

## POLICY BRIEF

## Climate Change Governance

### National Funding Entities for Local Adaptation: Lessons Learned from Bangladesh

May, 2014

Issue: CCG-PB-14-002

*The Bangladesh Climate Change Trust Fund (BCCTF), supported by national budgetary endowment and the Bangladesh Climate Change Resilience Fund (BCCRF), a multi-donors trust fund have started their journey in 2010 as National Funding Entities (NFEs). Bangladesh, among the Least Developed Countries (LDCs), is the first country that has established and operationalized NFEs to address adverse impacts of climate change within the scope of strategic direction articulated in the Bangladesh Climate Change Strategy and Action Plan (BCCSAP)-2009. The BCCSAP-2009, as policy document, has identified six thematic areas to reduce climate vulnerability that include I) Food Security, Social Protection & Health, II) Comprehensive Disaster Management, III) Infrastructure, IV) Research and Knowledge Management, V) Mitigation and Low Carbon Development and VI) Capacity Building and Institutional Strengthening (BCCSAP-2009) by short and medium actions.*

## Policy Pointers

- Predictable and reliable resourcing of National Funding Entities (NFE) for sustaining climate change actions is necessary.
- Institutional strengthening of NFEs for accessing international climate finance as National Implementing Entities (NIE).
- Resource allocation for community-based adaptation initiatives is very important for local level adaptation activities to be sustainable.

While adaptation is considered as an urgent and immediate need for the country, mobilizing resources for NFEs become limiting factor for providing support to local adaptation needs. The country is already exposed to high climate vulnerability and likelihood of more vulnerability is anticipated due to projected sea level rise, temperature increase, unpredictable precipitation, cyclone, flooding, river bank erosion, salinity intrusion etc. Sustainability of the NFEs with adequate resources would be a major challenge in supporting urgent adaptation needs in the country to ensure climate resilience development. Bangladesh, however, has very limited financial capacity to ensure predictable and reliable flow of funding to the NFEs to reduce climate vulnerability while the country is struggling to mobilize resources for poverty eradication. Bangladesh, being a pioneer of framing NFEs from the LDCs, should move ahead by containing challenges to establish effectiveness of these NFEs in national climate actions. Hence, it is important to recognize global discourse on climate finance mechanisms and limited national financial capacity, the following three policy recommendations are very significant for the country to sustain the NFEs and strengthening climate actions to reduce vulnerability.

#### 1. Predictable and reliable resourcing of NFEs for sustaining climate change actions

Both the BCCTF and the BCCRF are working merely as national funding entities for climate initiatives in the country while access to global climate finance opportunities is remain unexplored. The BCCTF is resourced by allocation from national budget and received about USD 350 million since 2010. While international climate negotiation under the UNFCCC was taking longer time to decide on climate finance mechanisms, the government of Bangladesh decided to provide resource to the BCCTF from national budget to take action on climate vulnerability, particularly on adaptation measures suggested in the BCCSAP. Considering urgent and immediate needs of adaptation actions in the country, setting and mobilizing resources for the BCCTF was critical for supporting climate initiatives on adaptation actions on the ground. Bangladesh, as a member of the LDCs, has limited ability to resource the BCCTF for long time, as the national budget has been depending on ODA support.

On the other hand, the BCCRF, as a multi-donors trust fund, has been resourced by the Development Partners (DPs) from country allocation development support.

This multi-donors fund does not have any access to international climate finance such as LDCF, SCCF and Adaptation Fund etc. Resource mobilization for the BCCRF is not showing any optimistic indication of receiving good support from DPs, as the BCCRF has received only USD 188.2 million since its inception in 2010 (Table 1).

Government of Bangladesh has reduced its allocation to the BCCTF by 50% in 2012-2013 budget allocation. On the other hand, DPs cannot enhance their allocation to the BCCRF in 2012 and 2013. Ensuring national budgetary allocation to the BCCTF will be more difficult in future due to national budget deficit and there is no visible progress in new allocation for the BCCRF from DPs which raises concern on sustainability of the NFEs for addressing climate change impacts as urgent and immediate needs. Hence, predictability and reliability of resources for the NFEs become critical to support climate actions to reduce vulnerability and ensure implementation of the BCCSAP. It is however, very essential to understand predicament in national budget deficit of national government that creates challenge to mobilize resources for BCCTF. Lack of new allocation to the BCCRF by DPs is also concern for sustainability of the NFEs. Based on present development in international climate finance mechanisms, Bangladesh must articulate its new climate finance policy milieu for accessing international climate funds to ensure predictable and reliable resources for sustaining the NFEs.

## **2. Institutional strengthening of NFEs for accessing international climate finance as NIEs**

Access to international climate finance by the NFEs essentially requires its institutional restructuring to qualify as National Implementing Entity (NIE). Both BCCTF and BCCRF have established primarily as NFEs without looking at the requirements to be acted as NIEs for utilizing international resources. Hence, existing institutional architecture of the NFEs emphasize on restructuring and strengthening of institutional framework of BCCTF and BCCRF to become NIEs for accessing to global funding. While redesigning and strengthening of the NFEs for qualifying as NIEs, merging of BCCTF and BCCRF into one national funding entity will be more desirable to ease bureaucratic complexity for developing single institutional framework for accessing global climate finance. However, an in-depth evaluation of governance of these NFEs based on criteria of international climate funding mechanisms i.e. Adaptation Fund, Green Climate Fund etc. must be carried out for strengthening the NFEs to access international funding as NIE. Effort to restructuring must look into developing and strengthening of single Secretariat (by merging two Secretariats of the NFEs into one) with adequate human and institutional ability to handle international finance by ensuring fiduciary risk management. However, resource allocation for developing secretariat for the BCCRF is very tiny (US\$ 0.2 million) which needs further replenishment for genuine reason (Table 1).

Bangladesh, as a highly climate vulnerable country, must emphasize on restructuring of BCCTF and BCCRF to establish as NIEs which is indispensable not only for general access to international climate funds but also essential for accessing specific country allocation under various international funding mechanisms that cannot be accessed otherwise.

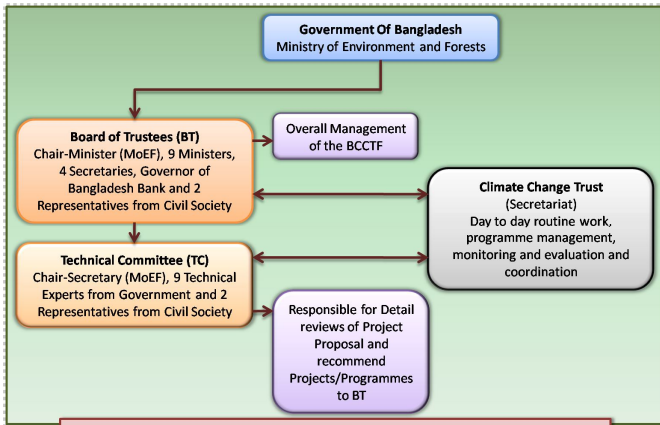
## **3. Resource allocation for community-based adaptation initiatives**

Support from the NFEs must consider local adaptation needs as their highest priority. Local communities are suffering the most due to adverse impacts of climate change and require urgent and immediate support from the NFEs. The BCCSAP essentially articulated short and mid-term important programs for addressing sectoral climate change impacts to reduce climate vulnerability in the country. However, these programs have little or no focus on community-based adaptation initiatives that can be interpreted as one of the limitations of the BCCSAP. The BCCTF, as a means of implementation, has no mention about specific allocation of fund for community-based adaptation initiatives. Since 2010, Civil Society Organizations (CSOs), Non-governmental Organizations (NGOs) and Community-based Organizations (CBOs) have received less than 1% of the total fund of the BCCTF which is US\$ 3 million only. The BCCRF, however, has provision for specific allocation of 10% of the total fund for NGOs to implement climate change initiatives. The BCCRF has allocated US\$ 12.5 million to NGOs for implementation of Community Climate Change Projects in only 16 districts out of 64 districts of the country. However, resource allocation to NGOs by the NFEs may not necessarily be means of community-based adaptation support to address local adaptation priority. Recognizing local adaptation needs under the NFEs is crucial for implementing local adaptation initiatives by community-based organizations. Thus the NFEs must evaluate climate vulnerability at the local level to identify priority of local adaptation actions and allocate at least 25% of the total funds for community-based adaptation initiatives to ensure effective utilization of fund for reducing climate vulnerability of local community.

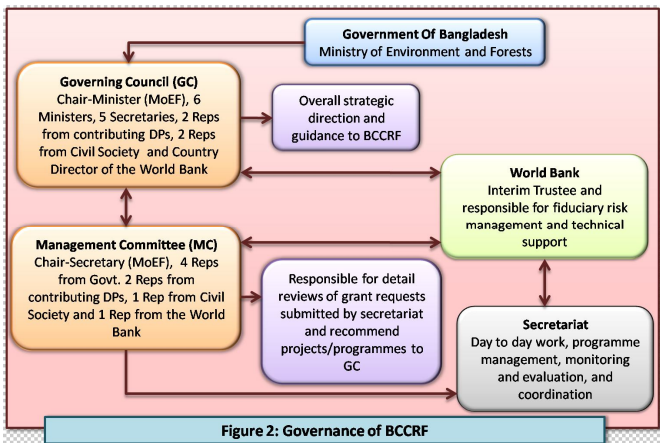
### **Governance of the NFEs**

There are many similarities in the governance of both BCCTF and BCCRF. The Bangladesh Climate Change Trust Act, 2010 lays the foundation and governance of the BCCTF to support climate initiatives from national endowment. Three tiers of management structure such as i) Board of Trustees, ii) Technical Committee and iii) Secretariat are in place to ensure transparency and accountability of the BCCTF. While first two tiers are directly governed by the Ministry of Environment and Forests (MOEF), Bangladesh Climate Change Trust (initially known as Climate Change Unit) is working as Secretariat of the fund (Fig. 1). The BCCRF, as a multi-donors trust fund, operationalized under an agreement between the government and donor agencies having three tiers of governance structure that include i) Governing Council, ii) Management Committee iii)

Secretariat (Fig. 2). Composition of the Board of Trustees (BT) of the BCCTF and Governing Council (GC) of the BCCRF are almost similar with exception in GC in which two representatives from the contributing DPs are included as members. Both BT and GC are headed by the Minister, MOEF and providing overall



strategic direction and guidance to the funds. Likewise, Technical Committee and Management Committee of the funds are headed by the Secretary of the MOEF and responsible for details review of grant request and make recommendation to BT and GC as appropriate (Fig. 1

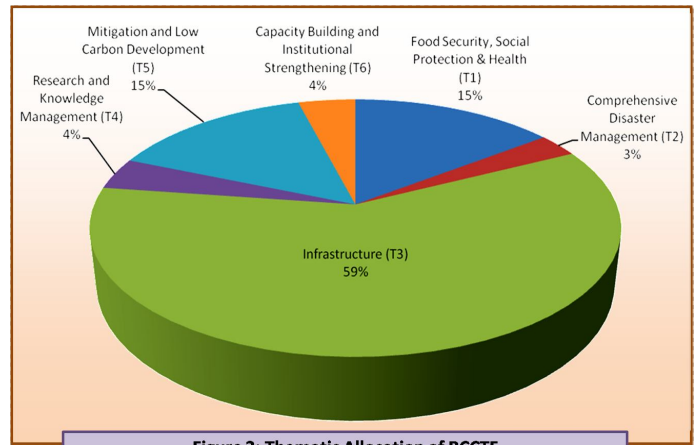


and 2). These structural and functional commonalities of BCCTF and BCCRF will facilitate the process of merging these two funds into one NFE for restructuring into NIE to access international climate funds.

**Challenge in Resourcing and Utilization of Funds**

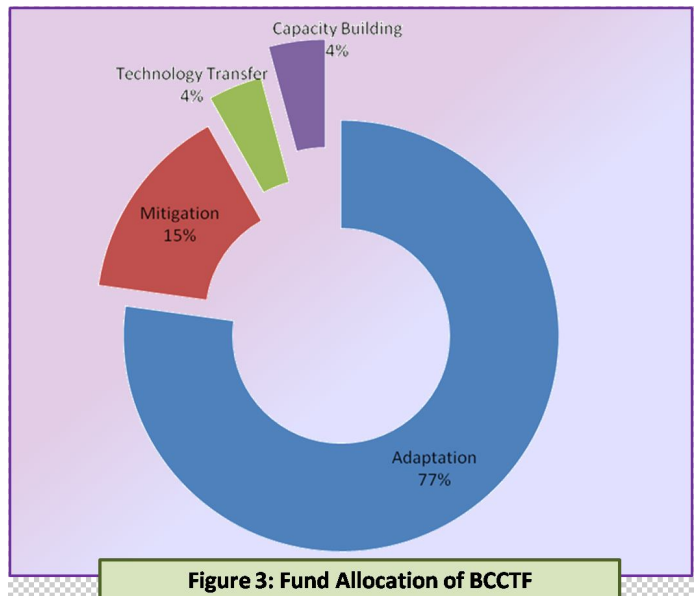
Bangladesh, as one of the most climate vulnerable country, has been showing leadership to take actions on impacts of climate change by mobilizing resources from its own sources. However, annual resource allocation to the BCCTF has reduced by 50% in the last fiscal year (2012-2013) that will severely impact ongoing adaptation initiatives. Also, the BCCRF cannot mobilize resources from the DPs for supporting climate actions as expected by the country. There are no pledges to the BCCRF from the DPs in 2013 (Table 1) which will stop to take any new climate initiatives myriad of adverse impacts of climate change.

Currently, BCCTF is supporting the most of local adaptation initiatives and other thematic areas of the



**Figure 3: Thematic Allocation of BCCTF**

BCCSAP (Fig. 3 and 4) while BCCRF is a bit slower to provide support in project implementation and resource mobilization for new initiatives (Table 1). Considering



**Figure 3: Fund Allocation of BCCTF**

high vulnerability in the country and urgent need for actions, supports to the NFEs must be continued without any interruption to address climate vulnerability. While budgetary allocation of the BCCTF is decreasing due to resource constraint at national level, resource mobilization from international climate finance becomes evident for sustaining climate initiatives under the NFEs.

**Conclusion**

Recent report of the AR 5 Working Group II of the IPCC has shared how climate change impacted both natural and human systems on all continents and across the oceans in the recent decades. The global community will face more frequent, intense and high magnitude of adverse impacts of climate change that emphasize urgent and immediate actions in climate vulnerable countries. Hence, local adaptation measures, with international supports, will play pivotal role to reduce climate vulnerability in diverse way. Sustainability of means of implementation through the NFEs is very crucial for one of the most vulnerable countries like Bangladesh and others to address adverse impacts of climate change that underscore implementation of the above mentioned three policy measures to contain climate challenges and improve climate resilience in the country.

Table 1: Contribution to BCCRF by Development Partners and projects under implementation

Development Partners	Pledges	Deposit	Name of the Project	Responsible Agencies	Amount in US \$ (million)
	Amount in US \$ (million) up to 2012	Amount in US \$ (million) up to 2013			
AusAID	7.1	7.1	Multipurpose Cyclone Shelter Construction	LGED	25
Denmark	1.8	1.8	BCCRF Secretariat	MoEF	0.2
DFID	96.9	28.4	Community Climate Change Project (CCCP)	PKSF	12.5
EU	37.6	18.5	Agricultural Adaptation in Climatic Risk Prone Areas of Bangladesh	DAE/MoA	22.8
Sweden	19.3	19.3	Afforestation and Reforestation for Climate Change Risk Reduction in Coastal and Hilly Areas of Bangladesh	Bangladesh Forest Department	33.8
Swiss	12.5	6	Solar Irrigation Project	IDCOL	24.4
USAID	13	9	Modern Food Storage Facility	MoFDM	25
<b>Total</b>	<b>188.2</b>	<b>90</b>	Analytical and Advisory Activities (AAA) (1) Vector-borne diseases (US \$ 0.3 million) (2) Urban Flood (US \$ 0.5 million) (3) Urir Char Cross Dam Study ( US \$ 0.7 million) (4) Adaptation in flood risk mitigation (US \$ 0.3 million) (5) Resilience to natural hazards (US \$ 0.2 million) (6) Spatial and temporal downscaling (US \$ 0.3 million)	Bank-executed	3.2
<b>Total</b>					<b>147</b>

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The publication of this policy brief was funded by the British High Commission in Dhaka, Bangladesh, however the views expressed here do not necessarily reflect the views of the British High Commission.