



## Climate Change Mitigation Finance and Project Implementation in Bangladesh: Governance Challenges and Way Forwards

(Executive Summary)

**5<sup>th</sup> November, 2020**

**Transparency International Bangladesh**

# Climate Change Mitigation Finance and Project Implementation in Bangladesh: Governance Challenges and Way Forwards

## **Research Advisors**

Dr. Iftekharuzzaman, Executive Director, Transparency International Bangladesh (TIB)  
Professor Dr. Sumaiya Khair, Advisor-Executive Management, TIB  
Mohammad Rafiqul Hasan, Director-Research and Policy, TIB

## **Research Team**

Md. Razu Ahmad Masum, Assistant Manager-Research, Climate Finance Good Governance  
M. Zakir Hossain Khan, Senior Program Manager, Climate Finance Good Governance

## **Research Assistant**

Tanzima Aktar Sumaiya, Research Assistant, Good Governance in Climate Finance

## **Gratitude**

Special thanks to Golam Mohiuddin, former Program Manager of the Climate Finance Governance Unit for his valuable contribution in initiating the research, producing the draft report. Also a sincere thank you to Sharzada Akram, SPM (Research and Policy) and other colleagues of the Research and Policy Division, Civic Engagement, Outreach and Communication Divisions for their support at various stages of the research. We are also grateful to the local level data collectors and respondents who have enriched this research report through their observations and advice at various stages.

## **Contact:**

Transparency International Bangladesh  
MIDAS Centre (Level 4 & 5),  
House-5, Road-16 (New) 27 (Old), Dhanmondi, Dhaka -1209  
Phone: (+880-2) 48113032, 48113033, 48113036  
Fax: (+880-2) 48113101  
Email: [info@ti-bangladesh.org](mailto:info@ti-bangladesh.org) , [advocacy@ti-bangladesh.org](mailto:advocacy@ti-bangladesh.org)  
Website: <https://www.ti-bangladesh.org>

# 1. Introduction

## 1.1 Research Context and Rationale

The United Nations Framework Convention on Climate Change (UNFCCC) was established to address the climate change globally. Under the UNFCCC, several Agreements were adopted in different Conferences of Parties (COP). To reduce the global greenhouse gas emissions through several Agreements<sup>1</sup> were signed by the developed countries (but those have been observed ineffective to curb the global carbon emission drastically). Finally, the Paris Climate Agreement in 2016 set the target through the consensus of 197 countries to reduce global warming below 2 degrees Celsius compared to the pre-industrial era and to limit it to 1.5 degrees in phases. The Paris Agreement was signed. It also recognized the Copenhagen Accord's decision to mobilize 100 billion us dollars annually as 'New' and 'Additional' to ODA by 2020. The implementation of this funding commitment and the provision and management of the Green Climate Fund have been taken up with the subsequent Sustainable Development Goals on Climate Change (SDG 13). In addition, SDG Target 13.2 emphasizes the implementation of national policies, strategies and activities related to mitigation, and Target 13.3 emphasizes mitigation awareness and capacity building on mitigation and adaptation.

Under the 'Common but Differentiated Responsibilities' of UNFCCC, to meet the joint contribution to achieve global mitigation targets, as the most climate vulnerable country Bangladesh has also formulated an Nationally Determined Contribution (NDC) with a commitment to reduce carbon emissions by 5% from current levels from its own resources and 15% subject to international assistance by 2030. In addition, at the twenty second Conference of Parties (COP-22) in Morocco in 2016, 48 LDCs, including Bangladesh, pledged to meet 100% of fuel demand from renewable sources by 2050. To achieve this goal, Bangladesh needs an average of about Tk. 11,500 crore per annum for various mitigation activities between 2011 and 2030.

In addition to funds from the international sources, the Bangladesh Climate Change Trust Fund (BCCTF) has allocated Tk. 608.62 crore Taka till June 2020, which is 18% of the total fund allocated to Bangladesh for climate change mitigation. Not only that, every year the government of Bangladesh is allocating regular funds to the climate change sector in the national development budget and in fiscal year of 2019-20 3,435.9 crore BDT was allocated for the climate change mitigation and low carbon development related developed projects. The Bangladesh Climate Trust Fund (BCCTF) is a source of funding for the implementation of the Bangladesh Climate Change Strategy and Action Plan (BCCSAP). The total sanctioned funding for mitigation projects from FY 2009-10 to July 2018 is Tk. 565 crore, which is about 20% of the total allocated funding of BCCTF (BCCTF, 2020).

The 18(Ka) clause of the Constitution of Bangladesh has emphasized to protect the environment for the present and future generations. However, despite immense importance of mitigations, in reality there remains huge gap in meeting national mitigation targets due to the fast degradation of forest and ever-increasing use of fossil fuels. Bangladesh has planned to spend around 2 lac 30 thousand crore taka (US\$27 billion) by 2030, however, TIB's prior studies on climate finance identified huge governance deficit and corruption risks in project implementation. Various studies conducted by TIB on climate finance governance have revealed allegations of lack of good governance and various irregularities and corruption that exist in the use of climate finance (2013, 2015, and 2017). Although there a good number of research on governance challenges in climate change adaptation finance is available, there is a lack of research on the state of governance in the implementation of the mitigation

---

<sup>1</sup>Kyoto Protocol in 1997, Marrakesh Accord in 2001, the Bali Road Map in 2006, the Copenhagen Accord in 2009, the Doha Amendment in 2012,

related national policies and planning as well as activities of the concerned stakeholders in Bangladesh.

Considering the growing importance and potential flow of mitigation funding at the national level, there is a need for intensive research in this regard. As promised by NDC, the scale of mitigation financing in Bangladesh is most likely to increase in the near future. The Government of Bangladesh has already started formulating future mitigation action plans at the national level for the implementation of NDC. If the challenges of good governance are identified in the existing mitigation funding and its use, it will be helpful to ensure good governance in the formulation and implementation of the said action plan. In addition, the study is a continuation of Transparency International Bangladesh's (TIB) efforts to ensure good governance in climate finance as a whole.

## 1.2. Purpose of the research

The main objective of this study is to review the challenges of good governance in financing for climate change mitigation in Bangladesh.

The specific objectives of the study are to:

- Review of mitigation financing and related national Act/rules, strategies and pledges
- Identify existing challenges of good governance at various stages of selected BCCTF-funded mitigation projects
- Recommend various measures to overcome the identified challenges of good governance.

## 1.3. Scope of the research

The study reviews national mitigation policies, strategies, commitments for mitigation funding from domestic and foreign sources in Bangladesh, and formulation, implementation, monitoring and evaluation of BCCTF projects / activities in the light of good governance indicators. The study considers only the climate mitigation funding and activities in Bangladesh. Climate Financing and activities related to climate adaptation are not covered by this study.

## 2. Research Methods

This is a mixed method study. The study used both qualitative and quantitative methods and collected data from both primary and secondary sources. Data were collected on the basis of specific indicators using a total of four types of research tools (questionnaire surveys, interviews of key informants, direct observations and group discussions) considering the research objectives.

Type of Information	Data Collection Method	Source of information
Primary	Key Informant Interviews (38)	<ul style="list-style-type: none"> <li>• Representatives of mitigation organizations; Concerned officers and employees of the project; Officers employed in local public administration; Local representatives; Representatives of contractors and financing companies involved in the project</li> </ul>
	Focus Group Discussion (29)	<ul style="list-style-type: none"> <li>▪ Local community/beneficiaries from the selected project areas.</li> </ul>
	On the spot observations (7 project areas)	<ul style="list-style-type: none"> <li>▪ Project implementation areas.</li> </ul>
	Uses of the GPS for specification	<ul style="list-style-type: none"> <li>• To collect location as well as photograph of the functionality all solar-powered street lights of 2 projects</li> </ul>

		implemented under mitigation project GPS has been used
Secondary	Review	Relevant laws, rules, policies, guidelines; Relevant research reports; Annual Report of the Financing Institution; Project proposals and website, etc.

### Project Selection

For the purpose of this study, 7 projects of BCCTF were selected and 11% of the total funding from the BCCTF was allocated for these 7 projects implementation. The projects have been selected on the basis of implementing organization, duration of implementation, type of work and amount of funding. They have been analyzed in the light of 6 indicators of good governance (competence, consistency, transparency, accountability, public participation and irregularities).

## 3. Research Findings

### 3.1. Climate change mitigation financing in Bangladesh

Bangladesh has received funding from both national and international sources by 2020 to mitigate climate change to the tune of Tk 808.72 crore and Tk 12,091.08 crore respectively. The funding at the national level has been through the Bangladesh Climate Change Trust Fund (BCCTF) and international sources include Global Environment Facility (GEF), Climate Investment Fund (CIF), Green Climate Fund (GCF) and Bangladesh Climate Change Resilience Fund (BCCRF). The ratio of national and international funding for mitigation activities is 5:95. However, although the lion's share of mitigation funding in Bangladesh comes from international sources, only 67% of it has been spent on mitigation activities. Not only that, despite the promise of grant as climate finance from industrialized countries, only 15% of the funding from international sources has been disbursed thus far.

Association with different national and local level organizations several international agencies are playing an important role in financing and implementing various climate change related mitigation activities in Bangladesh., Though expenditure in climate mitigation activities are increasing every year from domestic resources but due to lack of direct access of national institutions to international climate funds, poor management of climate finance and reliance on various international organizations. However, national level institutions are playing a major role in planning and implementing mitigation projects / activities in Bangladesh. However, national and international agencies are contributing less in monitoring and evaluation of mitigation projects / activities.

Bangladesh has set its National Climate Change Mitigation Target ‘Nationally Determined Contribution (NDC)’ in 2015 in accordance with the Paris Climate Agreement. In light of the associated goals, Bangladesh has been implementing climate mitigation technologies along with renewable energy, forestry and biodiversity conservation projects in collaboration with national and international partners, emphasizing renewable energy as well as increasing coastal forest boundaries. In the Table 1 below, there is a comparative picture of mitigation activities in Bangladesh by national and international partners:

Table 1: Mitigation Activities in Bangladesh

Type of mitigation activity	Type of partner organization
Technology Innovation and Renewable Energy	International Financial Institutions
	Overseas Development Organization
	International and Local Banks
	National Institutions
Biodiversity and Afforestation	Overseas Development Organization

	International and Local Banks
	National Institutions
Waste Management, Research, Capacity Building and others	National Institutions

### 3.2. Review of national policies, strategies and commitments related to climate change mitigation

In the case of Bangladesh, specific targets and activities for mitigation are mentioned in Bangladesh Climate Change Strategy and Action Plan 2009, nationally Estimated Contribution to Reduction in Global Greenhouse Gas Emissions (NDC) 2015 and Renewable Fuel Policy 2008. The key objectives of the strategies, commitments and policies mentioned in the phases and the challenges of implementing them are reviewed below.

**Bangladesh Climate Change Strategy and Action Plan (BCCSAP), 2009:** To contribute effectively to mitigate the effects of climate change at the national level, the BCCSAP developed a strategic fuel plan for achieving national fuel security and reduction of greenhouse gas emissions. However, in the last 11 years, there has been no timely roadmap to ensure national fuel security and reduce greenhouse gas emissions. Also, no exact proportion of adaptation and mitigation funding and the type of activity have been determined yet. Moreover, reliance on fossil fuels (coal and LNG) for production of electricity has continued to increase in absence of not having clear targets on the production targets of renewable sources of energy. This has led to high investments in fossil fuel industries in the country, which has been implemented over the years.

In addition to formulating a strategic fuel plan, the strategy aims to increase the scope of 'green belt' in social forestry and coastal areas across the country. In this case, the Directorate of Forest has undertaken several projects for coastal protection by creating green belts near Sundarbans, but in reality effectiveness of those 'green belt' project to protect disasters e.g. cyclone has been questionable. Moreover, the most effective Sundarban mangrove in dealing with disasters is only 10 km away from the Rampal coal plant. Unplanned industrialization has taken place in and around the protected forest, including coal power plants, which conflicts with the mitigation ideas of this strategy.

Not only that, in the light of this plan, no specific strategy was designed regarding importing and using appropriate and effective mitigation technology from industrialized countries. Moreover, by imposing 10% duty and tax on the import of solar panels in FY 2018-2019, a kind of negative signal was given to the companies involved in production and marketing in this sector. This duty and tax still continues to remain as high as 10% (FY 2020-2021). On the contrary, mobilizing national public and private finance and several exemptions have been provided to implement the coal and other fossil-fuel based power plants (e.g. exemption of 10% VAT on coal import, 100% corporate income tax exemption on income from power generation business from the beginning of operations; a tax exemption on interest payments by power generation companies on foreign loans, payments for royalties, technical know-how, and technical assistance fees; individual income tax exemption on the salary of foreign employees of power generation companies for three years beginning from the date of arrival in Bangladesh etc.). Moreover, there is no specific policy/guideline to provide incentives to the institutions/entities those are involved solar energy production and marketing at the national level.

**Nationally Determined Contribution (NDC), 2015:** One of the main goals of Bangladesh's mitigation commitment in the NDC is by 2030 to increase wind power generation to 400 MW and solar power generation to 1000 MW, which is far below the potentials of renewable energy in Bangladesh. However, contrary to this target, Bangladesh has achieved only 2.9 MW (0.007%) of wind power and 338.65 MW (33.9%) of solar power generation capacity as of March 2019, much less than expected. Bangladesh is currently generating around 560 MW of electricity from renewables, which is just 2.95% of total power generation. Although there is a potential of generating 40,000 MW

of renewable energy by 2041, the target for renewable power generation has been shown to be lower significantly.

Additionally, due to pressure from vested interest groups both locally and internationally, there has been a focus on designing policy to focus on fossil fuels instead of renewable energy sources. If this policy is successful, there will be emissions of 115 million tons of carbon dioxide annually which is completely conflicting with the mitigation targets outlined in the NDC. To ensure interests of the foreign investors taking stance against the Paris Agreement and sustainable development agenda the government of Bangladesh planned to implement the Power System Master Plan (2016). However, due to inadequate capital and international pressure against the abrupt expansion of the coal based power generation now they are diverting the plan to expand power generations from more environmental damaging LNG and others fossil fuels.

Although the NDC sets a target of 15% reduction in greenhouse gases from transport sector, there is no set plan on how to reduce such emissions. As a result, Dhaka is ranked among the most polluted cities in the world. According to NASA, air pollution in Dhaka has risen by 86% over the past decade.

In addition, the NDC has promised to curb 10 per cent wastage of current energy expenditure in the industrial sector, but no specific initiative by the government has been reported in this regard yet. Even the surplus solar power generated in industrial establishments has not been given any incentive to prevent wastage of energy in this sector including creating an opportunity to connect it to the national grid.

**Renewable Fuel Policy, 2008:** One of the most ambitious targets of this policy adopted in 2008 is to reduce domestic carbon emissions by 80% by the year 2050. However in reality, during 2000-2015, use of fossil fuels in power generation has increased from 95% to 99% and during 2000-2016, carbon emissions per capita have doubled (0.46 metric tons from 0.2 metric tons) which is in sharp contrast to this policy. Also, even though there have been talks of having 10% of the country's electricity generation from renewable sources by 2021, currently renewable sources make up for only 0.03% of production.

In the light of this policy, VAT exemption was set at the rate of 15% on all raw materials used in the manufacture of parts and equipment for renewable energy. However, even in the current financial year, conditional VAT exemption on the purchase of batteries up to 60 AMP is exempted but still 31% tax exists on imports of the lamps and parts. Even after 2008, these policies and targets have not been updated in line with the 15% mitigation plan in the context of NDC and global commitments.

### 3.3. Poor governance practices in BCCTF-funded mitigation projects

#### a) Consistency between project proposal and their implementation

It has been observed that several types/nature and extent of inconsistency in 6 projects out of researched 7 projects. In 4 out of 7 projects are regarding afforestation and 3 are for renewable energy related activities. In terms of the implementation of the approved projects it was found that, except for one project, there are inconsistencies in all other projects. However, types and levels of inconsistencies vary from one project to another. In two of the afforestation projects, only part of the activities could be considered as afforestation. In case of two other projects the proposed diversity of tree species has not been maintained.

In the renewable energy projects, two of the three projects are regarding street lighting, where one of the projects did not implement street lights in targeted areas and those were setup elsewhere instead. On the other hand, the third project which was setup to provide solar power to nearby consumers, the electricity provided was lower than the target.

#### b) Transparency

Out of the 7 projects selected in the study, 5 projects did not have any local information officer. Additionally, there was also no provision for providing demand based information. Although 5 out of 7 projects have information boards, they lack necessary information about the project and in some cases, these boards have been set up in places that are difficult to see. Although in some cases there was no information board with the necessary information, the foundation stone has been laid across the project areas for showing the political gains by local influential politicians. Although the national information window has the opportunity to publish and update regional and institutional information, the project implementing agencies have not been able to update the information in the regional information window. Although there is a legal obligation to disclose and disseminate information about the project, there is a lack of pro-disclosure of information in most mitigation projects

### **c) Accountability**

In reviewing the accountability for the use of climate finance, this study has considered project monitoring, auditing, evaluation and grievance redress as indicators of accountability. Although there is visible supervision by project implementing agencies, the policy guidelines has been ignored due to lack of proper supervision at the local administrative level. Not only is that, due to the lack of proper action by the financing organization, there exists a lack of financial audit and evaluation by the concerned institutions and independent supervision.

**Supervision by the implementing authority:** It is mentioned that all 7 projects selected in the study have been monitored by the officials of the implementing agencies' local offices, but there is no practice of preparing and preserving any written report of such supervision.

**Supervision of concerned Implementing Ministry/Agencies:** Out of 7 projects under study, only 2 projects were visited by the monitoring team of the Ministry, according to the implementing authorities and local informants.

**Inspection and Supervision by the Financing Agency:** In each project, officials from the BCCTF have supervised on-the-spot monitoring on two occasions.

**Supervision of local public administration or public representatives:** Regulation on involvement of local public administration or public representatives in supervision of projects has not been followed in 6 out of 7 projects. Only those projects, which have local government representatives as the implementing authority have supervised the project implementation. In other cases, local people's representatives have reported that they did not know much about the projects implemented in their area.

**Evaluation by IMED and Audit by the Office of the Comptroller and Auditor General:** Although all 7 projects selected in the study have been completed, no project has been evaluated by IMED or audited by the Office of the Auditor General and the Comptroller.

**Formal grievance redress process:** There is no formal grievance redress mechanism in any of the projects under study. Implementing authorities said they would take action if anyone complained, but they claimed to not have received any complaints so far.

### **d) Public Participation**

According to the Paris Agreement and the BCCTF funded project implementation Policy, 2012, public participation in the formulation, implementation and supervision of mitigation projects, especially the views of women and the very poor, is required, but due to lack of effective accountability, this obligation has been ignored in all but one project.

**Involvement of local people in project formulation:** Out of the seven projects studied, only one project has identified problems at the local level as well as ways to overcome those challenges.

**Public participation in project supervision:** None of the projects has involved local beneficiaries or people from the local community in the supervision of the project.

**Opinions of women and the extremely poor:** None of the seven projects studied involved local women or the extremely poor to take part in discussions regarding the project.

### e) Irregularities and corruption

All seven projects covered by the study have been plagued by various types of irregularities and corruption. It is reported/observed or the study findings indicate that all projects covered by this study have been approved on the basis of political recommendations; there are allegations against a minister's personal assistant of accepting 10% project money in advance as bribe for three different projects. A former minister's aide has directly influenced the selection, approval and contractor selection of the implementing agency in one of the two solar powered streetlight projects. Although 650 kilowatts of solar power has been generated per day under a project the power is being wasted as there is no executive order to supply more than 50 kilowatts of electricity daily to the consumers. As there is no opportunity to connect the surplus power to the national grid under the project, about 160 MW of electricity is being wasted every year since 2016 in the name of deregulation. In the two street lighting projects, there is a unit price difference of Tk.1, 01,000. However, the project with the lower unit cost has been found to be more effective. Overall, the study findings indicate that around 54.40% of the approved amounts the studies 7 projects which amounts Tk 68.16 crore was embezzled through various irregularities and corruption.

Table 2: Estimated Financial Value of Irregularities & Corruption in project implementation

Project	Types of Corruption	Value of Irregularities and Corruption (in Taka)
Project-1	40% of the 3.27 crore allocated for forestry has been embezzled	1,31,00,000
Project-2	Vehicles and official equipment purchased under the project disappeared from the project implementation office and under-plantation (of about 100,000 saplings).	56,25,000
Project-3	Embezzlement of allocated funds by showing full implementation of projects in paper but in reality, partial implementation of the project activities including plantation of substandard saplings.	1,84,42,000
Project-4	About half of the allocated funds were embezzled by implementing only around 50% of the project work done in reality (while showing full work done in paper).	8,66,00,000
Project-5	28 percent of the additional costs were added.	55,90,200
Project-6	Exaggerated expenditure was shown on purchase of solar power equipment along with 4 acres of land at an additional cost of Tk 11 lakh per acre.	23,44,00,000
Project-7	70 percent additional costs added.	69,88,800

## 4. Overall observations

Based on the findings and analysis of the study, the overall observations of the research are as follow

- ❑ Failure to achieve effective access to international funds by national institutions as there is no roadmap adopted by the government to access funds from international sources to achieve the promised 15% mitigation target in the NDC.
- ❑ Not emphasize on not only the constitutional provision of environmental protection but also meeting the mitigation related national and international pledges to promote renewable energy; in reverse huge funds are investing in the environment damaging coal and LNG-based power plants.
- ❑ Considering the political interest in financing, approval and implementation of mitigation projects instead of providing due importance to build capacity of the implementing agency in development and implementation of mitigation projects, public participation mechanism, and local community's demand.
- ❑ Absence of timely and location specific prioritization in project selection and implementation leads to tendency of using undue political influence in formulation, financing and implementation of projects for committing irregularities/corruption.
- ❑ Project implementing agencies are regularly violating the project implementation policy but without taking any disciplinary action against the accused agencies the same types of the mitigation projects are awarded them repeatedly.
- ❑ Lack of effective communication and coordination among the institutions concerned in the formulation, financing, implementation, supervision, audit and evaluation of mitigation projects at both public and private levels.

## 5. Recommendations

Number	Recommendation	Authority Responsible for Implementing the Recommendation
<b>Climate Mitigation Financing and Implementation of Policies/Strategies/ Commitments</b>		
1.	Least Developed Countries (LDCs) must put combined diplomatic pressure on the developed countries to ensure mitigation funding based on the Paris Agreement under the leadership of Bangladesh.	Ministry of Environment, Forest and Climate Change, Economic Relations Division, Ministry of Finance,
2.	Effective roadmap needs to be developed through inter-institutional coordination to improve access by national mitigation related entities from the international funding agencies including the green climate fund.	
3.	Investment in fossil fuels such as coal and LNG should be stopped and investment and financing in renewable sectors should be ensured in accordance with the integrity.	

Number	Recommendation	Authority Responsible for Implementing the Recommendation
4.	Investors in the private sector should be awarded by the same incentives (tax exemption and elimination of capacity charge) as in the case of government projects to make affordable generation of renewable energy possible by reducing unreasonable cost.	Ministry of Power, Energy and Mineral Resources and the relevant Parliamentary Committees
5.	Priority-based financing in forest management, including conservation of wildlife habitats, and the use of such funds in a transparent and accountable manner must be ensured.	
<b>Good Governance in the implementation of mitigation projects/activities</b>		
6.	Project approval must be subject to provide the track record of taking the meaningful steps to ensure good governance in institutional capacity building to implement the mitigation activities, project formulation and its implementation.	Project Financing and Implementation Agency
7.	Specific guidelines should be prepared to ensure the availability of the required information in the information board and the presence of the designated information officer (DIO) should be ensured in all the project areas.	
8.	Project supervision, audit and evaluation reports should be made available to the public and independent third party monitoring including public participation should be ensured at all stages of the project.	
9.	In order to receive the complaints, a complaint box should be set up, a mobile phone number should be provided to report corruption and a public hearing should be held in the project areas periodically.	
10.	Need to revise BCCTF Funded Project Implementation Policy, 2012 by including provision of punitive measures against organizations in case of violation of the policy.	

---