

## POLICY BRIEF

## Climate Change Governance

### Mainstreaming and Decentralizing Climate Change Adaptation Finance

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*We already live in a climate changed world. Such is the conclusion reached by the IPCC AR4 and the latest findings of Working Group I of the AR5. The impacts are manifest already in different parts of the world in varying degrees of sea level rise and greater frequency and severity of climate disasters. The LDCs are particularly vulnerable to these impacts, which have very weak adaptive capacity. Climate change tends to undo their hard-won development gains. Their vulnerability is a joint product of cumulative development and adaptation deficits. Obviously, mainstreaming of adaptation makes common sense, since it is difficult to differentiate between development and adaptation in these countries.*

## Policy Pointers

- Physical vulnerabilities of poor countries exerted externally not to be merged with existing socio-economic vulnerability.
- Best form of adaptation in climate-resilient development with a 'development first' approach focusing on poverty reduction and economic growth.
- Need of national level climate financing framework and its operationalization down the streams at local government tiers for financial mainstreaming.

### Mainstreaming of Adaptation Finance - A Contested Concept

Mainstreaming refers to a process of integration of adaptation considerations into development policy-making, budgeting and implementation at national, sectoral and sub-national levels. However, mainstreaming continues to remain a contested issue both from conceptual and financing points of view. Though the rationale for mainstreaming is not contested any more, how to go about, or what should be its sources of financing are issues of great contestation in the UNFCCC negotiations.

Unlike the straightforward approach of defining mitigation, adaptation is really difficult to conceptualize and define, because of its inseparable linkage with development. Vulnerability is very much a combination of physical impacts from climate variability and climate change

as well as of socio-economic and political factors. So the capacity to adapt depends upon local and national factors, such as access to resources and information, income level, education and training, social capital, and so on. Basically, in framing of adaptation as development in adverse climate, all kinds of vulnerabilities – both physical and socio-economic, are taken into consideration. Obviously, a climate-resilient development, with a 'development first' approach that focuses on poverty reduction and economic growth provides the best form of adaptation.

However, financing in the form of necessary budgetary support stands at the core of mainstreaming at vertical and horizontal, spatial and temporal scales. But mainstreaming of financing is a hotly debated issue in climate negotiations, as climate finance is blurred with official development

assistance (ODA) in this process. From international policy and funding perspective, the physical vulnerability of poor countries, imposed from beyond, should not be mixed with existing socio-economic vulnerability that the LDC communities suffer from. So the proposed solution of a development focused adaptation and resilience-building does not absolve the industrial countries of their agreed responsibility under UNFCCC Article 4.4 of meeting adaptation costs in the particularly vulnerable countries.

Therefore, it is suggested that generation of ODA and sources of adaptation funding should be kept as separate accounts. This will allow monitoring the flow of climate finance, allaying the already well-founded suspicion that ODA is not diverted from the sorely-needed development support and into adaptation in the LDCs. However, at the implementation level in vulnerable developing countries, the two pots can be mixed. Without this separation of the two at source level, the apprehension of diverting ODA (which is already happening) for implementation of adaptation projects will persist.

For mainstreaming climate finance, there is a need first for identifying the needs of adaptation, their economic costing and prioritizing in short, medium and long term perspectives. This gives an opportunity to stitch the NAPA as the immediate and short term activities and the NAP as medium and long term adaptation measures into a coherent continuum. This is a vital element of mainstreaming adaptation. However, the lessons learnt from the NAPA process need to be considered for preparing the NAP. One basic lacuna, as this author observed then as a member of the LDC Expert Group, was that the Bangladesh NAPA was not a participatory process in real sense. The priorities of few agencies, designated as leading the process, were given preference in selecting the 15 NAPA projects. As adaptation is mostly local, the NAP formulation process should begin with participation of the communities of each and every spatial, agro-ecological zones in Bangladesh.

## DECENTRALIZING ADAPTATION FINANCE

The Sixth Five Year Plan (2011-2016) and the Bangladesh Climate Change Strategy and Action Plan have adopted a pro-poor climate change management strategy and an integrated approach that 'avoids a dichotomy between environment and development.' Bangladesh is a pioneer in the developing world in crafting a strategy and action plan to address climate change and also set up two funds – Climate Change Resilient Fund (CCRF) and Climate Change Trust Fund (CCTF). The CCTF is funded from domestic resources and the CCRF with donor support. However, a Study undertaken by the General Economics Division of the Planning Commission (2013) shows that about 6-7% of combined development and non-development budget is spent on climate-sensitive activities, about three quarters of which are funded from domestic resources. The Study found that sectoral investments of over one billion dollar a year for climate change activities are not based on a coordinated and mainstreamed approach, but they reflect sectoral priorities; loan funding in climate change activities dominate (82%) and 97% of which is in adaptation. This lacuna can be ascribed to such barriers as weak knowledge and sensitization base, particularly at policy and political levels, weak coordination, lack of human resources and managerial capacities, meager budgets relative to needs, lack of transparent and accountable fund management, etc.

Thus a climate financing framework at national level is a need of the day, and its operationalization down the streams at local government tiers will ensure the financial mainstreaming. This decentralization of financing process needs to be based on locally developed adaptation plans and priorities. Here the governance process in Bangladesh continues to suffer: though the local governments (LGs) are involved in implementation of many climate-related activities, they don't have any financial autonomy. Historically, LGs have been used by the central government as mere vote banks, keeping tight control over them by the regime and party in power. The LGs have enough scope to generate money from local economic activities through taxes and charges and they do so, but a major portion of their revenues is siphoned back to

the national treasury. The central government grants to LGs are miniscule, compared to our neighbor India. This needs to be changed. At national level, the Ministry of Finance and the Ministry of Planning, with the Planning Commission hold the key to mainstreaming, because they control the resource flow and the process.

The Local Government (Upa-Zilla) Act 2009 and the Local Government (Union Parishad) Act 2009 need to be revised to incorporate the mandate for climate change-related activities. Thus, local climate financing mechanisms at Union Parishad and UpaZilla Parishad levels need to be devised. The funds should come from locally-generated revenues, central government grants, donor funds, private sector donations and NGO funding. This collective funds should be managed transparently by management committees, comprised of non-partisan, locally respectable citizens, LG representatives and officials. As the weakest link is the implementation loop in Bangladesh, these committees must develop locally-appropriate indicators of M&E of performance from investments. This way a bridge can be built between top-down institutional monitoring and bottom-up community-based monitoring.

#### **THE MINISTRY OF AGRICULTURE CAN LEAD**

The agriculture and food security issues are the hardest hit in Bangladesh from climate change and these sectors enjoy the highest government allocations. So the Agriculture Ministry can pioneer the mainstreaming process. For the purpose, it is suggested that with a Cabinet decree, a climate change mainstreaming cell may be created, to be headed by the Chair of the Bangladesh Agriculture Research Council (BARC), who holds a secretary level position. With his/her expertise and long years of work experience with the government, she/he will have easy access to the highest decision-making authority and can exert her/his clout for the purpose. This body should be empowered with necessary budget for effective coordination. BARC Chair is the right position for carrying out such a role, as BARC has done a commendable job of institutionalizing important and effective agricultural research and

their application in Bangladesh, through its elaborate National Agricultural Research System.

#### **CAPACITY BUILDING FOR FIDUCIARY MANAGEMENT.**

Finally, for a sustainable mainstreaming of climate change financing into the development planning process, capacity building for financial management is a dire need. For the purpose, the current project-based approach as done with call for Proposals by the government agencies and NGOs, will not serve the purpose. This approach, done incoherently, with no prioritization and no backward or forward linkage, is not effective at all. Instead, each ministry and agency, considering the science-based short, medium and long-term impacts of climate change, should develop their plans and programs in a phased manner, with inputs from communities of different agro-ecological zones, then align them with national plans and finally go for their implementation as coherently integrated loops in a chain. In this process, NGOs can serve as facilitator for community mobilization and reaching out to all rural and urban communities. In such an approach, budgetary allocations should automatically be internalized, based on the estimated costs of mainstreaming of adaptation activities at each level. This part of the budget needed for implementing the mainstreaming agenda, both for concrete projects and related facilitative and capacity building activities, must come from international climate finance.

#### **RECOMMENDATIONS**

- Since vulnerability to climate change is a joint product of development and adaptation deficits, it makes common sense to mainstream adaptation into development strategy; however, from international policy and funding perspectives, this blurs the distinction between ODA and adaptation finance. So it is suggested that ODA and adaptation finance be kept as separate accounts at their generation points, but at the programme/project implementation level, the two pots can be mixed.
- As adaptation measures are mostly local, LG and community-driven spatial, agro-eco zone-specific adaptation planning should be synthesized into the national adaptation plan (NAP), thus stitching

NAPA and NAP as a coherent continuum. For the purpose of implementation, LGs should have financial autonomy both in generating revenues at local levels and also in spending the collective funds from all sources - the central government, donor, private sector and NGO sources. However, successful and effective mainstreaming will fully depend on how the funds are managed; in this case, widely participated committees, comprising of respectable, non-partisan members from civil society should lead the process at all levels. Failure in this regard will cause a declining trend in climate finance.

- Food and Agriculture as the hardest hit sector in Bangladesh from climate impacts, but with the highest budgetary allocation can pioneer the

mainstreaming process. To overcome the perennial institutional weakness particularly at implementation and monitoring levels, a coordinating climate change adaptation cell (CCAC) led by the BARC Chair may be established, who with his position of a GoB Secretary can reach the highest level for decision support.

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