

# Climate Change Trust Fund (CCTF) and Establishment of Democratic Ownership

## Summary

Although the rich countries and economic policy instruments are largely responsible for the climate crisis but its impacts are affecting especially the poor countries very unevenly and disproportionately. The 4th IPCC report has described climate change impacts for different region of the globe with very high and high confidence. The report identifies Bangladesh as one of the worst victims of climate change, although one of the lowest per-capita emitters historically and currently. In Bangladesh, the impacts of higher temperatures, more variable precipitation, more extreme weather events, and sea level rise will likely continue to intensify. These changes are already having impacts on the lives and livelihoods of millions of poor people who remain exposed to climate risks. For instance, in Bangladesh, increasing trends of disasters have been observed, which have clear link with the climate change. In 2007 Bangladesh faced two devastating disasters; consecutive monsoon floods in July and category 4 super cyclone, Cyclone Sidr, in November. Monsoon floods in June and August 2007 caused extensive agricultural production losses and destruction of physical losses, totaling near 1.1 billion USD. And the cyclone Sidr in November 2007 caused 3500 death of people along with extensive damage of resources totaling \$ 1.7 billion; but so far Bangladesh received only \$ 400 millions both as loan and grants from the development partners. It's a question of national survival for such low-lying coastal countries and low-lying islands nations, for instance the Maldives that are located only few meters above sea level. Estimates show that with just a 1 to 2 meter sea level rise would force physical dislocation of more than 35 million people in Bangladesh- as the county potentially would loss around 20 percent of its land mass due to 1 meter sea level

rise by 2100. In the context of climate change induced vulnerabilities, Bangladesh already spending significant proportion of its development budgets on disaster relief and programs that address climate related risks to welfare and development. In the coming years, climate change is expected to increase the frequency of adverse climate events in ways that are outside the realm of current experience and could compromise the effectiveness of development efforts in climate sensitive sectors of the economy.

Given the nature of uncertainty and inadequacy of adaptation finance from the multilateral mechanisms as well as complicity of accessing to the funds from the bi-lateral sources the Government of Bangladesh has taken an exemplary initiative to finance climate change adaptation measures from its own revenue income. This discussion paper highlights the operational modalities of the utilization and management of this fund herein after termed as 'Climate Change Trust Fund (CCTF).

## Climate Change Adaptation: Initiatives under the UNFCCC

Although, adaptation received less attention than mitigation in the early years, as Parties requested more certainty on impacts of, and vulnerability to, climate change before agreeing on concrete adaptation measures. With the publication of the IPCC Third Assessment Report, adaptation gained more momentum and Parties agreed at COP 7 on a process to address the adverse effects of climate change and on establishing three new special funds viz. the Special Climate Change Fund (SCCF), the Least Developed Countries Fund, (LDCF) and the Adaptation Fund.

The importance of adaptation was reaffirmed in the Delhi Ministerial Declaration on Climate

Change and Sustainable Development. The Declaration notes, for example, that “adaptation to the adverse effects of climate change is of high priority for all countries.

Developing countries are particularly vulnerable, especially the least developed countries (LDCs) and Small Island Developing States (SIDS). The main focus of the LDC work programme are the national adaptation programmes of action (NAPAs), which provide a process for LDCs to identify priority activities that respond to their urgent and immediate needs with regard to adaptation to climate change. The rationale for NAPAs rests on the limited ability of LDCs to adapt to the adverse effects of climate change. In order to address the urgent adaptation needs of LDCs, a new approach was needed that would focus on enhancing adaptive capacity to climate variability, which itself would help address the adverse effects of climate change.

As a response to the decision of the Seventh Session of the Conference of the Parties (COP7) of the United Nations Framework the government of Bangladesh prepared NAPA in 2005. The preparation process was guided by the a high powered Project Steering Committee headed by the Secretary, Ministry of Environment and Forests and member from other key ministries, department and agencies including Ministry of Finance and Planning, while very limited attention paid to facilitate people’s concern of the at-risk communities be reflected. The NAPA focuses attention on three impacts associated with climate change: increasing sea-level rise, changing rainfall patterns, and increases in the frequency and intensity of extreme events and suggested 15 projects for ‘immediate and urgent implementation’ saying that ‘delay in implementation would increase vulnerability and or would increase adaptation costs later. Meantime, the Government of Bangladesh examined its vulnerability to climatic change, as

part of the NAPA process, and as part of the core business of related governmental and scientific institutions.

### **Urgency of Adaptation: the mechanism of bi-lateral financing**

In fact delayed implementation of adaptation

Adaptation planning, measures and actions as emphasize by the UNFCCC:

- (i) Promoting the development and dissemination of methods and tools for assessing and improving adaptation planning, measures and actions, and integration with sustainable development;
- (ii) Collecting, analysing and disseminating information on past and current practical actions and measures, including adaptation projects, short- and long-term adaptation strategies, and local and indigenous knowledge;
- (iii) Promoting research on options and the development and diffusion of technologies, know-how, and practices for adaptation, particularly addressing identified adaptation priorities and building on lessons learned from current projects and strategies;
- (iv) Facilitating communication and cooperation among and between Parties and relevant organizations, business, civil society, and decision makers, and other stakeholders;
- (v) Promoting understanding and the development and dissemination of measures, methodologies and tools including those for economic diversification to increase economic resilience and reduce reliance on vulnerable economic sectors, especially for relevant categories of countries listed in Article 4.8 of the Convention.

measures as outlined in NAPA potentially increasing peoples’ vulnerabilities in the local communities as climate change already having impacts on the lives and livelihoods of millions of poor people who remain exposed to climate risks. Increasing trends of intense tropical cyclones like cyclone Sidr and Aila and other climate variability already made an urgency for mainstreaming adaptation measures to the country’s economic and development planning and also to build people’s capacity to withstand and cope with the adverse situation. Meantime, the development partners in Bangladesh expressed their commitment for helping Bangladesh in mitigating climate change

impacts in local level. In this regard, to discuss the impacts of climate change and shed light on the current challenges, in March 2008, the United Kingdom (UK) Government organized the first “Bangladesh-UK Climate Change Conference” in Dhaka where representatives of multilateral and bilateral development partners participated to work-out adaptation measures and adaptation financing for Bangladesh. In that conference, International Financial Institutions (IFIs) and developed country diplomats said explicitly that helping Bangladesh on climate change-related issues is on their list of priorities. And, in this relation, they would consider creation of a “Multi-Donor Trust Fund (MDTF)” for Bangladesh to support climate change adaptation.

Following the 1st UK-Bangladesh Climate Conference, held in March 2008, the government of Bangladesh undertook preparation of ‘Climate Change Strategy and Action Plan’ (CCSAP) which was launched at its follow-up conference held in London in September 2008. Basically, the British Government (DFID) asked the country to finalize CCSAP prior the London conference so that it should be placed before donors for generating finance for the MDTF. The CCSAP recommended a number of projects under six main pillars e.g. food security; social safety and health; comprehensive disaster management; infrastructure; research and knowledge management; mitigation and low carbon development; and capacity building. The CCSAP aims to build a climate resilience economy and society in Bangladesh through adaptation to the climate change as well as mitigation for a low carbon development path. CSOs and NGOs have expressed concern on the “Climate Change Strategy and Action Plan” which was presented in the 10th September UK Bangladesh conference.

The current total amount available for the MDTF is US\$ 98 million; US\$ 96 million from the British Government and US\$ 2 million from the Danish Government through DANIDA. Of this US\$ 98 million, approximately US\$ 90 million will be executed by the government of Bangladesh and approximately US\$ 8 million will be executed

by the WB as the cost of; i) project/proposal preparation, appraisal and supervision and, ii) analytical work and capacity building activities. As proposed in the ‘Draft Concept Note’ on the MDTF, the secretariat will be based in the World Bank office in Dhaka. In this relation, the Bank will be co-chairing the management committee; and it will be in charge of the day-to-day operating of the Fund. As host of the MDTF, the WB will administer, manage, supervise and monitor implementation of MDTF’s projects/programme on behalf of the contributing development partners and, for this job, the Bank will charge a fee to recover all direct and indirect administrative costs. On the other hand, the US\$ 96 million (£60 million) that the UK has committed to the MDTF will be taken from the UK’s existing aid budget for Bangladesh, instead of being additional money, which is breach of the financing commitment made under the UNFCCC. It has been clearly stated in many policy documents and also discussed in many multi-lateral dialogue that climate financing mechanism should be developed and provided by the developed countries in addition to their existing ODA (Overseas Development Assistance) commitment of 0.7% of their GDP (Gross Domestic Production), as compensation for their historical responsibility in being the main drivers of current global climate change.

### **Urgency of Adaptation: the country initiative of climate financing**

Given the inconsistent nature of MDTF management, the civil society organizations both in Bangladesh and UK continued to denounce involvement of the WB in the management of MDTF rather they demanded country’s sovereign and democratic ownership over the management of any climate fund. Therefore lack of adequate financing both from multilateral and bi-lateral funding mechanism delaying the implementation of BCCSAP.

The uncertainty and inadequacy of finance from the multilateral mechanisms as well as complicacy of accessing to the funds from the bi-lateral sources provoked the Government of Bangladesh to finance climate change adaptation initiatives from its own revenue

income. In 2010-11 FY, the government allocated TK7 billion (around USD 100 million) for implementing the projects on climate change adaptation and mitigation as identified in the BCCSAP. In fact it's a 'block budgetary allocation' in the form of 'grant' to spend for climate change mitigation and adaptation actions. Therefore it's not mandatory to spend the total grant within the given financial year.

Meantime, to ensure proper utilization and management of **Climate Change Trust Fund (CCTF)** for the implementation of BCCSAP 2009, the government established a Trustee Board which comprises with 17 members (Annex 1 and 2). Under the chairmanship of the Minister/State Minister of the ministry Environment and Forest to the Trust the secretary of the same ministry will serve as the member secretary. The non-government members, 2 out of 17, will serve the Trust for three year period but there is no specified life-span of the other Trust members as well as the Trust itself. In this relation Ministry of the Government of Bangladesh issued a notification on 13 January 2010 ( MoEF/ climate change-37/2009/25).

Deputy Secretary of the Ministry, being ordered by the President, issued this notification that means that the Trustee Board is reportable to the President. The notification also mentioned that **'no question could be raised on the means of the formation of this Trust Board and, no activity undertaken by this Trust**

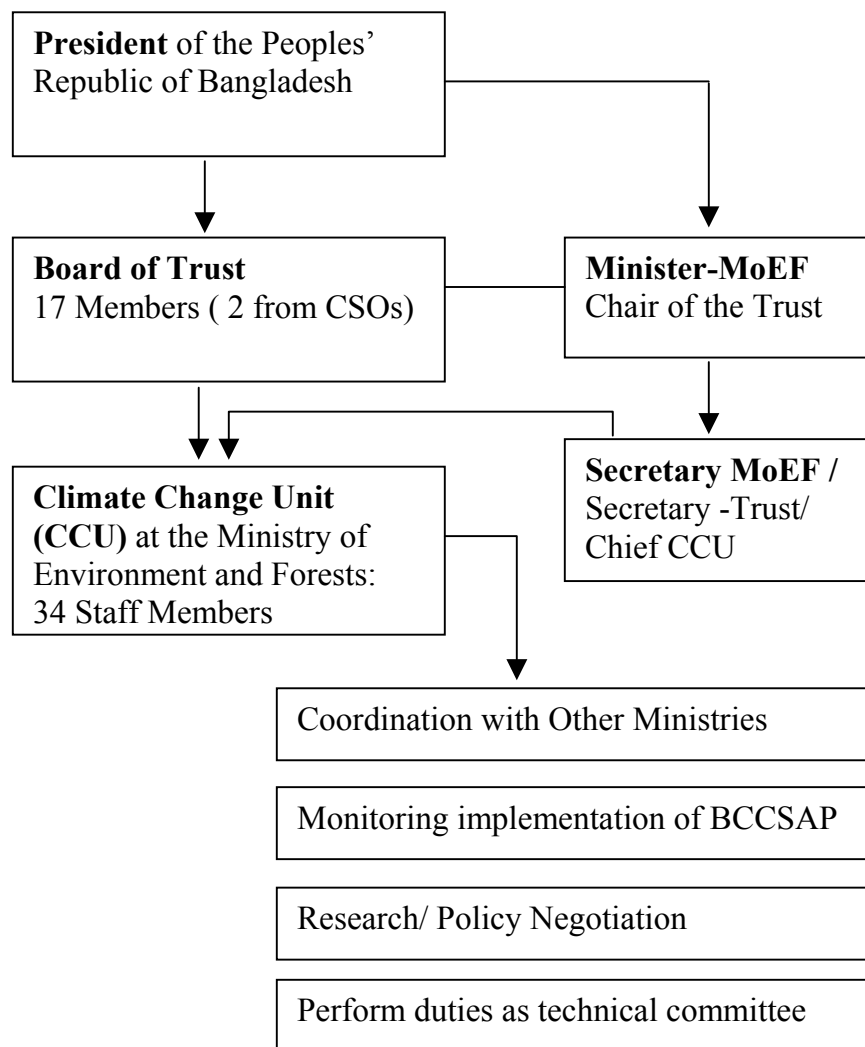
**would be illegal given the cause that the formation of this Board is imperfect'**. If performance of any member of the Trustee found dissatisfactory then government can terminate his/her membership without showing any reason and the nomination of new member to the Trustee will be made by the government.

Under the Climate Change Trust Fund the Ministry of Environment and Forest finalized setting-up of a separate unit 'Climate Change Unit-CCU' which will made responsible for

- In the 1<sup>st</sup> phase, 2 year, 66 % of CCTF will be spent for the implementation of projects/programmes undertaken by other ministries, government
- Remaining 34% of CCTF will be kept as 'fixed deposit'
- Interest of the 34% fund also will be spent for project implementation as per recommendation of the 'Technical Committee' and approval from the Trustee Board

ensuring efficient implementation of the projects/programmes undertaken by other ministries, departments and NGOs. Meanwhile, an additional secretary has been appointed to lead the CCU. Staff members of the CCU also will serve as the member of 'technical committee' who will assist the Trustee Board in selecting appropriate project proposal for implementation.

## Governance Framework



## Annex 1

SL	Trustee Board Members	Position to the Trust
01	Minister/ State Minister, Ministry of Environment and Forest	Chairperson
02	Minister/ State Minister, Ministry of Finance	Member
03	Minister/ State Minister, Ministry of Agriculture	Member
04	Minister/ State Minister, Food and Disaster Management	Member
05	Minister/ State Minister, Ministry of Foreign Affairs	Member
06	Minister/ State Minister, Ministry of Women and Child Affairs	Member
07	Minister/ State Minister, Ministry of Water Resources	Member
08	Minister/ State Minister, Ministry of Shipping	Member
09	Minister/ State Minister, Ministry of Health and Family Planning	Member
10	Minister/ State Minister, Ministry of Local Government, Rural Development and Cooperatives	Member
11	Minister/ State Minister, Cabinet Ministry	Member
12	Governor, Bangladesh Bank	Member

13	Secretary, Finance Department, Ministry of Finance	Member
14	Member, Socio-Economic Infrastructure Department, Planning Commission	Member
15	Government nominated expert level representative Dr. Quazi Kholikuzzaman Ahmed, Chairperson, Bangladesh Unnayan Parishad	Member
16	Government nominated expert level representative Prof Dr. Habibur Rahman, Pro-VC, Bangladesh University of Engineering and Technology	Member
17	Secretary, Ministry of Environment and Forest	Member Secretary

## Annex 2: Roles of Business of the Trustee Board

- a) To oversee overall management and utilization of CCTF and establish control on the fund
- b) To implement Climate Change Strategy and Action Plan 2009, ensure funding, 66 % of CCTF and interest of remaining 34%, to the projects/programmes approved by the technical committee of the ministry of the Government of Bangladesh.
- c) To take necessary measures to invest remaining 34% of the CCTF
- d) Guide in the preparation of projects/ programme under the trust fund
- e) To develop long term projects and programmes guide and instruct the expert committee on annual plan and financial plan
- f) To approve recommendation of the technical committee on the implementation of action research to tackle the impacts of climate change
- g) With the permission of the government, take necessary measures to mobilize funds from other donors
- h) To prepare an annual evaluation report through forming an evaluation team
- i) To approve recommendation of the technical committee in organizing workshop/ seminar symposium for sharing the problem/ prospects/ experiences of the on-going projects/ programmes.
- j) To develop monitoring guide line and tools for the implementing projects/ programmes

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