

COP 21 Paris Conference

TIB calls for execution of Climate Finance commitments made by industrialized countries and transparency and accountability in Climate Funds utilization by all concerned countries including Bangladesh

Storms, floods, cyclones, river erosion, droughts and extreme temperatures are on the rise in terms of frequency and magnitude in least developed and small island countries including Bangladesh which are most vulnerable to climate change, although 48 of the least developed countries that are affected by climate change emit only 1% of the total greenhouse gas emission globally. Scientists believe that an increase in the global temperature by 2-4 degrees Celsius would cause irreversible damage to climate vulnerable countries. Although the Intergovernmental Panel on Climate Change (IPCC) in its 5th Assessment Report in 2014 predicted a rise in global sea levels from 1 to 3 feet by the end of the century, a report by NASA (National Aeronautics and Space Administration) in the USA has warned that the sea level would rise as much as 10 feet by the end of this century.¹ It is estimated that the projected global warming will lead to about 14, 32 and 88 cm rise in sealevel by 2030, 2050 and 2100 respectively which would cause inundation of about 8%, 10% and 16% of total land masses in Bangladesh.² By 2050 150 million people globally including 27 million Bangladeshis may become environmentally displaced due to coastal flooding, bank erosion, draught and agricultural inversion.³

In order to tackle the detrimental effects of global climate change there is no alternative to ensuring that commitments made by all countries especially the industrialized nations at the Rio Declaration on Environment and Development 1992, UNFCCC The Cancun Agreements, Bali Action Plan and Rio +20 United Nations Sustainable Development Conferences are properly met. In this context, a global demand needs to be raised in the forthcoming COP 21 (Conference of the Parties) to be held in Paris from 30 November 2015 for a legally binding long-term agreement that would ensure that the rise in global temperature is restricted to 2 degrees Celsius above the temperature that prevailed in the pre-industrial period, based on the principle of “common but differentiated responsibility” as laid down in Article 3 of the United Nations Framework Convention on Climate Change (UNFCCC).

A. Commitments Made by Industrialized Countries and the Reality on the Ground

- **Limiting Global Temperature Rise:** Industrialized countries made a commitment to reduce the carbon emission drastically so that the rise of global temperature could be stopped⁴. However, the proposal made by industrialised countries, in particular, Australia, Canada, Japan, New Zealand, Russia and USA ahead of the upcoming COP21 to reduce carbon emission is found to be largely ineffectual due to submitting proposal on the lower reduction of GHG emission in limiting the rise in global temperature to only by 2 degree Celsius increase from that which prevailed during the pre-industrialisation period. It may be noted that 46 countries of the world that are

responsible for overall 10% carbon emission have not yet made any commitment to reduce carbon emission from 2020.⁵ However, there is no mention in the draft Paris Accord whether the industrialized countries' commitment to reduce carbon emission will be legally binding or not.

- **Providing “new” and “additional development assistance:** Under the Copenhagen Accord the industrialized countries are supposed to provide US\$ 100 billion in long-term compensation each year to least developed economies as ‘additional’ and ‘new’ development assistance up to 2020 for adaptation and mitigation purposes and subsequently until 2030 they are supposed to provide climate funds. According to the information released by the United Nations Environment Programme (UNEP) in 2014, at least US\$ 150 billion are needed annually up to 2025 for adaptation globally. According to the GCF, 34 industrialized countries and countries of emerging economy have given only 50 percent of the committed amount until August 2015, although they had promised to contribute US\$10.2 billion to the Green Climate Fund (GCF). Performance of the industrialized countries in mobilizing the committed funds to LDCs has fallen short of expectations in mobilizing required adaptation funds as public grant.

However, in reality, the industrialized countries have so far (from 2010 to September 2015) disbursed a total of only US\$ 2.6 billion (7.5%) against the committed amount of around US\$ 35 billion.⁶ Moreover, although recently France, UK and Germany have pledged US\$ 19 billion every year up to 2020 and China has pledged US\$ 3.1 billion up to September 2015, the amount committed is inadequate compared to the need of vulnerable countries like Bangladesh for implementing adaptation projects. This contribution, even if properly made, would still be negligible compared to the potential damage resulting from climate change.⁷

- **Meagrely Focused Adaptation Fund:** Adaptation and mitigation finance is two different thematic areas where climate funds need to be given according to the priority of the affected countries. In affected countries like Bangladesh finance for adaptation is more required than mitigation. The shortfall in the ‘new’ and ‘additional’ development assistance required for adaptation as committed by the industrialized countries will increase if a universal carbon reduction agreement based on scientific data is not reached at COP-21 in Paris this year. Although the adaptation fund established to help least developed countries adapt to climate change and the LDCF are currently blank, there is no indication of this in the draft Paris Agreement. It may be mentioned that there is no legally binding provision in the draft [Paris](#) Agreement to the effect that priority will be given to grants for adaptation.
- **Grant and not loan:** The modality of climate financing should be grant. The polluters pay principles also emphasized that affected country will get compensation-based climate finance and it should be grant. The fact that Para 6(4) and 6(9) (a) of the draft Paris Agreement refers to loans as sources of climate finance is unacceptable as climate funds provided by industrialised countries as compensation are supposed to be given as grants from public sources only. The use of climate funds for profit-making or doing business is unethical and in clear violation of the commitment.

B. The Significance of Transparency and Integrity in Climate Finance

- **Amalgamation of Climate Funds with ODA:** Although Japan committed to provide US\$ 15 billion in the First Start Fund, in reality it has provided only US\$ 3.8 billion in terms of ‘new’ or ‘additional’ of ODA.⁸ Moreover, many industrialized countries are

reducing development assistance on the pretext that they are providing climate finance, which is not acceptable.⁹

- **Compensation-based Climate Finance Questioned:** Industrialized countries at a meeting in Paris on 6-7 September 2015 committed to provide US\$ 60 billion (0.1% of the Gross National Income) by 2016 for climate finance. However, it is not clear whether the proposed fund will be grant as compensation or a loan. It is a matter of grave concern that the practice of recognising loan as a source of funding from the GCF affected countries allowing and including international financial institutions (such as ADB, KfW) in the decision-making of the GCF, the affected countries are being inspired, and even forced to take loan from the GCF. In reality, more funds are required for implementing SDGs and tackling climate change.
- **Sustainable Development and Transparency and Integrity in Climate Finance:** Recently a climate change related goal (Goal-13) has been identified as part of the Sustainable Development Goals Agenda for the period 2016 to 2030 in the 70th Regular Session of the UN General Assembly (UNGA 70) held in 25-27 September 2015. Although industrialized countries and countries of emerging economy have given a commitment to reduce production of coal-based electricity in recognition of the fact that massive carbon emission is a major impediment to sustainable development, in reality many of these countries are investing in coal-based power plants extensively in countries that are most vulnerable to climate change (e.g., proposed Matarbari and Rampal coal-fired power plants in Bangladesh). OECD and countries of emerging economies, especially Japan, China, India, Russia and Australia have invested more than US\$ 73 billion in coal-based industries during 2007 and 2014; among them Japan alone has invested US\$ 20 billion.¹⁰ The decision of the Government of Bangladesh to establish a coal-fired power station near the Sundarbans, a natural climate protection shield for Bangladesh from all natural disasters, despite concerns flagged by national and international experts and civil society raises questions regarding its commitment to give priority to sustainable development and tackling climate change.
- **Transparency, Accountability and Integrity in Upcoming Paris Agreement:** There is no clear guidance to ensure transparency, accountability, and participation of citizens especially affected people in the approval of climate projects and implementation related decision-making process, monitoring and evaluation of projects, although the participation of all stakeholders, particularly women and indigenous people, in preparing local adaptation strategies, planning and priority setting is explicitly mentioned in Article 35 of the draft Agreement of COP-21.

C. Climate Finance status in Bangladesh

- **Uncertainty in Climate Finance in Bangladesh and Achieving SDGs:** According to the INDC report submitted to the UNFCCC in September 2015 by the Government of Bangladesh,, it was estimated that a total of US\$ 40 billion (around US\$ 2.5 billion per year) is required for adaptation for the period 2015 to 2030. However, in reality, Bangladesh received only around US\$ 1.074 billion of which 64.2% came from the contribution of the industrialized countries from Fiscal Year 2009-2010 to 2015-2016 (Up to August). Disturbingly, fund flow to the Bangladesh Climate Change Trust Fund (BCCTF) developed from the government's own funds and the Bangladesh Climate Change Resilience Fund (BCCRF) created with funds from industrialized countries has alarmingly decreased created with budgetary allocation and this has created uncertainty about fund allocation for adaptation. According to the Fifth Assessment Report of IPCC, Bangladesh will experience a net increase in poverty of 15% by 2030 in a low crop productivity scenario, although the

poverty rate of Bangladesh has reduced at around 26 per cent.¹¹ However, TIB analyses show that the most vulnerable as well as poverty prone areas in Bangladesh have not received priority in fund allocation during project approval from the Bangladesh Climate Change Trust Fund.¹² The goal of poverty eradication in Bangladesh may become unattainable if sustainable development process is not integrated with efforts to address climate change adaptation.

- **Performance in National Climate Fund Utilization:** It is equally important to point out that only 86 government projects out of 236 projects (36%) approved by BCCTF have been completed in the last six years.¹³ Only 20% of 85 projects that were supposed to be completed by June 30, 2009,¹⁴ have been implemented even though 70%-80% of funds were released. The fund of around US\$ 60 billion allocated by BCCRF could not be utilized by the government. In this context, the position of the government regarding the future of BCCTF and BCCRF should be made clear.
- **Preparedness of the Government to Access Fund from the GCF:** The concerned authority did not take adequate initiative although TIB, through different research, reminded of the importance of ensuring transparency, accountability, fiduciary as well as environmental standard and participation of citizens in climate fund allocation and their usage since 2011. Consequently, Bangladesh has been deprived of direct access to the fund from the GCF at the first stage of funding from next November 2015.

D. Upcoming COP-21 and Responsibilities of Bangladesh

The Prime Minister of Bangladesh was awarded the “Champions of the Earth” prize by UNEP in 2015 in recognition of the efforts of the Bangladesh government as the first developing country to frame a climate change strategy and action plan and also for allocating own resources to establish climate funds and other initiatives. This puts Bangladesh in a more responsible position to defend the rights of millions of climate victims in Bangladesh and worldwide by strongly advocating for a legally binding global agreement in the upcoming Paris COP-21.

E. Recommendations

TIB expect that the proposed Paris Agreement should ensure that the industrialized countries’ proposal for reducing carbon emission will be legally binding. This legally binding agreement should also include the flow of ‘new’ and ‘additional’ fund for climate change adaptation in LDCs as well as Small Island states. Unless humanitarian considerations, transparency and accountability of the highest carbon emitting countries are ensured in the proposed Paris Accord, the actual loss due to climate change may be far worse than anticipated. Delegates from affected countries including Bangladesh have to maintain a strong stand against treating debts as climate funds as opposed to grants. In this context, TIB calls on delegates/negotiators from the Government of Bangladesh to strongly raise the following demands in the interest of the nation:

a) Global

1. A legally binding agreement is to be implemented by the industrialized countries and countries of emerging economy to limit the global temperature rise to a maximum of 2 degrees Celsius from that which prevailed in the pre-industrial era.
2. The ‘Polluters Pay Compensation Principle’ should be incorporated in Paris Agreement and a definition of climate finance should be determined unanimously that recognizes only grants as ‘additional’ and ‘new’ but not loans.
3. A long-term, equitable and need-based roadmap for climate finance from 2016 to 2030 should be formulated by industrialized countries for affected countries;

4. The allocation of the ODA for poverty alleviation should be continued to ensure sustainable development. A specific pledge in providing climate fund and implementation guidelines should be included in the Paris Agreement.
5. Adaptation should be given priority when providing funds to affected countries from the GCF and other sources.
6. Specific steps to ensure desired pro-active disclosure of all types of reports on financial transactions by both fund providing and receiving parties in providing climate funds from the GCF and other sources by industrialized countries and countries of emerging economy should be included in the Paris Agreement.
7. For greater transparency and accountability in climate finance a registered office under UNFCCC should be established for approving and collecting funds from international microfinance and other related institutions.
8. Participation of all vulnerable communities especially women, marginalized and indigenous people should be ensured in all activities addressing climate change.
9. The formulation of adaptation plans based on scientific and risk assessment information and their implementation should be made obligatory.
10. The Paris Agreement should have clear clauses on the approval, use, project implementation, monitoring, verification and evaluation of adaptation fund.
11. The Agreement should also ensure equity, transparency, efficiency and accountability in fund management including effective participation of affected communities and civil society in these processes.
12. The GCF Secretariat should make a commitment to take clear time-bound steps to help develop the capacity of affected countries including Bangladesh in determining one or more National Implementing Entity (NIE) for directly receiving funds from GCF.
13. Climate change induced displaced people should be recognised as universal “natural persons” as provided in Mode 4¹⁵ of the World Trade Agreement and policies should be formulated in the light of the Cancun Agreement 2010 for their rehabilitation, welfare and economic prosperity. Strong demands should be raised for necessary fund allocation from the GCF and other sources for adaptation as well.

b) National

14. The requisite fund allocation for implementing the BCCTF or prospective integrated national funding authority up to 2030 should also be ensured.
15. An Integrated National Authority should be established to ensure transparency, accountability, integrity and participation of affected communities in integrated planning and effective utilization of allocated climate funds, especially from BCCTF and BCCRF.

¹<http://www.jpl.nasa.gov/news/news.php?feature=4700>

²http://fpmu.gov.bd/agridrupal/sites/default/files/Final_Technical_Report_CF_10_Approved.pdf

³ IPCC, 5th Assessment Report, Chapter-13, (Wheeler, 2011)

⁴ <http://unfccc.int/resource/docs/convkp/conveng.pdf>

⁵ <http://edgar.jrc.ec.europa.eu/overview.php?v=GHGts1990-2012>

⁶ Climate funds update website (extracted on 5 October 2015).

⁷ The United Nations Framework Convention on Climate Change (UNFCCC) (1992, Art. 4.3), the Kyoto Protocol (1997, Art. 11.2), the Bali Action Plan (2007, Para 1e), and the Copenhagen Accord (2009, para 8) all call for developed countries to provide, “new and additional” climate change financing to developing countries. The term ‘new’ generally refers to the fact that the funds should represent an increase over past and existing climate-related funds. The term ‘additional’ refers to the idea that financial resources raised for one objective, such as climate change, should not substitute or divert funding from other important objectives, in particular economic and social development.

⁸ The climate “fiscal cliff”, Oxfam, 25 November 2012.

⁹ <http://pubs.iied.org/pdfs/16587IIED.pdf>

¹⁰ http://d2ouvy59p0dg6k.cloudfront.net/downloads/wwf_nrdc_oci_under_the_rug_june15_2.pdf

¹¹ Hertel *et al.*, 2010.

¹² TIB's analysis based on secondary information the Bangladesh Bureau of Statistics and CEGIS.

¹³ Bangladesh Climate Change Trust, extracted on 14 October in 2015.

¹⁴ *Daily Samakal*, 23 November 2015.

¹⁵ https://www.wto.org/english/tratop_e/serv_e/mouvement_persons_e/mouvement_persons_e.htm