



# **Climate Finance and Local Government Institutions: Governance in Project Implementation**

## **Executive Summary**

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## ***Climate Finance and Local Government Institutions:*** **Governance in Project Implementation**

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# 1. Introduction

## 1.1 Background and rationale of the research

Bangladesh is one of the most affected countries due to the impacts of climate change. Natural disasters are frequent here that bring massive destruction of the infrastructures, impact heavily especially upon the livelihoods of the poor and marginalised people including loss of their lives. Bangladesh is highly prone to tropical cyclones, and flood and also vulnerable due to sea level rise, salinity intrusion, tidal surges, drought and tornado.

Taking the above mentioned phenomena in consideration and with a view to tackling climate change issues in an effective way, the Government of Bangladesh has already taken some specific initiatives to build capacity of the people and tackle climate risks and vulnerabilities. These initiatives include formulation of National Adaptation Program of Action (NAPA) in 2005 (updated in 2009), formulation of Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2008 (updated in 2009), enacting the Climate Change Trust Act 2010, establishment of Bangladesh Climate Change Trust Fund (BCCTF) and Bangladesh Climate Change Resilience Fund (BCCRF) in respectively in 2009 and 2010.

To combat the adverse impact of the climate change Local Government Institutions (LGIs) are implementing 108 projects (City Corporations-03, Zila Parishads-14 and Municipalities-91) and estimated budget of these projects are about 354 crore BDT. The projects are designed under the six themes of BCCSAP and funded by Bangladesh Climate Change Trust Fund (BCCTF). Among these projects, few projects are already completed and rest is ongoing. Upazila Parishad and Union Parishad, these two LGIs are not implementing any project under BCCTF.

This research, which focused on governance scenario prevailing climate finance in project implementation by local government institution, is important from many aspects. Firstly, the LGIs have been emphasised as important implementing agencies to combat climate change vulnerabilities at local level in the 7<sup>th</sup> Fifth Year Plan which was also echoed in various strategy and action plans along with several researches. LGIs have been implementing a large portion of the BCCTF projects. But there are concerns and allegations raised in media and different reports about irregularities in using climate funds. Secondly, there is scarcity of in-depth research on governance issues in the project implementation of LGIs with funds from the BCCTF. Lastly, climate finance governance and local government both are two of the key areas of interest of TIB for research and advocacy. This research has been undertaken as a continuation of the TIB's efforts around these sectors.

## 1.2 Objective and scope of the research

The objective of this study is to look into the governance challenges in the implementation of climate funded projects by the LGIs. In order to reach this objective following research questions have been taken into consideration:

- a. What are the major gaps and strong points in the LGIs implemented BCCTF projects from the governance perspective?
- b. What are the enabling or disabling factors behind existing performances of the projects as well as their implications in achieving expected results through the projects?

To collect the empirical data six projects were selected for this research those are implemented by various types of LGIs and funded by the BCCTF. The entire project cycle i.e. design, implementation, monitoring and evaluation phases of the projects has been considered. The LGI- Zila Parishad, Municipality and City Corporation that are directly implementing the projects have been taken into the research scope. Eight indicators have been used to assess the governance situation which derived from relevant academic literature. The indicators are- legitimacy, equity, coherence, participation, transparency, effectiveness, accountability and integrity.

### 1.3 Research methodology

This is a qualitative research but participatory statistics have been used in parallel to various qualitative research methods. Six projects have been selected for the research considering the climate hotspot, geographical location, six pillars or themes of BCCSAP, types of LGIs, implementation period and budget. Four of them were selected from the 91 projects being implemented by municipalities, one from the 14 projects of Zila Parishad and one from the three projects implemented by the City Corporations.

Information for the research have been collected from both primary and secondary sources. Key Informant Interview (KII), Focus Group Discussion (FGD), Community Scorecard, Social Map and Observation methods have been used in data collection from the primary sources. Project directors at local level, elected representatives, engineers, officials and secretary of selected LGIs, contractors, masons of the projects, direct beneficiaries and local community people have been consulted during data collection. Moreover, climate change experts and local government experts at national level, relevant ministries, department and organisations have also been consulted and their interviews have been taken for the research.

Beside this, to ensure the credibility of the information, primary information have been triangulated and thoroughly re-checked and findings of the study prior to finalisation have been shared with relevant government stakeholders and their feedbacks on the draft report have been incorporated. Relevant law, rule, policy and guidelines; such as- BCCSAP 2009, Climate Change Trust Act 2010, Guideline for Project Design, Implementation and Monitoring 2012, The Public Procurement Act 2008 have also been reviewed. Moreover, various official orders of government, project proposals, relevant research reports, annual reports of the BCCT, newspaper article and websites have been used as secondary sources of information.

An analytical framework has been followed on the basis of a theoretical framework for data analysis. The duration of the data collection, analysis and report writing is March 2016 to November 2016. The timeframe as considered in this research is FY 2009-2010 to FY 2015-2016.

## 2. State of governance in projects

### 2.1 Strong and weak points in the project design phase

Strong points of governance in the selected six projects are as follows:

***Two projects are found unorthodox in the context of combating climate vulnerabilities:*** One project located in cyclone prone area and prone to salinity intrusion built disaster resistant houses for the vulnerable households. Another project located in low disaster prone area took initiative on waste management. These two projects are different considering most of the project's regular infrastructural development activities like culvert, drain construction.

Weak points of governance in the selected six projects are as follows:

***The projects designed without assessing the adverse impact of climate change:*** The selected LGIs prepared the project proposals and submitted to the BCCT without proper needs assessment or vulnerability analysis in communities in the context of climate change. At the BCCT end they approved the projects without proper assessment/verification and also suggested for modification of activities and budget reduction. Expanding the activity coverage geographically got priority over the relevance of the project in terms of real needs and climate change.

***People's participation ignored:*** Project design was done without climatic risk and vulnerability assessment. The LGIs did not carry out the needs assessment. Hence, the participation of community people remained absent. Most of the cases mayor, secretary and engineer (CEO and administrative officer in case of Zila Parishad) themselves developed the project proposal on their own. Even the participation of the LGIs councillors were ignored in some cases.

***The disasters addressed by the projects not coherent with climate change induced disasters:*** Most of the projects under the research stated water-logging crisis as impact of climate change. However, in four projects it was found that main reason behind the water logging was the encroachment of the local water bodies. In some cases, lack of navigability of adjacent rivers also played its role in creating water logging.

***Overlap with other development projects:*** The Climate Change Trust Act 2010 clearly stated that climate projects will be not overlapped with other development projects. However, it was found in a project that with the fund of climate change project an incomplete task of another project was completed by a municipality, which was building a retaining wall to protect the municipality premises from landslide.

**Personal or political influence took place in project approval process:** In some projects it was found that LGI personnel had close personal and political connections with the members of the BCCT Trustee Board and Technical Committee. This relation was used to get the approval of projects.

**Using the BCCTF as additional funding source for regular development activities:** Considering the funding limit from the LGD, the LGIs often considered the BCCTF as an additional funding source for their regular development activities.

**Approval of typical infrastructural development:** Building infrastructure is regular activities of the LGIs. Though the BCCTF is a special fund aiming at climate change induced disasters and necessary measures, it was commonly found during the research that the LGIs continued their regular infrastructural development activities with this fund. There are six thematic areas in BCCSAP including infrastructure. It was found that projects taken by the LGIs focused on infrastructure theme mostly. In some projects, some other themes were mentioned in the proposal but turned into infrastructure during the implementation.

**Developing project proposal without any feasibility study:** One project included disaster resistant housing but the design did not include a crucial part of such a house. The houses did not have any shelf at the upper part of the houses that could help the households to protect their belongings during disaster. Another project built some waste transfer stations and a waste management plant but the collection process of the waste was not assessed before preparing the project design. Later it did not work out as it was planned and the total plant and transfer stations remained unused.

## 2.2 Strong and weak points in the project implementation

The strong points in the project implementation are as follows:

**Disclosure of the project related information:** Two projects maintained transparency measures to disclose project related information in the project locations. They provided open board with related information where the activities were being implemented.

**Three projects maintained consistency between implementation and the proposal:** Four projects among the six selected projects maintained consistency during the implementation of plans chalked out in the project proposals.

The weak points in implementation phase are as follows:

**Non-disclosure of project information:** Only two projects established information board to open the project related information in the project locations where the rest four projects did not. Moreover, the websites of respective LGIs, LGD, and BCCT do not have adequate information about the individual projects. In case of the BCCT, their website only includes

project name, fund size and name of the implementing agency. No other information like proposals, monitoring and evaluation report, audit report etc are not available there.

***Lack of transparency in vendor selection process:*** In most of the cases, the selected contractors could not mention any well-known newspaper where the circular had been published. They heard about tender verbally from the LGIs. From LGIs end it was claimed that they published circular in well know newspaper but could not show any evidence against it.

***Nepotism and abuse of power in vendor selection process:*** In most of the cases complaint was found that mayor and secretary of the LGIs abused their power to temper the tendering process and rewarded it to their friends and relatives or others for bribe.

***Selection of less vulnerable areas for implementation:*** In many cases most affected areas and people were ignored during project area selection. For example, in one project though mayor's ward (residence in which ward) was less vulnerable but it was selected for building drain. In another project retaining wall was built to save the municipality premises where there were areas with real landslide threat.

***Complaint on irregularities during direct beneficiary selection:*** Complaint was found in a project in the salinity and cyclone prone area that the direct beneficiaries of the project were selected by means of bribery and nepotism. The faulty selection process also left behind the most eligible i.e. the poorest and most vulnerable people.

***Implementing authority changed due to Political consideration:*** Complaint was found in one project that even after approval and disbursement of the fund, project director was changed overnight giving the task to a different ministry because the newly elected mayor was not a ruling party supported candidate.

***Selection of fake contractor to evade tax and VAT:*** According to the CHT Regulations, 1900, the indigenous people are out of the direct tax net. This was used to evade tax and VTA by selecting two indigenous contractors where the tasks were really done by other persons who does not belong to the indigenous community.

***Burden over the direct beneficiaries:*** A project in salinity intrusion and cyclone prone areas was supposed to provide everything free to the direct beneficiaries when building disaster resistant houses. In reality the beneficiaries had to spend 10000-80000 BDT each to make up the carrying cost, refreshment cost of the masons and the costs for buying partial rod and cement to fulfil quality work as the masons informed them the materials provided by contractors would not ensure quality construction.

***Inconsistency between project proposal and implementation:*** One project included four schemes in the proposal which was approved too but only three schemes were implemented. Another project mentioned in proposal that they would build retaining wall to protect people from landslide threat but they built the wall to protect municipality's land.

**Project implementation in disputed land:** In one project a flood shelter cum school was built in a disputed land. The land is owned by the Zila Parishad but the municipality built the infrastructure there without their prior permission. After the construction, the Zila Parishad raised their objection and hence the teachers of the schools expressed their tension about their future amid the dispute between two LGIs.

## 2.3 Major gaps and positive aspects in monitoring and evaluation phase of the projects

Some good points identified in the monitoring and evaluation phase of the LGIs implemented BCCTF projects are as follows:

**Primary activities of all projects visited by the BCCT:** According to Financial Guidelines, before releasing the second instalment, a visit from the BCCT at the project area is mandatory. In this research, it was found in all cases that the BCCT visited the selected project areas after releasing the first instalment.

**The LGD visited the project areas after completion of the projects:** According to Financial Guidelines, final instalment of the project will be disbursed after visiting the completed projects by the LGD. According to findings of this research, all selected completed projects were visited by the LGD.

**Project evaluation started by the IMED:** Implementation of the three projects out of six was completed. Of them a project has been evaluated by the Implementation, Monitoring and Evaluation Division (IMED).

Some gaps points observed in the monitoring and evaluation phase of the LGIs implemented BCCTF projects are as follows:

**Absence of qualitative monitoring from the BCCT:** Although the BCCT made visits to all projects during the initial stage of project implementation, afterwards they relied on the reports submitted by the respective LGIs which focused mainly on quantitative progress of the projects; not the quality of the works.

**Absence of effective involvement of community during monitoring:** There was no example of involving community people in monitoring of the project activities during the implementation phase.

**Absence of complaint mechanism:** It was found that there was no specific mechanism for complaining to relevant authority about the quality of project. Furthermore, information board was opened in two projects but there was not mentioned of the contact number and address of the focal points of the responsible authorities who could take the complaints. However, in



some cases, the community people placed their complaints to the representative of LGIs after getting them in project areas.

**No involvements of all ward councillors in monitoring:** According to the research findings, only the relevant ward councillors, the ward where the project was implemented, were involved in the monitoring of the project activities.

**Gaps in evaluation of the completed projects by IMED:** Out of the three completed projects, IMED did not evaluate two of them yet.

**Gaps in monitoring efforts by the LGD and local administration:** It was found that during the project implementation, the LGD and local administration did not go the project areas as part of monitoring efforts.

Participatory evaluation, on the basis of opinion from the direct beneficiaries, was conducted at community level in five projects during the study those are implemented. According to the community people, no project was found strong in context of the good governance. According to the participatory evaluation, two projects were moderately strong and three of them are weak in terms of good governance.

### 3. Causes of governance deficiencies in LGIs implemented BCCTF projects

**Gaps in laws and policies:** BCCSAP 2009 and Climate Change Trust Act- 2010 have not addressed the crucial governance values like transparency, participation and equity. These values are well recognised in global policy papers and funding mechanisms. Furthermore, the necessity of assessment of the project rationale is stated in the Financial Guidelines 2012 but the assessment does not require any base documents like needs assessment or vulnerability analysis from all projects during the proposal submission. There is no specific direction about the revision of project, especially, on what basis the project activities and budget will be cut down.

**Gaps in oversight and accountability:** It was also found that the IMED of the Ministry of Planning did not prioritise the monitoring and evaluation of the BCCTF projects though the BCCT officials sought support from them for several times. Furthermore, the local administration was not properly engaged in the oversight of the projects. The Controller and Auditor General (CAG) office did not prioritise the auditing of the BCCTF project. Moreover, the community people were not engaged in monitoring the implementation of the projects.

**Inconsistency between local climate vulnerability and project allocation:** The findings show that the powerful members of the BCCT Trustee Board and Technical Committee have influences over the project approval process. For this reason, in some areas, projects were approved without assessing local climate risk and vulnerabilities. In addition to that, BCCT funds

had been allocated for the LGIs located in non-climate hotspot areas. For example, a number of projects relating to water logging were allocated in drought prone areas.

***Lack of capacity and coordination among the relevant institutions:*** There was no initiative to enhance technical knowledge and capacity of the LGIs to implement long term solution oriented projects considering future climate change vulnerabilities. The research found that the LGD has the shortage of human resources to monitor climate funded projects. CAG did not give priority to auditing the climate funded projects due to the changes in organisational arrangement and shortages of human resources. In addition, BCCT has a lot of capacity constraints particularly on the technical issues of climate change and to deal with the climate finance. It has a huge shortage of human resources as well.

***Weak project review and approval process:*** Without reviewing the reality and rationale of the projects, BCCT asked the LGIs to resubmit their proposal with reduced budget and set the ceilings as well as suggested to trim down the project activities. Furthermore, the projects ignored people's ownership and involvement in the project activities at the design phase.

***Gaps in BCCT formulation:*** The BCCT was formulated in a way that it was more concerned about the climate fund management rather than enhancing capacity of the project implementing institutions.

#### 4. Consequences of governance deficiencies

***Poor effectiveness of project outputs:*** Poor effectiveness of project outputs was found in most of the cases. For instance, the rainwater harvesting systems developed by the Zila Parishad were found unlikely to reserve water to meet the needs for more than 15 days in the dry season. The Paurashava in the flood prone areas could not complete the drain construction. The waste management plants and transfer stations constructed under a project remained unused. Instead, the plants were found being used in different purposes. Another project constructed a school cum flood shelter on disputed land. Consequently, the teachers of the school were found concerned about the future of the school. As a result, local community people in project areas got deprived from the effective results of the projects.

***Uncertainty about the long term solutions:*** In many cases, long term effect of the projects is uncertain because of not taking measures to solve the root causes of the problems. For example, the decreased navigability of the rivers and converting the wetlands into high land for the sake of expanding cities and towns cause water logging in most of the cases. The projects did not take into account the long term solutions that could be carried out by addressing the roots causes. Without addressing the roots causes, no efforts like the selected projects would be able to bring sustainable solutions to climate vulnerabilities.

***No significant knowledge enhancement in the LGIs on climate change:*** There is a doubt from the research findings on how much the project implementation experience could enhance

capacity of the LGIs to integrate climate change in their regular activities where it was found that they carried out the projects to resume their regular development activities.

## 5. Conclusion

Gaps in governance practices are evident in LGIs implemented BCCTF projects. Governance situation of the projects as perceived by the beneficiaries and community people indicates a weak scenario of the project implementation. The issues of community participation, transparency, equity, and efficiency have got weak priorities in the projects. Political influence of the powerful BCCT Trustee Board members in allocating funds to the LGIs has been observed through this research. Besides, there are inconsistencies between local climate vulnerability and allocation of climate funds for the LGIs. In addition, BCCT's consideration for covering more areas with limited resources on the one hand and providing insufficient budget to the LGIs on the other hand has been found less likely to facilitate sustainable solutions to climate change vulnerabilities. In many cases, LGIs have been continuing their conventional infrastructural development activities by using the BCCTF funds. Gaps in relevant laws, policies and guidelines; institutional limitation; inconsistency between local climate change vulnerability and fund allocation, absence of long term solution oriented plans, as well as gaps in accountability mechanism have been found to be the key factors for the gaps in governance practices in the LGIs implemented BCCTF projects.

## 6. Recommendations

Given the governance scenario in the LGIs implemented BCCTF projects, the study has come up with following recommendations:

Recommendations	Responsible Authority
<b>1. Reformulate BCCT Trustee Board:</b> BCCT Trustee Board should be constituted with the members from climate change experts, representatives of civil society, and those having no partisan political interest	Ministry of Environment and Forests (MoEF)
<b>2. Increase BCCT Funds:</b> BCCT funds should be increased to further the initiatives in different sectors for ensuring long term solutions to climate change vulnerabilities	Ministry of Finance (MoF)
<b>3. Approve projects after verification of local climate vulnerabilities:</b> Verification of local climate vulnerability should be mandatory before approving any project	MoEF
<b>4. Strengthen capacity of the LGIs:</b> LGIs' capacity building should get high priority so that they can address climate change impacts as well as mainstream the climate vulnerabilities in their regular activities in an effective manner. In addition to that, Union and Upazila Parishads should be included in climate financing	LGD, BCCT
<b>5. Revise the role and strengthen capacity of the BCCT:</b> BCCT's role should not be confined to managing funds – capacity	MoEF

development of the implementing agencies and quality monitoring of the projects should also be of their priorities. This should be clearly spelt out in the guidelines. BCCT capacity should also be strengthened by increasing human resources according to the needs		
<b>6. Amend laws, policy and guidelines:</b>	Participatory needs assessment, feasibility study, effective involvement of community people, capacity building of implementing agencies, transparency, equity, effective accountability mechanism should be incorporated in the laws, policy and guidelines to make them mandatory in all steps of the BCCTF projects	MoEF and Ministry of Law
<b>7. Enhance information disclosure mechanism:</b>	All information on the projects including plans, activities, budget, M&E report, audit report should be disclosed and made available on the webpage. To get the community people well informed about the project information, citizen charter, bill board etc should be used in the project areas	BCCT, LGD, LGIs
<b>8. Enhance coordination for strengthening accountability mechanism and monitoring system:</b>	Accountability mechanism and monitoring system as well the role of relevant departments and institutions i.e. the IMED, CAG, MoEF, LGD etc should be clearly defined in the documents so that accountability mechanism can be functional in a coordinated manner. It is also crucial to define the role of the citizens in the monitoring process	CAG, IMED, MoEF, LGD, BCCT