adapting to the various developmental changes that are taking place. Alesina & Dollar (2000) specifically discuss the economic and political benefits that favour the aid provided through the funding assistance decisions, usually promoting internal goals. When discussing political and economic motives behind foreign aid, colonial pasts and current political alliances are essential in disbursement decisions (Chong & Gradstein, 2007b). When maintaining good relations with the colonisers of the past, some countries, irrespective of their existing economic structures, are automatically in the pool to receive aid (Moers & Annen, 2012). For some governments or donor agencies, the transparency of



the process, results obtained and assurance that the funds are contributed to better policies are important when making decisions on foreign aid. To some others, political alliances and international relations take priority without much regard to other factors, including poverty or economy-related concerns (Alesina & Dollar, 2000; Gehring et al., 2017).

Then there is this other related question: What is this aid's intent, and what do the providers expect in return? Many countries allocate a part of their national budget towards foreign assistance to reverse the reputation from the past, world war or old political decisions that may have damaged some nations in the past. Their goal is to improve foreign relations through aid and oversee developmental projects (Bermeo, 2017; Berthélemy, 2006b; Gehring et al., 2017). This holds true for all the donor agencies representing a particular country. Assistance doesn't flow only through direct channels between governments but also through other channels that have been set up, including national donor agencies, foundations and Non-Governmental Organisations (NGOs). NGOs also support projects and more minor activities by providing technical and personnel support to other nations, some politically driven others that are more cause-based (Chong & Gradstein, 2007b; Kono et al., 2019).

From the donors' end, donors most often conduct baseline assessments to understand which location suits their engagement the most. They often tend to prioritise physically more exposed countries when allocating aid for two reasons. One with the primary intent of support – to improve the condition of a particular location and speed up the development process – and second, to emerge with good publicity for the action (Michonski & Levi, 2010; Opršal & Harmacek, 2019). Most aid actions stem from strategic

interests, but definitions of strategic interests are hugely varied and have no means of measurement. What draws one donor may not speak to others, and a specific set of interacting factors that work for Donor A, may not necessarily work for the rest (Dollar and Levin, 2004). In other words, while there is some general agreement about what matters for aid giving, namely poverty of the recipients, strategic interests, colonial history, trade, political institutions of the recipients, etc., there is no unifying evidence on the relative importance of these different variables (Bernstein & Cashore, 2012a; Berthélemy, 2006a).

Foreign aid, in general, is perceived by subscriber countries to be a positive step towards enhancing development. The rich help the needy and build an atmosphere where nations work together to create a world with fairer chances and opportunities. Some studies, however, also highlight the downside of aid (Hoeffler & Outram, 2011). Studies point out that most foreign assistance focuses on public consumption and intervene in the national processes to carry out activities. This could result in rushed policy changes and the growth of a country without fully understanding the scope of the assignment (Arvin et al., 2006; Buffardi, 2011; Michonski & Levi, 2010). There can also be more chances to mismanage aid, leading to corruption and other bureaucracy-related issues that remain an obstacle in these discussions (Gehring et al., 2017). Overall, whilst the intent is to promote growth and development, national discrepancies and how aid is handled could also reverse the success of these contracts.

## 2.2 Allocation of aid to climate

(Fuchs & Vadlamannati, 2012) argue that a lot of the points discussed in the previous sections, on politics, economy, poverty etc., also applies to the case of environmental aid.

Furthermore, environment/climate aid flows closely follow development aid flows. The extent to which climate aid is new and additional under the development umbrella remains unclear and needs to be further studied. Michaelowa & Michaelowa (2007), Bernstein & Cashore (2012a) and Opršal & Harmacek (2019) reiterate that donors' economic and political interests are often more robust determinants of environmental aid than the environmental concerns of recipient countries. In contrast to other studies, some further discuss that donors also consider vulnerability, notably the physical component of vulnerability in aid decisions (Opršal & Harmacek, 2019). When it is decisions related to environmental aid, countries that are physically more exposed to climate change are more likely to receive some aid, including small islands developing other emerging economies (Doshi & Garschagen, 2020; Zou & Ockenden, 2016). There is widespread agreement among many political scientists that environment is an essential component of foreign aid, defined as the development intervention globally, and is mainly expected to have positive environmental impacts in target countries (Michaelowa & Michaelowa, 2007; Opršal & Harmacek, 2019).

Foreign aid has been a popular topic of discussion by itself (Bernstein & Cashore, 2012a; Weiler & Klöck, 2021). Another general discussion around this is the distribution of funds towards environmental aid. The sectoral distribution, particularly around environmental aid, has gathered interest in the recent past. The most relevant question raised is to understand why donors increasingly engage in the environmental development of recipient countries. Often donors favour countries with some capacity to self-organise and further activities rather than low economy countries with neither the capacity nor the infrastructure to do so.

Some literature suggests that if donors are genuinely motivated by humanitarian concerns, they will allocate aid among recipients based on relative needs, allocating most aid to countries with a low level of development, a high level of poverty and so on (Ayers & Huq, 2009) (Lüpke et al, 2020). The logical method to shortlist environment aid is to include using data from environmental performance reports that indicate highly vulnerable and delicate environments. There has also been a significant increase in bilateral funding activities that tackle climate change and with a more specific focus than environmental-climate mitigation finance that essentially aims at minimising GHG emissions (Ballesteros et al., 2010; Michaelowa & Michaelowa, 2007).

Nevertheless, environmental concerns are rarely the only reasons for development assistance. The foreign aid literature reveals several donors' underlying motives and priorities, particularly humanitarian, economic, and political (Opršal & Harmáček, 2019). The tug of war between both ends of the spectrum of aid (as a humanitarian act or a political tool) often impacts how aid is distributed and received. Environment-related aid is often short-term aid typically with five or ten year contracts, sometimes shorter 3 years terms, where money is distributed, and projects are overseen to locations where there is an immediate need to recover the affected area and people (Weiler & Klöck, 2021; Zou & Ockenden, 2016). Longer-term aid spanning beyond ten year periods or in recurring terms, for the environment is mostly mitigation-related and requires years of work. Often, one tranche of the aid is not sufficient to complete these activities, which are reviewed in regular intervals or until funds last (Lüpke et al, 2020).

As mentioned earlier, climate issues are increasingly framed as global problems that influence global environmental politics (Michaelowa & Michaelowa, 2007). In the UNFCCC

meetings, it is also discussed how nations from the developed countries of the North and those from the developing countries of the South have different environmental priorities (Doshi & Garschagen, 2020). Most countries that belong to the Global South view environmental protection as a low priority action or sometimes negatively as they believe it limits their economic development by preventing them from using what they believe is their share of natural resources. The Global North focus on environmental protection is also seen as hypocritical by climate activists since the North has already depleted much of its resource base in the name of development (Weiler & Klöck, 2021; Zou & Ockenden, 2016)Lüpke et al, 2020). Poorer nations argue that if rich countries want the South to protect its environment, the North must provide aid. At the United Nations Conference on Environment and Development (the Earth Summit) in Rio de Janeiro in 1992, Southern countries asked Northern nations to provide environmental aid to help address their development dilemma (Ayers & Huq, 2009; Dollar & Levin, 2006; Opršal & Harmacek, 2019). Environmental aid is now a financial transfer from the North to the South to protect or restore the environment. Donors include governments, multilateral agencies, and private groups, such as foundations and nongovernmental organisations (NGOs) (Bernstein & Cashore, 2012a; Berthélemy, 2006a; Weiler & Klöck, 2021).

In the next sections, the study will elaborate the key elements of the framework on Donor Interest, Recipient Need and Recipient Merit and discuss how they tie together when discussing aid directed towards climate development.

### 2.3 Donor Interest

Partner country selection is one of the key elements of development policy. It lies at the centre of the development policy decision-making of donor countries and institutions, and plays a significant role in shaping the patterns of aid allocation (Baydag et al., 2018; Bernstein & Cashore, 2012a; Collier & Dollar, 2004; Hoeffler & Outram, 2011; Weiler & Klöck, 2021). The existing literature on aid allocation focuses on what factors determine aid, or recommendations around how it should be, there is a gap in addressing if the donor selection of recipients is dependent on overall global aid flows (Olivié & Pérez, 2016; Wright & Winters, 2010; Zou & Ockenden, 2016). When discussing donor interests, the highlights are to first understand whether donors are strategically-motivated and have other benefits in relation to trade or other foreign/economic policies (Barett & Conostas, 2014a). This is often how bilateral and multilateral aid emerge, when countries with matching needs and investing interests come together, and both parties are in a position to benefit, foreign assistance selection is most successful (Berthélemy, 2006b). In many cases, donors also often follow an agenda put together by the national government and may be required to follow internal decisions (Davies & Klasen, 2019; Dreher and Lohmann 2015).

There is no clear or standardised approach in recipient country selection. Donors are often seen to follow a mixture of development-oriented and strategic approaches (Baydag et al., 2018). The decisions vary on a case-by-case basis and are largely dependent on other changing variables. Research exploring the patterns of allocating aid point out that allocation is (more often than not) needs-based. They review what the country is in need of, how much they are capable of conducting activities on their own, and assess how the

provision of aid will enhance their progress and development (Hansen & Tarp, 2001; Máñez et al., 2014).

Donors, however, also consider the performance of the country in discussion for selection, some of which is discussed in the recipient merit section based on their performance. Donors are interested in investigating if the aid provided will be spent in accordance with the requirement of the policies regulated by the recipient country or agency, and if the donors are aligned in how they view development and other political or social ideologies (Alesina & Dollar, 2000; Berthélemy, 2006a; Dollar & Levin, 2006). Other than these two factors, one of the most popular and discussed themes is strategic interest, often in an effort to maintain a good relationship with former settlements or improve trade relations, sometimes to garner political support or keep up a united front globally and maintain foreign and external relations (Burnside & Dollar, 2000; Chong & Gradstein, 2007a; Easterly, 2003a; Reinsberg, 2015). The other side of this debate is that of course, selecting recipient countries that are most vulnerable (e.g. especially subject to climate-related impacts) which are most in need of assistance. The presence of these donors are very explicit in this case and their intervention to enhance development is both visible and appreciated (Bernstein & Cashore, 2012a; Jablonski, 2014; Michaelowa & Michaelowa, 2007).

A review of the literature discussing the patterns of aid allocation shows/indicates that scholars largely examine the allocation and motivation on the donor side and the consequences of development cooperation for both donor and recipient (Alesina & Dollar, 1998; Baydag et al., 2018; Neumayer, 2003; Opršal & Harmacek, 2019). The process of selecting partner countries is an important aspect of the overall rationale of development

cooperation and the subsequent allocation of aid resources. The selection criteria used by the donors help us to understand the objectives of aid allocation and differing approaches in the implementation processes, as well as the underlying concepts. For example, lack of good governance in the recipient country is a determining factor for a donor – but this is a very diplomatic decision, since this could either mean it's based on recipient need or lack of recipient merit (Bernstein & Cashore, 2012b; Berthélemy, 2006a; Hoeffler & Outram, 2011). Donors also have the option to override bureaucratic processes and coordinate aid implementation through non-state actors and achieve faster and perhaps more effective results. Here, they also consider the capacity of the institutional recipient and review if the proposals are aligned to the aid assistance programmes they run (Burnside & Dollar, 2000; Collier & Dollar, 2004; Moers & Annen, 2012).

One major point that must be highlighted when discussing self-interest or strategic interests is the role that geopolitics plays in aid allocation (Bermeo, 2017; Alesina & Dollar, 2000). Donors are interested in supporting recipients that are like-minded (i.e., either political allies or will become allies through the action of assistance). Garnering this kind of support will help them in other political decisions ranging across various themes (political, climate, security etc) (Easterly, 2003b; Tarp, 2001; White & Lensink, 2001). The other element tied along with geopolitics is trade and the need to strengthen foreign and trade policy is high and donors lean towards countries with more trade linkages (Bermeo, 2017; Baydag et al. 2018).

To elaborate on the discussion on donors' work through internal agendas and directives influencing recipient selection, they are often asked to concentrate on the same recipients to increase aid effectiveness (Beynon et al., 2003; Gehring et al., 2017; Wright & Winters,



2010). Scholars discuss that when the hosts focus on a set of recipients over a long period of time, there are significant results in the promotion of economic and social development as opposed to a multi-donor presence. The progress is also difficult to trace back and attribute one individual body (Burnside & Dollar, 2000; Reinsberg, 2015). According to World Bank studies, aid works better in poor countries with good policy and institutional environments (Burnside & Dollar, 2000; Weltbank, 1999).

Another factor that is less discussed but more practical is that when involved with the same set of aid implementing actors for years, there is a reduction in transaction costs and fewer administrative tasks to be carried out. This also includes better resources and personnel management (Easterly, 2003b; Wright & Winters, 2010). This avoids duplication of efforts by new donors and better usage of aid rather spending twice or thrice or many number of times on administrative related expenses. In lieu of this, scholars have called for better donor coordination of aid and request that donors should discuss amongst themselves a more suitable strategy when allocating aid , also referred to as harmonisation. (Bernstein & Cashore, 2012a; Burnside & Dollar, 2000; Roodman, 2007). Some others, however, highlight the importance of maximum participation for maximum results, and encourage multiple donors to be present over a period of time, speeding up the developmental curve and creating visibly faster change on ground (Jogesh & Dubash, 2015; Pujari, 2022)(Berthélemy, 2006b; Dudley & Montmarquette, 1976; Steinwand, 2015).

With data on donors, their funding patterns and interests, we will be able to further determine if donor interests influence funding patterns at the sub-national regions and if funding decisions are determined by other external factors such as historical, economic and political relations. If the funding is for an extended period, this could indicate historical

political allies that continue to maintain friendly relations. An increase or decrease in support could be a reflection of the political ties and newer entrants could indicate an interest to start new relations overcoming past relations. Overall, we will be able to identify donor interests in the country, specific states and areas of work that are being invested in and do they do it to advance their political and foreign affairs positions.

In the context of this research, it will be useful to understand why and how donors are interested to work towards providing climate aid to India and its states. Some of the questions around this would aim to explore what benefits do donors receive with this transaction and how this is viewed on a global scale. It is also useful to understand if donor transaction on aid take place purely due to prior commitments at international meetings and treaties or if there are other external affairs relations that are targeted. It is also interesting to note if these dealings are liaised directly with the Indian states or the central ministries. Lastly, the donor interest category should attempt to answer how this process affects donor interests when allocating aid towards climate finance in India.

### 2.3 Recipient Need

Enquiry on the benefits of foreign aid at the sub-national level has had diverse answers. While the popular answer remains that foreign aid fosters development and that without foreign aid, sub-national counterparts and regions succumb to rigid national financial structures and experience stunted growth in all development areas. There is however, some other research providing contrasting insights (Bernstein & Cashore, 2012a) Weiler & Klöck, 2021). Scholars and researchers argue that a large portion of foreign aid flowing from rich or developed nations to developing countries is being wasted and cultivates a pattern of unproductive public consumption (Dreher and Lohmann, 2015). Lack of institutional

structures, bureaucratic obstacles and absence of capacity in sub-national spaces cause mismanagement of funds, and no transparency is maintained (Ballesteros et al., 2010; Doshi & Garschagen, 2020). It is hard to track the channel and flow of funds and how they are managed, and much other information is lost in translation, mainly due to language and cultural barriers (Barett & Conostas, 2014a).

The aid recipient governments predominantly make decisions on aid distribution to the sub-national parties (Jablonski, 2014; Öhler, 2013). This can happen for two reasons: first, because of national laws and rules requiring donor countries to direct fund flows through the central channel; and second, because donors cannot judge how funds can be disbursed equally cross-country based on economic needs, vulnerability (Wright & Winters, 2010; Jablonski, 2014). Locals have a fair knowledge of how things are conducted regionally and are equipped with an understanding of local cultural patterns, political situations, etc. However, this handover of the decision to local governments can also backfire as it creates incentives for the political party in power to distribute aid in ways that are most beneficial to them in the current situation and create a voter base for future electoral proceedings (Jablonski, 2014). They may also refrain from sharing the funds with groups that are not politically or ideologically aligned with the other political groups. Under the assumption that political leaders are self-interested and office-seeking, it is in their strategic interest to allocate resources in ways that maximise political returns (Barett & Conostas, 2014a).

Local politics also means local thoughts and more simple ways of thinking. The strategies adopted by the state are more short-term and fuelled by immediate results than longer-term relations or the need to be politically aligned with national interests (Hodler & Raschky, 2014; Dreher and Lohmann, 2015). In most cases, national/state/local

governments have the discretionary power to select the beneficiaries or set a beneficiary selection criteria of donor projects. In simpler terms, this could mean that the ruling party could channel resources to regions and people with support rather than a need-based distribution (Bernstein & Cashore, 2012a; Doshi & Garschagen, 2020; Jablonski, 2014). This is prevalent in general foreign aid policies and processes and the sectors. Suppose a particular political manifesto has prioritised some sectors. In that case, aid is transferred to these sectors only nationwide while some other sectors take a back seat even if it is a priority in some specific local areas. These conflicts on aid distribution are unavoidable and are challenging to overcome (Bernstein and Cashore, 2012; Dreher and Lohmann 2015).

There could, however, be cases where funding is welcome and well-received at the subnational regions with minor central interventions, and the sub-national team is focused on achieving smaller goals (Ayers & Huq, 2009; Barrett & Conostas, 2014a; Opršal & Harmacek, 2019). This often happens when the access to national funds is more challenging and complex, and foreign or overseas funds act as a parallel channel to speed up development (Hodler & Raschky, 2014; Öhler, 2013). In these cases, proposals and assessments are often already conducted; that is, both the problem and the solutions are identified, and implementation is on hold due to financial, technological or/and capacity-building reasons. In such situations, donor intervention is a blessing to all local authorities who can carry out their projects with fewer paperwork exercises and direct interaction with donors. The downside to this type of interaction is that it is not sustainable and can be applied only to short-term activities or causes that need immediate involvement (Jablonski, 2014; Weiler & Klöck, 2021).

In the recipient need model, aid is provided to the particular state believing that the assistance improves the local livelihood and economic status. That those who actually need

help, receive assistance through foreign aid, is the intent (Gunning, 2000; Knack & Rahman, 2006). Studies also discuss the decision when distributing aid if it is always redirected towards places with extreme poverty and if the funds reach the communities to make a quicker difference. Often, funds directed to certain events during disasters, floods etc. are used to retrieve the communities from the tragedy but without the urgency of such an event, how aid flows are channelised is not entirely systematic (Bobba & Powell, 2006; Tarp, 2001; Wright & Winters, 2010) Where living conditions and infrastructure are non-existent, aid is able to intervene and provide these facilities to places that cannot afford it on its own. This may or may not have other benefits externally but the primary reason for distribution of aid is that there is a need for it and providing aid will have a significant impact on the people and the communities (Hansen & Tarp, 2001).

Aid, however, is distributed differently across states in India. Whilst some aid is directly given to the centre that handles all transactions, listing their preferences and agreements drawn, it is unclear how decisions are further made ( Interview RE1, 13, DON3, 2019; DON 5, 2022). Since agreements (multi or bilaterally/loans/investments) are all handled by the centre. The process entails with the donors completing the transactions with their referred states and sectors and then a stages of negotiation take place on a need basis (Interview DON5, 2022, RE15;2019). It then comes down to centre-state relations and other factors for the state to be engaged. In some cases, donors oversee projects until the end of the implementation stages, in some others, they allow third party entities to produce reports and regular intervals (Interview CON1,2019). In some other countries, aid is still provided in the form of discrete projects due to limits on foreign interventions and foreign affairs ( Berthélemy, 2006b; Beynon et al., 2003; Wright & Winters, 2010). Some of these projects may or may not be evaluated nor impact assessments conducted to understand how aid

from a specific donor has impacted the recipient location (Dreher & Lohmann, 2015; Máñez et al., 2014).

Overall, the recipient need category explores if the aid provided is need based or if there are other factors that are tied to such a decision. In the context of this thesis, this category aims to understand what is the initial assessment of the Indian state towards receiving foreign aid for climate development purposes and what factors do the states consider when conducting such an assessment. These include how the state is situated environmentally, what measures are taken towards climate development and how they view the engagement of donors towards their effort. It is also interesting to observe if the states are entirely dependent on the support of international donors for their climate efforts or if only partially, then to what extent to they seek technical and financial support from donors. Lastly, the questions also explore how the narrative of need based or the lack thereof shapes relations with donors.

#### 2.4 Recipient Merit

The Recipient Merit category was first introduced by (Burnside & Dollar, 2000) and also discussed by the World Bank in a 1999 (World Bank, 1999) report on assessing aid. The emergence of this category was due to a pattern observed on how certain nations received aid continuously while some others did not. The basic idea is that aid is more effective when there are advanced and supporting policies and infrastructure are good (Gehring et al., 2017). It was indicated that aid provided in these settings reaped more positive results and was managed better. In fact, discussions on optimal aid allocation also suggested that there is a direct relation between aid effectiveness and the institutional setup within a certain location (Berthélemy, 2006b). This direct correlation has been discussed and debated by

other researchers, but nevertheless seemed a worthy addition to understand how aid flows (Dalgaard & Hansen, 2001; Easterly, 2003a; Hansen & Tarp, 2001; White & Lensink, 2001), including in the World Bank Economic Review (Roodman, 2007).

Literature on general aid development shows that donors tend to concentrate their efforts on a small set of recipients (Weiler & Klöck, 2021). A study of OECD aid between 1972 and 2003 finds that “no fewer than 28 recipients received aid from all 22 donors in the database” (Weltbank, 1999) (Moers & Annen, 2012).

Some scholars observe that one set of donors benefit from effort and decisions of other donors (Bernstein & Cashore, 2012a; Burnside & Dollar, 2000; Gehring et al., 2017; Knack & Rahman, 2006). In other words, they free ride on the work done by other donors. They identify existing development aid projects in recipient countries and build on the infrastructure and capacity already created (Gehring et al., 2017) . For example, if Donor 1 already implemented an adaptation project in Recipient A, then the adaptability and performing power is higher and Donor 2 can more easily implement its own projects in turn. However, this has led to a decline in the level of aid to a specific recipient as the number of other active donors increases (Chong & Gradstein, 2007b; Knack & Rahman, 2006; Steinwand, 2015).

The investment of a donor in certain recipient countries also indicate that the location is of interest for a number of reasons, perhaps for political mileage, easier economic improvement or any prior historic relation (Easterly, 2003a). This also signals other donors and aid providers that the place is of interest. In addition to that, information on the recipients, project details etc are available for others to assess their suitability criteria (Alesina & Dollar, 1998; Davies & Klasen, 2019). A lot of information on how trustworthy the recipients are, and their use of aid and its impact and other such factors that are all

known and in turn determine the popularity of the recipient. This, however could lead to many donors crowding a recipient, building on each other's efforts, and what Hodler & Raschky (2014) refer to as the 'bandwagon effect'.

In particular, there is evidence that smaller donors follow the allocation decisions of large donors ( Dalgaard & Hansen, 2001; Davies & Klasen, 2019). Donors often also compete with each other for political influence and economic benefits through aid. Recipient countries that are important markets, for example, receive support from several donors, all of which seek to access the market for trade and foreign investments. Trade especially plays a very important role and donor countries that maintain business relations with certain countries also tend to provide them with development aid (Gehring et al., 2017; Collier & Dollar, 2004; Baydag et al., 2018).

Some of these factors such as trade, international relations and donor competition influence the decisions on how much aid is provided and to whom. Scholars have observed this pattern over the years and have identified this as aid fragmentation (Bobba & Powell, 2006; Moers & Annen, 2012; Steinwand, 2015;). Development aid in general, often extended to cases of environment-related projects the concentration of aid is to the same set of recipients. In other words, if many donors provide aid to a recipient or even a specific sector (e.g. education, environment) chances are that the other donors in line also follow suit (Gehring et al., 2017; Knack & Rahman, 2006; Moers & Annen, 2012).

This pattern of providing aid to the same set of recipients assures recipients of stability in terms of support, but is also seen to have some negative effects (Berthélemy, 2006b; Öhler, 2013). When analysed deeper it is seen that multiple donors, advancing with their own



missions and requirements, demand higher numbers of personnel and resources from the recipients, as opposed to few donors interacting with them with set requirements and familiar methods of working (Dreher and Lohman, 2015; Bickenbach et al., 2019; Chong & Gradstein, 2007a; Knack & Rahman, 2006; Steinwand, 2015). Scholars also highlight that when there are too many donors, both old and new, efforts are duplicated, and the roles and responsibilities are blurred and unclear. This in turn could lead to no donor feeling or taking the responsibility to lead change since there is no public recognition of this or an opportunity to lead the recipients through the various stages of development. This, in addition to the other factors including long bureaucratic processes, corruption, cultural differences, etc., can result in the technical assistance and aid being ineffective (Barett & Constatas, 2014a; Neumayer, 2003; Olivie & Pérez, 2016). This argument has led to numerous debates on whether aid allocations should consider factoring in good governance as an indicator or use opportunities to break into new sectors. Experimenting where and how aid is used to its full potential with the desired impact could be a next step (Berthélemy, 2006a; Gehring et al., 2017; Hansen & Tarp, 2001).

If it is true that donors support countries with good reports, good governance and policies, a good starting point to investigate would be to ask the donors through the interviews, how they determine which countries are awarded with support and what documents are checked in order to determine the eligibility of the country. There is also the discussion on donor benefits. More sceptical observers suspect competing donors to be present almost everywhere and care mainly about the visibility of their own projects rather than the effectiveness of aid (Olivie & Pérez, 2016). Looking through the aid flows, an increase or decrease in providing funding against policy changes will be able to inform us of how the two are correlated. It would be important to study the environment performance reports,

human index performance and other reports that the donors refer to understand the position of various recipient country's and on what basis their alignment is determined.

Recipient Merit is an additional category introduced to include the possibility of donor aid allocation on a merit basis. In the context of this research when observing donor aid patterns and observations, the questions further investigate if certain allocation decisions were made based on merit such as good governance, positive results, high impact implementations or actions. Shaped largely by the donor-state relations and the level of ownership the state takes towards climate actions and it's projects, the recipient merit category nudges the research to delve further into the how sub-national unit has been setup and operates towards climate activities and how the donor led projects are run at the state level.

## 2.5 Conclusion

Recipient Need and Donor Interest are fairly straightforward factors that offers a representation of both parties (donors and recipients). Recipient merit evolved into a third category over the years, as researchers found there was a missing element that needed to include to address all facets of donor aid. According to Burnside and Dollar (2000), it has been observed that development aid is more effective when given to countries with good policies. This adds a layer of complexity to the aid allocation process. In the vetting process, if the indicators show poor performance, policies to foster growth will now be viewed as an opportunity to enter the country/region to enhance development or according to the recipient merit narrative be excluded due to their performance. McGillivray & Feeny (2008) argue that donors could also interpret low growth as an indicator of high need when the decision is in fact more beneficial the other way round.

The donor interest group reflects selfish motives in aid allocation. It is determined by variables measuring donors' exports or bilateral trade with recipients or by factors describing different kinds of relationships and closeness between donors and recipients (standard colonial links, geographic distance, shared cultural traits, etc (Lupke et al., 2020). It is predicted that the volume of aid will be positively influenced by the intensity of donors' interests and by the proximity of mutual relationships (Neumayer, 2003; Opršal & Harmacek, 2019). The recipients' needs for aid reflect the altruistic motives of aid allocation and can be divided into two primary subcategories. Economic needs are usually measured by the level of economic development (gross domestic product — GDP per capita, income per capita, for example) (Neumayer, 2004). In contrast, social needs may be calculated by various social development indicators such as literacy rate, life expectancy, infant mortality rate, etc (Máñez et al., 2014). Most environmental aid fits this category of recipients' environmental needs, which the donors' objectives can approximate for environmental aid (Bernstein & Cashore, 2012a; Weiler & Klöck, 2021). For instance, renewable internal freshwater resources per capita would be a relevant indicator when the drinking water supply is highly relevant for a donor's interventions. The merit argument may be relevant also for environmental aid: donors may decide to reward developing countries with the better environmental performance of a government's policies with more generous aid flows (Ayers & Huq, 2009; Zou & Ockenden, 2016).

Applying these three elements to the Indian states should provide answers on why and how donors are interested to provide climate aid to India, does India and its state need and rely on this type of aid to further its climate efforts and if aid is provided basis of merit or if other factors are involved then what they could be. These questions are answered

largely through interviews, analysis of state level documents available publicly and media reports on climate finance and efforts.

The next step in the research was to look into the allocation model in greater detail and understand what set of interacting variables fit under the three categories and how they, in turn, influence local policies. These factors will be further applied to the primary research question of this thesis on how donors allocate foreign aid?

	<b>Recipient Need</b>	<b>Recipient Merit</b>	<b>Donor Interest</b>
<b>What is the primary motivation</b>	Improve socio-economic status of the nation		Improve international political and trade relations
<b>Where does the aid go ?</b>	Recipient : country has an accounted budget for dev through aid	Recipient : Aid is distributed internal through national models and policies	Recipient : Donor spends and benefits improves quality of life at recipient
<b>When: the duration of aid provided?</b>	Long term : Most countries are emerging economies	Short-term: Each project has a short term retaining success period	Short & Long term Donors can offer to support short and long term projects
<b>Who is the leading actor?</b>	Donor: donor provides aid to the needy, theoretically	Recipient : The recipient bags on the successful implementation	Donor: Use aid as a tool to negotiate other themes with recipients
<b>How does the aid differ in the various model?</b>	The recipient is under obligation to fulfil certain criteria	National laws and policies take precedence	Donor decides the final contract and abiding points

### Chapter Three : Methodology

In this chapter, I layout the research aim, objectives and primary question after having reviewed the relevant literature. Following which, I discuss the research design including the process of selection of states and the time-period. There is a discussion of donor movements in India and how the government's response to donor engagement towards

climate finance has evolved. Finally, there is a discussion on limitations that also set the scope of the research.

### 3.1 Research Design

This thesis seeks to analyse how donors select to work with specific partner states within the Indian sub-national sphere in climate development. For this thesis, I examine the trends and developments in two states, Odisha and Tamil Nadu, between 2009 and 2019. Particular focus is given to the time when the donors set up their bids to specific states as technical partners at the introduction of the SAPCC starting in 2009 and every review after that (2010, 2015, 2020). Further, in answering the research question, the study also brings out some of the perceptions of the recipient states' as shared during interviews.

According to George & Bennett (2005) when the research focus is laid through a single case study, the inclusion of variables brings out the different facets of how the case operates. This is possible when the dynamics of the case permit logical generalisation to other cases because if it is proper to this one case, it is likely to be true to all other cases (Eisenhardt & Graebner, 2007). Single case studies are unique in nature and often incomparable to other cases. In single case studies, it is acknowledged that each case has its own features and a particular topic is studied over time to understand the case (Lobo et al., 2017). In single case studies, researchers have the opportunity to explore theoretical relationships, and are able to understand the case without any presumptions (Gustafsson, 2012). Further, when there is an extended opportunity to identify some factors that can be applied to other cases, there is flexibility when choosing cases. In the case of India, there are 29 Indian states, the findings of this study aims to be applicable when conducting the same study across different states. For this study, it was important to choose cases that could act as a

good representation for the climate finance study. In the case of Odisha and Tamil Nadu both are coastal states and are climate vulnerable and have been active with the Indian sub-national climate policy through. This combination has been unique to these two states which makes the cases and interesting to learn from. Both are treated as single cases, delving into details of their climate portfolios and donor engagement providing some insight on aid allocation patterns within each state.

The two states are treated as two single case studies. However, towards the end of the research some similarities and differences in states and their results are identified. Stake (1995) highlights that more than one case can be simultaneously studied. However, each case study should be concentrated, single inquiry, studied holistically in its own entirety. Literature on case studies stress the importance of selecting the right cases that suit the research questions and single case studies (Hyett et al., 2014; Stake, 1995).

### 3.2 The rationale for the selection of states

India comprises over 29 states and 8 Union Territories, and it was difficult to conduct work and collect data across all states within the required time of this research. For this purpose, two states, Odisha (formerly known as Orissa) and Tamil Nadu, have been selected to examine as part of this study. Both the states lie in the country's coastal area and have similar coastal-related climate problems, although the intensity of the issues varies widely. Both states have been pioneers since the introduction of the 2009 State Action Plan for Climate Change (SAPCC) and have been active participants in conducting activities and reporting during consultations led at the national level. However, it must be noted that despite many projects and funding schemes being in place, the primary technical partners (donors) make their bid to work with certain states to further climate action through these

SAPCCs. In this case, multiple donors engaged with Odisha in the last decade through their climate plans. In contrast, only one donor consistently worked with Tamil Nadu at the same time to support the state with its climate plan.



Image 2: Selected Indian state case studies (Source, mapsofindia.com)

In this research, Odisha and Tamil Nadu are the sample studies, and common findings could lead to possible explanations of sub-national climate policy in the other states of India. This would qualify as a typical case that is also critical (Seawright and Gerring, 2008). As much as treating individual accounts as whole cases or stories are essential, whole cases are difficult to compare with one another when the goal of the research is to develop generalisations that represent multiple accounts (Ayres et al., 2003). To narrow the focus,

donors involved in these two states are considered to decipher the criteria and explain the selection and allocation of aid for climate development in Indian states.

Odisha, is the ninth-largest State in India. As of 2019, the State spread over 30 districts has over 45 million people residing amidst the eastern bed of historical monuments and the Bay of Bengal. Marking its coastal presence in the region, five rivers run through the state, supporting millions of fishing communities who rely on these water bodies for their livelihood. The state ranks 22<sup>nd</sup> out of the 28 states, poorly among many human development indicators and, with over 32%, has one of the most significant percentages of the population below the poverty line (UNDP, 2019). Due to its proximity to the coast, by default, its vulnerability to being prone to extreme weather events such as floods, droughts and cyclones is set. In the last decade, the state has witnessed numerous floods, cyclones and heavy monsoon showers that have caused severe infrastructural damage. The UNICEF Report highlights 13 major disasters, which killed approximately 32,228 people and caused more than 34 lakhs of homelessness, just in the last 11 years (Mohapatra, 2020; UNICEF, 2019). These disasters have affected the state economically; a 2008 study indicates that poverty reduction showed similar numbers despite its per capita income for over a decade. (Hedger et al., 2010). Odisha's environmental history largely revolves around utilising and managing its natural resources and dealing with natural disasters. Its resilience and infrastructural capacity to cope with extreme weather events continue to be a work in progress (UNICEF, 2017). The state department has taken some pilot projects and actions through local NGOs and international donors (Jogesh and Dubash, 2014).

Since Odisha has been a state that has witnessed multiple calamities and experienced severe infrastructural and livelihood damages, there has been more willingness from the



donor end to extend support. The World Bank, UNDP, UNICEF GIZ, SDC and other international donor agencies have worked with the state on existing state actions or proposed funding opportunities based on the donor's more extensive project interests and ideas. There has been plenty of activity in the case of Odisha and mainly coastal area management and disaster. There is significant interest in investing in disaster preparedness and post relief, including infrastructure repairs and livelihood support. Being involved with the state has been of great interest to the donors, especially since there is an immediate opportunity to offer tangible support.

Tamil Nadu is the fourth largest state of India and is located in the extreme south of the Indian subcontinent. It is bounded by the Indian Ocean to the east and south, and by the states of Kerala to the west, Karnataka to the northwest, and Andhra Pradesh to the north. According to the census 2011, the population of Tamil Nadu is 72 million (George & Bennett, 2005). As a coastal state, Tamil Nadu has witnessed coastal-related disasters and, subsequently, infrastructural and livelihood interruptions. NGOs in place voluntarily reach out to the locals and support them. There is no established network or pool of organisations working continuously to improve the state policy document or processes with regard to climate issues.

The state of Tamil Nadu is known for its strong research capabilities and effectively organising state policies, but climate-related subjects have still not made it to the top of the agenda. Some examples of other successful policies will be discussed to identify factors and patterns that have worked in the past and their applicability to climate-related policy. Whilst some of the other state's policies and performance have been studied by national-level research think-tanks, Tamil Nadu has been an outlier. The German donor agency, GIZ,

has been working with Tamil Nadu for over a decade, even before the SAPCCs were in place and have been rooted well with state activities. However, it has been difficult to monitor progress or reports since some of their activities are part of other independent projects. There has also been no other international presence to facilitate the state actions. However, collaboration with international research institutes such as the World Resources Institute, Oxford Policy Management or local foundations, think-tanks such as the Observer Researcher Foundation (ORF), Shakti Foundation, Acclimatise, OXFAM for smaller research activities can be traced.

Variation in donor agencies is a good sign; it indicates that several organisations are willing to engage with the state and interested in boosting the climate efforts (Jogesh & Dubash, 2015; Pujari, 2022). However, this comes with its own set of challenges. Given that both states have been actively engaged in climate action and the SAPCC processes, they are vulnerable to coastal climate issues and have approached engaging with donors differently (Mishra et al, 2011). The findings from both cases will provide insights into local intuitional settings and the donor presence and interaction at the state level. Donors differ significantly in size, demographics, politics, economic strength, geopolitical influence, philosophies, and approaches. These variations generalise the relationship between donors and states and their expected future in climate development. In order to form a better understanding of the challenges, opportunities and prospects for development cooperation between the two groups, a framework that looks into different models of allocation (recipient need, donor interest and recipient merit, will be applied in this study.

### 3.3 The rationale for the selection of time period

The selection of an adequate time period for gathering data is challenging in this research. This is largely due to unavailable up-to-date data on state and national platforms; although websites are created with available data, it is not always the case; and poor digital infrastructure is a limitation. However, with supporting interviews, media articles, research reports, and other annual reports from donors, data is available to understand aid allocation among Indian states. After considering using different periods for the state case studies in order to compare their incoming aid flows before and after the establishment of the state action plans, it was decided to use a single time period for both Odisha and Tamil Nadu, starting with the year 2009 and ending with the year 2019. While the decision to use 2019 as the final year for the data analysis is primarily to observe trends and patterns spanning over a decade, some data available from the year 2020 will also be incorporated for better inputs and improved findings. The development and implementation of climate policy is a continuous process. Since the State Action Plan for Climate Change was introduced in the year 2009, initiating the study from this point until 2019 is a logical step, covering ten years. It was also a period when the country witnessed momentum in climate-related issues following the breakdown of national action plans to smaller state action plans for climate change.

The findings are relevant for the two states and other states in India and, on a larger scale, how the sub-national governments interact with donor agencies. Other similar countries might benefit from the experiences of emerging donor countries that have already undergone such an assessment. Consequently, the outcomes of the study will assist these

countries in forming a better understanding of the reasons that might prompt donors to be more transparent with their aid allocation processes and decisions.

### 3.4 Data collection

Evidence was gathered from various central and state government reports and databases available online, media accounts, and reports from non-governmental organisations. Existing studies and related journal articles produced by developmental and research organisations have been instrumental. Personal interviews conducted in Odisha, Tamil Nadu and New Delhi have facilitated connecting the framework drivers and links to climate policy. Apart from some informal interactions, 34 in-depth interviews have been conducted both in-person and via online tools. To maintain anonymity, the interviews are labelled under the categories of Non-Governmental Organisations (NGOs), Government officials (GOI), Donors (DON) and individuals from research think-tanks, academia, and consultants (RE). All interviewees are numbered and cited in text where appropriate, for example RE1, DON 2 etc. However, there are cases where attributing a statement, organization or affiliation along with the label and number, (DON1) across the thesis would give away the identity of the person, especially to those reading and well connected with the Indian climate community. To protect the identity in these cases, only the labels and the years are used.

To select the interviewees, I first mapped the networks and resources first at the national level then the two states to identify the major stakeholders and their relationships to one another. As part of this mapping, during my fieldwork I attended 2 workshops and consultations organised by local NGOs, events organised by donor organizations and a series of public presentations both online and on field in which all major donor agencies,

NGOs and government were part of presenting an overview of their current activities in the sector.

This mapping revealed that there existed many stakeholders involved in the chain of development assistance, and wide variation within, across and over time in donors' development portfolios. Based on this mapping, it was evident that there were three large donors (One in Tamilnadu and two in Odisha) that together accounted most of the official climate development assistance at the state level. As well as being influential in terms of their proportion of external financial assistance, these donors also provided diversity in donor type and ownership structure (Gerring & Seawright, 2007). Each of the states also had third part consultancies and NGO's working on that state climate plan that was liaised with the official's state department who would in turn report to the central national environment departments.

Within these donor chains, I conducted semi-structured interviews with 34 purposively selected informants that were donor program officers, implementing entities, civil society groups, think-tank researchers who covered the plans and worked alongside the states extensively. I interviewed 8 in-country donor officers, 3 central government officials, 5 regional government officials, 3 consultancy representatives and 3 NGO representatives. There were 17 individuals who were either working in research think-tanks, academia, independent consultancies or with multiple affiliations. This set of informants had contact with multiple donor agencies throughout their years of service, enabling them to provide important cross-donor comparison information. The Interviews were held in informants' offices and lasted approximately one hour in length. When physical interviews were not possible, online sessions were conducted via zoom. Questions were open-ended and

followed a semi-structured interview guide covering themes of: accountability, ownership, targeting, effectiveness, relationships among actors in the climate sector, differences among donors, sectors and programs, the role of development assistance and changes in donor mandates over time centrally and within the Indian states.

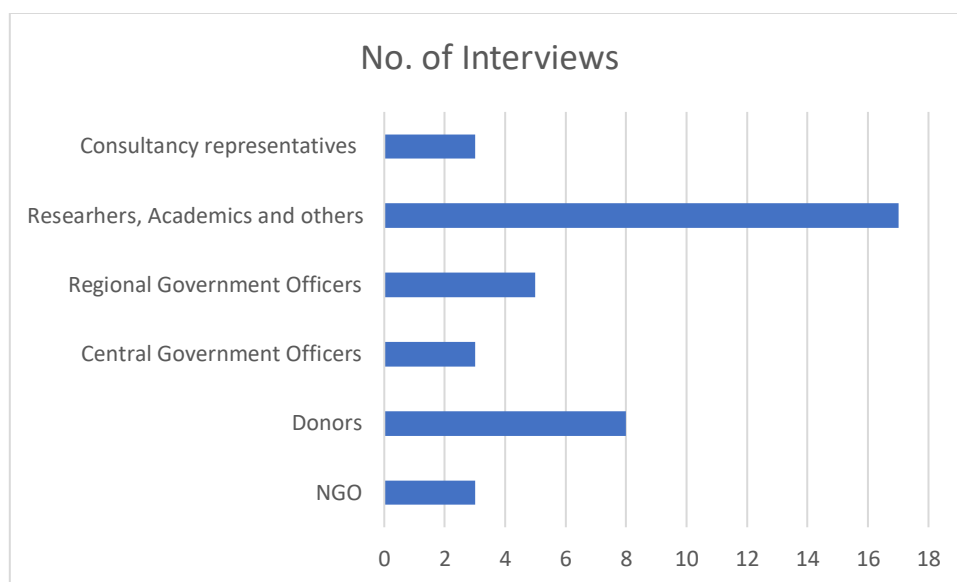


Image 2: Interviewee selection and categories

The thesis relies significantly on interviews conducted during fieldwork in India in May-June 2019 and October-December 2019, and remote interviews conducted between April and June 2022. 34 Interviews were conducted with key informants, including government officials, donors, academics and experts at relevant research institutes, and representatives of NGOs and state officials. The data of the list of interviewees are kept anonymous in line with the request from the interviewees who wished for anonymity. All interviewees preferred to speak on a non-attributable basis and not to be recorded. In the latter case, notes were developed and filled in soon after each interview.

Where the existing primary and secondary literature required validation and to evaluate claims made by the existing literature, interviews were used to confirm or deny facts.

Depending on the interviewee, the interviews were either semi-structured or unstructured. Because of the diverse range of informants, it was not appropriate to use a standard list of questions for each interview. Instead, the questions were tailored for each interview based on correspondence with the interviewee. All interviews were conducted in English. Relying on interviews, however, also creates the possibility of misinformation and personal bias. To reduce the possibility of bias, data from individual interviews were verified through other interviews or from other primary and secondary sources to ensure reliability in the analysis.

A list of interview questions is attached in Appendix 1, information regarding interview dates is attached in Appendix 2 and a full list of primary policy documents and reports referred to is available in Appendix 3 of the thesis.

### 3.5 Limitations

This research focuses mainly on criteria for aid allocation by donors to Indian states for climate development. This study does not consider the activities of other important non-governmental actors, such as foundations, philanthropic organisations or corporate social responsibility initiatives. While general findings might apply to other states, some specific findings will depend on the states' contexts - social, political, and between 2009 and 2019. Long-term donors do not reduce or end aid or provide more aid to a country in a short period of time. They often have funding commitments that stretch over an extended period of time, resulting in delayed execution of decisions that have been made some time ago. While these constraints are acknowledged, the interviews conducted are nevertheless expected to contribute to the analysis of aid allocations and climate development plans.

The previous chapters focused on the general discussion of donor aid allocation patterns and some common observations through existing literature. Extending from some of the studies on how donors make aid decisions and how recipient countries arrange themselves to seek aid, three categories (donor interest, recipient need, recipient merit) of aid allocation were identified to better understand some of these aid patterns (Berthélemy, 2006a; Burnside & Dollar, 2000; Alesina & Dollar, 2000). The review indicated that the donor-recipient relationships, the factors that could potentially affect allocation decisions and that there is no single model or process that is universally followed. Donors operate differently in different states, and with a range of different variables the outcome also is expected to be different (Alesina & Dollar, 2000).

Donors also differ in methods and approaches towards recipients and there are varying interactions between long-standing and emerging donors who engage with their recipients (Hansen & Tarp, 2001). Some like to maintain external relations and others want to diversify and expand, both efforts affecting a set of recipients (Burnside & Dollar, 2000).



## Chapter Four: India's climate policy framework

Foreign aid is complex topic with many layers and debates. In this chapter I attempt to provide some insight on Foreign aid in India for development and for climate finance. Due to the absence of universal indicators or factors that determine reasons to provide aid it is often challenging for the stakeholders and actors to gauge actual growth within a mission to achieve climate development. Further, it is almost impossible for a layman to understand a complex project framework and its constituents. In this chapter, I attempt to explain India's climate policy infrastructure, detailing some of the state action plans.

### 4.1 Donor movement in Indian States

In 2004, before the introductions of these state climate plans, the Indian government officially stopped accepting foreign aid for disasters. That year, during the Indian Ocean tsunami, the government released \$115 million for the National Contingency Fund. And India refused any humanitarian assistance or emergency aid for the Tsunami relief efforts (Dubash & Ghosh, 2019; Dubash & Stavins, 2022; HT, 2021; Sraieb, 2016). Aid was requested on a long-term basis (sometimes well after the period of the disaster), accepted only from G8 countries, from donors who would agree to give more than \$25 million per year, or accepted by state governments rather than the Centre (Chanana, 2009; Fuchs & Vadlamannati, 2012; Schmidt & Chakrabarthy, 2021) (Interviews DON3, GOV1, CON1, 2019). After the tsunami, for example, India requested and received long-term aid for rehabilitation from both the World Bank and the Asian Development Bank (ADB). India also regularly accepts foreign assistance from multilateral organisations such as the Organisation for Economic Co-operation and Development (OECD); the World Bank and the ADB (OECD, 2019; Schmidt & Chakrabarthy, 2021; Miller & Mukundan, 2021).

The Economic Survey of India estimates that it will cost \$38 billion to meet the climate goals of the NAPCC (Raghunandan, 2019). The existing national climate schemes and funds currently allotted are insufficient although there is no access to these numbers. Since it is held confidential by the central government. When asked the government officials during interviews it was mentioned that there are no exact amount allotted yet, since climate finance is a new facet in the government spending the central government is still in learning curve (GOV2,2019). There is then a need for international aid to fill this gap. With the government impositions on foreign contributions and the requirement for assistance with climate finance has created a complex relationship between the centre and the international world.

There have been two ways in which donors have found a means to be involved, one by contributing general aid to overall economic growth over time, and second by conducting studies and assessments of the projects/programmes at the sectoral level in recipient countries (Teichmann, 2016). As part of this research, it would be logical to try and identify some aid patterns and the durations specific donors have invested in contributing towards India's development, and further show interest in the environmental sector. This will help in studying why and how the donors perceived India as a country in need of aid. Having conducted interviews with donors providing aid to Indian states, it will be useful to investigate what reports and indices the donors refer to when making the decision to distribute aid. Studying this further, will help in exploring if aid is provided to the recipients based on their need for it, and what kind of impact this extra support contributes towards overall development of a recipient country.

In the international negotiations and not just the climate related ones, a new and emerging topic of climate finance has captured the interest of Indian political leaders (Dubash & Ghosh, 2019; Mandal, 2015). As part of the global climate agreements, developed countries have been delegated the responsibility to mobilize US\$100 billion per year by 2020 for developing countries—a step that helped unlock the Copenhagen Accord in 2009 (UNFCCC 2009). This of course has been extended with time at the time of the Paris agreements in 2015. The renewed agreement in Paris reinforces the need for developed countries to assist developing countries. In addition to that Green Climate Fund (GCF), an operating entity of the Financial Mechanism of the UNFCCC, is a central institution to serve the Paris Agreement (Jha 2017). The GCF recognizes the need for country ownership of climate funding by allowing national institutions to access, manage, and disburse funds for climate action. National designated authorities (NDAs) act as the interface between the country and the GCF, and funding from the GCF is distributed in countries through various accredited entities—including national, regional, or international (GCF 2016).

A report by OECD in 2015 titled *“Climate Finance in 2013-14 and the USD 100 billion goal”* caused quite a stir among the Indian government (Interview RE#, 7, GOV1, CON2, 2019). The paper has claimed significant progress towards that goal. The initial estimates were that the mobilization of climate change finance from developed to developing countries had reached USD 62 billion in 2014 and USD 52 billion in 2013, equivalent to an annual average over the two years of USD 57 billion (OECD, 2015). In response to this report the government of India appointed a team to examine these details and a report was published under the Ministry of Finance (MoF). The paper identifies and highlighted some of the key areas that the original report fails to mention. The authors stress that climate related finance has to be accounted as additional funds flowing from exclusively setup climate

funds and does not count pledges and commitments to be part of this pool. The authors also clearly write about using projects for UNFCCC related agreements and markers as separate projects but not budgeted as climate finance arguing that the USD 62 billion in number was not accurate (Dubash & Ghosh, 2019; Mandal et al, 2013a; Raghunandan, 2019).

Finance in general is a topic that lacks transparency within the Indian context. Most of the documents and reports are inaccessible and are sensitive in nature. Climate finance falls under the same category. It is increasingly difficult to keep track of climate related expenditure and aid . Both of these are centrally managed and decisions on aid distributions are also made by the centre, though the donors have some say in what their preferences are. Lack of access to information has made it difficult to gather exact numbers. Interviewees either were unsure themselves or refused to discuss questions related to finance.

#### 4.2 Indian Environmental Federalism

There are some key focus areas when discussing Federalism, Policy Making and Intergovernmental politics; the themes largely fall under Costs and benefits, public opinion, and environmental policy . There is the theory of concentrated costs where the individuals are more likely to do more when there is a lot more at stake (Harrison, 1993). Since the benefits of environment protection are somewhat scattered, the people opposing the idea tend to be better prepared funded than the actual initiators of the cause. Since policies with different cost distribution and benefits vary, the resulting dynamic in intergovernmental politics also subsequently differ (Du, Xinmig et al., 2016). In India, the central focus is on the approach to environmental policy based on the possible impact on

the electoral process. The centre positions its policies and the degree of their support based on the public reaction to such policies and how likely it is going to affect their tenure as the government (Chanana, 2009; Miller & Mukundan, 2021).

As much as the government is deemed responsible to initiate policies and activities towards environment protection a lot of the decisions are made according to public interests and demands. The interviews stress the importance of public engagement and the various phases of activity and inactivity and the corresponding policy responses of policy makers. To implement a certain type of policy when the issue has faded out might exhibit the government in good light (Chong & Gradstein, 2007b; Wright & Winters, 2010). On the contrary the same plan may work against their electoral results and intergovernmental relations which affects the type of policies implemented, especially at a time when addressing climate crisis is of significant importance beyond political interests (Bhat, 2015).

When the sub-national counterparts are requested to work alongside on any issue, there is a cloud of competition that is introduced. Most states although are cooperative, aim to perform better than the other and yield results that are environmentally sound without compromising on their economic gains (Bhat, 2015). What many do not discuss explicitly are the consequences of ecological spill overs, one state that has a higher pollution rate could affect the surrounding states (Kumar & Managi, 2009). However states have very limited redistributive policy and economic powers, this leads to heavy dependence on external funding from rich industries (Beynon et al., 2003; Mishra et al, 2011). As the situation progresses, this dynamic could develop into to a 'race to the bottom/ in which individual states compete for industry by offering progressively weaker regulatory standards (Jörgenson et al., 2015)

In an attempt to balance the federal and sub-national roles in environmental policy, for the most part, the federal government has been willing to leave environmental protection to its subnational counterparts. In effect, the federal system has allowed the federal government to pass their responsibilities and shift the political challenge of environmental protection to other tiers (Jogesh & Dubash, 2015). The reason for this is a combination of limited public attention to the environment and strong opposition from potentially regulated interests yields significant political costs and limited political benefits.

The Federal government often considers multiple factors before proposing a policy, often leading to a broader view of the environment and its protection (Byravan & Rajan, 2013; vineet Kumar, 2018). The Indian government, especially under the leadership of BJP, is more likely to engage with popular policy with popular demand from the public that improves both electoral response and intergovernmental relations (Dubash & Stavins, 2022). However, on the flipside it can also be observed that since the sub-national levels function with a larger sense of ownership, the government and its representatives tend to be more protective of their states and their interest even during times of turbulence or inaction. There is a lot of back and forth on who bears the torch when it comes to environment protection especially since there is a lot of dependence on constitutional instruction for the implementation of these. While the federal government is passing more of its responsibility to the sub-national counterparts but make an effort to be involved in intervals, there is an imbalance that is observed (Mandal, n.d.; Schmidt & Chakrabarthy, 2021). This could again lead to a negative impact on sub-national environmental policy by encouraging interprovincial competition for investment, especially in the absence of a strong federal presence. Finally, acknowledging that there is improved importance of

environmental issues in recent years and that both the federal and sub-national tiers have been engaging in the policy cycle more actively understanding what their role should be. Overall, these factors help us understand how they interact with each other and federalism as a whole that result in the kind of environment policy we have today.

Over the decades, India has maintained a relatively consistent stance internationally emphasising that developing countries need to focus on developmental priorities such as poverty alleviation while simultaneously addressing national and global environmental challenges (Jogesh & Dubash, 2015; Sami, 2017). India laid out its new policy in June 2003. It would not accept any tied aid in the future. Bilateral aid would be accepted only from five countries, namely the United Kingdom (UK), the US, Russia, Germany and Japan in addition to the European Union (EU). Three of them were members of the UN Security Council with the other three potential future permanent members. But later in September 2004, donors such as Canada, France, Italy and the Scandinavian countries were reinstated (Bahinipati, 2015; Chanana, 2009; Fuchs & Vadlamannati, 2012.).

According to the Germanwatch *Climate Risk Index 2018*, India has been ranked as the sixth most climate change-vulnerable country in the world (Eckstein et al., 2018). In the series of annual climate negotiations hosted by the United Nations Framework Convention on Climate Change (UNFCCC) in the past climate has been discussed more often. India, after the Copenhagen climate negotiations in 2009, came forward to implement policy on national and subsequently sub-national action plans. Further, in the Paris Agreement, adopted in 2015, India established the global goals on adaptation of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. This was in

response to contributing to sustainable development and ensuring proper response to climate adaptation (Kumar, 2018).

In India, there is no current system in place around climate-related finances. All aspects of budgeting, expenditure, grants and aid take place in parallel with almost little or no coordination (Jha, 2014 ; Raghunandan, 2019). Within the country, a range of stakeholders, at the national and subnational level, in both the public and private sectors, are engaged at various levels contributing to the sub-national climate efforts. The institutional arrangements around climate finance have mostly followed national policy responses to climate change (Jogesh & Dubash, 2015). The national response around climate change emerged through the Prime Minister's Office (PMO) in 2007, with the creation of the Prime Minister's Council on Climate Change to coordinate national action for assessment, adaptation and mitigation of climate change. Following these early initiatives, in June 2008 the PM released the National Action Plan on Climate Change (NAPCC). The NAPCC comprises eight core "Missions" and outlines existing and future policies and programmes addressing climate mitigation and adaptation, representing long-term, and integrated strategies for achieving key goals in the context of climate change (MoEF, 2008).

The eight missions listed below are therefore expected to address climate mitigation and adaptation while satisfying the above stated principles:

1. National Mission for Sustainable Agriculture (NMSA);
2. National Mission for Enhanced Energy Efficiency NMEEE);
3. National Mission for a Green India (GIM);
4. National Mission on Sustainable Habitat (NMSH);



5. National Mission for Sustaining the Himalayan Ecosystem (NMSHE);
6. National Mission on Strategic Knowledge for Climate Change (NMSKCC).
7. National Solar Mission (NSM); and
8. National Water Mission (NWM).

In 2009, after the launch of the NAPCC, the PM urged state governments to create State-level action plans on climate change (SAPCC) consistent with the strategies under the NAPCC (MoEF, 2009). As a result, climate policy is developing at the sub-national level, with several states embarking on ambitious plan formulation processes for mitigation/adaptation strategies through (SAPCCs). The common themes within SAPCCs are the principles of territorial approach to climate change, sub-national planning, building capacities for vulnerability assessment, and identifying investment opportunities based on state priorities, while the major sectors for which adaptation strategies envisaged are agriculture, water, forests, coastal zone, and health (MoEF, 2013).

Financing for SAPCCs was to be made available in the course of implementation of state plans in various sectors with the resources being mobilised through budgetary support (Planning Commission, 2011). The Ministry of Environment, Forests and Climate Change (MoEF) had suggested that states come up with cost estimates for their proposed actions, following which several states drew up with estimates that according to some experts did not appear robust or credible. Reports said that there were marked inconsistencies in the estimates quoted by different states, as well unclear listed criteria in determining the prioritised list of actions (Dubash & Jogesh, 2014b). Moreover, state climate plans were initially developed under the promise of substantial funds under the 12<sup>th</sup> Five Year Plan (FYP) between 2012-2017. But in the course of the plan development, the amount of

funding available for states was different, in some cases were directed to other schemes (Interviews RE1,RE4,2019). This in turn has led to a greater emphasis on attracting donor funds to support the implementations of state climate plans (Dubash & Jogesh, 2014b;Kumar, 2018). Some states also sought additional funds from existing central schemes to implement climate related action at the state level (Jogesh & Dubash, 2015).

Another key observation emerging from India's prior engagement with multilateral and bilateral funds is that funding comes on a project-to-project basis, to the implementing agencies, in the form of either grants or subsidized loans (Gogoi, 2019). Loans however have not been popular in India since the amounts are not that high and is usually subject to heavy conditions and may not be released fully without results. Multilateral agencies, such as the World Bank (WB), Asia Development Bank (ADB), United Nations Development Programme (UNDP) and the bilateral donors such as USAID, UKAID, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Swiss Development Cooperation (SDC) that have been active in the last decade.

These actors also play a key implementation role as they operate concurrently alongside central ministries and state governments to develop, execute and manage climate related projects and programmes in the country (Byravan & Rajan, 2013). A majority of these financial flows are also focused on mitigation, financing activities such as energy efficiency and low carbon transport (Narain et al., 2009).

### 4.3 Directing aid towards climate finance in India

The role of multilateral or international institutions that serve as donor agencies to support developmental efforts are continuously challenged (Arvin et al., 2006). While literature points out that donor agencies are not dedicated solely to dealing with climate change, recent reports and consultations suggest that they either have significant roles in dealing with climate change or that they may have such roles in the future (Brucker & Valeyatheepillay, 2017.; Lancaster, 2007; Bobba and Powell 2011,; Roodman, 2007).

International organisations such as the United Nations Development Programme (UNDP), the World Bank (WB) and United Nations Environment Programme (UNEP) have been known to commission several projects in developing nations. In addition to providing financial and technical support, they also bring in resources and tools that help strengthen their presence in the donor country (Kono et al., 2019). Through their frequent reports and consultations with governments, their analysis helps facilitate more effective international engagement on most developmental issues. Some other organisations also collect data and develop indices, charts and present other information that contribute to broader agreements (Hansen & Tarp, 2001). These agencies are also known to ensure implementation efforts on ground are in place by providing capacity building training and provide other support to governments and institutions to strengthen their abilities to respond to challenges such as poverty, climate, education, etc. (Buffardi, 2011; Lancaster, 2007).

In India, following the NAPCCC in 2008, in 2010 it was up to the individual states to examine how they could tap onto these existing schemes and implement a state-level climate plan

without affecting their other activities. The finalization of the plans in 2011 started to notice the presence of international agencies such as DFID, GIZ, UNDP, WB and SDC started to be more noticeable (Byravan & Rajan, 2013; Kumar, 2018). These organisations had allocated funding for projects across the country addressing certain themes and topics of the environment. In addition to this, it was clear that they wanted to be involved in the state-level planning of climate change and provide financial and technical assistance (Dubash & Jogesh, 2014b; Narain et al., 2009). Almost immediately after the plan for SAPCC was announced in 2010, the donors were approaching their choice of states either from previous correspondence or geographical suitability and other project fulfilment criteria (resource availability, project feasibility, infrastructure), and as a result, most of the states were adopted by GIZ, UNDP and DFID (Interview RE7, RE1, RE16, 2019). Most developing countries are more welcoming of UN-based and international institutions, in which they have greater governance stakes, and more sceptical of the development banks (they provide loans instead of grants), which are more firmly controlled by the rich countries (Gogoi, 2019; Mandal, 2019).

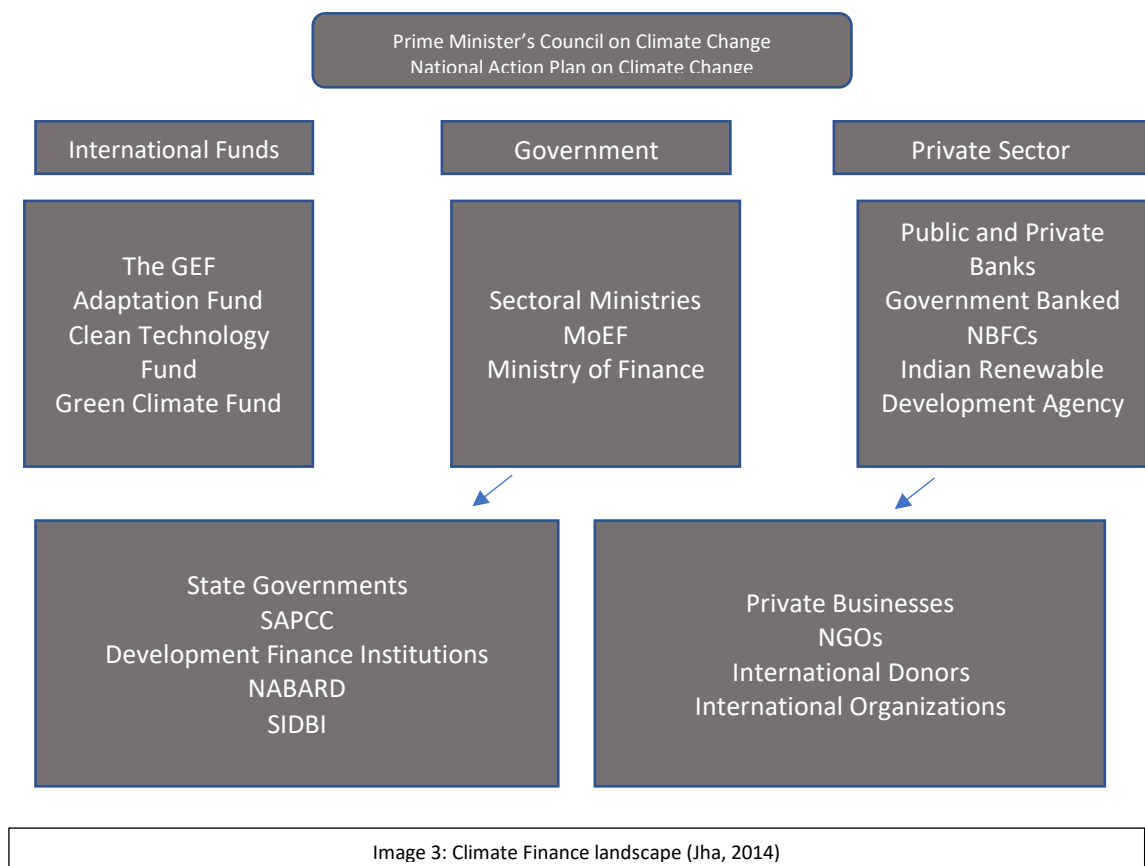
There is also the discussion on what qualifies as climate finance and the consequences of such support (Hübler, 2017). As we know foreign aid is provided in the form of loans, grants through various mediums. However what truly sets climate finance apart is the intent of financing and if the motivation to support a finance because of climate change (Nakhooda et al., 2013). The most popular form of aid support received for climate finance is often from developed to developing countries, one to extend support as part of the Paris agreement and second to strengthen foreign relations (Arvin et al., 2006).

Another related issue is the debate around '*additionality*' of finance. This term emphasises that funds specifically for climate change should not be substituted or diverted to or from other developmental objectives, especially those pertaining to the economy (Lancaster, 2007; Mandal, 2019). The subject is complex and many although confusing is an important component when discussing both foreign aid and climate finance. It is complex for two main reasons, one if that it is difficult to determine additonality in the first place, there is no global scale that assists in analysis what development issue is more important and why one should be financed over another. Second is that there are newer developmental issues that are emerging every year, it would be difficult to understand what a certain donor would do with the allotted money if not for in this case, climate change. However the causes and reason (health, education, environment) are how foreign aid is distributed (Dubash & Stavins, 2022; Hübler, 2017; Mandal, 2019).

There are multiple existing national schemes but just that alone is insufficient to take India to its climate goals (Dubash & Ghosh, 2019; Raghunandan, 2019). India relies on its global counterparts to support them in both financial and technical capacities. The global agreements and the Paris agreement for developed countries mainly focuses on how they can provide support to emerging economies towards their climate goals. However there is some apprehension if the actual amount agreed on is being directed and the resources are falling short to what was produced in reports during the annual conferences led by the UNFCCC (Mandal, 2013.; Mishra et al, 2011; Raghunandan, 2019).

One of the main concerns with climate finance in India is to estimate the actual cost needed to support the country. There is no methodological system to calculate such costs nor any measure to understand when such a goal is achieved, the primary goal remains to allow

climate related activities across Indian states (Mandal, 2013; Raghunandan, 2019). According to Raghunandan (2019) *'the first articulation of domestic requirements for climate finance is found in the Economic Survey 2012–13, which estimated Rs 230,000 crore (Rs 2,300 billion) as the amount of finance needed to fulfil the mission objectives under the NAPCC as mentioned in 2013 Ministry of Finance report.'* This is however only one of the many estimates of India's climate finance requirements, by large it has been a difficult task to get a clear number that has been attested by the government. Since this has been a relatively new stream to engage in aid, there is no clarity on what falls under the umbrella of climate finance and counting in the aspect of additionality there is no single structure that allows a concrete estimation for much is needed and no monitoring setup to calculate how much is provided (Dubash & Ghosh, 2019; Raghunandan, 2019) .The government of India has presented India's Nationally Determined Contribution (NDC) and according to the Ministries' report, *'at least US\$ 2.5 trillion will be required for meeting India's climate change actions between 2015 and 2030 (NDC, 2018).* There is no clear report that suggests how the calculation was made but the estimate and the agreements all happen in parallel and there is no centralised system to understand the earnings and expenses of such a massive project (Lüpke et al, 2015; Singh, 2017).



#### 4.4 Conclusion

One of the more positive outcomes of International climate finance is the innovation that has come along with it. Bilateral and multilateral institutions have either found or agreed to finance climate actions in less traditional ways diversifying their presence and presenting more opportunities to the Indian stakeholders. The entrance of international donors in the market have also encouraged private sector businesses and industries to also prioritise climate issues, especially that of mitigation that are more capital intensive such as renewables (CPI, 2015).

Indian States have a more serious role in addressing climate change issues and contributing to the policy cycle. In the past, the centre has often been in charge of the decisions allowing some state intervention. However, there has been no clear or rigid design for such policies to be carried out in this regard (Jorgenson 2011). This has shifted a significant amount of

responsibilities to the state for experimentation of such ideas at a smaller scale, such as decentralization in India. This also has created a platform for states to come forward and prove their ability to manage funds, policies and display their capacity to implement impactful climate policies (TERI 2014). Thus making the case for states to take the lead, both to achieve early reductions that may receive credit in the longer term and to influence the shape of future federal and international policy. Since each state comes with its own set of offerings and understanding and that there is no one or the correct way to approach environmental issues, there has also been considerable interest from the center to invite the states to pioneer these efforts (Hueglin 2006).

States feel like independent entities who are in charge of these policy decisions, within the ambit of Environmental federalism the sub-national tier is now stepping up and pioneering various climate efforts. There is more willingness, in general, to work internal within state departments and representative than undergoing formal procedures and waiting periods when one has to deal with the centre. In addition, there is the existing power struggle when approaching the centre and the need for funds remains a constant problem (Arnold 2007). States when taking ownership of both the problem and solution take considerable time in investing in personnel, research and appropriate policies that show direct results. This encourages them to take up more and put forward healthy competition among states within the country also showcasing that there are a variety of economic advantages that are coupled with environmental protection and including climate finance in their development agenda.

Climate finance is a relatively new concept that has been introduced to Indian states. In most cases, the centre distributes aid. On what factors these decisions are made by the



centre need to be further investigated. Climate finance is a massive maze in the country, with layers of complexity and different factors unique to each state. As the climate plans and other development plans include climate in the agenda, and keeping in mind the last decade has witnessed visible climate momentum, it would be interesting to observe India's climate efforts in the years to come.

## Chapter Five: Donor aid allocation in Odisha

This chapter discusses the findings from analysis of interviews and policy documents available on Odisha and how finance around climate has worked through international donors. Following an introduction of the State profile, the subsequent section examines how aid for climate related activities has been allocated since 2009 and what changes that has meant for both donors and the State. The key findings of this chapter are: 1) donor interest to work with the state of Odisha has been high. The state of Odisha has witnessed numerous climate related disasters and assisting Odisha has been beneficial to donors both in terms of visibility and success ratio. 2) The State has witnessed over five major cyclones just in the last decade, Odisha has been explicit about its climate vulnerability. Not only has the state created room for climate budgets but has harnessed the support of national climate schemes and opened its doors to international climate finance and support. 3) The State of Odisha and its ministries have been pro-climate in their policies and initiatives and have attracted more support from international aid. There are multiple donors willing to engage with the State and many other who are returning to work with the state due to successful results from the boost in either climate related or other development projects.

In India, each state has a unique infrastructure, yet donors have shown a significant interest in the State of Odisha. In order to understand these factors beyond foreign policy and other benefits, it is also useful to understand the state profile, where it is located and what makes the State climate vulnerable than some others. It is also important to observe the how these features influence the donor participation and which of the State profile characteristics are most noticed by the international community. Whilst the State is rich in culture and heritage it is one of the poorer states in the country and is located in a coastal

zone prone to disasters. As stated earlier, the first section details some of Odisha’s features that help create some context before the discussion on its climate initiatives and how they are placed for international aid allocation.

### 5.1 Climate policy context in Odisha

Image 4 : Odisha map Source: (India maps)



Odisha has about 480 kilometres of coastline stretching from the border of West Bengal to the border of Andhra Pradesh, is subject to extreme climatic events (OCCAP, 2010). The National Sample Survey Organisation (NSSO) divides Odisha into northern, and southern regions. The incidence of poor and calorie-poor is highest in the southern region followed by the northern and coastal regions. In response, it developed the SAPCC to address this

issue (NSSO, 2008). Odisha is also the first State in the country to monitor and report the progress made by its various departments in the areas of climate adaptation and mitigation. The state's climate change cell has carried out these tasks since 2010 under the State's Forest and Environment Department (Dubash & Jogesh, 2014a).

Odisha was one of the first states to begin work on a Climate Change Action Plan in 2009. The plan supported by the Chief Minister (CM) Naveen Patnaik and was led separately by two senior bureaucrats Dr. Kamal Lochan Mishra and Debiprashad Mishra who put in place different institutional practices and timelines (Kumar, 2018). As a result, the climate plan was formulated in two distinct phases within the five-year timeline. The environment and disaster management departments had to envision a whole plan within a short period of time, with little guidance on what the plan should consist of. There were some regional consultations but none in the pre-draft stages. In the second phase, which started around 2013, the process attempted to accommodate greater civil society participation (Interviews GOV 2, RE1, RE5, 2019). Some small but crucial changes were also made to the document's content, extending the process of finalizing the state plan by over a year (Interview RE1, 2019).

At the start, the plan included nearly as many mitigation actions as adaptation plans, driven by financial and economic considerations. The final plan includes a list of activities with a significantly high budget, almost higher by 30 percent (Interview CON1, 2022). Just in the last decade, the state has taken up several mitigation-related activities and put in place some institutional structures to address climate change in Odisha. While these are predominantly ongoing activities, they reiterate the state's interest in addressing specific

environmental and economic issues and signal efforts at mainstreaming sustainable development in sectoral planning (Baisakh, 2020; Dubash & Jogesh, 2014a).

Finally, recent reports from the media, in the aftermath of cyclone Phani in 2019 – indicate that the Odisha government has decided to implement the climate plan entirely without waiting for financial assistance from the central government (Baisakh, 2020; Cyrill, 2022; Mohanty, 2021). CON1 in their interview states that “the cyclones were a physical witness to climate disasters, and it was what one would call a wakeup call. We were no more in a position to just draft plans and wait for funding to come through but create funds urgently.” Interviews from the state official GOV2 also confirmed these claims and mentioned that the sub-national ministries in fact got together to discuss fund provisions and resources for immediate action (Interview GOV2, CON1, 2019). From the study of the three versions of the plans, Odisha has been keen to incorporate both mitigation and adaptation actions. The Odisha Scoping Report prepared by DFID in 2013 – on which the climate plan is predominantly based – was intended to be an adaptation-only exercise. This report, however, states that during meetings with DFID, state government officials were keen that the plan is not restricted to adaptation alone (Mandal et al, 2013b). Finally, there were 136 actions in the climate plan pertain to adaptation and 123 are mitigation activities listed in the state plan(OCCAP, 2018).

Due to its proximity to the coast, by default, Odisha’s vulnerability to extreme weather events such as floods, droughts and cyclones is set. In the last decade, the State has witnessed numerous floods, cyclones and heavy monsoon showers that have caused severe infrastructural damage (Mohanty, 2021). The UNICEF Report written on 2017 highlights a total of 13 major disasters, which killed approximately 32,228 people and more

than 34 lakhs of homelessness, just in the last 11 years (Mohanty, 2021; UNICEF, 2017). This has affected the state economically; a 2021 study indicates that poverty reduction stayed static over a decade despite its per capita income (Dicker et al, 2021). According to the latest economic survey report, Odisha's per capita income (PCI) touched Rs 1,27,383 in 2021 recording a growth of 16.8% compared to the last decade.

Odisha's environmental history largely revolves around utilizing and managing its natural resource and dealing with natural disasters. Its resilience and infrastructural capacity to cope with extreme weather events continue to be a work in progress (Behera & Mani, 2010.). The State's Forest and Environment department had supported some pilot projects and actions through local NGOs' initiatives, and international donors (Jogesh and Dubash 2014). Since Odisha has been a state that has witnessed multiple calamities and experienced severe infrastructural and livelihood damages, there has been more willingness from the donor end to extend support. Odisha has faced as many as 16 natural disasters, including 10 cyclones in the past 11 years (Mohanty, 2021) (Dicker et al, 2021).The minister of disaster management in Odisha, Mr. Sudam Marndi announced the disasters the state has been through along with a written response at the parliament assembly to reiterate the level of vulnerability the state is privy to (TOI,2021).

The World Bank, UNDP, UNICEF GIZ, SDC and other international donor agencies have either worked with the state on existing state actions or proposed funding opportunities based on the donor's more extensive project interests and ideas (Interviews RE1, RE14, 2019)(Mandal et al, 2013a). In the case of Odisha and mainly coastal area management and disaster, there has been plenty of activity. There is significant interest in disaster

preparedness and post relief, including infrastructure repairs and livelihood support (Interview CON1, 2019) (Mandal et al, 2013b). This has been of great interest to donors, especially since there is an immediate opportunity to offer tangible support.

Odisha, as a state has had three versions of the State Action Plans, one in 2010 for a period of five years as soon as it was introduced, one in 2015 that was to be accounted for 2016-2020 and the latest one that was worked on in 2018, but took a really long time to be finalized between 2018-2023 and was only finalised in late 2019 and was released as the phase 2 of the earlier plan. These differences in time and plans occur due to a series of consultations and workshops and the timeline required for the plan to be approved by the centre (although no funding was disbursed exclusively for the plan to the states from the centre). These are however treated as three different versions, and for the purpose of this research all three have been reviewed to examine the evolution, similarities and differences in the plans namely as first plan in 2010, second in 2016 and third in 2018. The State Action Plan for Climate Change clearly highlights what kind of policy areas to prioritize and what actions need to be taken under them. All three state climate plans of Odisha (2010, 2015, 2018) indicate that climate and disaster is a top priority (OCCAP, 2010, 2018). However, since the state is also a low income state, other development issues are often prioritised (Dash et al, 2011). Funding opportunities are more prevalent towards poverty eradication and for providing clean water, equally essential development components that cannot be neglected. The state plans have allowed donor agencies to understand what the state has proposed to do and which of the tasks converge with the priorities, thematic areas and projects of the donor agencies. Donor engagement and support has been a driving force for many of the states to move forward with their objectives, and eliminate some level of bureaucracy and direct interference from the Centre (Interviews RE5, RE13, 2019)

(Dubash & Jogesh, 2014a). Likewise, actionable tasks listed in Odisha's plan have been inserted into various projects pockets that fit the donors who extend support in the State (Interview DON2, 2019).

Odisha has had to consistently work with a handful of institutions to avoid duplication of work or progress and avoid bureaucratic complications for two reasons. Firstly to ensure there is a distribution of funds towards all development related work, and secondly, they continue to maintain good relations with international donors despite grappling with other development priorities (Dubash & Jogesh, 2014a; Mishra et al, 2011). To ensure climate is at the forefront, the state of Odisha made provisions to create a sub-national monitoring system. The state appointed an external consultancy, C-TRAN Consulting Ltd to manage the submission of climate plans, and further strengthened its in-house capacity to lead ministries or departments (Interviews RE1, RE5, GOV2, 2019) (Dubash & Jogesh, 2014a).

The most recent Odisha state climate plan of 2020 focuses on 142 prioritised actions submitted by each of the sectoral groups, 16 commitments of these were made towards improving policies on Coastal zone and Disaster, of these, five were of high priority and the state has made progress in three. Constructing cyclone shelters, setting up capacity building protocol and conducting a study on the biodiversity of the coastal ecosystem were/have been addressed. All these efforts were conducted either with the support of the central government or international donors (Mishra et al, 2011; OCCAP, 2018). On the energy front, there were ten actions listed of which only one action on clean production was not addressed. The other nine actions were conducted through the support of central schemes and participation of state, non-state actors and strong political will of the state government's State plans are viewed as the beginning of a complex process rather than as



an end in themselves, they provide a foundation upon which to build. In addition, if climate plans are indeed used as an opportunity to redirect development, then they require a much more robust process of engaging civil society and business stakeholders in envisioning alternative futures on a sector by-sector basis and corresponding interest and engagement from these stakeholders (Byravan and Chella Rajan 2012).

Only a few of the states have carried out comprehensive vulnerability assessments in respect of climate change, and most have relied on national-level, or narrow sectoral, studies outlining current and expected impacts of climate change. As directed by the central government, most SAPCCs are primarily concerned with adaptation, with a limited focus on mitigation of greenhouse gas (GHG) emissions – though some are accompanied by a GHG inventory and explore the potential of renewable energy and other clean technologies (Jogesh and Dubash, 2015). The plans outline the state's strategies for a range of sectors, including proposed actions and, in some cases, a timeline and budget for each (Byravan and Chella Rajan 2012). They tend to focus on those sectors that are important to the economy and local livelihoods, such as agriculture, water, transport, energy, industries, urban development, and forestry. Where actions have been identified, at best they are accompanied by an expected duration and a high-level estimate of total cost. In most cases the actions cover a one to five year period. The budget estimates vary significantly across states, with no consistent methodology being used.

While the NAPCC as a national policy document includes mitigation and adaptation measures, the Indian government, mindful of its position in the United Nations-led international climate negotiations, has been keen that SAPCCs focus primarily on adaptation. Some states were requested not to include a greenhouse gas (GHG) inventory

(a baseline study to inform mitigation action) despite its inclusion in the common framework document. Because the message to not include a GHG inventory did not come as an official directive, some states perceived mixed signals on the role of mitigation in plan outcomes (Kumar et al , 2018).It is evident that the states that laid emphasis on mitigation outcomes did so because of local priorities.

Climate change is not a standalone subject, it needs to be factored into decision making process for larger development. Mainstreaming climate adaptation within development planning processes is not a simple linear technical or bureaucratic process. Mainstreaming adaptation requires considering current and future climate risks at every stages in the decision making process. For mainstreaming to take place, it is essential to build capacity at various levels including the policy level, scientific and technical levels and at the grassroots implementation level (Byravan and Chella Rajan 2012).

## 5.2 Findings and Analysis

The analysis part in this chapter draws from data collected over a period of two years with 19 interviewees from Odisha, 14 policy documents, which have been listed in the Appendix A. Secondary sources such as media articles, donor reports, news clippings and political commentaries were examined to understand the aid allocation patterns within the state of Odisha for climate related aid.

As mentioned in the previous chapters, donor interest focuses on understanding if there are merits and pull factors that attract a donor towards recipients. It can identify what some of these factors are and how the donors and recipients work around these interests

that are more donor absorbed. Recipient merit is the intention of the aid giver to uplift the socio-economic status of a particular location that is already performing well. The state of Odisha is in need of international intervention and their support to improve the state's current conditions possibly due to low or lack of national/local funds (Mandal et al, 2013a; Mishra et al, 2011). The analysis, in this section, focuses on how recipients present themselves to be seen as countries/states 'in need' and how they can engage with donors and advance their developmental efforts. This examination helps us understand if donors are allocating aid to specific recipients beyond the listed reasons and if there is a pattern to invest or support in places that reap better results than the actual need or interest. These findings contribute to understanding how donors operate, and if their funds and expertise are provided only in places where results are guaranteed.

### 5.2.1 Donor Interest

Donors usually select recipients on a range of criteria that varies from the vulnerabilities of the state to what could benefit the donors (Michonski & Levi, 2010). Foreign aid is often an action part of a bigger agreement internationally, there are benefits to the donor that are often seen as a strategic move to uplift themselves by contributing to the development of others (McGillivray & Feeny, 2008). In the donor interest category, the research explores the possible benefits and merits that the donors may have or aim to gain through an aid partnership. These could include strengthening foreign and external relations, maintaining historical relations, adhering to bilateral or multilateral agreements, long-term favours or expanding their presence globally (Collier & Dollar, 2004). In this section, the thesis examines if this is the case in state of Odisha and if so what are some of the pull factors that attract donors to Odisha.

In the case of Odisha, politically the state has elected its Chief Minister, Naveen Patnaik from Biju Janata Dal (BJD). For the last decade he has pioneered the state's climate efforts and welcomed donor participation to strengthen climate efforts (Dubash & Jogesh, 2014a) (Interviews RE11, 2019; CON1 2018). In the time period of 2009-2019, the state has witnessed many donors including the United Nations Development Program, World Bank, Swiss Development Cooperation and the UKAID pitching in to their climate efforts. GOV2 points out that some of these donors were present in the state working with the sub-national team on other development efforts, possibly including environmental issues as well. The person noted that *"The birth of the state plans made the whole narrative more serious, the state rightly chimed in towards serious action and the existing donors were quick to take note of it."*

Odisha has had an active representation at the state level to manage climate change-related policies and activities. In order to implement the SAPCC activities, a climate change cell was formed in the department of forest and environment (Dubash & Jogesh, 2014a). As a nodal agency, the department of forest and environment appointed a person as a director, Bhagirathai Behera, Indian Forest Service, (IFS) of the cell to investigate the implementation of climate change actions in the SAPCC. RE3 point out that *"Along with the director, 36 others have been appointed in 2010, in the climate change cell to support the director in the smooth implementation of the SAPCC."* In the process of implementing the SAPCC provisions, the climate change cell in the forest and environment department is coordinating with technical agencies such as C-TRAN and Foundation For Sustainable Development and Climate Action (FSDCA) (OCCAP, 2010) (Interview RE3, 2019). They help the state government departments in developing specific policies towards low carbon-

conscious development and continuous evaluation and improvement of the state plan (Interviews RE3, RE1, 2019).

State action plans have introduced a new dynamic in the Indian governance system. Distributing powers to formulate and implement climate policy has set precedent to shape national policies and commitments in the future (Jha, 2014.). Interviewee RE2 (2018) explains that *“the idea of preparing state action plans on climate change initially came from the central government, a number of local drivers including the vulnerability of the state, capital gain, economic benefits were some factors that drove the state plans initially.”* A state department representative from the Odisha State Disaster Management Authority (OSDMA) concurs (2018) and adds that these plans helped the state streamline the state climate priorities and actions which had never been done before (Interview, 2019). They agree that the state has truly come together to make tangible progress in the climate policy sphere, especially because most people in the state believe that are directly affected through the impacts of climate change (Interviews RE2, 2018; GOV2, 2019). These efforts have helped donors immensely, the initial scoping studies that the donors conducted were no longer necessary as the birth of these plans were direct indications of what the state considered top climate priorities. In some cases donors were involved in providing technical support to prepare the state plans, ensuring their engagement from the beginning of the process (Interviews DON 1, 2019, RE1, 2020) (vineet Kumar, 2018).

DON1 points out that the Centre, by default provided standardised schemes with access to climate funds to all sub-national governments. The responsibility is delegated to the states to take ownership of their projects and also utilize the schemes to its full capacity (Interview DON1, 2019) (vineet Kumar, 2018). However, since it is understood that each

state has a unique infrastructure and identity, some of the issues have to be addressed on a case-to-case basis and allow flexibility within the schemes (Rattani, 2018). In case of Odisha, GOI2 states that the current political party (BJD) has been in power since March 2000. This stability that was achieved in this period was not just among state departments but their good relations with the Centre has extended to international donors community as well. The state led appointed officers to carry out their tasks in a systematic undisturbed manner for years now with possibilities to continuously improve (Interview: GOI2, 2019). GOI2 also notes that most department officials are familiar and inter-departmental meetings are more fruitful and efficient since their working patterns and goals are very clear. *“Even when there are shifts in portfolios the people are known and the support from the state government has been constant, this has particularly enabled Odisha to pioneer climate efforts”*, he said.

One of the other factors that attracts donors to Odisha is the state has been successful in cultivating an all-inclusive development approach. At a sub-national level, often there is a top-down approach that is followed especially towards dissemination of local policies. In the case of Odisha the state has included representation from its smallest village to government officials and donor participation. DON2 says, *“In Odisha, the village panchayat (village council) is involved in the climate infrastructure and planning, and through the consultations, additional adaptation benefits to the local communities are explored along with the international donors.”* While these examples are primarily one-off efforts at encouraging donors to be part of the larger developmental efforts, some initiatives integrate climate change within regular systems of state planning and donor aid allocation (OCCAP, 2018). It was however not entirely clear who was conducting these consultations. In some cases, it was a state initiative with the state logo and agendas but was also

supported by technical partners, the interviewees were not able to confirm and also seemed unsure but were under the impression that the invitation for the meeting was a state-led consultation (Interviews, 2019;2020). The department ministers viewed the consultations as a collaborative effort from the state and donors and the NGO interviewees viewed it as a donor led exercise as part of their scoping assessments (Interviews RE1, RE5, CON1, 2019). This was important to also note if donors were taking part as mere observers or as stakeholders or even deciding aid allocation possibilities based on these consultation outcomes there is also an additional focus, to include donors as part of their processes from planning to implementation, that encourages multiple donors to support the State either together for a cause or through their projects in different phases, as is the case also in the most recent 2018-2023 climate plan (Baisakh, 2020; OCCAP, 2018).

It can be said that in a formation of multi-level governance structures with the Centre and the State, donors also now enter as new entities that extend support to both India and its states, in this case, Odisha (Jørgenson et al., 2015). Donors have provided aid and other forms of support to emerging economies for decades now and would like to continue to maintain good relations with the State for a number of reasons (Mandal et al, 2013a). In the state of Odisha, climate change is a topic that is discussed through all strata of the society. Perhaps not in the exact terms coined but the impacts of it are experienced first-hand which makes the state and communities of Odisha vulnerable to climate related effects, namely flooding and disaster management (Interviews: RE1, RE13, CON1 2019). Being a state along the coast side, the State and its people have been susceptible towards coastal erosion, heavy flooding, and displacement of livelihoods sometimes temporarily, other times more permanently. In the geographical construct of the Indian state architecture, Odisha rates high in terms of climate vulnerability. International donors and

banks that are looking to work with Indian counterparts, are instantly made aware of the conditions that State is in and makes it a top contestant for investment/aid (financially and otherwise) when compared to the other Indian states (Dash et al, 2011; Dubash & Jogesh, 2014a; Mishra et al, 2011). It is a given that most Indian states have different specific areas of vulnerability that attract donors for support, but Odisha is not only a climate vulnerable state but is ranked low on the Human Development Index and as one of the lower income states within the Indian sub-national sphere. In other words, they are favourably noticeable to the aid providers as a state that not only requires help but markets itself as a state that when invested in offers high visibility and offers further opportunities for donors to diversify in the future (Dash et al, 2011; UNICEF, 2017).

Working with a state such as Odisha that is economically weak, has a weak physical infrastructure and is high on the climate vulnerability index, donors have been contributing huge amount of funds in the state to mark their presence (Interviews 2019, 2020,2022). Engaging with Odisha offers the donors high visibility and an opportunity to boost performance in a state where any progress is positive growth. Due to the existing sub-national interest, the state also presents itself with great clarity on their climate related priorities and have conducted initial baseline assessments saving donor agencies the time and resources from this exercise. The well-coordinated state narrative on climate also avoids the initial coaxing and convincing to prioritise climate development which is often the case among Indian states, largely due to the vast expanse of developmental efforts required. The State government is also in good relations with the Centre who ultimately decides the aid distribution figures and approves door engagement with states. The Centre has also actively assisted the state of Odisha in times of floods and cyclones and understands the state is environmentally vulnerable than other states and hence have



always held top preference for aid assistance. All these factors together make Odisha an attractive state for donors to work with and continue to be involved in various capacities if not always as primary donors (Interviews , 2018, 2019, 2021,2022).

To summarize, the combination of the state in need for extended donor support and performing well with the given funds and technical support, there has been an interest from the donors to provide aid to the state of Odisha. As benefits, donors have had enhanced visibility and a chance to work in a state that is both poor in economy and environment to present positive growth results for both the state and the donors. Further, political will and ownership towards climate issues have made Odisha of India's climate pioneers which in turn means lesser ground work for the donors to introduce climate related concepts and infrastructure within the state. Overall, the state of Odisha presents itself to be an attractive state to work with and multiple donors have expressed interest over the decade.

### 5.2.2 Recipient Need

In this category, according to the analysis framework for this research discussed in Chapter two, the donors provide aid to certain recipients with the intention to improve their social and economic status of living. The recipients believe that donor aid and their intervention in general lead to improvements in the socio-economic performance of recipients, GDP growth rate, GDP per capita, Life Expectancy and Infant Mortality rate among others (Dreher & Lohmann, 2015).

Odisha as a state still fares poorly among many human development indicators and with over 32% has one of the largest percentages of population below the poverty line (Patro, 2019) (World Bank, 2019). Odisha's environmental legacy is largely built around concerns over the utilization and management of its natural resource and dealing with natural disasters. For example, in May 2021, the UN highlighted how the Odisha CM's government has again saved lives during a cyclone, Yaas (Senapati, 2021). Its resilience and infrastructural capacity to cope with extreme weather events is a work in progress (Interviews: CON1, 2019; GOV1; 2019) (NSSO, 2008) (UNICEF, 2017). There have been some pilot projects and actions taken by the state department through initiatives and engagement of local NGOs and international donors (Jogesh 2015; DON2,2019). As interviewee NGO1 narrates, *"Despite its poor economic status and widespread poverty, Odisha has experienced a significant loss in lives, infrastructure, and livelihoods when extreme weather events struck. To reduce the damage and be better prepared for eventualities ahead, the state departments with the help of local groups and NGOs are proactive on their climate policy management."* While the climate momentum has picked up, the performance of the state is yet to be evaluated.

In Odisha, there has been technical and financial support to the state department Odisha State Disaster Management Authority (ODSMA) for restoring and improving housing and public services in targeted communities of the state (Interviews RE 13, CON2, 2019). The state departments have also put together a system in place that responds promptly and effectively to crisis or an emergency (Mohanty, 2021; Senapati, 2021). It is important to highlight that the state has pioneered many efforts and continues to engage with communities and stakeholders in the capacity that the state holds. Odisha has a great community outreach system through which people are being reached on time. It now has

a network of 450 cyclone shelters and there is a robust mechanism for the maintenance of the cyclone shelters (World Bank, 2019). Each cyclone shelter has a maintenance committee where youth have been involved and trained for search and rescue, first aid medical attention, and for providing cyclone warnings (Interview CON1, 2019) (GOO, 2015). Through a network of these shelters and committees and training, the State has involved the entire community easing the process to disseminate warnings and move people into safe cyclone shelters (ADB, 2017) (Interviews CON1, RE3, 2019). The state's disaster management systems are monitored twice each year, given the frequency of natural disasters in the state (World Bank 2019). All these efforts however are nascent and require great amounts of technical and financial support that the just the state and central budgets cannot deliver (Dicker et al, 2021; Dubash & Jogesh, 2014a; Mishra et al, 2011). There is a need for donors intervention to improve the state livelihood and climate portfolios (Interviews CON1, CON2, GOV1, GOV2, 2019).

In the Indian context, Odisha is a frontrunner in initiating climate activities within the state (Jogesh & Dubash, 2015; Mandal et al, 2013a). Climate efforts in Odisha have no doubt been more popular than in other states of India but there are some explicit reasons for this pattern. The state has poor economic and physical infrastructures and is environmentally vulnerable and RE17 explains that after decades of work, the state has been able to recognize what needs to be addressed with the help of consultants and brainstormed climate solutions with sector experts (Interviews RE17, GOV1, 2019) (vineet Kumar, 2018). There are, however, no resources to implement all strategies. The gathering of knowledge and streamlining efforts to put together a plan was a massive obstacle for the longest time (Dubash & Ghosh, 2019). Now that the planning stages have passed, for the first time the state of Odisha has landed itself in a different type of problem. There is no capacity,

knowledge or resources on how to implement these efforts, in what phases they must be addressed and there is a general struggle of ownership of the implementation (Interviews CON1, RE5, RE 13, 2019). DON1 and DON4 have had similar experiences in other sub-national regions of the world, DON4 says *“this very problem of implementation is an indicator of growth. We don’t just conduct a basic needs based assessment but also try to understand what stages of a project we are expect to hand hold. Initially we were struggling to get people to even acknowledge climate as a top priority issue, today we are in a position to debate how an action point will be implemented. For someone who has worked for years in the climate space, this is the kind of positive problem we are happy to deal with.”*

That leads to investigating the state plan a little further to understand how much of it is actually done. RE17 and DON 2 are positive, but describe that while there are so many State climate actions listed on paper, most of the tasks are yet to be addressed or are still only in a work in progress status. With 12 sectors under the plan, only very few have been addressed (UNICEF, 2017). RE2&5 are in agreement that issues of biodiversity, waste management, transport, forests and other such related issues have been given uneven importance, since disaster management is almost always on the top priority (Interviews, GOV1, DON2, 2019). NGO1&2 echo that without continuous projects and actions to address these policy areas it is easy to get stagnant with the progress. *“We cannot wait for another Fani (cyclone) to hit us and damage the houses of people and take 100’s of lives before we realise we need to do more”* says NGO1. The state relies on the guidance of donors not just to finance its efforts but in addition provide guidance on how they approach sectoral work and develop a methodological implementation delivery (UNDP, 2013).

While capacity building is a cross-cutting problem, no centralised institution or process currently exists to ensure standardised coordination among the relevant bodies, initiatives, and funding entities working toward this goal (Dubash & Ghosh, 2019) (Interviews RE3, CON1, GOV1, 2019). In Odisha, it is impossible to carry out tasks without proper knowledge and tools, especially in a specific field such as climate change, which requires significant amounts of scientific knowledge (Interviews DON2, 2019) (UNDP, 2013). There is a need for donor intervention in Odisha to provide support in relation to building capacity among the various stakeholders. Since this is not currently present at the state level, it is essential to include a provision within the plan to ensure capacity building related exercises and further assess the ability to carry out the tasks that the state climate plans mention (Interviews CON1, GOV2, 2019).

Although there is a dire need for external aid and expertise, there is some hesitation among state officials when engaging with donors. Whilst there are positive aspects of donor engagement, the state department also tries to identify if there are certain tasks that can be carried out with minimum intervention. NGO1, RE15 and GOI1 discuss how international donors are often associated with only monetary benefits. Donors also have the ability to provide adequate capacity building support, knowledge management tools and soft skill trainings that are otherwise not possible. There are two issues with this type of engagement, one, donor projects always come with an expiration date and two, the reporting framework is customized. The monitoring and reporting is often filled with indicators but immeasurable against any specific targets and even in the case there are, they are likely to witness positive results since the state had nothing to begin with (Interviews RE1, RE13, 2019). The stakeholders and other actors involved in the climate plans see these short-term engagement as a problem in maintaining stable relations or

deem the projects unsustainable simply because the activity comes to a standstill once the engagement has ended contractually (Dubash & Ghosh, 2019). GOI4, however, understands that this is how the systems work and it is important to fully utilise the short periods for longer term learnings and operation. DON2 addresses this point and clarifies that these actions do have end goals and it is important to review them in shorter intervals and from their end there is effort to build capacities and design more sustainable action projects that can be carried forward without their presence (UNDP, 2013).

In terms of Recipient need, the state has explicitly expressed its requirement of external support to further its climate efforts. Climate change effects have directly impacted the local fisher communities and assistance of any sort is appreciated within the state. Earlier the chapters discussed how despite the state requirements for climate aid, it is the centre that makes decisions on how and where the funds are distributed. The donors have the opportunity to present their preferences. In the case of Odisha, since the state's climate vulnerability is nationally acknowledged and centre has in the past made efforts to also provide additional support in times of floods and extreme weather events and disasters, there has also been effort to direct foreign aid and specifically donors to the state of Odisha. This also comes about as a result of the state's ministers and ministries maintaining good political relations despite the ideological party differences over a decade. The explicit readiness and willingness of the state to receive aid and with a strong evidence to back up the need based ask, Odisha is a strong candidate for the recipient need category.

### 5.2.3 Recipient Merit

Literature suggests that in certain cases, when recipients tend to perform well over time or reach a certain status over time the allocation pattern should also change alongside (Alesina & Dollar, 2000; Berthélemy, 2006b; Dollar & Levin, 2006). In other words, a recipient country cannot receive aid forever especially if they are able to make progress (Interview DON2, 2019). This is an extremely complex and sensitive argument since there are many definitions and labels that are given importance. A low-income country over time can perform economically well and reach a middle-income status, this indicates growth and progress. From an economic perspective the recipient is on the chart to climb higher but from a donor perspective the neediness quotient is low (Teichmann, 2016). Literature, however, also argues that some donors prefer to invest in countries that show good progress and achieve good results and it is a win for the recipient to improve their developmental efforts and for the donors to invest in location that assures success (Baydag et al., 2018; Bickenbach et al., 2017). This allocation criteria has led to confusion at sub-national level for many states on how to present themselves - as under or over achievers according to what's required.

GOV2 hesitates to discuss this aspect but explains that there is some amount of work that goes into how the state presents itself. While there are some pull factors to present themselves as vulnerable, needs and economically disadvantaged to gain technical and financial support from external stakeholders, there are also other push factors. The state also wants to present itself to have seen progress in strengthening local institutions and pushing for development oriented policies that reflect socio-economic growth (Burnside & Dollar, 2000; Hoeffler & Outram, 2011; Sraieb, 2016). Odisha is no different, the sub-

national government is strained to find a balance. NGO1 explains that *“there is some level of pride associated with how far we have come in the climate planning process. The fact that we were pioneers made the project more exciting. At this time however it feels like we are hitting some level of complacency and saturated by the growth. There is no direction on how to move further and which approaches would guarantee any climate finance”* (Interview GOV2, 2019).

There are so many indicators that have been created by government departments, sub-nationally, nationally, and globally. They are meant to assist actors to understand where they stand in relation to their performance (Tallberg & Zürn, 2019). In the state of Odisha, Global Performance Index (GPI), National Environmental Performance Index (EPI), National Economic Reports, Disaster Risk Reduction (DRR) and Climate Vulnerability Assessments have been of great importance (Interviews GOV1, GOV2, NGO1, RE5, RE1, 2019) (Dash et al, 2011; Dubash & Jogesh, 2014a; Mandal et al, 2013a). One of the other main focus is its alignment to the global Sustainable Development Goals (SDGs) and Nationally Determined Contributions (NDC). The understanding is that the state constantly strives to improve its performance that would reflect in these indexes or rankings that help the international donors understand how much and where the growth has taken place, or not (Mishra et al, 2011).

The rankings and reports of Odisha suggests that there has been significant focus in Disaster Risk Reduction and Coastal management and strengthening their policies around these sectors at the sub-national level (Baisakh, 2020; Behera & Mani, n.d.; GOO, 2018; Mohanty, 2021; Susskind & Kim, 2021). The actions are a work-in-progress and require continuous monitoring and revisions in regular intervals (Interview NGO1, 2019). Progress



in terms of economic growth has been very slow, making it one of the poorer states in the country (Bisoyi, 2022; Patro, 2019; UNICEF, 2017). The mix however is a combination that has worked for the state to attract donors (Interviews RE 5, 7, 13, 2019). The state's poverty and need for development is largely recognized but the State taking efforts to improve in other policy areas provides donors the required confidence to engage with Odisha (Interviews RE1,13, 2019).

One of the other merits that attract the state of Odisha specifically is their orientation to community development (Interviews DON1, 2019; DON5, 2022). DON 5 says, *"this is a factor that is not usually registered as a common element to consider when allocating aid but over the years this community building and development is something we have discussed both internally and externally. This was more visible during the 2015 draft stages of the SAPCC.* RE7 reiterates that *"In Odisha, there is a strong sense of community."* The non-state actors are supportive of state climate actions and are seen to participate in various capacities. RE8 concurs that *"the role of these actors, whether it is to conduct assessments, write reports or conduct on-ground implementation activities there is a strong network of organisations that have been formed.* In Odisha, corporates and industries are active players of the process. GOV1 agrees that *"it is impossible for the department to carry out all activities and we definitely rely on these reports to design policies and international donors to implement them and so far, we have had good engagement with all actors of the spectrum."* The reports and recommendations that the NGOs and other agencies put together are considered by the state when building the action plan. In an economically challenging state such as Odisha where other developmental issues including providing electricity and food take precedence, climate has still been a priority. The state has highlighted the co-benefits of climate and development issues aspect of climate and has

driven its policy forward through these strategies (Interviews RE3, 2019; RE5, 2022) (Dubash & Jogesh, 2014a).

The state of Odisha has its own climate change department, dedicated personnel and the support of the chief minister to support climate projects. They have a strong team dedicated to oversee the plan, and a consultancy has been outsourced to write the plans. They also have a network of NGOs that bid for the implementation activities. Although the funding comes through forms of aid, the infrastructure internally has some level of coordination, although a work in progress. The donors have come back to Odisha for more work.

### 5.3 Conclusion

The sub-national level government in Odisha have shown themselves to be proactive in their efforts towards climate development (vineet Kumar, 2018; Mishra et al, 2011). However, the findings from the interviews and policy documents indicate that there is a variation between how climate adaptation and mitigation is handled. In the climate adaptation policy, additional to political will, the capacity of state personnel and citizen participation, the role of non-state actors, especially in the state of Odisha has been critical. They play an important role in influencing both the people and the government, they are in fact well known to carry out design and implementation tasks supporting the state in areas that they are not thoroughly equipped. Whilst they tap into centrally available schemes and disaster relief funds, the state has been a leading example to pioneer climate efforts. Through state department co-ordination, strong leadership and external

engagement with international donors, the state has driven its own policies to a large extent.

In the case of climate mitigation, it is observed that the Centre plays a key role in the decisions made. Since a large part of these decisions are based on the funding available, the state is not at the luxury to make their own decisions. In this case, the Centre has extended some support towards renewable energy investment especially due to its alignment with international commitments, but their participation is crucial towards Odisha's renewable policies. For mitigation measures, while non-state actors' participation is appreciated on softer measures such as promoting solar light campaigns, their participation is largely restricted to rallies and representations at state-level meetings. Their power to influence policy decisions is somewhat reduced. Here despite the capacity and willingness of the state to push forward, the Centre remains the primary driver. It can be determined that whilst donors choose to work with Odisha and distribute their funding for climate related causes, they are sometimes restricted to make their decisions to adhere with the central level policies.

In the case of adaptation, they have discussed internally to create state budgets and utilize existing national schemes to further their efforts. Whilst there is some funding for one off projects from international organizations, mitigation efforts related to disaster management is the most popular sector to gather support in. The state shows strong interest in entertaining donor participations, is in dire need of both technical and financial support and the sub-national department unitedly strive to position the state as hard working and reliable. Whilst the state does not rely solely on donor contributions, they actively seek to work with external stakeholders who contribute to the growth of the state.

As far as donor interest is concerned, there is a very positive and high-interest sentiment when it comes to the state of Odisha. Donors recognize that the state is in dire need of assistance for overall development including climate. There is a sense of providing upliftment within the state by allocating aid to the state of Odisha. In turn, the results and reports also suggest positive and favourable outcomes since any work in poor states is work done, which is beneficial both to the state and the donor. The donors also receive good publicity for good results. Lastly, donors are able to diversify their portfolios and work within the state for a longer period and no longer need to look for states to work with when working with other sectoral issues such as health and education. They may work with a variety of states, but working with Odisha for a long period helps strengthen working relationships.

The state of Odisha is vulnerable to climate and coastal related issues. The state is in need of assistance for a wide range of issues. With a low economic performance and environmental performance the state is by nature poor and requires attention from fisher communities to disaster related impacts. The state officials are however explicit with their needs to the centre, international community and their sub-national counterparts. In fact, during cyclones and other extreme events, neighbouring and other Indian states have also extended support through finance, manpower and resources. The welcoming nature of the state and their constant efforts striving for better have made Odisha a popular state to work with.

The state has not only pioneered the state climate plans but also under the leadership of their chief minister of over a decade, built an infrastructure (although work in progress) , a

network to work within. The organization of their ministries, representatives, stakeholders and plans have stood out in the last decade. Whilst they have to invest effort in tweaking the plans to realistic scale and numbers, the plans have proven to be a starting point to build the climate momentum within the state. The donors, have also taken note of the fact that there is both enthusiasm to move forward and sub-national political willingness to extend support to the climate activities. This has also resulted in increased communication with donors both through separate and centralized streams to receive foreign aid for climate development.

## Chapter Six : Tamil Nadu

In this chapter, the research delves deeper into the case of Tamil Nadu, understanding the aid patterns of the state and its climate efforts. The chapter covers discussion around political will, donor engagement and the climate efforts of the state at the sub-national level. Some of the findings that are unique to the state furthers discussion on cultural context and bureaucracy related issues that also play a role in the foreign aid and climate development. Similar to the state of Odisha, the study for Tamil Nadu was also carried out through interviews, analysis of policy documents and other available information publicly through government websites. The main findings for the state of Tamil Nadu are 1) In southern part of India, Tamil Nadu is viewed as one of the strongest states in India, Most donors who conduct work in the south want to engage with the state of Tamil Nadu for political mileage in the south and it also sometimes is seen as an entry point to work with other south Indian states. Although many donors have expressed interest, GIZ has remained Tamil Nadu's technical and financial partner for the TNSAPPCs. There has been some other funding that has come in through smaller projects and grants but the primary donor operating in Tamil Nadu continues to be GIZ. The state of Tamil Nadu is also located close to the coast vulnerable to coastal disasters and other impacts it may have. The state has only recently started including climate in its development portfolio. Whilst the budgets from the state plans suggest that Tamil Nadu requires climate finance to further its climate plans, there has been no explicit asks or engagements with regard to climate aid from international donors. Tamil Nadu has some research centres and NGOs that work on climate portfolios and more recently officers appointed to look at state wide climate agenda but there has been no clear structure for climate related work. The plans were put into place with the help of researchers and an appointed NGO but needs more work. They have been able to progress towards the next plans with the guidance of GIZ. The donor

continues to be Tamil Nadu's chief donor but has not experienced any negative effects of recipient merit nor received any additional positive benefits. Interviewees suggest that the merit category remains unaffected in the case of Tamil Nadu.

### 6.1 Climate Policy of Tamil Nadu

Tamil Nadu's capital is Chennai (formerly known as Madras), the largest city in the state (TNSAPCC, 2013, 2020). The state has witnessed degradation of coastal ecosystem services under continuous human intervention, which has led to the coastal communities' increased vulnerability (Malleshappa et al., 2016). Tamil Nadu is a diverse state in terms of geographic features and natural resource endowments and among the most progressive states in India in terms of economic and social circumstances, which has evolved over many centuries. Tamil Nadu's climate is shaped by spatial differences between plain, Coastal and mountainous regions and by four distinct seasons (Bal et al., 2015).



Image 5: Map of Tamil Nadu Source (India Maps)

Observed and projected changes in climatic conditions expose different socio-economic systems or sectors of economic activity to the risk of disruption. Sectoral vulnerabilities arise from observed and projected undesirable climate change impacts and include threats to ecosystem services and species habitats, decreasing crop and animal yields due to unfavourable heat conditions and precipitation events, increases in the changes of water availability, increases in the occurrence of diseases, reduced energy system reliability due to extreme events and demand changes, and exponential health and extreme event damages related to urbanization in an extreme climate (Bal et al., 2015).

Tamil Nadu has also been categorized as one of the more vulnerable states in the country, given its coastal features. In addition, the state is witness to extreme weather events such as droughts and floods affecting fishing communities and agriculture to a large extent.



Therefore, it is viewed as one of the more vital state's in the southern region with excellent research and information capabilities (Preethan & Appadurai, 2017).

Tamil Nadu State Action Plan on Climate Change (TNSAPCC) provided the first State-wide and cross-sectoral climate change impact and vulnerability assessment and formulated adaptation and mitigation strategies to be carried out by the State Government Departments. These strategies were part of their first plan 2011-2015, in turn, were organized into seven State Sectors, aligned with the eight National NAPCC Missions (vineet Kumar, 2018). The plan focuses on five adaptation-related TNSAPCC State sectors: Sustainable Agriculture, Water Resources, Forest & Biodiversity, Coastal Area Management, and Strategic Knowledge Management. Similarly, mitigation strategies that will contribute to the fulfilment of the Enhanced Energy Efficiency and State Solar Mission and the State Mission on Sustainable Habitat (TNSAPCC, 2013).

The first plan of the state was initiated after the central mandate was in place in 2009. The plan was submitted in 2010 but was approved in 2014 due to revisions and long bureaucratic processes. In this TNSAPCC, 260 climate actions were proposed. The tentative budget to implement these actions was Rs. 404,258.14crore for 5 years (2012-17). Out of the proposed actions in the TNSAPCC, 59 percent were for adaptation, 36 percent for mitigation and 5 percent had characteristics of both adaptation and mitigation (Suhatharahima, 2016). The revised plan was submitted in 2020 to integrate learnings and best practices from the first plan and make necessary amendments. The TNSAPCC revision is intended to better align National and sub-National adaptation and mitigation planning and effectiveness of climate policy and planning by integrating recent advancements in knowledge and understanding (Moloney et al., 2017).

In their latest plan , a total number of 199 planned activities have been identified in seven sectors for prioritisation for which financial allocation have been proposed merging similar activities. According to the plan, the proposed 199 activities include some of the existing activities and new ones based on their linkages to NDC/SDG. The total resource requirement is expected to be Rs 324,211.20crore. The report highlights that apart from accounting from all possible sources of funds, there will still be a gap of Rs 103,312.48crore (TNSAPCC, 2013, 2020).

The implementation of TNSAPCC strategies and activities are typically overseen by the TNSAPCC Steering Committee (chaired by the Chief Secretary) and the nodal department (Department of Environment). While each proposed strategy/ activity is assigned to a responsible line department, all strategies/ activities under a particular sector are coordinated by a nodal mission department (Sustainable Agriculture – Department of Agriculture, Water Resources -Institute of Water Studies- Public Works Department, Forest and Biodiversity- Tamil Nadu Forest Department, Coastal Area Management- Department of Environment and Strategic Knowledge Management – Centre for Climate Change and Disaster Management, Enhanced Energy Efficiency and State Solar Mission – Tamil Nadu Energy Development Agency, Sustainable habitat –Chennai Metro Water Supply and Sewage Board (GOT, 2019). The state climate plans indicate in their revised plans that there have been no significant changes in the climate plans and proposed activities in the two plans submitted in the last decade. The revised plan only includes additional sets of tasks that complement the proposed activities along with revised budgets and timelines (TNSAPCC, 2020).

## 6.2 Findings and Analysis

The analysis part in this chapter draws from data collected from 2019 with 14 interviewees in relation to interviews on Tamil Nadu, 10 policy documents, which have been listed in the Appendix A. Secondary sources such as media articles, donor reports, news clippings and political commentaries were also examined to understand the aid allocation patterns of international donors within the state of Tamil Nadu for climate related aid.

Keeping in line with the analytical framework of this thesis, the three factors guide the research examination in understanding donor allocation patterns. While the explanations for recipient need, merit and donor interest are straight forward and self-explanatory, the examination of these factors are not. The study provides perspective from donors, state officials, implementation partners, research think-tanks and consultants who are either currently working on climate related efforts or previously have and now work at the national level. This helps in also gaining knowledge on how Tamil Nadu is situated at the helm of its sub-national counterparts and if there are any noticeable patterns across the donors' approach to climate aid in Indian states.

### 6.2.1 Donor Interest

While recipient need clearly plays a role in donors' aid allocation decisions, research has consistently found that donors are also keenly motivated by their own self-interest. Studies suggest that recipients who are more politically aligned with donors are statistically more likely to receive development aid (Alesina & Dollar, 2000; Bermeo, 2017).

Tamil Nadu drew on external consultants for planning support and expertise: GIZ, the German Development Agency, worked with various government stakeholders to produce the SAPCC (GIZ, 2018; Suhatharahima, 2016; TNSAPCC, 2013). In addition, it drew on and aimed to integrate with Vision 2023, the strategic infrastructure development plan that had been produced in 2012 (TNSAPCC, 2013). The SAPCC aligns itself with these aims, while simultaneously laying out a plan to tackle climate change. The plan also explicitly states its intention to reduce vulnerability and exposure to risk, focusing largely on adaptation strategies and leveraging mitigation co-benefits wherever possible (Mallehappa et al., 2016). The larger goal is to integrate climate change into developmental umbrellas. GOV3 says *“These will not be implemented in isolation but “integrated into the regular developmental planning process, keeping in tune with the convergence principles articulated in the State’s development plan”* (TNSAPCC, 2013) (Interview GOV3, 2019).

RE 10 who has been and continues to be actively involved as an important stakeholder in the Tamil Nadu state climate plan planning process recalls that *“the state has had a very different approach on climate planning. Possibly also due to political differences from the centre, the state outsourced all climate planning exercises to international support that was offered. It is only in the last 3-4 years that the state officials have been more part of the SAPCC process. One cannot point on a particular reason for this”*, RE 10 says. Donor interest has been high for the state of Tamil Nadu as it is viewed as the most powerful state in the south of India. *“With strong business holdings and industry entities the state has been equipped with stakeholders to support any undertakings. However, there is evidently a lack of guidance from within the sub-national departments on where they stand with regards to climate action. The entry of GIZ in Tamil Nadu was a game changer for their climate progress”* adds RE 10. RE 12 who is a long-term colleague and involved in the state planning

chimes in that the engagement with GIZ must be viewed very closely. *There is turbulent internal politics within the state and the centre-state relations that cannot be disregarded even when discussing international donors, says RE12.*

GIZ started work in Tamil Nadu as part of the Indo-German agreement to work in Indian states. They developed an adaptation based project on climate proofing called the Climate Change Adaptation in Rural Areas of India (CCA RAI) project jointly implemented by the Ministry of Environment, Forests and Climate Change (MoEF & CC), Government of India and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) (GIZ, 2015; Jogesh & Dubash, 2015). CCA RAI is financed by the German Federal Ministry for Economic Cooperation and Development. As part of climate-proofing, National Bank for Agriculture and Rural Development's (NABARD) watershed development Programme and the Forest Department's Joint Forest Management (JFM) Programme have been assessed with respect to long term climate impacts for more efficient and climate-resilient Programmes (GIZ, 2015, 2019).

The Indo-German development project, CCA RAI aims to enhance the adaptive capacities of vulnerable rural communities in India so that they are better equipped to cope with climate variability and change (GIZ, 2019; vineet Kumar, 2018). “The project partners are the Ministry of Environment and Forests (MoEF), Government of India, in the four states of Madhya Pradesh, Rajasthan, Tamil Nadu and West Bengal. CCA RAI is commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ). It is guided by India’s National Action Plan on Climate Change (NAPCC) and focuses on different fields of work, pursuing a cross-sectoral, integrated approach” says DON 3. In addition to its four partner states, CCA RAI has supported 16 Indian states and two Union Territories in

formulating their respective State Action Plans on Climate Change (SAPCC). These action plans address state-specific concerns of vulnerable sectors and communities (GIZ, 2015, 2018).

Commisioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Project Region	Himachal Pradesh, Punjab, Tamil Nadu, Telegana
Lead Executing Agencies	Ministry of Environment, Forest and Climate Change
Duration	10/2015 – 12/19

Image 6: GIZ funding to the CCRAI project (Source, GIZ, 2015)

As seen in the image, GIZ strategically proposed to work with one state each from each region (North, South, East, West). While they continue to work with the other three states and the other 16 states previously supported in various capacities, Tamil Nadu has been in a long-standing relationship with this specific donor (Interviews RE7, CON1, 2019). As part of the project agreement, GIZ has offered its support in the planning and implementation stages. However, the support of one donor alone seems insufficient to the state’s performance needs (Interviews RE7, RE 13, CON 1, CON 3, 2019) (Byravan & Rajan, 2013; Malleshappa et al., 2016). Despite other donors being interested in the state, their engagement with the sub-national ministries have been limited. Based on the analysis and interviews, the explanation for this is two-fold. One GIZ has shown explicit interest in supporting Tamil Nadu’s climate efforts. DON 6 states in the interview that *“there is an unofficial agreement among us donors not to create a poaching environment amongst us. We want to remain united in supporting Indian states. If we know Donor A is providing*

*primary support to state x we tend not to wander in that territory. We may offer smaller projects or support specific climate actions and id to work in a state after the term but never overlap unless agreed on before.*" RE 7 reiterates that irrespective of the results which is a separate discussion, GIZ has lodged itself in Tamil Nadu and has worked towards creating a rapport with the state focusing exclusively on climate action. Interviews with the donors explicitly state that whilst the progress is slow there is considerable time invested in conducting initial assessments and climate solutions based on that and assurance that they will remain technical partners in the terms to come (Interviews 2019).

Second is that, despite donors listing preferences it is the centre that decided donor engagement with the states. In some exceptions where a state and donor have presented historical relations, it is almost always the case for the donor to be allotted the state for ease of paperwork and other logistical issues. In other cases, DON3 says *"sometimes there have been cases where we donors have to go announce ourselves in specific states and the state officials have no idea of these background decisions but are happy to go along with the support received"*. The lack of clarity how centre allocates international aid is a newer issue within the problem which the study has been able to identify. In the case of Tamil Nadu for example despite other states showing interest in working with them as primary partners, GIZ has been allotted to lead the climate action plans and pockets of its implementation (Interviews DON 3, CON1, NGO1, 2019; RE4, 2022).

Donor interest in Tamil Nadu has had a mixed response. As discussed in previous chapters the entry and existence of donors within a state are dependent on two things 1) central decisions and contracts and 2) political willingness and donor engagement at the sub-national level. Donors at some level interact with each other and do not try to enter a state

as a competition when another is present, they either wait for a project/donor term to end or create opportunities to collaborate. As part of a bigger project GIZ entered Tamil Nadu and has stayed since, the lack of enthusiasm from Tamil Nadu's part to entertain other donors and the comfort GIZ has created within the state has resulted in a variety of donors participating in Tamil Nadu's climate efforts.

### 6.2.2 Recipient Need

The general understanding is that the most vulnerable countries receive aid, even for general development issues, environmental aid is no different. However, the impact that vulnerability has on the allocation decisions of donors and the distribution of adaptation finance is disputed (Barett & Conostas, 2014b; Donner, 2016; Fuchs & Vadlamannati, 2012). (Barett & Conostas, 2014b) analysed the allocation of adaptation aid at a subnational level in Malawi, and observed that adaptation finance flowed to districts with low socioeconomic but high physical —vulnerability to climate change. Other studies, however, found that on a per capita basis, bilateral donors allocated more finance to recipient countries that were more vulnerable and poorer, leading them to conclude that recipient need matters (Arvin et al., 2006; Collier & Dollar, 2004; Weiler & Klöck, 2021).

Tamil Nadu has long been known for its susceptibility to a long list of natural disasters: cyclones, storm surges, coastal flooding, torrential rainfall, earthquakes, and tsunamis. Since the catastrophic Tsunami in 2004 which took away lives of more than 10,000 people in Tamil Nadu, there have been 14 cyclones and regular flooding in this area (Karthik, 2021; Murty et al., 2006; Stephen, 2012). The disaster preparation and response has however been lagging even after years of struggle, infrastructure in the Tamil Nadu has



been one of the biggest fundamental development issues. Most of Chennai's challenges revolve around inadequate and poorly managed infrastructure, resulting in leaks, blocked drains and over-burdened sewage systems – problems that have existed in Chennai for decades (Sannith, 2021). Bad planning is also an issue in the city, where the state government has passed many permits and allowed clearances on marshlands and wetlands which could normally have soaked up floodwater (Bal et al., 2015; Karthik, 2021; Malleshappa et al., 2016; Sannith, 2021).

Lastly, there is an unexpected and unique response from the state officials of Tamil Nadu on cultural sensitivity on welcoming donors. Whilst they are happy for support, no fierce bids or persuasions take place to welcome donors (Interview RE7, RE17, 2019). The state officials participate and engage with the donors at minimally. RE 17 points out that many ministers especially at the district level are well versed on climate issues and its solutions but not in English. *“The review of the state climate plan document was in English and the willingness to participate was low since vernacular languages were preferred”* (Interview RE 17, 2019). When the donors were asked, it was agreed that this was a problem that they didn't foresee and as correction organised 2 consultations and 3 workshops in Tamil or with a combination of Tamil language but the interest to participate was not very high (Interview, DON 2019). NGO3 opens up and discusses their role in the process and says, they are mostly kept out of the meetings and negotiations and are only presented with the final implementation tasks. NGOs feel left out of the process and a chance to contribute to the plan. Although, this may not be the intent, the design of the plan and its process with the support of technical partners and international presence have caused some discussion. These have however not deterred GIZ or other donors from approaching the state of Tamil Nadu. According to RE7, RE 17, RE1 and CON1, more efforts can be put into Tamil Nadu's

climate development but some of the internal and external factors such as lack of funding, political will to engage with climate issues, participation of stakeholders are proving to be obstacles slowing down the progress (Interviews RE7, RE4, CON2, NGO2, 2019).

During the state climate plan preparation process, an *inception* workshop in 2010, seven focal areas that mapped onto the NAPCC missions were identified. Working groups were created for each of these, which were tasked with preparing sectoral papers with the assistance of GIZ. These were reviewed and integrated to form the SAPCC for Tamil Nadu (Interview RE17, 2019) (Jogesh & Dubash, 2015; vineet Kumar, 2018). The plan laid out the key risks that the state faces, mainly from rising temperatures and increased cyclonic activity, and recognised a set of challenges within the seven sectors identified. RE 6 highlights that *“despite creating an elaborate structure and governance mechanisms, as well as a list of activities outlined in the SAPCC, very little has actually been operationalised. The plan activities themselves seem to be a repackaging of already existing activities rather than using the plan development process to come up with innovative strategies to tackle the challenges and impacts of climate change.”* (Interview RE6, 2019) (Byravan & Rajan, 2013)

While the State Climate Change Cell seems to have been created, there is little information available on its activities, and its website is no longer functional. According to the Department of Environment’s website, they are currently undertaking a climate change adaptation programme in collaboration with the German government and GIZ, but only in rural areas (Interviews RE 17, CON1, NGO2). DON 3 and RE6 agree that after the floods in 2015, there was an urgency that was created to focus on urban areas as well but the revised plans have no additional inclusions to this end (TNSAPCC, 2020). RE17 who has been part

of the negotiations addresses this and says “participation *in the negotiation process seems to be limited largely to state government agencies and their officials, although the plan does identify civil society, various private sector entities, as well as academic and research institutions as valuable resources. Often, we are only passed on a copy to review and meet with the mains stakeholders but there is no clarity on the exact list of who are involved in the final process*” (Interview RE17, Tamil Nadu)

Overall DON1,3 and 6 all chime in that it has been very challenging to understand the needs and intent of Tamil Nadu’s engagement with international donors. DON 3 says that “there is so much that needs to be internally discussed and clarified before external stakeholders can engage”. As such the state is a coastal state and is vulnerable to climate related disasters and effects of climate change. While the state plan largely focuses on adaptation the plan also attempts to display that the actions can be conducted within the resources of the state. It remains unclear if Tamil Nadu is actively seeking technical and financial international donors as partners for climate action. RE4 however points out two main things, first is that there has been some change in the Tamil Nadu’s response in the last three years, they have been far more engaging than they have in the last decade. Second is that one should never assume donor assistance is always welcome, there have been cases that interventions also fail for several reasons, and it is not uncommon (Interview RE4, 2022).

Tamil Nadu after it’s floods in 2016, went through unimaginable trauma as a state. There was a lot of work required to rebuild the state and conduct post disaster relief measures. The state until that point was somewhat active with its climate efforts through climate plans and a handful of projects that kept the state busy with climate related issues. There

was awareness and a plan but no proper resources or manpower to oversee climate development within the state. GIZ continues to support Tamil Nadu in the best of its project capacity but there have also been other issues such as bureaucracy, local politics and lack of coordination that lead to slower results. Overall, the state has been a recipient of aid but has not explicitly asked for additional climate assistance.

### 6.2.3 Recipient Merit

Tamil Nadu although a coastal state, is one of the most urbanised states in the country, with more than half of the state's population living in urban or semi-urban areas (Sami, 2018). More and more districts within the state are emerging and marked as urban areas and is now one of the fastest growing states with rapid industrialization taking place (Vijayabaskar, 2010). Though urban in its characteristics with good infrastructure and services, several of these districts are located along the coast and are increasingly vulnerable to a range of climate-induced risks, such as sea-level rise, increased cyclonic activity and flooding (ADB, 2017; Sami, 2017). In Tamil Nadu's climate plan, there are 103 urban planning related activities, although not robust (Interview 7, 2019). On one hand, the state recognizes this as one of its core issues, any climate related disaster could topple the urban areas without proper planning and implementation and is under constant threat. On the other hand, highlighting these issues garners donor interests to engage with the state (Interview CON1, 2019, DON8,2019, RE4,2022). It is therefore not surprising that discussion around urbanisation is viewed as both a risk and an opportunity in Tamil Nadu's State Action Plan on Climate Change (SAPCC) (vineet Kumar, 2018; TNSAPCC, 2020) (Interview RE10, 2019).

In the case of Tamil Nadu, since the start of the climate action plans in 2010, the centre has directed GIZ to support and finance the state. It is unclear what are the factors that keep the State attractive as the sub-national government sent mixed signals. Recently under the leadership of Mr.Ramachandran, Minister of Forests, Mr.Siva Meyyanathan, Minister of Pollution Control and Supriya Sahu, ( Additional Chief Secretary to Government ) the response has been more active and engaging. RE7 points out that the state has had to go through a lot politically, with changing political parties and losing a chief minister in the last decade there had been no stability provided to the local departments for climate action (Interviews RE 7 RE 17, 2019). Tamil Nadu initially, presented itself to be a state creating internal budgets and tapping into schemes from the national funds. However, there is a gradual change toward this perception. Assistance from domestic and international non-state actors, ranging from donor agencies and foundations to civil society groups that have been working closely with Tamil Nadu as well as state governments to build awareness and capacity within government agencies. Several interviewees involved in training government officials indicated that requests for specific actions that can be presented as progress/growth are increasing. They want to learn how to present their statistics and understand where aid can be provided from external stakeholders both within the state and across Indian states (Interviews RE1, CON2, NGO 2, 2019). Those who had been involved with state governments in an advisory capacity also indicated that while there had been early hesitation to engage with environmental issues, this has changed as international and domestic policy has evolved. In Tamil Nadu, for example, the smart city plan initiated by the government called Atal Mission for Rejuvenation and Urban Transformation (AMRUT) has emerged from the second phase of the Asian Cities Climate Change Resilience Network (ACCCRN) funded by the Rockefeller Foundation. Involvement in this government led plan has piqued interest in general climate welfare of the state.

However, interview respondents emphasised that while these efforts are important, they need to be backed by strong political will and consistency to be effectively implemented.

Climate development and environmental issues are handled by two different ministries at the national level and even further distributed within the state departments. In Tamil Nadu there is very little coordination between ministries and their departments whether at the state or city scale (Interviews RE1,6,7,17, 2019, DON1, 2019, CON1, 2019, NGO2,2019). NGO1 says that “the *institutional structure at the state level itself not very robust.*” There is also no specific agency that has the mandate to deal with climate change issues at the local level although the climate cell had been setup. challenges are also issues. There is little integration of environmental sustainability issues more broadly and climate change specifically in the urban planning process in most Indian cities (Bal et al., 2015; Dubash & Jogesh, 2014b; Sami, 2018)

There is this concern on lack of willingness to act or engage. According to interviewees, this was the biggest obstacle working with the state of Tamil Nadu (RE1, RE4, RE7, RE17, CON1, NGO2, GOV1, 2019). There are few local officials who have engaged with environmental or climate-related issues – for the most part, city officials do not consider these to be part of their responsibility, and therefore choose to not engage international organisations who have worked with Indian city governments over the last decade or so have emphasised the need to build greater awareness among sub-national officials in order to increase engagement and consequently persuade their willingness. Overall the analysis suggests that the state of Tamil Nadu has not relied on its merit to engage with donors and neither have donors sought after their progress indicators to measure their allocation decisions.

Political parties in Tamil Nadu are dominated by two major parties, All India Anna Dravida Munnetra Kazhagam (AIADMK), Dravida Munnetra Kazhagam (DMK), along with national parties like Indian National Congress (INC), Bharatiya Janata Party (BJP), Communist Party of India (CPI) and few minor parties such as Pattali Makkal Katchi (PMK), Naam Tamilar Katchi (NTK), CPIM, Makkal Needhi Maiam, Kongu Munnetra Kazhagam, Desiya Murpokku Dravida Kazhagam (DMDK), Tamil Maanila Congress (TMC) etc.

In Tamil Nadu, AIADMK and DMK are alternately elected by people in Tamil Nadu and a strong third party does not exist (Chari, 2022) . The main facets of state politics in Tamil Nadu included language- the distinction between Tamil and non-Tamil speakers and caste. The internal state politics is popularly known for its Dravidian led principles and beliefs.

The BJP under PM candidate Narendra Modi have formed an alliance with MDMK, PMK, DMDK, IJK, KMDK and seats were allotted in 2014. (Chotiner, 2023) However, after the demise of Jayalalithaa, the AIADMK government in the state was run with the help of the BJP government at the Centre. But while the BJP could make no impact in the assembly election, the AIADMK lost the state to its rival DMK (Chari, 2022).

It is possible for the BJP to emerge as an alternative pole in politics and prevent the state away from caste-oriented politics. But it is not going to be an easy task, which will also require the central leadership's understanding and acceptance of the state's internal dynamics (Schakel et al., 2019). It is clear that though the rivalry within the two parties are aggressive within the state, they remain united in ensuring no central leadership or other national parties enter the political scene within the state of Tamil Nadu.

Politically, Tamil Nadu has gone through a lot as a state from changing between two parties in power, losing a chief minister and re-electing a new one. Political stability has been a challenging situation within the state in general, climate related issues have taken a back seat until very recently. Although the state has suffered, there has been considerable action and proactiveness to improve their plan and scale their implementation efforts. The government has also focused on certain mitigation efforts like renewables and offered subsidies encouraging participation from the people. The state has moved forward with their climate efforts in the last decade but has had limited donor engagement. There has been no negative effect due to recipient merit, as interviews suggest climate finance is so new in the country and even so within the states that merit remain unaffected at this moment.

### 6.3 Conclusion

Interviews, reports, and policy documents indicate that the coastal areas' communities are mainly fisher communities that are fully dependent on the coast and its resources. Coastal related disasters impact these communities the most. As a result, some community members are also trained to report to government officials in crisis times or liaise with them for relief measures (Kumar, 2018). In Tamilnadu, extreme floods and water-related disasters disrupt livelihoods and destroy houses and neighbourhoods for weeks together, displacing people and communities. The impact is two-fold, one is to protect the homes and occupation of the fishermen in the coastal areas, and the second is to provide alternatives during and after a crisis (Krishnamurthy et al., 2014). The post relief measure has been far more challenging to implement without a proper system in place. In Tamilnadu, like other coastal regions, the communities surrounding the area are from rural



India from impoverished backgrounds. They survive on daily wages, minimal electricity provisions and limited access to healthcare or education (Interviews, 2019).

The coastal regulation zone is enforced by the central government, whereas disaster management is a state subject. There must be coordination among the two levels to implement the right policies at the sub-national level depending on the state needs and requirements (Mallehappa et al., 2016). The Disaster Management Act of 2005 addresses indirectly a lot of overlapping concerns of the coastal zone management, but future changes to a specific law can direct the States to take up problems arising from local conditions (Interview RE7, GOV1, 2019).

The National Institute of Disaster Management (NIDM), an apex disaster management research institute, takes up research about coastal zones that facilitate the coordination between the two levels. At the state level, the Coastal Zone Management policy needs better integration with the disaster management policy for a holistic approach to mitigating disaster risk to coastal zones. The district-level committee's formation to look into CRZ norms will help create synergies with the district disaster management authority as the district collector chairs both.

It is important to constantly consider external factors such as political situations, local economy, climate related events etc. All these events modify the nature of the factor with allocation. In Tamil Nadu for instance, it was seen that whilst the State was vigorously seeking donor support after floods, cyclones or the Tsunami, assistance for day to day activities were pursued with far less enthusiasm (Interview RE 10, 2019) (Bal et al., 2015; Jeganathan et al., 2021; Preethan & Appadurai, 2017). The interviews and analysis help us understand if this was due to lack of donor interest or wiliness from the local state elites.

The research extends to understand what the patterns of donor aid allocation in relation with the state of Tamil Nadu are and how they play out in both day-to-day climate action and emergency disaster related scenarios.

The state has gained climate momentum over the years, slowly but steadily, the recent government is more conscious of including climate in its portfolio and have very recently included climate budgets and appointed officials district wise (K. Kumar, 2022). The State's activities, however, lack transparency. It was challenging to access policy documents and public documents were often out of date and did not function to its full extent due to website and other technical issues. There is no general interest to welcome international engagement and they are overall satisfied with their own climate portfolios with limited capacity. According to the a recent Environment Sustainability Index, Tamil Nadu scores adequately (Dash et al, 2011). Interviewees including research think-tanks, consultants and NGOs however feel Tamil Nadu can play a more active role in engaging its international partners whilst government officials feel that if they are able to perform adequately without external intervention, they are willing to carry on and continue to grow with available resources (Interviews, 2019,2021,2022).

In line with the research framework, it is important to highlight that Tamil Nadu is one of the strongest candidates among the south Indian states to donors. GIZ entered Tamil Nadu in 2010 and continues to be the primary international donor in the state. Neither donors or the state representatives have made efforts to change this setup. Donor interest in this case has been through one donor although other donors have shown some interest to engage with the state in different capacities. The state as such is climate vulnerable and requires assistance but the recipient need exhibited from the state has been low. One of

the reasons is that the state is still finding its footing in terms of climate action and climate finance and second that the state has been self-sufficient with remarkable research centres and think-tanks that assist in realizing the state action plans. As far as merit is concerned, the state plans are all up to date and the state is now setting up climate at the helm of its development portfolio and the division of climate change has been more active. The state had been through political turmoil that leading climate efforts were pushed back. However, this has had no negative effect in terms of national or international support for climate assistance.

## Chapter Seven : Final discussion and Conclusion

In line with the framework of the thesis it is evident that the donor interest is piqued by foreign affairs and opportunities to carry on trade and maintain healthy external policy relations. In the context of recipient need, some states perform better than the other's but all state's welcome assistance. Interviews however suggest that since the climate momentum has now picked up, while the donor engagement is acknowledged they believe that state plans equip the local departments to seek funding through a variety of sources which makes them less dependent only on donor support (RE4,2022). As far as recipient merit goes, some state's like Odisha are pioneers in their climate efforts but donors interviews suggest that merit plays little or no role in aid allocation decisions among Indian states. It should also be noted that it is the centre that ultimately decides which state is provided with financial aid and how much of the funds. Although, technical support is provided directly from donors to states. India, as suggested earlier has a complex infrastructure and is not an easy country to navigate across, some donors are in continuous engagement in line with the national policies. They assist states to further their climate policy with the right capacity building tools, knowledge management platforms and skillsets that are transferable and other technical support where required. In some other cases, the role of donors are unsure and the climate development relies more on state led governance. Aid allocation factors continue to evolve and grow, however there are no definitive set of factors that determines the distribution of aid, it is a combination of varying factors depending on the state and other criteria's that the decisions are made.

## 7.1 Donor Interest

The application of the aid allocation framework and conducting case studies analysis of Odisha and Tamil Nadu has helped in identifying some important factors that explain the donor decisions of sub-national climate finance in India. Honouring foreign policy commitments and delivering to agreements and treaties are a big part of foreign aid in India. The political willingness, institutional capacity and cultural sensitivity within the states are crucial to donor relations in additions to climate vulnerability. In this thesis by placing donors as state entrepreneurs we see newer forms of governance relations that are not focused on the centre. Non-state actors and other actors are increasingly becoming important players in the climate discussion. With this perspective, this research has contributed to the existing literature on donor relations with local government bodies in the context of climate change and the factors that lead to allocation of aid.

In general there is a high level of donor interest to engage with India and it's states. These interests stem from either prior commitments or treaties or to consciously maintain good relations with India. India is a rapidly growing economy with strong political connections and more active at the global level for a range of things including technology, security, climate and peace building. There are different clusters that the states and nationally coordinates with for different foreign policy motives. While there is no specific benefit working with a particular state, the engagement with India is sufficient enough for donors. However, donors do have preferences to work with states based on timelines, areas of interest, sectoral relevance etc. If a project related to water has funds to support 3 states the donor is most likely to pick 3 coastal states out of sheer relevance to the project.

In the context of this research it is evident that there is a high interest to specifically work with the state of Odisha in comparison to Tamil Nadu. Odisha has proactively pioneered the state plans and has also displayed in the state's capacity shown their interest to work towards disaster resilience and post-disaster preparedness. Coastal related disasters are high priority to the state and the state departments have continued their work on this front with or without the support of donors. This display of independence further encourages donors to provide assistance in Odisha. In the case of Tamil Nadu, one important finding is that GIZ has a good rapport with the state of Tamil Nadu and has over the decade revised the project funding three times , showing their continued support to the state. However, there has been no diversity in the range of donors that engage with Tamil Nadu although they do participate in smaller projects and grants. Overall, Odisha has been more active in engaging with international donors than Tamil Nadu. While many donors have shown interest towards Odisha, Tamil Nadu has had one primary donor for the last decade.

## 7.2 Recipient Need

Interviewees suggest that whilst donor aid has helped further climate development, the sub-national Indian states are not entirely dependent on them. When analysing documents and conducting the interviews one of the recurring topics for discussion was how India as a nation generally feels about aid. This had not come up in the earlier literature reviews or discussions. On speaking with a range of stakeholders during interviews to talk about aid allocation patterns at the sub-national level, the discussion inevitably turned to how aid was being allocated at the central level to begin with. One of the findings from these discussions were how India as a country has struggled to present itself as strong emerging economy that is self-sufficient and limiting foreign aid while rising the nation to be a donor by herself (RE 7, Re 17, Re 6, GOV2, CON2, 2019). The government officials interviews

discussed briefly on the nuances of encouraging but limiting foreign aid, they suggested that over the years the reputation of the government and subsequently the country was constructed based on how other countries, especially the developed ones, viewed India (Dubash & Stavins, 2022; Miller & Mukundan, 2021) (Interviews GOV1,GOV2,GOV3, 2019).

If the central government has already placed a clear filter on who is able to provide aid to India, the allocation preferences of selected donors have a clear agenda. The donors are invited to come and engage with the states due to internationally agreed upon by or multilateral treaties or promises. In this case, it is already clear the core donor interest is to be able to conduct business and garner its foreign policy with a country such as India that has placed strong impositions on who can provide aid and how much.

In India, while the federal government is passing more of its responsibility to the sub-national counterparts, RE10 suggests that the Centre's involvement has been at irregular intervals which causes an imbalance. This could again lead to a negative impact on sub-national environmental policy by encouraging interprovincial competition for investment, especially in the absence of a strong federal presence. Some scholars argue that the shift to giving states the power falls under the race to the bottom theory where certain policy decisions are made to retain economic activity in the region. Jørgensen (2011) explains that differences in local policies need not necessarily lead to the race to the bottom, but can result in positive effects such as knowledge sharing and providing cases of best practices that can be replicated. Donors, however, have gained a more significant role in the process eliminating bureaucracy and working with the state government on their projects to support their climate efforts.

### 7.3 Recipient Merit

The State Action Climate Plans have been a great initiative to start the conversation on climate. The state departments had the chance to come together and work towards solution based activities at the regional level. This was one of a kind and first of many initiatives trialling decentralization and donor intervention. The ownership states required to take and gather technical expertise and implementation partners have been herculean tasks. It must be acknowledged that in a country like India where the institutional setup continues to be confusing, this was a difficult step to have achieved. In the last decade alone, since the inception of the plan, climate conversations have been increasing and the efforts far more. However, they are not enough. Since the time of inception, the subnational governments continue to seek guidance and leadership from the centre and support from international donors. They lack expertise, require capacity and need tools to integrate these policies in larger developmental goals. The revisions of the plans have considerably progressed, but fragmented efforts are in dire need of a single entity to oversee climate related activities and actively engage with the states and the centre towards strengthening both sub-national and national level policies. The addition of new elements in the SAPCC revision framework offers new opportunities for states to work towards stronger integration of the key pillars of the state climate policy.

As sub-national states, both Tamilnadu and Odisha have viewed and approached this exercise differently. Whilst Odisha, has taken lead in pioneering efforts, submitting plans, revising strategies and making provisional state budget arrangements, the plans were a stepping stone toward action that was long pending. The support from the politicians, state government increased the willingness to view the plans more seriously and work towards



strengthened climate efforts. Tamilnadu, also a coastal state with similar problems has shown considerable progress in the plan itself but little progress in implementing activities. With more guidance, training, stable funding and tracking success, these state plans will continue to improve and steer the course of sub-national climate policy in India.

When there is a strong supporting federal and local system with an inclination to support climate action, it is observed that there is default backing of other stakeholders including NGOs, businesses, other interest groups, including the general population and thus the donors (RE 5, Don 3, CON1,, 2019). They have strategically framed policies to increase climate commitment. In this case, there is a strong likelihood of the state of Odisha to implement sound climate policies. Political rifts and weak engagement with donors, on the other hand, could create an opposite effect, as in the case of Tamil Nadu. Strong subnational representatives who root for local change with continuous capacity building exercises and support of the intervention of non-state actors who can influence policies at the local level are impactful. This, by design leads to stronger and more effective climate policies at the sub-national level. Odisha has been a pioneer in climate action. However, there may be cases where one is a very weak link such as the nature of participation among non-state actors or purposefully pushing climate development policies to the back end due to the economic performance of the state. This could cause for the policies to be weaker and ineffective. An important takeaway is that state, non-state actors, donors and centre-state relations continue to act as primary drivers to influence policy decisions. To be able to influence donor aid allocation decisions, it is essential to continuously enable these drivers to change the climate debate.

Ultimately it is true that the socio-economic performance of the recipient plays a role in donors' aid allocation decisions (Berthélemy, 2006a; Dreher & Lohmann, 2015; Máñez et al., 2014). This conclusion has been supported from the interviews conducted with development co-operation experts and donor representatives and project managers. According to the interviewees, aid allocation decisions are influenced by the economic status of beneficiary countries and also by domestic debates in donor countries and foreign policy objectives. The UK, for example is one of the few countries that has development co-operation legislation in place, has a legal mandate to focus on the poorest countries in the world (Organisation for Economic Co-operation and Development , 2009). India, now as a middle-income countries no longer fulfil this criterion, and hence has fewer aid opportunities from specific countries. It also seems that there are different opinions amongst donors on how to deal with beneficiary countries that have reached middle-income status or states/countries that now perform well and have shown growth and good progress (Teichmann, 2016). Seven interviewees argue that middle-income countries should still receive development aid since they are home to a large number of poor people and still experience significant development challenges. These interviewees view emerging economies as key role players for the development of their respective regions as well as for the solution of global challenges such as climate change (RE4, RE17, 2019). Other interview partners take the position that emerging donors are now economically in a position to look after their own development needs. DON5 interviewee states: "*The financial crisis has intensified the debate around 'selectivity' amongst donors where aid budgets are reduced or eliminated completely for middle-income countries in favour of prioritising the poorest low income countries, especially for issues of climate.* ( RE5, RE 18, DON1) "

### **The United Kingdom's International Development Act**

*The UK's International Development Act 2002 provides a clear legislative mandate around poverty reduction and gives national development co-operation its current strategic orientation on issues of development, not only aid. For the first time in the UK, it reflects in law the centrality of poverty elimination and forbids the use of development assistance for other purposes, including the tying of bilateral aid to procurement contracts for British companies. As it has been designated the lead ministry for carrying out this legal mandate, the Department for International Development (DFID) enjoys an unambiguous relationship with other ministries, which allows it to influence cross government thinking on development policy. This clarity of purpose also permits DFID's downstream operations to be more efficiently managed and evaluated. The Act has been a cornerstone in the substantial improvement of the UK's approach to international development since 1997.*

Using the national plan as a blueprint, state plans aimed to integrate national priorities with the respective state's development goals and even the larger sustainable development goals.

States are increasingly turning to consultants to help with planning processes. Interview respondents repeatedly emphasised the importance of credible local long-term partners to help with developing plans as well as implementation. While there is no Multi-level climate change planning evidence from the State Climate Action planning process that plans made by external consultants (domestic or international) were more inclusive or effective, interview data indicates that there was more credibility if partners or consultants were local and embedded within the state or city context locally.

#### **7.4 Way forward**

The findings of this research have thrown some light on what are the factors considered when determining aid to Indian states and how some of the States in turn respond to

donors. The results show that there are many donors who are willing to engage with Indian states to promote climate development, recipient states should make use of donors' willingness to assist in this process. Donors on the other hand should be more open and sensitive about what they expect from the Indian states who have just embraced on their climate journey. It is also of great importance to nurture an atmosphere with transparency when providing development assistance to developing countries. Transparency and accountability are also critical for building a relationship of trust between traditional and emerging donors, who despite their differences have to work together to successfully tackle current and future development challenges.

This study has conducted interviews with different stakeholders in understanding donor aid allocation patterns in the context of two Indian states, Odisha and Tamil Nadu. Conducting this study and reviewing literature suggest that there is very little information available on climate finance and sub-national India. While this study delves deeper into some aspects of the donor patterns, it would be interesting to understand how donors operate among all the states in India, with the Central government. It is also worthwhile to explore how other development issues are placed and where climate finance is ranked and how. The findings of this study is useful to both donors and Indian state officials and the central body that oversees these transactions. The interviews in this study have been a conversation starter for the more intricate issues surrounding culture and vulnerability among Indian states and how this affects their relation with donors, more research can be built on these topic areas. Lastly, it would be worth examining how donors interact with one another when approaching India and if there is a platform or a creation of such a platform could lead to more transparent ways to allocate aid and understand their decision making patterns systematically.

Further, while there are certain patterns that determine allocation of aid by international donors to India, it would be interesting to investigate the patterns of distribution if international aid by the centre to the states. What local and other factors that come into play that are different from these set of factors. At the international level, maintaining foreign relations, historical relations, trade, and visibility , prior commitments are some of the top reasons to provide aid. Internally what are the national level criteria's that influence decision making when it comes to the distribution of the aid provided.

Lastly, it would be interesting to understand how India is able to further it's climate efforts with and without the support of international donors. And if with donors, what different variations of support could further improve the climate development among Indian states.

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## Appendix A

### **Interview Questions: Semi-Structured**

#### **Donors:**

1. Briefly share your views on how donor aid is allocated within India for development activities.
2. How do you see your role in the Indian climate finance architecture?
3. Do you think the introduction of state climate plans has influenced your strategy and approach towards aid distribution among Indian states?
4. Could you briefly explain the current process of allocating and distributing aid towards climate finance?
5. What are your expectations from the state when partnering with them as a donor ?
6. What are some of the considerations you make when choosing partner states to work with?
7. Do you find partnering with other donors to work on a particular state's development is beneficial or deterring?

8. How do you manage handling financing more than one state at once? Do political and other external factors affect your aid allocation decisions?
9. Does the state's performance in other areas (Human Development Index, poverty) affect your decisions to work with them?
10. If a state performs above the expected mark, are you likely to go back to work with them or assume they are well placed with sufficient support and further diversify your selection of location?
11. Having stayed with one state for over ten years, what are some of the things you have observed to be constant and some other changes you have had to make?  
(for GIZ-Tamil Nadu)

**State department/NGOs/Research Institutes**

1. Briefly share your views on how donor aid is allocated within India for development activities.
2. In which ways would you say traditional and emerging donors differ in terms of their motives towards climate development?
3. Do you think that the emergence of new donors has changed the way aid is allocated among states? If yes, please elaborate.

4. All Indian states are equally qualified to receive aid. However, do you think the Centre has a role in how climate finance is distributed among states?
5. Do you think that donors from different countries share the same approach in terms of development co-operation or are there distinct differences amongst them?
6. In your experience does the political and foreign relations of existing/emerging donors impact aid allocation decisions?
7. What are the donors' views and expectations when partnering with a state for climate development?
8. Do you perceive the establishment of state-donor relations as the beginning of a new era in terms of the countries' development co-operation that does not involve other traditional funding and support mechanisms including the centre?
9. Do you think that the establishment of climate plans and dedicated state plans prompted traditional donors to rethink their development assistance strategy and make changes in terms of aid allocations, focus areas and types of development co-operation? If yes, what are the reasons for that?
10. What other factors might prompt such changes?

## Appendix B

### List of Interviews

	Code Name	Date	Location
1	RE1	05.12.2018,28.02.2019, 14.10.2020,10.05.2022	Zoom™
2	RE2	27.05,2019, 09.05.2022	Zoom™, New Delhi
3	RE3	04.04.2019, 24.05.2019, 11.05,2022	Zoom™, New Delhi
4	RE4	21.05.2019,06.04.2019, 29.06.2022	Zoom™, New Delhi
5	RE5	20.06.2019	New Delhi
6	RE6	20.07.2020	Skype™
7	RE7	25.10.2019	Phone
8	RE8	04.12.2019	Phone
9	RE9	22.05.2019	Phone
10	RE10	10.11.2019	Chennai
11	RE11	30.05.2019, 24.07.2020	Phone, Skype™
12	RE12	26.11.2019	Chennai
13	RE13	22.05.2019	Chennai
14	RE14	18.03.2019	Skype™
15	RE15	19.11.2019	Skype™
16	RE16	28.10.2019	New Delhi
17	RE17	14.11.2019	New Delhi
18	DON1	01.11.2019	Skype™
19	DON2	20.05.2020	Phone

20	DON3	20.06.2022	Zoom™
21	DON4	24.05.2022	Phone
22	DON5	27.06.2022	Teams™
23	DON6	22.05.2021	Teams™
24	DON7	19.10.2019	Phone
25	DON8	24.10.2019	Zoom™
26	GOV1	13.11.2019	New Delhi
27	GOV2	12.12.2019	Odisha
28	GOV3	05.01.2020	Chennai
29	NGO1	13.12.2019	Odisha
30	NGO2	07.06.2019	Odisha
31	NGO3	15.10.2019	New Delhi
32	CON1	12.12.2019, 03.06.2022	Odisha
33	CON2	21.01.2020	Zoom™
34	CON3	28.05.2022	Zoom™

## Appendix C

List of policy documents and Annual Reports referred :

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