



## *Climate Finance Governance Project*

### *Working Paper On Challenges in Climate Finance Governance in Bangladesh and Way Out<sup>1</sup>*

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# *Challenges in Climate Finance Governance in Bangladesh and Way Out*

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## ***Table of Contents***

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Abbreviations	4
1. Background	5
2. Methodology	6
3. Governance Mapping of Climate Finance in Bangladesh	8
4. Preliminary Assessment of Governance Risks in Climate Finance	14
5. Governance challenges in BCCTF Project Implementation	18
6. Recommendations	23
7. References	24
8. Appendices	25

## 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 Goals
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. Background

Bangladesh has been ranked as the 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, 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 has been ranked as the most vulnerable country and placed in the ‘extreme risk’ category<sup>2</sup> among 170 countries due to the likely impacts of climate change over the next 30 years. Furthermore, IPCC 4<sup>th</sup> assessment report predicts that 1 million coastal people of Bangladesh will become climate refugees within 2050 due to sea level rise.

Considering this massive risks, the Bangladesh Government has already formulated Bangladesh Climate Change Strategy and Action Plan (BCCSAP-2009), National Adaptation Program of Action (NAPA-2009) and Bangladesh Climate Change Trust Fund Act-2010. The Government has created Bangladesh Climate Change Trust Fund (BCCTF) from the national revenue budget. 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.

The 1992 “Earth Summit” was held in Rio de Janeiro of Brazil under the supervision of UNFCCC, to protect the earth from global warming. At that summit, the polluter nations pledged to contribute towards climate fund for the affected countries as compensation, since they have mostly contributed to GHG emissions over the years. ‘Polluters Pay Principle’ was the main rationale behind the creation of climate finance. From 1997 to 2007, there were no specific global initiatives<sup>3</sup> for affected developing countries except LDCF, SCF and Adaptation Fund of COP-7 in 2001<sup>4</sup>. In the ‘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; it was a “***collective commitment***” to mobilize long-term finance, where further \$100 billion was pledged to be mobilized by 2020 from variety of sources. Thirty-nine highest green house gas emitting Annex-1 countries have provided or promised to provide financial assistance to be used for climate change related activities, particularly in adaptation, mitigation and technology transfer. At present, different funds are being provided to the affected counties under UNFCC to perform climate change related activities, although the sources, objectives and uses of these funds vary.

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

<sup>3</sup> See the evolution of climate finance in Appendix 1

## ***1.1 Rationale***

To address the climate change impacts, Bangladesh Government's Ministry of Environment and Forest (MoEF) is mandated to formulate policies and implement acts, screen proposals, approve projects and coordinate with relevant institutions to administer BCCTF and BCCRF, while the World Bank acts as a fund manager for BCCRF. In this context, climate finance and its management have become topics of serious discussions, where issues like governance deficit, undisclosed policy, unavailability of ToR in different institutions, non-availability of project information, allegations of political interference in project selection, lack of transparency and accountability in project implementing organizations are routinely observed. On the other hand, as a new area of finance, there is a dearth of research to identify the governance risks. Therefore, this working paper has been prepared to identify governance challenges and risks in policy formulation, fund management, project selection, accreditation and implementation. It is likely to provide newer insights into transparency, accountability, integrity and independence of climate finance in Bangladesh.

## ***1.2 Scope***

In this working paper, climate finance refers to the flow of funds that have originated from BCCTF or BCCRF. Although Bangladesh is also receiving other funds through PPCR, GEF, UNDP and bilateral sources, these funds have not been included for mapping and assessment in this working paper.

## ***2. Methodology***

For mapping of climate finance institutes and assessment of climate finance projects, data was collected by using both qualitative and quantitative techniques, where different direct and indirect sources were also used. Interviews at key institutes, project site visits, interviews with affected and local people and case studies were the main sources of information of this working paper. The data collection period was from November 2011 to March 2012.

### ***2.1 Method of Climate Finance Governance Mapping***

For climate finance governance mapping, first of all the major climate finance organizations and institutions were identified. At the same time, organizations were identified sequentially from the highest funding organizations to the lowest fund utilizing ones (where the fund lastly reaches). Those stakeholders and organizations who are involved with climate finance policy formulation, project accreditation, selection and implementation were also considered. Some major criteria followed for mapping are described below:

1. Identification of climate financing policies ;
2. Identification of major policy actors who are responsible for policy formulation, verification, accreditation and requirements of projects;
3. Bodies in charge of final project approval and rejection;

4. Key actors in climate financing, especially those who take initiatives to ensure good 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. Sources of fund, volumes of finance, processes of financing and accountability;

## ***2.2 Method of Climate Finance Governance Assessment***

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

## ***2.3 Process of Project Selection for Primary Assessment***

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

## ***2.4 Visiting Project sites***

The research team visited project areas and sites at Khulna, Patuakhali, Satkhira and Jessore to collect information. During the field visits, 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 were collected.

## ***2.5 Consultations with the Affected Community***

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

## ***2.6 Secondary Sources of Data***

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

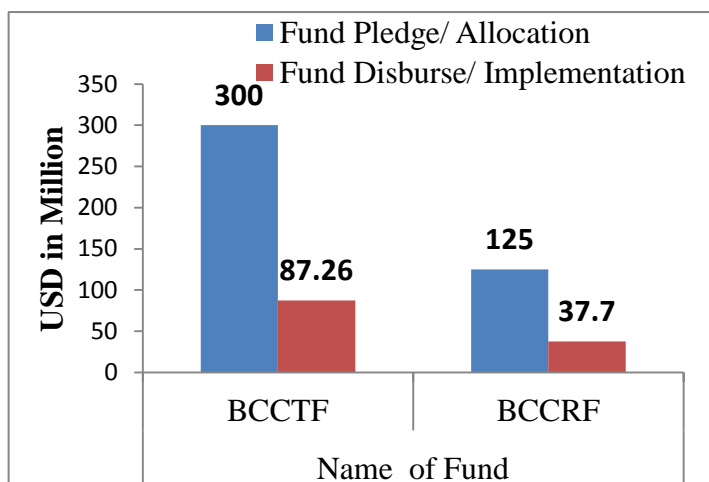
### 3. Governance Mapping of Climate Finance in Bangladesh

Bangladesh Climate Change Trust Fund (BCCTF) and Bangladesh Climate Change Resilience Fund (BCCRF) are the major actors for channeling climate funds 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. The World Bank is acting as the fund manager of BCCRF. All projects funded from BCCTF and BCCRF are 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 allocated under BCCTF and BCCRF are discussed below.

#### 3.1 Bangladesh Climate Change Trust Fund

In the 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. Of the allocated fund under BCCTF, 66 percent has been used for project implementation purpose; the interests from rest 34 percent are supposed to be used for emergency response, and a portion (proposed 10 percent) of the fund would be used for projects supported by NGOs. Till February 2012, US \$87.25 million has been approved for 62 government projects. On the other hand, a concerned official of BCCRF reported that 82 government projects have been primarily approved till 10 April 2012. If we consider the figures up to February

**Figure 1: Climate Financing in Bangladesh**



Source: MoEF and World Bank; extracted on March 30, 2012

28, 2012 Bangladesh Water Development Board got an allocation of 28.12 percent, while the Forest Department got 14.35 percent, Department of Relief and Rehabilitation 10.68, Department of Environment 9.23 percent and BIWTA got an allocation of 6.37 percent of the total approved fund. On the other hand, other government organizations got the allocation from the remaining 31.25 percent fund. It should be mentioned that 53 NGO projects were initially selected for funding from BCCTF, but disbursement of fund was stopped up to March 2012 due to allegations of corruption in project selection and approval. The Government primarily assigned PKSf to investigate and assess

the 53 NGO project proposals<sup>5</sup> due to huge criticisms and protests by the media, concerned Parliamentary Committee and related stakeholders. The PKSf has already submitted the investigation report to the concerned ministry, but till now this investigation report has not been published. So far, out of 5,000 proposals submitted by NGOs, PKSf has primarily selected 115 proposals for funding.

### ***3.2 Bangladesh Climate Change Resilience Fund***

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The main objective of BCCRF is to assist in implementation of Bangladesh Climate Change Strategy and Action Plan from 2009 to 2014. Out of the total allocated fund for BCCRF, 90 percent will be utilized for implementation of government projects and the remaining 10 percent will be utilized for project implementation by NGOs. Up to March 2012, US \$125 million has been disbursed from the fund, while only three projects have been approved, namely; a) Building 56 new cyclone shelters and rehabilitating about 50 damaged shelters; b) PKSf: Fund for Civil Society Organizations and NGOs for Community Based Climate Change Resilience Activities; and c) Fund for The Secretariat in the Ministry of Environment and Forest. US \$37.70 million has been disbursed for the three projects and another three projects are awaiting approval. It should be noted that the project summary of only one project, viz. “*PKSf: Fund for Civil Society Organizations 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 or in the websites of the World Bank and MoEF. In this regard, TIB requested the World Bank to provide access to the approved project documents, but the World Bank did not give any reply on the issue. As a result, it was not possible to assess whether there were any governance risks in implementation, elements or activities of BCCRF funded projects.

### ***Responsible Fund Management Organizations for BCCTF and BCCRF***

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#### ***a) Law, Policy, Strategy Formulation and Implementation Actors***

The Ministry of Environment and Forest (MoEF) acts as the co-coordinator at national and international levels in the area of climate Change. The Ministry is also mandated to formulate laws, implement policies and strategies to ensure transparency, accountability and capacity. BCCTF and BCCRF were established through the initiatives of MoEF; therefore, the Minister for Environment and Forest acts as the highest authority for both BCCTF and BCCRF. However, the World Bank is playing an important and influential role in project selection and strategic planning of BCCRF.

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<sup>5</sup> A circular issued on 30 November 2011 on behalf of BCCRF by Deputy Director, Ministry of Environment and Forest

## ***b) Actors Involved in Fund Approval and Release***

**BCCTF:** The Board of Trustees of BCCTF approves government projects after assessment of proposals by a technical committee. After approval of projects by BCCTF Trustee Board, a request letter is sent to MoEF to release fund against the approved projects along with names of the organizations and other documents. Then the MoF releases 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 has 17 members and acts as the highest authority for project selection and approval. Therefore, no prior and additional approval is required from the Ministry of Finance to release fund. After getting the fund from Ministry of Finance, BCCTF authority disburses fund to project accounts of implementing organizations in three or four installments.

**BCCRF:** In BCCRF, government agencies submit project proposals against the call for proposals. The proposals are primarily verified and reviewed by a Management Committee and then assessed by the World Bank and finally gets approval from the Governing Council. After getting final approval, a final deal is signed by the representative of Economic Relations Division and the Country Director of World Bank for releasing funds to the respective government organizations.

**PKSF:** Palli Karma Sahayak Foundation (PKSF) is now responsible for reviewing, accepting or rejecting project proposals, as well as funding of NGO projects; but before 30 November 2011, BCCRF authority was solely responsible for the above mentioned tasks. After allegations of irregularities and possible corruption in project selection by BCCTF authority were raised, PKSF was assigned to investigate irregularities of initially approved 53 NGO projects. PKSF submitted an investigation report to the concerned ministry, but this report has not been published yet. On the other hand, PKSF is responsible for selection and approval of 10 percent fund for the NGOs from BCCRF. In this regard, preparation of a final deal is under process.

Authorizing and empowering PKSF to channel funds for NGO and CSO projects from BCCTF and BCCRF is a positive decision; but the government should explain the logic behind this decision to ensure transparency and accountability. Besides this, some key informants and climate finance stakeholders are demanding investigation on whether there is any conflict of interest in engaging PKSF to channel the fund. Furthermore, any guideline or manual for administration of the fund by PKSF has not yet been developed.

## ***c) Coordination and Enforcement Actors***

The Technical Committee of BCCTF, MoEF, and CCU staffs discharge the responsibilities of co-ordination and enforcement in proper implementation of projects. It was gathered from interviews with BCCTF authority that the CCU was established under MoEF to act as the Secretariat of BCCTF. The chief of CCU is the Secretary of the concerned ministry. One

Additional Secretary acts as the coordinator and is responsible for proper implementation of BCCTF activities. The project implementing organizations monitor and verify project activities with the help of relevant local officials. An inter-ministerial team under the guidance of a Joint Secretary monitors the implementation of projects. But so far, no guideline is available in any published source regarding the responsibilities of CCU.

The Ministry of Environment and Forest plays the role of Secretariat and also acts as the coordinator for BCCRF. Besides, the World Bank has a team for directing project activities and coordinating with government organizations when required. Furthermore, the implementing organizations also have mechanisms of their own to implement project activities.

#### ***d) Monitoring, Verification and Reporting Actors***

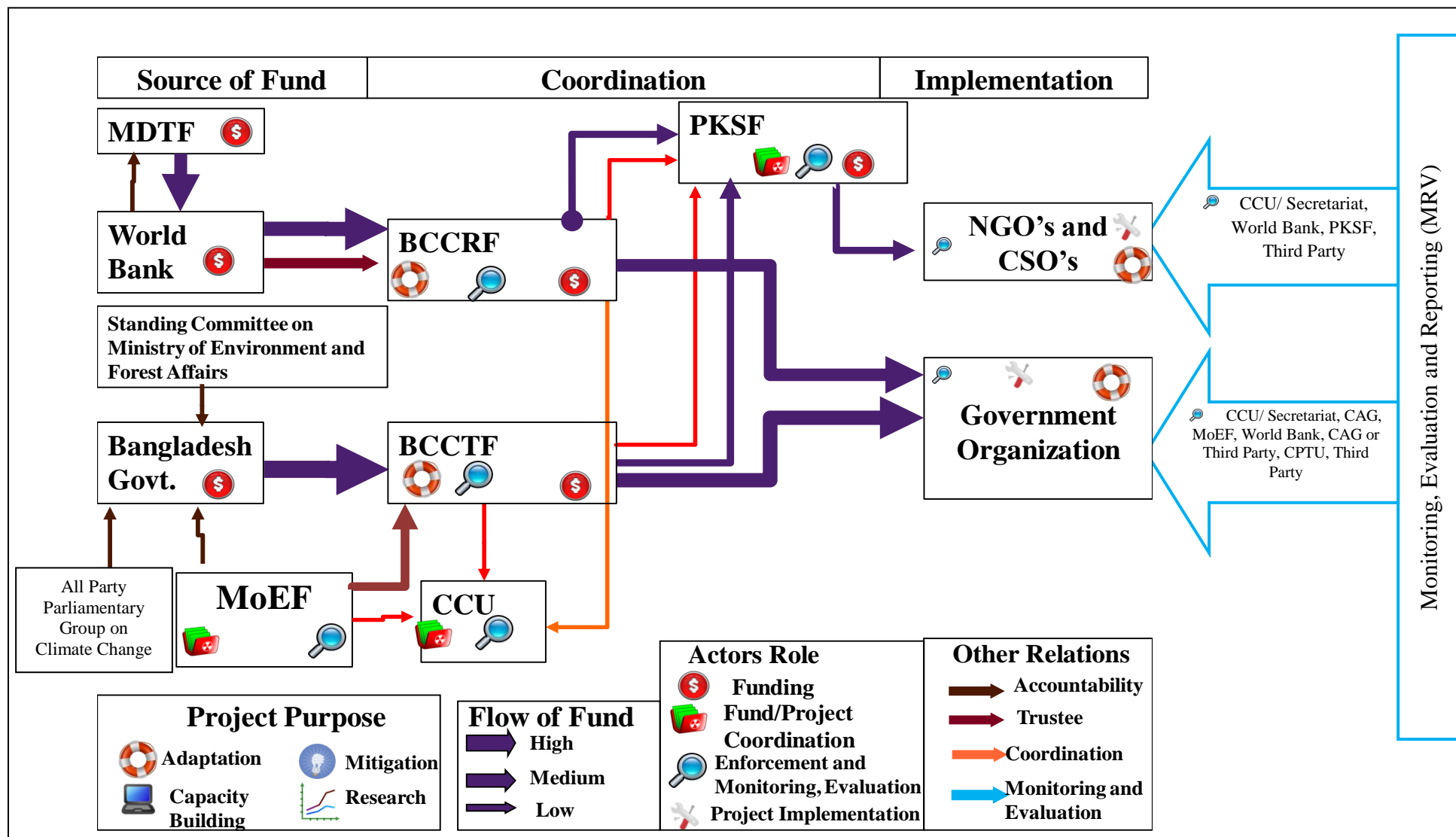
For BCCRF, auditing is done by the implementing organizations, the Comptroller and Auditor General (C&AG) of Bangladesh and if required, the BCCTF Trustee Board can engage a third party firm. But it is not clear how the NGO projects under PKSf will be audited and monitored, although there was a gazette 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 a provision for involving District Commissioners in monthly coordination meetings of BCCTF. As World Bank is the fund manager of BCCRF, there is a provision for internal and third party audit, which has been 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	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	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 selects 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	BCCRF	World Bank→ ERD (Coordinated by MoEF and MoF)→ Bank account of implementing government organizations	Development Partners → ERD and World Bank
		MoEF→ BCCTF Trustee account (10%)→ PKSF→ Implementing organization	World Bank→ ERD (Coordinated by MoEF and MoF)→ NGO and CSO projects		
Project Implementation	Government organizations like 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 3: Flow of Climate Finance and Management under BCCTF and BCCRF in Bangladesh



## 4. Preliminary Assessment of Governance Risks in Climate Finance

A preliminary assessment was carried out in this research to examine the quality of governance in the 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 this assessment are described below.

### 4.1 Disclosure of Documents/Transparency

According to BCCRF Implementation Manual, the *Governing Council (GC)* is mandated to prepare policies, provide strategic direction and guidance, give final approval to primarily selected TPP and approve projects through proper alignment with BCCSAP 2009. On the other hand, the *Management Committee (MC)* is responsible for review of short-listed projects for funding and initial approval of Technical Project Proposals (TPP), as well as production of fund implementation manual. The World Bank has been appointed primarily by development partners to provide support for fiduciary management and render technical assistance in implementation of projects funded by BCCRF in order to ensure transparency, accountability, efficiency and effectiveness in operations until 2014. Recently, it has been learnt that the Government has extended the role of the World Bank from 2104 to 2018. In addition, the World Bank is supposed to work with the BCCRF Secretariat (MoEF) to coordinate between stakeholders through advocacy and knowledge dissemination.

As per the World Bank's internal systems and BCCRF Implementation Manual, it is supposed to disclose the approved project documents for 'Construction of 56 New Cyclone Shelters and Rehabilitation of about 50 Damaged Shelters'; but in reality those are not available in any public domain including the World Bank website or any published source. Although the Governing Council is mandated to finally select projects according to the BCCRF Implementation Manual, a key informant disclosed that the World Bank played the most vital role in final selection of projects funded by BCCRF. Besides, required information related to transparency in fund management is also not available on 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)
<b>Documents available</b>	Overview on BCCRF, Concept note on NGO funding, a project summary,	Approved project list; 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 NGOs; BCCSAP 2009; National Adaptation Program of Action (NAPA) <sup>6</sup> .
Unavailability of	▪ 1% service charge and	▪ Management or operating cost of BCCTF

<sup>6</sup> Extracted from MoEF website on 26 March 2012

<b>Availability of Information</b>	<b>BCCRF (According to Implementation Manual)</b>	<b>BCCTF (According to Right to Information Act)</b>
specific information.	additional 4% fees deducted by World Bank for fiduciary management and operating costs; <ul style="list-style-type: none"> <li>▪ Updated integrated protection measures to ensure integrity.</li> </ul>	and CCU; <ul style="list-style-type: none"> <li>▪ Information on activities and operations of CCU.</li> </ul>
Provision <sup>7</sup> exists but information is unavailable in the public domain	<ul style="list-style-type: none"> <li>▪ ToR/modalities between BCCTF and PKSf as well as World Bank and PKSf;</li> <li>▪ Project selection process; regarding project approval or rejection process;</li> <li>▪ Project progress evaluation report;</li> <li>▪ Environmental Impact Assessment (EIA) report, where applicable;</li> <li>▪ Extent of role of World Bank in project selection/rejection;</li> <li>▪ Minutes of Trustee Board/Governing Council, MRV related reports (Baseline, Mid-term and Final evaluation report of projects); and</li> <li>▪ Financial audit report.</li> </ul>	

During this preliminary assessment of governance of fund management by the BCCTF (from project approval to implementation), it could not be ascertained from the BCCTF web portal or any other source whether an Implementation Manual for BCCTF exists like the one for BCCRF. According to the provisions of the Right to Information Act of Bangladesh Government, the unavailable documents should have been available in the website of the MoEF or CCU office or the relevant web portal, but in reality these documents are not publicly available.

Besides, the proposed Secretariat for the BCCRF has not yet been established properly and effectively. Information about the roles and functions of the World Bank in BCCRF projects, which is supposed to be disclosed in public domain, is also not publicly available. However, the CCU Coordinator expects that operations of the BCCRF Secretariat will commence within next one month (National Meeting, TIB, 9 April 2012). It should however be noted here that information disclosure by the World Bank does not fall under the purview of Right to Information Act of Bangladesh. Problem remains as the World Bank's information disclosure policy does not always comply with Bangladesh's Right to Information Act.

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<sup>7</sup> BCCRF implementation manual, Page 61 - 64

## 4.2 Accountability and Independence

In the BCCRF operations manual, although roles and responsibilities of the Governing Council, Management Committee, Secretariat and the World Bank have been specified, several challenges still exist in ensuring accountability in the existing policies and operations of concerned agencies. Overall, challenges and limitations remain in ensuring effective utilization of fund, participation of affected people in the project approval process and faster implementation of projects. Since government agencies are implementing projects with funding from both BCCTF and BCCRF, a strong coordination between BCCTF, BCCRF and the World Bank is required (which is now almost absent) to bring coherence in decisions and avoid multiple funding. Whatever the size of disbursed fund, its effectiveness depends on its proper utilization with the involvement of affected and vulnerable people at different stages of implementation; but this is not rigorously practiced in the management of funds.

**Table 3: Accountability in Fund Management**

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

Besides, according to reliable sources, some projects have been approved by BCCTF for funding without prior justification and applicability of climate change criteria; rather, they were chosen under political considerations. The names of these projects, implementing organization and amount of fund approved are listed below-

1. “Deposited Polythene and other Waste Removal from Buriganga & Turag Rivers” project, implemented by Bangladesh Inland Water Transport Authority (BIWTA), with a fund amounting to Taka 215 million;
2. “Deposited Polythene and other Waste Removal from Haikker Khal of Rayer Bazar, Dhaka & Charargope of Narayanganj” project, implemented by Bangladesh Inland Water Transport Authority (BIWTA), with a fund amounting to Taka 221.8 million;

3. “Re-Sectioning of Embankment and Revetment Works on Eroded River Banks at Sarafvata on Left Bank and Mariumnagar & Betagi on Right Bank of Karnaphuli River plus West Shantiniketon on Left Bank and North Parua & East Shabdinagar-Goazpara Area on Right Bank of Ichhamati River in Connection with Karnaphuli Irrigation Project (Ichhamati), Rangunia, Chittagong,” implemented by Bangladesh Water Development Board (BWDB) with a fund amounting Taka 203.8 million;
4. “Re-embankment Works and Construction of Infrastructure(s) at Different Locations of Eroded Banks of Karnaphuli, Halda, Ichhamati Rivers & Shilok Khal and their Tributaries in Different Upazillas of Chittagong District” project implemented by Bangladesh Water Development Board (BWDB) with a fund amounting to Taka 199.9 million; 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 the Department of Environment, with a fund amounting to Taka 19.09 million.

From different interviews and review of documents, it was found that as the secretariat of BCCTF, the CCU discharged the role of management and coordination among stakeholders, conducted advocacy and knowledge dissemination, reviewed and finalized project budget, enforced government procurement rules and prepared sector-specific guidelines on implementing projects by complying with the identified thematic areas of BCCSAP. However, CCU is not empowered to make the project implementation agencies accountable.

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

### **4.3 Capacity Building**

The management of BCCRF is supposed to be carried out through its Secretariat and MoEF, but in reality, the World Bank is playing the most vital and influential role as the setting up of the Secretariat is yet to be completed. Therefore, there is no clear picture about the capacities of concerned agencies. On other hand, due to inadequate staffs, the role of the CCU in overseeing projects implemented under BCCTF is being hampered. At present, 5-6 officials of CCU are monitoring 63 ongoing projects worth around \$150 million across the country. The major challenges that exist in capacity-building are;

- a) Absence of long-term and dynamic Human Resource Plan (HRP) for the CCU in order to convert it into a department;
- b) Inadequate staffs and resources for the CCU;
- c) Low capacity of the mid-level government officials to prepare project proposals effectively. It should be mentioned that out of 46 proposals submitted to the BCCRF, only 4 were selected ;
- d) Delay in setting up a full-fledged Secretariat of BCCRF and inadequate coordination among climate finance stakeholders.

Overall, it has been observed that existing systems and provisions for fund management, project implementation and monitoring of climate finance is not sufficient. If the capacities of the implementing organizations are not considered while approving projects, the outcomes of the projects will be always questionable.

#### **4.4 Integrity**

To prevent misuse of funds, some safeguards have been mentioned in the BCCRF Implementation Manual; but there is no specific and effective mechanism for ensuring integrity. The specific challenges faced in this area are:

- a) Political consideration as well as influence-peddling in project selection and approval;
- b) Absence of effective grievance mechanism in both BCCTF and BCCRF management;
- c) Affected local people and stakeholders are unaware of their role in curbing anomalies in fund utilization;
- d) No specific safe-guard exists to ensure integrity in the project approval process.

Inadequate application of integrity in the management of climate finance, particularly in project selection, release of fund and project implementation still exists. But there is no alternative to practicing integrity in climate finance projects in order to help secure the lives and livelihoods of climate vulnerable people.

### **5. Governance Challenges in BCCTF Project Implementation**

BCCTF has sanctioned 62 government projects in accordance with six thematic areas. From these 62 projects, three projects were selected for this research to assess the governance risks.

#### **5.1 Construction of Cyclone Resistant Houses at Char Area in Aila-Affected Khulna**

The Department of Relief & Rehabilitation has been implementing the project titled “Construction of Cyclone Resistant Houses at Char Area in Aila Affected District of Khulna” with funding from BCCTF. Taka 244.20 million was approved for the project implementation period of April 2010 to March 2012. Major governance challenges of this project were identified based on interviews with selected households under the project, local people, local government representatives and concerned government officials. The major challenges have been described below.

##### **A. Project Approval**

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

## B. Faulty design

According to the project summary, the design was finalized by the Ministry of Disaster Management, Relief and Rehabilitation and implementing agency is Department of Relief and Rehabilitation. According to the design, the house is fifteen feet long and twelve feet wide and is built on four RCC pillars with a roof. There is no provision for side-wall in the design of the house. The logics behind such a design were:

- If a full house with side wall is provided, the family will not move to the nearby cyclone shelter during natural disaster or tidal surge; therefore the family will remain vulnerable.
- A full house without side wall is justified as water of tidal surge cannot stay inside the compound. At the same time, the concerned officials of the Department said that affected families could build the side walls on their own and thereby contribute towards ownership of the building. But it was not assessed whether the affected families have the capability to build the side-walls of the houses (see Box 1). In reality, affected people and families were pauperized due to natural disaster and the assumption that they would build side-wall with and other facilities on their own was not justified. On the other hand, the project

**Box 1: Faulty Design and Miseries of Climate Victim**



This house was built 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 the house is not suitable for any other seasons like rains, storms and floods. She also informed that she knew the allocated budget for each shelter house was approximately Taka 1, 20,000. But within two months of completion, the construction material was collapsing. Therefore, she alleged that the quality of construction materials was not maintained properly and she had no capacity to re-invest for repair. She also added that before getting this house, she used this space for different purposes, but now it was just useless since her family could not stay there. (Source; Interviews, 2011)

had no contingency plan for cases when the affected people could not build side-walls on their own. If the houses are not capable of playing their due role during disasters, then what is the justification of building such type of cyclone-resistant houses?

The design is, therefore, truly faulty due to the following reasons:

- There is no side-wall;
- Not capable of protecting from rain, storm, flood, cold;
- Insecure for living, especially for women and adolescent girls;

- No sanitation, water supply and personal hygiene facility;
- Local people sometimes use it as a “cow-shed”.

However, it has been primarily identified through investigation that original design of the house was submitted as a house with both roof and walls and estimated budget was around Tk. 2.5 lakh (around USD3100), but with the Department of Relief and Rehabilitation was forced to change the design a house without walls to reduce the cost at Tk 1.2 lakh (around USD1400) so that more targeted affected households could be served. The design as changed from political consideration. Participatory method of project design and consultations with affected people before project implementation could ensure appropriate design for cyclone resilient housing. This could ensure right utilization of government money on the one hand, and ensure proper utilization of the house by the affected families on the other.

### ***C. Preparation of Beneficiary List***

According to Project Implementation Officer, a beneficiary list was prepared by forming a sub-committee (comprising 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 the list was changed at the UNO office because of political influence.

### ***D. Performance of the Contractor and Quality of Work***

Regarding the allegations about contractor selection in Dhaka, a project official said that the contractors were selected at district level, but they unofficially sub-contracted the construction work to local sub-contractors. The project officials also explained the logic behind the subcontracts; they said that as most of the listed households were situated at different locations and places, it was difficult for a contractor to continue construction work in different locations at the same time. So the main contractor engaged local sub-contractors to complete the construction work quickly. But the subcontractors did not fall under the jurisdiction of monitoring and evaluation by any party, nor were officially accountable to anyone for any transgressions. The following allegations were raised during interviews with affected households and local government representatives (Union Parishad Members) and consultations with the local people:

- The contractor did not disclose the schedule of work and the list of materials to anyone;
- The contractor did not co-operate with the households and local government representatives, and was unwilling to give opportunity to verify construction work;
- The quality of work by sub-contractors was very poor and there was lack of accountability for this low quality of work;
- Two months after completion, the roofs and basements of the houses started to collapse.

The constructed buildings are not maintained properly. During the field visit, it was observed that plasters of the floors and roofs of the houses were collapsing (See box: 1). The houses have now become a burden for the owners and they think that it is a misuse of their valuable land.

### ***E. Monitoring, Reporting and Verification***

The local Project Implementation Officer (PIO) reported that monitoring of the project was done regularly, but affected households and local people refuted this claim of regular monitoring. They claimed that the local engineer and PIO were not involved in ensuring the quality of

construction work. Therefore, the quality of work was severely degraded. On the other hand, the concerned officials conceded their deficiencies and blamed them on shortage of manpower in the project. Following different allegations, a high official of the concerned ministry investigated the project and submitted a report. As a sequel to these allegations, the BCCTF authority has stopped further disbursement of funds in this project.

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

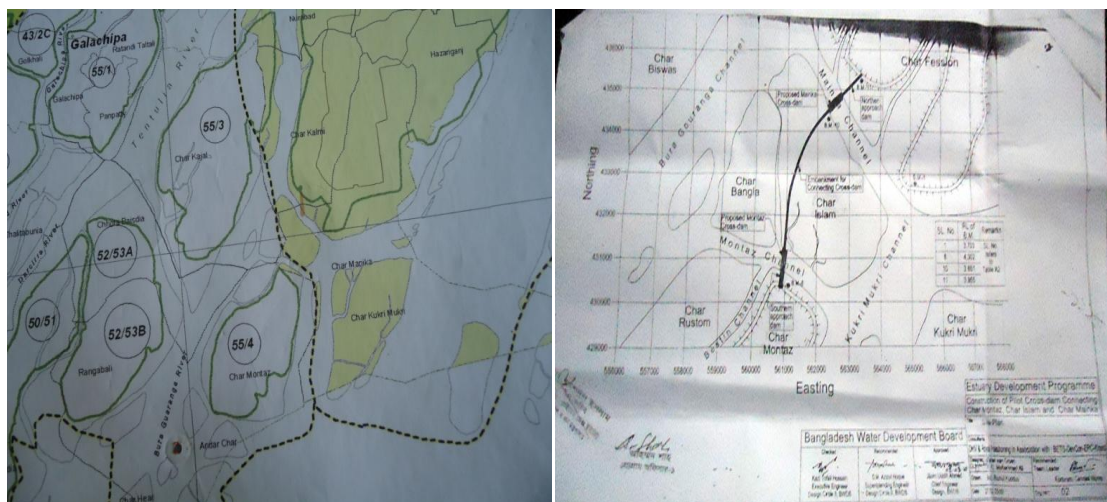
Bangladesh Water Development Board has been implementing the project titled “Land Reclamation by Constructing Char Mynka-Char Islam-Char Montaz Cross Dam” with funding from BCCTF. Taka 243.70 million has been approved for the project for the period January 2011 to June 2012. There are another two supplementary projects of Taka 221 million. Based on interviews with concerned stakeholders, the following governance challenges have been identified:

### ***A. Project Approval***

The project proposal mentioned that Patuakhali and Bhola would be connected by constructing the cross-dam. Out of the total 5 km long embankment and dam, 3.44 km is under Char Mynka and Char Montaz of Patuakhali district and the rest 1.56 km is under Bhola district. At a certain juncture of the project, Kalapara Water Development Board requested the local Forest Department to allow them to cut trees and issued an official letter to permit the cutting of thirty thousand trees from the protected forest. But the Patuakhali Forest Department rejected this proposal as 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 follows:

- Political consideration and emphasis on personal choice in project selection;
- No Environmental Impact Assessment (EIA) carried out 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 impacts were not assessed before approval of the project. On the other hand, the size of land to be reclaimed was not identified;
- The protected forest was not shown or marked in the proposed map.

### **Figure 3: Comparative Pictures**



Project site showing the existence of forest

Approved project map without existence of forest

*Source: Approved Project Document and Forest Department, February 2012*

- During project development, Bangladesh Water Development Board suppressed the issue of tree cutting and the Forest Department was not informed about it; but during project implementation, the Water Development Board issued a letter to the Forest Department for the purpose and put pressure for giving permission to cut thirty thousand trees from the protected forest;
- The local community and experts were not consulted during project preparation;

Following concerns expressed by the forest department on cutting trees from the reserved forest, BCCTF authority stopped the disbursement of fund for this project. In this context, question can be raised about the basis for approval of such a project by BCCTF without any EIA. On the other hand, experts have also expressed concern as construction of the dam will block two wide and active channels and ten other small channels.

### **B. Quality and Progress of Construction Work**

During the visit to project site, it was found that construction of the dam was continuing without engaging any expert engineer. The dam was being constructed by withdrawing sand and silt from the channel-bed adjacent to the dam-site. As a result, the probability of breaking down of the dam is very high in the near future. The contractors reported that they had spent more than Taka 90 million against the total allocation of Taka 110 million; but there was no significant progress in the project. On the other hand, the local office of the Water Development Board did not know how much money had been spent so far, as the contractors were withdrawing money by informing the divisional or head office of Bangladesh Water Development Board (WDB).

### **C. Coordination and Verification**

The local Forest Department opposed the construction work and reported negatively to their higher authority. Lack of coordination between WDB and Forest Department was the main cause of the current impasse. Now the relationships between the Forest Department and WDB as well as contractors have worsened. An official of the CCU visited the project-site to fix the problem between WDB and local forest officials, but there was no effective agreement to settle the problem. On the other hand, the rainy season is approaching; therefore, local people believe that

the future of the project is uncertain. In this circumstance, question can be raised about the accountability of BCCRF authority in approving such project.

### ***5.3 Plantation on BWDB's Embankment in the Coastal Belt and Adjacent Char Areas***

Under the BCCTF, the Forest Department has been implementing a project titled "Plantation of BWDB's Embankment in the Coastal belt and its adjacent Char Areas". Total approved budget for this project was Taka 117.50 million for the period January 2010 to June 2011.

#### ***A. Project Development***

The project was under implementation on the embankment of the coastal land and adjacent char areas of Khulna, Satkhira, Bagerhat and 16 other coastal districts. During field visits, it was found that there was no accurate estimate of land for plantation. Officials of the Forest Department informed that they had sufficient fund but could not continue the plantation work due to unavailability of land. Therefore, some areas remained unplanted on the embankment and the causes were:

- Some lands have already been leased away by BWDB and therefore occupied by shrimp cultivators;
- Some lands are illegally occupied;
- Some proposed areas of WDB are not suitable for plantation;
- Some proposed lands are under the control of District Commissioner's office;
- Communities inhabit some proposed lands on the embankment.

#### ***B. Capacity, Verification and Reporting***

Forest officials are not interested about monitoring the project works, especially in remote areas, as there are insufficient budget and resources for field visits. Regarding monitoring, the Circle Forest Officer said that the Range Officer, ACF, DFO and related ministry officials regularly monitored their project, although there was limited budget for monitoring. But it should be noted that the Forest Department got 14 percent of the total approved fund from BCCTF for the project. Therefore, it is important that the effectiveness of fund utilization and the impact of these plantation projects should be assessed thoroughly. Inadequate budget for monitoring, insufficient manpower and resources were the main obstacles to proper monitoring of the project. Weak accountability is another governance risk for the project.

## ***6. Recommendations***

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### ***Legal and Policy***

- Ensure the engagement of significant numbers of relevant civil society individuals along with the participation of local community at all stages of project preparation and approval, and ensure their participation by amending existing climate finance law;
- Involve the affected and local people in project implementation and bring necessary changes in the Public Procurement Act for the purpose;
- Develop a Code of Conduct on "*Transparency and Accountability*" to ensure transparency and accountability, and devise arrangements to make all stakeholders follow this code of conduct;

### ***Ensure Transparency, Accountability and Bring Momentum in Climate Finance Management***

- Ensure transparency and accountability at all levels of climate finance mechanism including project selection;
- Disclose all climate finance related ToRs, agreements, manuals/procedures and project related information;
- Make the environmental impact assessment, especially impacts on forest and ecology as well as social impacts, mandatory before approval of projects;
- Put in place a Grievance Management System (GMS) for swift resolution of the allegations lodged;
- Appoint a Climate Ombudsmen or create a national platform to ensure efficient management of climate finance;
- Ensure the participation of experienced experts, not having clash-of-interest, in the project selection and approval process of BCCTF, BCCRF and PKSf;
- Mete out exemplary punishments to corrupt individuals.

### ***Capacity Building***

- Empower the CCU, so that it can recruit required manpower (permanent and contractual) as soon as possible, allocate fund for this purpose and implement its work plan for funding and project management;
- Prepare long term human resource management plan for both BCCRF Secretariat and the CCU.

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## Appendices

### Appendix-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 included <b>polluter-pays-principle</b> (the polluter will bear the costs of pollution)
1995	COP-1, Berlin, Germany	<i>Berlin Mandate:</i> Financial decisions included provision for extending technical and financial support to developing country parties. It also included the GEF fund and its implementation 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 <i>the Clean Development Mechanism (CDM)</i> . <i>The 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 developing countries 'shall be provided' additional and predictable financing
2010	CoP-16, Cancun, Mexico	<i>Cancun Agreement:</i> This agreement <b>Established the Green Climate Fund</b> for financing projects, programs, policies and other activities in developing countries on the basis of equality.
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 the authors from the website of UNFCCC on 25 December 2011