

MDTF for Climate Change Adaptation in Bangladesh: Legitimizing Illegitimate Authority of the World Bank

Md Shamsuddoha and Rezaul Karim Chowdhury

Summary

Following the massive destruction caused by cyclone SIDR in late 2007, the United Kingdom (UK) Government showed its interest to support Bangladesh in climate change adaptation. To discuss the impacts of climate change and shed light on the current challenges, in March 2008, “Bangladesh-UK Climate Change Conference” held in Dhaka. In this conference, International Financial Institutions (IFIs) and developed countries 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. Meantime the Government of Bangladesh has prepared a ‘Draft Concept Note’ on the management and operation modalities of MDTF. The MDTF adopts donor driven framework, its policies are quite bureaucratic and with of strong control of the World Bank. There is no logical ground to accept World Bank’s authoritative role over the MDTF.

Climate Change Strategy and Action Plan – CCSAP (Box 1)

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 could 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.

MDTF: a donor driven framework

The objective of MDTF is to support implementation of Bangladesh’s Climate Change Strategy and Action Plan (Box 1). 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. 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 of US \$8 million to recover all direct and indirect administrative costs.

Aside with the role of fund management, the WB will execute part of the MDTF specifically preparation of analytical work and capacity building activities, which includes review and revise of government policies, development planning etc. Such a dual role of the Bank will create unlawful space for the Bank to influence over project design and approval. It is ironic that being the administrator of MDTF, how the WB could execute the fund. It's a hypocritical position of the WB and from auditing principle it's an offence.

Use of MDTF funds and World Bank Domination

The MDTF will finance eligible activities in all sectors and cross-cutting themes identified in the CCASP. The following categories of expenditures of MDTF are; i) *Goods* including commodities, raw materials, machinery, equipment and industrial plant and services which are bid and contracted on the basis of performance of a measurable physical output, ii) *Works* including construction of public infrastructure and services which are bid and contracted on the basis of performance of a measurable physical output, iii) *Consultant* services that are intellectual and advisory in nature, iv) *Training* or transfer of knowledge to staff and/ or national consultants of the agencies implementing the projects and other stakeholders, and v) Incremental operating costs.

All finances will be made through agreements between the Bank and the implementing agencies. The implementing agency should follow the Bank's guideline and policies in relation to project implementation. The procurement of eligible expenditures and disbursement of funds out of the MDTF also will be governed by the Bank's policies and procedures.

MDTF; less and controlled CSO participation in local level project implementation

The MDTF will have two separate windows;

- i) *Window I* for activities implemented by the ministry, division, direct or sub-direct level (also referred as on- budget activities). Approximately 90% of MDTF amount will be dedicated to Window 1, and
- ii) *Window II* for activities implemented by community-based organizations, NGOs, foundation etc (also referred to as off-budget activities). Approximate 10% of MDTF amount will be dedicated to Window II

Window II will focus on community-based activities that, supposedly, will be monitored, supervised by the Social Development Foundation (SDF) that basically implements the World Bank financed projects. This SDF will be given the overall responsibility to process and implement Window II activities.

MDTF: ignores the sprit of 'new and additional' financing for climate change

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.

The US\$ 96 million (£60 million) that the UK is giving 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. Thus the UK financial support to Bangladesh effort to tackle the consequences of climate change should not come at the expense of existing UK-funded aid programmes.

The government of Bangladesh is also contributing US\$ 45 million to the MDTF in 2008-2009, while UK government will contribute US\$ 96 million for a five year period. The contribution of Bangladesh government to the MDTF is not coherent with the notion of climate justice and this would make the country more indebted or force the country directing money from the public service sectors.

Regarding government expenditure, in 2007, the country had to pay US\$1.5 billion for external debt servicing, which accounts for around 18% of total government revenue expenditure, 2.4% of Bangladesh's GDP. The figure has already surpassed annual health; education and agriculture budget of the government. As it is outlined in the country's second PRSP (Poverty Reduction Strategy Paper) this debt servicing would go up to 25 to 30 % of the government revenue expenditure by the period of 2009-2011. The increasing burden of debt servicing as well as to allocate financial resources increasingly to the increased 'weather extreme events' caused by climate change would make the country even more indebted.

MDTF game: making a business in climate holocaust

During January 2007 to December 2008 the country was ruled by a caretaker type government, who was basically responsible for holding free and fair national election within a stipulated time period. It's a saying that the so called Tuesday Group (Association of the Ambassadors in Bangladesh) supported formation of this caretaker government which also was supported by the country's military forces. Chief Advisor of that Caretaker Government was the ex-official of the WB; others also were involved either with the WB of donor agencies for consultancy work, and, therefore, all they tried to serve the interest of the WB and other development partners in Bangladesh. With the encouragement from DFID, the care taker government shaped formation of MDTF through contributing US \$ 45 million to the MDTF in 2008-2009. And in the London conference, held in September 2007, the Finance Advisor openly proposed World Bank to manage the MDTF.

It is an example how the WB mobilizes its ex-employee, consultants, and local bureaucrats to get the work done in its favour even in a holocaust situation.

Conclusion

The proposed operational modalities of the MDTF will legitimize illegitimate authority of the World Bank, because (a) it ignores the basic principles of generating climate financing

e.g. polluter pay and exploiter pay principle, (b) it will legitimate the WB to replicate this initiative to other climate change risk countries, (c) the conditionality of WB will create more pauperization as it is related to blanket privatization and liberalization.

The Government of Bangladesh is capable to manage fund by itself. There have several examples that the government is managing trust fund through ensuring democratic ownership (including government, civil society and other non government stockholder's participation, e.g., PKSF and IDCOL) which is well known both in country and abroad. The MDTF also could be managed through an "Independent Board" with the representation of civil society, climate change victims etc along with government representatives. People of Bangladesh want a sovereign role of the government in the management of MDTF.

Peoples' protest against the WB involvement in MDTF

Since the beginning of MDTF, the civil society continued to denounce involvement of the WB. They criticized Bangladesh and UK governments' position through organizing seminar / dialogue, rallies, media mobilization both in UK and Bangladesh. Even in the London Conference both the British and Bangladeshi NGOs criticized involvement of the WB in MDTF management. EquityBD protested the WB inclusion proposal immediately after the London conference in September 2008. Since then and up to November 2007, along with other local and regional organization, EquityBD organized seminar / dialogue, signature and postcard sending toward UK minister and Chief Advisor of the Government of Bangladesh.

In January 2009 when new political government sworn in the country, EquityBD again sent open letter to the present Prime Minister with copies to all the Members of Parliament. Recently with the initiation of Christian Aid, along with other UK and Bangladeshi NGOs, written a letter to UK minister on 27th May 2009. EquityBD is planning more street demonstration and campaign in this relation.

Written by

Md Shamsuddoha
Rezauul Karim Chowdhury

Contact

Equity & Justice Working Group, Bangladesh
House 9/4, Road 2, Shyamoli
Dhaka 1207, Bangladesh
Tel: +88 (02) 8125181, Fax: +88 (02) 9129395
E-mail: info@equitybd.org
Web: www.equitybd.org