

Governance and Integrity in Climate Finance: **Case study from Bangladesh**

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Climate Change Adaptation and Mitigation: Emergence of Climate Finance

Background

1. The Scale and Speed of Climate Finance

Adaptation:
US\$300-400
Billion per year

Mitigation:
trillions to have
GHG peak in 2015

Publicly committed; USD\$
30 Billion by 2012;
100 Billion/year by 2020

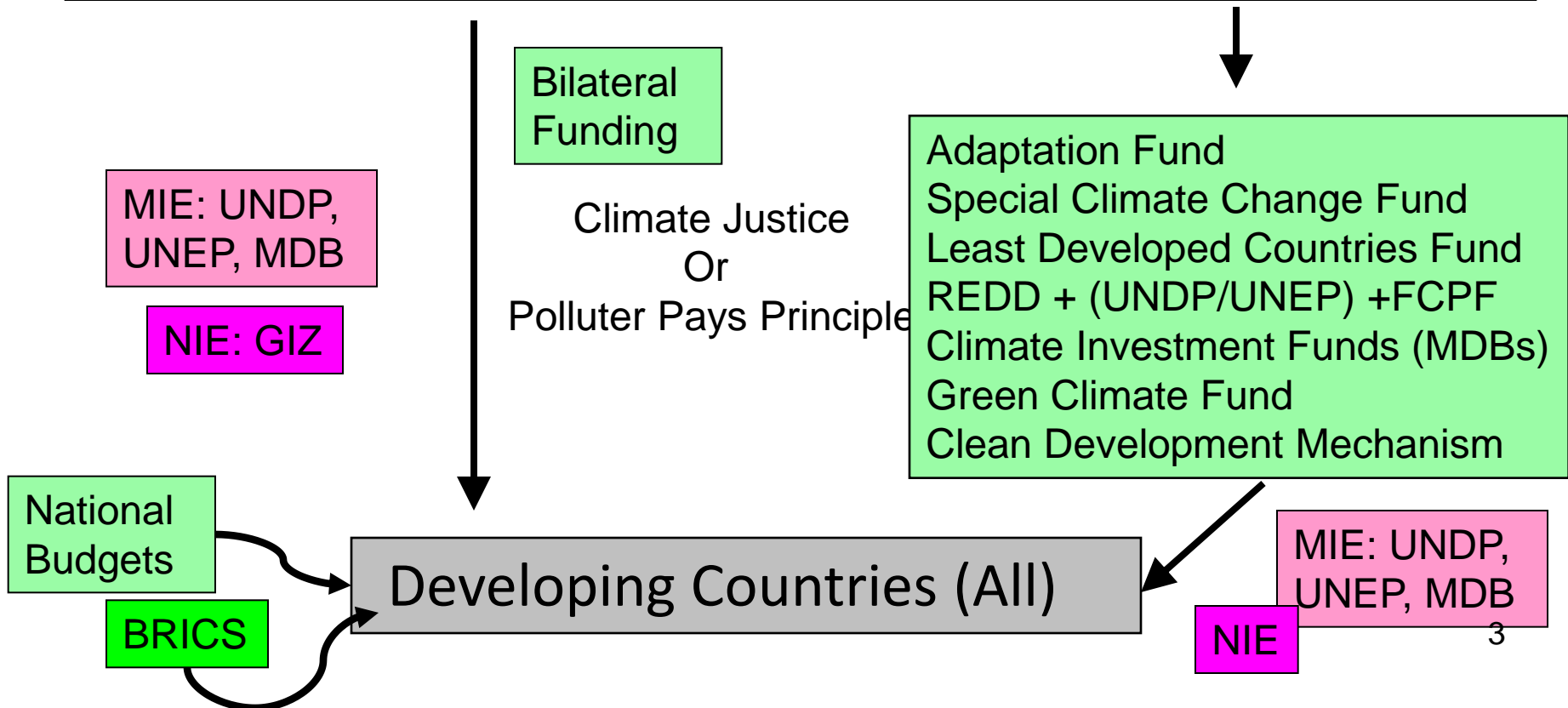
2. Complexity

Proliferation of Sources:
Public finance, carbon markets,
taxes, reallocation of subsidies
etc.

Proliferation of Channels: e.g.
Adaptation Fund, Special Climate
Change Fund, Least Developed
Countries Fund, UN-REDD, FCPF, CIFs,
National Funds

Climate Finance: How it works...

OECD Countries: Japan, US, UK, Germany, Norway, France, Netherlands, Spain, Canada, Australia, NZ...



- Climate change - the greatest risk to the planet and people's livelihood
- \$100 billion/yr by 2020 to face it
- A global alert from TI on corruption & governance risks in Climate Finance



www.transparency.org

The Global Corruption Report: Climate Change

Released from Dhaka, Bangladesh
30 April, 2011

GCR - Key messages

- **Strengthening of governance mechanisms can reduce corruption risk and make climate change policy and action more effective and more successful.**
- **Huge financial flows from multiple sources, through untested channels – more resources, more corruption risks**
- **Transparency, accountability and oversight are the key to ensuring climate finance funds are free from corruption**
- **Specific recommendations for stakeholders - Governments, private sector and the Civil Society**
- **Alerting corruption risk cannot justify reduction of commitment and flow of funds, rather to establish credible systems for transparent and accountable use**

GCR - Actions for civil society

- *Encourage & facilitate public participation in policy development at the local, national and international levels*
- *Build broader coalitions for integrity in climate governance and ensure that the interests of all stakeholders are effectively represented and translated into action*
- *Undertake independent oversight and monitoring in terms of governance and corruption risks on climate change issues –especially in transparent and accountable use of resources at the delivery end*

Climate Governance Integrity Programme

- Transparency International (TI) is the world's largest coalition fighting corruption, made up of more than 100 National Chapters worldwide
- The Climate Governance Integrity programme was launched in 2011. It currently operates in Bangladesh, Peru, the Maldives, Mexico, Kenya, the Dominican Republic.

Purpose: Public Money for climate change is used effectively and for its intended purposes

Goal: Transparent and accountable climate and carbon finance Policies and practices being implemented at all levels

Climate Change Impacts in Bangladesh

- During 1984 to 2007, the physical damage from 6 floods worth around US\$15.178 billion including thousands of deaths
- Bangladesh emits only less than 1/5th of 1% of world total
- **Bangladesh**, Myanmar and Honduras are the most affected in 20-year period - Global Climate Risk Index 2012, Germanwatch
- Climate change could affect more than 70 million people of Bangladesh
- 45 cm rise of sea level may inundate 10-15% land by 2050 resulting 35 million climate refugees in coastal districts

FLOODS & LANDSLIDES



2010  2030



STORMS



2010  2030



Source: climate Vulnerable Monitor 2012.

Impacts of CC on Bangladesh									
Impacts	Level of Impact	Additional Mortality/Year		Additional Economic Cost (Million USD/Yearly)		Additional Person Affected (Yearly)		Additional Land Lost (km3/km2/Yearly)	
		2010	2030	2010	2030	2010	2030	2010	2030
Sea Level Rise	High	-	-	1250	20,000	40,000	45,000	200	450
Agriculture	Severe			650	5,500				
Floods, Landslide	Acute	75	100	300	3000	600,000	900,000	-	-
Stroms	Acute	1750	2500	350	1250	400000	600,000	-	-
Droughts	Severe	-	-	15	75	-	-	-	-
Desertification	Moderate	5	20	-	-	150,000	400,000	150	300
Heating and Cooling	High	45	650	950	3500	550	2,000	-	-
Health Impacts	High	1250	2250	-	-	1,500	2,750	-	-
Malaria and Vector-borne Diseases	Moderate	-	45	-	-	-	15,000	-	-
Labor Productivity	Acute			3,500	30,000				
Hunger	Acute	9750	15,000	10,000	15,000				

Impacts of CC on Food Production: Bangladesh Context

- The IPCC FAR -the production of rice and wheat could fall by 8% and 32% respectively by 2050 decline in yields
- Under a moderate climate scenario the due to salinity intrusion could be 0.2 Mt, which increases to 0.56 Mt under more severe scenario (BCAS, BUP and BIDS, 1996)
- Temperature and rainfall changes have already affected crop production
- Drastic fall of groundwater table in key rice producing zone, northern Barind Tract of Bangladesh-
 - Avg. rainfall in BD-2000 to 4500 mm
 - Avg. rainfall in Northern region – 750 to 2500 mm
- Increased magnitude, depth, extent and duration of floods will bring a dramatic change in land use patterns in Bangladesh
- Yearly loss of agricultural lands: 1976-2000 - 0.01%; 2000-2010: 0.49%;
- Land size in 1976: 9.76 million hector; 2010: 8.75 million hector

Address of CC Impacts:

Significant Steps in Bangladesh

- **National Adaptation Action Plan 2005**
- **Bangladesh Climate Change Strategy & Action Plan 2009 – 6 Thematic Areas; 44 programs in Six Themes
Estimated Cost of \$5 billion (2009-2018)**
- **Bangladesh Climate Change Trust Fund (BCCTF) Act, 2010 – Budgetary allocation of govt.**
- **Bangladesh Climate Change Resilience Fund (BCCRF), 2010 – Multi-donor trust fund by developed countries – “New and Additional”**
- **Pilot Program for Climate Resilience (PPCR) – Multi-Development Banks Fund (Grant +Loan)**

BCCSAAP: Bible of Climate Finance

- **Bangladesh Climate Change Strategy & Action Plan 2009 is a part of the overall development strategy of the country**

Key policy emphasis

- Thrust on the poorest and most affected/vulnerable
- Top level political priority – overseen by PM, operated by nearly a dozen ministries

Key pillars

- Food security, social protection & health
- Comprehensive disaster management
- Infrastructure, esp. in vulnerable regions
- Research & knowledge management
- Mitigation & low carbon development
- Adaptation capacity building and institutional strengthening
- **Estimate Cost of programs could be of \$5 billion (2009-2018)**
 - **44 programs and 145 Actions/Projects (Mid and Long term)**
 - **34 programs focused on adaptation; 10 programs on mitigation**

Climate Finance Context in Bangladesh

Bangladesh Climate Change Trust Fund (BCCTF) 2010

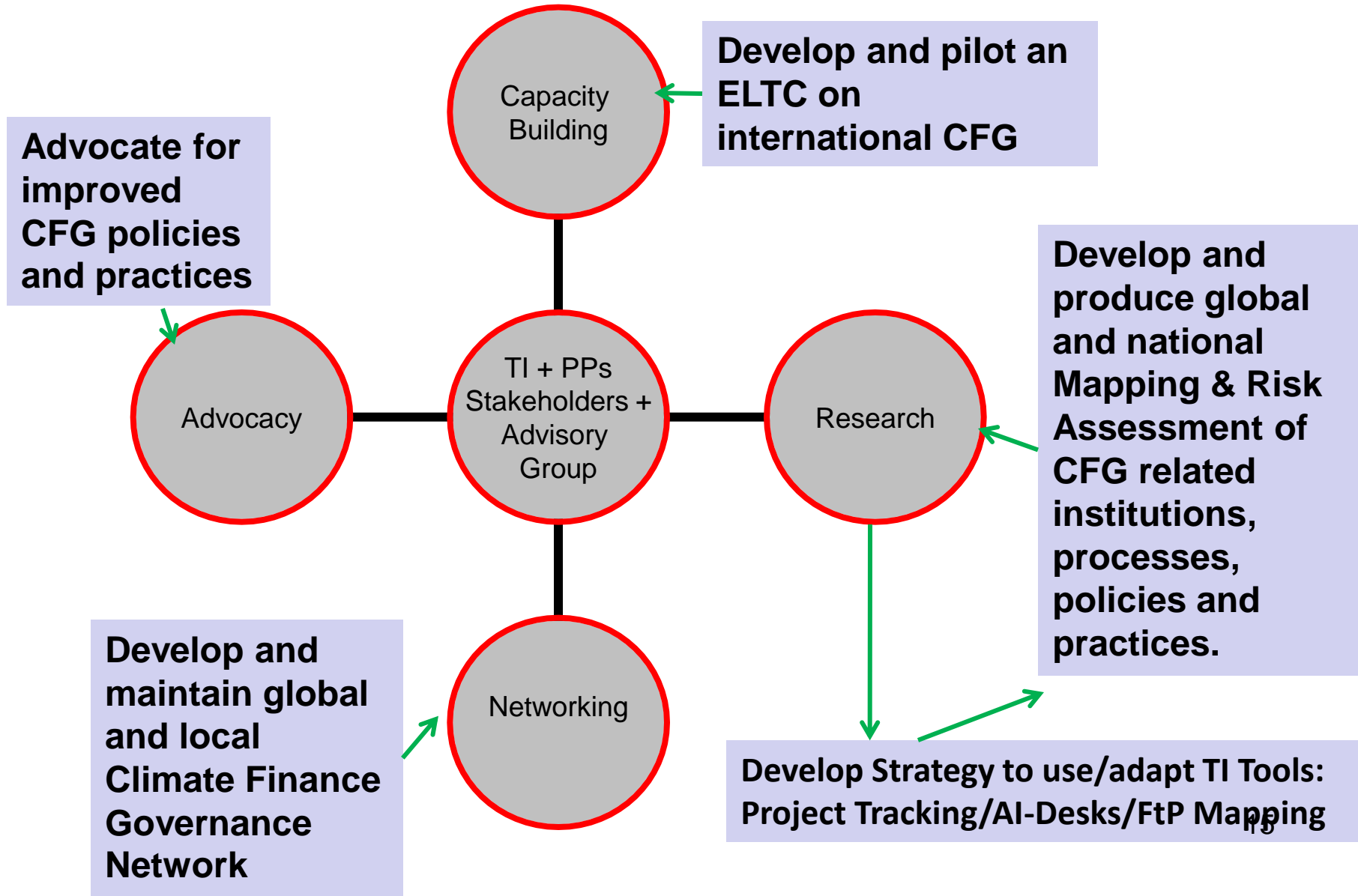
- 66% of funds for GO, NGOs, think- tanks
- Interest gained from remaining 34% for emergency responses
- 139 Projects approved to Gov agencies
- 63 NGO proposal have been selected for funding

Bangladesh Climate Change Resilience Fund, 2010

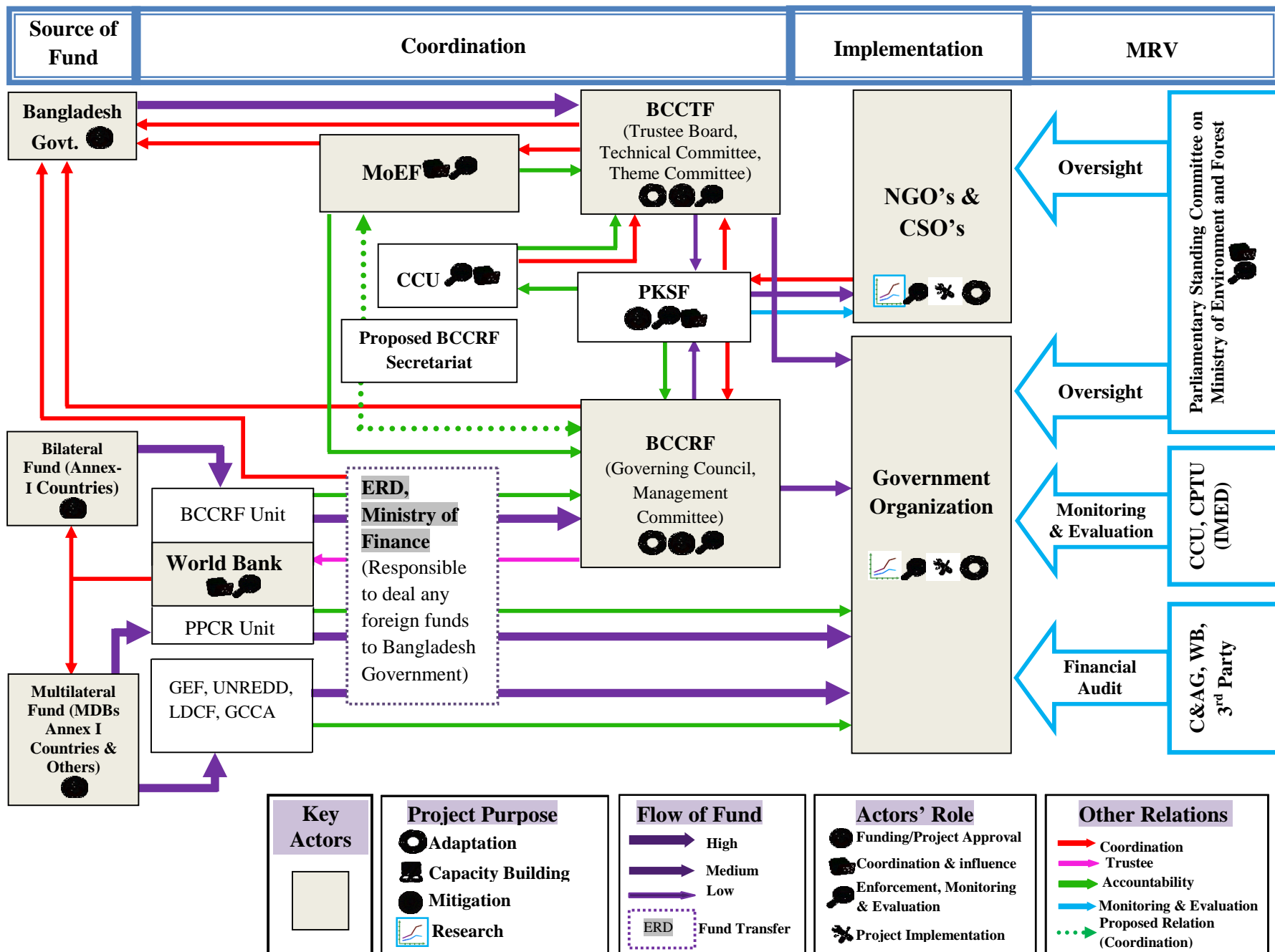
(\$170 million - allocated)

- Public sector projects (90% of funding)
- CSO/Private Sector (10%, managed by PKSf)
- A total amount of \$147 million project approved so far

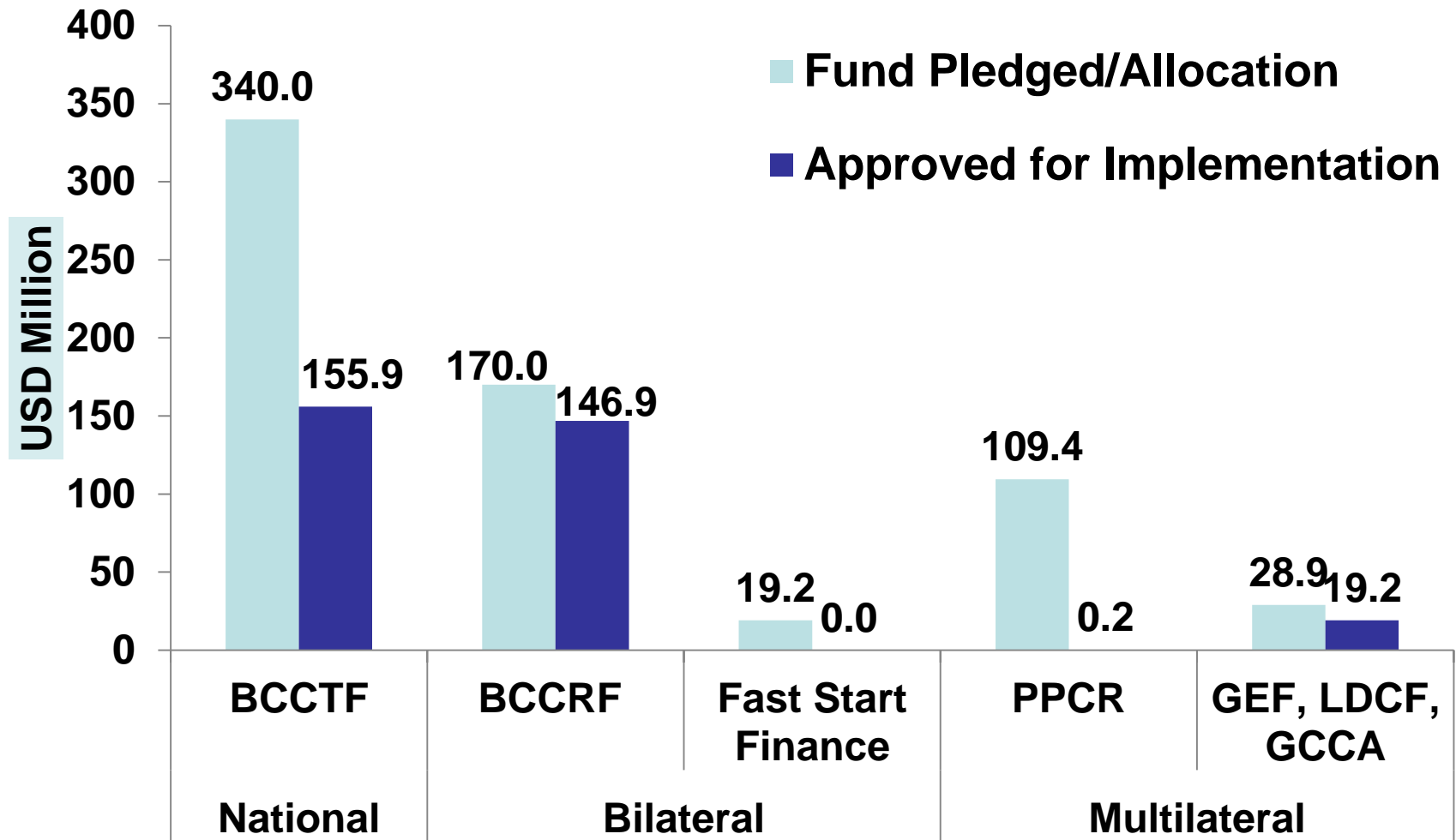
Key actions: Climate Finance Governance in Bangladesh: TI-Bangladesh



Flow Chart: Present Structures and Processes of Fund Flow for Climate Finance



Climate Finance in Bangladesh



Funds (Up to December, 2012)

Principles of climate finance

- Direct Access and Vulnerability Focus
- Do Not Harm
- Respective Capability
- Additionality
- Adequacy and precaution
- Predictability
- Transparency and Accountability
- Equitable Representation
- Visible Outcome/ measurable

Integrity, Transparency and Accountability

- Political influence and conflict of interest in project allocation
- Inadequate disclosure
- Poor access to information for affected communities and lack of stakeholder engagement
- Lack of coordination, coherence and prioritization between the funds
- Less resources and limited focus to ensure expected level of competency and capacity of fund managers



Sumon/Age 20

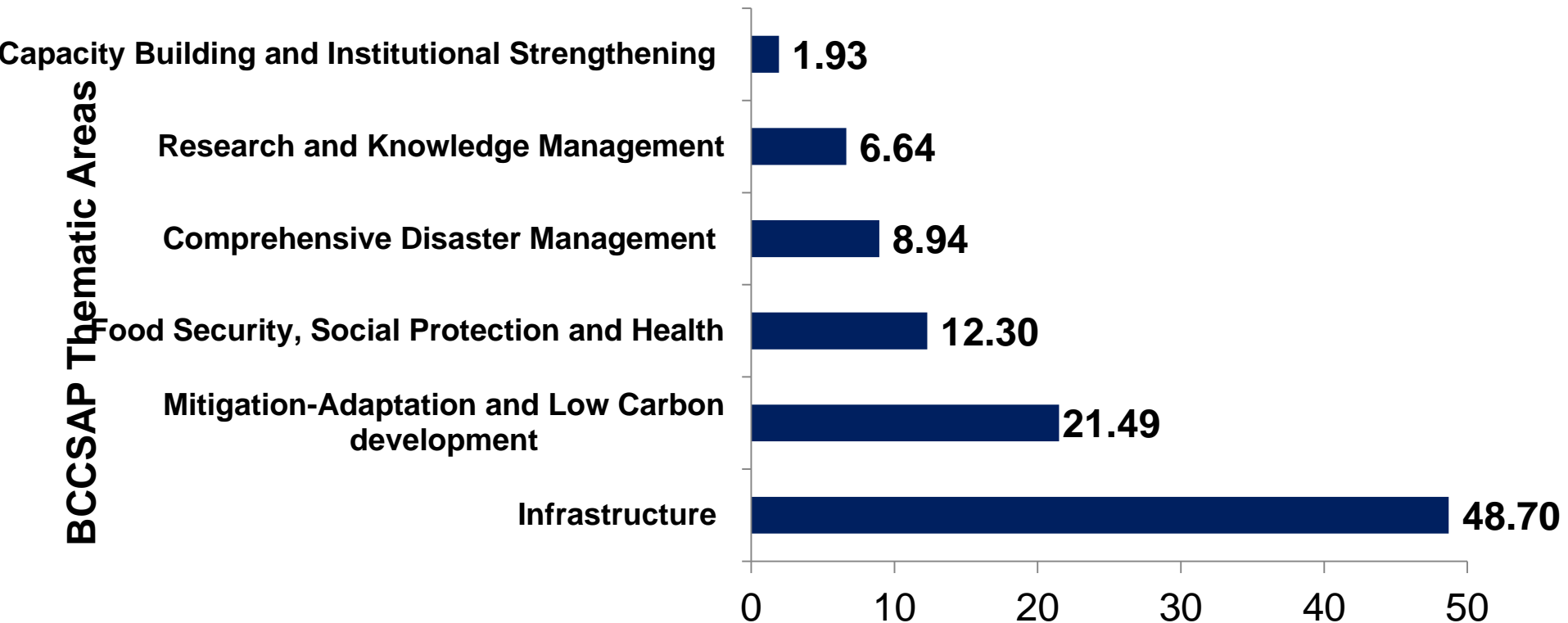
Challenge: Coalition of corruption

Capacity, Accountability and Equity

- Low skills and capacity of officials in the new territory of climate funding
- Delay in setting up the BCCRF Secretariat
- Risks in enforcement mechanism of policies & principles
 - Conflict of interest
 - Ministerial and official control of the Board (13 out of 15 are Ministers) and Technical Committees
 - ▶▶ Partisan political influence
- MDBs' e.g World Bank dominated role in decision-making process on project approval

Nexus of Vulnerability and Prioritization

Funding from BCCTF

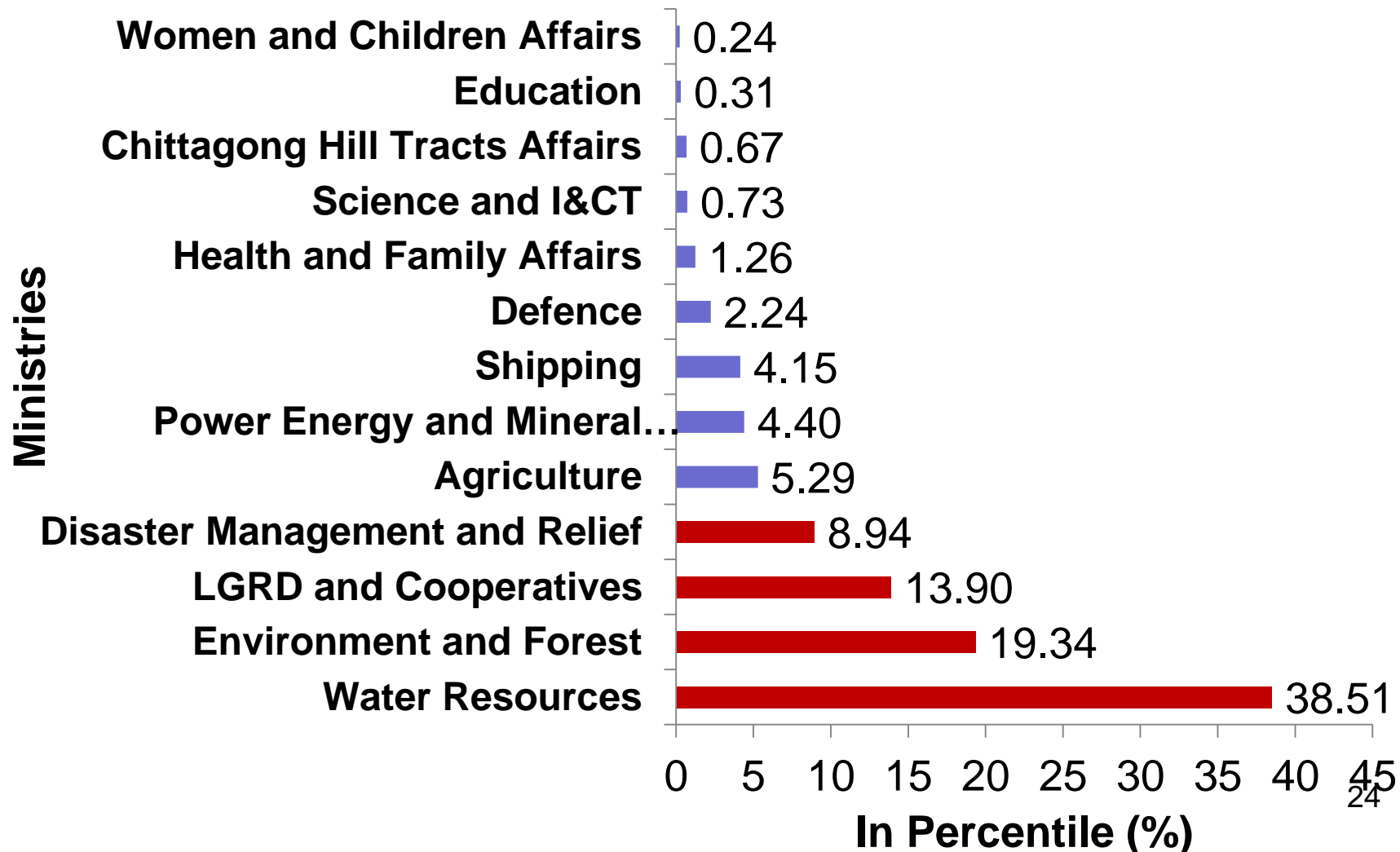


- ▶ **Adaptation:** 70.12 %
- ▶ **Mitigation and low carbon development:** 26.65 %
- ▶ **Research and Knowledge Management:** 6.59 %
- ▶ **Capacity building:** 1.93 %

Difference in Prioritization in Climate Funding for WRM in Bangladesh

Allocations	Fund Sources		
	BCCTF	BCCRF	PPCR
Approved Overall Allocation (Million US\$)	155.92	146.9	109.4
Water Resources Management (%)	38.51	0.48	22.85
Local Government, Rural Development (%)	13.90	17.02	64.72

Funding Higher to Sectors Most Vulnerable to Integrity and Governance Risks



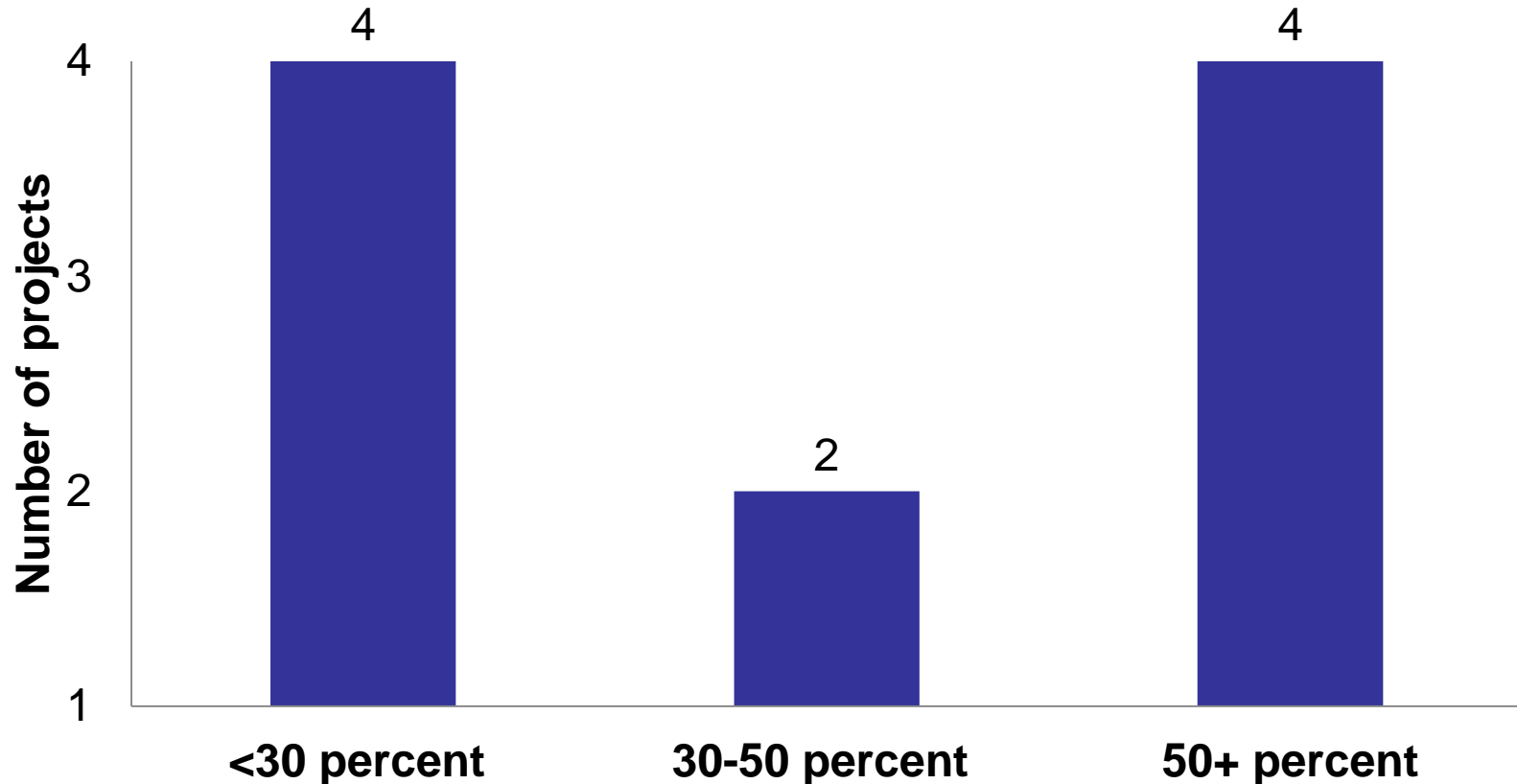
Accountability in Practice in WRM



Daily
Star,
2 June
2013

- Not reconstructed embankments, even after 4 years of climate induced cyclone AILA
- 50,000 victims people, mostly farmers still have not been able to return to their homes live on the embankment at coastal region due to intrusion of saline water two times daily, and faces below-
- lost their means of livelihood; damaged soil, no croplands
- Damaged surface and underground water tables - buy drinking water at Tk 30 for a 20 liter jar

Accountability: Progress in works by Water Development Board

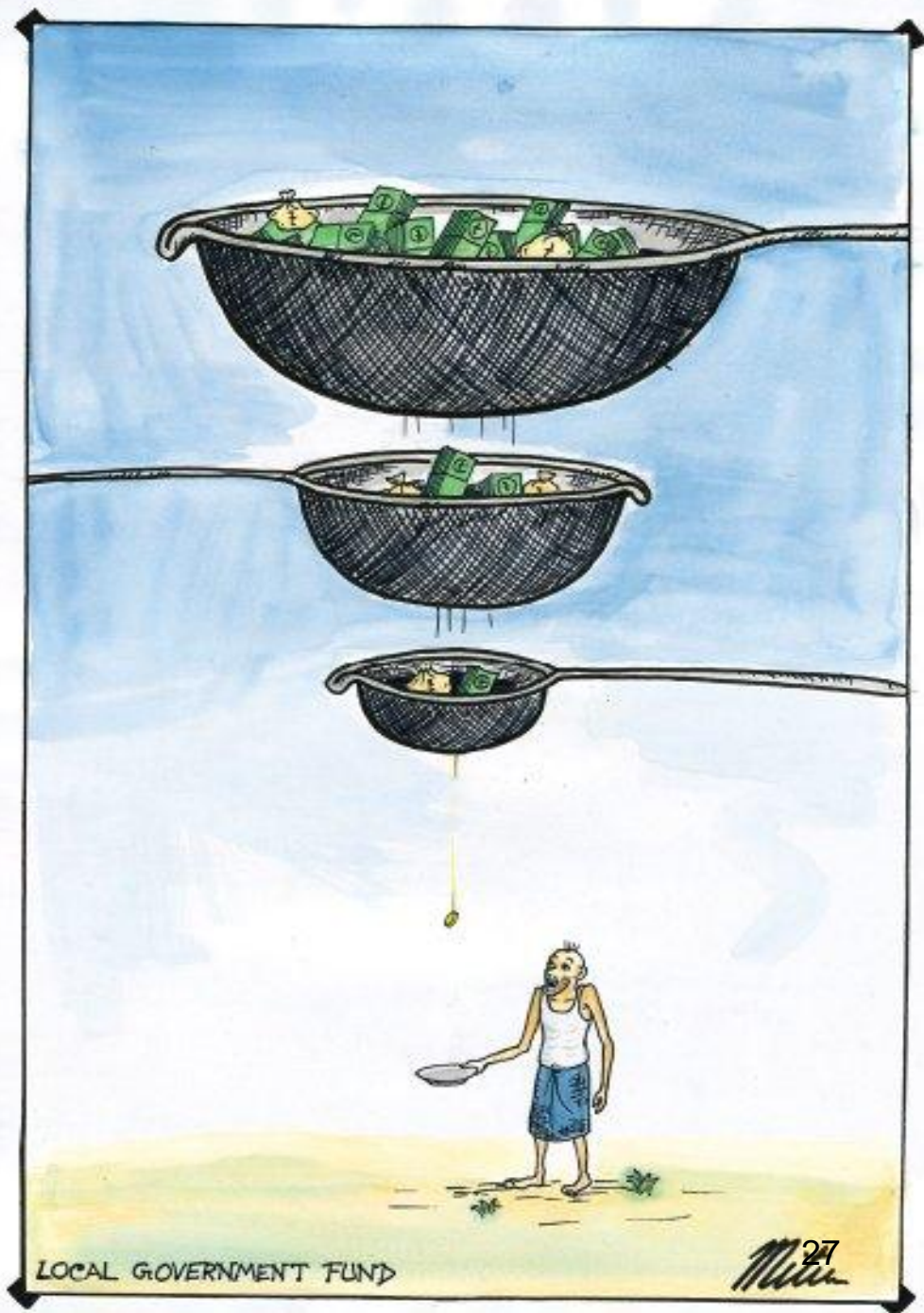


Challenge:
Climate Funds -
Who will get
what?



**TRANSPARENCY
INTERNATIONAL
BANGLADESH**

Social movement against corruption



Accountability in practices: Absence of Community Consultation led to Faulty Design of cyclone resilient housing (??)

US \$1400 @ per structures; total 2003 structures

Lack of
transparency
in
contracting

Lack of
access to
information
for affected
community

Lack of
proper
monitoring
and
evaluation

Economic
Loss:
Production
chain,
Sub-
standard
construction



Accountability and Integrity: Avoiding multi-stakeholders collaboration

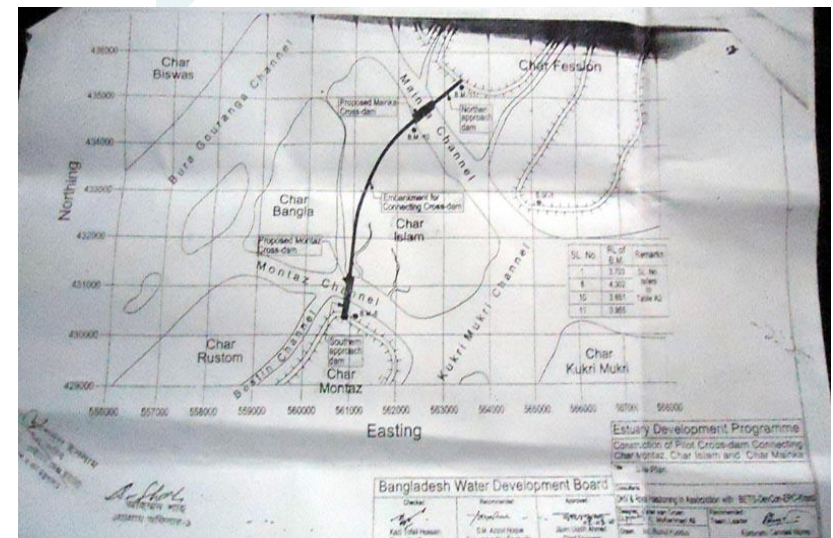
**Approved
Construction of
Cross Dam without
EIA, social impact
study**

Hided existence of protected forest in approved design

**US\$ 2.9
million
investment**



Project site with reserve forest



Approved design without forest site

Practices of Integrity in Contracting in WRM Projects

Award the contract or bid for reconstruction of dykes

Unauthorized Multiple sub-lease – Sale, re-sale of work-order

- Reconstruction of dykes in coastal district Shatkhirra
- Contract Value - \$ 0.07 million
- **Inflated Measurement-** Shown less (7 ft) in estimates than actual height (10 ft)
- Value in offer awarded – **41.53% less than the original estimate**
- **Unauthorized multiple sub-leases** engaging BWDB staff and concerned labors leader
- Finally works awarded to a concerned labor leader at almost **95% less (US\$0.01 million)**
- **Identified failure of integrity in 10 issues out of 11 suspected areas**

Oversight Mechanisms and Safeguards

- Absence of specific safeguards to prevent political influence in project approval process as well as misuse of funds – except for active role visa-a-vis funding of NGOs
- No practical oversight initiative by Standing Committee and APPC on CC, no coordination
- Absence of in-built obligation of consultation with affected community - project formulation and implantation process

Opportunities

- *Active Parliamentary Oversight*
- *Citizen's Voice & Accountability*
- *Existence of some dedicated media*
- A multi-pronged strategy to demand:
 - **Making corruption punishable**
 - **Strengthening the institutions**

Awareness, demand, inclusion, participation

- Forums & channels for voice & accountability
engaging the people – local/national
- Multi-stakeholders engagement - anti-corruption
institutional capacity, networks and partnerships



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Social movement against corruption



Thank you

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www.ti-bangladesh.org

BAWIN Bangladesh
Water Integrity
Network

Promoting integrity in the water sector