Climate Finance in Bangladesh: Governance Challenges and Way Out
(Executive Summary)

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1. Background and Rationale

Globally and nationally, climate change is considered a threat to socio-economic advancement of people, their survival and livelihood, the reduction of their poverty and their overall security. The Global Climate Risk Index 2012 has identified Bangladesh, Myanmar and Honduras identified as being most susceptible to the effects of climate change in the next 20-years (Germanwatch, 2012). Different countries are spending significant amount for climate change adaptation. The Government of Bangladesh (GoB) has allocated US$340 million in the last four fiscal years to Bangladesh Climate Change Trust Fund (BCCTF) while Annex-I countries have pledged US$170 million to be mobilized through the Bangladesh Climate Change Resilience Fund (BCCRF) up to 1 June 2013. It is to be noted that there are significant gaps in the amount pledged by the polluter Annex-I countries and the actual amount approved or allocated against the pledge to countries vulnerable to climate change, like Bangladesh.

The Global Corruption Report on Climate Change acknowledges that there is dearth of research necessary for identifying the management and governance risks in climate finance. The Climate Public Expenditure and Institutional Review (CPEIR) prepared by the Planning Division, Govt. of Bangladesh (2012) also emphasized on transparency and accountability measures in the budgeting of climate finance. There exist various governance challenges at different stages of fund disbursement to project implementation including allegations of political influence, lack of transparency/information regarding the use of funds, malpractices and lack of accountability by the implementing agencies (TIB, 2012). Besides, in the last 53th meeting of the Parliamentary Standing Committee on government commitment affairs held in 29 May 2013 irregularities in BCCTF were underscored and the significance of proper prioritization in fund disbursement was emphasized.

In this context, as part of TIB’s ongoing initiative of tracking climate fund utilization in Bangladesh, the present report has been prepared to gauge the progress in the flow of climate funds, and to identify governance challenges/risks at different stages of project formulation, selection and implementation.

2. Research Objective and Scope

The objectives of the present research are to a) examine the progress of climate finance in Bangladesh; b) identify governance challenges/risks in approval and implementation processes of projects undertaken by GoB agencies from both BCCTF and BCCRF funds; c) identify the governance challenges in the selection of NGOs, think tanks and approval of their projects under BCCTF and also the implementation of selected projects; and finally, d) recommend possible ways forward.

3. Research Methodology

The research, which was carried out from September 2012 to June 2013, has relied on both quantitative and qualitative information.

3.1 Research Indicators

The following indicators have been considered in identifying governance challenges in organization/project selection, fund allocation from BCCTF and BCCRF and their implementation:
a) **General Indicators/Criteria for Organization/Fund approval and Implementation of Approved Projects:** Transparency/information disclosure, political influence (organization selection and/or project approval and contractor and beneficiary selection); Climate vulnerability in fund allocation; Risks in project formulation and approval; Quality of project proposals and their long term effects; Institutional capacity, inter-departmental coordination and manpower; Participation of local/affected communities in project formulation and area selection; Work experience in climate change and effective adaptation; Accountability of implementing organizations and project staff; Conflict of interest in selection of organizations, projects and beneficiaries; Proper utilization of funds and effectiveness of budget; Monitoring, evaluation and effectiveness of Third Party monitoring; Participation of affected communities in project monitoring and evaluation; and Compliance mechanism and processes.

- **Specific criteria in selection of NGOs/Think Tanks and fund disbursement:** Delay in commencing project activities and its impacts on the expected; Funding priority on the basis of organizational strength and climate change focus; Status of infrastructures in project area and manpower; Political connection of higher executives of selected NGOs; Previous experience in climate change project and accountability of decision-makers (Trustee Board of BCCTF, PKSF, ECs of selected NGOs); and Practice of financial integrity.

3.2 Sources of Data

**Primary sources of information:** Major sources of primary information for this research were Key Informant Interviews with individuals from amongst consultants appointed by the the World Bank, officials of the MoEF, LGED, BIWTA, PKSF, and relevant NGOs; in-depth interviews with contractors, local journalists, focal points/members, Executive Committees of selected NGOs; focused group discussions with local stakeholders including School Management Committee (SMC), business associations and members of local communities; and direct observations of selected project sites and construction works on both BCCRF and BCCTF funded projects\(^1\) implemented by both Government and NGOs. Moreover, a hydrographic survey was outsourced to measure the status of waste disposal under the “Deposited Polythene and other Waste Removal from Haikker Khal of Rayer Bazar, Dhaka” and “Charargope of Narayanganj” projects.

**Secondary sources of information:** Secondary sources of information included the review of relevant laws, policies, documents (project proposals, project progress reports, and project completion reports\(^2\)), progress and annual reports of BCCRF and relevant websites.

4. **Climate Finance in Bangladesh**

In order to implement the program and projects outlined in the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) 2009 an estimated US$500 million would be required by Bangladesh for two fiscal years and around US$5 billion (on average US$1 billion per year)

\(^1\) BCCRF funded “Emergency 2007 Cyclone Recovery and Restoration Project-ECRRP” implemented by LGED; BCCTF funded “Deposited Polythene and other Waste Removal from Haikker Khal of Rayer Bazar, Dhaka & Charargope of Narayanganj Project” implemented by BIWTA; and other 3 BCCTF funded projects implemented by NGOs

\(^2\) Collected by applying Right to Information (RTI) Act
for first five years (Clause 57 and 58, BCCSAP 2009). Annex-1\(^3\) countries pledged to pay Bangladesh US$594 million until June 2013. The Bangladesh Government has allocated US$340 million for FY2009-10 to FY2012-13, in the Annual Development Budget from its own source to combat climate change through BCCTF.

Until June 2013, US$190.78 million had been approved for implementing 139 GoB and 63 NGO projects across the country. The BCCRF has approved US$146.9 million against the pledge of US$170 million for implementing different projects.

Other funding channels include Pilot Program for Climate Resilience (PPCR), Global Environmental Facility (GEF), and Least Developed Countries Fund (LDCF) which have approved projects against pledges for very small amounts. Amongst the total funds received from different agencies above, the Ministry of LGRD & Co-operatives has received the highest amount accounting for US$218.16 million (31.92 percent of overall funds approved by 6 of the above-mentioned agencies).

\(^3\) As per Kyoto Protocol, 1996 countries responsible for global Green House Gas emission are named as Annex-1 countries
mentioned funding agencies. The second largest allocation amounting to US$ 159.2 million (23.3 per cent of the total allocation of climate funds in Bangladesh) has been given to the Ministry of Power Energy and Mineral Resources. A large amount of climate funds has been allocated to the Ministry of Water Resources which received 42.5 per cent of the total allocation of climate funds exclusively from BCCTF, for the construction of embankments, dams and dredging of river and canals. The lowest fund recipient agency was the Ministry of Women and Children Affairs which only received 0.05% of the total allocation of climate funds.

5. **Governance Challenges and Risks in Project Implementation**

Two government projects funded by BCCTF and BCCRF were selected for examining governance challenges and risks. Findings of the assessment are given below.

5.1 **Implementation of “Emergency 2007 Cyclone Recovery and Restoration Project-ECRRP” funded by BCCRF**

**a) Project Formulation and Approval**

In November 2008, the World Bank approved this project costing US$84 million under the modalities of International Development Association (IDA) credit. Subsequently, in 2011, the Governing Council (GC) of the BCCRF approved US$25 million to be channeled into the “Emergency 2007 Cyclone Recovery and Restoration Project”. The objective of the project was to construct 56 new multipurpose shelters and 5 connecting roads (11.50 km) at various locations in the coastal areas of Patuakhali, Pirojpur, Barguna, Khulna and Satkhira districts.

5.1.2 **Observations on Governance in Project Implementation**

- **Inaccurate disclosure of information** from the BCCRF about sources of funds; misleading information regarding source of funds (e.g., instead of ‘new’ and ‘additional’ funds by the developed countries, a construction plaque shows the source of finance as ‘credit’ from the World Bank; and lack of accurate information among field level officials about the actual sources of funds, that is, channeled by World Bank or from BCCRF IDA credit or BCCRF grant.

- **Limited participation of School Management Committee (SMC)/affected communities** in selection of locations for construction of cyclone shelters and other works.

- **Use of political influence and muscle power by the ruling political party in the selection of contractors** under specific construction work package.

- **Appointment of sub-contractor by principal contractors in contravention of the Public Procurement Rule (PPR) 2008**, for example, in Patuakhali a sub-contractor was engaged to construct two out of four cyclone shelters as part of one package.

- **Delay in commencing the construction work** despite release of the first installment of funds in 2011; while the work was scheduled to be completed by June 2013 it is now expected to be completed by 2014.

- **Quality of construction compromised due to supply and use of low quality materials by contractors.**

- **Poor accountability due to absence of effective complaint redresses mechanisms.**

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4 Examples of low quality materials are using lower grade stone, sand and rod for pilling, using saline water in concrete pilling ignoring specified standard mentioned in the procurement document.
5.1.3 Challenges in Monitoring and Evaluation in Project Implementation

- **Insufficient monitoring during construction in remote areas in different Upazillas** by LGED officials and the World Bank staff, due to poor road network facility and simultaneous commencement of construction in 2-3 sites on one a day.

- **Challenges in Third Party Monitoring (TPM) mechanism**, introduced by the World Bank to monitor the construction and overall implementation of the projects at the local level and in favor of appointed firm Field Residential Engineer (FRE) have been appointed to monitor the project works being attached to local LGED office. But some FREs reported that since they have to depend on LGED officials to operate their works smoothly that is why, they can’t monitor independently due to unwanted intervention of LGED officials. Moreover in collusions with LGED officials compelled the FREs to sign quality control reports as per their demand before checking the standards of construction materials; and around 12 FRE left job in a year in one project area due to death threat.

5.2 Implementation of “Deposited Polythene and other Waste Removal from Haikker Khal of Rayer Bazar, Dhaka & Charargope of Narayanganj” Project funded by BCCTF

Bangladesh Inland Water Transport Authority (BIWTA) implemented this project worth 221.8 million BDT, the main objectives of which was to increase the river flow and improve the environment and drainage facilities during the rainy season by removing polythene and other waste materials from the riverbed.

5.2.1 There were deficiencies in inter-agency coordination in project preparation and approval despite that coordination among BIWTA, City Corporation, Department of Environment and Water Development Board was required during formulation of project as the sustainability of the project outcomes depend on the effective role of those agencies.

5.2.2 Governance deficits in Project Implementation

- **Approval and implementation of the project without blocking the flow of huge amount of untreated ternary effluent** into Hykka Khal through sluice gates linked to the river. Consequently, sustainability of the project outcome has become uncertain.

- **Influence of politicians in the bidding process** and attempts by land-grabbers to stop project implementation.

- **Insufficient awareness programs** as reflected evident from the lack of knowledge amongst local regarding guarding against waste disposal into water bodies.

- **No permanent waste/garbage storage point was constructed** at Hykkar Khal as per project proposal; consequently, dirt was flowing into the river and adjacent areas leading to increased environmental pollution.

- **Unutilized/unspent money in project for waste removal is another challenge.** While a total of 3,85,000 cft of waste was supposed to be disposed of under the Hykker Khal project, TIB hydrographic survey revealed that the actual amount of waste that was

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5 The districts of Bangladesh are divided into sub districts called Upazilla, second lowest tier of LG in Bangladesh

6 The concerned contractor said that “the proposed construction site of the garbage point belongs to Water Development Board. The BIWTA waited two months for permission from Water Development Board to construct the garbage point; therefore, due to delay of permission the proposed garbage point was not constructed”.

Box 1: Non transparency in NGO selection

TIB has requested for 55 project proposals from PKSF and 55 NGOs simultaneously under the Right to Information (RTI) Act. In response, PKSF issued a letter explaining that they have not received any approval from BCCT for providing such information. To date, information pursuant to his request has not been furnished. However, 21 NGOs (38%) have responded to requests for project proposal while the others have not. (Source: Analysis of data, 2013).

6. Challenges and risks of NGO selection and project implementation

The Ministry of Environment and Forest (MoEF) circulated a short notice on behalf of the BCCTF Trustee Board\(^7\) and appointed PKSF\(^8\) to review, approve/reject project proposals and channel funds to NGO-run projects\(^9\). On application for information under the RTI Act in October 2012, TIB received a list of 55 NGO/NGO projects from PKSF, although the number of NGOs subsequently rose to 63 NGOs.

6.1 Governance in Project Formulation and Approval

- **Lack of information/pro-active disclosure** on a) evaluation process of preliminarily selected 115 NGOs and projects by the BCCT; b) absence of written Terms of Reference (ToR) between PKSF and Government; c) the jurisdiction and responsibilities of BCCTF, PKSF and NGOs; and d) NGO selection process and the list of 63 selected NGOs;

- **Predominantly experienced in micro credit, PKSF and its staff have no prior work expertise** in the selection, monitoring, evaluation of climate change related projects. Consequently, most of the NGOs selected by the PKSF are inexperienced and weak in terms of capacity, credibility and infrastructure to effectively implement climate projects.

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\(^7\) Record No: পক্ষ/CCU/ফ্রেটটি বোর্ডের সভা/৫৬/২০১২/(অং-৩)/৬৩৮, তারিখ: ১৩/০৮/২০১২ যুটিয়াল মোতাবেক


\(^9\) Process of NGOs was, in Step-1, BCCT (Previous CCU) called for Proposal in 2011 and 5,000 proposals were submitted by NGOs/CSOs and BCCT initially selected 53 NGO projects for funding; in step-2, process of fund disbursements was suspended in August 2011 due to allegations of corruption in NGO selection; in step-3: BCCT appointed PKSF in 2011 to review, approve & channel funds to preliminarily selected 115 NGO proposals; and finally, PKSF finally selected 63 proposals for funding.
Less priority was attached to climate vulnerable areas in fund allocations: Despite that the risk map of climate change identifies Khulna (6.5%) and Satkhira (1.2%) as the most vulnerable and affected areas, these received inadequate amount of funds. Bagerhat which is also vulnerable did not receive any funds. Paradoxically, Chittagong Division include Comilla, Rangunia, Rangamati received 24.03 per cent of the total funds allocated by BCCTF to 55 NGOs. Other projects in less vulnerable areas include Tangail Sadar (4), Gaibandha Sadar (2), Dhaka City Corporation (1), and Rajshahi Sadar (1). Thus, allocations are in-consistent with funding principles.

Political influence and other irregularities in NGO and project selection: It is alleged that some NGOs received projects through political influence, by paying commissions (20% of total project value), by engaging associate NGOs with connections with policy makers for implementing the project in partnership with the approved NGO, and by colluding with decision-makers and providing undue benefits, such as, establishing a computer center in the electoral constituency of the concerned official.

Table 2: Irregularities of selected NGOs from BCCTF

<table>
<thead>
<tr>
<th>Types of Irregularities</th>
<th>Number of NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGOs that could not be traced</td>
<td>10</td>
</tr>
<tr>
<td>Use of residence of Chairman/Chief Executive as liaison office</td>
<td>3</td>
</tr>
<tr>
<td>Project received through political influence</td>
<td>9</td>
</tr>
<tr>
<td>ED/Member of NGO Executive Board involved in partisan politics</td>
<td>13</td>
</tr>
<tr>
<td>Embezzlement of funds from other projects</td>
<td>2</td>
</tr>
<tr>
<td>Registration cancelled by the Micro-Credit Regulatory Authority</td>
<td>1</td>
</tr>
<tr>
<td>No office in the project area despite legal requirement</td>
<td>4</td>
</tr>
<tr>
<td>Inadequate number of meetings of NGO Executive Committee</td>
<td>8 (Out of 40)</td>
</tr>
</tbody>
</table>

Source: KI Interview, Field Visit, July 2013, TIB

Prior experience in climate change area has been found in only 17 NGOs out of 55 NGOs working in natural disaster management, environment and climate change related...

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10 some NGOs were not found although signboard of those NGO remained in place while some NGOs changed their office without leaving information about new office location

11 Section (Ka) under Article (5) of NGO selection and implementation guideline, “selected NGOs must have own office and sufficient manpower in proposed project area”
areas; this is because all types\textsuperscript{12} of NGOs had been given the opportunity to apply for the BCCTF funds.

- **Participation of affected community** in developing project proposal and in selecting the implementation area was largely absent.

- **Inconsistency of NGO activity plan with its revised budget** resulted from an abrupt reduction of funds without consulting with applicant NGOs; as a result, selected NGOs were not too interested to maintain quality of work given the available budget and timeframe.

### 6.2 Governance in implementation of selected NGO projects

- **Political consideration in selection of beneficiaries in some areas and questionable selection of project actions:** comparatively higher allocation to two projects due to political connections at higher level and despite conflict of interest of a member on the NGOs/think tanks selection committee. Some components/projects, like bio gas plant, solar power, lower carbon emitting cooking stove, and houses were allotted without any cost assessment.

- **Complexity in reporting accounts by selected NGOs and absence of uniform financial reporting format from PKSF:** NGOs submitted reports based on their own format\textsuperscript{13} although according to section 1.7 of the agreement between the selected NGOs and PKSF, NGOs accredited by PKSF can receive funds only by complying with its financial regulations.

### 6.3 Absence of effective monitoring and evaluation framework by the PKSF or any other designated institution: PKSF claims not receiving any fund from the BCCT for its services. This raises questions regarding the extent NGO projects monitoring and the source from which these costs would be covered.

### 7. Governance in implementation from Selected NGO projects

- **“Construction of Cyclone Resistant Housing and Capacity Building” project:** 160 cyclone resistant houses were planned to be built for 1,36,373 BDT each. There were two different designs approved by the BCCTF for the houses, one by Disaster Management Bureau and the other by NGOs but there is no way of telling which one is climate resilient. In one project area in Chittagong the project implementation is being operated by a partner NGO in contravention of the BCCTF’s NGO selection guideline (Section (Ka) under Article No 5\textsuperscript{14}).

- **“Drinking Water Supply and Sanitation for Climate Change Vulnerable Areas in Chittagong Particularly Anwara & Banskhal Upazilla” project:** Substandard latrines were built by the implementing NGO under this project due to inadequacy of funds. The

\textsuperscript{12} According to BCCTF Act 2010, Article (3), section (KA) the NGOs are encouraged to apply that comply with the following criteria; (a) experience of working in climate change, natural resource management, environmental conservation, pollution control, and livelihood and climate change related experience in health sector; (b) submission of up-to-date audit report to PKSF to proof the financial transparency; (c) office in proposed working area and sufficient manpower.

\textsuperscript{13} According to the guideline of NGO project selection and implementation it is mentioned in the Paragraph 10 of Section (Gha) that NGOs will submit their financial report in a certain format

\textsuperscript{14} “selected NGOs must have own office and sufficient manpower in proposed project area”
budget for construction of each latrine under this project was 4,220 BDT while the standard cost of such latrine is 5,460 BDT. During project formulation, the hygiene and sanitation practices of the local community, peoples’ participation and sustainability issues were not considered. Besides, to date PKSF staff has not visited the project implementation areas.

**“ABALOMBON” project:** Implementing organization had no prior working experience in climate change/disaster. Over budgeting was evident from the fact that while the average cost per cooking stove was estimated by the NGO to be 1000 BDT, the actual cost price was 750-800 BDT; alleged embezzlement of funds from each stove was around 200-250 BDT.

**Recommendations**

**Disbursement of BCCTF/BCCRF and project implementation by GO agencies**

- Highest level of information disclosure at all stages of project selection, approval and implementation should be ensured;
- Sustainability of project outcomes, climate vulnerability and opinions of affected people must be considered during project preparation and approval;
- Engagement of local community in monitoring of implementation of all BCCTF, BCCRF and other projects should be ensured;
- Affected communities must be taken into consideration while identifying project sites and beneficiaries.
- Relevant stakeholders should be engaged intensely at all levels of project formulation to project implementation;
- Grievance Management System (GMS) in BCCTF/BCCRF management and quick redress of complaints must be ensured.

**Selection of NGO/ private organization and implementing project**

- PKSF should be given independence in the selection of NGOs and projects ensuring proper selection process and disclosure of the same;
- A watchdog body should be appointed to oversee project selection and implementation related committees have to created;
- Implementing NGOs have to be selected based on experience and capacity;
- Specific safeguards must be in place to ensure transparency, accountability and integrity in climate projects.

**Bibliography**


