

[WORKING PAPER]

Climate Finance in Bangladesh: Lessons for Development Cooperation and Climate Finance at National Level

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Acronyms & Abbreviations

AEU	Aid Effectiveness Unit
AMS	Aid Management Strategy
ADP	Annual Development Plan
ADB	Asian Development Bank
BAP	Bali Action Plan
BCCRF	Bangladesh Climate Change Resilience Fund
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BCCTF	Bangladesh Climate Change Trust Fund
BSPCR	Bangladesh Special Programme for Climate Resilience
BASIC	Group of countries: Brazil, South Africa, India and China
CCA	Climate Change Adaptation
CCTF	Climate Change Trust Fund
CCU	Climate Change Unit
CDMP	Climate Database Modernisation Programme
CIF	Climate Investment Fund
COP	Conference of the Parties
CDMP	Comprehensive Disaster Management Plan
CRMP	Community Risk Management Planning
CSP	Country Strategy Programme
DANIDA	Danish International Development Agency
DP	Development Partners
DMB	Disaster Management Bureau
DRR	Disaster Risk Reduction
DRM	Disaster Risk Management
EDC 2020	European Development Cooperation to 2020
ERD	Economic Relations Division
ETF	Environmental Transformation Funds
FSF	Fast Start Funding
FTF	Feed the Future
FYP	Five Year Plan
GED	General Economic Division
GCCA	Global Climate Change Alliance
GEF	Global Environment Facility
GHI	Global Health Initiative
GCF	Green Climate Fund

GoB	Government of Bangladesh
GCF	Green Climate Fund
GTZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (01-01-11)
UNAGF	High Level Advisory Group
HDI	Human Development Index
INC	Initial National Communication
IWM	Institute of Water Modelling
IPCC	Intergovernmental Panel on Climate Change
IFC	International Finance Centre
JCS	Joint Coordination Strategy
LCG	Local Consultative Group
LDC	Least Developed Countries
LDCF	Least Developed Countries' Fund
LEDS	Low Emission Development Strategies
MIC	Middle Income Country
MoEF	Ministry of Environment and Forests
MoFDM	Ministry of Food and Disaster Management
MDTF	Multi Donor Trust Fund
MRV	Monitoring, Reporting and Verification
NAPA	National Adaptation Program of Action
NPDM	National Plan for Disaster Management
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPPV	Outline Perspective Plan Vision
PRDI	Participatory Research and Development Initiative
PRSP	Poverty Reduction Strategy Paper
RDE	Royal Danish Embassy
SIDS	Small Island Developing States
SPCR	Strategic Programme for Climate Resilience
SIDA	Swedish International Development Agency
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNAGF	United Nations High level Advisory Group on Finance
UNLDC	United Nations Least Developed Countries
UNMDG	United Nations Millennium Development Goals
WBCD	World Bank Country Director
PPCR	World Bank's Pilot Programme for Climate Resilience

Executive Summary

Climate change is accepted as a major issue for Bangladesh due its extreme environmental vulnerability to climate hazards irrespective of climate change. It has a well-established scientific community addressing the issue, and was an early mover in the National Adaptation Program of Action (NAPA) process. Since then (1995) there have been a series of policy and institutional changes undertaken by the Government. There is a widespread awareness about the inter-relationship of climate change and development, and the dangers that climate change poses for its economic growth, with a study recently completed about the costs for critical coastal infrastructure and other key developments. Bangladesh has increasingly become a significant player in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations as a Least Developed Country (LDC) with special status and with moral voice. It can expect additional funding as an LDC and has already received some EU fast start funds.

This report presents the findings of the case study on Bangladesh within the European Development Cooperation to 2020 (EDC 2020) project¹, which investigates the links between development cooperation and climate change strategies in developing countries up to 2020. The objective of the case studies (the other being in Indonesia) is to understand the existing and future evolution of climate finance at the national level, and to provide insights on the synergies and conflicts which have been examined at EU and international levels in the project. The provision of funding is a major issue for the post Kyoto climate deal with many countries active on the matter, including Bangladesh. However, policy analysis has been focusing on the international level, and there has been very little knowledge and understanding shared about the particular situations in individual countries. Further, at country level it is possible to examine carefully how climate funding interacts with longer established development efforts.

Two main sources of knowledge have been used to compile the detailed information base on Bangladesh: a review of existing information from written reports and other literature and web-based material, and primary information collected through individual meetings with key Government of Bangladesh (GoB) officials, donors, policy institutes and selected NGOs.

Delivery of climate finance in Bangladesh

Contested issues in the past three years between the GoB and NGOs on one side and donors and the World Bank on the other have meant there are now two trust funds, one funded by the GoB (the Bangladesh Climate Change Trust Fund - BCCTF) and the other funded by several donors (the Bangladesh Climate Change Resilience Fund - BCCRF). There are also two multi-donor programmes on climate change. One which is part of the World Bank's Pilot Programme for Climate Resilience (PPCR), the Bangladesh Special Programme for Climate Resilience (BSPCR). A second phase of the Comprehensive Disaster Management Programme (CDMP) has started (2010),

¹ <http://www.edc2020.eu/4.0.html>

which includes some activities on climate change. Each funding mechanism draws on different funding routes. Obviously, the proliferation runs contrary to the principles of harmonisation and alignment in the aid effectiveness agenda. For those who have created them, the mechanisms are perceived to have different functions, be closely aligned and be complementary. Organising the institutional arrangements and getting buy-in from key parties has taken considerable time. Considerable effort has been expended to get good matching. On the positive side there is now a strong base of resource commitment to get action going. And, there is a widespread expectation that there will be convergence by 2020, with climate change as an embedded development issue. From the outside it is not clear yet how each will be differentiated coherently in terms of action on the ground.

Whilst the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) does provide an overall framework for action on adaptation, it is not a costed and sequenced delivery framework. That is why the integration of climate change into the annual five year and longer term development planning process is so vital to provide this planning framework.

This is especially important as external assistance is likely to be only part of the story. An important assessment has been made of the impact of climate change on the Annual Development Plan (ADP) of Bangladesh². This shows that, in a typical year, the GoB spends nearly \$4.7bn dollars in development projects in its eight sectors (including the block allocation for local governments). Of them, it has been estimated that around \$2.7bn of investment is now at risk due to climate change. These figures dwarf what is currently being mobilised for climate funding by donors (c\$230mn).

Interface between development cooperation and climate finance in Bangladesh

Climate change needs to be seen as part of the bigger picture on development at all scales, and it presents new challenges on coordination and capacity. It is very difficult to ascertain who is doing what and where, and databases will need to be improved to cope with new requirements for Monitoring, Reporting and Verification (MRV under the UNFCCC). Within the EU and some member states, climate change programmes are impacting on spending on the environment and there is some confusion about how far climate change should be handled separately in view of its close relationship with long-established investments on agriculture, food security and livelihoods, and Disaster Risk Reduction (DRR). Climate change is changing and modifying the development cooperation agenda in several ways:

- Evolutionary approaches - some donors are evolving their development portfolios to accommodate climate change
- Step change with response to international political developments: as a result of international developments and the increased visibility of climate

² Haque, A.K. *An Assessment of climate change on the Annual Development Plan (ADP) of Bangladesh* 15-11-09

change challenges, representatives of development partners in Bangladesh are stepping up activities

- Response to country drivers - increased activity by the GoB in addressing climate change is prompting donors to align their development work
- Response to donor country politics – the way that climate change is being handled by each development partner reflects the extent to which the donor Government works bilaterally or multi-laterally

There are two main aspects of climate change that make it a challenge for governments and donors:

- Scale of funding required and the innovation challenge
- Capacity and coordination challenges that relate to the cross-cutting dimension

Yet, despite its increasing profile and visibility in some spheres, climate change still barely features on donors' websites and spend is generally low, with few development partners yet committing significant funds to the issue, the UK being one exception. As a cross-cutting issue, which is being resourced in a number of ways, handling the coordination demands is a challenge for all players. For the GoB, it is generally recognised that there is a need to increase awareness and understanding of climate change in all key ministries. Capacity constraints are also evident in donors and NGOs.

European development cooperation: issues for 2020

The European Union (EU) has stepped up and climate change has become an increasingly important component of its development cooperation effort. Its systems have shown signs of enabling flexibility in the case of Bangladesh where direct budget support on the environment is not taking place. However the EC itself is a relatively small player on climate change funding in the country, with few member states active in the country.

The next round of the international aid effectiveness process (Paris Declaration) is prompting policy renewal in Brussels. This is also recognising increased pressures from the United Nations Millennium Development Goals (MDG) process for more impact on poverty alleviation at the same time as there is likely to be increased pressure on country aid budgets. Within Bangladesh there is currently a backlog of aid for disbursement. Capacity enhancement could further improve financial management systems, and could mean there would be greater confidence and less fiduciary risk for the EU. If increased investments are to be made for climate change it is vital that the EU further supports the GoB in these areas. This would be a medium term strategy to adopt, which would benefit the utilisation of climate finance in due course.

Collectively, the EU is a major player in the Fast Start Funding (FSF). However, member states and the European Commission (EC) are interpreting what can be designated FSF in different ways, and this relates to the fundamental "new and

additional” issue within the UNFCCC. Various analyses have probed on this issue and shown what a wide range of interpretations are possible. It is evident that there is a need for some consistency, so there is predictability for Bangladesh. It is vital this is pursued within the context of the MRV discussions in the UNFCCC. In the meantime the collective branding of different EC and member states approaches was effective at Cancun.

In summary, several policy drivers from within the country and external to it will impact on the way that climate change finance evolves:

- Changes in the way EU development and climate finance evolve and relate to each other
- What happens to the MRV of FSF and how the EU defines “new and additional”.
- Whether the aid effectiveness process in Bangladesh will take root with improvements to project management and financial management capacity and the coordination of effort on climate change
- Whether development partners, particularly the EU and its member states, seek to consolidate and rationalise their climate assistance
- The extent to which the issue of poor people, as opposed to poor countries, increases in significance within the UNFCCC.
- The level of economic development in the country and progress towards Middle Income Country (MIC) status. Further, currently large MICs with many millions of poor people may start to capture new and additional funds generated for climate change to the detriment of the smaller countries.

Conclusions

For the government and development partners there is a now a combination of circumstances that means this is a pivotal moment to ensure that the financing of climate change adaptation in Bangladesh gets established institutionally and starts to deliver a coherent pipeline of projects that are implemented on the ground. But, unless the GoB and development partners step up together to act, there is a danger that momentum will dissipate and efforts continue to fragment. Implementation and delivery should be the new focus for effort. There are new sets of implementation challenges for Bangladesh to handle but there is already considerable experience to learn from within the country from NAPA work and the first phase of the CDMP.

- There are very weak records everywhere, including development partners, on current and past projects on climate change and no coherence on modalities for data collection. There is no clear storyline on what has been done so far and there is a need for a clearing house (and to include research).
- If the monitoring, reporting and verification of climate finance is to work, it will be necessary to define what is climate funding and what is development funding to create a clear baseline during 2011 over which future effort can be monitored. This will be challenging.

- Relative success amongst the different funding routes should be carefully monitored so that good practice can be shared and further investments channelled in the most effective ways.
- More capacities to develop robust programmes and spend money effectively are needed. There is already considerable experience with successful development effort in some sectors that is not necessarily being accessed.
- There is a need for development partners and the GoB to establish mechanisms for prioritisation – how are development partners identifying their FSF projects?
- Efforts to embed climate change into the development planning process need to be considerably strengthened and given a higher profile.

1. Introduction

Context for the study

Providing finance for vulnerable countries was a fundamental part of the UN Rio Treaty (UNFCCC) in 1992. But, once the reality of climate change became clear, delivery became an overwhelming necessity. There has been general agreement about the urgent need for additional funds for climate change activities, principally since the publication of the Stern Report³ in December, and a financial package has been critical to negotiations of the post-Kyoto deal as recognised in the Bali Action Plan (BAP). Before the Cancun Conference, the important BASIC group of countries (Brazil, South Africa, India and China) emphasised that both finance features of the Copenhagen Accord - short term (\$30 billion 'fast track 2010-2012) and medium term finance (\$100 billion annually by 2020) - must be operationalised and provided by developed countries⁴ if there was to be any chance of a deal⁵. The Cancun Agreements did incorporate into the UNFCCC process the components in the Copenhagen Accord with the commitment to a new Green Fund with the interim FSF package. Finance has been a major concern for countries of the G77 and China negotiating group as a whole with many individual countries also making the case including Bangladesh. However, policy analysis has been focusing on the international level, and there has been very little knowledge and understanding shared about the particular situations in individual countries.

Most of the focus has been on the scale of funding and there has been little agreement about the sourcing of the additional resource required. In view of past experience of shortfalls around funding pledges and disbursements, funding was a part of the move to monitoring, reporting and verification of critical features under the BAP. Developing countries have frequently emphasised that the new and additional climate finance should be from developed country *public* finances. They have cited the collapse of the international finance system in 2008/9 as a demonstration that private finance would not be sustainable. Developed countries think that it will be innovative funding, linked to the private sector, which delivers over the long term. There have also been serious disagreements on modalities: how the finance should be managed and accessed, and a lack of trust about delivery with experience of shortfalls on commitments.

In the build up to Copenhagen, progress was made on the concept of the FSF - the EU as a group and several country leaders in particular got this underway. Reporting on provision of and access to these resources (\$30 billion during 2010-12) was formalised in Cancun to improve transparency. Critical dimensions of the governance of the Green Fund were agreed in Cancun. Little was agreed on how the level of

³ Stern, 2007

⁴ Joint Statement issued at the conclusion of the Third Meeting of BASIC Ministers, Cape Town 25th April 2010.

⁵ Remarks of Jairam Ramesh, Minister of State Environment and Forests GOI at 6th MEF Meeting, Washington DC April 18th 2010. The February 26-2 2011 BASIC Ministerial asked for a "sizable" flow of FSF before discussions of the Green Fund gain momentum.

long-term funding would be generated and accessed (scaled-up, new and additional, predictable and adequate), but reference was made to the report of the High-level Advisory Group (UNAGF) which had identified that it was challenging, but feasible, to meet the goal of mobilising \$100 billion a year by 2020 to meet the needs of the developing countries⁶. The report also recognised that grants and highly concessional loans were crucial for adaptation in the most vulnerable developing countries, such as LDCs, Small Island Developing States (SIDS) and Africa.

Financing of a sustainable climate deal is still a vision, not a reality, although pieces of the structure of a future package are now in place. This emerging structure is being formed from the global level – information about what is happening at country level can help inform its future developments.

Bangladesh as a case study

As one of the most vulnerable countries in the world to climate risk, there has been an intensification of activity on climate change in Bangladesh since the production of the country's NAPA in 2005. An early connection was made to the impacts that climate change would make on the development effort: aid is a significant feature of Bangladesh's development spend with significant contributions from the EU and its member states. The Organisation for Economic Cooperation and Development (OECD) estimated in 2003 that as much as 50 per cent of development assistance is in sectors potentially affected by climate change. Due to its vulnerability, Bangladesh was a suitable choice as a case study for the EDC 2020 study. The EDC 2020 study was established just as the financial aspects of climate change were beginning to be defined in terms of flows, institutions and governance; issues at the heart of the relationship between development cooperation and climate finance.

There were significant developments made to operationalise each of the new, country-based institutional funding arrangements during the last part of 2010. Two other developments will also bear on how actions take shape up to 2020. Bangladesh has had a period of significant economic development - a course which it intends will lead it to MIC status but over time could affect its favoured status in the climate world as a LDC. Currently, Bangladesh is the largest LDC and so is well-placed to receive further funds under the FSF mechanism. The aid effectiveness agenda is just starting to frame relationships and activities on development cooperation.

Background on EU development cooperation and climate change

Climate change finance is part of the EU's bigger development assistance agenda focused on poverty alleviation and the fulfilment of the UN MDGs. EU cooperation has been promoting adaptation and mitigation synergies in sectors (water,

⁶ UNAGF 2010

agriculture, forests, fisheries, rural development, health, the promotion of energy efficiency and renewable energies) alongside poverty alleviation⁷.

For the EU as a whole (the European Commission and member states), policy has been to systematically address climate change in the context of the EU's relations with international partners at the multilateral, regional and bilateral levels. The EU is promoting a bottom up approach, which calls for the gradual integration of adaptation into national development strategies and poverty reduction plans. EU development policy is being reviewed to get a modernised, value for money, effective, high impact policy to encourage more inclusive growth⁸ associated with the review of progress of the MDG. And, climate change is introduced as being closely linked with development as it enhances the need for development assistance and requires increased focus on major questions such as energy access, water scarcity and energy and food security. Modalities of aid are also being scrutinised with questions about quality, value for money and impact of budget support increasingly being raised⁹. The EU has longstanding commitments to programmatic approaches consistent with the Paris Declaration.

In Bangladesh, the EC and several member states have been active donors for decades and have recently taken on the climate change challenge in the country.

Scope of the report

The EDC 2020 project¹⁰ is investigating the links between development cooperation and climate change strategies in developing countries up to 2020. The Bangladesh case study unpacks some of the synergies and conflicts that arise from these overlapping processes and the implications for the effectiveness of response. The objective of the case studies (the other being in Indonesia) is to understand the existing and future evolution of climate finance at the national level, and to complement analysis on the synergies and conflicts which have been examined at EU and international levels in the project.

Embedding climate change into on-going development is the "mainstreaming" strand of activity where climate change is factored into existing plans and strategies. Currently, there is little analysis at country level about how the two strands of funding will actually unfold operationally - that is development funding which is mainstreamed to take account of climate change and a distinct separate strand of funding for climate change. If the MRV of climate finance is to work, it will somehow be necessary to define what is climate funding and what is development funding.

⁷ EC 2009 Supporting a climate for change: the EU and developing countries working together. Luxembourg Publications Office of the EU p9 .

⁸ EC 2010 Green paper EU development policy in support of inclusive growth and sustainable development. Increasing the impact of EU development policy. Brussels 10.11.2010 Com (2010) 629 final

⁹ EC 2010 Green Paper from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the regions: the future of EU budget support to third countries. Brussels, 19.10.2010 Com (2010) 586 final.

¹⁰ <http://www.edc2020.eu/4.0.html>

The analysis addresses three questions, with associated lines of enquiry:

- What is happening on the delivery of climate finance? How does the international context interact with national governance of climate change?
- How is the interface between development cooperation and climate change unfolding at country level? Does climate change present special challenges?
- What are the main drivers for change up to 2020? Is the aid effectiveness agenda likely to frame developments? How might developments play out at international level, within Europe, and from the perspective of governance in Bangladesh?

The development cooperation analysis focuses on the EU and its member states and, where appropriate, the EC, which operates as an independent entity in Bangladesh.

The report is structured as follows: Section Two outlines the methodology adopted, Section Three provides a background of the critical features of Bangladesh and a summary of the policy context. Sections Four, Five and Six provide the principal analysis of the report: Section Four investigates what has shaped the formation of the financial mechanisms in the country, Section Five explores how the interface between development cooperation and climate change is evolving, and to what extent climate change is changing development cooperation; Section Six seeks to examine issues for European development cooperation up to 2020. Finally, in Section Seven, some broad conclusions are drawn.

2. Methodology

The Bangladesh case study was framed by work undertaken in previous working papers undertaken within the climate change theme of the EDC 2020 project. This has included an initial overview of European development cooperation and climate finance (Peskett et al, 2008); and a more specific review of the links between climate change finance and its links to development cooperation and aid effectiveness (Bird and Brown, 2010). The EDC climate theme has also involved two opinion pieces on geo-political dimensions of EU climate finance (Hedger, 2010, and Scholze, 2010). In addition, reference has also been made to reports and information produced around the UNFCCC process by parties, and associated groups, for example the UN High level Advisory Group on Finance (AGF) 2010. The Cancun Agreements are also related to future developments.

Two main sources of knowledge have been used to compile the detailed information base on Bangladesh: a review of existing information from written reports and other literature and web-based material and primary information collected through individual meetings with key Government of Bangladesh (GoB) officials, donors, policy institutes and selected NGOs.

In terms of the sequencing of the case study, the analysis of existing information was undertaken both before the interview phase, then subsequent to it as more relevant sources became known. The interview stage included some scoping discussions, which helped identify key players with the Bangladesh context. A list was developed of informants in bilateral and multilateral donor organisations, government and civil society organisations, along with a semi-structured questionnaire. Interviews were then carried out with 30 key informants in Bangladesh in November and December 2010 by an IDS researcher with expertise on climate finance and adaptation, with support from a local consultant (see Annex 1 for a list of the interviewees). In 2002, the researcher had undertaken the scoping of the first Comprehensive Disaster Management Plan (CDMP I) study for the UK Department for International Development (DFID) -Bangladesh and the United Nations Development Programme (UNDP), and has maintained an overview of developments in the country since then. In order to retain anonymity, statements or information provided by respondents has not been attributed to individuals.

3. Bangladesh background

Vulnerability

Bangladesh has extreme environmental vulnerability to climate hazards, irrespective of the exacerbation caused by increased greenhouse gases in the atmosphere.

Bangladesh is home to one of the world's largest river delta systems, it is also located at the heart of the active Asian monsoon region. Around 60 per cent of Bangladesh is less than five meters above sea level and it is susceptible to river and rainwater flooding, particularly during the monsoon. Bangladesh is hit by a severe cyclone every three years, either before or after the monsoon, creating storm surges that are sometimes in excess of ten meters: Bangladesh is on the receiving end of about 40 per cent of the impact of total storm surges in the world. Crops and the livelihoods of the rural poor in low-lying coastal areas are also devastated by saline water intrusion into aquifers and groundwater and land submergence. In addition, seasonal droughts occasionally hit the north-western region. Given high population density of almost 970 people per square kilometre, large segments of the population will be at risk.

This vulnerability has meant that the academic community and activists engaged early in the international climate change collaborations on science (IPCC) and the UNFCCC, and brought back and disseminated information back home¹¹. However, pushing forward from understanding the main framework of vulnerability to detailed implications is still underway. A workshop to train Bangladesh institutions to using the PRECIS regional climate modelling system took place in 2010, and this has been hailed as a model for other developing countries to build capacity in climate research and analysis¹².

Economic development aspects

Climate change threatens to undermine recent economic development in the country. Through good macroeconomic policies and a vigorous private sector, the country is maintaining a solid GCP growth rate 5.5 to 6 per cent annually and is resilient. It has been identified as one of the so-called "next 11 countries with basically promising outlooks for investment and future growth"¹³. GDP has more than tripled in real terms and food production has increased three fold. Population growth rate has declined but the fertility rate decline seems to have plateaued so, with increased life expectancy, a reduced mortality rate and improvements in nutrition, a surging population could remain a challenge. HDI significantly improved

¹¹ Ayres, J. M. Alam and S. Huq Adaptation in Bangladesh. In *Tiempo* 72 July 2009. It is also of interest to note that the US Country Studies Program in 1996-7 sponsored some of the early investigations.

¹² See, Met Office 2010 Climate Modelling in Bangladesh: a model for capacity building in developing countries. Met Office, BUET, UKAID. But to the author's personal knowledge, this workshop was envisioned in 2002, as part of the CDMPI project.

¹³ According to Goldman and Sachs, quoted in Swiss Agency for Development and Cooperation SDC Cooperation Strategy Bangladesh 2008-12

and the percentage of people living below poverty declined from 59 per cent to 40 per cent between 1991 and 2005. But more than 50 million people still live in poverty and many live in remote or ecologically fragile places. The economy is vulnerable to external risks such as a weak global recovery, and a declining new outflow of migrant workers. Power shortage is one of the significant internal risks¹⁴.

Discussion about Bangladesh becoming a MIC has been gathering momentum in election manifestos in the country, and the Sixth Five Year Plan 2011-2015. However, as discussed below, Bangladesh's LDC status gives it special advantages under the UNFCCC.

Climate change policy developments

There have been several major recent policy developments:

- National Adaptation Programme of Action (NAPA) (2005 and revised 2009)
- Bangladesh Climate Change Strategy and Action Plan (BCCSAP) (2009)
- Poverty Reduction Strategy Paper (PRSP) (2009 – 2011)
- Upcoming 6th Five Year Plan (FYP) (2011 – 2015)
- Climate Change Unit in Ministry of Environment & Forests
- Climate Change Cells in relevant ministries
- Climate Change Trust Fund by GoB

The GoB launched the NAPA in 2005, which identified 15 priority activities, including general awareness raising, capacity building, and project implementation in vulnerable regions, with special focus on agriculture and water resources. The NAPA was further updated in 2009 and identified 45 adaptation measures with 18 immediate and medium term adaptation measures. However, an evaluation of the NAPA process in Bangladesh found that the technical legacy of the NAPA process is recognised in the high-level planning arena only¹⁵. Deliberate efforts have been made to increase capacity on climate change in the country starting with the establishment of the Climate Change cell under the CDMP in 2003 and this was renamed the Climate Change Unit in 2008. The GoB prepared the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2008 and revised it in 2009. Revisions were intended to address internal criticism that international consultants were used to develop the plan, there was a lack of stakeholder consultation, and there was an emphasis on infrastructure¹⁶. BCCSAP was recognised by those interviewed to be a major achievement and is a basic reference for aligning investments. It is a comprehensive strategy to address the climate change challenges in Bangladesh and has six thematic areas:

- Food security, social protection & health
- Comprehensive disaster management
- Infrastructure

¹⁴ Bangladesh and state of the economy and FY11 Outlook, 03-11-10 World Bank2010a

¹⁵ COWI and IIED 2009- Bangladesh case study

¹⁶ Ayres ,J. M.Alam and S.Huq Adaptation in Bangladesh. In Tiempo 72 July 2009.

- Mitigation and low carbon development
- Research and knowledge management
- Capacity building and institutional

Forty four programs (and 145 actions) have been identified within these thematic areas.

The present government is committed to implementing its election pledge that provides for adoption of “*an integrated policy and plan to protect the country from the adverse effects of global warming*” as well as to ensure food for all by 2013, eradicate poverty, create enabling environment for increased employment, and guarantee access to energy and power. The government strategy is to integrate climate change challenges and opportunities into the overall development plan and programs involving all sectors and processes for economic and social development. This process is yet in its early stages. A small team, supported by UNDP, and located in the Planning Commission, is starting to incorporate text about climate change in to the critical planning documents: the Annual Development Plan (ADP), the sixth Five Year Plan (FYP), and the Outline Perspective Plan Vision (OPPV) 2021.

Given the vulnerability to frequent natural disasters, GoB has also made significant progress in policies and investments for reducing disaster risks. The GoB drafted the National Plan for Disaster Management (NPDM) 2008-2015 in 2008 for addressing DRR and climate change adaptation (CCA) comprehensively. GoB has made significant progress in shifting its focus from traditional ‘relief and rehabilitation’ to a DRR approach that emphasises cost effectiveness in approaches to DRR. The GoB has also formulated a country framework to mainstream climate risk management and adaptation in 2006. There is now widespread awareness about the inter-relationship between climate change and development.

“Former finance minister and Awami League leader Abul Mal Abdul Muhith said climate change should not be dealt as a separate agenda. Instead, it needed to be incorporated in the normal development programme. Muhith said funds related to climate change adaptation and mitigation should come from polluting countries as grants-not as credits.”¹⁷

Cost of climate change

Costs are still poorly understood but what estimates there are serve to show that current climate change financial allocations fall way short of what is needed. There is already a protective infrastructure in place and people have learnt to live with floods.

¹⁷ Financial Express Oct 12 2008

World Bank. Economics of adaptation to climate change: Bangladesh case study. World Bank Nov 2010

The foundation for future action:

*"Since the sixties, the GoB has invested \$10 billion on structural (polders, cyclone shelters, cyclone-resistant housing) and non-structural (early warning and awareness raising systems) disaster reduction measures and enhanced its disaster preparedness systems. These investments have significantly reduced damages and losses in terms of deaths and injuries. In addition, rural households have adapted their farming systems to the "normal floods" that typically inundate about a quarter of the country by switching from low yielding deep water rice to high-yielding rice crops. As a result, agricultural production has actually risen over the past few decades. Higher household incomes have also enabled an increasing proportion of households to live in homes that are more resilient to cyclones, storm surges, and floods. Existing investments, which have reduced the impacts of cyclone-induced storm surges, provide a solid foundation upon which to undertake additional measures to reduce potential damages now and in the future. However, these investments are not sufficient to address the existing risks, much less the future risk from climate change."*¹⁸

Basically, the more that is understood about the science of climate change, and analyses made of the impacts of extreme weather events, and on-going planned and autonomous responses to them, the more difficult it is to isolate the costs of climate change. A recent major World Bank study on the economics of climate change in Bangladesh estimated costs for some high impact sectors and issues but only for the "hard" technology costs of responses¹⁹. Its main recommendations revolved around some familiar and generic principles on adaptation, made after some quantitative but also considerable qualitative analysis on sound development, careful sequencing, addressing current climate risks, adjustment of standards, reducing perverse incentives, soft strategies and regional cooperation.

Key headlines from the World Bank study are:

- By 2050, total investments of \$5,516 million and \$112 million in annual recurrent costs will be needed to protect against storm surge risk, including that from climate change

¹⁸ World Bank, 2010b Economics of adaptation to climate change: Bangladesh case study. .World Bank Nov 2010

¹⁹ ibid

- Even if the numerous cyclone shelter construction programmes are sufficient to protect all current coastal area residents in at-risk areas, an additional 2,930 shelters will need to be constructed by 2050 at an estimated cost of \$628 million to accommodate the expected population growth in coastal areas even under existing risk.
- Protecting against the added risks from climate change will require further strengthening of 59 polders; afforesting sea-facing polders to reduce the hydraulic load of storm surges; constructing 5,702 additional cyclone shelters; additional measures are expected to require an additional \$2,426 million in investments and \$50 million in annual recurrent costs.

A summary of cost estimates was also compiled for the SPCR Mission.

"The magnitude of funding required for climate change adaptation in Bangladesh is yet to be estimated accurately. Revised NAPA and Ministry of Environment and Forests (MoEF) identified 45 priority projects under six thematic areas which are roughly estimated to cost more than US\$ 4 billion to implement. BCCSAP has roughly estimated the cost of about US\$ 500 million for years one and two to support programs for immediate actions. The total costs estimated in the BCCSAP for programs commencing in the first five years is estimated at \$5 billion. According to a recent study by the Institute of Water Modelling (IWM), Bangladesh needs at least \$4.17 billion, for the construction of polders, to save the lives of coastal people from sea level rise and storm surge. A joint assessment carried out by the GoB and Development Partners (DPs) after Cyclone Sidr in 2008 estimated that US\$1.4 billion is required in the short term and US\$ 4 billion in the long-term for adaptation and mitigation measures." World Bank 2010c

Bangladesh in the international climate scene

From the international perspective of the UNFCCC, Bangladesh is at the forefront in climate change adaptation. GoB has taken several initiatives, particularly for adaptation, and has managed to draw international attention and cooperation to address climate change adaptation in Bangladesh. The country has been a participant in the UNFCCC process from signature in June 1992 and ratification in April 1994. The country ratified the Kyoto Protocol in October 2001. The GoB has submitted the Initial National Communication (INC) to UNFCCC in October 2002 and is now preparing its second national communication which will be completed by this year (2011). In addition, the external profile has been raised, and efforts to increase the profile and effectiveness of the country within the UNFCCC have paid off. The cooperative attitude of the government with NGO actors "provided a united message

across different arenas in Cancun²⁰. At Cancun the country had its largest delegation ever (105), not only from the MoEF, but leading officials from other ministries, plus parliamentarians, civil society and the media. It co-chaired the critical discussions on finance with Australia. It has developed its national position across the range of international negotiation issues through the Climate Change Cell in the MoEF and with support of several policy institutes, and its advocacy has been increasingly visible since the BAP in December 2007. In Cancun it was engaged in negotiating for²¹:

- *Green house gas emission reductions by Annex 1 countries of 45 per cent by 2020 and 90-95 per cent by 2050*
- *Technology transfer: special provisions for LDCs, SIDs Africa and issues around IPR, patent protection and genetic resources*
- *Adaptation fund for LDCs to be on a grant basis*
- *1.5 per cent of GDP of Annex I countries*
- *Financial resources over 0.7 per cent of GNP*
- *Finance should come from public and not private sources*
- *Adaptation fund should be grant funding and not concessional loans*
- *Funding should be sustainable and in line with sovereign ownership of the recipient countries and the domination of the existing international financial architecture, especially from the World Bank*

Bangladesh as an LDC and MIC

Much of the detail of the modalities, and especially the sources of the long-term climate finance, has yet to be agreed and will form this year's agenda in the run up to the Durban Conference of the Parties (COP) 17. So far broad statements have been negotiated. The new agreements continue some special treatment for LDCs. Under article 4.8 of the UNFCCC, special provision for funding, insurance and technology transfer is to be given to several groups of vulnerable countries including those with low-lying coastal areas and those which are prone to natural disasters. In addition, Article 4.9 specifically identifies the LDCs having special needs with regard to funding and transfer of technology. In addition, at COP6 it was recognised that the LDCs had low levels of institutional capacity, making them vulnerable to the adverse impacts of climate change²², which led to the dedicated fund – the Least Developed Countries' Fund (LCDF) – and the establishment of an LDC Expert Group²³.

Potentially, as a particularly vulnerable country, Bangladesh could gain access for its urgent and immediate needs for scaled up, new, additional, predictable and adequate long-term funding. For example, the UK representative at GoB's side event in Cancun stated that the UK would direct its FSF to vulnerable countries like Bangladesh and that it is one DFID's 27 countries for aid²⁴. The Cancun Agreement

²⁰ S. Huq, report on Cancun, IIED 13-12-10

²¹ Statement of GoB negotiation brief

²² Linked to a resolution of UN LDC III, now preparations underway for LDC IV

²³ Yamin and Depledge 2004, p241

²⁴ ENB on the side

recognises that a “significant” share of new multilateral funding for adaptation should flow through the Green Climate Fund (GCF). Further, as an LDC, it could get onto the Board of the new GCF, which will be an operating entity of the Convention, under the COP. As one of the largest LDCs, Bangladesh has often spoken for the LDCs within the UNFCCC negotiations.

Bangladesh’s favoured status in the UNFCCC derives from its LDC status. LDCs are usually below 20mn people (the categorisation started in 1971) but Bangladesh, then with a population of 75mn, was included at the persistence of the then Government in 1975²⁵. So far only two countries, Botswana and Cape Verde, have graduated out but three are in the pipeline for graduation: Samoa, Maldives and Equatorial Guinea. Discussion about Bangladesh becoming a MIC has been gathering momentum in election manifestos in the country, and the Sixth Five Year Plan 2011-2015. The UNLDC IV in 2011 offers the opportunity to present the development experience and a roadmap to graduation. But close analysis shows that, in recent years, the country is making slower progress against the graduation criteria in relation to income and human assets, although it has achieved impressive progress against the economic vulnerability criterion and, as the graduation target is moving, if optimistic Government GDP targets are met, and with reduced population growth, it may graduate in 2030.

There may be other developments within the UNFCCC about the “poor and vulnerable” label that may de-link LDCs from a ready-route to special status. It is well established that climate change will impact especially on the poor. Furthermore, extreme events could cause sudden shocks, which create downward ratchets for those on the margin and increase the risk of violent conflict in unstable areas²⁶. But whilst the ‘Bottom Billion’ are on the front-line in terms of exposure to the direct impacts of climate change on their livelihoods, while having the least resources with which to cope and a restricted potential for opportunities to move out of poverty, they do not all live in LDCs. In fact, a recent IDS analysis has shown that three-quarters of the world’s 1.3 billion poor live in middle income countries India, China, Nigeria, Pakistan and Indonesia – the ‘New Bottom Billion’²⁷. It is far from clear yet that all those countries will not fight to secure additional UNFCCC resources for adaptation in their countries.

²⁵ Bhattacharya, 2010

²⁶ Smith and Vivekananda 2007.

²⁷ Sumner, 2010

Key points

Climate change is accepted as a major issue for Bangladesh due its extreme environmental vulnerability to climate hazards irrespective of climate change. It has a well-established scientific community addressing the issue, and was an early mover in the NAPA process. Since then (1995,) there have been a series of policy and institutional changes undertaken by the Government. There is a widespread awareness about the inter-relationship of climate change and development, and the dangers that climate change poses for its economic growth, with a major new study recently completed about the costs for critical coastal infrastructure and other key developments.

Bangladesh has increasingly become a significant player in the UNFCCC negotiations, as an LDC, with special status and with moral voice. It can expect additional funding as an LDC. Looking forward to 2020 and beyond it should be noted that discussions about a move to MIC status have been associated with election campaigns. Further, existing large MICs with many millions of poor people may start to capture new and additional funds generated for climate change to the detriment of the smaller countries.

4. Delivery of climate finance in Bangladesh: multilateral perspectives

This section gives an overview of the way that climate change finance is being structured in Bangladesh and what the main influences and drivers are. The key issues under negotiation at international level within the UNFCCC are:

- The need for a massive scaling up of financial resources
- Sources for funding to be new and additional to current official development assistance (ODA)
- Grant and concessional loan funding for adaptation for LDCs
- Modalities - control of the funding and access to it

What then has shaped the formation of the new climate financial mechanisms in the country, what is the scale and are they accessed? This section deals with multi-lateral programmatic arrangements. Bilateral climate project funding is examined in the next section (Section Five).

Overall framing of aid and financial mechanisms

Whilst there is a push to get additional resources for climate change, Bangladesh's dependence on aid has declined in respect of a number of indicators. However, around 50 per cent of the country's *development* expenditure is resourced by aid. Further aid has helped to promote and finance a number of policy reform initiatives which have been important in supporting the economic development of the country. Apart for a few exceptional years, the disbursement has been much lower than the commitment.

There are now increasing pressures on ODA due to the ongoing impacts of the global financial crisis on key donor governments, particularly in Europe, so that it is clear that in terms of long term sustainability of "new and additional funds"²⁸, and indeed development assistance, the climate finance issues in Bangladesh will fall within a broader patterns of aid use and disbursement for donors in their countries, and of course new innovative sources of funding based on carbon markets or special levies. The framing of aid is beginning to be addressed collectively by both the government and donors under the Paris Declaration process in Bangladesh, and on which the EU is beginning to modify its development policy in the run-up to the forthcoming Seoul meeting on the Paris Declaration process.

The GoB's engagement with the key decisions of the international Aid Effectiveness agenda is demonstrated by its active participation in meetings in Rome 2003, Paris 2005 and Accra 2008²⁹. Following the Accra meeting a Joint Coordination Strategy (JCS) working group was established with donors that has streamlined and rationalised development partners' engagement. An Aid Effectiveness Unit (AEU) has been established in the Economic Relations Division (ERD). The JCS was signed in

²⁸Scholze, 2010 and Fallasch and De Marez (2010)

²⁹ Centre for Policy Dialogue (CPD) (2008) Accra Conference on Aid Effectiveness: perspectives from Bangladesh. CPD Occasional Paper Series paper 76 Dhaka

June 2010 with 18 partners^{30 31}. This has given a boost to national development planning efforts. The GoB had prepared the Second Poverty reduction Strategy (NSAPR-II), which is the current National Development Strategy and is preparing the Sixth Five year Plan (2011-2015), as well as an Aid Management Strategy. It seems that the process of preparing the JCS has already had a positive impact on the aid environment in Bangladesh, with costs of dealing with donor partners falling, and the next step major step is to monitor implementation. In the JCS, the GoB and development partners commit to various actions in accordance with the Paris Principles in relation to ownership, alignment, harmonisation, active management and mutual accountability through reviews.

On climate change, globally, there has been a battle for control of the agenda and controversies about disbursement modalities, which have been mirrored within Bangladesh. With the establishment of the Adaptation Fund in Bali, the agreement on the nascent architecture for the Green Fund, and commitment on FSF at Cancun, some of the issues about governance have been resolved. Comparatively rapid progress was made in recent months in Bangladesh too, after a long period of what many have considered as stagnation. However, for the longer term there are uncertainties ahead for the sustainability of funding. Climate change finance in Bangladesh can be identified as a classic case of what ideally should not happen according to Paris Principles - with the emergence of new players, new global aid institutions, instruments and objectives. However, under the overarching Bangladesh Development Forum (BDF) a number of working groups have been established to facilitate coordination, including one on Environment and Climate Change under the MoEF. These moves are supported to various levels by most of the development partners. At the June meeting of the BDF, it was agreed that GoB and partners would work together for Cancun, and also explore possible engagement with civil society. MOEF formed a committee. Further it was jointly agreed that funds would be increased for climate change. Activities included were those already underway, the BCCRF (MDTF), the GoB's CCTF and the SPCR. Further, it was agreed that Bangladesh should receive additional funds from the fast start package. DFID has now taken over leadership of the Local Consultative Committee on environment and climate change and is likely to respond to the perceived need to make this group more proactive.

Funding mechanisms

Contested issues in the past three years between the GoB and NGOs on one side and donors and the World Bank on the other, have meant there are now two trust funds, one funded by the GoB (the Bangladesh Climate Change Trust Fund - BCCTF) and one by several donors (the Bangladesh Climate Change Resilience Fund - BCCRF). There are also two multi-donor programmes on climate change. One which

³⁰ GoB (2010) Bangladesh Joint Cooperation Strategy 2010-2015 Aid Effectiveness Unit, Economic Relations Division, Ministry of Finance June 2010

³¹ Donor officials who had worked in Africa where aid is 60 percent of aid is in budget support, found the situation comparatively very fragmented with the Public Fiduciary Assessment process in its early stages.

is part of the World Bank's Pilot Programme for Climate Resilience (PPCR), the Bangladesh Special Programme for Climate Resilience. There is also a second phase of the CDMP starting, which includes some activities on climate change. So there are now two trust funds for climate change activities in Bangladesh, with similar amounts of initial funding and no clear lines of distinction about roles and activities. The programmes have been more specifically differentiated with elements on disaster risk management being removed from the SPCR, which is likely to align closely with the trust funds. These funds are overviewed in the sections below.

The Bangladesh Climate Change Resilience Fund (BCCRF)

The BCCRF has been created with an amount of US\$110 million, funded principally by DFID (\$87 million), and also now by Denmark (\$1.6 million), Sweden (\$11.5 million), the EU (\$10.4 million) and Switzerland. The purpose of the BCCRF is to support the BCCSAP and provide funding for climate change management, primarily adaptation but also mitigation. Its benefits are to provide high-level coordination, eliminate overlaps, provide donor harmonisation, flexible fund management and transparency. It aims to attract additional funding with the potential to be the "one-stop" mechanism. There will be two windows: an on-budget window for funding public sector projects and a window for funding projects from the public sector and civil society.

Following critical meetings during 2010, this fund has finally become operational. Governance is a two-tiered structure supported by a secretariat. The governing council includes GoB ministries and development partners and the World Bank Country Director as an observer. This will over-see the fund with a management committee which will select the proposals. The secretariat will manage the projects overseeing project preparation to grant agreement and implementation³². The World Bank will act as the secretariat for an initial three years whilst GoB capacity is built up.

This fund was originally proposed to be the Multi Donor Trust Fund (MDTF) in 2008. The GoB and key NGOs objected to the proposed role of the World Bank as the collector, disburser and administrator of the fund. These discussions mirrored those at international level, where the role of the World Bank and the associated Global Environment Facility (GEF), had been constrained and refined. Objections were raised about the lack of government control, the lengthy and complex procurement processes which would be required, the level of fees, and the poor environmental record of the Bank³³. DFID as principal funder, supported by the other early entrant, the Danish Government, however had major concerns about financial management and fiduciary risk. Finally, there was accommodation and resolution with a three year time frame for the World Bank as administrator whilst capacity is built up in GoB, and with GoB having sufficient safeguards about overall control. The GoB and the donors hope this fund will now act as a focus for additional resources.

³² Natural Resources Planners (2010)

³³ According to a 2009 *New Age* editorial, "10-15 per cent of the \$5 billion that the MDTF will amount will possibly become a management fee for the bank" (between \$500-\$750 million).

However, there are still likely to be further delays as proposals are created and assessed according to World Bank procedures which are criticised as being lengthy.

Creating the BCCRF has been a challenge in terms of aligning GoB and donors' interest but it is now a model which is of interest at a global level³⁴

Bangladesh Climate Change Trust Fund (BCCTF)

Bangladesh was the first government to set up a trust fund (to create a national resource for climate change investments with the aim to implement the BCCSAP by allocating about US\$100 million in 2009-10. A similar amount has been budgeted for FY 2010-11 as well. This move was intended to demonstrate the importance that GoB attached to climate change. So far the BCCTF has approved a total of 66 projects (38 from GoB and 28 from NGOs). There are 34 GoB projects under implementation of which four are on food security, social protection and health three for comprehensive disaster management, seven for infrastructure, six for research and knowledge development, and six for mitigation and low carbon development.

The first allocations under this fund were made and announced before Cancun, which include two government department and two NGOs. During the study, the civil society organisations interviewed made substantial criticisms about the process of allocation and its outcomes. There seems to have been evidence of locational bias to vested political interests and some of the projects were more broadly environmental in focus than targeted for climate change. There were about 5000 applications under the NGO window, apparently of a poor quality according to those interviewed from policy institutes who had been involved in their assessment. Government officials reported political pressures from the MPs during the selection process. The projects approved for ministries include a wide range, some which are broad in scope, such as for risk reduction and adaptive measures in the health sector, and some very specific measures, such as plastic bag removal in two rivers. Some seem to duplicate other funded areas, such as construction of cyclone resistant housing and strengthening capacity of the Climate Change Unit at MoEF³⁵.

Strategic Programme for Climate Resilience (SPCR) Bangladesh

The third funding mechanism, through the Climate Investment Funds (CIFs) at the World Bank, also proved to be controversial at its inception for DFID in the UK as a principle funder, when it announced allocating what at that time were termed the Environmental Transformation Funds through the World Bank in 2008. As the modalities of the Adaptation Fund had just been agreed in Bali at COP13, when there had been disagreements about the role of the GEF, it seemed to many in civil society that this was an unwelcome proliferation of funds at a critical point, to an institution which was part of the problem, not the solution, and that support for poor countries affected by climate change should be in the form of loans not grants³⁶.

³⁴ See Gomez-Echeverri, 2010

³⁵ A few have weak links to climate change such as the construction of a Botanical garden and, the voting campaign for the Sundarbans to be a natural wonder of the world.

³⁶ See also Guardian 17-05-08 where the Bangladesh High Commission objected to the loan concept.

These issues were resolved by blending in grant components and providing concessional loans, but procedures involved in developing what became the PPCR have been very slow, in part in response to the formalities involved in constructing a transparent credible process and structure.

An amount of US\$ 110 million in the form of grants (\$50mn) and concessionary loans (\$60mn) from MDBs was approved for Bangladesh in October 2010 for “piloting” adaptation activities in climate vulnerable areas through the PPCR. It was one of the first countries selected. A significant amount of these funds are being allocated to top-up major investment projects, which had already been planned, and are also being funded with a loan component. The lead agency is the Asian Development Bank with the World Bank and IFC who are taking responsibility for different components. The UK branded these funds as Fast Start (see section 6).

To its credit the CIF process is comparatively transparent and well documented. This means there is a considerable amount of information which can be analysed³⁷. Development was comparatively transparent, compared to the two trust funds. There were several preparatory meetings ahead of the formal mission, and there was a stakeholder consultation workshop. From these discussions, the four thematic areas were identified, which do overall seemingly “*support one of the country’s top priorities: protecting people and land in low-lying coastal regions*”, according to the World Bank press release. These four are:

- Promoting climate resilient agriculture and food security
- Coastal embankments improvement and afforestation
- Coastal climate resilient water supply, sanitation, infrastructure improvement
- Technical assistance, climate change capacity building and knowledge management³⁸

There is considerable ambition for the SPCR, with significant expected outcomes, which is somewhat surprising as essentially it is a “pilot” programme:

- Increased resilience of coastal infrastructure (housing, connectivity, flood control and improved drainage systems within polders, improved water supply and sanitation) for withstanding effects of climate induced seasonal and natural disasters.
- Reduced water and soil salinity and improvements in agricultural and fisheries production
- Improved capacity of MoEF to manage and coordinate investments in and knowledge on climate resilient initiatives.

Results will be tracked in numbers, acreages, percentage increases and losses, lengths and numbers, but essentially only parts of the country, and some people will be covered. The contentious issues, which were identified during interviews for the study, revolve around the grant versus loan issues (see Table 2 in Annex), and the

³⁷ See World Bank website on the Climate Investment Funds

³⁸ Viable MOEF equipped with the requisite human resources and technology for managing and coordinating investments in and knowledge on climate resilient initiatives

heavy bias to hard infrastructure in the programme, which means global multilateral organisations (which are criticised by NGOs) will be working with some national key agencies that do not have general respect in terms of governance dimensions. The issue of coastal infrastructure has a long history of donor investment, and not necessarily with great success. One major programme the - Flood Management Plan - was eventually abandoned in the face of opposition from civil society. One interviewee commented that those that have (property) will be the beneficiaries.

SPCR- World Bank press release

"Of the grant money, \$25 million will be used to leverage much larger investments to shore up the coastal embankment to be higher and better constructed to withstand cyclones and storm surges. The program, to be managed by the World Bank, will also likely use \$300 million from the International Development Association, the World Bank's fund for the poorest countries. The project is expected to develop a long-term plan for the country's coastal embankment and begin in about a year.

Another \$25 million grant, along with \$50 million in concessional lending, will supplement \$215 million in financing from the Asian Development Bank for a water supply and sanitation project in the coastal area.

A third \$3 million grant and \$10 million in concessional financing will encourage farmers in the coastal area to plant crops that are resilient to changes in weather. IFC will manage this project."

Comprehensive Disaster Management Programme (CDMP)

Climate change is also being addressed within the CDMP and this work has been underway since 2003. The CDMP is another example of a pooled multi-donor effort that involves funding for climate change with funds from DFID, AusAid, Swedish International Development Agency (SIDA), EU, and Norway- in total \$70 million. The UNDP is the lead agency with the Ministry of Food and Disaster Management (MoFDM). The primary objective of CDMP was to strengthen the capacity of the Bangladesh disaster management system to reduce unacceptable risks and improve response and recovery activities

Climate change was one of the components of the first CDMP (Component 4b) which aimed to establish a mechanism that facilitated management of long term climate risks and uncertainties as an integral part of national development planning. This increased the effectiveness of responses during both 'normal' time and emergencies. The climate component focused on three critical areas: Building the capacity of MoEF/DoE to coordinate and mainstream climate change issues in development activities, strengthening existing knowledge and information accessibility on impact prediction and adaptation to climate change and awareness-raising, advocacy and

coordination to promote climate change adaptation and risk reduction in development activities.

The second phase of CDMP (II) aims to further reduce Bangladesh's vulnerability to adverse hazards and extreme events, including the impacts of climate change. It will do so through risk management and mainstreaming. CDMP II aims to institutionalise the adoption of risk reduction approaches, not just in its host the MoFDM but more broadly across 12 key ministries and agencies.

CDMP II aims to improve links with, and synergies between, DRR and CCA in order to mainstream DRR and CCA. This applies both at the community and the general stakeholder level. The links are clearly expressed in many of the activities outlined in the operational outcomes of the project design, as well as through strengthened institutional capacities.

There is considerable learning to be derived from the CDMP, which did not commence field activities until 2006 as they were disrupted several times due to political unrest, flooding and Cyclone Sidr. In addition there was civil service turnover with high level changes in the MoFDM and in the Disaster Management Bureau (DMB), which caused problems with engagement, capacity development and ownership. In addition it took time to get full engagement as it was necessary to build awareness about the purposes of the programme³⁹.

Key points

Two trust funds- one by the GoB, the first such fund in the world- became operational in 2010. In addition two multi-donor programmes have been created. Each draws on different funding routes. The proliferation obviously runs contrary to the principles of harmonisation and alignment in the aid effectiveness agenda. For those who have created them, they are perceived to have different functions, be closely aligned and be complementary. Organising the institutional arrangements and getting buy-in from all parties takes considerable time. From the outside, it is not clear yet how each will be differentiated coherently in terms of action on the ground.

The contested issues in negotiations at international level are in evidence in Bangladesh. What is visible at country level in Bangladesh is that initiatives started at international level by donors, in ways which may seem coherent at the time in terms of political objectives, have on-going legacies at country level. For example, DFID is funding significant parts of the CDMP, the SPCF, the BCCRF and also the GEF, which has funded the NAPA process in the past. This is probably due to the fact that there has been rapid development of policy on climate change within all organisations as a result of domestic

³⁹ See, Luxbacher, K. and Abu Kamal Uddin 2011 World Resources Report case Study. Bangladesh's Comprehensive Approach to Disaster Management. <http://www.worldresourcesreport.org>

political change or improved technical and scientific knowledge. Each new political initiative leaves an institutional legacy which usually lasts longer than the politician or Government that introduced it. Pressure is always on to demonstrate action on vulnerable countries and make an impact.

On the positive side, it can be seen that several new initiatives have taken shape over the past three years creating potentially more energy. From interviews with all the main players it was clear that convergence was expected by 2020 and that there would be a learning-by-doing experience between the funding mechanisms. Otherwise time will continue to be spent always talking about “the same issues, at different meetings, with the same people”⁴⁰. In terms of early delivery of actions on the ground, there is still likely to be significant delays with formulating projects on which money can be spent. Whilst the GoB has been heavily criticised for the way it has allocated its own funds, it was under considerable pressures to deliver. Similarly, for the big agencies, extending and expanding business as usual has also been the preferred option for some components of the SPCR, so scaling up has quite literally been more of the same, not a shift into a different mode. It is still not clear what the BCCRF will fund.

One problem is that whilst the BCCSAP does provide an overall framework for action on adaptation, it is not a costed and sequenced delivery framework. That is why the integration of climate change into the annual five year and longer term development planning process is so vital to provide this planning framework.

This is especially important as external assistance is likely to be only part of the story. An important assessment has been made of the impact of climate change on the ADP of Bangladesh⁴¹. This shows that, in a typical year, the GoB spends nearly \$4.7bn dollars in development projects in its eight sectors (including the block allocation for local governments). Of them, it has been estimated that about \$2.7bn of investment is now at risk due to climate change. These figures dwarf what is currently being mobilised for climate funding by donors (c\$230mn).

⁴⁰ Personal communication, one donor organisation.

⁴¹ Haque, A.K. An Assessment of climate change on the Annual Development Plan (ADP) of Bangladesh 15-11-09

5. The interface between development cooperation and climate change in Bangladesh: bilateral perspectives

This section seeks to explore how the interface between development cooperation and climate change is evolving and examines the following linked questions:

To what extent is climate change altering donors' approaches to development cooperation in Bangladesh?

Is the emergence of climate change changing priorities to development cooperation?

Accessing information to answer these questions is not the straightforward task it should be; there are very inconsistent information sources available about donors' and development agencies' work programmes. This might be why there is overlap in areas and types of activity. For MRV of climate finance some baselines are needed urgently.

What is the interface between climate change and development cooperation?

For the majority of donors who have been working for decades in Bangladesh, there has been a number of ways in which they have become engaged on climate change within the past five years from longer established programmes⁴². Still, climate change scarcely figures on web pages and was not covered in the last round of country strategies (see Annexes 2 and 3 for some detail about activities of key players).

Several intertwined influences are apparent on donors' engagement. These may be characterised as:

- Evolutionary approaches
- Step change with response to international political developments
- Response to country drivers
- Response to donor country politics

Evolutionary approaches:

Some donors see their move into climate change as an evolutionary activity associated with work on poverty reduction, food security and DRM. For example, the Danish International Development Agency (DANIDA) has been working in Bangladesh for 40 years with a poverty reduction focus. The past country strategy focused on agriculture/livestock, water supply and sanitation, human rights and

⁴² It also seemed to the researcher that the extent and course of involvement in climate change has been influenced by different officials' personal backgrounds and experience where they were in positions to control the course of events, but in a short study it was not possible to fully explore this aspect.

good governance and the Chittigong Hilltracts. The new strategy will have climate change as a separate pillar. Danida's work on climate change started in 2007 and is viewed within a broader framework on environmental management⁴³. Additional funds were provided for the climate change Bangladesh work (within the Danish aid budget).

UNDP and DFID have been engaged for the longest. Their first strategy was to work through the interconnected DRM agenda, through the CDMP project. Climate change has been mainstreamed into the DRM Strategy through a subset of relevant but separate activities. In 2002, when the first Comprehensive Disaster Management Plan (CDMP I) was being framed, which was the beginning of significant engagement in the issue within the country, the focus of effort was on the establishment of the climate change cell to increase international negotiation capacity, the improvement of the knowledge base, and ensuring climate change was structured into the CDMP. At first DFID and UNDP did not want climate change to be institutionalised as a significant area of separate activity. It seemed the prudent course then was to increase understanding and capacity to analyse climate risks – to work out courses of action, not how they would be financed. Finance has moved up the agenda as climate change has become an area for current, not just future policy.

This has meant that, in some respects, Bangladesh has been further ahead with connecting between CDMP and CCA, for example through the development of Community Risk Management Planning (CRMP)⁴⁴ but also that some key climate change adaptation components may have been slowed by the focus on DMP infrastructure. In addition, the critical Ministry is MoFDM, not MoEF, so that may have caused some delays. Conversely, the focused DMP lens has meant that clearer insights about the important issues are held for those working on CCA, but MFDM does have a technical / engineering focus.

Step change through international political developments

For multilateral donors, such as the Asian Development Bank (ADB), the World Bank, and the International Finance Centre (IFC), the engagement process has been driven by a step change with revised regional and country strategies for Bangladesh. These have included climate change as a pillar of action, driven presumably by fundamental moves within their organisations to increase work on climate change, linked to international developments. Developing momentum first for the Copenhagen UN Conference and then Cancun meant that some donors started to fund direct climate change activities for the first time in Bangladesh. Sweden had a new mandate in 2009 to engage under the Swedish Climate Change initiative, which is earmarked ODA above 0.7 per cent (Sweden currently gives 1 per cent of GNP). Previously nearly 80 per cent of SIDA's budget had been allocated for the health and education sectors. For Switzerland, climate change was not originally in the country strategy, it had worked on agriculture and DRR for years, but the Swiss Parliament

⁴³ The entire programme was screened for climate risks.

⁴⁴ The main focus is participatory approaches where people define and assess risks themselves having been supplied with climate projections with critical parameters which were developed by national institutes during the CDMPI

wanted the ODA contribution to be increased from 4.3 per cent to 5 per cent to cover climate change. SDC has developed a global programme on climate change issues.

Country drivers (BCSSAP and aid effectiveness)

Donors have also responded to the internal country drivers and the GoB's intensification of activity on climate change: the production of the BCCSAP and its six thematic areas plus 44 programs, and the GoB's trust fund. All donors thought that the Action Plan was a positive move and that their own investments were aligned with this plan. Another stimulus to engagement, which was reported by some donors during the interviews, has been the progress under the aid effectiveness agenda, the Joint JCS and the increasing momentum around the Local Coordinating Group on Environment and Climate Change.

Response to donor country politics

Several donors commented that there was a push from their HQ country offices to be seen to be at the forefront on climate change. Some referred to duplication and de facto competition. Further, having established effective ways of both delivering impact on the ground and dealing with fiduciary risk problems by working in specific programme niches, there is understandable resistance to work in new ways. For example, GTZ has decided to maintain its existing focus and modus operandi, developed over 30 years in the country, on field-project-focused environmental activities, aligned with agriculture and rural development on wetland biodiversity and rehabilitation of ecosystems. It justifies this by aligning these activities to the BCSSAP. GTZ's view is that this approach is the most direct and effective route as it avoids lengthy consultation processes and gives a clear profile for its activities. The German government prefers working bilaterally, which produces more impact and effective change, than working through a basket of funding. If projects are successful they then join with partners to scale up.

Climate change has been evolving within USAID's programme, as driven by US national policy. The USAID Mission in Bangladesh is one of the largest USAID development assistance programs in the world in terms of funding and staff size. USAID has been a development partner in Bangladesh since the country's independence in 1971. USAID has given over \$5billion since then and the programme runs at c\$100million/year. Key sectors have been energy, environment and biodiversity, food and disaster management, with many strands of activity within these sectors which are relevant for climate change policy (see Annex 3). There is now evidence of a major re-alignment underway with climate change having an increased profile, reflecting presumably the Obama administration's concern for this issue. Bangladesh is a priority country for aligning CCA with three major United States Government presidential initiatives: Feed the Future (FTF), Global Health Initiative (GHI) and Enhancing Capacity for Low Emission Development Strategies (LEDS). Also the USAID Bangladesh Mission is considering climate change as a major pillar for upcoming Five-Year Country Development. As part of the implementation plan for 2010 for the FTP initiative, the US does mark up

active engagement on the JCS and LCGs, and delivery on the BCSSAP. There is a stronger emphasis on the mitigation dimension of climate change in the US portfolio than other donors.

For the EC too, climate change has been slowly emerging as an issue in Bangladesh from an established framing - in this case the environment. The main stimulus has been policy developments in Brussels, as a response to the international situation. Bangladesh is the EC's second largest commitment in Asia. Between 1976 and 2007, Bangladesh received some €1.7bn of EC support. The EC Country Strategy Paper (CSP) for Bangladesh (2007-13) treats climate change as a driver of environmental degradation, rather than an area for discrete funding, whilst the risks to development are very clearly identified. Following policy developments in Brussels, the development project portfolio was screened to take account of climate change risks. There has also been a recent step change in funding for climate change work. Like Denmark and Sweden, this increase in funding arose out of a centrally generated initiative of additional climate funding, not the country programme. From the Global Climate Change Alliance (GCCA), which was initially established in 2008, €8.5mn funds were committed in December 2010 to the BCCRF. To get the scale, this compares to the €403mn allocated for the EU's programme between 2007 and 13, so comparatively this is not a very significant investment. The EC has also been a funder of the CDMP, which was established in the CSP.

Is the emergence of climate change changing priorities to development cooperation in Bangladesh?

Climate change is changing the strategies and on-going work of donor organisations in that new programmes with the climate change label are increasingly being supported. In terms of the content of these programmes, a considerable proportion so far are about capacity and technical development, notably the climate change components of the CDMP. The project components of the SPCR, which are probably the best developed, are about adding a climate change perspective to coastal infrastructure (polders, and water schemes, and agriculture). So it might be more accurate to say that climate change is modifying development.

However, during the interviews with representatives from donors there was comment from those donors who had evolved projects into climate change from an environmental perspective that funding and resources for general environmental management were being diminished. This switch can also be seen as part of a longer trend as funds have been switched to poverty alleviation and governance. At all levels in countries, the interactions of climate change and development cooperation seems to create tensions. Climate change protagonists perceive climate change to be the major, priority problem that will undermine development. Some development professionals and campaigners see climate change as a long term issue distracting from urgent problems about hunger and poverty. These tensions were evident in the interviews in Dhaka. For some players, the emergence of climate change is seen to be causing agenda hopping, removing the focus from the main issue of securing environmental sustainability and not encouraging an integrated approach to poverty and environment. To some extent this reflects a basic capacity issue – not

everyone's eye can be on every ball at the same time. Those focused on DRM argued that, at the grass roots, DRM and CCA should be undertaken together.

Whilst the synergies were recognised as indicated, in fact "new" funds were generated separately for climate change by the central head-quarters of the EC, Denmark, Sweden and Switzerland for their contribution to the BCCRF, and contributions were not drawn out of long-planned country programmes. So more resource is being delivered to Bangladesh, although these resources were not necessarily "additional" ODA for each donor.

Everyone was asked about their views on what the situation would be in 2020. There was general agreement that climate change would be a fully integrated part of the development process by then. Some major changes were envisaged about the course of development, which are outlined in Section Six.

What particular challenges arise with funding climate change interventions?

There are two main aspects of climate change which make it a challenge for governments and donors:

- Scale of funding required and the innovation challenge
- Capacity and coordination challenges that relate to the cross-cutting dimension

Scale of funding and the innovation challenge

Obviously, the main way of tackling the new policy challenges of climate change has been to support the creation of new funding mechanisms to start new funding streams, which has involved both marshalling financial resources and institutional development. These types of development take considerable time to organise at the interface of donor and host Government interactions. As indicated in Section Three and Four, the funds are a start but nothing more when the extra costs that climate change places on development is taken into account. Two funds have been driven by donors: the SPCR and the BCCRF; and one by the GoB itself, the BCCTF (climate change is also included in the CDMP). The pooled multi-donor approach for dealing with climate change suits some players as it reduces transaction costs, which makes it effective for countries with limited staffing capacity. For some countries, a choice has to be made between the BCCRF and CDMPII. Contributing to the BCCRF also provides an entry point to the table where key debates on CCA should take place. In this way, the BCCRF provides an opportunity for visibility and positioning.

Whilst Bangladesh is the EC's second largest commitment in Asia, climate change has not figured in its development portfolio until very recently. Between 1976 and 2007, Bangladesh received some €1.7 bn of EC support. The EC Country Strategy paper for Bangladesh (2007-13) treats climate change as a driver of environmental degradation, rather than an area for discrete funding. However, the development project portfolio was apparently screened to take account of climate change risks. Funding for climate change work, arose out the GCCA, a centrally

generated initiative of additional climate funding from which €8.5mn funds were generated to contribute to the BCCRF. (To put this in context, this is not a large amount compared to the €403mn allocated for the EU's programme between 2007 and 2013). The EC has also been a funder of the CDMP, which was established in its country strategy.

For the UK, Bangladesh is a key UK country for assistance and its commitment to the BCCRF is a legacy of the London Meeting in September 2008. Following the massive destruction of Cyclone Sidr, international financial institutions and developed countries said explicitly that helping Bangladesh on climate change-related issues was on their list of priorities, and they would consider the creation of a MDTF for Bangladesh to support climate change adaptation. The UK was the first country in the world to announce a fund of £75 million (\$133 million, and including £17 million for the CDMP), which from the outset linked it to the World Bank as an implementation agency. DFID-Bangladesh has been working to secure the success of the fund and engage other donors. Some key countries such as the US and Japan have yet to be visible. The latter prefers to work with loans, which is not the preferred route of the GoB.

BCCRF, as an off-budget pooled fund, is generally a new approach in the country, with the exception of health and education. The Economics Relations Division (Ministry of Finance), which has overall responsibility for development assistance, could see that this approach would provide flexibility and avoid duplication.

The overwhelming challenge arising from the innovative dimensions of climate change are the capacity and coordination challenges which will now be explored.

Climate change: capacity and coordination challenges

Across the globe, climate change has moved rapidly from the research institutes to the implementers and decision-makers at all scales of governance and across all aspects of public policy. Whilst the core Article 2 objective of the 1992 UN Framework Convention on Climate Change was to maintain food production and sustainable economic development. For 15 years, the issue was basically captured by environment ministries, departments and agencies in all countries, which is now a problematic legacy as they are often technically and politically weak in terms of capacity, and lack political clout to effectively lead and coordinate. Basically, the Stern report reframed climate change as a development problem but the full implications of what that means and what should unfold are not charted.

The first efforts in Bangladesh have been a strengthening of the MoEF, a process all agree is not completed. However, since the preparation of the first NAPA in 2005, other ministries and Government agencies have been engaged. Their roles are formalised in the management of both the trust funds (BCTF and BCCRF) where ten ministers are represented. But there is a generally recognised need for capacity to increase awareness and understanding of climate change in key ministries. Key Ministries are involved in the governance of both the trust funds, and the SPCR. According to the MoEF, the Planning Commission is being trained and there is to be

a training course in the official civil service academy, with the provision of M Phil and D Phil fellowship opportunities from the BCCTF. The need for further capacity building has already been factored in both to the CDMPII project and the SPCR. The CDMPII is to set up new units in each ministry for DRR and CCA – currently there are only focal points. Whilst there is general agreement about the diagnosis, there is very little evidence yet of a coordinated prescription for action. There are components to strengthen MoEF, in CDMP, SPCR, BCCTF, BCCRF and the USAID programme. But, as far as the interviewees could gather, what is actually to be achieved is not at all clear.

Apart from the need to understand how climate change will interact with the development agenda, the potential inflow of additional funds for climate change creates greater stresses on the handling capacity of Government to manage the funds effectively, the cause of fiduciary risk concerns of development partners. Building capacity here takes time, and apparently involving the Planning Commission, can also create further delays, although staff here are often better equipped to assess projects and also coordinate effort across Government. MOEF does not have a track record as a spending ministry.

Capacity issues of MoEF

According to various sources accessed, there is a major problem with coordination across the ministries. Whilst there is some interest in accessing the climate change funds that apparently will be available, the convening capacity of the MoEF is weak, in part because it is not a high-ranking ministry represented in Cabinet. It was evident from the interviews that this issue has been widely discussed across the several groups that were interviewed. Attention has been given to the creation of a new Ministry of Climate Change but this could take three years or so due to internal legalities and formalities. A more feasible short term alternative will be the creation of a separate division in MoEF, which takes pressure off the Environment Division whose core environment work has been squeezed. On the positive side, one major international development organisation reported that, compared to other countries involved in the World Bank-led PPCR, MoEF had effectively coordinated other Government ministries for the programme's development.

Increasing capacities of professional and technical staff is not a straightforward task. Civil service procedures can slow the creation of new posts, and the internal career path can mean frequent moves of key staff – this point has apparently been discussed at the Bangladesh Development Forum. Externally funded projects rely on consultants, who get paid more than civil servants, and who can move to other projects, so that the processes of building organisational learning and institutional memory is undermined. Ironically too, Bangladesh's international profile on climate change, which it has been developing, is potentially undermining immediate progress in the country. Key staff are always "either going or gone" to climate change meetings outside the country but, according to one organisation, donors have only themselves to blame for funding visits. Obviously attendance at Cancun is an example- with the record 105 on the official delegation. Of course, this can be

viewed in a positive light as it was an excellent capacity-building opportunity⁴⁵. Basically, as there is a legacy of under-spend on aid in general including climate change (see Section Six) increasing professional and technical capacity for project development is vital.

Donor capacity issues

Of course, capacity for coordination is not just a problem for the GoB – donors face problems amongst themselves. This issue is covered in more detail in the following section within the discussion about the aid effectiveness process. Climate change has emerged clearly for funding at a time when the Paris Declaration Joint Coordination Strategy (JCS) process has been put in place, so this has created additional challenges and some countries have not had the capacity to engage on the Local Consultative Groups. (These are the groups associated with specific issues; environment and climate change is one). Comparatively few donors have been operating on a wide scale in Bangladesh. For the most part, donors have been operating in well established niches and have developed their own various ways of working with the governance and accountability challenges. Donors are grappling with problems about how to spend their money wisely and where climate change fits in with longer running programmes.

NGOs

For some areas of development assistance, such as agriculture, NGOs are critical to delivery. On climate change a mixed story emerged. Outside the NGOs linked into international organisations in Dhaka, adverse comments were made about financial probity, by all sections interviewed. There is clearly a need for some coherence to be developed in this sector, as there are windows in both the trust funds for direct funding opportunities. Apparently, the announcement of the GoB's BCCTF generated the formation of over 100 NGOs, many of which were allocated funds. It should also be noted that policy and research institutes operate in some ways as NGOs, and that professional staff also establish NGOs, for consultancy work. With weak local government structures, NGOs may be the link to effective working at local level but it is evident that more attention needs to be given to developing effective financial management skills in some parts of the NGO sector, as in Government. This can be linked to greater and more effective engagement in national policy making and transparent governance.

Private sector

Capacity issues also seem to inhibit private sector involvement, despite various efforts to raise awareness. There is a lack of capacity in financial institutions in both public and private sectors to evaluate projects, so that the lack of understanding of specific types of climate change investments and their risk profiles means that banks often find it difficult to develop and structure appropriate financial products. There is also the view that the bulk of climate change funding will be administered by the

⁴⁵ It should be pointed out that many countries had larger delegations

Government with support of NGOs. Coupled with the seemingly urgent short term management of crises such as hartals and power cuts, 99% of corporate climate change is perceived to be either an irrelevance or at best an extension of their Corporate Social Responsibility⁴⁶.

Key points

Climate change needs to be seen as part of the bigger picture on development at all scales, and presents new challenges on coordination and capacity. It is very difficult to ascertain who is doing what and where, and databases will need to be improved for MRV. In the EU climate change programmes are impacting on spending on the environment, and there is some confusion about how far climate change should be handled separately in view of its close relationship with long-established investments in agriculture, food security and livelihoods and DRR.

Climate change is changing and modifying the development cooperation agenda in several ways:

- Evolutionary approaches – some donors are evolving their development portfolios to accommodate climate change
- Step change with response to international political developments: as a result of international developments and the increased visibility of climate change challenges, representatives of development partners in Bangladesh are stepping up activities
- Response to country drivers- increased activity by the Government of Bangladesh in climate change is prompting donors to align their development work
- Response to donor country politics – the way that climate change is being handled by each development partner reflects the extent to which the donor Government works bilaterally or multi-laterally

In terms of the content of the emerging climate change programmes, a considerable proportion so far are about capacity and technical development or about adding a climate change perspective to coastal infrastructure. For some players, the emergence of climate change is seen to be causing agenda hopping, removing the focus from the main issue of securing environmental sustainability and not encouraging an integrated approach to poverty and environment. To some extent this reflects a basic capacity issue – not everyone's eye can be on every ball at the same time. Those focused on DRM argue that, at the grass roots, DRM and CCA were undertaken together. There was general agreement that climate change would be a fully integrated part of the development process by 2020.

There are two main aspects of climate change which make it a challenge for

⁴⁶ Asian Tiger Capital Partners 2010. A strategy to engage the private sector in climate change adaptation in Bangladesh. Prepared for the International Finance Corporation.

governments and donors:

- Scale of funding required and the innovation challenge
- Capacity and coordination challenges that relate to the cross-cutting dimension

Nevertheless, despite its increasing profile and visibility in some spheres, climate change still barely features in donor's websites and spend is in general low, the UK being one exception. As a cross-cutting issue, which is being resourced in a number of ways, there are challenges for all players to handle the coordination demands. Strengthening of the MoEF is not completed and there is a need for capacity to increase awareness and understanding of climate change in all key ministries. Capacity constraints are also evident in donors, private sector and NGOs.

6. European development cooperation: issues for 2020

The EDC 2020 project seeks to look at the period up to 2020, and to put a longer time frame on the dynamics of the current situation, especially for the perspective of European development cooperation. How then will the situation unfold in Bangladesh and what will be the main drivers for change up to 2020? How might developments at international level, within Europe, and from the perspective of governance in Bangladesh, play out? Will Europe change its approach to development cooperation? Is the aid effectiveness agenda likely to frame developments? Cancun has given new momentum to the agenda but there is still no agreement for long term climate financing so there is much still to be determined.

This section seeks to explore these issues, in relation to the influences on and within Europe that will affect its partnership with Bangladesh on climate finance and development cooperation. This includes the formal aid effectiveness agenda in the country, which is starting to frame the relationship.

EU development and climate finance

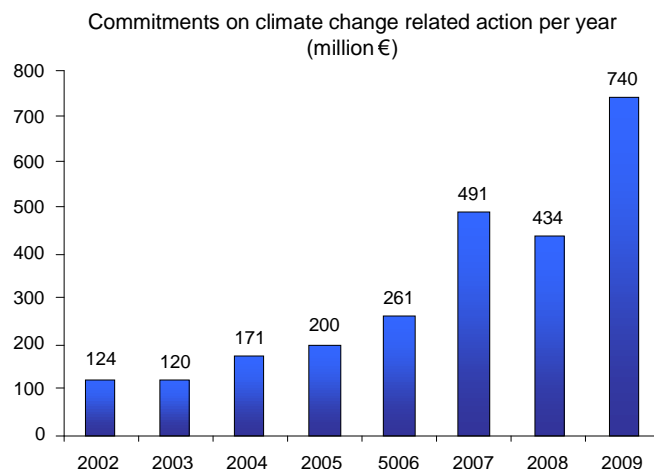
An analysis of the EC aid portfolio shows that commitments for climate-relevant interventions have been globally increasing since 2002, totaling today around €2.5 billion. Overall climate change commitments in the development portfolio increased between 2002 and 2008 to €1.7bn (see Table 1 below). This is marked up as *"demonstrating that a significant amount of climate change integration has already taken place in development cooperation."*⁴⁷.

It is possible to ascertain from the various communications, that the EU Development Directorate has continued to see climate change predominantly from an environmental framework. Further environment was not well covered in the European Commission's core Country Strategy Papers (CSPs). Full analysis of climate change from a development perspective was also constrained as a round of CSPs had just been completed as climate change moved up the development agenda. The aim now is to systematically address and consider climate change when the next cycle of country and regional strategy papers are considered starting in 2012.

However, in Bangladesh has demonstrated flexibility as the issue has assumed greater importance, and no rigid adherence to the CSP where climate change was seen as part of the environment cross-cutting issue and a non-focal sector (although it is important to note that this strand is focused on timely warnings and advice to vulnerable groups about extreme weather). Between 2007 and 2013, the EU budget allocation for environment and disaster management was 10 per cent of the total budget of €403m. The EC has contributed to the BCCRF and is co-financing the CDMP which contributes significantly to DRR, and a number of smaller EU-financed projects focus on DRR at community level. The EU is co-financing a number of on-going large actions in the area of food security in Bangladesh. These actions

⁴⁷EC 2010 European Commission Climate Action.
http://ec.europa.eu/clima/policies/finance/index_en.htm accessed 28-12-10

systematically integrate climate change impact considerations in relevant activities, and the whole programme has been screened for the impacts of climate change.



Note: Figures for 2007 now include the Neighbourhood Investment Facility (Rio Marker 1 for mitigation and adaptation), as the facility has invested significantly in renewable energy and water efficiency. Figures for 2008 are lower than in the previous version because many projects were still in the pipeline, and have eventually been approved in 2009. 2009 includes two large general programmes: €200m for the intra ACP Energy Facility (Rio Marker 2 for mitigation); €200m for the EU-Africa Infrastructure Trust Fund - Additional EC contribution (Rio Marker 1 for Mitigation). Note also that the grant allocations to the Investment Facilities have a strong leverage effect, by mobilising additional private sector financing.

Source: EC 2010 European Commission Climate Action.

http://ec.europa.eu/clima/policies/finance/index_en.htm; accessed 28-12-10

GCCA and other novel approaches

European Member States and the Commission have been very active in experimenting with a number of novel approaches on climate finance. In the short term this has increased the fragmentation of international assistance. At the very time, the EC was developing the GCCA, the UK was developing the PPCR with the World Bank, and in fact Bangladesh is now a beneficiary of both. Yet the 2008 EC staff working document that described the implementation framework of the GCCA referred to the initiative as "an EU answer to the development dimension of climate change". But the EC has been unable to mobilise financial support for the Alliance from the Member States. Only two countries (Sweden and the Czech Republic) have made modest contributions. The intention that the GCCA would become a 'clearing house' for European countries' support to developing countries on climate change appears to have been too optimistic in this area of shared competency. The

availability of alternative multilateral channels may explain the lack of uptake by some member states⁴⁸.

New Green Papers-

There are signs of change underway again in European development policy in the run up to Busan 2011 (the next event around the aid effectiveness/Paris Declaration process). Two new Green Papers were issued in October 2010 that reflects increased concern about poverty, and achieving economic development. Also, due to the financial pressures on many European Governments, there is an anticipation of increased pressures on aid budgets, particularly the effectiveness of direct budget support. In 2007, EU-27 increased as a share of GNI from 0.08 per cent to 0.42 per cent but decreased in volume to € 49 billion. A total of 12 EU member states maintained or increased their budgets but others (Germany, Italy, Austria, Greece and the Netherlands) cut theirs⁴⁹.

One Green Paper was issued on development policy, growth and sustainable development. The aim of the consultation is to get a modernised, value for money, effective, high impact policy to encourage more inclusive growth.⁵⁰ Basically, the paper is a follow on from the review of progress of the MDGs that focuses not just on the ODA levels but how aid is granted and used. A second Green Paper on the future of budget support covers quality, value for money and impact of budget support. Issues raised include: political governance and the role of political dialogue; policy dialogue, the role of conditionality and links to results; domestic and mutual accountability; the programming of budget support; dealing with fraud and corruption; budget support in fragile states. The aim is to raise the challenges and collect evidence and views how to improve the approach⁵¹. An outcome is expected by June 2011.

International climate finance, FSF and Europe

To move forward on international climate finance, the FSF mechanism will be critical. It will be the founding stone for the framework for long term finance and the establishment of the Green Fund.

The Cancun agreements provide for reportable actions on the FSF commitment of \$30 billion for the period 2010-2012 by developed countries to provide new and additional resources including forestry and investments through international institutions, with a balanced allocation between adaptation and mitigation. It should be noted that funding for adaptation will be "prioritised for the most vulnerable developing countries, such as the *least developed countries*, small island developing

⁴⁸ Bird and Brown 2010

⁴⁹ EDC 2020 European Climate and Development Financing before Cancun- Imme Scholtze, Opinion no7 Dec 2010

⁵⁰ EC 2010 Green paper EU development policy in support of inclusive growth and sustainable development. Increasing the impact of EU development policy. Brussels 10.11.2010 Com (2010) 629

⁵¹ EC 2010 Green Paper from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the regions: the future of EU budget support to third countries. Brussels, 19.10.2010 Com (2010) 586 final.

states and Africa [emphasis added].” This means that Bangladesh expects to benefit. FSF is an initiative in which the EU was a major driver and a report about resources had been compiled for the Copenhagen conference. EU countries committed to contributing €7.2bn for the period 2010-2012. In view of past experience of shortfalls around funding pledges and disbursements, within the BAP funding signalled part of the move to MRV of commitments. Whilst the EU made an early start about transparency of its efforts, with reports from June 2010 and prior to Cancun, there have been on-going criticisms from various sources about full transparency of information in relation to⁵²:

- The relationship of contributions to targets for increasing ODA to 0.7 per cent GNI or higher
- The scale of finance and criteria used for allocation between adaptation and mitigation different regions and countries, bilateral and specific multilateral channels, and the use of grants and loans, and their disbursement⁵³ What is actually “new and additional” above ODA when that is increasing?

The terminology about “new and additional” was used within the UNFCCC (1992) with the intent to ensure that no ODA funds would be diverted by Annex 1 (developed countries) to meet their obligations under the Convention. The term has never been defined. Only five countries have reached the 40 year old 0.7 per cent target, but the EU 15 countries did commit to reach this by 2015 in 2005. This means that, for example, the UK is increasing its aid budget allowing for some ambiguity about the increase in climate funding.

The EU and FSF

The EU presented a detailed report for Cancun on its FSF which showed that the EU and MS mobilised €2.2bn of fast start finance in 2010 as part of its overall commitment to provide €7.2bn (\$9.4bn) for 2010-2012⁵⁴. The aims of the funding were widespread as effectively the commitment reflects a considerable amount of current EU climate finance spending, which had been increased from 2008, and it may not be fair to penalise the EU as an early starter. FSF is about support for:

“Swift and effective implementation to better protect against severe weather events and other adverse effects of climate change including by promoting national adaptation planning and funding for science and analysis to support decision-making; to grow and develop on a low carbon path, including through supporting projects on low carbon energy, energy efficiency and low carbon transport; to protect forests while also supporting economic development; to prepare for the

⁵² See for example NGO comment and Analysis on the Preliminary report on EU Fast Start Finance Bare Bones , No Meat.

⁵³ See Fallasch, F and L De Marez (2010) New and Additional? A discussion paper of fast-start finance commitments of the Copenhagen Accord 01-12-10 Climate Analytics www.climateanalytics.org; Stadelmann, M., J.T Roberts and A. Amchaelowa (2010) Keeping a big promise: options for baselines to assess “new and additional” climate finance. CIS Working Paper nr 66 2010 University of Zurich 18-11-10 <http://ssrn.com/abstract=1711158>

⁵⁴ Council of EU 2010 EU Fast Start finance report for Cancun. 15889/10 686 ECOFIN 686, ENV747 09-110, and Add 1 Addendum; also see European Union FSF for developing countries 2010 progress report. Eu trio.be Belgian Presidency and the EC.

efficient implementation of a new climate regime and scaled up financial flows in the longer term”⁵⁵.

Most EU FSF is provided through MS budgets and is allocated on the basis of national decisions. Despite the difficult economic situation, and strong budgetary constraints, all 27 MS and the EC are contributing to funding. MS FSFs are voluntary and not based any formal allocation mechanisms. This voluntary approach was a convenient way to avoid getting agreement at EU level, and means that member states can benefit from having a collective presentation whilst maintaining national profiles, and approaches. The EC pledged a total of €150 million additional grant funding as its contribution to FSF in the period 2010-2012. In 2010, the EC mobilised €50 million, half of which will focus on adaptation in LDCs and SIDS under the GCCA. The other half is foreseen for capacity building related to MRV of greenhouse gas emissions; low-emission development strategies; REDD+; carbon market mechanisms; and technology cooperation involving a wide range of developing countries in Africa, Latin America and Asia. Most of this funding will be deployed through existing and already operational cooperation instruments and initiatives to ensure timely and efficient delivery

According to the FSF report for Cancun, Bangladesh is already benefiting from EU FSF funds as follows:

- The Netherlands (working with Germany) is contributing to the second phase of €68mn to Energising Government Programmes. The aim is to provide access to renewable energy services to 5mn people before 2015. Activities focus on people lacking modern and sustainable energy access⁵⁶.
- Sweden lists its BCCRF contribution of €9.70 mn.
- The EC funding to the same fund via the GCCA is covered, which came from EU ODA.

There is likely also to be un-itemised Bangladesh component of the international categories listed by individual countries and the EU. There is no specific FSF spend on Bangladesh listed by the UK as they are masked by an international label, but in the UK FSF leaflet, the Bangladesh PPCR project is reported. Apparently, this has been done as it has only just become a formal commitment. There already have been several analyses undertaken of criteria for FSFs and clearly it will be important to get some measure of agreement so that MRV can proceed in a transparent way.

The EC’s FSF comes on top of preliminarily programmed support for climate-relevant actions in developing countries in the period 2010-12 in the order of €900 million. This level of commitment is to be welcomed and does make the EU a global leader. However, there is no room for complacency: at the recent BASIC ministerial meeting on climate change (Feb26-27) the ministers noted that, despite declarations at Copenhagen and Cancun, actual disbursement of funds is lacking even to SIDS,

⁵⁵ ibid

⁵⁶ www.sentemovem.nl/energising_development

Africa and the LDCs (who need it most) and that a sizable flow of funds should begin before discussions on the GCF gain momentum⁵⁷.

Developments on the aid effectiveness agenda

In accordance with the Paris Declaration on Aid Effectiveness- of which Europe is a strong proponent, the EU (EC and member states) have the following longstanding commitments:

- To provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements.
- To channel half of government-to-government assistance through country systems.
- To avoid the establishment of new project implementation units.
- To double the percentage of assistance provided through budget support or sector wide arrangements.
- To reduce the number of uncoordinated missions by half.

There is no doubt this is an active agenda by the EC in Brussels where there are real concerns about the lack of delivery of the “fine” principles and the fragmentation of initiatives on climate change⁵⁸. The extent to which further progress will be made in Bangladesh will depend in part on how development partners can work with the GoB to improve performance and also the national policies of member states. Several fundamental problems have been identified in the country by two recent analyses that impact on making aid effective⁵⁹. First, weaknesses in the GoB’s approach to development planning have been shown. The preparatory processes do not ensure participation of all stakeholders. Democratic ownership and political commitment is weak. In the absence of a properly functioning local government, and with no local level planning mechanism, the role of local bodies in the development process is very limited. Secondly, insufficient capacity to plan and manage development projects continues to be a major challenge to improve aid effectiveness. There is no overall capacity development plan, so donor support is often very narrowly focused on project-based, fragmented capacity development initiatives with little impact on overall capacity development.

Because of the major demands that unconstrained climate change will have on resources for improved infrastructure and increasing the knowledge base and capacities to tackle climate change, it will be vital to improve the effectiveness of aid

⁵⁷ Text of Joint Statement issued at the Conclusion of the Sixth Basic Ministerial meeting on Climate Change, New Delhi, India, Feb 26-27 2011.

⁵⁸ According to Françoise Moreau, Director, DG EuropeAid Development and Cooperation, EADI Final EDC 2020 Event Brussels.

⁵⁹ See Polycarp, C 2010 Governing climate change finance in Bangladesh. An assessment of the Governance of Climate Finance and the Paris Declaration on Aid Effectiveness. A report prepared for the capacity development for development effectiveness facility, October 2010. And, Natural Resources Planners (2010) Evaluation of the Implementation of the Paris Declaration Phase-II Country Evaluation Bangladesh November 2010

and therefore the implementation of the PD has particular significance for the country. Already there is an accumulation of a huge amount of undisbursed aid into the pipeline (US\$9bn). In climate change, there were moves immediately prior to Cancun to progress the PPCR, the CCTF and CCPF, but all these had funds committed in previous years that had not been accessed. It also clear that the further development of projects will be necessary in respect of the PPCR and CCRF and possibly the BTF.

Capacity development has been identified as the main requirement to strengthen country ownership, these relate to long standing problems of project planning and management, without any significant resolution of the problems. There are also alignment issues associated with capacity constraints. There is donor reluctance to use country systems and insufficient information in systems. There were also as many as 400 donor missions in 2007 for the GoB to handle. There is weak monitoring and capacity and needs strengthened statistical and monitoring systems.

Key points

The EU has stepped up and climate change has become an increasingly important component of its development cooperation effort. It has identified that a significant part of its portfolio contributes to climate change intervention strategies. Its systems have shown signs of enabling flexibility, in the case of Bangladesh, where direct budget support on the environment is not taking place. However, the EC itself is a relatively small player on climate change funding in the country, with a few member states, notably the UK, also active.

The next round of the international aid effectiveness process (Paris Declaration) is prompting policy renewal in Brussels, and this is also recognising increased pressures from the MDG process for more impact on policy alleviation at the same time as there is likely to be increased pressure on country aid budgets. Within Bangladesh there is currently already a backlog of aid for disbursement. Capacity enhancement could further improve financial management systems, and could mean there would be greater confidence and less fiduciary risk for the EU. If increased investments are to be made for climate change it is vital that the EU further supports the GoB in these areas. This would be a medium term strategy to adopt, which would benefit the utilisation of climate finance in due course.

Collectively, the EU is a major player in the FSF. However, member states and the EC interpret what can be designated FSF in different ways, and this relates to the fundamental “new and additional” issue within the UNFCCC. The EC and several member states have already allocated FSF to Bangladesh. Various analyses have probed on this issue and shown what a wide range of interpretations are possible. It is evident that there is a need for some consistency, so there is predictability for Bangladesh. It is vital this is pursued within the context of the MRV discussions in the UNFCCC. In the meantime, the collective branding of different EC and member states approaches was effective at Cancun. There has also been a coalescence of effort in support of the BCCRF.

In summary, several policy drivers from within the country and external to it will impact on the way that climate change finance evolves:

- Changes in the way EU development and climate finance evolve and relate to each other
- What happens on MRV of FSF
- Whether the aid effectiveness process in Bangladesh will take root with improvements to project management and financial management capacity and the coordination of effort on climate change
- Whether development partners, particularly the EU and its member states, seek to consolidate and rationalise their climate assistance

Conclusions

Climate change has now become an issue about implementation and delivery in Bangladesh. There are new sets of challenges for Bangladesh to handle but there is already considerable experience within the country from the NAPA process and the CDMP 1, which needs to be better accessed for learning. The EU and its member states, notably the UK, have stepped up their effort but this effort needs to maintain momentum to deliver an effective development partnership.

- Donors and the GoB could create a clear baseline during 2011 over which future effort can be monitored. There are very weak records everywhere, including development partners, on current and past projects on climate change and no coherence on modalities for data collection. There is no clear storyline on what has been done so far and there is a need for a clearing house (and to include research). This will be vital for MRV under the UNFCCC.
- Relative success amongst the different funding routes should be carefully monitored so that good practice can be shared and further investments channelled in the most effective ways.
- For all players, more capacities to develop robust programmes and spend money effectively is needed. There is already considerable experience with successful development effort in some sectors that is not necessarily being accessed.
- There is a need for development partners and the GoB to establish mechanisms for prioritisation – how are development partners identifying their FSF projects?
- There is a need to listen, learn and act. Many of the problems that have caused delays and blockages are still extant and need continuing attention.
- Efforts to embed climate change into the development planning process need to be considerably strengthened and given a higher profile. The EU should also act more vigorously to ensure the aid effectiveness process can gain momentum, and should support strengthened financial management processes.
- GoB needs to ensure its own citizens continue to back investments to avert potential failures on climate change action. GoB is an established international player but it needs to demonstrate good leadership within the country too.
- Development partners need to be more transparent and work to clearly established priorities over medium term timescales.
- Establishment of innovative funding for climate change is vital.

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Annex 1: Interviews undertaken: Bangladesh case study

NAME	Role	ORGANISATION
Government		
Mihir Kanti Majumder PhD	Secretary	Ministry of Environment and Forests (MoEF)
Aparup Chowdhury	Joint Secretary	MoEF
S.M Munjurul Hannan Khan	Deputy Secretary	MoEF
Dr M Nasiruddin	Joint Secretary (Development),	MoEF
A.K.M. Mamunur Rashid	Project Manager, Poverty, Environment and Climate Mainstreaming Project (PECM)	General Economic Division, Planning Commission and UNDP
Nasrin Sultana	Joint Chief	Economic Relations Division (ERD) , Ministry of Finance (MoF)
Shafiqul Azam	Additional Secretary	ERD, MoF
Arastoo Khan	Additional Secretary	ERD MoF
Fakhrul Ahsan		
Bijoy Kumar Baishya	Joint Secretary and National Coordinator on PD Implementation	Aid Effectiveness Unit & Coordination Wing, ERD, MoF
Donors		
Alamgir Hossain	Environment and Climate Change specialist	USAID, Bangladesh
Jorge Nieto Rey	First Secretary	EU Delegation to Bangladesh
Yolanda Wright Joanne Manda		DFID
Jiangfeng Zhang Arif M Faisal	Senior Country Economist Project Implementation Officer	ADB ADB
Aminul Islam	Assistant Country Director	UNDP
Abu M Kamal Uddin	Climate Change Adaptation Specialist	CDMP, UNDP
Sayeeda Salim Tauhid	Sr. Monitoring and Evaluation Specialist	World Bank
Wahida Musarrat Anita Mogens Strunge Larsen	Programme Officer Counsellor	Royal Danish Embassy Royal Danish Embassy
Johan Wilert Tomas Bergenholtz	First Secretary First Secretary	SIDA SIDA
Hiroyuki Tomita Md. Anisuzzaman Chowdhury	Senior Representative Program Officer	JICA JICA
Berthold Schirm	Principal Advisor	GTZ
Mrinal Sircar Ian Crosby	Program Manager Manager Advisory Services	IFC IFC
Urs Herren	Ambassador	Embassy of Switzerland
Policy Institutes/Universities and CSOs		
Mohammed Asaduzzaman	Research Director	BIDS

Ainun Nishat	Vice Chancellor	BRAC University
Farah Kabir Wahida Bashir Ahmed	Country Director Theme Manager	ActionAid
Md Shamsuddoha	Chief Executive	Participatory research and Development Initiative PRDI
Ziaul Hoque Mukta	Policy and Advocacy Manager	Oxfam, Bangladesh Programme
Atiq Rahman	Director	BCAS
Zahurul Karim	Chairman	CASEED
Kurshid Alam	Climate Change and disasters specialist	Think Ahead

Annex 2: Selected on going commitments by development partners relevant to climate change

Name of Donors	Title of the project	Amount
Asian Development Bank	Supporting Implementation of Bangladesh Climate Change Strategy and Action Plan	\$ 2.0 million
	Strengthening the Resilience of the Water Sector in Khulna to Climate Change	\$ 600 thousand
	Emergency Disaster Damage Rehabilitation	\$ 120 million
	Adaptation and Impact Assessment	\$ 1.2 million
CIDA	Bangladesh Environmental Institutional Strengthening Project (BEISP)	\$ 5.0 million
	Emergency Disaster Damage Rehabilitation Project' of ADB	\$ 10.2 million
DFID	CDMP by supporting Climate Change Cell of MoEF	£ 12.0 million
	'Climate Change Program –Climate and Life' (2009-2014)	£ 30.0 million
Danish International Development Agency (DANIDA)	Support to National Flood Forecasting and Warning Services	DKK 6.0 million
German Technical Cooperation (GTZ)	Complementary project of ' Integrated Protected Area Co-management Project'	\$ 7.0 million
JICA	Emergency Disaster Damage Rehabilitation Project	JPY 6.9 billion
	Grant for Disaster Prevention and Construction of Multipurpose Cyclone Shelters in the cyclone Sidr affected areas	JPY 960.0 million
	Grant for Flood Forecast/ Warning System	JPY 260.0 million
	Small Scale water Resource Development Project	JPY 7.5 billion
USAID	Integrated protected area co-management CDM project	\$ 15 million
		\$ 2.0 million
	Chauhati Wildlife Sanctuary and the improved Livelihood for Sidr-Affected Rice Farmers project	\$ 4.77 million
	Construction of 13-Multi-purpose cyclone shelters in cyclone Sidr affected areas of Khulna and Barisal	\$ 4.3 million
Norway	Contributing to Integrated protected area co-management	Parts of \$ 15.0 million
Sweden International Development Agency (SIDA)	UNICEF Post Cyclone Project	SEK 24.3 million
Sweden	Climate Change Resilience Fund	\$ 11.5 million
Swiss Agency for Development and Cooperation (SDC)	Emergency Assistance for cyclone Sidr and for post flood rehabilitation	\$ 5.5 million

United Nations Development Programme (UNDP)	Community based adaptation to climate change through coastal afforestation	\$ 5.6 million
	Second National communication to the UNFCLIMATE CHANGE	\$ 0.5 million
	Comprehensive Disaster Management Program (CDMP-II)	\$ 50 million
	Poverty- Environment- Climate Mainstreaming.	\$ 3.0 million
	Coastal and Wetland Biodiversity Management at Cox's Bazar and Hakaluki Haor	\$ 5.0 million
	Sustainable environmental Management Program (SEMP)	\$ 26.4 million
	Empowerment of Coastal Fishing Communities(FCFC)	\$ 6.0 million
World Bank	Clean Air and Sustainable Environment Emergency Disaster Damage Rehabilitation Project (ECRR)	\$ 62.2 million
	Water Management Improvement Project (WMI)	\$ 102.26 million
	Rural Electrification and Renewable Energy development (RER Project)	\$ 130 million

Source NRP (2010)

Annex 3: Notes on Selected Donors

European Commission Development Assistance

The EC's Country Strategy Paper (2007-2013, €385m) for Bangladesh concentrates its commitments on three focal areas and two non-focal areas. Environment & disaster management (€40m) and food security (€44m) are the two non-focal areas. In addition, part of the funds from EC thematic budget lines (like the Environment and Natural Resources Thematic Programme, the Food Security Thematic Programme and the Non-State Actors Programme) target climate change as well. The EC is contributing €8,5mn to the BCCRF from the GCCA.

ECHO (EC's Humanitarian Aid and Civil Protection Department) responds rapidly to humanitarian crises caused regularly by natural disasters in Bangladesh. In the case of cyclone Sidr that hit Bangladesh in November 2007, ECHO mobilised substantial relief support and the EC mobilized an additional €13m under its Instrument for Stability to help local communities to rehabilitate their livelihoods. ECHO was as well the biggest responder to cyclone AILA (€9m), followed recently by an additional €5m allocation from the Instrument for Stability. Current EC assistance is not limited to humanitarian responses once disasters have occurred. Long-term strengthening of disaster preparedness and dissemination of warnings to the most vulnerable groups is a critical adjunct to such support and the EC has made a contribution of €13m to GoB's Comprehensive Disaster Management Programme 2010-2014.

In addition, EC is co-funding NGO-projects on community-based Disaster Risk Reduction: A project to improve cyclone preparedness in communities living around cyclone shelters (BCDPC) ended in March 2010. A project reducing erosion of haor-villages and improving their livelihoods (HISAL) and a project dealing with alleviation of poverty through Disaster Risk Reduction in flash/monsoon flood prone areas in North-West Bangladesh are ongoing and made good progress in 2010. Three new projects started in 2010 and are still in preparatory stage: Improved food and livelihood security in Bagherhat district in the context of increased disaster risk and climate change; Empowerment of Local Authorities and Non State Actors in responding to economic development opportunities and climate change and disaster vulnerabilities; and the Integrated Community-Based Arsenic Mitigation Project. The upcoming EC funded Sundarbans Environmental And Livelihood Security (SEALS, €10.4m) project will contribute to maintaining and/or improving ecosystem productivity, food security of the vulnerable coastal community and the environment and social integrity of the Sundarbans Reserve Forest (SRF) including coastal areas of the Bay of Bengal.

Besides these, all EC interventions in Bangladesh are screened for their resilience to the effects of climate change during the programming phase. The EC will ensure that environment, climate change, food security and disaster management are given proper consideration throughout its programme, including education, trade and governance.

Asian Development Bank (ADB)

The ADB is one of the oldest development partners of Bangladesh. Since 1973 and up until December 31 2009, 10.89 billion dollars have been disbursed as loans for 202 projects and a further 195.15 million in the form of technical assistance for 348 projects. The ADB has transformed itself from being primarily a lender of growth promoting investment projects to providing policy and institutional support with an emphasis on promoting social infrastructure and human development. ADB plays a key role in a number of sectors which include energy, transport and agriculture and cross-cutting areas such as gender, disaster mitigation and the environment. According to the *Bangladesh Country Operations Business Plan 2011-2013*, climate change has been mainstreamed in all the projects and operations of ADB to mitigate the risks and damages from natural disasters. Steps have already been taken in this regard in accordance with ADB's *Climate Change Implementation Plan (CCIP)* for Bangladesh. A number of infrastructure projects with a focus on climate change adaptation and mitigation are now in the pipeline. These include the *Emergency Disaster Damage Rehabilitation Project* and the *Secondary Towns Integrated Flood Protection Project*. A few renewable energy projects have also been undertaken such as the *Dhaka Clean Fuel Project* and the *Sustainable Power Sector Development Project*. In addition, the ADB also has a number of technical assistance projects which are meant to build capacity in the relevant government agencies which include projects such as *Strengthening Resilience of the Water Sector in Khulna to Climate Change* and *Supporting Implementation of the Bangladesh Climate Change Strategy and Action Plan*.

World Bank (WB)

The World Bank is one of the leading development partners of Bangladesh and has a long history of working with environmental issues. The WB's activities in the region are guided by its climate change strategy paper, *The South Asia: Shared views on Development and Climate Change*. The *Bangladesh Country Assistance Strategy 2010-2014* paper identifies "reducing environmental degradation and vulnerability to climate change and natural disasters" as one of its key objectives. The WB has implemented a wide range of programmes to tackle the adverse effects of climate change:

- Infrastructure projects such as building coastal embankments and cyclone shelters.
- Emergency response and disaster risk management projects such as the *Emergency 2007 Cyclone Recovery and Restoration Project*.
- Clean air projects such as the *Bangladesh - Brick Kiln Efficiency Project* and the *Clean Air and Sustainable Environment Project*.
- Renewable energy projects such as the *Rural Electrification and Renewable Energy Development Project* and the *Grameen Shakti Solar Homes Project*.
- Restoration and conservation projects such as the *Gorai River Restoration Project* and the *Bangladesh Rivers Information and Conservation Project*.

- Water and sanitation projects such as the *Water & Sanitation Sector Improvement Project* and the *Dhaka Water Supply and Sanitation Project*.

DFID

Apart from support to the SPCR and the BCCRF, DFID has a wide range of operations in Bangladesh that fall under various thematic areas such as education, health, water and sanitation, governance, environment, livelihoods and poverty reduction. Bangladesh is a key target. DFID has allocated £69m for its *Climate Change Programme - Climate and Life* which aims to improve the lives and livelihoods of 15 million poor and vulnerable people and help them adapt to the adverse effects of climate change. Components of the programme include providing support to the UNDP's Comprehensive Disaster Management Programme (CDMP), capacity building on climate change modeling through Bangladesh University of Engineering and Technology (BUET), develop an international centre for climate change by International Institute for Environment and Development (IIED), etc. DFID has also assigned funds for a research project to develop a framework for collaboration on research on climate change related issues titled, "*UK Collaboration on Development Sciences: Bangladesh Pilot Framework on Research Collaboration on Climate Change and the Land, Water and Flood Interface*".

JICA:

JICA contributes to the climate change scenario in Bangladesh through various different sectors such as agriculture and rural development, disaster risk management and water and sanitation. Some of JICA's main projects include:

- *Emergency Disaster Damage Rehabilitation Project*
- *Project for Construction of Multi-Purpose Cyclone Shelters in the Cyclone Sids Affected Area*
- *Disaster Relief after Cyclone Sidr*
- *Project on Development of Human Capacity on Operation of Weather Analysis and Forecasting*
- *Small Scale Water Resources Development Project*
- *Project for Strengthening of Solid Waste Management in Dhaka City*

CIDA

Most of CIDA's climate change activities in Bangladesh focus on providing emergency response and livelihoods support. CIDA allocated \$10.2m to the Asian Development Bank for its *Emergency Disaster Damage Rehabilitation* programme, which aims to rehabilitate and restore infrastructure and facilities damaged by Cyclone Sidr and the floods in 2007. CIDA also has a \$5m programme called *Strengthening Environmental Institutions* which is working towards improving the capacity of Bangladesh's Department of Environment (DOE) and civil society institutions to carry out sustainable environmental management. In the aftermath of cyclone Sidr and the floods of 2007, CIDA provided relief and emergency assistance through various international

organisations such as the World Food Programme (WFP) and the International Federation of Red Cross (IFRC).

GTZ

GTZ focuses mainly on three priority areas: (1) health, (2) renewable energy and energy efficiency and (3) governance and local development. GTZ's main contribution in climate change and the environment include a *Wetland Biodiversity Rehabilitation Project*, a project for *Promoting Renewable Energy and Energy Efficiency* which aims to improve access to modern forms of renewable energy for rural communities and a technical assistance for *Supporting Climate Change Mitigation and Adaptation in Bangladesh* through the Bangladesh Climate Change Strategy and Action Plan (BCCSAP).

SIDA

Nearly 80 percent of SIDA's budget is allocated for the health and education sector. Most of its programs are geared towards promoting gender equality, upholding human rights and social justice, and ensuring equity and dignity for disadvantaged communities. SIDA's contribution to climate change and environment is very minimal and represents a very insignificant part of its portfolio.

Source: EC and WB 2010c and websites.

EUROPEAN DEVELOPMENT CO-OPERATION TO 2020

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Over the next decade, Europe's development policies will have to act on a combination of old and new domestic issues and substantial changes in the global landscape. Change in Europe's internal architecture – with implications for development policy – takes place in times of wide-ranging global shifts, and at a time when questions of European identity loom large in national debates. A key questions is: How will the EU, how will “Brussels” and the member states be working together on common problems? Global challenges include three issues increasingly facing EU's development policy agenda:

- The emergence of new substantial actors in international development,
- The linkage between energy security, democracy and development and
- The impact of climate change on development.



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Public and policy-making debates need to be informed about future options and their likely effects; and decisions need to be based on good research and sound evidence. EDC2020 seeks “to improve EU policy-makers’ and other societal actors’ shared understanding of the above named emerging challenges facing EU development policy and external action.” EDC2020 will contribute to this shared understanding by promoting interaction across research and policy-making, aiming at establishing links to share perspectives across different arenas, and mutual learning. To this aim, EDC2020 will provide policy-oriented publications, a shared project website and high-level European policy forums.

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