



Challenges in Climate Finance Governance and the Way Out¹

Climate Finance Governance Project

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Abbreviations

ADB	Asian Development Bank
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BCCTF	Bangladesh Climate Change Trust Fund
BCCRF	Bangladesh Climate Change Resilience Fund
COP	Conference of Parties
CDM	Clean Development Mechanism
CIF	Climate Investment Fund
CCU	Climate Change Unit
EU	European Union
FSF	First Start Financing
GEF	Global Environmental Facility
IFC	International Finance Corporation
LDCF	Least Developed Countries Fund
MDG	Millennium Development Goal
MDB	Multilateral Development Banks
MDTF	Multi Donor Trust Fund
MOU	Memorandum of Understanding
MoEF	Ministry of Environment and Forest
M&E	Monitoring and Evaluation
NAPA	National Adaptation Program of Action
NGO	Non-Government Organization
ODA	Official Development Assistance
PPCR	Pilot Program for Climate Resilience
PKSF	Palli Karma Sahayak Foundation
REDD	Reducing Emissions from Deforestation and Forest Degradation
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SREP	Scaling-Up Renewable Energy Program
SPCR	Strategic Program for Climate Resilience
UNFCCC	United Nations Framework Convention on Climate Change
UK	United Kingdom
UN	United Nations
UP	Union Parishad
WB	World Bank

1. Context

Bangladesh is ranked as most vulnerable country in the world due to the effect of global climate change. Globally and nationally climate change is considered as a challenge for Bangladesh to its development, livelihood of people, socio-economic advancement, stability, poverty reduction as well as overall security and existence. According to Climate Change Vulnerability Index (CCVI) 2011, Bangladesh is ranked as the most vulnerable country and considered as the ‘extreme risk’ category² among 170 countries due to the impacts of climate change over the next 30 years. Further, IPCC 4th assessment report predicts that, 1 million coastal people of Bangladesh will be climate refugee within 2050 due to sea level rise.

Considering this massive risk, Bangladesh government has already formulated Bangladesh Climate Change Strategy and Action Plan (BCCSAP-2009), National Adaptation Program and Action (NAPA-2009) and Bangladesh Climate Change Trust Fund Act-2010. From the national revenue budget, Bangladesh Government has established Bangladesh Climate Change Trust Fund (BCCTF). Besides, Bangladesh Climate Change Resilience Fund (BCCRF) has also been established with the assistance of development partners namely United Kingdom, Denmark, European Union, Sweden and Switzerland.

In 1992 “Earth Summit” was held in Rio de Janeiro in Brazil under the supervision of UNFCCC, to protect the global warming. At that summit the polluter countries pledged to contribute climate funds for the affected countries as compensation since they have historically contributed most GHG emission. ‘Polluters Pay Principle’ is the main rationale behind the establishment of climate finance. From 1997 to 2007 there were no specific global initiatives³ for affected developing countries except LDCF, SCF and Adaptation Fund in COP-7 in 2001⁴. In ‘Copenhagen Accord’ December 2009, Annex-1 countries signed a deal to deliver the “*new and additional*” fund of US\$30 billion as ‘Fast-Start-Fund’ for the period 2010-2012 and it is a “*collective commitment*” to mobilize long-term finance where further \$100 billion in each year is promised to mobilize by 2020 from variety of sources. Thirty nine highest green house gas emitter Annex-1 countries given or promised financial assistance will be used for climate change related activities, particularly in adaptation, mitigation, technology transfer. At present, under UNFCCC different funds are being given to the affected countries to perform climate change related activities, although the sources, objectives and uses of these funds are varied.

² <http://maplecroft.com/about/news/ccvi.html>

³ See the evolution of climate finance in annex 1

1.1 Rationales

To address the climate change impacts, Bangladesh Government's Ministry of Environment and Forest (MoEF) is mandated to formulate policies and implement acts, screening proposals, approving projects and coordination among concern institutions to administrate BCCTF and BCCRF, whereas World Bank acts as a fund manager in BCCRF. In this context climate finance and its management issue becomes the talk of the topics where issues like governance deficit, undisclosed policy, unavailability of ToR with different institutions, unavailability of project information, allegation of political interference in project selection, lack of transparency and accountability of project implementing organization are mostly uttered. On the other hand, as a new arena of finance, there is no such research to identify the governance risk. Therefore this working paper is prepared to identify governance challenges and risks in policy formulation, fund management, project selection, accreditation and implementation. On the other hand, this working paper gives the insights of transparency, accountability, integrity and independence in climate finance of Bangladesh.

1.2 Scopes

Under this working paper, climate finance refers to the flow of funds that is either originated by BCCTF or BCCRF. Though Bangladesh is also receiving other funds through PPCR, GEF, UNDP and also from bi-lateral sources but for this working paper other funds are not included for mapping and assessment.

2. Methodology

For mapping of climate finance institutes and assessment of climate finance projects, data is collected by using both qualitative and quantitative techniques where different direct and indirect source is also used. KI Interview, project site visit, interview with affected and local people and case studies were the main sources of information of this working paper. For this paper, data collection period was November 2011 to March 2012.

2.1 Method of Climate finance governance mapping

For the climate finance governance mapping, first of all the major climate finance organizations and institutions were identified. At the same time as a part of governance mapping, organizations are identified sequentially from highest funding organization to lowest fund utilizing organization (where the fund lastly reaches). Different stakeholders and organizations those are involved with climate finance in policy formulation, project accreditation, selection and implementation is also considered. For mapping some major criteria were followed which is described bellow-

1. Identification of climate financing policies ;
2. Identification of Major policy actors those are responsible for policy formulation, verifying accreditation and requirements for projects;
3. In charge for final project approval and rejection;

4. Key actors in climate financing, specially take initiatives to ensure governance in climate financing;
5. Member selection process and governance structure of climate finance organizations;
6. Identification of the major actors who are responsible for monitoring, reviewing and verification (MRV) of the projects;
7. Source of fund, volume of finance, process of financing and accountability;
8. Governance structure of different climate financing institutions.

2.2 Method of Climate finance governance assessment

Governance risks assessment of three projects was carried out under this working paper to examine the existing challenges in currently operating policy, process and structure to ensure transparency, accountability, integrity and independence in BCCTF and BCCRF. Three projects of BCCTF under three different government agencies have also been examined to identify the challenges in the implementation phase.

Process of project selection for primary assessment

According to volume of fund, three highest fund implementing organizations were selected those are using funds from BCCTF and the organizations are 1) Bangladesh Water Development Board; 2) Forest Department; 3) Department of Relief and Rehabilitation. One project from each organization has been examined to identify the challenges in different phases of the projects. To assess the governance risk, several indicators such as transparency, disclosure of information, accountability, capacity, independence and integrity have been considered. Further participatory project development, incorporation of affected people in project activities, coordination, project monitoring, auditing, reviewing, verification issues are considered for assessment.

Visiting project sites

Research team visited project area and sites of Khulna, Patuakhali, Shatkhira and Jessore to collect information. During the field visit some other information like progress of the projects, quality of works, responsibilities of the project staff and concerned stakeholders, coordination, monitoring, evaluation, reporting and audit related information was collected.

Consultation with the affected community

In-depth interviews has been conducted with the affected communities to know whether the BCCTF authority or implementing agency has taken the opinion of the concerned communities about the utility, functions, cost-benefits of the projects before the project preparation. The outcomes of project implementation were also assessed during beneficiary consultation.

Secondary sources of data

Data was also collected by reviewing different acts, rules, guideline and draft concept note regarding the climate finance of Bangladesh. At the same time website of different climate finance agencies and organizations were tracked and monitored regularly to gather information.

3. Governance Mapping of Climate Finance in Bangladesh

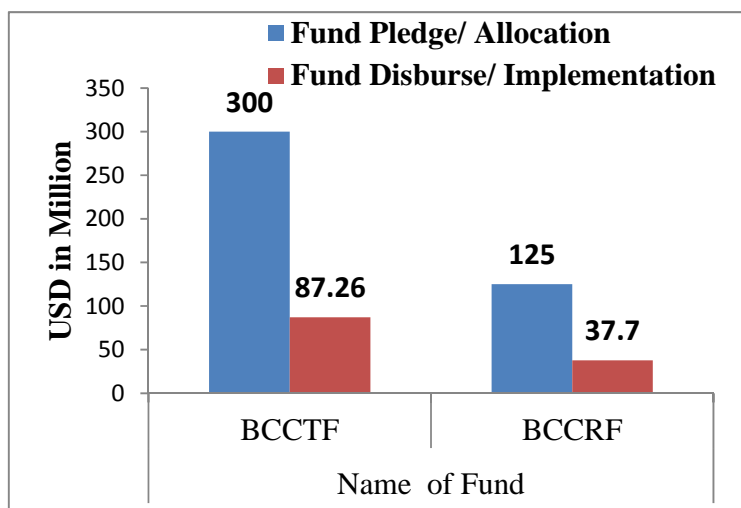
Bangladesh Climate Change Trust Fund (BCCTF) and Bangladesh Climate Change Resilience Fund (BCCRF) are major actors to channel climate fund in Bangladesh. Bangladesh Climate Change Trust Fund (BCCTF) has been created under the revenue budget. On the other hand, Bangladesh Climate Change Resilience Fund (BCCRF) has been created in 2010, with the financial assistance of development partners. World Bank is acting as the fund manager of BCCRF. All projects funded from BCCTF and BCCRF is guided by the six thematic areas of BCCSAP 2009 namely; 1) Food security, social protection and health; 2) Comprehensive disaster management; 3) Infrastructure; 4) Research and knowledge management; 5) Mitigation and low carbon development; 6) Capacity building and institutional strengthening for climate finding. The funds allocation under BCCTF and BCCRF are as below-

3.1 Bangladesh Climate Change Trust Fund

In last three fiscal years \$300 million has been allocated, covering \$100 million in each year to the Trust fund from the revenue budget of Bangladesh Government. Under the BCCTF, among allocated fund 66 percent has been used for project implementation purpose, interest of rest 34 percent is to be used for emergency response and a portion proposed 10 percent fund would be used for projects supported by the NGO. Till

Govt. projects. On the other hand a concerned official of MoEF informed that 82 Govt. projects have been primarily approved till 10th April 2012. Considering the update of February 2012, Bangladesh Water Development Board got an allocation of 28.12 percent whereas the other departments like Forest Department 14.35 percent, Department of Relief and Rehabilitation 10.68, Department of Forest 9.23 percent and BIWTA has got allocation of 6.37 percent of the total approved fund. On the other hand other Govt. organizations have got the allocation of the remaining 31.25 percent fund. This is to be mentioned that, 53 NGO projects were initially selected for funding from BCCTF but disbursement of fund is halted till March 2012 due to allegation of corruption in project selection and approval. Primarily Government assigned PKSf to investigate

Figure 1: Climate Financing in Bangladesh



and assess the 53 NGO project proposals⁵ due to huge criticism and protest from media, Parliamentary Committee and related stakeholders. Already PKSf submitted the investigation report to concern ministry but till now this investigation report is not published. So far, out of 5,000 proposals submitted by NGOs PKSf has primarily selected 115 proposals along with newly submitted unidentified new proposals for funding.

3.2 Bangladesh Climate Change Resilience Fund

Main objective of BCCRF is to assist the implementation of Bangladesh Climate Change Strategy and Action Plan from 2009 to 2014. Out of total funds allocated 90 percent fund of BCCRF will be utilized for Govt. project implementation and remaining 10 percent fund will be utilized for NGO project implementation. Till March 2012, \$ 125 million fund has been disbursed where only three projects is been approved namely; a) Building 56 new cyclone shelters and rehabilitating about 50 damaged shelters; b) PKSf: Fund for Civil Society Organization and NGOs for Community Based Climate Change Resilience activities; and c) Fund for The Secretariat in the Ministry of Environment and Forest. Total \$ 37.70 million is disbursed for three projects and another three projects are waiting for approval. It is noted that only one project summary of “*PKSf: Fund for Civil Society Organization and NGOs for Community Based Climate Change Resilience activities*” is accessible. But except the title and amount of approved fund no other information on the remaining two approved projects is available in any published source as well as in the websites of World Bank and MoEF. In this regards, TIB requested World Bank for giving access to the approved project documents but World Bank did not reply or further communicate. As a result it was not being possible to assess whether there were any governance risk in implementation areas, elements or activities of BCCRF funded projects.

Responsible Fund Management Organizations of BCCTF and BCCRF

a) Law, policy and strategy formulation and implementation actors

Ministry of Environment and Forest acts as co-coordinator nationally and internationally regarding climate Change. Ministry of Environment and Forest is also mandated to formulate law, implement policy and strategy to ensure transparency, accountability, and capacity. BCCTF and BCCRF were established through the initiatives of Ministry of Environment and Forest therefore Minister of Environment and Forest is working as the highest authority of both BCCTF and BCCRF. But World Bank is acting an important but influential role in project selection and strategic planning in BCCRF.

b) Actors involve in fund approval and release

BCCTF: Trustee of BCCTF approves Govt. projects after assessing the proposals by technical Committee. After approval of project by BCCTF Trustee Board, MoEF send a request letter to

⁵ A circular issued in 30th November 2011 on behalf of BCCRF by Deputy Director of Ministry of Environment and Forest

MoEF to release fund against the approved project with a list of project, name of the organization and other documents. Then, MoF release fund in favor of BCCTF Trust account against the approved projects. It is noteworthy that, Secretary of Ministry of Finance is a member of BCCTF Trustee Board which is empowered with 17 members and act as highest authority of project selection and approval. Therefore no prior and additional approval is required from Ministry of Finance to release fund. After getting the fund from Ministry of Finance, BCCTF authority disburses fund to implementing organizations project account in three or four installments for the whole project.

BCCRF: In BCCRF, Govt. agency submits project proposals against the call for proposals. The proposals are primarily verified and reviewed by Management Committee and then assessed by World Bank and get final approval from Governing Council. After getting final approval, a final deal is needed to be signed between representative of economic relation division and country director of World Bank through an occasion to release fund to the respective govt. organizations.

PKSF: PKSF is now responsible for reviewing, acceptance or rejection of project proposals, as well as funding NGO projects but before 30th November 2011 BCCRF authority was responsible for this above mentioned activities. After allegation of irregularities and possible corruption in project selection by BCCTF authority, PKSF was assigned to investigate irregularities of initially approved 53 NGO projects. PKSF submitted an investigation report to the concern ministry but this report is not published yet. On the other hand PKSF is responsible for selection and approval of 10 per cent NGO fund from BCCRF. In this regard, preparation of a final deal is under process.

Authorization as well as empowering PKSF to channel NGO and CSO projects from BCCTF and BCCRF is a positive decision but government should expose the logics behind the decision to ensure transparency and accountability. Besides this, some key informants and climate finance stakeholders are demanding investigation whether if there is any conflict of interest behind the decision to engaging PKSF to channel the fund. On the other hand, guideline or manual regarding PKSF administration of the fund has not yet been developed.

c) Co-ordination and Enforcement actors

Technical Committee of BCCTF, MoEF, and CCU staff plays the role of co-ordination and enforcement for proper implementation of projects. According to interview with BCCTF authority, CCU was established under MoEF to act as secretariat of BCCTF. The chief of CCU is the Secretary of the concern ministry. One additional secretary also acts as coordinator and responsible for proper implementation of BCCTF activities. Project implementing organization monitor and verify the project activities by the help of local concerned officials. From each ministry, a team under the guidance of a Joint Secretary monitors the project implementation. But so far no guideline is available in any published sources regarding the responsibilities of CCU.

Ministry of Environment and Forest play the role of Secretariat and also acts as coordinator in BCCRF. Besides, World Bank has a team to enforce project activities and coordinate with government organizations as required. Further implementing organizations also have self mechanism to enforce project activities.

d) Monitoring, Verification and Reporting actors

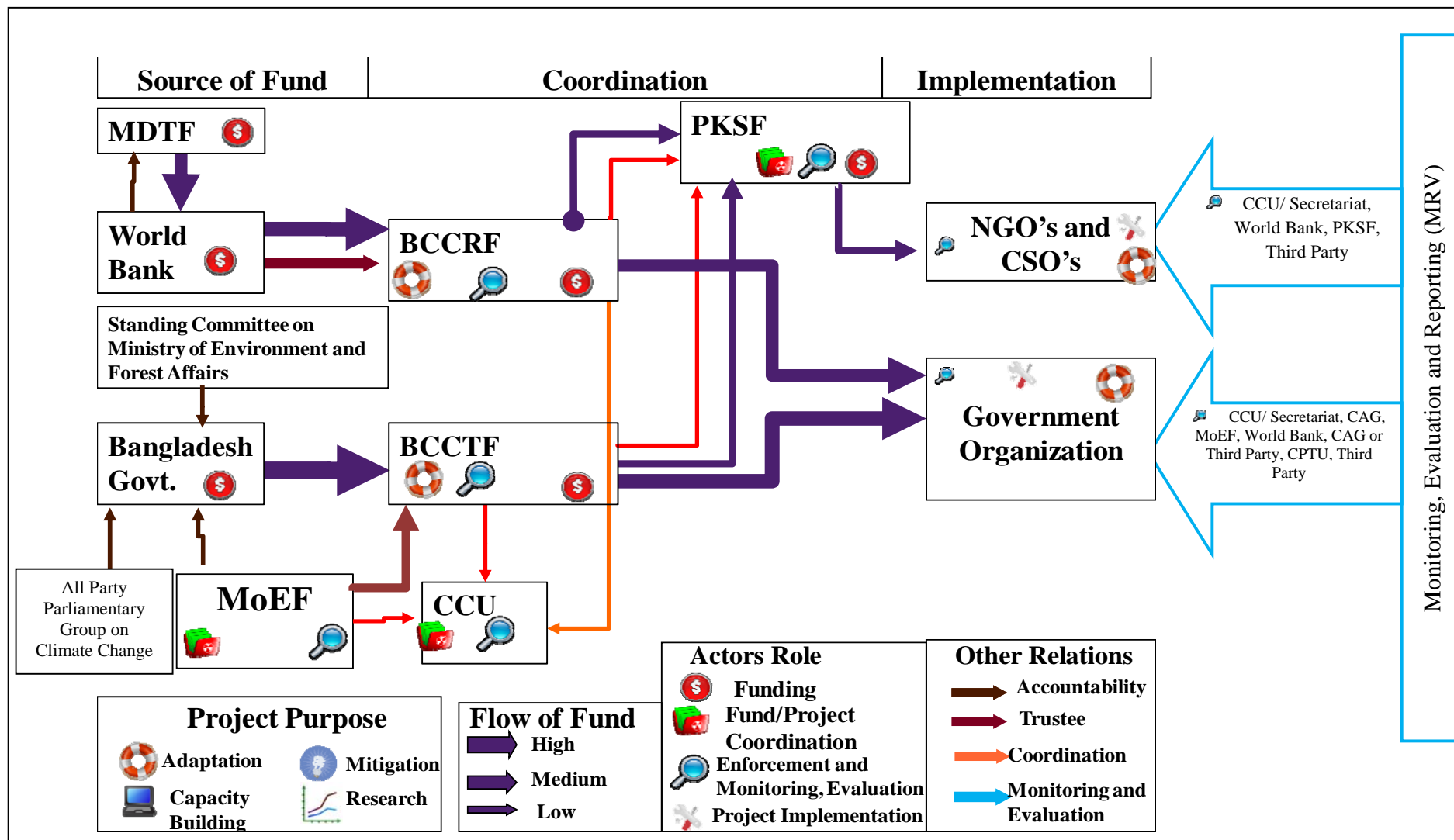
In BCCRF auditing is done by the implementing organization, Comptroller and Auditor General (CAG) of Bangladesh and if required, BCCTF Trustee can engage third party firm. But it is not clear how the NGO projects under PKSf will be audited and monitored though there was a gadget circulated earlier by BCCTF authority for NGO projects.

On the other hand CCU has already developed a framework for verification and assessment of project implementation. To update the progress of project implementation, there is also provision of engaging District Commissioner in BCCTF monthly coordination meeting. As World Bank is the fund manager of BCCRF, there is a provision of internal and a third party audit which is mentioned in the Implementation Manual of BCCRF.

Figure 2: Climate Finance Management under BCCTF and BCCRF in Bangladesh

Issues	Fund/ Fund Management Authority				
	BCCTF	PKSF		BCCRF	World Bank (BCCRF)
Source of Fund	Revenue Budget	10% of BCCTF (Proposed) and 10% BCCRF		Denmark, European Union, Sweden, United Kingdom, Switzerland	Denmark, European Union, Sweden, United Kingdom, Switzerland
Policy Formulation	MoEF, All Party Parliamentary Group on Climate Change, Other related Ministries, Standing Committee on Ministry of Environment and Forest Affairs	MoEF, Other related Ministries, PKSF, World Bank, CSO Representatives, NGO Representatives		MoEF, Other related Ministries, All Party Parliamentary Group on Climate Change, Standing Committee on Ministry of Environment and Forest Affairs	Development Partners, World Bank, MoEF, All Party Parliamentary Group on Climate Change,
Strategic Action Plan	BCCTF	BCCTF, BCCRF, World Bank		BCCRF, World Bank	World Bank, Development Partners
Project proposal review and selection	Technical Committee	PKSF, World Bank (BCCRF)		Management Committee	In reality, World Bank Finally select project proposals
Final Approval of proposals	Trustee Board	BCCTF	BCCRF	Governing Council, Management Committee	Denmark, European Union, Sweden, United Kingdom, Switzerland
		PKSF	PKSF		
Fund Disbursement/ Release	Project Approval by BCCTF Trustee Board → MoF → BCCTF Trust	BCCTF MoEF→ BCCTF Trustee account (10%)→ PKSF→ Implementing organization	BCCRF World Bank→ ERD (Coordinated by MoEF and MoF) → NGO and CSO projects	World Bank→ ERD (Coordinated by MoEF and MoF)→ Bank account of implementing government organizations	Development Partners → ERD and World Bank
Project Implementation	Government organization likes BWDB, Department of Relief and Rehabilitation, Department of Forest etc	NGO, CSO fund Implemented by PKSF			Technical Assistance
Coordination and Enforcement	MoEF, Technical Committee, CCU	MoEF, Technical Committee, CCU PKSF and World Bank		Governing Council, CCU, World Bank	World Bank
Monitoring, Evaluation and Reporting	MoEF, CCU, project implementing organization, CAG, CPTU	BCCTF	BCCRF	World Bank, BCCRF Secretariat, Third Party firm (Decided by Government and World Bank)	Third party and Development Partners
		PKSF, MoEF, CAG, CPTU	Governing Council, PKSF, World Bank, Third Party firm (Decided by Government and World Bank)		

Figure 2: Flow of Climate Finance and Management under BCCTF and BCCRF in Bangladesh



4. Preliminary Assessment of Governance Risk in Climate Finance

Under this working paper a preliminary assessment was carried out to examine the quality of governance in management of both BCCTF and BCCRF funds based on some specific criteria such as accountability, transparency, independence, capacity building and integrity. The preliminary findings of the assessment are described below.

4.1 Disclosure of documents/Transparency

According to BCCRF Implementation Manual, Governing *Council (GC)* is mandated to prepare policy, provide strategic direction and guidance, final approval of primarily selected TPP and approval of projects through proper alignment with BCCSAP 2009. On the other hand *Management Committee (MC)* is responsible for review of short-listed projects for funding and initial approval of Technical Project Proposal (TPP), producing fund implantation manual. World Bank has been appointed primarily by development partners to provide supports to fiduciary management and providing, technical assistance in project implementations with the fund from BCCRF considering transparency, accountability, efficiency and effectiveness in its operations until 2014. Recently, it has been heard that Government has extended the role of the World Bank from 2104 to 2018. Further, World Bank would suppose to work with Secretariat (MoEF) to coordinate among stakeholders the BCCRF Secretariat through advocacy and knowledge dissemination.

According to World Bank's internal systems and BCCRF Implementation Manual it is supposed to disclose the approved project documents on 'Construction of Building 56 New Cyclone Shelters and Rehabilitating about 50 Damaged Shelters' but in reality it is not available in any public domain including World Bank website or from any published sources. According to the BCCRF Implementation Manual, though Governing Council is mandated for final selection of projects but according to key informant World Bank plays vital role in final selection of the projects to be funded by BCCRF. Besides, required information related to transparency for the fund management is not also available in the BCCRF web portal.

Table 2: Transparency or information disclosure in climate fund management

Availability of information	BCCRF (According to Implementation Manual)	BCCTF (According to Right to Information Act)
Documents available	Overview on BCCRF, Concept note on NGO funding, a project summary,	Approved project list, A decision to review the project proposals submitted earlier by NGOs, Project Proposal Format for BCCRF funding, Government Gazette on the BCCTF Act, Government Gazette on BCCTF for NGO, BCCSAP 2009, National Adaptation Program of Action (NAPA) ⁶ .

⁶ Extracted from MoEF website on 26 March 2012

Availability of information	BCCRF (According to Implementation Manual)	BCCTF (According to Right to Information Act)
Unavailability of specific information	<ul style="list-style-type: none"> ▪ No information on 1% service charge and additional 4% fees deduction by World Bank for fiduciary management and operating cost ▪ Updated integrated protection measures to ensure integrity 	<ul style="list-style-type: none"> ▪ Management or operating cost of BCCTF and CCU ▪ Information on activities and operation of CCU
Provision ⁷ exist but information is unavailable in public domain	<ul style="list-style-type: none"> ▪ ToR/modalities between BCCTF and PKSf as well as World Bank and PKSf ▪ Project selection process ▪ Report regarding the project approval or rejection process; project progress evaluation report, ▪ Environmental Impact Assessment (EIA), where applicable ▪ Extent of role of World Bank in project selection/rejection ▪ Minutes of Trustee Board MRV related reports (Baseline, Mid-term and Final evaluation report of projects), and ▪ Financial audit report 	

Through this preliminary assessment governance of the fund management by the BCCTF (from project approval stage to implementation stage), it is not confirmed yet through BCCTF web portal or from any other source about the existence of BCCTF implementation Manual alike the BCCRF one. According to the provision of the Right to Information Act of Bangladesh Government, the unavailable documents must be available in the website of the MoEF or CCU office or its web portal but in reality, these documents are not publicly available. Besides, proposed Secretariat for the BCCRF is not yet established properly and effectively, therefore information on the activities of the World Bank and on BCCRF projects that is supposed to be disclosed in public domain is not publicly available. However, CCU Coordinator has expected that operations of the BCCRF Secretariat would be commenced by next one month (National Meeting, TIB, 09 April 2012). It is noted here, information disclosure by the World Bank is not subject to the Right to Information Act of Bangladesh Government. Further, problem also remains for disclosing information since World Bank's information disclosure policy does not comply with Bangladesh Government's Right to Information Act.

⁷ BCCRF implementation manual, Page 61 - 64

4.2 Accountability and Independence

In the BCCRF operations manual, though roles and the responsibilities of Governing Council, Management Committee, Secretariat and the World Bank have been specified but still several challenges exist to ensure accountability in the existing policies and operations of concerned agencies. Overall challenges and limitations are ensuring the effective utilization of fund, participation of affected people in project approval process and faster implementation of project. Since government agencies are implementing projects with the funds from both BCCTF and BCCRF, a strong coordination among BCCTF, BCCRF and World Bank, which is now almost absent, is required to bring coherence in decision and to avoid multiple funding. Whatever the amount of fund disbursed, effectiveness of that amount of funds depends on the right utilization with the involvement of affected and vulnerable people in different stages of implementation, which is not specified vividly in management of both funds.

Table 3: Accountability in fund management

Indicators	BCCRF	BCCTF
Specific challenges	<ul style="list-style-type: none"> ▪ Delay in finalization of the modalities/ToR between WB and PKSf and approval of projects ▪ Lower participation of CSO in both the Governing Council and Management Committee 	<ul style="list-style-type: none"> ▪ Absence of ToR between BCCTF Trustee Board and PKSf regarding management of NGO funding ▪ As Secretariat, unclear responsibilities of MoEF and CCU in the BCCTF Act ▪ Low participation of CSO in both the Trustee Board and Technical Committee
Overall challenges	<ul style="list-style-type: none"> a) Political consideration and interference in project selection b) Inadequate coordination between BCCTF and BCCRF c) No policy/ToR exist on the following issues– <ul style="list-style-type: none"> ▪ Participation of Local affected community, CSO and local community in fund management and implementation of projects ▪ Grievance management system at all stages of fund management ▪ Coordination in providing fund to same government organizations from both fund of BCCTF and BCCRF ▪ ToR/Modalities between BCCRF and PKSf ▪ ToR/Modalities between BCCTF and PKSf ▪ Governance risk assessment of project ▪ Selection, monitoring and verification of project activities 	

Further, according to dependable source, some projects have been approved by BCCTF for funding without prior justification and applicability of climate change rather under political consideration. The project names, its implementing organization and amount of fund approved are described below-

1. “Deposited Polythine and Others Waste Removal from Burigonga & Turag river” project implemented by Bangladesh Inland Water Transport Authority (BIWTA) amounting 21.5 crore taka;
2. “Deposited Polythine and Others Waste Removal from Haikker Khal of Raer Bazar, Dhaka & Charargope of Narayangong” project implemented by Bangladesh Inland Water Transport Authority (BIWTA) amounting 22.18 crore taka;
3. “Re-Sectioning of Embankment And Revetment Works on eroded river banks at Sarafvata on left bank and Mariumnagar & Betagi on right bank of Karnafuli river plus West Shantieketon on left bank and North Parua & East Shabdinagar- Goazpara area on right bank of Ichamati river in connection with Karnafuli Irrigation Project (Ichamati), Rangunia, Chittagong” project implemented by Bangladesh Water Development Board (BWDB) amounting 20.38 crore taka;
4. “Re-embankment Works and construction of Infrastructure (s) at different locations of eroded banks of Karnafuli, Halda, Ichamoti rivers & Shilok khal and their tributaries in different upazillas of Chittagong district” project implemented by Bangladesh Water Development Board (BWDB) amounting 19.99 crore taka and
5. “Waste Reduce, Reuse and Recycle (3R) Initiative in Gulshan, Baridhara and Dhanmondi areas of Dhaka and Nasirabad and Khulshi areas of Chittagong cities” project implemented by Department of Environment amounting 19.09 crore taka.

From different KI interview and review of document, it is identified that as a secretariat of BCCTF, CCU play the role of management and coordination among stakeholders, conduct advocacy and knowledge dissemination, reviews and finalize the project budget, enforcement of government procurement rules and preparation of sector-specific guidelines to implement project according complying with the identified thematic area of BCCSAP. However, CCU is not empowered to make the project implementing agencies accountable.

In case of BCCTF funded project, all project expenses are subject to the audit of the office of the Comptroller and Auditor General (CAG) of Bangladesh. If it is required, BCCTF Trustee Board has authority to engage third party independent audit firm both for the government and NGO projects. But the guideline for engaging third party or independent auditor is not prepared yet. In monitoring of BCCTF and BCCRF, there is no provision of engaging affected people and local community in monitoring the project implementation under the existing government procurement policy.

4.3 Capacity building

Management of the BCCRF is supposed to be done through its Secretariat and MoEF, but actually World Bank is playing vital and influential role since the setting up the Secretariat is yet to be completed. Therefore, there is no clear idea about the real capacity of the concerned agencies. On other hand, due to inadequate staff, role of the CCU to oversee the implemented BCCTF funded projects t is hampering. At present, 5-6 officials of CCU are monitoring 63 ongoing projects worth of around \$150 million around the country. The major challenges that exist in capacity are;

- a) Absence of long-term and dynamic Human Resource Plan (HRP) for the CCU to be converted as a department
- b) Inadequate staff and resources for the CCU.;
- c) Low capacity of the mid-level government officials to develop project proposal effectively. It is mentioned that out of 46 proposals submitted to the BCCRF only 4 were selected ;
- d) Delay in setting up the Secretariat of the BCCRF and inadequate coordination among climate finance stakeholders.

In overall assessment it is observed that, existing system/provisions for fund management, project implementation and monitoring in climate finance is not sufficient. If the capacity of the implementing organization is not considered while approving the project, the achievement/outcome of the project will be always questionable.

4.4 Integrity

To protect the misuse of funds, there are some safeguards mentioned in the BCCRF Implementation Manual, but there is no specific and effective mechanism to ensure integrity. The challenges are particularly;

- a) Political consideration as well as influence in project selection and approval
- b) Absence of effective grievance mechanism in both BCCTF and BCCRF management
- c) Local affected people/stakeholders are unaware of their role to protect fund anomalies
- d) No specific safe-guard exist to assure integrity in project approval process

Still inadequate practices of integrity in management of climate finance particularly in project selection, releasing fund, project implementation still exist. Therefore, there is no alternative of practicing integrity in climate finance projects to secure the life and livelihood of climate vulnerable people.

5. Governance Challenges in BCCTF Project Implementation

BCCTF has allocated 62 Govt. projects according to six thematic areas. From the allocated 62 projects, three selected projects were identified to assess the governance risk under this working paper.

5.1 Construction of Cyclone Resistant Houses at Char Area in Aila Affected District of Khulna

Under the BCCTF fund, Department of Relief & Rehabilitation has been implementing the project titled “Construction of Cyclone Resistant Houses at Char Area in Aila Affected District of Khulna”. Total Tk 24.42 crore is approved for the project implementation period from April 2010 to March 2012. Major governance challenges of this project are identified based on interview with the selected households under the project, local people, local government representatives and concerned government officials. The major challenges are described below –

A. Project approval

The objective of this project was to build the climate resistant houses for landless, poor and Aila affected people. Through investigation and consultation with households and affected people, it has been identified that implementing organization did not consulted with affected people about the design of the house. Moreover, no feasibility study was conducted at the project selection phase either by BCCTF or Department of Relief and Rehabilitation. Even before the implementation of the project, local implementation authority had no knowledge about the design of ‘climate resilient housing.’

B. Faulty design

According to the project summary, the design is finalized by the Department of Relief and Rehabilitation. Based on the design, the house is fifteen feet long and twelve feet width and built on four RCC pillar with a roof. There is no provision of side wall in the design of the house. The logics behind such type of design are-

- If they provide a full house with side wall, the family will not move to the nearby cyclone shelter during natural disaster or tidal surge therefore the family will be the victim of the disaster.
- They did not give a full house with side wall so that water of tidal surge cannot stay inside the house. At the same time the concerned officials of the Department said that affected family will build the side wall by their own cost for participating and building ownership. Besides, it was not assessed whether the

Box 1: Faulty design and miseries of climate victim



This house was build for Khadija Begum. When she was asked, “How do you feel about the Cyclone Resilient House”? She replied, “*I don’t know whether it is built for human being or not. There are only four pillars with roof and there is no sidewall in this house. So I do not know how my family can live in this house*”. She has a granddaughter and it is depressing for her as she is living in cold and it is not suitable for any other seasons like rain, storm and flood. She also informed that she knew the allocated budget for each shelter house was approximately 1, 20,000 taka. But within completion of two month, the construction material is collapsing. Therefore she alleged that the quality of construction material was not maintained properly and she has no capacity to re-invest for repairing. She also added that before getting this house, she used this space for different purpose but now it is just useless since her family can’t stay there. (Source; Interviews, 2011)

affected family has the capability to build side wall of house (see box 1). In reality, affected people and families are exhausted with natural disaster and it is not justified how they will build side wall as well as other facilities by their own. On the other hand, if they cannot build side wall, then the alternative is not also identified in the project. If this house is not capable of serving during disaster then what is the justification for building such type of cyclone resistance house.

Therefore the design is truly faulty due to following problems-

- There is no side wall;
- Not capable to protect from rain, storm, flood, cold;
- Insecure for living, especially for woman and adolescent girls;
- No sanitation, water supply and personal hygiene facility;
- Local people sometimes use it as a “cow-shed”;

But before the project implementation, participatory method of project design and consultation with affected people could ensure the appropriate cyclone resilient housing design. As a result it would be possible to protect the misuse of government money on the other hand the affected family could use the house properly.

C. Beneficiary list preparation

According to Project Implementation officer, a beneficiary list was prepared by forming a sub-committee (Comprised of 7 members) with the assistance of Deputy Commissioner (DC), Upazilla *Nirbahi* Officer (UNO) and local government representatives. The sub-committee finalized the beneficiary list but because of political influence the list become changed in the UNO office.

D. Performance of the contractor and quality of work

Regarding the allegation of contractor selection in Dhaka, project official said, contractors were selected at district level but original contractors unofficially sub-contracted the construction work to some other local sub-contractors. Project officials also described the logic behind the subcontract and said, as most of the listed affected households are situated in different location and places, therefore it is difficult for a contractor to continue the construction work at a time in different location. So the main contractor engaged local sub-contractor to complete the construction quickly. But the subcontractor is not under jurisdiction of monitoring and evaluation by anyone and not officially accountable to anyone for misdeed. KI and Interview with affected households, local government representatives (Union Parishad Member) and consultation with local people, the following allegation have been specified -

- Contractor did not disclose the schedule of work and material list to anyone;
- The contractor did not co-operate with households, local government representatives and was unwilling to give opportunity to verify his construction work;
- Very low quality of work by sub-contractor and lack of accountability for the low quality of work;
- After two month of completion the roof and basement of the house started to collapse.

The quality of construction is not maintained properly. During the field visit it is observed that, plaster of the floor and roof of the house is collapsing (See box: 1). But in reality, now the house is a burden for the homeowner and they think that this house is a misuse of their valuable land.

E. Monitoring, Reporting and Verification

Regarding the monitoring, local Project Implementation Officer (PIO) said that monitoring of the project was done properly but affected household and local people denied the claim of regular monitoring. And they claimed that local engineer and PIO was not aware to ensure the quality of construction work. Therefore, the quality of work was severely degraded. On the other hand the concerned official confessed their weakness and blamed the shortage of manpower in project. Following different allegations, a high official of concerned ministry investigated the project and submitted a report. Considering the concerns BCCTF authority has stopped further disbursement of fund in the project.

5.2 Land Reclamation by Constructing Char Mynka-Char Islam-Char Montaz Cross Dam

Bangladesh Water Development Board has been implementing the project titled “Land Reclamation by Constructing Char Mynka-Char Islam-Char Montaz Cross Dam” from BCCTF. Total 24.37 crore is approved in the project for the period of January 2011 to June 2012. There are another two supplementary projects of 22.10 crore taka. Based on interview with concerned stakeholders, following governance challenges has been identified;

A. Project approval

In the project proposal it is mentioned that, by constructing the cross-dam Potuakhali and Bhola will be connected. Out of total 5 km long embankment and dam, 3.44 km is under Char Mynka and Char Montaz of Potuakhali district and rest 1.56 km is under Bhola district. In a certain time of project, Kalapara Water Development Board requested to the local Forest Department for cutting tree and issued an official letter to permit thirty thousand trees cutting from protected forest. But Potuakhali Forest Department denied this proposal since any biotic interference inside the protected forest is not allowed according to Forest Conservation Act of Bangladesh. Initially major problems of the project were identified as described below-

- Political consideration and emphasize on personal choice in project selection;
- No Environmental Impact Assessment (EIA) before the approval of project. On the other hand, BCCTF did not accept the backdated (Conducted in 2007) EIA report that was submitted by Water Development Board;
- Geographical and social impact was not assessed before approval of the project. On the other hand, it was not identified how much land will be reclaimed;
- During project development, Bangladesh Water Development Board hide the issue of tree cutting therefore Forest Department was not informed about it, but during project implementation, Water Development Board issued a letter to Forest Department and created pressure to give permission of cutting thirty thousand trees from protected forest;
- Local community and experts were not consulted during project preparation;
- Protected forest was not shown or marked in the proposed map;

[illegible]

Source: Approved project document and Forest Department, February, 2012

B. Quality and progress of construction work

C. Coordination and Verification

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5.3 Plantation of BWDB's Embankment in the Coastal belt and its adjacent Char Areas

Under the BCCTF, Forest Department has been implementing the project titled “Plantation of BWDB's Embankment in the Coastal belt and its adjacent Char Areas”. Total approved budget of this project is Tk 11.75 crore for the period of January 2010 to June 2011.

A. Project development

The project is under implementation over the embankment of the coastal and its adjacent char areas of Khulna, Shatkhira, Bagerhat and other 16 coastal districts. During field visit it is found that there is no accurate estimate of land for plantation under BWDB. Official of forest department informed that they have sufficient fund but they cannot continue their plantation due to unavailability of land. Therefore some area remaining unplanted in proposed part of embankment and the cause's are-

- Some lands have already been leased by BWDB and therefore occupied by shrimp cultivators;
- Some lands are illegally occupied;
- Some proposed areas of WDB is not appropriate for plantation;
- Some proposed lands is under the control of District Commissioner's office;
- Community lives in some proposed area of embankment;

B. Capacity, Verification and Reporting

Forest officials are not interested to monitor the project works especially in remote area as there is insufficiency of budget and resources for field visit. Regarding monitoring, Circle Forest Officer said that, Range Officer, ACF, DFO and related ministry regular monitor their project though there is limited budget for monitoring. But most remarkable thing is that Forest department has got 14 percent of total approved fund from BCCTF. Therefore it is important to assess how effectively fund is utilizing and what is the impact of these plantation projects. Deficit of monitoring budget, insufficient manpower and resources are the main obstacles for proper monitoring of the project. Weak accountability is also another risk for the project.

6. Recommendations

Legal and policy

- To ensure the engagement of significant number of civil society individuals, affected along with the participation of local community at all stages of project preparation, approval and ensure their participation by reforming existing climate finance law;
- To involve affected and local people in project implementation to bring the necessary changes in the Public Procurement Act;
- To develop a Code of Conduct on “*Transparency and Accountability*” to ensure transparency and accountability and making arrangements to oblige all stakeholders to follow this code of conduct;

Ensure transparency, accountability and bring momentum in climate finance management

- To ensure transparency and accountability in all levels of climate finance mechanisms including project selection;
- To disclose all climate finance related ToRs, agreements, manuals/procedures and project related information;
- To make the environmental impact assessment especially impacts on forest and ecology as well as social impacts where applicable, before approving the particular project;
- To ensure the Grievance Management System (GMS) and quick redress of the allegation lodged;
- To appoint Climate Ombudsmen or a national platform to ensure efficient management of climate finance;
- Ensuring the participation of experienced expert's not having clash-of-interest in the process of project selection and approval process of BCCTF, BCCRF and PKSf as well;
- To ensure the exemplary punishment to the corrupt individuals.

Capacity building

- To empower CCC so that it can appoint its required manpower (permanent and contractual) as soon as possible, allocating fund for this purpose and implementing its work plan for fund and project management;
- To prepare long term human resource management plan for both BCCRF secretariat and CCU;
- There is no alternative of participatory project development and ensuring transparency and accountability at all levels of climate finance.

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Annex

Annex-1: Evolution of climate finance

Year	Events and location	Decision on Climate Finance
1992	Earth Summit- Rio de Janeiro, Brazil	<i>The Rio Declaration</i> : A set of 27 principles where the Declaration includes polluter-pays-principle (the polluter will bear the costs of pollution)
1995	COP-1, Berlin, Germany	<i>Berlin Mandate</i> : Financial decisions include Provision to developing country Parties of technical and financial support. It also included the GEF fund and its implantation strategy.
1997	COP-3, Kyoto, Japan	<i>Kyoto Protocol</i> : “Kyoto mechanisms” which refer to <i>International Emission Trading (IET)</i> , <i>Joint Implementation (JI)</i> and the <i>Clean Development Mechanism (CDM)</i> . The <i>Adaptation Fund</i> was the outcome of <i>Kyoto Protocol</i> .
2001	COP-6 and COP-7, Germany and Morocco	<i>It was decided to create three funds: LDCF, SCF and Adaptation fund</i>
2007	CoP-13, Bali, Indonesia	<i>Bali Roadmap</i> : The Bali Action Plan is centered on four main building blocks – <i>mitigation, adaptation, technology and financing</i> .
2009	CoP-15, Copenhagen,	<i>Copenhagen Accord</i> : This accord placed the agenda that developed country 'shall be provided' <i>additional and predictable financing</i>
2010	CoP-16, Cancun, Mexico	<i>Cancun Agreements</i> : This agreement Established the Green Climate Fund for finance to projects, programs, policies and other activities in developing countries on equality basis.
2011	CoP 17, Durban, South Africa	Final agreement on the ‘Green Climate Fund’ and ‘National Adaptation Plans’ but the draft modalities and ownership of the GCF, the Secretariat, equity and role of CSO in managing this fund are yet to be identified

Source: Prepared by authors from website of UNFCCC on 25 December 2