

Country-driven approaches to climate finance: insights from Bangladesh

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1. Context

Efficient, transparent and country-driven approaches to the delivery of climate finance are crucial to achieving the global objectives of climate change policy. Recently, important new developments have emerged in the international institutional architecture with the establishment of the Green Climate Fund (GCF). However, the interface between national and international levels is still often framed from the global level downwards. Country-level studies help inform strategy development of the institutions involved. For instance, they can analyse how the global-national interface actually works, as significant funds start to flow, and reveal how national institutions can be supported through capacity development towards more effective outcomes. These insights should prove helpful as the GCF is aimed to pursue a country-driven approach and to strengthen engagement through the effective involvement of the relevant institutions and stakeholders at country level¹.

This paper presents a short summary of a country study on Bangladesh, focusing on the current institutional set-up for climate finance and the implications for further refinement and support². Bangladesh is a suitable place for an exploration of how climate finance (both adaptation and mitigation) is already working and where readiness to absorb additional finance needs to be developed to create an enabling environment for effective investment. Undertaken on behalf of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the country study explores the current policy and finance framework in Bangladesh. Based on this report, specific recommendations are given in this summary for development cooperation in the country. Finally, the general implications of the specific case for the global debate are discussed. The opinions and analyses presented in this summary do not necessarily reflect the views and official policies of GIZ. >

¹ Green Climate Fund (2012): Governing Instrument for the Green Climate Fund, Objectives and Guiding Principles, http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF-governing_instrument-120521-block-LY.pdf, accessed: 24.08.2012.

² Hedger, M. and G. Rabbani (2012): Cooperating with Global mechanisms on climate financing; risks and opportunities for Bangladesh. A report for GIZ Eschborn, July 2012.

The case of Bangladesh

Bangladesh is in a position of extreme environmental vulnerability to climate induced hazards. The country has developed and is still improving its anticipation of and responses to extreme weather events in the context of disaster risk management. Development policy in Bangladesh is beginning to address climate variability. Climate change is therefore a new element in national policy and development partner support but is framed within a broader policy context.

The country has extensive evidence of its vulnerability and experience of adaptation at local and national levels. The government of Bangladesh, through the Ministry of Environment and Forest (MOEF), has already approved 96 projects under the Bangladesh Climate Change Trust Fund (BCCTF); of which 14 projects had already been completed by different government agencies by mid-September 2012. The lessons of such experiences can potentially guide the future effective financial mechanisms and strengthen institutional arrangements for climate actions on the ground.

Bangladesh has become an increasingly significant player in the UNFCCC negotiation process, as the largest Least Developed Country (LDC) and is an alternate member on the GCF for the LDCs. On the invitation of Prime Minister Sheikh Hasina, many country leaders attended the Third Climate Vulnerable Forum (CVF), held in Dhaka in November 2011 immediately before the COP 17 in Durban. The country took pioneering steps in 2008 to initiate national climate funds which have led to the development of two Trust Funds (the BCCTF and the Bangladesh Climate Change Resilience Fund/BCCRF).



2. Challenges on the policy and finance frameworks

This independent assessment suggests two key areas that need addressing by development partners in order to support the Bangladesh side in creating a stronger enabling environment for effective investment by climate finance. First, more resources are needed in order to make faster progress on policy implementation, which requires both the reinforcement of the knowledge base, and a coherent approach to the delivery of the national climate change plan. Second, rationalisation of national and international spending in the country might help in view of the proliferation of funding mechanisms to which Bangladesh is exposed.

2.1 Accelerating policy implementation

With the support of its well-established scientific community and strategic development initiatives, Bangladesh has in many ways become an innovative force in climate change policy development and action at international level and the Government of Bangladesh (GoB) has undertaken a series of major policy and institutional changes. As an early mover, Bangladesh produced its National Adaptation Programme of Action (NAPA) in 2005, based on a project by project approach. The NAPA was revised in 2009. Spurred on by Cyclones Sidr and Aila and with the stimulus of the Bali Action Plan, the GoB prepared the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2008/2009 to provide strategic direction on climate change. These initiatives have led to significant action on the ground but further potential exists: the challenges of integrating the various national and sectoral strategies remain. Despite the establishment of the Government-funded BCCTF to deliver the BCCSAP, it has not yet been developed into a costed and prioritised programme which is embedded into national development planning and budgetary systems – the Annual Development Plan and the Medium term Budgetary Framework. However, an initiative has been taken to prioritise the projects/programmes for smooth and effective implementation.

Investments in ‘climate proofing’ have resulted in major positive impacts on climate-resilient economic growth and poverty reduction in the country. Over the last 10 to 15 years, the number of fatalities from natural disasters has declined, as the country’s ability to manage risks, especially floods and cyclones, has improved and community-based systems have been instituted. These investments have been

led by a range of ministries especially the Ministry of Disaster Management, the MOEF, the Ministry of Water Resources, the Ministry of Health and others. There is increasing awareness across all areas of Government of the challenges involved in tackling climate change over the long term, and of the need to ensure that existing development programmes build in climate resilience although they may not be formally earmarked for climate change spending. However, certain lack of technical capacity in key ministries such as Water and Agriculture as well as Environment and Forests and their associated implementing agencies is still evident. Another major concern is the lack of coordination between the relevant ministries and implementing agencies. Only limited climate-related information is available for decision-making on infrastructure investments. Efforts and capacities to implement existing policies still need to improve.

2.2 Integrating national and international spending

The other key challenge is to develop a sound and integrated financing system for climate change interventions. In recognition of its extreme vulnerability to climate hazards, irrespective of climate change, and the fact that its development pathway is potentially exposed to the adverse impacts of climate change, Bangladesh has been a priority for donors. In 2010, four major funding mechanisms on climate change had been established,³ including two trust funds, the Government’s BCCTF, and the internationally funded BCCRF. The management of the donor-led BCCRF was heavily contested and allocations from the Government’s own Trust Fund have been debated. Recently momentum has been building around the BCCRF with most active donors now contributing. In fact, the current contributing countries or development partners for BCCRF include Australia, Denmark, EU, Sweden, Switzerland, the United Kingdom and the USA. About USD 144m (out of a total of USD 170m) has already been allocated to implement seven projects under the BCCRF. It has proved possible to set up a management mechanism for the fund in which the GoB has confidence, and which ensures that key decisions are made within the country. This may also create room for coordination with the BCCTF.

In the past, Bangladesh has accessed GEF funds for climate change, including the LDCF and has a programme running under the World >

3 The Government-funded Bangladesh Climate Change Trust Fund (BCCTF); volume: USD 100m; the multi-donor Bangladesh Climate Change Resilience Fund (BCCRF); volume: USD 110m; the World Bank Special Programme on Climate Resilience (PPCR); volume: USD 110m; and the multi-donor Comprehensive Disaster Management Programme (CDMP); volume: USD 70m.



Bank's Pilot Programme for Climate Resilience (PPCR). There is also a multi-donor funded programme covering disaster risk reduction and climate change (the Comprehensive Disaster Management Programme, CDMP) which has been running since 2005. Recently, the country received funds from a World Bank food security programme. There are also a number of bilateral assistance programmes relevant to climate change and low carbon development, some of which are now labelled under Fast Start Funds.

With this proliferation of funding come challenges to ensure that the funds complement each other's investments, rather than competing with each other, e.g. in project and partner selection and visibility. It is vitally important that their programmes address country-driven priorities and that potentially diverging procedures are aligned. These issues matter: not only has climate change received a higher profile in development assistance but a recent major study commissioned by UNDP and supported by the GoB Planning Commission has found that 'climate relevant' spending from domestic budgeted resources is greater than donor assistance (77:23)⁴. Coordination and capacity challenges arise because of the complexity surrounding climate change. These relate not only to intra-ministerial coordination and the challenges of seamless delivery from policy to implementation, but also to the more difficult issue of coordination among development partners.

In this context, development partners should pay attention to the risk that their engagement may result in legacies that are inappropriate and dysfunctional for the subsequent institutional setting in the country. Under the overarching Bangladesh Development Forum (BDF) working groups have been established to facilitate coordination – including the Local Consultative Group on Environment and Climate Change under the MOEF. These moves are supported to varying degrees by most development partners. This group began to meet regularly in 2011 and is currently working as an information-clearing mechanism. A number of contested issues in negotiations at international level are also revealed in Bangladesh, for example concerning the role of Multilateral Development Banks as intermediaries for climate finance.

Comparatively few development partners have been operating on a wide scale in Bangladesh with regard to climate change. For the most part, development partners have been operating in niches and have developed individual ways of addressing governance.

3. Recommendations for development cooperation in Bangladesh

Several features of climate change pose challenges for development partners and implementers: the scale of funding required; innovation and the transformative objectives pursued; capacity gaps; inter-sectoral coordination and knowledge management in a highly complex environment⁵. The GIZ country study, on which this paper is based generated the following recommendations:

3.1 Scaling up and innovation

It would be desirable to move from delivering on business-as-usual interventions to more programmatic innovative approaches. Pressure is often high to spend money fast. Development partners may thus feel tempted to simply add on or re-label existing projects. This may shorten project procedures but may not secure the desired development effects.

Delivery should be extended towards large scale projects in sectors such as agriculture and water. In order to achieve this, mechanisms for project development and coherence within and between ministries and their associated departments will need to be enhanced. In Bangladesh, potentially over 30 ministries are more or less engaged in climate change related activities.

A clearer division of tasks and specialisation of development partners might deliver more effective support. The GoB values specialist expertise. For example, a partner such as Germany might consider consolidating where it has specialist background, on its renewable energy/low carbon work. There is still only limited evidence of a coordinated effort of development partners within the country in the field of climate change or the development by the GoB of its own strategy for donor engagement.

Based on the set of national development planning documents, (Annual Development Plan, Medium Term Budgetary Framework and the Vision 2020) a time frame for actions needs to be prepared >

4 O'Donnell, M.; Hedger, M.; Lee, J.; Islam, K. N.; Islam, T.; Khondker, R. (2012): Bangladesh Climate Public Expenditure and Institutional Review, http://www.aideffectiveness.org/images/stories/Bangladesh_CPEIR_First_Draft_Report.pdf; accessed: 24.08.2012.

5 Hedger, M. (2011): Climate finance in Bangladesh: Lessons for Development Cooperation and Climate Finance at National Level. http://www.edc2020.eu/fileadmin/publications/EDC_2020_-_Working_Paper_No_12_-_Climate_Finance_in_Bangladesh_Lessons_for_the_Development_Cooperation_and_Climate_Finance_at_National_Level.pdf; accessed: 24.08.2012.



which works towards long-term transformational change with regard to climate change. This should start from the short-term where action is focused around the MOEF towards institutional changes when climate change will be part of many people's jobs in all ministries, and will also cover major infrastructure projects, for example in the area of coastal protection, cyclone and flood shelters or the necessary preparation for population displacement.

3.2 Capacity and coordination challenges

It appears that no consensus has yet been found among country-based decision-makers as to whether and to what extent Bangladesh should focus on improving the trust funds with pooled bilateral aid at national level, or gear up for direct access to the GCF with pooled global funding. In that context, development partners have the following options: supporting institutional capacities to access to global funds, or enhancing current funding mechanisms, including the mobilisation of domestic resources. A balanced mix of both approaches is another possibility. An additional challenge is to set up an effective national climate finance institution for direct access which meets the necessary fiduciary standards for direct access to the global funds. This will require concerted effort over several years.

Coordination within the donor community on climate change issues should be improved through mechanisms such as the Local Consultative Group, in order to overcome overlap and competition.⁶

Support could also be provided to improve coordination within the Government and between national and local levels. The existing gaps are partly due to the current weakness of local governance in the country.

There is still a need to empower civil society to participate in climate change-related decisions and action, including those on funding. This includes the question of how the access of civil society organisations (CSOs) can be organised using the national financial system and supporting CSOs through funds they can use. CSOs have a very important role to play in facilitating and implementing efficient responses to climate change in Bangladesh. They are increasingly vocal about equity and transparency issues and actually deliver services on the ground.

3.3 Knowledge Management

The creation of a Climate Change Resource Centre has been suggested in order to capture learning from climate change projects. One core task for such a Centre could be to devise the Monitoring, Verification and Reporting (MRV) system, database and baseline development. In current and past projects on climate change, no consensus on modalities for data collection has been reached and there is still room for improvement among both national authorities and development partners.

A Climate Change Resource Centre might also serve as a clearing house for activities and provide coordination and networking services between technical institutions. This could also contribute to improved coordination and a higher quality of climate change-related research.

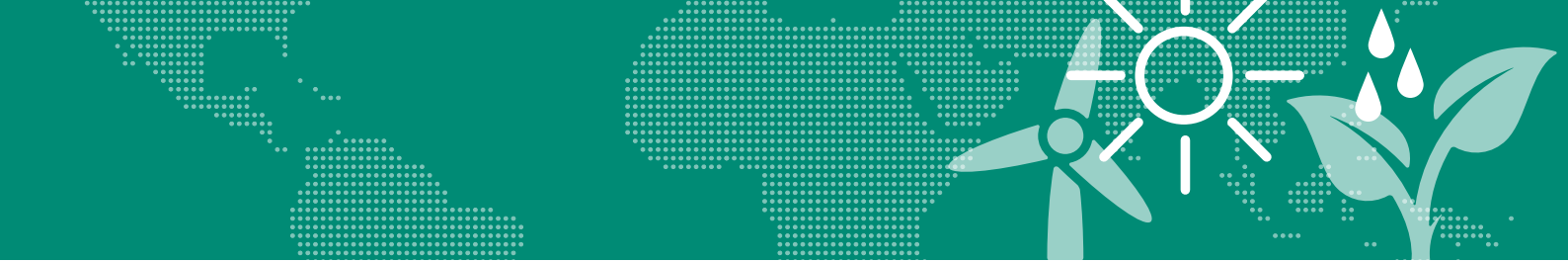
There is a need to devise a number of targeted short courses, for training Government officials, technical experts and national leaders. Strategies for professional development should also include long-term strategies for promoting new generations of technical and policy experts.

Another challenge is to establish new standards and regulations, e.g. for infrastructure investments in the water sector.

4. Implications for the international debate on global funding mechanisms

4.1 A new global funding mechanism, such as the GCF, does not generate automatically complementary arrangements for effective implementation at country level. It is crucial to build as far as possible on existing national institutions and policies. The GoB, civil society and development partners have exerted considerable efforts in developing the two trust funds, BCCTF and BCCRF. Some convergence is now emerging in these funds, as there is an overlap with Board membership. Bangladesh has consistently supported the creation of the GCF. In practice however the GCF may not be the 'quick fix' to resource constraints faced by the GoB. There are limits to the effectiveness of global mechanisms at national level where a subject as complex and wide-ranging as climate change is concerned, in which delivery depends on coherence with the Government's own strategies and programmes. It could be interesting to further explore a model in which the GCF provides a lump sum for programme finance through the >

⁶ Hedger, M. (2011): Climate finance in Bangladesh: Lessons for Development Cooperation and Climate Finance at National Level. http://www.edc2020.eu/fileadmin/publications/EDC_2020_-_Working_Paper_No_12_-_Climate_Finance_in_Bangladesh_Lessons_for_the_Development_Cooperation_and_Climate_Finance_at_National_Level.pdf, accessed: 24.08.2012.



national climate finance institution and uses the existing BCCRF. For donors, it may be necessary to live with diversity and not try to streamline everything.

4.2 External support must be demand-driven, taking consistent current policies, strategies and their implementation as a starting point. At the moment, important shifts are taking place in many countries as the climate change issue moves from environment ministries across into finance, planning and also sectoral ministries. This development can cause tension among different actors if responsibilities are not clearly defined. Development partners can facilitate institutional adjustments for national climate policy. They also need to be aware of the fact that their policy interventions leave institutional legacies. The long-term policy and institutional impact of any donor intervention must therefore be taken into account. Furthermore, the engagement of development partners in other development sectors can have positive impacts on climate change. For instance, governance projects strengthen the fiduciary and managerial competences of the partner government that are also required for the implementation of more effective climate change policies.

4.3 Long-term visions for transformation are required as well as short-term actions. Once funds have been negotiated and secured, there is often pressure to spend them fast. As climate change is a relatively new area of spending there is often no pipeline of ready projects to implement, but only a set of strategic policy frameworks. Logjams should be prevented by investing in the development of project pipelines. Capacity building for project development and effective implementation across key ministries is crucial in this context. It should be acknowledged that delivery on the ground takes time. The CDMP, for example, only began to have real impact a decade after it was scoped. It should also be noted that a single pathway for action may not suffice to ensure that project implementation is sustainable. In the long term, if climate change finance is going to support transformational change it will need to involve major infrastructure investments (as in Bangladesh in coastal zones including resettlement or possible land reclamation). Technical capacity in climate change needs to be evenly distributed throughout government and not focused in one ministry.

4.4 Capacity development needs careful unpacking. In Bangladesh, certain Government and civil society representatives argue that there is not enough capacity development to tackle the needs outlined above, while others comment that there is too much capac-

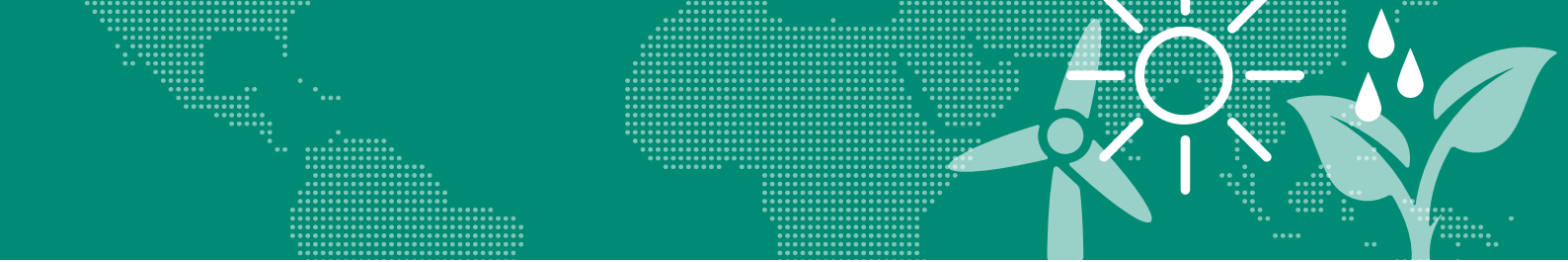
ity development on climate change. Many complain of workshop fatigue. It is more than likely that all these opinions hold true. If so, more attention must be paid to the questions of how support for capacity development is provided, for instance through the provision of more on-the-job learning and fewer training courses and workshops. Capacity development should be devised to address each specific problem, e.g. cross-sectoral coordination and climate proofing of investments:

- for government, stock-taking at fixed intervals covering institutional and policy development and information provision;
- for monitoring verification, reporting and evaluation (MRV);
- for mediation to facilitate intra-government coordination;
- for project development and sound fiduciary management;
- for strengthening technical and scientific capacities to transform climate projections into risk-based standards and a regulation system to guide infrastructure building.

4.5 Resources for Monitoring, Verification and Reporting and Monitoring (MRV) and Monitoring and Evaluation (M&E) are vital and are likely to be a necessary feature of support to create a level-playing field. The creation of systems for MRV should be tied in with the establishment of knowledge networking facilities. The lack of institutional memory and sound records on completed projects and their outcomes (including of development partners) and their impacts is very noticeable and efforts need to be extensively strengthened in this field as this also means there is a lack of learning from good successes and bad experiences (failures).

5. Conclusions

To summarise, the GoB has initiated innovatory change over several years and the case of Bangladesh provides important learning opportunities about climate finance and its institutionalisation, management, resourcing and allocation. However there are still challenges ahead, which may be seen as opportunities for improved performance. The country boasts a receptive and fluid environment with complex networks of skilled stakeholders. It is noticeable that over the past decade climate change has moved from a fringe activity to being part of the main development dialogues and narratives with considerable political buy-in. The main challenge is actually to get a phased and scaled-up implementation underway, faster than the escalation of the impacts of climate change. Development partners and implementing agencies must be adaptive, flexible and responsive. ■



About the authors

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