

# Significance of Climate finance and Global Environment Facility in the climate changes and its implications at SAARC countries

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## ABSTRACT

Climate change is a common threat to the entire world in the present days. To resolve the issues of climate change and its severe impacts, we require larger finance. 'Climate finance' is a term formulated by "United Nations Framework Convention on Climate Change" (UNFCCC) for providing finance to meet the impacts of climate change. The aim of this study is to analyse the various funds received to the SAARC\* countries through the "Global Environment Facility (GEF)" for climate change. The study mainly focuses on the funds allocated, funds utilised and funds remaining to be utilised over three different periods. (i.e STAR GEF 6, STAR GEF 5 and RAF GEF 4).

Key words: climate change, finance, geopolitical, analysis

## INTRODUCTION

According to various ongoing researches, by 2020 climate changes and its implications would make severe damages to the environment. Developing countries require large finance in order to meet the climate change impacts and their development needs. At the COP 21 (Conference of Parties) meeting held at Paris in 2015, the developed country parties (Annex II Parties) has agreed to provide financial resources to assist developing country parties. To facilitate this, the convention established a Financial Mechanism to provide funds to developing country parties. The operation of the Financial Mechanism is partly entrusted to the Global Environment Facility (GEF). Article 9 of the Paris Agreement stipulates that developed country parties shall provide financial resources to assist developing country parties with respect to both mitigation and adaptation in continuation of their existing obligations under the convention.

The South Asian Association for Regional Association (SAARC) is the regional intergovernmental organisation and geopolitical union of states in South Asia. Since all the member countries in SAARC are developing countries and Non Annex 1 parties, it is important to analyse the funds received its allocation and utilisation. which was established in 1985 for the promotion of economic and social progress, cultural development within the South Asia region and also for friendship and cooperation with other developing countries. It is dedicated to economic, technological, social, and cultural development of the region with an emphasis for collective self-reliance. The Global Environment Facility is a fund established at the 1992 Rio earth summit to tackle the problems in three focal areas such as bio- diversity, land degradation and climate change.

This paper attempts to analyse the funds received to the SAARC countries to meet the climate change, over three different periods through the Global Environment Facility. The Global Environment Facility (GEF) is a financial mechanism that provides grants to developing countries for projects that benefit the global environment and promote sustainable livelihoods in local communities. GEF projects address six designated focal areas: Biodiversity, Climate Change, International Waters, Ozone Depletion, Land Degradation and Persistent Organic Pollutants. India has formed a permanent Constituency in the Executive Council of the GEF together with Bangladesh, Sri Lanka, Bhutan, Nepal and Maldives. The Council Meetings are held semi-annually or as frequently necessary. At each meeting, the Council elects a Chairperson from among its members for the duration of that meeting. India's Executive Director in the World Bank represents the GEF Council from our Constituency. India is both a donor and a recipient of GEF. It has been a leading developing country participant in the GEF since its inception in 1991 and has played a major role in shaping the restructuring of the GEF. It had contributed US \$ 6.0 million to the core fund in the GEF Pilot Phase. India has pledged an amount of US \$ 9.0 million towards the resources of each of the Five GEF replenishments. The total funds pledged so far amounts to US\$ 51 million and an amount of US\$ 48.75 million has been paid by December 2012 towards GEF replenishments. Ministry of Finance is the political focal point while Ministry of Environment & Forests is the Operational Focal Point for the GEF Projects.

in 1992, the GEF has recognized that environmental benefits and socio-economic development objectives can be achieved simultaneously. Integration was built into the design of the GEF: it is specifically tasked with integrating global environmental concerns with national objectives in the framework of national sustainable development strategies. The GEF has made considerable progress in successfully designing and implementing integrated projects: in biodiversity, international waters, land degradation, and in multi-focal area projects. In 2014, the GEF further cemented its efforts on integration with the three Integrated Approach Pilot programs on food security, commodity supply chains, and sustainable cities, conceived in response to the GEF's 2020 Vision. "The GEF in the Changing Environmental Finance Landscape", recommended a continued focus on integration: "The GEF should continue pursuing an integrative principle in its programming based on scientific and technical merits. A strong, cogent rationale for designing integrated programs and multi-focal area projects – based on demonstrated additionality, GEF experience, GEF comparative advantage, innovative contributions, environmental need, and national relevance – must be the basis for such interventions." Balancing complexity and efficiency as the GEF seeks transformational change and lasting outcomes remains a challenge. Nevertheless, STAP encourages the GEF to continue pursuing integrative projects based on systems thinking. These actions will lead to more efficient and effective approaches to planning, monitoring and implementing projects addressing complex human-environment interactions.

Risk and transformational change are intertwined, and lie at the core of building the GEF's capacity to respond to change and making it resilient. The GEF can strengthen its organizational capacity to deal with change, and to deal with uncertainty through experimentation and innovation. The GEF could also encourage a greater diversity in the risk profile of projects. The GEF is uniquely placed to lead the way in applying and strengthening evidence on the science of integration and

The Global Risks analysis shows the linkage and complexity of global challenges and associated risks. While we considered the top priority risks, in terms of their impact, feature several environmental risks: extreme weather events, natural disasters, failure of climate change mitigation and adaptation, biodiversity loss, and ecosystem collapse. Two further

societal risks (food and water crises) are closely intertwined with the environment, and are also in the top concern.

GEF Reforms: GEF 4 - During the 2006 Replenishment meetings, GEF worked to address many of its program deficiencies. The Council aimed to streamline costs and management fees, ensure project quality upon proposal, and reduce the length of the project pipeline. A Sustainability Compact was enacted that would oversee several issues, including (1) the shift away from a project-oriented approach to a strategic and programmatic one; (2) a concentration on financing pre-market innovation in an attempt to leverage private capital; (3) a heightened dedication to transparency, accessibility, and equitability; and (4) a renewed focus on country-driven ownership through the implementation of a Resource Allocation Framework (RAF) wherein funding is determined by a country's potential to generate global environmental benefits and its capacity to successfully implement GEF projects. Further, in 2007, GEF initiated a pilot public-private partnership (PPP) initiative called the "Earth Fund" to enhance engagement with the private sector. Internal assessment of these reforms has shown promise. GEF 5 - Meetings leading up to the Fifth Replenishment of GEF in 2010 saw the development of policy recommendations along two lines: 1. Enhancing Country Ownership: A key finding in GEF's recent performance evaluation was the relationship between country-driven strategic development and project success rate. Recommendations to strengthen country ownership include (1) reforming in-country corporate programs to include greater project portfolio identification and enhanced stakeholder coordination, (2) developing a more flexible and transparent resource allocation framework, and (3) broadening access to the GEF partnership to include national development agencies in developing countries. 2. Improving the Effectiveness and Efficiency of GEF Partnerships: Recommendations to strengthen GEF partnerships include (1) enhancing accountability to the conventions and protocols; (2) streamlining the project cycle and refining the programmatic approach; (3) enhancing engagement with the private sector; (4) implementing the results-based management framework; (5) clarifying the roles and responsibilities of GEF entities, agencies, and conventions; and (6) enhancing engagement with civil society organizations. GEF 6 - Meetings for the Sixth Replenishment of GEF began on April 3, 2013, and continue on September 10, 2013. Policy recommendations are currently under development.

In 2014, the GEF introduced large-scale integrated programming with three Integrated Approach Pilot (IAP) programs, on food security, commodity supply chains and sustainable cities. This integration modality was conceived in response to the GEF's 2020 Vision that focused on addressing drivers of environmental degradation and supporting broad partnerships to implement innovative programming. From the inception of each of these IAPs, there has been a strong focus on understanding the scope of the full 'system' where change is to be effected and on stakeholder engagement, from local to regional. In 2015, policy makers reaffirmed the need to make progress across economic, social and environmental dimensions of sustainable development through the adoption of the "2030 Agenda for Sustainable Development", articulated as the Sustainable Development Goals (SDGs). GEF interventions are expected to contribute to delivering the SDGs, and the GEF is seeking to help countries coordinate their planning to deliver on their MEA commitments and relevant SDGs. Applying integrated approaches will contribute to a science-based analysis of the trade-offs between actions targeting the various SDGs and MEA priorities, which is necessary to deliver a cohesive plan of action and achieve long-lasting, sustainable development outcomes. In considering programming for 2018-2022, the GEF again recognized the need to apply "...integrated approaches for transformational change in economic systems" to address drivers of environmental degradation, as it had in its 2020 Strategy. Richard K. Lattanzio(2013)discussed about International Environmental Financing-with GEF. Chazournes, Laurence. (2005) explained The Global Environment Facility

(GEF)as A Unique and Crucial Institution. Rajesh & Santosh (2014) Integration of Disaster Risk Reduction and Climate Change Adaptation in SAARC Region.

Here the allocation and utilisation of GEF funds for climate change - totally 8 countries are considered - 7 SAARC countries & China – for the analysis .

Table 1. Allocation and utilisation of GEF funds for climate change in India

	STAR GEF 6	STAR GEF 5	RAF GEF 4
Indicative allocation	87876737	93750000	76000000
Allocation utilised	59080068	93390028	74976990
Allocation remaining to be utilised	28796669	359972	1023010

(Source :www.thegef.org)

GEF funds for climate change in India

Figure 1 Allocation

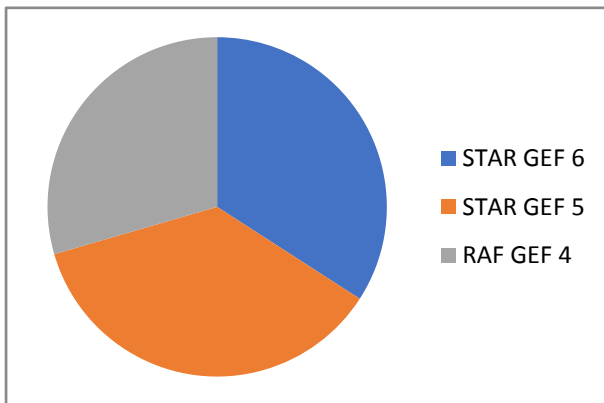


Figure 2. Utilisation

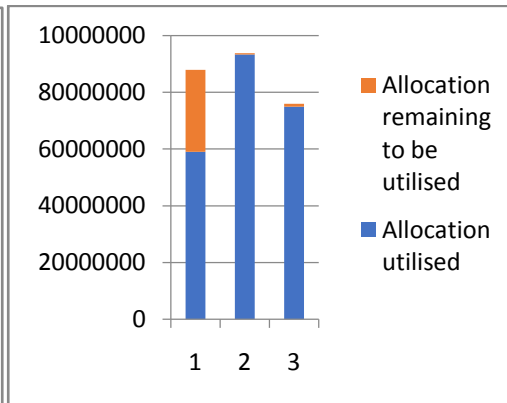


Table 2. Overview of GEF funding in SAARC countries (in millions)

	No. of projects	GEF grant funding	Additional co-financing	PPG amount
Afghanistan	29	185.54	1137.79	1.19
Bhutan	36	288.08	889.17	2.30
China	213	1855.84	19318.41	29.31
India	107	863.06	8309.45	10.70
Maldives	29	142.22	808.91	1.40
Nepal	39	217.16	438.01	3.13
Pakistan	52	247.65	644.30	3.90
Sri Lanka	51	279.53	790.84	4.45

(Source :www.thegef.org)

Figure 3 GEF grant funding

Figure 4 No. of projects

	Indicative allocation	Allocation utilised	Allocation remaining to be utilised
Afghanistan	3000000	2977846	22154
Bhutan	3000000	3000000	0
China	126000000	78238699	47761301
India	87876737	59080068	28796669
Maldives	3000000	219000	2781000
Nepal	3596410	444999	3151411
Pakistan	8602182	7972083	630099
Sri Lanka	2000000	613500	1386500

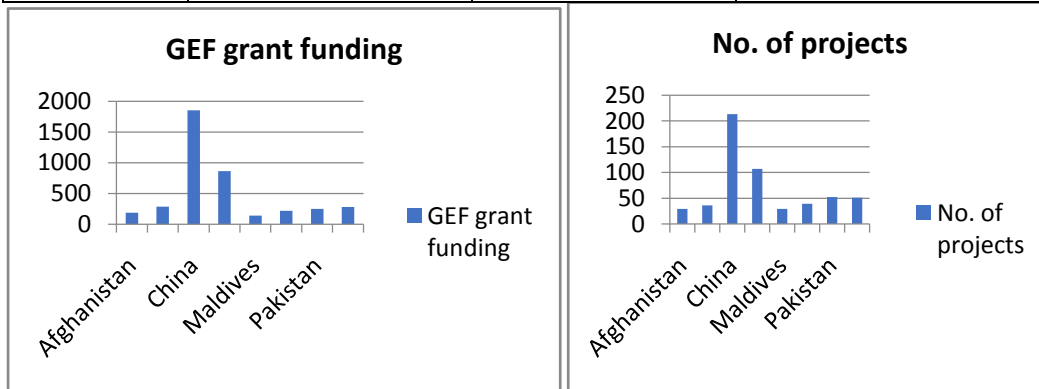


Table 3. STAR GEF 6

(Source :www.thegef.org)

Figure5. STAR GEF 6

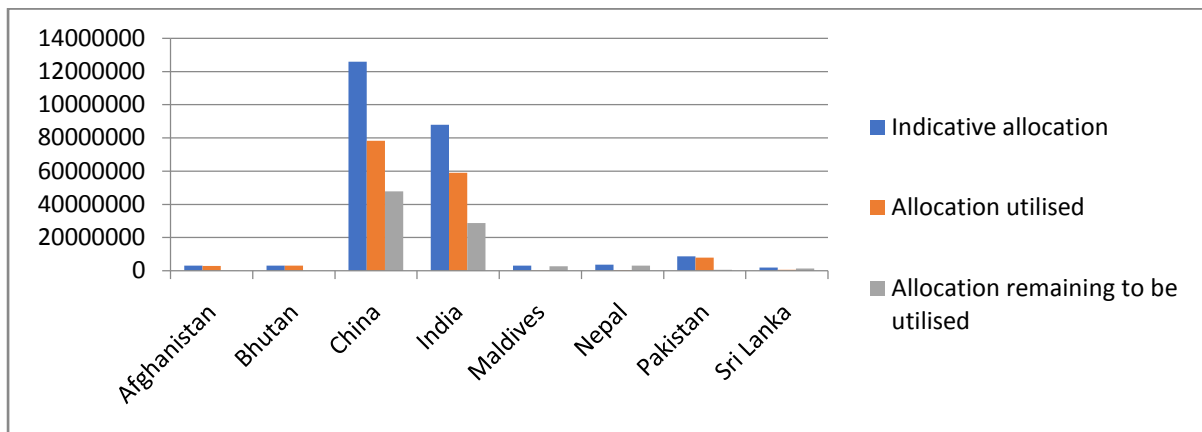
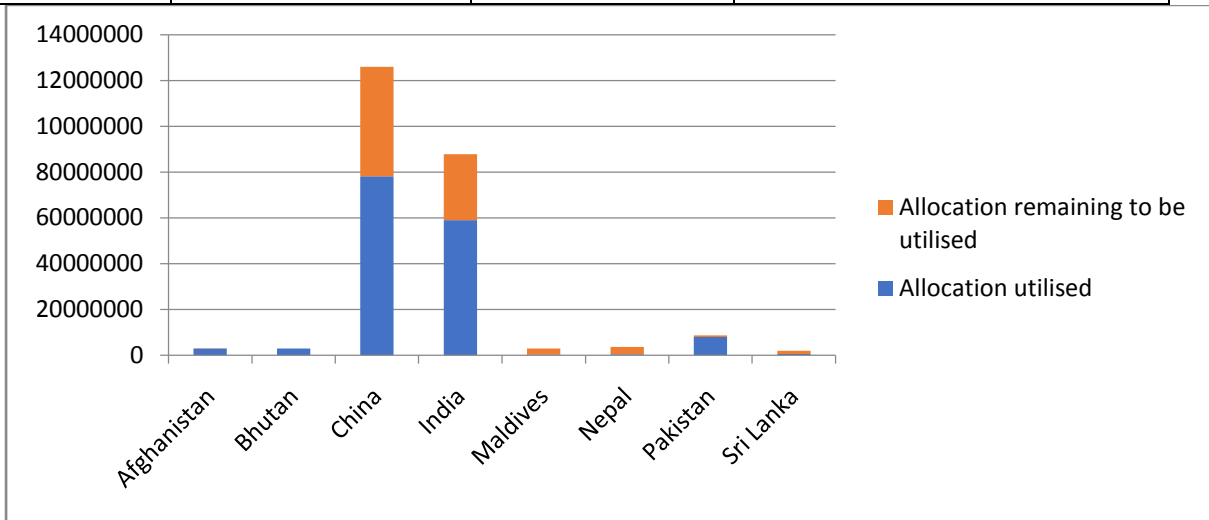


Figure 6. STAR GEF 6

	Indicative allocation	Allocation utilised	Allocation remaining to be utilised
Afghanistan	2000000	2000000	0
Bhutan	2000000	295260	1704740
China	149600000	149007016	592984
India	93750000	93390028	359972
Maldives	2000000	4348300	-2348300
Nepal	4020000	3969300	50700
Pakistan	12610000	12366800	243200
Sri Lanka	2670000	2670000	0



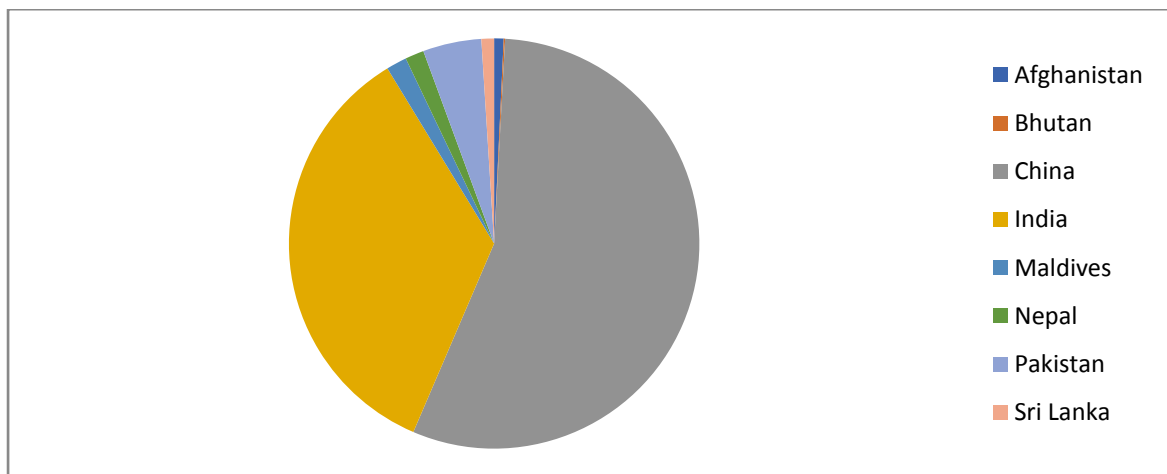
Proportion of utilised fund with total of each GEF6 at SAARC countries.(%)

P1= 99.26, P2= 100, P3 = 62.09, P4 = 67.23, P5 = 7.3, P6 = 1.24, P7 = 92.67, P8 = 30.67

Table 4 STAR GEF 5

(Source : www.thegef.org)

Figure 7 STAR GEF 5 Indicative allocation



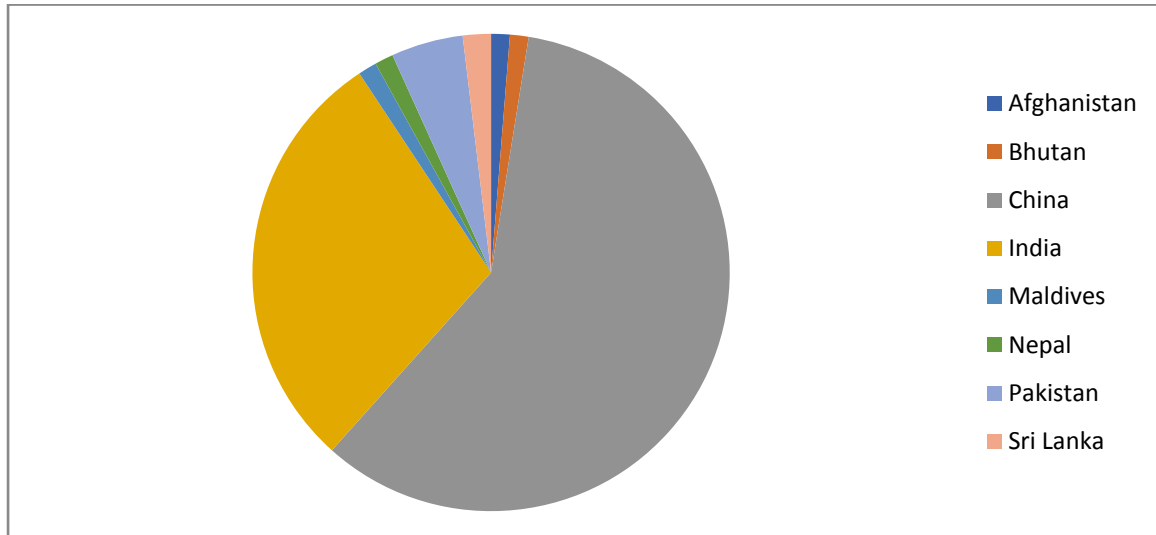
Proportion of utilised fund with total of each GEF5 at SAARC countries.(%)

P1 = 100, P2 = 14.76, P3 = 99.60, P4 = 99.61, P5 = 217.41, P6 = 98.73, P7 = 98.07, P8 = 100

Table 5 RAF GEF 4

(Source : www.thegef.org)

Figure 8 RAF GEF 4 Indicative allocation



Proportion of utilised fund with total of each GEF6 at SAARC countries.(%)

P1 = 0, P2 = 59.26, P3 = 99.84, P4 = 98.65, P5 = 0, P6 = 84, P7 = 92.07, P8 = 66.29

	INDICATIVE ALLOCATION	ALLOCATION UTILISED	ALLOCATION REMAINING TO BE UTILISED

	Indicative allocation	Allocation utilised	Allocation remaining to be utilised
Afghanistan	3300000	0	3300000
Bhutan	3300000	1955800	1344200
China	154500000	154266449	233551
India	76000000	74976990	1023010
Maldives	3300000	0	3300000
Nepal	3300000	2772000	528000
Pakistan	12750000	11739000	1011000
Sri Lanka	4977775	3300000	1677775

Table 6 GEF allocation in SAARC Countries

	STAR GEF 6	STAR GEF 5	RAF GEF 4	STAR GEF 6	STAR GEF 5	RAF GEF 4	STAR GEF 6	STAR GEF 5	RAF GEF 4
Afghanistan	3.00	2.00	3.30	2.97	2.00	0	.02	0	3.30
Bhutan	3.00	2.00	3.30	3.00	.29	1.95	0	1.70	1.34
China	126.00	149.60	154.50	78.23	149.00	154.26	47.76	.59	.23
India	87.87	93.75	76.00	59.08	93.39	74.97	28.79	.35	1.02
Maldives	3.00	2.00	3.30	.21	4.34	0	2.78	-2.34	3.30
Nepal	3.59	4.02	3.30	.44	3.96	2.77	3.15	.05	.52
Pakistan	8.60	12.61	12.75	7.97	12.36	11.73	.63	.24	1.01
Sri Lanka	2.00	2.67	3.30	.61	2.67	4.97	1.38	0	-1.67

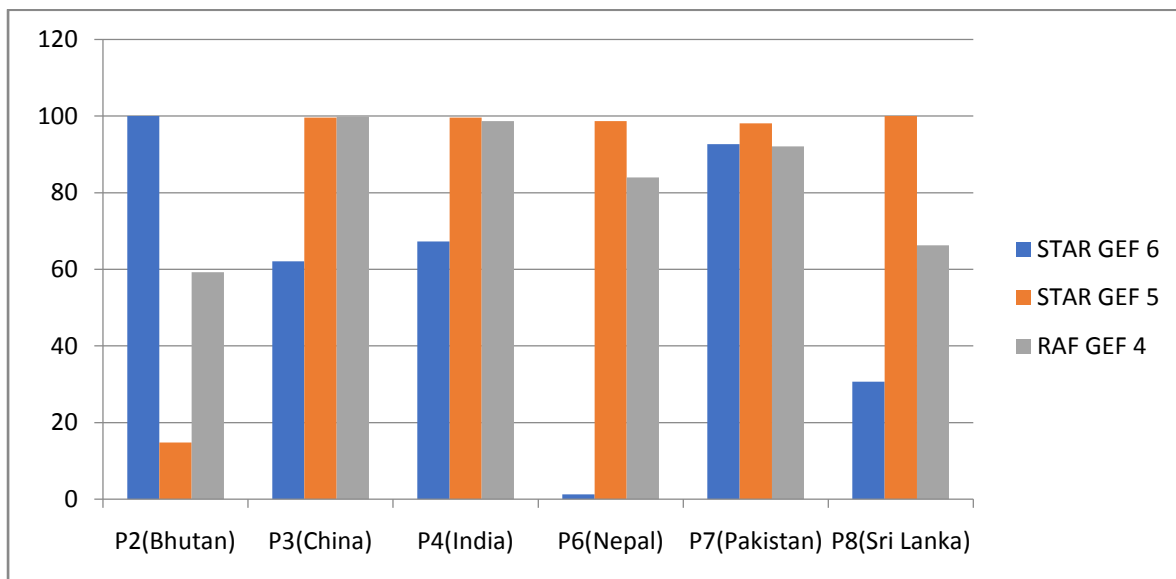
(Source: www.thegef.org)

Table 7 Proportion of utilised fund with total of each GEF at SAARC countries.(%)

	STAR GEF 6	STAR GEF 5	RAF GEF 4
P1(Afghanistan)	99.26	100	0
P2(Bhutan)	100	14.76	59.26
P3(China)	62.09	99.60	99.84
P4(India)	67.23	99.61	98.65
P5(Maldives)	7.3	217.41	0
P6(Nepal)	1.24	98.73	84
P7(Pakistan)	92.67	98.07	92.07
P8(Sri Lanka)	30.67	100	66.29

Figure 9 GEF allocation in SAARC Countries





Spending nature of different GEF's of SAARC countries\*

H<sub>01</sub> : all countries are homogeneous in GEF spending nature

H<sub>02</sub> : all GEF utilisation are homogeneous in SAARC countries

Table 8 Spending nature of different GEF's of SAARC countries\*

ANOVA						$\alpha = 0.05$
Source of Variation	SS	df	MS	F	P-value	F crit
SAARC countries	3782.711	5	756.5421	0.710609	0.629216	3.325834529
GEF's	2561.066	2	1280.533	1.202786	0.340342	4.102821015
Error	10646.4	10	1064.64			
Total	16990.17	17				

(\* Excluding Maldives & Afghanistan)

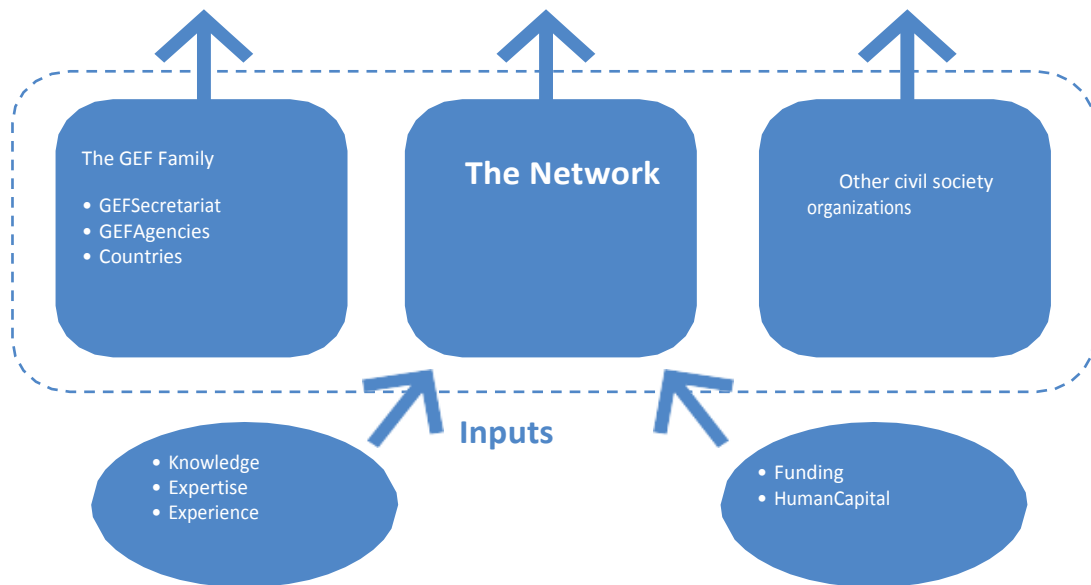
P > 0.05 both cases. No reason to reject both H<sub>0</sub>

Hence all countries are homogeneous in GEF spending nature. That is each SAARC country is considering GEF seriously. Also all GEF funds are utilised homogeneously.

This analysis shows the significance of GEF in SAARC countries.

Figure 10 : Results

- Improved partnership between the GEF and civil society
- Strengthened cooperation among civil society organisations
- Enhanced feedback from civil society on GEF policies and implementation
- Increased awareness and understanding of global environmental issues
- Improved local, regional and global environment



The GEF will deploy scarce financial resources where they can be most helpful to all stakeholders—governments, businesses, communities, researchers—to accelerate climate action. And the GEF is strengthening its collaboration with other key climate funds, including the Green Climate Fund.

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