

Ensuring Access
for the
Climate Vulnerable
in Bangladesh

FINANCING LOCAL ADAPTATION



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Guide to Acronyms

AAB	ActionAid Bangladesh
ADP	Annual Development Programme
ARCAB	Action Research for Community Adaptation in Bangladesh
BARD	Bangladesh Academy for Rural Development
BBG	Basic Block Grant
BCCRF	Bangladesh Climate Change Resilience Fund
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BCCTF	Bangladesh Climate Change Trust Fund
BGCC	Block Grant Coordination Committee
BUPF	Bangladesh Union Parishad Forum
CAG	Comptroller and Auditor General
CAP	Community Adaptation Plan
CBA	Community-Based Adaptation
CBO	Community-Based Organization
CCCP	Community Climate Change Project
CCU	Climate Change Unit
CDMP	Comprehensive Disaster Management Programme
CDMP-II	Comprehensive Disaster Management Programme Phase II
CFF	Climate Fiscal Framework
CPEIR	Climate Public Expenditure and Institutional Review
CRA	Community Risk Assessment
CVCA	Community Vulnerability and Capacity Analysis
DFID	Department for International Development
DDLG	Deputy Director Local Government
DMC	Disaster Management Committee
DRR	Disaster Risk Reduction
DRR-CCA	Disaster Risk Reduction and Climate Change Adaptation
ERD	Economic Relations Division
EU	European Union
FFWP	Food For Work Program
FSF	Fast-Start Finance
GCF	Green Climate Fund
GEF	Global Environment Facility
GGD	GonoGobeshona Dol (People's Research Team)
GoB	Government of Bangladesh
HRBA	Human Rights Based Approach
IDA	International Development Assistance
IPCC	Intergovernmental Panel on Climate Change
LAPA	Local Adaptation Plan of Action
LDRRF	Local Disaster Risk Reduction Fund
LGD	Local Government Division
LGED	Local Government Engineering Department
LGSP	Local Governance Support Project



LGSP-II	Local Governance Support Project Phase II
LGSP-LIC	Local Governance Support Project Learning and Innovations Component
LoCAL	Local Climate Adaptive Living Facility
M&E	Monitoring and Evaluation
MDTF	Multi-Donor Trust Fund
MIS	Management Information System
MoEF	Ministry of Environment and Forests
MoFDM	Ministry of Food and Disaster Management
MoLGRDC	Ministry of Local Government, Rural Development, and Co-operatives
MP	Member of Parliament
NAPA	National Adaptation Programme of Action
NARRI	National Alliance of Risk Reduction and Response Initiatives
NGO	Non-Governmental Organization
NILG	National Institute of Local Government
OECD	Organisation for Economic Cooperation and Development
PBG	Performance-Based Grant
PCVA	Participatory Capacity and Vulnerability Assessment
PECM	Poverty, Environment and Climate Mainstreaming
PIO	Project Implementation Officer
PKSF	Palli Karma-Sahayak Foundation
PPCR	Pilot Program for Climate Resilience
RDA	Rural Development Academy
RRAP	Risk Reduction Action Plan
SPCR	Strategic Program for Climate Resilience
SFYP	Sixth Five-Year Plan
SOD	Standing Order on Disaster
TIB	Transparency International Bangladesh
UDMC	Union Disaster Management Committee
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNO	Upazila Nirbahi Officer
UP	Union Parishad
UPGP	Union Parishad Governance Project
URT	Upazila Resource Team
UzDCC	Upazila Development Coordination Committee
UZGP	Upazila Parishad Governance Project
UZP	Upazila Parishad
VGD	Vulnerable Group Development
VGf	Vulnerable Group Feeding
WRI	World Resources Institute



Foreword

The impact of climate change over the years appears to confirm the injustice by rich nations violating rights of the poor, including Bangladesh, has contributed to aggravate the rich-poor divide and distress of people living in poverty. Communities throughout Bangladesh and around the world are suffering the consequences of a problem that they had little or no part in creating. Engaged in pursuing the rights of the most vulnerable, AAB is working to find a solution to tackle climate change that is just and equitable at all levels; local, national and international.

ActionAid is advocating for equitable allocation of financial allocation from the developed countries for adaptation and mitigation. It is also committed to create an enabling environment at national level for just allocation and distribution especially for people living in poverty, particularly women, marginalized communities and children.

ActionAid Bangladesh, in association with experts, academicians, scientists and other stakeholders, conducted the study “Financing Local Adaptation: Ensuring Access for the Climate Vulnerable in Bangladesh”. It captures ground experiences to provide some guidelines for a structure that ensures equitability, transparency and effectiveness. AAB will remain dedicated for achieving justice and a climate-resilient future for those most at risk.



Farah Kabir
Country Director
ActionAid Bangladesh



Foreword

As financing to support adaptation in developing countries begins to flow from the global to national levels, one area of growing interest is how such financing can most effectively reach the local level and in particular the climate-vulnerable poor.

This study on Financing Local Adaptation was jointly conducted by Action Research for Community Adaptation in Bangladesh (ARCAB) and ActionAid Bangladesh (AAB), with support from the International Centre for Climate Change and Development (ICCCAD) at the Independent University, Bangladesh (IUB) and the Bangladesh Centre for Advanced Studies (BCAS). These institutions are working in partnership to generate new knowledge on best practices for addressing the challenges of climate change in Bangladesh and elsewhere, with a particular focus on community-based adaptation.

This study provides insights into strategies being piloted in Bangladesh for incorporating adaptation to climate change into planning and budgeting at the local level. It also provides recommendations on how the lessons from these initiatives might be used to create a more mainstreamed and effective approach to allocating funding for local and community-based adaptation.

We hope that this research will contribute to further discussions around financing for adaptation at the local level. Piloting and testing the recommendations from this study would increase our knowledge and understanding of how to enhance access to climate finance for the most vulnerable communities, both in Bangladesh and elsewhere around the world.



Dr. Saleemul Huq

Director

International Centre for Climate Change and Development (ICCCAD)

Independent University, Bangladesh

Dhaka, Bangladesh



Foreword

Climate change is already upon us, and the scientific consensus predicts that the consequences will continue to worsen over time without bold efforts to curb the emission of greenhouse gases. The situation is particularly dire in the developing world and especially for the poorest people and communities. We must urgently begin planning for adaptation to climate impacts to ensure that development progress and poverty alleviation can continue even in the face of a changing climate.

Denmark remains committed to assisting developing countries in overcoming the challenges of climate change. This is especially true in Bangladesh, where Denmark has made support for climate adaptation a major component of the strong relationship between our two countries. These efforts have included providing funding for two major projects undertaken by ActionAid Bangladesh: “Assistance to Local Communities on Climate Change Adaptation and Disaster Risk Reduction in Bangladesh” and the subsequent project, “Scaling Up Community-Based Adaptation with Local Government in Bangladesh.”

These projects have explored the central role that local communities can play in adaptation to climate change. An important next step is ensuring that communities have access to finance and resources to support adaptation efforts. This study provides valuable insights into how finance could be channeled to the local level such that it is available to the people who need it most. Denmark is encouraged by the progress that Bangladesh is making on these efforts and looks forward to continued partnerships that result in innovative solutions to the challenges of climate change.



Svend Olling

Ambassador of Denmark to Bangladesh



Executive Summary

Around the world, as the consequences of climate change become increasingly apparent, the call for action on adaptation is growing louder. The need for bold initiatives to address the impacts of climate change is particularly evident in developing nations, where climate change threatens to undermine the basic livelihoods of vulnerable communities and to impede or even reverse progress on development and poverty reduction. New strategies and approaches for adaptation hold much promise, but the costs will be enormous. The international community has increasingly recognized that developed nations, which bear primary responsibility for the causes of climate change to date, have an obligation to help those affected by climate change pay for the costs of adapting. As developed nations begin to ramp up their contributions to adaptation finance, important questions about how to allocate and utilize these resources must be addressed.

Evidence is building that a bottom-up approach to planning and decision-making provides important benefits for achieving effective climate change adaptation. An emerging field of community-based adaptation emphasizes the crucial role that people at the local level can play in devising and implementing adaptation solutions. Not only do vulnerable and affected communities deserve the right to influence how adaptation finance is utilized, but they may also be in the best position to determine how to use it most effectively. At the same time, experiences from the fields of local governance and decentralization also highlight the potential benefits of focusing on development activities at the local level, where people are most able to directly participate in the decision-making process.

This report explores the crucial question of how to bridge the divide between increasing sources of adaptation finance, most of which currently exist at international or national levels, and local communities at the grassroots level that are facing the impacts of climate change. Simply depositing climate finance into the national accounts of developing nations is not enough to ensure that those funds reach the most vulnerable populations. Established mechanisms are needed to channel financial resources down to the local level. This study explores to what extent local government institutions could provide a gateway for vulnerable communities to gain increased access to climate adaptation finance.

This research focuses on Bangladesh as a case study of potential options for channeling adaptation finance through local government institutions. Bangladesh is considered one of the most climate-vulnerable countries in the world but is already making important progress in laying the groundwork for adaptation. The Bangladesh Climate Change Strategy and Action Plan (BCCSAP) provides an overarching guide to addressing climate change in the country. The donor-funded Comprehensive Disaster Management Programme (CDMP), now in its second phase, is working to build resilience to disasters and includes a focus on climate change adaptation. Perhaps most notably, development partners and the Government of Bangladesh have established two national climate funds, the Bangladesh Climate Change Trust Fund (BCCTF) and the Bangladesh Climate Change Resilience Fund (BCCRF), which will finance a large number of climate change adaptation projects across the country. At the same time, several efforts are underway in Bangladesh to strengthen the capacity of local government institutions to undertake essential development activities.



The primary goal of this study is to propose a mechanism through which local government institutions could access finance from the BCCTF and BCCRF in order to facilitate and support adaptation activities that have been prioritized by vulnerable communities. Our recommendation for the design of this mechanism draws from an extensive review of the literature as well as from the input, insights, and experiences of community members, local government officials, and numerous experts interviewed over the course of the study.

In the core chapters of the report, lessons learned from these sources are presented in three frames for analysis. The first frame examines activities taking place at the local level, including the processes through which communities around the country are undertaking planning for climate change adaptation and engaging with local government institutions. The second frame centers on the national level, in particular the current structure, governance, and functioning of the BCCTF and BCCRF. The third frame looks at the linkages between the two by considering a number of different systems through which finance flows from the national government down to the local level in Bangladesh.

Each of these frames provides important lessons that have guided and shaped our thinking on how best to channel adaptation finance to the local level for community-based adaptation. The lessons have informed a set of core principles, presented in Chapter 9. These principles, in turn, provide the foundation for our recommendation of an ideal local climate adaptation finance mechanism, presented in Chapter 10. Lastly, in Chapter 11, we propose a process for piloting the mechanism through a project funded by the BCCTF and BCCRF.

As this report demonstrates, many of the foundations for channeling adaptation finance through local government institutions are already in place. At the grassroots level, NGOs are working in some sites to strengthen the capacity of vulnerable communities and local governments to meet adaptation needs. The CDMP has created a process to support local plans for risk reduction through its Local Disaster Risk Reduction Fund (LDRRF). The Local Governance Support Project (LGSP) has demonstrated the feasibility of direct budgetary finance for local government institutions, which has reduced problems of political bias and bureaucratic burdens in funding allocations. The Poverty, Environment and Climate Mainstreaming (PECM) project is exploring innovative ways to better incorporate climate change finance into wider government planning and budgeting systems. This report reviews these and other initiatives in detail, as each provides important insights for the design of a local climate adaptation finance mechanism.

The finance mechanism recommended by this study would integrate with these existing frameworks and build upon potential synergies, creating a mainstreamed system designed to provide adaptation finance directly to local government institutions that in turn are accountable to empowered citizens undertaking community-based adaptation.

We have produced this report in the hopes that it will explain the compelling need for a bottom-up approach to climate adaptation, provide a viable and sensible mechanism through which adaptation finance can reach the local level to support bottom-up efforts, and spur needed action to put such a mechanism into practice. We believe that these efforts have the potential to empower communities to take adaptation into their own hands and build the foundation for a truly sustainable and climate-resilient future.





part I

BACKGROUND AND CONTEXT





STUDY OVERVIEW AND METHODOLOGY

Building from the notion of a bottom-up approach to climate change adaptation, this study aims to explore to what extent local government institutions could provide a gateway for vulnerable communities to gain increased access to adaptation finance. The primary goal of this study is to propose a mechanism through which local government institutions in Bangladesh could access national-level finance, in particular from the Bangladesh Climate Change Trust Fund (BCCTF) and the Bangladesh Climate Change Resilience Fund (BCCRF), in order to facilitate and support adaptation activities that have been prioritized by vulnerable communities. The study was commissioned by ActionAid Bangladesh (AAB) with funding from the Embassy of Denmark and was conducted jointly by AAB and Action Research for Community Adaptation in Bangladesh (ARCAB). Additional support was provided by the International Centre for Climate Change and Development (ICCCAD) at the Independent University, Bangladesh (IUB) and the Bangladesh Centre for Advanced Studies (BCAS).

This report examines a number of initiatives, projects, and systems in Bangladesh that potentially have relevance to the design of an adaptation finance mechanism for the local level. The findings are presented in three frames: the local level, the national level, and linkages between the local and national levels. Lessons learned from each of these frames have helped to shape and guide a set of core principles, presented in Chapter 9, which in turn inform our recommended local adaptation finance mechanism, discussed in Chapter 10. Lastly, in Chapter 11, we propose a possible two-phased pilot project that could be funded by the BCCTF and BCCRF and would lay the foundations for scaling up local adaptation finance in Bangladesh.

The information in this report is drawn from the literature and the extensive knowledge of those consulted during focus group discussions and interviews, who kindly shared their

experiences and expertise with us. Their input and insights have helped to shape the findings, core principles, and recommendations of this study. We are very grateful for these contributions.

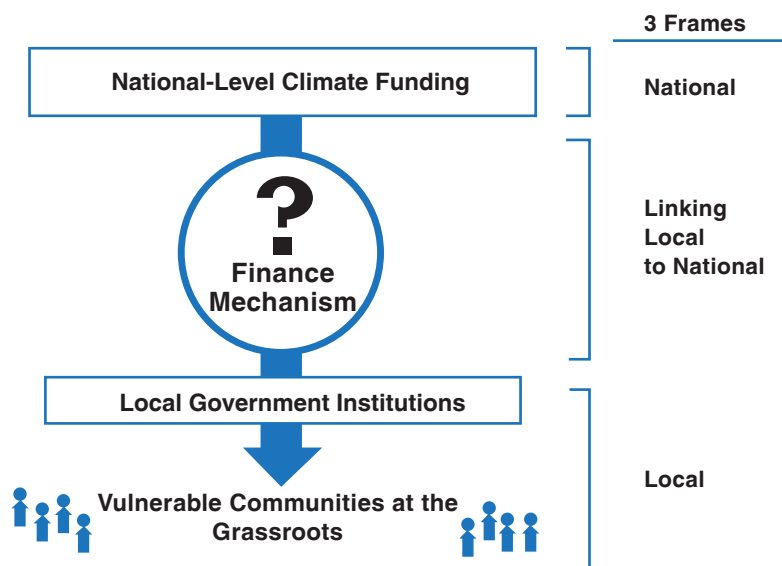


Figure 1: Study Objectives and Frames of Analysis

Methodology Outline

This study proceeded over the course of several months and utilized three primary methodologies: a literature and document review, focus group discussions, and key informant interviews. The study did not proceed in distinct stages; rather, the literature and document review was ongoing while most of the focus group discussions occurred in the earlier months of the study and most of the key informant interviews in the later months.

The literature and document review covered a range of topics and sources. We aimed to draw from existing literature on climate change adaptation, finance, aid effectiveness, and decentralization and local governance, among other issues. In addition, we reviewed relevant policy documents as well as a number of project documents and assessments that pertained to various initiatives in Bangladesh.

To conduct the field research, we traveled to two AAB sites where we conducted multiple focus group discussions as well as interviews with local government officials (for a list of discussions and interviews conducted, see Annex I). The first visit, to Naogaon District, primarily served as an initial scoping trip. Our interviews and discussions were less structured, but we collected valuable input that has been included in the report. On our



second field visit, we traveled to Patuakhali District on the southern coast. Later in the study, we also conducted a focus group discussion with Union Parishad (UP) chairmen and members in Dhaka. In all cases, focus group discussions and interviews were semi-structured. Locations and participants were selected on the basis of AAB advice. We began discussions with an initial checklist of questions, but not all questions were covered and conversations sometimes led to different topics. Informed consent procedures for focus group discussions, including obtaining written consent, were used in some although not all cases. However, we do not believe that any participants faced undue harm as a result of participating in this study. For all focus group discussions and interviews in the field, to preserve anonymity names of individuals and specific site locations have been excluded from this report.

Lastly, key informant interviews were conducted throughout the study with a number of government officials, donors, academics, and other experts (for a list of key informants, see Annex II). These interviews were semi-structured in nature. Questions varied depending on the interview subject and often changed over the course of the discussion as new issues arose. We also followed up on these interviews via email for more information, clarification, and/or reviews of selected text drawn from the interview. Key informants were selected on the basis of AAB advice, with additional informants selected based on needed information and recommendations. For the most part throughout this report, key informants are not identified by name in the text.

Those consulted throughout the study provided a large amount of valuable information. We present in this report a selection of what we believe are the most relevant insights and findings for the design of a local climate adaptation finance mechanism.

Challenges and Limitations

The nature of this study and the context in which we worked provided a number of challenges, and the limitations of the research warrant several caveats about our findings. This study should not be taken as a scientific analysis or as an impact evaluation of any of the projects or initiatives discussed. In all cases except that of the AAB projects, we relied on secondary literature and the opinions of people interviewed for understanding the strengths and weaknesses of various adaptation, disaster risk reduction and local governance initiatives, and we did not undertake any independent assessments. Furthermore, we are indebted to AAB staff, and that of its local partners, for their support in facilitating our fieldwork and for providing us a link to vulnerable communities willing to speak with us for the study. However, since we relied on AAB staff for site selection, selection of participants in focus group discussions and interviews, and for translations, and because AAB staff members are contributing authors to this report, this study cannot be considered an independent or objective review of AAB's activities.

Our goal on the field visits was to engage with a number of stakeholders to draw out information about the issues and problems they face in order to help inform our thinking about the design of a local adaptation finance mechanism. We did not intend to undertake



a systematic or comprehensive survey of communities. Our field visits included a small sample of people, which was not necessarily representative. Participants had in most cases worked with AAB or its partners in the past and were selected largely on the basis of availability and familiarity to AAB rather than through a random or otherwise structured process. For these reasons, the findings presented may not be fully representative or generalizable.

Discussions were conducted through translations from AAB staff members, as the lead author spoke only limited Bangla. This posed challenges and may have led to some gaps in communication and understanding, with some information not fully translated and noted for the study. While most of the main ideas were likely captured, some details and finer points may have been missed. In a few cases, it was difficult to discern whether the information presented came solely from the participants themselves or also included some input from the translator.

It often appeared that traditional power dynamics or other relationship dynamics may have been at play during the focus group discussions. In some cases, the discussions were dominated by one or a few individual(s), such as a UP chairman, and thus the findings might be skewed toward the most vocal. In some cases women participants spoke very rarely. On several occasions other people besides those in the target discussion group were also in the room, which could possibly have affected the interactions among or responses from the participants. The presence of AAB and local NGO partner staff could also have influenced participant responses, as could the fact that the research was being conducted in part by a foreigner, with other foreigners also present.

Furthermore, due to the filter of translation and the difficulties in tracking the sometimes unstructured flow of responses from participants, we often did not clearly note whether a particular response had come from one, some, or most of the participants. In most cases throughout the report, where opinions were voiced by one or more participant(s) and not directly refuted by others in the focus group, we have represented those views as those of the focus group participants collectively. For example, if during a discussion with members of a UP one member raised an issue and no others voiced major disagreement, we might represent that input in the text as coming from “UP members” in the collective sense. However, we recognize this may not always be an accurate representation, especially in cases where one or a few individuals dominated the discussion. In most cases we have taken the same approach to representing information obtained from key informant interviews when more than one person participated.

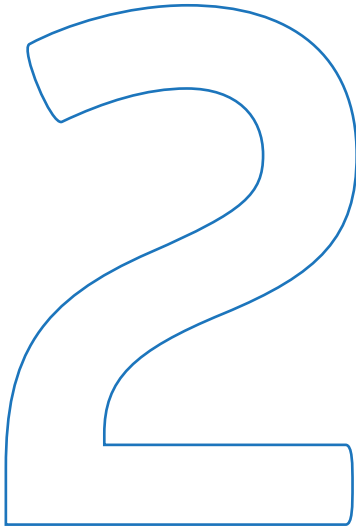
Although we attempted to make the questions as clear and simple as possible, some may have been too complicated for participants to fully understand. Even the idea of climate change itself may not be fully understood by some participants, which could potentially introduce confusion into their responses. Unfortunately, we were not able to pilot and refine the interview questions prior to the discussions.



Due to the time limitations of the study, we were not able to actually witness many of the important activities discussed in the report, including the Climate Adaptation Plan development process undertaken by communities with AAB support, or the open meetings conducted as part of the participatory planning and budgeting process. Thus, we relied on those interviewed as well as AAB staff to provide accurate information and details regarding these processes and meetings. However, it should be noted that in some cases study participants may have had an incentive not to present completely accurate information, for example if such information may have reflected negatively on them. In addition, it is important to emphasize that there may be wide gaps between what is proscribed in a policy or law and what is actually practiced on the ground, and that practices may vary considerably from place to place.

We have made every attempt to ensure that the information presented here is accurate and up to date at the time of press. However, many of the policies, frameworks, and initiatives discussed are still evolving and changing in real time, and therefore the information presented could in some cases be incomplete or out of date. With regard to the structure and functioning of the government system, it was particularly difficult to find comprehensive and accurate information given the highly complex bureaucratic structure, recent changes in law and policy, deviations in practice from set rules and procedures, and the fact that many government documents are only available in Bangla, with no official English translation. The authors accept responsibility for any mistakes or inaccuracies contained in this report.





2



THE ADAPTATION CHALLENGE: CONFRONTING THREATS TO DEVELOPMENT

As countries have continued to grapple with the challenges of reducing greenhouse gas emissions, many people around the world, and particularly in developing countries, have raised the alarm that something must be done to address the inevitable impacts of climate change from emissions that have already occurred or will occur in the near future. The projected impacts on both human and natural populations are striking, with the Intergovernmental Panel on Climate Change (IPCC) predicting reduced agricultural output in Africa, increased flooding in the megadeltas of Asia, and tens if not hundreds of millions of people suffering from increased water scarcity, among many other impacts.¹ A recent special report from the IPCC also finds some evidence that climate change has played a role in increasing certain extreme climate events and will continue to do so into the future.²

The consequences of climate change will not be distributed equally across the planet or among its populations. Climate change will likely have the most severe effects on developing countries, whose citizens are often particularly vulnerable and depend heavily on natural resources and systems for their basic livelihoods.³ Given these challenges, there is a clear need to adapt. Communities around the globe, many of which already face the daunting challenges of spurring development and overcoming poverty, will need to adjust their livelihoods, employ alternative technologies, and find new ways of managing scarce resources.

Even as the international community increasingly recognizes the need to address the intersection of adaptation and development, many questions have arisen about how to define the relationship and in what ways adaptation differs from normal development activities.⁴ In some cases, climate change adaptation may be virtually indistinguishable from broader development efforts, whereas in others successful adaptation will require a marked departure from development as usual.⁵ The World Resources Institute (WRI) has



created a continuum of four stages that span from a “vulnerability focus,” which closely tracks normal development thinking, to an “impacts focus” that exclusively addresses specific climate impacts.⁶

Brooks et al. (2011) describe three different types, or levels, of adaptation, each of which has important links to development. The first type focuses on filling the existing “adaptation deficit” by strengthening resilience to current climate variability and the risks it poses to communities. The second type involves gradual adaptation that modifies existing systems and development activities to confront the increased frequency and severity of climate-related threats as climate change progresses. These two categories essentially involve “climate-proofing” existing or planned development activities. In the third category, however, adaptation requires “transformational change.” In these cases, small and incremental approaches to adaptation will not be enough; rather, large-scale changes such as migration or shifts to alternative livelihoods will be necessary. Sufficient attention has not yet been given to these longer-term changes that will need to occur. The authors also note that the success of adaptation can be measured in part by how effectively adaptation “keeps development on-track;” in other words, the extent to which adaptation successfully prevents climate change from impeding development progress.⁷

The growing understanding of the linkages between climate change adaptation and development, as well as the realization that adaptation should integrate with, rather than duplicate or replicate, existing development plans and processes, has led to an increasing focus on mainstreaming adaptation into development.⁸ The Organisation for Economic Co-operation and Development (OECD) has recently released an extensive policy guide for how to integrate adaptation into development at a number of levels, including the national, sector, project, and local levels. The guide illustrates the many complex issues that must be carefully considered in order to mainstream adaptation into development.⁹

A key concern when considering adaptation in the context of broader development is the importance of avoiding instances of “maladaptation.”¹⁰ The OECD defines maladaptation as “business-as-usual development which, by overlooking climate change impacts, inadvertently increases exposure and/or vulnerability to climate change. Maladaptation could also include actions undertaken to adapt to climate impacts that do not succeed in reducing vulnerability but increase it instead.”¹¹ Brooks et al. provide an illustrative example of what maladaptation could look like: if development activities are undertaken to expand irrigation and increase crop production in an area that will suffer water scarcity under future climate change, then by making communities dependent on livelihoods that cannot be sustained in the future, such development might actually make people worse off in the end.¹²

Climate change adaptation efforts also share many similarities with activities in the field of disaster risk reduction (DRR), and increasing attention is being placed on how to integrate the two.¹³ As Venton and LaTrobe (2008) explain, adaptation and DRR clearly share many common goals and approaches, including a focus on reducing vulnerabilities and building resilience. Although DRR also includes hazards unrelated to climate change, such as



earthquakes, many disasters such as floods and droughts have a strong climate change link. Better integrating climate adaptation and DRR can help to improve outcomes and avoid maladaptation from DRR activities that do not adequately prepare for future climate change.¹⁴ Mitchell and van Aalst (2008) also agree on the need to bridge the fields of adaptation and DRR. They point out that DRR practitioners often criticize adaptation work for over-emphasizing the role of climate risks in determining overall vulnerability, whereas adaptation specialists fault the DRR field for its lack of sufficient attention to future, long-term changes in climate. The authors further note that DRR and adaptation efforts are often housed in different departments or ministries, and neither has been sufficiently mainstreamed into broader development activities.¹⁵

To help address the challenges of integration, a group of institutions has put forward a guide to “Climate-Smart Disaster Risk Management,” a strategy that calls for a combined approach to reducing disaster risks, building adaptive capacity, and confronting the underlying causes of vulnerability and poverty.¹⁶ In addition, ActionAid International and the Institute of Development Studies have created a tool to help guide practitioners through mainstreaming DRR and climate change in their projects and programs.¹⁷

The tasks of conceptualizing, planning, and mainstreaming adaptation to climate change in a developing world context are only part of the challenge. An additional key question is how to pay for the substantial costs that adaptation will require. By some estimates, about 75-80% of the total costs of climate change will fall upon developing countries.¹⁸ Several attempts to project the global cost of climate change to developing countries have been undertaken by the World Bank, the Stern Report, the United Nations Development Programme (UNDP), the United Nations Framework Convention on Climate Change (UNFCCC), and others, with estimates ranging from US\$4-109 billion annually, although one analysis found that a UNFCCC study estimating the costs at between US\$27-66 billion may have underestimated by a factor of at least two or three.¹⁹ These enormous costs are even more troubling given the fact that to date developing countries have contributed only minimally to climate change, with the rich, industrialized nations largely to blame.

Given the daunting costs that the consequences of climate change will pose to those who have contributed least to the problem, adaptation has become an issue of justice.²⁰ Some have even argued that industrialized countries have accrued a “climate debt,” which must be repaid to those countries that will be most affected by climate change.²¹ According to the ‘polluter pays’ principle, which is recognized in Principle 16 of the 1992 *Rio Declaration on Environment and Development*,²² the finance to address climate change impacts and facilitate adaptation should come from the countries with the greatest historical responsibility for greenhouse gas emissions. In line with this notion, Article 4.4 of the UNFCCC Convention states that developed country Parties shall “assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects.”²³

While there is growing consensus that developed countries have a responsibility to provide climate adaptation finance to developing countries, major questions remain regarding how to carry this out in practice. The next chapter provides an overview of key issues surrounding climate change finance.





THE MESSY STATE OF CLIMATE FINANCE

Progress has been made in securing pledges for finance to assist developing countries with both mitigation and adaptation, but the current system is fraught with obstacles, complexities, and unsettled debates. At the 2009 UNFCCC summit in Copenhagen and the 2010 meeting in Cancun, developed countries affirmed their commitment to assist developing nations with addressing climate change by providing an initial US\$30 billion in “Fast-Start Finance” (FSF) from 2010-2012 and contributing toward a global climate finance target of US\$100 billion yearly by 2020. However, one report claims that as of the middle of 2011, only about 8% of the pledged FSF had actually been disbursed.¹ Developed countries have also been criticized for a lack of transparency in how they are distributing and accounting for these funds.²

In addition to basic questions such as how much money should flow to developing countries, a number of other debates remain unresolved. For example, according to multiple calculations the large majority of climate finance has thus far been spent on mitigation activities, prompting calls for an increased allocation for adaptation.³ Moreover, developing countries, unconvinced that the private sector can provide reliable funding, have insisted that climate finance be provided through public funds from governments, while developed countries have taken the position that private sector finance will need to play a significant role.⁴ Further discussions center around whether finance should be provided through grants or loans, with many developing countries insisting that only grants are appropriate.⁵ Considerable work has also been undertaken to explore how to structure institutions for climate finance that are effective, equitable, and accountable.⁶

A central question with major implications for adaptation finance revolves around the issue of “additionality.” A key aspect of this discussion is the desire of developing countries to ensure that climate change finance obligations are not achieved simply through a relabeling



of existing development programs and funds.⁷ Brown et al. (2010) point out that although the Copenhagen Accord called for finance to come from “new and additional resources,” no universally accepted definition of these terms has yet been achieved.⁸ Stadelmann et al. (2010) highlight the challenges in establishing a baseline above which finance would be considered additional. The authors suggest that a baseline could be calculated by estimating future levels of development assistance under business-as-usual conditions (without climate change commitments). The authors also note that addressing this issue of additionality is crucial to resolving broader issues of climate justice.⁹

However, as previously discussed, differentiating adaptation activities from regular development programs is no easy task. Fankhauser and Burton (2010) argue that although the rationale for additionality is clear from the perspective of upholding climate finance commitments, “[o]vercoming the fixation with additionality is, perhaps surprisingly, one of the biggest challenges for wise adaptation.”¹⁰ The authors note that an emphasis on additionality could create obstacles to effective mainstreaming of adaptation into development activities. In addition, a focus on additionality could skew adaptation efforts toward “hard” projects like infrastructure that are easier to measure and away from “soft” options such as building capacity.¹¹ A recent WRI report also raises concerns about an overly strict focus on additionality given the challenges in differentiating adaptation from development. The report cites experiences from Global Environment Facility (GEF) funding mechanisms, which only fund costs that are determined to be “incremental” or “additional”. These stipulations have proven difficult to follow in practice and complicated attempts to utilize the funds.¹² Wilks (2010) makes the important point that “additionality does not mean that climate change funding should be provided as a separate stream of investment....It should rather be integrated with existing national planning and financing processes, imperfect as these are.”¹³

As these debates continue, many developed countries and international institutions have already begun providing climate finance to developing countries. But rather than pursuing a coordinated or streamlined approach, a “proliferation of climate finance mechanisms” has occurred.¹⁴ This large number of funds includes the Adaptation Fund, the Least Developed Countries Fund, the Special Climate Change Fund, the Pilot Program for Climate Resilience, the Strategic Climate Fund, the Forest Investment Program, national funds such as the Bangladesh Climate Change Trust Fund and the Bangladesh Climate Change Resilience Fund, and several more, in addition to many bilateral programs set up by developed countries.¹⁵ This confusing web of funds puts burdens on developing countries and “increases the challenges of coordinating and accessing finance.”¹⁶ The difficulty of tracking climate change finance has spawned several attempts to map and follow the many channels and mechanisms.¹⁷ Efforts have been made recently to tame and streamline this system through the creation of yet another fund, the Green Climate Fund (GCF, see Box 1).



Box 1

The Green Climate Fund

At COP 16 in Cancun, the Parties to the UNFCCC agreed to create the Green Climate Fund (GCF), which aims to help channel the increasing financial resources that have been pledged to address climate change in developing countries.¹⁸ The creation of the GCF was characterized by significant disagreements between developed and developing countries about the proper structure, governance, and role of the new fund.¹⁹ A Transitional Committee met during 2011 to craft recommendations for how the GCF should be designed, and at COP 17 in Durban in December 2011, the Parties formally agreed to initiate the GCF and approved its Governing Instrument.²⁰ According to this governing document, the GCF will “operate in a transparent and accountable manner guided by efficiency and effectiveness,” “pursue a country-driven approach,” “be scalable and flexible,” and “be a continuously learning institution guided by processes for monitoring and evaluation.”²¹ Notably, the principles of equity or equitable distribution are not mentioned in the document. For an initial period of three years, the World Bank will play the role of the GCF’s interim trustee.²²

This brief discussion demonstrates the continued issues and obstacles facing climate change finance. More work is needed to create and reform systems that effectively, efficiently, and equitably channel this increasing flow of funding. However, shaping the international climate finance regime is only part of the larger challenge of ensuring that climate finance reaches the people and places that need it most.

4

A BOTTOM-UP APPROACH: MAKING ADAPTATION FINANCE EFFECTIVE FOR THE MOST VULNERABLE

Reforming and simplifying the international framework for financing climate change adaptation are only the first steps in ensuring that finance truly supports the needs of the world's poorest and most vulnerable. The setup and functioning of institutions at the national and sub-national levels will also play an important role.¹ As an ActionAid report on adaptation finance points out, “Even if rich countries were to announce massive new financial pledges tomorrow, *how* that funding is disbursed, managed and governed will determine whether it would truly meet the needs of poor and excluded communities.”² In attempting to answer this question of how to disburse and manage adaptation finance, important lessons can be drawn from years of experiences with development assistance, much of which is reflected in a set of aid effectiveness principles³ (see Box 2).

Box 2

Aid Effectiveness Principles and Adaptation Finance

In recent years, the international community has attempted to take stock of past failures and lessons learned from many decades of providing development assistance, ultimately agreeing to a set of new principles intended to increase the effectiveness of aid.⁴ In 2005, donors and recipient countries agreed to a set of five core principles in the *Paris Declaration on Aid Effectiveness*:⁵

- **Ownership:** Recipient countries, through consultation with many stakeholders, should drive decisions about development priorities and strategies.
- **Alignment:** Donor countries should support recipient country strategies and channel aid through recipient country institutions as much as possible.



- **Harmonization:** Donors should work collectively to reduce duplication and complexity in the way they provide aid.
- **Managing for Results:** All partners should pursue a results-based approach.
- **Mutual Accountability:** Both donors and recipient countries should be held responsible for achieving development goals.

In 2008, countries met again and agreed on the *Accra Agenda for Action*, which reaffirmed commitments to the principles and identified additional issues to address.⁶ In late 2011, countries convened yet again and signed the *Busan Partnership for Effective Development Cooperation*, which includes a section specifically addressing climate change finance that commits to “support national climate change policy and planning as an integral part of developing countries’ overall national development plans, and ensure that – where appropriate – these measures are financed, delivered and monitored through developing countries’ systems in a transparent manner.”⁷

A recent paper argues that the aid effectiveness principles are “highly relevant” for climate finance,⁸ and a recent article by the Center for Global Development encourages the adaptation finance community to heed “hard lessons learned over several decades about what makes traditional aid more effective.”⁹ Bird and Glennie (2011) note that while the aid effectiveness principles do have relevance, they should be augmented with additional principles from ongoing discussions on climate finance, including polluter pays and transparency.¹⁰

At the heart of the principles of aid effectiveness is the notion, expressed in the principle of “ownership,” that recipient countries, not external donors, should drive decisions about how the money is used. In a recent report on *Owning Adaptation*, Oxfam has highlighted the importance of applying this standard to climate change adaptation finance. The report notes that adaptation finance flows often bypass government systems and fail to align with established country plans and priorities.¹¹ In the ideal case, donors should provide adaptation finance to countries through budget support.¹² Such a funding mechanism would be in line with the principles of aid effectiveness as well as the goal of mainstreaming adaptation into development, as discussed previously.

While the principle of country ownership provides a solid foundation for effective adaptation finance, it is important to acknowledge that giving money to central governments at the national level will not by itself guarantee that these funds reach the most vulnerable populations. As Oxfam notes, “governments also have an obligation to create the necessary national governance structures to ensure accountability to civil society and to its citizens, especially the most vulnerable.”¹³ Unfortunately, many developing countries looking to receive adaptation finance suffer from low capacity and weak governance and rate poorly on measures of corruption.¹⁴

The goal of ensuring that even the most marginalized people have a voice in decisions



around adaptation finance creates a rationale for a bottom-up approach. In recent years, support has been growing for the idea of community-based adaptation (CBA) as an important method of addressing climate change challenges at the local level (see Box 3). Reid et al. (2009) define CBA as “a community-led process, based on communities’ priorities, needs, knowledge, and capacities, which should empower people to plan for and cope with the impacts of climate change.”¹⁵

Box 3

Community-based Adaptation

Community-based adaptation (CBA) focuses on communities that are most vulnerable to climate change and aims to understand how climate change will affect a community’s capacities and assets.¹⁶ The process is bottom-up and community-driven, placing a strong emphasis on incorporating indigenous knowledge, social capital, and local context in adaptation planning.¹⁷ Reid et al. explain that “[i]t is now increasingly recognized that, for poor communities, adaptation approaches that are rooted in local knowledge and coping strategies, and in which communities are empowered to make their own decisions, are likely to be far more successful than top-down initiatives.”¹⁸ When employing participatory approaches, communities can develop “social capital” that promotes the positive engagement necessary to reach collective goals, including addressing the challenges of climate change.¹⁹ Furthermore, stakeholder participation is essential for long-term sustainability and effectiveness of adaptation projects, because without inclusion of local community stakeholders, projects and initiatives will not be maintained.²⁰

The promising role that communities can play in adaptation efforts highlights the need to ensure that they have sufficient access to financial resources. If adaptation money can reach this local level, instead of only flowing to the national level or large, top-down projects, it could facilitate adaptation activities that truly meet the needs of the most vulnerable people. One avenue for achieving these goals is an increased focus on the role of local government institutions. An extensive literature on the growing movement toward decentralization and strengthening local governance provides some evidence that this approach could yield benefits (see Box 4).

Box 4

Decentralization and Local Governance: Theory and Evidence

In many developing countries around the world, highly centralized systems of government have persisted for many years, in part because central authorities do not want to relinquish



their powers and authority.²¹ But in response to a number of factors, including a push for better service delivery to citizens, developing countries are increasingly moving to decentralize.²² Decentralization can occur in several forms, including fiscal, political, and administrative, and to differing degrees from “deconcentration,” which just moves decision-making to central government offices placed in localities, to “devolution,” which actually gives local government institutions significant independent authority.²³

Experts debate the merits of decentralization, with proponents arguing that it brings numerous benefits and critics cautioning that it may have flaws and drawbacks, especially if local capacity is weak.²⁴ Scholars have applied several theories and principles, including the “decentralization theorem” which argues that local governments are best suited to meet the specific needs of citizens in a particular locality, and the “subsidiarity principle,” which holds that “taxing, spending, and regulatory functions should be exercised by lower levels of government unless a convincing case can be made for assigning them to higher levels of government.”²⁵ Rondinelli (1981) argues that the benefits include more efficient use of resources and greater access to decision-making for the poor.²⁶ Panday and Asaduzzaman (2011) write: “Decentralization of power at the local level is an essential component of democratization, good governance, and citizen engagement.”²⁷ Ahmad et al. (2005) explain that another argument in favor of decentralization is that more localized government means “citizens will find it easier to hold government accountable.”²⁸

A World Bank review (2008) finds no definitive causal evidence that decentralization improves government performance and presents evidence to support both sides of the debate.²⁹ A review of literature by As-Saber and Rabbi (2009) also finds mixed evidence on the question of whether decentralization improves government accountability.³⁰ Among those studies finding empirical evidence in favor of decentralization, Huther and Shah (1998) find positive correlations between decentralization and measures of good governance, including human development indicators, income equality, and citizen participation.³¹ Fisman and Gatti (2000) find a positive correlation between fiscal decentralization and reduced corruption.³² As Ahmad et al. explain, however, problems with decentralization that have arisen in some cases include weak capacity of local institutions, a lack of sufficient authority for local institutions to carry out their responsibilities, and the potential for the politically powerful to dominate decision-making at local levels.³³

In addition to these discussions, Shah and Thompson (2004) note that the process of decentralization can occur in different ways, which may affect the outcomes.³⁴ Furthermore, decentralization is a complicated long-term process, and results may require many years to realize.³⁵

The findings from a previous ActionAid study in Bangladesh highlight the need for increased attention to the role that local government institutions can play in adaptation planning. The study notes: “Much debate on government institutions focuses on national and international



levels, missing the point that adaptation is an inherently local process. Successful adaptation depends on the actions and capacities of local government institutions.”³⁶ However, the study also finds that local government institutions are often severely lacking in overall capacity and specific expertise on climate change, thus highlighting an urgent need for capacity building.³⁷ A recent discussion paper notes that local governments already play a role in infrastructure building and service delivery, can draw from local knowledge to guide adaptation efforts, and can help to coordinate across different sectors relevant to adaptation. While low capacity is certainly a concern, providing local government institutions with increased resources and authority can itself lead to strengthened capacities.³⁸

One potential model for adaptation finance at the local level comes from Nepal, which is already working to implement a decentralized approach to adaptation (see Box 5). Furthermore, the United Nations Capital Development Fund (UNCDF), building on the notion that with the proper resources, “local responses to natural disasters and climate resilience [are] more effective than central ones,” has initiated a pilot program called the Local Climate Adaptive Living Facility (LoCAL).³⁹ LoCAL aims to set up mechanisms for direct finance for local government institutions to support climate change adaptation, in line with the principles of integration and mainstreaming. The first pilot began in 2011 in Bhutan.⁴⁰

Box 5

Nepal’s Local Adaptation Plan of Action

Through its pioneering framework for a Local Adaptation Plan for Action (LAPA), Nepal has decided to dedicate at least 80% of the country’s climate change adaptation funding to projects at the local level.⁴¹ When devising its National Adaptation Programme of Action (NAPA), Nepal aimed to overcome some of the flaws with NAPAs in other countries, such as a lack of mainstreaming with national development plans and an overly top-down approach that gives insufficient attention to local considerations.⁴² The LAPA enables communities to draw from local knowledge to engage in adaptation planning and then links these bottom-up perspectives with climate risk assessments undertaken at the national level.⁴³ The LAPA process intends to be “bottom-up, inclusive, responsive and flexible.”⁴⁴

After successful piloting in ten districts in Nepal, the government decided to adopt a national LAPA framework to guide adaptation at the local level.⁴⁵ The LAPA approach takes lessons from the UK’s Department for International Development (DFID)-funded Livelihoods and Forestry Programme, which integrated adaptation planning into community forestry and land management groups and also piloted a funding mechanism to help finance adaptation plans.⁴⁶ LAPAs will be created at the level of Village Development Committees, drawing on plans from the community and household levels and in turn feeding into plans at the district and national levels.⁴⁷ As of 2011, DFID had pledged US\$16.5 million in support to the



LAPA, with an additional US\$20 million contribution expected from the European Union (EU).⁴⁸ Concerns remain, however, about fiduciary risk, poor functioning of local government institutions, and potential problems with coordination among different climate change initiatives.⁴⁹

The experiences from previous and ongoing work on aid effectiveness, decentralization, local governance, and community-based adaptation make a clear case for a bottom-up approach to climate change adaptation finance. Finance flows from developed countries should first go to national governments through a streamlined system, following the principles of country ownership, alignment, and harmonization. The money should not stop at central governments, however. In order to truly assist vulnerable communities facing the impacts of climate change, a substantial proportion of the funding should be made available to local government institutions to support grassroots adaptation efforts. In this way, local government institutions could serve as key elements of a bottom-up approach and as gateways to help communities access financial resources for adaptation. The remainder of this report will explore the progress and potential of efforts to implement such an approach to adaptation planning in Bangladesh.



5

BANGLADESH: A PILOT CASE FOR LOCAL ADAPTATION FINANCE

Bangladesh, with its combination of high vulnerability to climate change, strong leadership on adaptation issues, and recent attempts to improve the capacity and functioning of local government institutions, provides an ideal place to explore potential approaches to providing climate adaptation finance at the local level. This chapter provides an overview of climate change and governance issues in the country.

The Impacts of Climate Change in Bangladesh

Bangladesh is recognized as one of the most vulnerable countries in the world to the impacts of climate change.¹ Coastal areas are particularly at risk, and deltaic countries like Bangladesh are recognized as ‘hotspots’ of vulnerability to climate change due to their low-lying geography and dense populations.² Approximately every three to five years, Bangladesh experiences massive floods that may affect as much as two-thirds of the country, and about every three years it experiences a major cyclone.³ Other major impacts include saline water intrusion, which threatens crop production, and droughts in some regions.⁴ Climate change is expected to lead to sea level and sea surface temperature rise, which in turn could increase the frequency and intensity of tropical cyclones⁵ and the height of storm surges.⁶ According to the majority of climate models, summer monsoon precipitation is likely to increase, with potential small decreases in the winter.⁷

According to a 2003 OECD report, climate change could potentially impact up to about 50% of all development activities in Bangladesh, when measured by funding amounts.⁸ According to World Bank estimates, the impact of climate change on agriculture in Bangladesh could amount to an average of US\$2.9 billion in damages per year between 2005 and 2050, and potentially up to as much as US\$5.1 billion per year, with most of the



impacts falling directly on households. Furthermore, the cost of an average severe cyclone is expected to increase to over US\$9 billion by 2050. These increases come on top of an already difficult situation in Bangladesh, where natural disasters cost an estimated 0.5% to 1% of GDP in an average year. Such economic measures fail to even begin accounting for the costs in human life.⁹

Progress in Policies, Planning, and Practice on Climate Change

Growing knowledge about the vulnerability of Bangladesh to projected impacts of climate change in the country has led to increased focus on climate change among policy-makers at the national level. In 2005, Bangladesh became one of the first least-developed countries to prepare its NAPA.¹⁰ In 2008, the country went a step further and prepared the Bangladesh Climate Change Strategy and Action Plan (BCCSAP), which it later revised under a new government in 2009.¹¹

The BCCSAP outlines six key pillars under which Bangladesh will undertake climate change activities in the period from 2009-2013¹²:

1. Food security, social protection, and health
2. Comprehensive disaster management
3. Infrastructure
4. Research and knowledge management
5. Mitigation and low carbon development
6. Capacity building and institutional strengthening

Climate change has therefore become a key strategic and political issue for the Government of Bangladesh (GoB). The BCCSAP recognizes the risks that climate change poses for national development, as well as the importance of climate-resilient development activities in reducing vulnerability to climate change. It also states that “the needs of the poor and vulnerable, including women and children, will be mainstreamed in all activities.”¹³ The BCCSAP has been criticized, however, for failing to consider the role of local governments.¹⁴ Climate change has also become further mainstreamed into national planning through the GoB’s Sixth Five Year Plan (SFYP), which includes a chapter on Environment, Climate Change, and Disaster Management.¹⁵

In order to address vulnerabilities to climate change and begin implementing the strategies of the BCCSAP, the GoB and its development partners have set up two national climate change funds: the Bangladesh Climate Change Trust Fund (BCCTF), supported by national government financing, and the Bangladesh Climate Change Resilience Fund (BCCRF), which has been created with contributions from several international donors. Additional climate finance is being provided through the Strategic Program for Climate Resilience (SPCR). Bangladesh also has a flagship DRR initiative supported by international donors, called the Comprehensive Disaster Management Programme (CDMP). Now in its second phase, the CMDP-II has six target outcomes, which include reducing disaster risks among



rural communities, a specific focus on climate change adaptation, and mainstreaming adaptation and DRR throughout government.¹⁶ Furthermore, several NGOs are working in different locations around the country to pilot and implement CBA strategies. These initiatives provide further examples of Bangladesh's role as a pioneer in efforts to confront climate change and are discussed in detail in later chapters.

In addition, the Planning Commission of Bangladesh has recently undertaken an extensive analysis of climate change finance issues in the country, in the form of the Climate Public Expenditure and Institutional Review (CPEIR), the first draft of which has been released. This review also includes a section on local government, which has many similar aims as this study in attempting to understand the role that local government institutions could potentially play in climate change finance. The CPEIR includes a mapping of potential sources of climate-related finance available to local governments and an analysis of each, as well as considerations of whether local government institutions have sufficient capacity and capabilities to manage climate change finance. The review also aims to provide guidelines that help the GoB create a Climate Fiscal Framework (CFF) for local government.¹⁷ In many cases, the draft CPEIR arrives at findings similar to those outlined here, and the two studies should be taken together for a stronger picture of climate finance issues at the local level.

Local Governance in Bangladesh

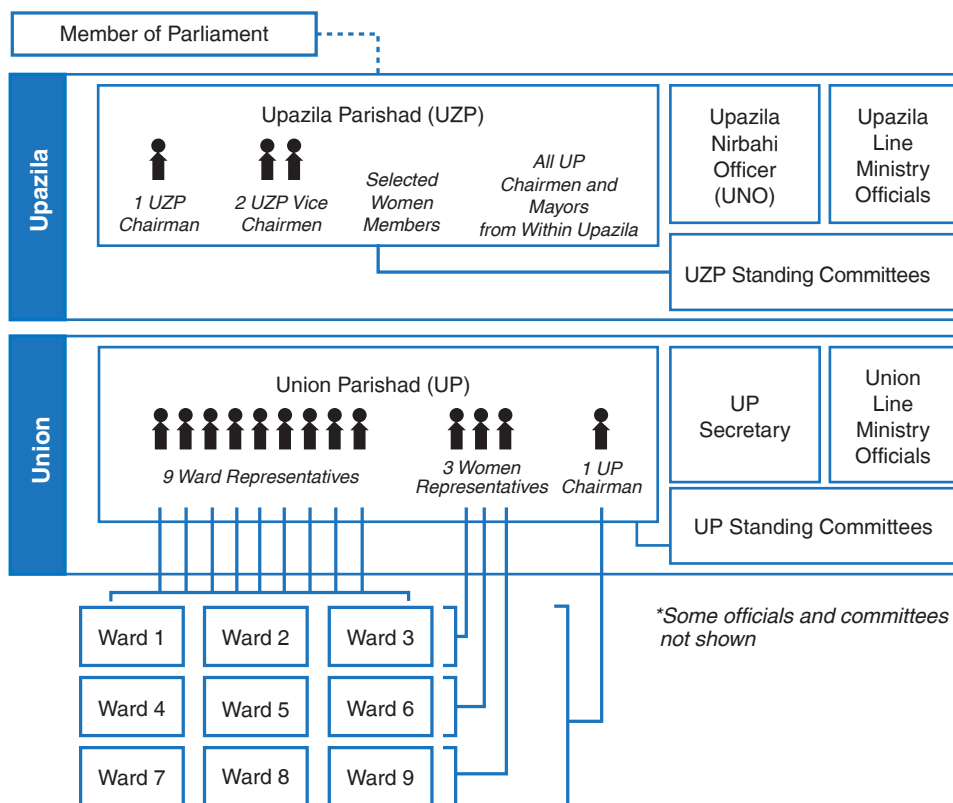
Bangladesh is divided into many administrative units: the largest are divisions, which are divided into districts, which are in turn divided into upazilas (sub-districts), then unions, and finally wards. In total the country has six divisions, 64 districts, almost 500 upazilas, and about 4,500 unions.¹⁸ At present, democratically elected local government bodies (termed *parishads*, meaning "councils") exist at both the upazila and union levels throughout rural Bangladesh. Different setups also exist to govern urban areas, but this report will focus on rural institutions. The local government system is overseen at the central government level by the Ministry of Local Government, Rural Development, and Co-operatives (MoLGRDC).

Each union consists of nine wards, and each ward elects one ward representative to serve as a member of the Union Parishad (UP). In addition, three women members are elected to serve on the UP, with each woman member representing three wards. Finally, a UP chairman is elected from constituents of the entire union to lead the UP. Thus, in total, a UP consists of 13 elected officials. A UP secretary, selected by the central government, manages records and accounts.¹⁹ The UP is also expected to form 13 standing committees to address various important issues for the union, but in reality these committees are often not highly active.²⁰

At the upazila level, the Upazila Parishad (UZP) is tasked with overseeing all upazila development activities and its membership should include an elected chairman, two vice-chairmen, one of which should be a woman, all of the UP chairmen from unions within the upazila, any mayors from municipalities within the upazila, and a set of women members selected from among the women members of the UPs and municipalities.²¹ This



elected body at the upazila level was only recently reconstituted in 2009, after having been previously removed in the 1990s.²² In addition to this elected body, numerous central government bureaucrats also have influential roles at the upazila level. The Upazila Nirbahi Officer (UNO) is a central government official who formerly had the role of overseeing and coordinating all activities at the upazila level, prior to the reintroduction of elected UZPs, and now serves as a sort of “CEO” of the upazila.²³ Furthermore, numerous line ministries have offices and representatives at the upazila level, such as the upazila agriculture officer, the upazila livestock officer, and the upazila engineer, an employee of the Local Government Engineering Department (LGED).²⁴ See Figure 2 for an overview of the union and upazila tiers.



Sources: Ahmed, “Local Government in Bangladesh”

Government of the People’s Republic of Bangladesh, *Local Government (Union Parishad) Act*

Ahmed, Ahmed, and Mohammad, *Working of Upazila Parishad in Bangladesh: A Study of Twelve Upazilas*

Figure 2: Key Elements of the Union and Upazila Local Government Tiers

According to Aminuzzaman (2011), “The Constitution of Bangladesh is one of the most progressive ones in the region as far as the emphasis and importance to Local Government



are concerned,” and several key policy documents, including the National Rural Development Policy, the Poverty Reduction Strategy Paper, and the SFYP also advocate for a strong local government system.²⁵ The SFYP provides the following vision: “The local governments will be strengthened and much of the responsibility for delivering basic services such as irrigation, district roads, education, health, population management, water and sanitation services will progressively be decentralized to local governments.”²⁶

Despite these policy statements, the reality on the ground looks very different, and local government institutions remain weak and continue to suffer from a number of problems and limitations.²⁷ One study finds that local villagers have had bad experiences with their UP representatives and believe the officials misuse power and work to the benefit of local elites rather than poor people.²⁸ Aminuzzaman (2010) undertook a survey of several hundred community members in 23 unions to better understand their opinions about local government institutions. The survey found that respondents were highly dissatisfied with the performance and service delivery of their UP. Those surveyed believed that these failures stemmed from their representatives’ low commitment, dishonesty, and inability to obtain necessary resources from central government agencies.²⁹

The study further explored the obstacles to good governance and performance of these institutions. UPs suffer from a severe lack of financial resources and receive the large majority of their funding through grants from the central government. Meanwhile, decision-making occurs at the national level, with little input from local officials or communities. Line ministries often undertake projects and activities on their own, making little effort to coordinate with the UP or even with the UNO at the upazila level. Many citizens, and even some UP members themselves, lack an understanding of the roles and responsibilities of the UP. Within the UP itself, the chairman often exerts considerable independent power, and women UP members are often marginalized.³⁰

A study by Panday and Asaduzzaman (2011) explains the rocky history of decentralization in Bangladesh, which has included multiple attempts to reform the local government system without major success. The study identified several key barriers to decentralization, including a highly politicized environment in which the opposing parties jockey for power instead of implementing true decentralization, as well as “bureaucratic elitism,” in which the powerful central government bureaucracy impedes decentralization in order to retain influence and authority.³¹ In addition, the local government system in Bangladesh has been frequently upended and reorganized according to the political interests of different ruling governments, which has further inhibited the development of a stable and functioning system.³²

Important changes at the upazila level have come about due to recent legislation in 2009 called the Upazila Parishad Act. It reinstated the elected UZP but also included a provision that Members of Parliament (MPs), whose constituencies often match upazila jurisdictions, can provide mandatory advice to the UZP, essentially giving MPs final authority over activities of the upazila.³³ Multiple people interviewed throughout the course of this study indicated that the MP wields significant power and can exercise political influence over activities at the upazila and union levels, to the detriment of local government. One study



describes the 2009 Upazila Parishad Act as a “retrograde step from a democratic standpoint.”³⁴

Although one local governance expert interviewed reported that few significant conflicts exist between union and upazila officials, other people interviewed noted that the relationship is characterized by a number of disagreements. To address issues of concern to UPs, some proponents have created the Bangladesh Union Parishad Forum (BUPF), which, according to BUPF representatives, aims to provide a platform and unified voice to represent the interests of UPs. The group has been advocating for greater authority and resources for UPs. Multiple people interviewed noted that both the union and upazila tiers have a role to play in local governance, with the union being the closest tier to communities and the upazila providing needed technical support and coordination. However, the precise relationship between the two remains unclear. Later chapters will further discuss the impacts that these debates about local government roles and authorities have on the development planning and budgeting process in Bangladesh, and their potential to affect climate adaptation finance.

Although effective local governance in Bangladesh continues to face many problems, recent reforms have attempted to improve the situation. Projects such as the Local Government Support Program (LGSP) and its Learning and Innovation Component (LIC), which will be discussed in a later chapter, have piloted new approaches to improving the capacity of UPs and their ability to meet the development needs of the people.

In 2009, the government passed the Union Parishad Act, which mandates important improvements in good governance such as increased transparency and participatory planning and budgeting with full involvement of communities.³⁵ This UP Act provides the legal framework for all citizens and communities to actively participate in the democratic process. In each ward, the ward representative must organize an open meeting, called a ward shova, at least twice a year. This meeting provides community members an opportunity to voice their opinions on how funding should be utilized and produce a priority list of schemes and projects for the ward. The ward representative then takes these schemes to the larger UP, which consolidates the priorities from all wards to create a proposed UP budget. The UP presents this budget at another open meeting to solicit feedback from the community members, and then makes its final budgetary decisions. This budget is then forwarded on to the UNO at the upazila level for approval.³⁶ In addition, provisions exist for UPs to create development plans, but in reality the planning and budgeting process in most UPs remains very weak.³⁷ According to Aminuzzaman, what is necessary now “is a strong *political will* to install an effective and truly decentralized local government system.”³⁸

Bangladesh faces many challenges, including major vulnerabilities to climate change and a flawed system of local governance that continues to fail to provide needed services and development to communities. On the other hand, promising progress in the form of bold policies on climate change adaptation and innovative attempts to improve governance provide some hope for future successes. Examining the ways in which Bangladesh is working to confront these challenges can provide some important lessons about how to channel climate adaptation finance through local institutions such that it reaches and serves the most vulnerable communities while at the same time strengthening local governance throughout the country.





part II

EXPLORING CHANNELS FOR ADAPTATION FINANCE

KEY LESSONS FROM BANGLADESH





LOCAL: PLANNING FOR CLIMATE CHANGE AT THE GRASSROOTS

To understand the potential mechanisms for a bottom-up approach to climate adaptation finance, analysis must begin at the local level. This chapter explores several initiatives related to adaptation, DRR and good governance and capacity building. The lessons and experiences from such initiatives lay the foundation for a climate adaptation finance mechanism that truly serves the needs of vulnerable communities. This chapter will mostly focus on activities at the community and union levels, since these are most closely linked to vulnerable people.

Box 6

Key Lessons from the Local Level

- Some adaptation needs and solutions identified by communities are at a small scale and could potentially be carried out at the local level.
- UPs face major challenges in raising revenues, indicating that support for adaptation efforts may be needed from external sources.
- With the support of AAB, community members working in GonoGobeshona Dols (GGDs) have undertaken planning for climate change adaptation and have had some success in engaging with UPs to access needed support and resources.
- For at least some community members, local government institutions still provide virtually no support or benefits and reportedly engage in favoritism and corruption.
- NGOs have played important roles in improving participatory planning and budgeting and supporting communities in climate change adaptation planning, but care must be taken to ensure that they support rather than undermine local government institutions.
- Significant risk reduction efforts are being undertaken at the local level by the CDMP, providing an opportunity for climate change adaptation efforts to build upon and integrate with existing activities.

- Local Disaster Management Committees (DMCs) could play a role in climate adaptation planning but would likely need additional capacity building and resources to be effective.

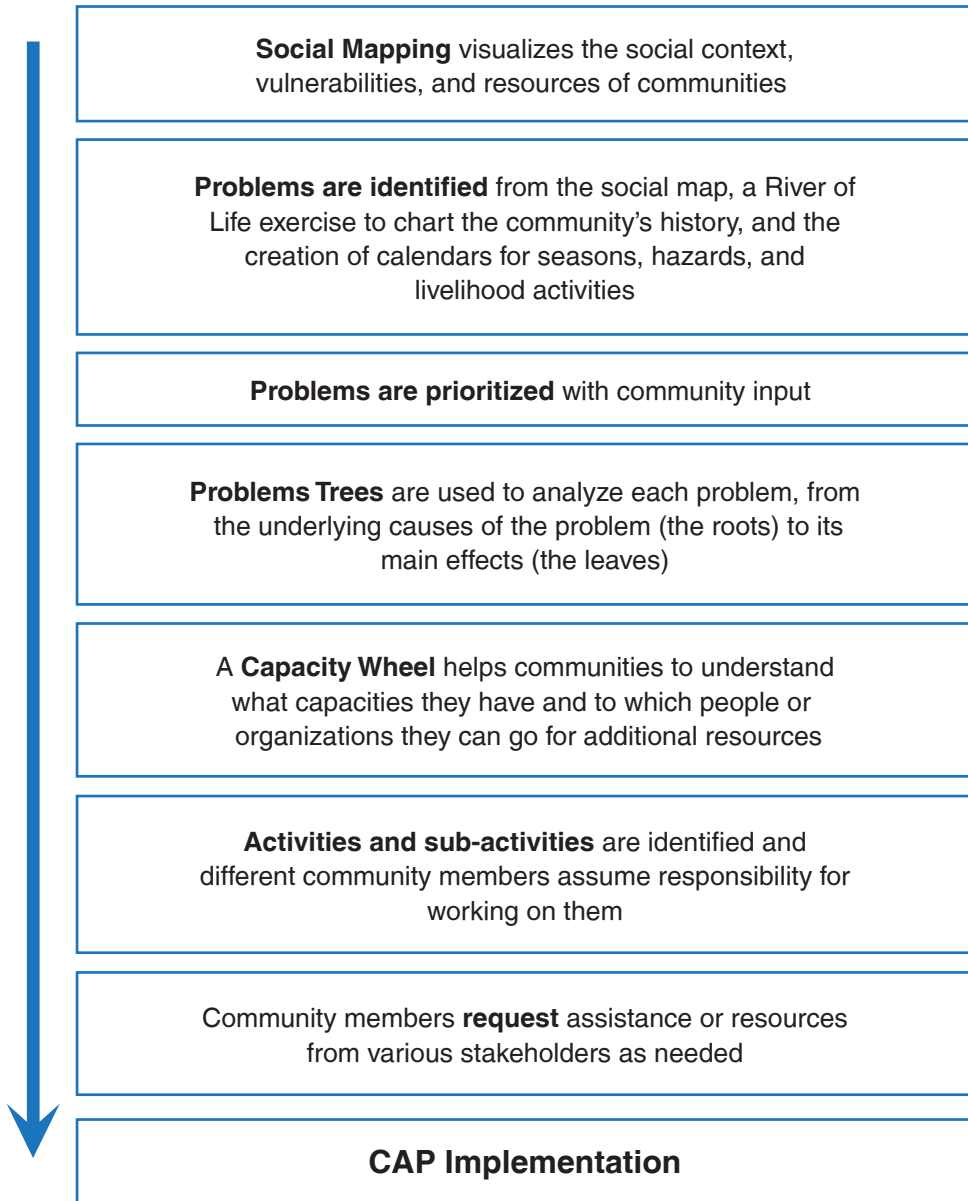
ActionAid Bangladesh Experiences With Climate Change Adaptation and Local Governance

Over the past several years, ActionAid Bangladesh (AAB) has been pursuing projects at several sites across Bangladesh with the goal of piloting a model for participatory, community-based planning for climate change adaptation. In 2008, AAB started a new project called, “Assistance to Local Communities on Climate Change Adaptation and Disaster Risk Reduction in Bangladesh.” At the core of the project are what AAB calls “GonoGobeshona Dols” (GGDs), which translates in English as “People’s Research Teams.” Each team comprises members drawn from among the poorest and most vulnerable in each community. The project began at sites in three districts of the country: Sirajganj, Patuakhali, and Naogaon.

AAB follows a “Human Rights Based Approach” (HRBA), which emphasizes values such as mutual respect, equity, and justice, and is built on the notions of empowerment, campaigning, and solidarity.¹ AAB “believes that the indignity of poverty is a violation of human rights, arising from unequal power relations from the household to the global level.”² From the perspective of AAB, reducing poverty requires helping people and communities to understand their human rights and come together to collectively demand and fight for them. HRBA also focuses on understanding the issues facing a community through participatory activities, enabling people to voice opinions in a truly democratic process, and respecting the knowledge and perspectives that people bring to the table.³

Given the uncertain future under a changing climate, traditional knowledge and past experiences alone will not be enough to ensure successful adaptation.⁴ AAB’s projects aim to fill this gap by helping communities to better understand the hazards and vulnerabilities they face and by facilitating a CBA process to identify strategies to overcome these challenges and build resilience. AAB works to empower poor and marginalized communities to take adaptation into their own hands and address the root causes of their poverty and vulnerability. With the support of AAB, in most cases provided through local NGO partners, GGDs undertake a series of activities (see Figure 3) to understand how climate change affects them and ultimately produce a Community Adaptation Plan (CAP). The initial process may take about a year, but after completion of the CAP, the GGDs continue to meet to revise, improve, and implement it. These activities draw heavily from the principles and approaches of Participatory Vulnerability Analysis (PVA) and the “Reflect” model.⁵





Adapted from: ActionAid Bangladesh, "Community Adaptation Plan"

Figure 3: The Community Adaptation Plan Process



AAB has recently expanded the scope of its work on adaptation to also encompass a focus on local governance, based on lessons learned from previous experience and the notion that “[l]ocal government institutions are central in facilitating adaptation locally.”⁶ As part of a separate project, AAB had also previously undertaken efforts to increase local government capacity and accountability to citizens by facilitating participatory planning and budgeting at the UP level, which according to AAB has significantly improved both governance and service delivery.⁷ An AAB staff member involved in this work explained that AAB learned a lot through the successes and failures of the project. The outcomes were used to approach the government to advocate for greater decentralization. However, the experiences also revealed that UPs had virtually no decision-making power, institutions were often not prepared for the new processes, and participation by communities in meetings was often driven by AAB and not something people took the initiative to do on their own. In addition, priorities identified were sometimes skewed away from core development needs such as education and health and instead toward activities such as improving the local mosque. Another study from Bangladesh finds that in general participatory budget discussions provide a good opportunity for citizens to participate in the decision-making process, although concerns are also raised that political elites may dominate the discussions.⁸

Building on previous experiences, AAB initiated a pilot project called, “Scaling Up Community-Based Adaptation with Local Government in Bangladesh,” beginning in 2011. The project has been ongoing in the same three districts where AAB had already worked on climate change adaptation and DRR (Sirajganj, Patuakhali, and Naogaon), as well as a fourth district, Faridpur. To date, AAB has worked in seven unions and formed 31 GGDs, 17 of which are comprised of women, 13 of which are comprised of men, and 1 of which is mixed. The timelines and exact activities varied somewhat across sites, and in some cases AAB had experience working with communities and building relationships through previous projects.

In addition to continuing to work with the GGDs, in some unions AAB also began working with UP chairmen and members to educate them about climate change and their responsibilities to their constituencies. Furthermore, AAB has worked to build the confidence and capacity of community members by educating them about their rights to demand support and services from their local governments. The project has emphasized the use of participatory planning and budgeting processes, such that the climate adaptation knowledge and evidence generated through the GGD process can be utilized to ensure that community needs and priorities are addressed in UP budgets and schemes. In four unions, UP officials have received various trainings on issues including climate change, financial management, and relevant laws and regulations. In these unions, AAB has also assisted the UPs in preparing transparent budget books detailing revenues and expenditures, which are published and made available to community members. AAB believes that many of the GGDs now have the capacity to function on their own, without AAB support, and take on additional tasks such as assisting with early warning systems or rescue and relief efforts after disasters.



One of the key changes that occurred between the initial project, which focused only on climate change adaptation and DRR, and the subsequent project that also examined local governance, was the mechanism through which AAB provided funding to community groups. Under the first project, GGDs would go directly to AAB, or its local NGO partner, for funding to support the climate adaptation priorities that were identified through the collective research and planning process. Thus, local government systems were not directly engaged. With the initiation of the new project, however, AAB began transferring money (usually through a local NGO partner) into the budget accounts of the UPs in four of the seven unions. In three UPs, AAB also provided funding for the UP to hire an accountant to manage the funds and activities. AAB stipulated that the budgeting process be transparent and participatory and that the money be spent according to priorities identified by the community through a democratic process. To access these funds, GGDs could work through ward shovas and the participatory planning and budgeting process outlined in the 2009 UP Act (see Figure 4). GGD members were also empowered to approach their UP representatives directly to voice needs and concerns. In this way, AAB's program transitioned from a model that worked only minimally within government systems to one that has the potential to strengthen the capacity of local government institutions and empower citizens to play an active role in decision-making.

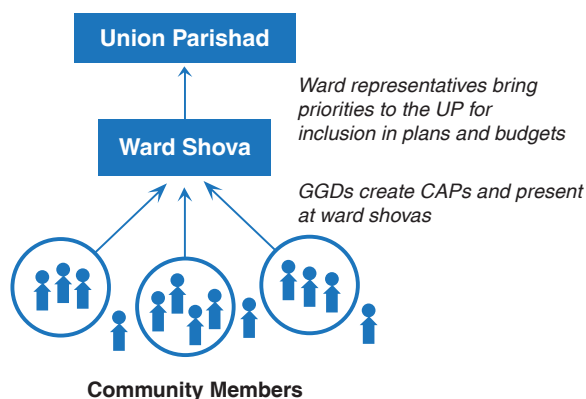


Figure 4: AAB Framework for Linking GGDs to UPs Through Ward Shovas

Lessons from Climate Adaptation Efforts at the Local Level

The findings at the local level come from a combination of first-hand evidence collected through focus-group discussions and interviews at AAB field sites and supplementary information gleaned from the literature and from additional interviews with experts. As noted in the methodology, this study did not aim to undertake a comprehensive or scientific survey of views during fieldwork, but rather to engage in discussions with a limited sample of community members and government officials to draw out major issues. This section focuses on the issues facing local communities and UPs, although some views regarding issues at the upazila level have also been incorporated.



Addressing Climate Change Challenges

In focus group discussions and interviews, community members and local government officials described the threats they are facing from climate change and the efforts they are undertaking to address these challenges. In the coastal Patuakhali District, UP representatives from one union discussed the climate change impacts their constituents are facing, including flooding, saltwater intrusion, river erosion, and the threat of cyclones, including the recent storms Sidr and Aila. Community members who had been working with several GGDs in one union explained the participatory process through which they have assessed their vulnerabilities and identified adaptation needs through the creation of a CAP. Top priorities included improving rice and vegetable cultivation under saline conditions, securing food and essential documents during cyclones, preventing river erosion, raising the heights of house plinths, road construction, and reducing saline intrusion into freshwater bodies. Adaptation solutions have included increasing the height of the dikes of ponds to keep out floodwater and switching to BR 47, a saline-tolerant variety of rice.

In Naogaon District, where drought is a major climate-related problem, GGD members from two different unions explained that they had also created CAPs and that a priority for the area is increasing access to drinking water. Other key needs identified included increasing the number of sanitary latrines, improving access to water for other purposes such as bathing and irrigation, and support for agriculture and livestock rearing. Community members in one union also noted that the increasing trend of large landowners growing mangoes as a cash crop was reducing the fertility of the land. Among the solutions outlined to address water problems were building new tube wells, repairing broken wells, and raising awareness about the drinking water crisis throughout the community. An upazila representative highlighted the re-excavation of ponds and canals, along with the digging of a new canal to connect two nearby rivers, as important adaptation activities.

Some GGD members noted that they had benefitted substantially from the support provided by AAB and, in the case of Naogaon, its local NGO partner. In one union in Naogaon, the GGD representatives reported receiving benefits such as tube wells, sanitary toilets, improved water sanitation, provision of livestock, assistance with access to markets for their goods, and support for re-excavation of water bodies, which has significantly increased the quantity and diversity of their crop harvests. GGD members in Patuakhali highlighted a recent project to build embankments to keep saline water out of irrigation sources. The GGD raised the issue with the UP, which then provided support for the project. Both the GGD members and a UP representative agreed that the effort had substantial benefits in terms of increasing crop production in the area. UP representatives did note, however, that additional work is needed to devise a more sustainable, long-term solution.

Interviews with members of a displaced community in Patuakhali revealed a different picture. The communities had moved following a cyclone and AAB constructed new housing for them, which had been raised on pillars to withstand future floods and storm surges. Beyond this, however, climate change was not one of the primary challenges they reported facing. Their biggest problem is a lack of income, along with basic development



gaps such as a lack of electricity, quality education, and road infrastructure. They had heard about problems with salinity in the area negatively affecting agriculture, but since most of them were landless day laborers, they did not have first-hand experience with these problems. In times of severe need, one of their coping strategies is to approach the wealthier households in the area to ask for support, although nowadays they also try going to the UP for assistance.

While some of the adaptation needs and activities identified require large-scale efforts such as raising the height of a long stretch of embankments, many of the possible solutions discussed by communities were relatively small in scale. This finding indicates that at least some beneficial adaptation activities could be undertaken at the local level and likely managed by communities or local government institutions. More analysis is needed, however, to determine to what extent these projects represent true adaptation and will build long-term, sustainable resilience in the face of future climate impacts.

Limitations to Raising Revenues for Development

As already noted, local governments at the union level must contend with a severe lack of revenue resources and a high dependence on grants from the central government.⁹ According to one UP, support from the central government does not come close to meeting the area's development needs, leading to a gap of as much as 75% between what is needed and what is available. This claim is in line with one report from the literature, which indicates that only about one-third of UPs' annual funding needs for small infrastructure are being met.¹⁰ By one estimate, funding resources directed through local governments represent only two percent of Bangladesh's overall budget for development activities.¹¹ Several experts recently pushed for providing local governments with five percent of the national budget for 2012-13.¹²

When it comes to raising money for various development needs, UPs have three primary categories of funding sources: revenues raised from their own resources, revenues that they share with other government bodies, and grants from the central government.¹³ One UP emphasized the challenges of raising revenues from tax collection, given the severe poverty of most of the population. At the same time, however, many UPs reportedly overlook tax collection in order to avoid political repercussions from constituents.¹⁴ According to a local governance expert, UPs have not been particularly dedicated to trying to raise their own revenues, and according to another informant, they have become too dependent on central government grants. A further barrier to tax collection is an entrenched habit and culture of not paying taxes.¹⁵ By one estimate, "[i]t is likely that in most UPs, only 5% to 20% of households are paying [taxes]."¹⁶ Ullah and Pongquan (2011) find that some recent initiatives, such as performance incentives, have succeeded in increasing UP tax collection and revenue generation, and thus a large potential exists for augmenting UP revenues in these ways.¹⁷

UPs also reportedly face challenges when it comes to shared revenues. Local governments are entitled to a share of revenues from the leasing of some resources, including haat



bazaars and certain water bodies, within their jurisdictions.¹⁸ Haat bazaars are large markets set up once or twice per week where buyers and sellers can come from across a broad area to trade many goods. Representatives of two UPs noted that policy changes in recent years have taken away UPs' authority over revenue flows from haat bazaars, a power that now rests with upazila officials. As Ullah and Pongquan point out, UPs have little authority over resources within their own jurisdictions, which perpetuates their reliance on the central government.¹⁹ The BUPF representatives also reported that in recent years UPs have encountered problems with upazila officials not sharing the proportion of the revenues that the UPs are due. On the other hand, a UZP chairman interviewed offered a different perspective, explaining that by collecting and then redistributing the revenues, upazilas can help to ensure a fairer allocation of resources among the UPs, not all of which have equal resources within their jurisdiction.

In order to increase available revenues, one UP interviewed indicated that the UP should have authority over leasing haat bazaars and water bodies. A UNO interviewed even agreed that, in his personal opinion, providing the UPs with authority over revenues from these sources could prove beneficial. In addition, the UP suggested that the percentage of the tax on land transfers that flows to UP budgets should be raised from one percent to four percent. A governance expert also agreed that increasing the UPs' share of the land registration tax could result in large and beneficial revenue increases. A government committee that analyzed options for strengthening local government recommended an increase in the UP share of the land transfer tax to two percent, as well as instituting a three percent UP share of the land development tax.²⁰ The 2009 UP Act does indicate that UPs will receive a share of the land development tax, but the percentage is not specified.²¹

While these reforms provide potential options for increasing local revenues to address issues such as climate change adaptation, the continued challenges that UPs face in generating revenues, in addition to the fact that local communities should not have to themselves shoulder the costs of paying for adaptation, highlight the need for external finance sources. Mechanisms that are used to provide UPs with additional funding will be discussed further in Chapter 8.

Local Governance, Planning, and Budgeting

Overall, GGD members seemed pleased with their participation in the climate adaptation planning process facilitated by AAB. One set of GGD members explained how their group first formed. The community created a social map, which identified the poorest and most vulnerable families. Each family was then able to vote for up to five families to be selected for the GGD, which was limited to about thirty families. Later, the GGD also voted to rank the top priority problems facing the community. The GGD initially met a few times per week, and a few members dropped out because they could not take the time away from income-generating activities, or were under pressure from their spouse to leave. The group created the original CAP a few years previously, and as a result could not recall all of the details about the problems identified. The representatives also reported that they have not updated the plan to reflect new problems. However, the group has continued to meet once



per week and has created a number of subcommittees for various topics, like sanitation and agriculture, to decide how to distribute services and benefits. At the weekly meeting, the work of the subcommittees is checked by the full GGD and decisions are made by consensus.

After creating the community-based plans, the critical next step is attempting to link these plans to the wider planning and budgeting process happening at the ward and union levels. According to a governance expert interviewed, the level of community participation in this planning and budgeting process varies considerably across the country and often depends on the personal profile of the UP chairman. Indeed, community members interviewed expressed varying degrees of engagement with local government institutions and the planning and budgeting process.

In one of the unions visited, AAB has been working to improve participatory governance and has provided funding directly to the UP account amounting to approximately one quarter of the total UP budget. To determine how this money and its other budget allocations are spent, the UP reported that each ward representative holds at least one open ward shova meeting during April and May to solicit input from community members. By a rough estimate, on average about 50% of community members reportedly participate, with some variation by ward. In addition, the UP members explained that they consult with representatives from different occupational groups to get feedback. After collecting all of this information from the ward level, the UP then ranks the various demands and schemes in order of importance to create the UP budget. According to the UP, even outside of these budget discussions, community members can easily access the UP representatives by calling them on the phone. Members of a different UP, where AAB has also contributed funds directly to the UP account, also reported that they hold ward meetings to solicit community input on the budget. Furthermore, the UP representatives acknowledged that AAB's support has improved their understanding of finance and budgeting processes and also strengthened their ability to coordinate the activities of NGOs within the union. Both UPs had readily available printed copies of their budget, which they shared.

GGD representatives have had some success engaging with their UPs and incorporating their priorities into the planning and budgeting process. GGD members from Patuakhali explained that they prepare necessary documents, priority lists, and budgets to present at the ward meetings and that the whole GGD usually attends. Those interviewed said that they do feel their ward representatives listen to their input and incorporate some of their demands into the budget. Discussion participants disagreed about approximately what percentage of their needs are met by the UP, with some saying about 25% and others saying as high as 50% (although most agreed it was less than this). GGD members in Naogaon also reported that they prepared a budget and submitted it to their ward representative. However, on one occasion the final budget review meeting occurred during the crop sowing period, so the GGD members were unable to attend. They reported that the UP now meets with them for planning, and the benefits they have received from the UP include tube wells, latrines, and social safety net support.



The GGD members in Patuakhali acknowledged that the new structure of AAB's project has affected the extent to which they benefit. Previously, the GGD members had been the sole beneficiaries, whereas now that AAB is channeling money directly to the UP budget, they are among about 4,500 total beneficiaries competing for resources. The members said that although this reduces their share of benefits, they appreciated AAB's work to train them on how to approach the UP with demands and that they feel much more empowered now. The UP has begun to give them greater recognition and treat them as a valuable resource.

On the other hand, these GGD members did express some disappointment with UP performance and responsiveness to their input. For example, the UP had a plan to distribute poultry to pregnant women. The GGD members prepared a list of poor women that they believed should receive the poultry, but the UP chose differently. In the opinion of the GGD members, the UP should at least share lists of beneficiaries with the GGD in advance for feedback, but instead decisions for small schemes are often made in secret by the UP members.

One woman said she believes the UP is about 50% fair. In addition, reports surfaced about various problems. Some of the extremely vulnerable and needy people are excluded from the Vulnerable Group Feeding (VGF) and Vulnerable Group Development (VGD) programs that are supposed to target them. Poor fishermen do not always receive supplies of rice that the UP is supposed to provide, and a program that gives people the opportunity for 40 days of paid labor is reportedly politically biased, with some people receiving money without doing any work. GGD members from another union also complained that safety net money sometimes goes to the UP members or their friends, rather than to those who need it, while in a third union GGD members emphasized that the resources available through safety nets do not come close to meeting the level of need. However, as discussed further in Chapter 8, decisions about social safety net programs may not necessarily be under the control of the UP.

In one of the unions where interviews were conducted with GGD members, AAB had undertaken some work to help communities engage with local government institutions but had not yet begun providing direct budget support to the UP. Instead, support to GGDs continued to flow through AAB's local NGO partner. In this union, GGD members appeared to have an overall weaker relationship with the UP. At one point in the discussion, the members seemed to be unaware of the ward level and UP meetings for planning and budgeting, although they later seemed to know of them but reported that many of the GGD members do not attend. However, they did participate in a meeting prior to the elections to share their demands with candidates as well as another meeting after the election to remind the new UP members about the promises the elected officials had made. The GGD representatives explained that when they approach their local government officials with needs and priorities, the UP has only limited resources to offer and the process takes considerable time. Furthermore, a concern was voiced about harassment by UP representatives when the community members attempt to get access to needed services. In contrast, GGD members explained that they have had much better experiences going to AAB's local NGO partner for needed services and development support. With the help of



AAB's project, community members have also learned how to interact with the local offices of some central government agencies. They have had some success getting support from these sources, but the responsiveness has varied greatly by agency.

Interviews were also conducted in a union in Patuakhali where AAB had not been engaged at all in strengthening local governance. The UP there reported that they also consult with community members for input on how to spend money provided by the Local Governance Support Project (LGSP, discussed in the next chapter), which represents a substantial portion of the overall annual budget. This involves holding ward level meetings once or twice each year for community members to provide input on budget priorities. The UP reported high levels of participation in these meetings. For other parts of the budget, however, the UP provides the community little opportunity to participate. Decisions about how to spend the money are reportedly made primarily by the UP chairman and members, sometimes in consultation with local elites.

The members of the displaced community interviewed for the study were living in this union, and in contrast to the feedback from some of the GGDs in other unions, they reported overall very low confidence in their UP officials. Following cyclone Sidr, the previous UP chairman did provide free rice to those in need, but since that time, they have received little support from the UP. Some UP officials reportedly siphon off money for their own purposes, which reduces the amount available to the community. One woman reported that social safety net services are usually provided through favoritism. Moreover, some community members described the UP representatives as generally powerless and lacking in the resources or capacity to help the community. None of those interviewed reported participating in any open ward meetings to decide budgets or priorities for the UP. They said they are not usually informed about such meetings and mostly only the local elites attend, which calls into question the information received from the UP itself. Although people do vote in the elections, UP members reportedly forget about the community after being elected. This deep dissatisfaction with local government officials matches findings from the literature, as discussed previously. These community members also reported that there are no community organizations that they are active in, and when asked about ideas for how to potentially improve their situation, they had little hope that much could be done to help them.

As discussed earlier, the local government structure includes provisions for several institutions meant to improve governance at the union level. Reviews of the current status of these institutions are mixed. According to representatives of the BUPF, the UP standing committees and ward shovas play important roles in supervising development projects. Representatives from one UP interviewed reported that all 13 standing committees have been formed and they usually meet once every two months. However, an overview of local governance written in 2007 observed, "[I]n practice standing committees are not formed in most cases. Even when constituted these are found often to be dysfunctional."²² In the opinion of one local governance expert interviewed, there are already too many committees with various purposes at the union level, and the system should be simplified to improve governance. During a discussion in Patuakhali reports surfaced that ward committees and



standing committees at the union level are not functioning in that area. A group of UP chairmen and members reported that in their UPs, due to a lack of funding only some of the standing committees are functioning. They did report, however, that the Ward Development Committees are functioning and playing a role in the implementation of projects.

Overall, the governance system at the local level appears mixed. While AAB's efforts have had some success in building the capacity of both UPs and communities to undertake participatory planning and budgeting, additional work is clearly needed. In other locations where local governance efforts have not been a major focus, communities continue to have only weak engagement with local government institutions.

The Role of NGOs

NGOs, including AAB and others, are playing an important role in various capacity building efforts around local governance and climate change and disaster planning (see Box 7). NGOs contribute in other ways as well. For example, the group of displaced community members interviewed explained that in the absence of any significant support from their local government, they have received some assistance from NGOs, primarily in the form of labor opportunities and relief following cyclone Sidr. Another study also finds that people had much better experiences receiving benefits from NGOs than from local government institutions.²³ However, the appropriate role of NGOs remains a topic of debate.

In the views of one expert, many NGOs are not formed with legitimate purposes of helping communities and can often be more corrupt than government institutions. Whereas local government officials are accountable to the people through elections, NGOs are not accountable to anyone. This expert argued that as a result, local governments should be more trusted with funds than NGOs, and NGOs should not be given money to undertake vague capacity building and awareness raising projects. A UZP chairman also expressed strong negative views, claiming that numerous microcredit NGOs in the area were providing no benefits and actually making people worse off. A donor representative interviewed noted the problem of low coordination among NGOs working at the local level. A UNO explained that there is an NGO coordination committee and that all NGOs need a certificate from the UNO in order to undertake their work, but it would be more helpful if all NGOs also disclosed their schemes and funding.

Aminuzzaman writes about the strengths and weaknesses of NGO involvement at the local level. NGOs may have some potential advantages over the government, including greater flexibility and closer interaction with people at the grassroots level. On the other hand, NGOs' work may be unsustainable and create a "perpetual dependency" on the benefits and services NGOs provide, without truly creating a path out of poverty. In addition, NGOs sometimes fail to adequately coordinate with local government institutions and their activities may run parallel to those of the government, potentially undermining public institutions. Aminuzzaman argues that greater cooperation is needed between the government and NGOs.²⁴



Another governance expert interviewed also agreed that both NGOs and local government institutions have important roles to play. Although local government institutions should be the primary focus, NGOs may have more technical capacity to offer. The division of roles may also differ depending on the context of the location and the climate change problems faced. But the term “NGO” refers to a very broad array of actors, and the focus should be on working with locally rooted NGOs that have a strong track record. This expert also emphasized that effective local governance must be about more than just local government institutions; in order to strengthen local level voices and effectiveness, government institutions should build networks and partnerships with NGOs and other organizations.

The CPEIR argues that NGOs do have a role to play in climate change finance. The report explains that donors and the government already channel climate-related finance through NGOs to reach the local level. However, the report also highlights the need to improve coordination between NGOs and UPs, especially when it comes to tracking how finance is being spent. It also notes a potential role for NGOs in capacity building of local government institutions, after which the NGO’s role could be phased out.²⁵

Disaster Risk Reduction Efforts at the Local Level

The CDMP, Bangladesh’s nationwide disaster management initiative housed in the Ministry of Food and Disaster Management (MoFDM), has a number of elements with a strong focus on local-level efforts, including a standardized Community Risk Assessment (CRA) process that combines local knowledge with technical and scientific information to facilitate an analysis of hazards and vulnerabilities.²⁶ The CDMP and its partners created a guide that facilitators can use to undertake CRA steps, from an initial scoping of the community and the hazards it faces to a final workshop where stakeholders engage in a series of discussions and ultimately develop a risk reduction strategy for the community.²⁷ The CRA process then provides the foundation for the creation of Risk Reduction Action Plans (RRAPs), which are overseen by the local Disaster Management Committees (DMCs).²⁸ According to the official Standing Orders on Disaster (SODs), there should be DMCs at every tier of government, including union, upazila, and district. At the union level, membership of the Union DMC (UDMC) includes the chairman, all members, and secretary of the UP; union-level government officials; and representatives from a number of specific groups including vulnerable women and NGOs. The UDMCs have numerous designated responsibilities related to risk reduction, emergency response, and post-disaster recovery.²⁹ A case study of CDMP’s efforts at the local level explains, “The key lesson learned is that the decentralisation of authority to local governments is vital to ensure local ownership of disaster risk reduction...”³⁰

According to the final review of the first phase of the CDMP, as of 2009 the CRA and RRAP process has been carried out in 622 unions across 16 districts.³¹ The CDMP has also set up a Local Disaster Risk Reduction Fund (LDRRF), discussed in detail in Chapter 8, to help finance projects identified through the local disaster planning process.³² According to CDMP staff, the project has also created union profile/fact sheets, which provide basic



information about geography, demography, and environment, for over 1,700 unions. These serve as a reference for local risk reduction planning by UDMCs. The inception report for the project's second phase, the CDMP-II, which runs until 2014, outlines the goal of expanding coverage of the CRA and RRAP processes to 2,000 unions across 40 districts.³³ However, according to the CDMP itself, "the RRAPs prepared in CDMP Phase I did not adequately address climate change issues."³⁴

To fill this gap, the second phase plans to incorporate climate change adaptation in a number of ways, including utilizing a "Climate Lens" for the CRA and RRAP processes, incorporating information on the impacts of climate change into training modules, and sponsoring studies to generate and improve knowledge of future climate change scenarios.³⁵ According to program staff, under the CDMP-II, the CRA guidebook has been revised to better incorporate climate change issues. Furthermore, whereas in the first phase the CRA and RRAP processes were primarily undertaken by NGOs, under CDMP-II, the processes have been revised to be shorter, simpler, and carried out by the DMCs themselves. An NGO staff member who has worked with the CDMP noted that the process has also become more participatory.

The local planning process under the CDMP has clear benefits, in particular its focus on community-level approaches to risk reduction. Nonetheless, the process could be improved upon. From AAB experiences, in comparison to the CAP process piloted by AAB, the CRA process does not involve as many community members in a robust, participatory manner and does not have a strong capacity building component to help communities fully understand and plan for the impacts of climate change. Indeed, the CRA process as outlined in the original guidebook could be accomplished in less than two weeks, involves a relatively small number of people, and is framed to be driven primarily by an outside facilitator.³⁶

One NGO staff member noted that the CRA is a tool and a starting point, and the quality of the results depends highly on the skill of the facilitator. The staff member also noted that the CDMP works under an agreement with a number of NGOs to carry out many of the CRA and RRAP activities in the field. Another expert noted that the CRA process was designed to be undertaken at scale across the country. While NGO efforts are more robust and participatory, they are currently only happening at very small scales, whereas the CDMP is attempting to cover about 2,000 unions. The expert explained that CRAs can provide a basis upon which other organizations and local government institutions can build. One area where the CRA process could be strengthened is through an increased focus on empowering communities to hold their local government institutions accountable. The expert also believes that more attention is needed on assessing the power dynamics that may affect the planning process and adopting a climate justice perspective to ensure that activities truly benefit the most vulnerable, since currently the CRA can be influenced by powerful local actors.

Multiple people interviewed, including local government officials and NGO staff, noted that DMCs are often not functioning well at the union level. According to a group of UP chairmen



and members, UDMCs often do not have sufficient budget resources to engage in year-round activities, and they would likely require additional capacity building to be able to manage climate change adaptation. An NGO staff member noted that members of UDMCs are often selected on a political basis, and that NGOs and community-based organizations (CBOs) must be brought further into the process. Another expert also agreed that UDMCs are often not truly representative and may be dominated by the chairman. Staff members from the CDMP acknowledged that DMCs continue to lack sufficient capacity, especially for addressing highly technical issues, and that working with DMCs has been challenging. These gaps indicate that additional efforts are necessary to improve local-level DRR planning and further incorporate adaptation needs resulting from climate change.

Box 7

Activities and Approaches of NGOs at the Local Level

CARE Bangladesh

According to a CARE staff member, the organization's work in relation to climate change adaptation and risk reduction closely involves local government institutions. This work is based on the notion that communities do not need significant outside resources to overcome the challenges they face. CARE facilitates an empowerment process that helps communities address their poverty and marginalization in a more sustainable way. CARE supports exercises to map vulnerabilities at the village, ward, and union levels. In addition, CARE works with UPs to make the planning and budgeting process more transparent and participatory. CARE utilizes the Community Vulnerability and Capacity Analysis (CVCA) tool to help groups create a Community Action Plan, which prioritizes all the problems that people face, not only those related to climate change and disasters. CARE then helps to organize consultation meetings where these plans are shared with the UP to influence the UP to integrate the ideas into the annual development plan. CARE does not directly provide substantial financial resources for the implementation of these plans, believing that empowered communities can address their problems collectively without significant external support. CARE works with communities and local government bodies to increase UP revenues through activities such as sensitizing local elites to the importance of paying taxes. CARE also helps to connect communities to other sources of funding, such as other agencies and partnerships with the private sector. According to CARE's experiences, social safety net programs, especially if improved to reduce political bias, could be an important avenue for providing communities with additional resources to address the problems they face.

Islamic Relief Worldwide, Bangladesh

According to an Islamic Relief Worldwide (IRW) staff member, the organization has been working for several years on projects at the intersection of risk reduction and local

governance in rural areas. In IRW's view, climate change adaptation activities should build upon existing DRR efforts, while combining additional information, monitoring of long-term trends, and an acknowledgement that in the future, disasters are likely to be more severe than they have been in the past. IRW has been working closely with CDMP activities for several years and, along with AAB and other NGOs, is a member of the National Alliance for Risk Reduction and Response Initiatives (NARRI). The organization's approach is to work on building the capacity of the DMCs at different tiers, with a particular focus on the UDMCs, which are often not initially functioning and do not receive significant funds. IRW also helps to train and build capacity of various community-based organizations (CBOs) to undertake risk reduction planning. IRW facilitates the CRA process and the development of RRAPs. To support the implementation of risk reduction projects, IRW first encourages communities to generate funds from their own resources, under the philosophy that this gives people a greater sense of ownership and involvement in projects. Additionally, IRW provides some funding support directly to UDMCs or community groups and also supports UDMCs in applying for funding from the LDRRF. In one case study, IRW reports that it assisted UDMCs in three unions to create RRAPs. The RRAPs have been integrated into the UPs' annual development plans and many identified risk reduction activities have already been undertaken.³⁷

Oxfam Bangladesh

As part of its Resilience through Economic Empowerment, Climate Adaptation, Leadership and Learning (REE-CALL) program, Oxfam is undertaking CBA efforts at the local level. As Oxfam staff explain, the organization's approach involves the formation of large, inclusive village CBOs that bring together all households. UP members may serve as advisors to the CBOs. These CBOs work to address all issues facing the community, with a focus on community mobilization, building capacity to address climate uncertainty, skill development, resilient livelihoods, building women's economic leadership, local resource mobilization, and active engagement with local government institutions. Oxfam supports communities in undertaking a Participatory Capacity and Vulnerability Assessment (PCVA). Oxfam views this as crucial to ensuring that those affected by climate change have a voice in the process. Oxfam's role involves providing communities with knowledge about disasters and climate change, along with information about their rights and how to approach their local government officials. Oxfam partner field staff then help to convert the outcomes of this PCVA process into the format of a CRA, which in turn forms the basis for an RRAP. Oxfam then works with UDMCs to help prepare proposals to the LDRRF. Oxfam also helps to set up a joint monitoring committee for each project that is responsible for visiting the site once a year. In Oxfam's experience, UDMCs require capacity building and are often unaware of the LDRRF. Other problems Oxfam has observed include a lack of knowledge among government line agencies and in communities about how to link existing DRR activities to adaptation initiatives, a lack of research on adaptation, a lack of coordination among social safety net programs, and a large gap between national and local activities related to climate change.



This section has illustrated some promising activities underway at the local level to address climate change. With the support of NGOs and government partners, some local communities are beginning to undertake adaptation planning and build links to their local government institutions. However, the need for increased resources remains high and further capacity building is necessary to strengthen these efforts. In addition, these efforts must be scaled up significantly.





NATIONAL: THE BANGLADESH CLIMATE FUNDS- POLICY AND PRACTICE

Bangladesh has had significant successes in securing financial resources for climate change at the national level, in particular through two funds that accept project applications from government agencies and civil society: the Bangladesh Climate Change Trust Fund (BCCTF) and the Bangladesh Climate Change Resilience Fund (BCCRF). If local government institutions could access these funds, substantial new resources could be made available to local communities for climate change adaptation. The history of how these funds evolved, the policies and frameworks that guide how money is spent, and how the funds are functioning in practice all require analysis when considering how to design an adaptation finance mechanism that could channel the funds down to the local level. It should be noted that Bangladesh also has a third major climate funding source, the Strategic Program for Climate Resilience (SPCR), which is a component of the World Bank's multi-country Pilot Program for Climate Resilience (PPCR) and will provide US\$110 million in both grants and concessionary loans for projects primarily in coastal areas.¹ However, since funding and project decisions have already been made, the current funds will likely not fit into the framework of a local adaptation finance mechanism that this study proposes, so the PPCR will not be discussed further in this report.

Box 8

Key Lessons on the Bangladesh Climate Funds

- The BCCTF and BCCRF represent important sources of climate finance through which government and civil society entities can apply for funds on a project basis.



- For the BCCTF, concerns have been raised about political influence in the selection of projects, controversy over the selection of NGOs to receive funding, and problems with the quality of project implementation.
- For the BCCRF, concerns have been raised about the World Bank's role in the fund and the complex and lengthy process required for project preparation and approval.
- There is scope for local government institutions to apply for finance from both funds, but they would likely need to do so through a collective effort, led by the MoLGRDC.
- Although UPs and UZPs would likely not be eligible to receive funding through the civil society window, this mechanism provides a potential model for setting up a similar window for local government institutions.

Significant controversies arose during the initial design of the climate funds, ultimately resulting in the creation of two separate entities, which contradicts the aid effectiveness principles discussed earlier. A major point of debate was about whether the GoB had sufficient capacity and fiduciary safeguards to manage the substantial amount of donor money that would be provided.² In response to donor concerns, in particular those of the first contributors, the United Kingdom and Denmark, the initial proposals called for donor money to be held in a Multi-Donor Trust Fund (MDTF) administered by the World Bank.³ This however led to resistance among the GoB and civil society, who opposed the level of control the World Bank would have over the process and the high fees it would charge.⁴ Meanwhile, the GoB, reacting to these disputes as well as the understanding that financing from international donors may not be sufficient to meet Bangladesh's adaptation needs, decided to contribute its own money to address climate change, resulting in the BCCTF.⁵ It was the first country in the world to create such a fund.⁶ Both funds have an objective of financing activities in support of the BCCSAP, although the setup and procedures for each fund differ somewhat.⁷ While both have made progress in disbursing climate change finance, they have also encountered challenges and been subject to criticism.

The BCCTF

A recent paper by Khan et al. (2011) provides an overview of the BCCTF. The fund came into being with the passing of the Bangladesh Climate Change Trust Fund Act in 2010. For the three years from 2009-2012, the GoB has committed approximately US\$100 million annually to the BCCTF, for a total of US\$300 million.⁸ Two thirds of this allocation is designated for project implementation, while the remainder will be invested to generate interest for future activities. Governance of the fund follows a three-tiered structure. At the top, a Board of Trustees comprised of 17 members, all from government with the exception of two civil society representatives, holds final authority over funding decisions. The Minister of Environment and Forests chairs the Board. In addition, a Technical Committee of twelve members, including two civil society representatives, screens proposals to pass on to the Board. Finally, six sub-technical committees, one for each BCCSAP theme,



undertake the initial reviews of all proposal submissions. In addition, the government has created a Climate Change Unit (CCU) in the Ministry of Environment and Forests (MoEF) to serve as the Secretariat and provide support for implementation of BCCTF projects.⁹

The BCCTF has two funding windows, one for government entities and one for NGOs and civil society.¹⁰ For the government window, according to a government official, there is no minimum grant size but the maximum is set at 25 crore taka, or roughly US\$3 million, and in general projects will have a duration of two to three years. As of June 2012, the CCU website listed 82 projects totaling about 95,000 lakh taka or roughly US\$116 million,¹¹ although the government official indicated the list may not be fully up to date. The top four ministries by allocation were the Ministry of Water Resources, the MoEF, the MoFDM, and the MoLGRDC, which together had more than 75% of the total allocation.¹² According to an earlier analysis by Huq and Rabbani (2011), based on the approximately US\$50 million allocated for 34 projects as of October 2010, at that time about 70% of the BCCTF money had been designated for adaptation activities. While 31% of the funding had gone to infrastructure, only 8% had gone toward capacity building.¹³

Funding decisions for both windows of the BCCTF have been met with significant controversy. According to Transparency International Bangladesh (TIB), the BCCTF selected some NGOs to receive funding from the civil society window, but when reports surfaced of corruption and bias in the selection process, the fund became the target of heavy criticism. As a result, funding ceased. The Palli Karma-Sahayak Foundation (PKSF) was given the responsibility to investigate the selection process and now oversees project selection for the civil society window. As of the writing of the TIB study, the PKSF investigation had been completed but the results had not yet been made public.¹⁴

The TIB review also found several problems with BCCTF allocation through the government window. Serious issues have been raised regarding political influence and bias in the selection process, and some projects have been funded that have no clear link to climate change.¹⁵ Khan et al. raised the potential for this to occur, since the majority of the seats on the Board of Trustees are filled by ministers.¹⁶ The TIB report reviewed three specific projects and found major problems, including cyclone shelters built without walls and a cross dam project that called for cutting down tens of thousands of trees in a protected forest. Crucially, the review also found that participatory approaches and consultations with relevant stakeholders in the project areas were not adequately undertaken.¹⁷ These findings raise doubts about whether the BCCTF is truly meeting the climate adaptation needs of the poorest and most vulnerable in Bangladesh.

The BCCRF

According to World Bank staff, as of June 2012, seven donors had pledged a total of approximately US\$170 million to the BCCRF: the United Kingdom (US\$95 million), the European Union (US\$37 million), Sweden (US\$13 million), the United States (US\$13 million), Australia (US\$7 million), Switzerland (US\$3.4 million), and Denmark (US\$1.2 million).



The 2011 Annual Report outlines the governance architecture of the BCCRF. The Governing Council is chaired by the Minister of Environment and Forests and consists of numerous high-level government representatives, along with two seats for the development partners, two seats for civil society, and an observer seat for the World Bank. The responsibilities of the Governing Council include granting approval of projects, guiding the overall strategy and activities of the fund, and reviewing progress. In addition, a Management Committee chaired by the Secretary of the MoEF is charged with undertaking thorough technical reviews of submitted proposals and screening them for recommendation to the Governing Council. The membership of the Management Committee includes two representatives from MoEF, one each from the Economics Relations Division (ERD) and the Planning Commission, two from development partners, one from the World Bank, and one from civil society. Lastly, the BCCRF intends to set up a Secretariat within MoEF to support management of the fund. However, World Bank staff are currently filling this role pending the formation of the Secretariat.¹⁸ According to a donor representative interviewed, hiring of staff for the Secretariat was scheduled to be completed in May 2012 but had not yet begun by the end of April.

As with the BCCTF, the BCCRF has two funding windows, one for government entities and the other for NGOs and civil society. Unlike the BCCTF, however, the BCCRF has explicitly set aside 10% of the fund for the civil society window, which will be managed by PKSF under the Community Climate Change Project (CCCP). Projects proposed through the government window must be at minimum US\$15 million and will be screened according to several criteria.¹⁹ People with knowledge of the fund explained that this high minimum funding requirement results from the fact that the World Bank's project appraisal procedures are so lengthy and costly that they would not be worth undertaking for smaller projects. According to World Bank staff, the civil society window will fund projects for a minimum of US\$20,000 and a maximum of US\$1 million.

The BCCRF describes the role of the World Bank as "ensuring the performance of due diligence to fiduciary management, transparency and accountability in the execution of the BCCRF's operations and activities."²⁰ However, the World Bank actually plays a very significant role and has been criticized for a lack of full public disclosure and transparency.²¹ In response to questions about transparency, World Bank staff reported that all required documentation is disclosed according to World Bank transparency policies. Nonetheless, detailed information remains difficult to find and is not fully up to date.²²

In an interview, a World Bank official working with the BCCRF explained the Bank's role. After the Governing Council has gone through the process of approving the concept of a project, the GoB implementing agency or designated agency then initiates the preparation of the project with the assistance of the World Bank. This involves an extensive appraisal process that includes social and environmental assessments, examinations for fiduciary risks, and transforming the project from a concept note to a very detailed design. Before funds can be transferred and a project can begin implementation, a legal agreement must be negotiated and signed between the World Bank and the GoB, and in some cases a second agreement must be signed between the World Bank and the implementing partner



(such as PKSF in the case of the CCCP). Ultimately, no project can go forward without high-level World Bank approval. Thus, approval by the Governing Council is not sufficient to ensure a project receives BCCRF funding. The BCCRF Implementation Manual provides more details on the procedures and mechanisms for the preparation, funding, implementation, and monitoring and evaluation of projects.²³

According to World Bank staff, the term of the World Bank's trusteeship of the BCCRF has recently been extended from 2015 to 2017, after an agreement to do so was reached among the World Bank, donors, and the GoB. This change stemmed from concerns that the original trusteeship duration might be insufficient to complete all projects for which the World Bank had been a signatory under the BCCRF. This change elicited considerable protest and demands for greater transparency from a number of civil society groups.²⁴ A donor representative interviewed expressed some concern that a delayed handover of BCCRF trustee responsibilities could reduce the government's motivation to be highly engaged with the fund at this stage. But the representative also noted that important measures of the MoEF's readiness to accept this responsibility, such as a clear capacity development plan, a functioning Secretariat, and strong fiduciary safeguards, are not yet in place.

Donor representatives interviewed also expressed concerns about the high complexity and long timeframe of the World Bank's appraisal process. According to the 2011 Annual Report, as of the beginning of 2012 only six projects were listed under BCCRF activities, and of them, only two had grant agreements actually signed. One project provides the Local Government Engineering Division (LGED) US\$25 million to build multipurpose cyclone shelters and the other will provide US\$200,000 to set up the BCCRF Secretariat.²⁵ A May 2012 update lists five current projects and three more in the pipeline.²⁶

In an interview, a representative of TIB provided some suggested reforms for both of the funds, including opening the governance and decision-making process up to more outside expertise, making the governing boards less bureaucratic, providing more oversight and accountability, disclosing more information about why certain projects were selected, and improving coordination between the two funds.

The Role of PKSF

PKSF has been designated to manage the NGO window for both funds. According to a PKSF official at the time of the interview, no money had yet come to PKSF for disbursement to NGOs. PKSF had originally been preparing to handle the BCCRF money but was only recently informed by the government that it would be handling the BCCTF money as well.

In the case of the BCCTF, according to a government official, the MoEF initially recommended about 200 NGOs to receive funding, out of an initial applicant pool of about 5,000. Following the selection controversy, PKSF was tasked with taking the list of 200 NGOs and conducting a further screening. PKSF then recommended 120 NGOs in two categories: 53 that were ready to receive funding immediately, and a remainder for which



more information was required. Going forward, PKSF will handle all aspects of the civil society window. PKSF will inform the BCCTF Board of Trustees for an endorsement of its selections, but this is not meant as a formal approval and the Board will not be able to insist that certain NGOs should be added to the list. A PKSF representative hoped at the time of the interview that the money would arrive with PKSF by late May or early June 2012 so that disbursement and actual activities could begin, but according to a government official as of late June the funding had not yet been sent.

In the case of the BCCRF, according to the World Bank, as of June 2012 the final grant agreement had not yet been signed and thus the final terms of the agreement and the fund management arrangements were not fully known and projects had not yet been initiated. The process has been delayed by several months, which according to the World Bank resulted from negotiations around extending the term of the World Bank's trusteeship. The World Bank estimates that the funding will be available in September 2012. The PKSF official noted that the extension of the World Bank's term as the trustee of the BCCRF may be a positive change from the perspective of the CCCP, as it reduces the uncertainty about whether trusteeship might change hands during the timeframe of the project, which could have caused disruptions.

According to the PKSF official, management of the two funds within the organization will be kept separate. PKSF intends to hire most of the people responsible for the funds from outside the organization, while gradually building up the capacity of its own staff. According to PKSF and World Bank officials, one difference between the two civil society windows is that for the BCCRF, NGOs will initially work in pre-selected upazilas that are highly vulnerable to drought, flooding, and saline water intrusion.

Financing Local Government

Multiple people involved with the funds expressed general support for the idea of a proposal to give money directly to local government institutions for adaptation, with one donor representative noting that this is precisely the kind of government-led, community-level effort for which the BCCRF was created. A PKSF official noted that for the civil society window of the BCCRF, PKSF is considering making the UP chairman the focal person for projects in a particular union. However, concerns were also expressed about the capacity of local government institutions and their ability to create a high-quality proposal to the funds, as even larger government bodies have had difficulties. Multiple informants said that local governments would have a difficult time applying through the civil society windows, as these are meant explicitly for non-government entities, although one donor representative noted that these might nonetheless be the easiest windows for local governments to access. As an alternative, multiple people agreed that UPs and upazilas could pool their applications into one proposal sent through the MoLGRDC.

Overall, there are reportedly no inherent barriers to local governments receiving finance from the funds if it is channeled through the MoLGRDC. A few grants from the BCCTF have already been given to the MoLGRDC for implementation by local government institutions.²⁷



However, one donor representative expressed concerns that the MoLGRDC may not have the expertise or interest necessary to prepare proposals to the funds, and perhaps a joint application working with other relevant ministries would be a good idea. Another person interviewed emphasized the need to set up a designated institution to manage local government projects, in the same way that PKSf is doing for the civil society window. In this way, the mechanism through which PKSf will provide funds to civil society could be a potential model for a similar mechanism to set up a local government window for climate finance. The major challenges going forward will be to build and demonstrate UP and UZP capacity and to obtain the support of key stakeholders, in particular the MoLGRDC.

Distinguishing Adaptation from Development

As discussed earlier, a key issue for adaptation finance will be how to determine whether a given project qualifies as a climate change adaptation activity, rather than a normal development project. The CPEIR argues that when it comes to implementation of projects on the ground, it is not practical to attempt to rigidly define climate change adaptation as distinct from other activities meant to build resilience to disasters and current climate variability.²⁸ According to a World Bank official, for the civil society window projects under the BCCRF, the funding can cover either the costs of building adaptation considerations into an existing development project or the costs of scaling up projects primarily focused on adaptation. After extensive consultation and with World Bank support, PKSf has created a set of criteria for determining how to distinguish adaptation from regular development, but the World Bank acknowledges that no such criteria will be perfect. A donor representative also acknowledged the challenge in making the adaptation versus development distinction, and noted that the criteria to decide if a project qualifies as adaptation will evolve over time.

Overall, while the BCCTF and BCCRF continue to face some challenges and criticisms, they represent substantial sources of potential funding for adaptation projects at the local level. Given that local government institutions do not face any inherent restrictions in applying for funding from these sources, in particular when acting collectively through the MoLGRDC, these funds should be considered key elements of a local climate adaptation finance mechanism.





8

LINKING LOCAL TO NATIONAL: FINANCE MECHANISMS IN BANGLADESH

While promising CBA efforts are taking place at the local level, and significant financial resources for adaptation have been provided through the climate funds at the national level, the key question of this study is how to form a link between the two. A number of different systems and mechanisms already exist in Bangladesh to channel funding flows from the national level to the local level, and this section explores the strengths and weaknesses of several. In addition, each of these systems relates to a broader debate about the appropriate division of roles and authority among different tiers of government and different actors within each tier. Whereas local government officials at the union level generally argue for greater autonomy and complain of political influence and bureaucratic interference from above, others, including some officials at the upazila level, point to the lack of UP capacity as a rationale for greater supervision, coordination, and technical support from upper tiers. All of these issues must be taken into consideration when designing an adaptation finance mechanism for local government institutions.

Box 9

Key Lessons on Linking Local to National Budgets in Bangladesh

- The line ministry budget mechanisms, social safety net programs, and Annual Development Programme (ADP) Block Grant allocations to upazilas are not ideal avenues for adaptation finance due to low opportunities for participation from local communities in the decision-making process.



- Political influence over local planning and budgeting decisions, in particular from the MPs and other upazila-level actors, poses challenges to transparent and accountable decision-making.
- The system of direct fiscal transfers to UPs, piloted and scaled up by the Local Governance Support Project (LGSP), has proven feasible and reportedly led to greater local control and reduced political influence over budgeting decisions for development activities.
- With the new, second phase of the LGSP, the GoB and the World Bank have demonstrated their commitment to continuing to strengthen this system of direct finance to UPs, which creates a strong opportunity for mainstreaming adaptation finance into existing mechanisms for channeling funds to the local level.
- Ongoing disagreements, power struggles, and confusion about the roles, responsibilities, and authorities of different local and central government actors have created challenges to effective local governance.
- The union and upazila tiers should both play a role in climate adaptation finance at the local level, but their respective roles must be carefully considered and well-coordinated.
- The CDMP's Local Disaster Risk Reduction Fund (LDRRF) has piloted a potential model for financing local risk reduction projects, but the approach remains project-based and not fully mainstreamed.

Line Ministry Funding, Social Safety Nets, and Block Grants

This section outlines several budgeting processes through which development funds are allocated by the central government for activities at the local level, with the caveat that these mechanisms can be difficult to untangle. A review of literature, as well as discussions with academic experts and local government officials themselves, sometimes yielded conflicting information. As discussed further in this section, these confusions may be due in part to recent changes in processes and institutional structures, an ongoing lack of clarity even in established law, diversity in practice across the several thousand UPs in the country, and gaps between provisions that exist on paper and the reality of practices on the ground.

The development budget in Bangladesh is determined through a yearly process to create the Annual Development Programme (ADP), which spans all ministries involved in development work across the country. Many of these line ministries provide funding allocations for the implementation of various projects at the union level, but they often make little or no effort to consult with UPs or communities in the process.¹ Ullah and Pongquan report that for these funds channeled through the individual line ministries and held at the upazila level, decisions about funding allocations are often made on an “arbitrary basis,” with limited input from the UP, and subject to political influence.²



These funding streams that flow through the upazila level include social safety net programs such as the Food for Work Program (FFWP), Vulnerable Group Feeding (VGF), Vulnerable Group Development (VGD), and the Rural Infrastructure Maintenance Program.³ A key objective of safety nets is to help people cope with sudden shocks, including disasters, and a recent study of the programs in Bangladesh finds that they have been successful in some cases, such as improving food security.⁴ However, the programs also have significant flaws. Several studies have attempted to estimate the amount of leakage away from intended beneficiaries in various safety net programs, with results in the range of 5-50%.⁵ Rahman and Choudhury report that leakage has increased recently, in large part due to political influence.⁶ Furthermore, the programs are usually designed at the central government level, with local government institutions mostly excluded from decision-making.⁷ A lack of coordination among the many programs also poses challenges.⁸ The CPEIR finds that some safety net programs have strong links to climate change, but notes that UPs lack authority over the funds.⁹

Ahmed (2007) argues that providing an increased role for UPs in the safety net programs would have benefits in terms of program performance.¹⁰ Khuda (2011) finds: “the presence of a strong [UP] and a motivated [UP] chairman were key predictors of good performance of the FFW[P] projects.”¹¹ According to another account, however, UP representatives have also been identified as a leading source of corruption in the safety net programs.¹² Furthermore, a World Bank report raises doubts about whether UP representatives, who do have some role in the safety net programs through involvement in beneficiary selection and distribution of benefits, have sufficient capacity to administer the programs.¹³ Another study on one of the employment generation programs finds that although final approvals on beneficiary selection should come from the upazila level according to policies, the UP had significant influence in this process and a majority of beneficiaries surveyed had some kind of relationship with a UP member.¹⁴

Aminuzzaman (2010) reports that the safety net programs suffer from a high degree of political influence and manipulation, including by the MP.¹⁵ People interviewed also confirmed that the safety net programs are susceptible to political influence and bias. According to a group of UP chairmen and members interviewed, the MP and the UZP chairman must be consulted for any allocation decisions. Overall, while UPs do apparently have some role in the safety net programs, control continues to rest largely with upper tiers of government. This reality and the other flaws in the programs make it unlikely that local communities can have a strong voice in decision-making about the use of funding resources channeled through the safety nets.

In addition to these safety net programs channeled through various ministries, UPs were previously each allocated, on the basis of population and area, an ADP Block Grant.¹⁶ According to one analysis, the ADP Block Grant system suffered from a number of major drawbacks, including unpredictable amount and timing of fund allocations, major limitations on how funding could be used, and the fact that funds flowed through the upazila rather than directly to the UP. This setup had a significant negative impact on the ability of UPs to deliver services to communities.¹⁷



This ADP Block Grant system for UPs began to change with the introduction of the Local Governance Support Project (LGSP, discussed in the next section), which aimed to augment the grants being provided to the UPs and eventually phase out the ADP Block Grant system altogether.¹⁸ According to a government official in the Local Government Division (LGD), when the LGSP first began in 2006, the program covered about 1,000 UPs. Those UPs that were receiving grants from the LGSP stopped receiving ADP Block Grant allocations, while all other UPs continued to receive an ADP allocation. By the time the first phase of the LGSP ended in 2011, the program covered nearly 4,500 UPs. Now that the second phase of the LGSP has begun and all UPs are receiving LGSP grants, the ADP Block Grant allocations to UPs have been fully phased out as of 2012.

As a recent report on the functioning of UZPs explains, the central government continues to provide ADP Block Grants to UZPs for development activities. According to the report, recent government rules outline the mechanisms through which these funds should be allocated. A ten-person committee of upazila-level government officials, headed by the UZP chairman, chooses projects and schemes to be funded with the ADP Block Grant. The committee accepts project proposals from UPs within the upazila as well as from the various line ministries and departments. Notably, the UP chairmen do not sit on this committee, although in theory the UZP, on which the UP chairmen do sit, has the power to make final decisions about projects.¹⁹ The report explains: “It is, however, unlikely for the UZP to make any decision that may conflict with the decision of the project selection committee.”²⁰

According to the report, for chosen projects costing less than 100,000 taka, or about US\$1,200, a small project implementation committee oversees projects and reports to the UZP. Government rules stipulate that each year a maximum of 16 projects can be implemented in this way. For larger projects, the upazila engineer initiates and oversees work with a contractor for implementation. A separate tender committee has the authority to choose contractors, but the UZP must also grant approval. The UNO heads this tender committee, the upazila engineer serves as the member secretary, and additional members include the UP chairman and one woman member from the UP in whose jurisdiction the project will be implemented, as well as relevant line ministry officials. At the union level, another committee may be constituted to monitor implementation.²¹ Thus, while the UPs have some influence in decision-making for the ADP Block Grant mechanism, ultimate authority rests at the upazila level.

The line ministry, social safety net, and ADP Block Grant funds to upazilas are not ideal channels for local climate change adaptation finance, at least in their current forms. The problems of political influence, as well as the low authority of UPs in decision-making, make it difficult for community input from a participatory planning and budgeting process to affect how funds are spent. Rather than being bottom-up and community-based, these funding streams are highly top-down in nature. A truly effective local adaptation finance mechanism would allow more involvement by local people and take a more mainstreamed approach.



The Local Governance Support Project: Direct Finance to UPs

As an alternative to the funding mechanisms described in the previous section, the Local Governance Support Project (LGSP) has initiated a system whereby grants are transferred directly to UP bank accounts and UPs are given greater authority to decide how these funds are used. In response to a belief that strengthening local government institutions could play a role in reducing high levels of poverty in Bangladesh, as well as a commitment by the GoB to reform the local government system, UNCDF and UNDP funded a pilot project called the Sirajganj Local Governance Development Fund Project (SLGDFFP).²² The program, carried out by the LGD, ran from 2000 to 2006.²³

Aminuzzaman provides a review of the primary lessons learned over the course of the SLGDFFP, drawing from several evaluations. The project covered 82 UPs in Sirajganj District. Its main goals included testing various good governance mechanisms, including providing budget grants directly to the UPs and involving communities to a greater extent in the planning, budgeting, implementation, and monitoring process. On the whole, the project produced some important successes and lessons. It demonstrated the viability of transferring budgetary funds directly to UP accounts without a high risk of corruption or “leakage,” a proposition that was previously viewed with skepticism.²⁴ Aminuzzaman writes, “As against all myths, direct fund transfer to the UPs has been found not only feasible but also enhanced the functional efficiency and program responsiveness of the UPs.”²⁵ The SLGDFFP also reportedly improved UP performance along several dimensions including community participation and ownership, accountability, and transparency.²⁶

In part due to these achievements, the GoB decided to scale out some of the lessons learned and started the Local Governance Support Project (LGSP), which began providing direct budgetary grants to UPs.²⁷ Funding for the project was provided jointly by the GoB and the International Development Assistance (IDA) arm of the World Bank, as a loan, and the MoLGRDC served as the implementing agency.²⁸ The project ran from 2006 until the fall of 2011.²⁹ It consisted of five core components: fiscal transfer of block grants directly to UPs; strengthening accountability measures such as open meetings and regular reporting; improving local government capacity for planning, implementation, monitoring, and evaluation of projects; impact evaluation of the LGSP and increasing government capacity for data management and policy analysis; and piloting of an approach to provide conditional fiscal grants to UPs for social safety net provision.³⁰

As noted already, the project phased in over several years to gradually cover more UPs. In order to be eligible to receive LGSP funds, UPs were required to have a UP bank account, a UP secretary that had attended a training session, an annual budget approved at an open meeting, official agreement to the LGSP terms, and an audit that indicated no significant accounting problems.³¹ At a later stage in the project, UPs also had to hold participatory planning and budgeting meetings, submit reports on a quarterly basis, publicly display information on schemes and projects, and follow guidelines for social, environmental and procurement issues.³² Although these rules existed on paper, it is not clear how strictly they were enforced in practice.



In addition, a sixth component of the LGSP, known as the Learning and Innovation Component (LIC), was supported by UNCDF, UNDP, the EU, and DANIDA, and aimed to pilot additional innovations with regard to improving UP service delivery and governance.³³ By the end of the project, the LGSP-LIC covered 388 UPs in six districts, going beyond the basic LGSP interventions and replicating many of the activities of the earlier SLGDFP.³⁴ The LGSP-LIC instituted a number of mechanisms and institutional setups designed to improve governance, including Ward Development Committees and Union Facilitation Teams.³⁵

While not attempting a full impact evaluation, De-Lay (2010) provides an overview of important lessons learned from the LGSP-LIC. On balance, the review is positive, stating, with caveats, “LIC does appear to have produced significant gains in accountability and transparency and to have made modest but important improvements to the welfare of local citizens.”³⁶ The report also finds that many elements of the LGSP-LIC generally performed well, including transfer and management of funds, participatory planning processes, open ward and budget meetings, outside auditors, and women’s empowerment. It finds that the use of performance criteria had some impact, albeit small, and while admitting that the institutional setup may seem overly complex, it claims that the structures may have had a positive impact in creating a balance of power. However, the report notes that UPs continue to lack authority over many activities, thus lessening the impact of UP-level reforms. In addition, the study acknowledges the lack of strong empirical evidence on the effectiveness of the program and advocates for a more rigorous experimental approach to evaluation in the future.³⁷

Aminuzzaman, however, takes a somewhat more critical view of the LGSP-LIC. While acknowledging some important successes and lessons learned, he notes that there have been major challenges as well. Among them is the reality that the LGSP-LIC setup has relied heavily on technical support that may not be sustainable or scalable over the long run. Moreover, the LGSP-LIC has created a number of new committees, structures, and processes that differ from those outlined in the UP Act of 2009, resulting in a confusing and sometimes conflicting web of institutions, audit requirements, and other procedures that are difficult for the UPs to manage. Furthermore, upazila level officials are often not engaged, training and capacity building activities have not been fully effective, and political influence continues to have a negative impact. In Aminuzzaman’s view, these problems and an overall lack of mainstreaming, simplicity, and coordination hinder the project’s long-term viability.³⁸ Another expert interviewed expressed the view that while the broader LGSP had some important successes, the LIC component has not worked particularly well.

Aminuzzaman in an interview expressed concerns about the very poor quality of auditing and inadequate capacity building. The external auditor was chosen through a bidding process, but the government was required by law to choose the lowest bidder, and audits are not being undertaken rigorously. Furthermore, the National Institute of Local Government (NILG) does not itself have the capacity to undertake training and capacity building in the huge number of local government institutions across the country, and the Upazila Resource Teams (URTs) created for the task have suffered from drawbacks. He



suggested that a group of experienced NGOs, working from a standardized framework developed with the NILG, could accomplish capacity building of UPs rather quickly and effectively. Furthermore, he noted that mainstreaming must be a key focus of local governance efforts going forward. He advocated for climate change adaptation financing to flow through LGSP mechanisms, and for capacity building for local governance to be done together with capacity building for other issues.

An evaluation of the LGSP-LIC finds that the direct fiscal transfer mechanism had important benefits, noting: “[t]hese discretionary funds have for the first time empowered UPs and the communities to decide on their own priority development schemes and plan and implement them.”³⁹ In interviews, multiple experts explained that an important success of the project has been to convince the government that a direct fiscal transfer to UPs is in fact feasible and that the UPs are able to absorb and manage this money. On other aspects of governance however, such as UP capacity and the quality of the planning process, these experts noted that deficiencies remain and should be the target of future governance projects.

In a demonstration of their confidence in the LGSP model as a starting point for further improvements, the GoB and the World Bank in November 2011 agreed to a new, second phase called the LGSP-II.⁴⁰ The Project Appraisal Document for the new phase describes in detail a number of promising new initiatives that will build upon lessons learned from the first LGSP. Total funding for the project is estimated at about US\$545 million. In order to promote the long-term sustainability of the mechanism, over the course of the project the GoB’s proportional contribution of funding will increase, eventually reaching 60%.⁴¹

The LGSP-II will continue the former project’s core activity of providing Basic Block Grants (BBGs) through direct fiscal transfer to UP accounts. The LGSP-II anticipates that average annual BBG funding levels to each UP will increase by about 12% per year, reaching approximately 1.8 million taka, or about US\$22,000, by 2016. In addition, building on learning from the LGSP-LIC, the LGSP-II will introduce a system of Performance Based Grants (PBGs) to UPs. All UPs in the country will be eligible to receive a minimum allotment of funding through a BBG.⁴² To qualify for their full BBG allotment, however, which will be determined on the basis of a formula incorporating population and area, UPs will need to meet a set of “minimum conditions,” which “include audit clearance, evidence of participatory planning and open budgeting, and submission of 6-monthly/annual progress reports, including financial statements.”⁴³ On top of that, PBGs will be allocated to high-performing UPs according to a set of indicators intended to measure aspects of good planning, budgeting, and governance.⁴⁴

The Project Appraisal Document also outlines some further key changes from the original LGSP model. UPs will now be provided with estimated budgetary allocations for a three-year period and be encouraged to move toward a longer-term planning process. The LGSP-II will also work to strengthen institutions mandated in the UP Act of 2009, including UP standing committees and ward shovas. At the same time, it will strengthen other relevant institutions throughout several tiers. Auditing systems will be improved, with all

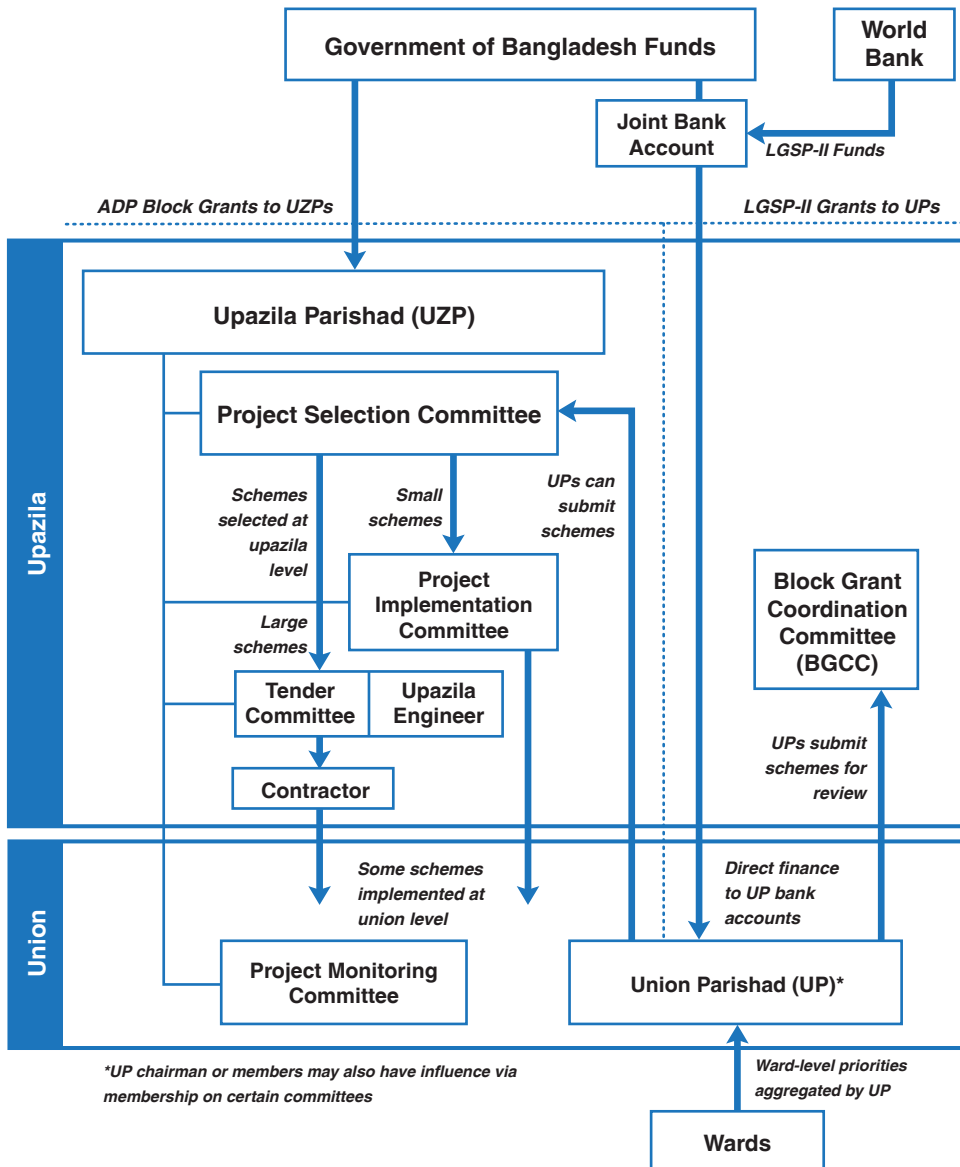


UPs required to undergo audits by an accredited independent auditor with additional oversight by the GoB's Comptroller and Auditor General (CAG) office. In addition, biannual reporting from all UPs will be collected and tracked through an improved, web-based Management Information System (MIS).⁴⁵

For capacity building, the LGSP-II will expand upon the URT model and a "cascade" approach through a training of trainers. The NILG will lead this process, in cooperation with the Bangladesh Academy for Rural Development (BARD), the Rural Development Academy (RDA), and the LGED. All procedures of the LGSP-II will be outlined in an updated UP Operations Manual, and UPs will have the ability to use up to 10% of their block grants to procure training resources and technical support from entities accredited by the NILG.⁴⁶

According to a government official, an important aspect of the LGSP-II will be strengthening of the Block Grant Coordination Committees (BGCCs) at the upazila level. While BGCCs were supposed to be in place during the first phase, the LGD had little capacity to monitor and enforce the provision. The BGCCs are to be chaired by the UNO, with the upazila engineer as the member secretary, and include as members all of the UP chairmen from within the upazila, representatives of civil society, and other relevant upazila-level government officials. Once proposed schemes have been identified by communities and approved by the UP, they are then forwarded to the BGCC for review. The government official stressed that the role of the BGCC is not to formally approve or reject schemes, and the UNO will have no direct authority to stop projects. Rather, the role of the UNO and the BGCC will be to check that schemes follow all of the LGSP-II rules, avoid unnecessary duplication of schemes among UPs, and ensure that schemes were in fact approved in a participatory and transparent way. Despite the supervisory and coordination role of the BGCC, no money will flow through the UNO. In line with the LGSP-II's core principles, funds will continue to be disbursed directly to UP accounts, with the UP chairman and one woman UP member as the authorized signatories to the account. See Figure 5 for a comparison of the funding mechanisms for the ADP Block Grants to UZPs and the LGSP-II.





Sources: Interviews
 World Bank, "Project Appraisal Document - LGSP-II"
 Ahmed, Ahmed, and Mohammad, *Working of Upazila Parishad in Bangladesh: A Study of Twelve Upazilas*

Figure 5: Comparing the Mechanisms for ADP Block Grants to UZPs and the LGSP-II



In addition to the LGSP-II, the next generation of projects related to the LGSP-LIC and other governance initiatives are also now underway: the Union Parishad Governance Project (UPGP) and the Upazila Governance Project (UZGP). The UPGP will work on continued improvements to UP capacity and service delivery.⁴⁷ According to UNDP staff, an important goal of the UPGP will be to streamline processes such that all funding going to the UP will be channeled to a single UP fund, from which the UP could draw resources for any development needs. The project aims to go beyond piloting direct fiscal transfers and better address improvements in governance and quality development planning that were not substantially achieved in the LGSP-LIC. Meanwhile, the UZGP will work in 14 pilot upazilas to strengthen capacity and governance of UZPs, improve service delivery, foster better coordination with UPs and line agencies, and improve monitoring by the central government.⁴⁸ UNDP staff explained that an objective of the UZGP will be to strengthen direct finance transfer mechanisms to UZPs, while at the same time ensuring linkages between the union and upazila tiers. The outcomes and lessons learned from these projects will likely further inform improvements in local governance in Bangladesh and in turn could provide additional insights for financing climate adaptation at the local level.

Multiple people interviewed expressed generally positive views about the direct fiscal transfer mechanism established by the LGSP, with some noting that it faces fewer problems of political influence over funding decisions. Although imperfect (some concerns are discussed in the following section), overall the LGSP provides a promising model for delivery of finance to the UP level. The CPEIR also finds that local officials strongly favor this funding mechanism and that it could be a viable channel for providing climate change finance at the local level.⁴⁹ The considerable experience already developed through several years of testing the mechanism provides an opportunity for integrating adaptation finance with existing systems rather than setting up a new, parallel channel.

An Ongoing Debate: Division of Roles and Authority in the Local Government System

Any mechanism for channeling national-level finance resources down to the local level in Bangladesh must contend with an ongoing debate about the roles that various officials and institutions should play in the local government system, and in particular the authority they should have over decisions about development planning and budgeting. Discussions about local climate adaptation finance thus must consider these issues as well. This section explores the roles of and interactions among some key individuals and institutions, including UPs, UZPs, MPs, UNOs, and officials from central government line ministries and departments.

Political Influence and the Role of the MPs at the Upazila Level

A consistent concern raised throughout the study with regard to decision-making at the local level is the potential for strong influence from the Members of Parliament (MPs). Ahmed et al. provide an historical perspective on this decades-old struggle for power over local activities. Under the government of General Ershad in the 1980s, the first push to



decentralize power and install a democratically elected body at the upazila level took place. Elections were successfully held, but even at this early stage, MPs strongly opposed the move.⁵⁰ As the report explains, “MPs demanded that they be given power to supervise and control the activities of the UZP, particularly its chairman. They argued that without certain measure of control over local development resources, they would lose their local clout which would spell political disaster for themselves.”⁵¹ Ahmed et al. explain that the Ershad government resisted much of this opposition, but when the parliamentary government system was restored, the new government of Prime Minister Khaleda Zia could not afford to ignore the demands of the MPs. In part due to these considerations, although also citing widespread problems including corruption among the UZPs, the government dissolved the UZPs in 1991.⁵²

As the report details, the struggle for power at the upazila level did not stop there. In 1998, the government under Prime Minister Sheikh Hasina succeeded in passing the Upazila Parishad Act, which legally reinstated the democratic UZP. However, the government never succeeded in holding elections for the UZP positions. Prime Minister Khaleda Zia returned to power in 2001 with a promise to establish a democratically elected UZP, but once again encountered severe opposition from the MPs, as well as the central government bureaucracy, which also feared losing power. When the caretaker government took power in 2007, it put forward a new ordinance to install elected UZPs. Previous laws had outlined a role for MPs as advisors to the UZP, but this ordinance actually further restricted the power of the MPs by omitting the provision. Once again, however, elections were not held. When the new government of Sheikh Hasina came to power in 2009, it finally succeeded in holding UZP elections. Yet shortly after, the new government chose to forego ratification of the caretaker government’s ordinance in favor of passing a new Upazila Parishad Act. The new Act did not omit a role for the MP. Rather, it actually mandated that the UZP seek and accept the advice of the MP, essentially granting the MPs broad powers to influence activities at the upazila level.⁵³

The growing influence of the MPs over local governments has reportedly had considerable consequences for decision-making at the local level. Experts explained that MPs have gone beyond their role as national lawmakers and are heavily involved with local development activities. While pointing out that clashes between the MP and the UZP are not inevitable, Ahmed et al. note that “in many cases the MP and the [UZP chairman] share the same constituency” and “are thus likely to consider each other as competitor and may engage in unhealthy competition to acquire power, even at the peril of local development.”⁵⁴ In more than one case, the report finds that the MP plays a very strong role in decision-making by the UZP. At the same time, however, the report also concluded that in most cases, interference by the MPs in UZP activities tends to be low.⁵⁵

As multiple people expressed in interviews, political influence from actors at the upazila level hinders the ability of UPs to carry out activities according to their priorities. The MPs are not the only source of such political influence, but they do play an important role. As one local governance expert explained, for the ADP Block Grant money provided at the upazila level, although UPs can submit scheme proposals, in practice the MP has a very strong role



in allocating funding and choosing contractors, often with little input from the UPs. A group of UP chairmen and members interviewed corroborated this information based on their experiences, noting that the MP has a strong influence in this process. According to representatives from one UP, the MP may insist on the implementation of projects other than those the UP has prioritized, or may delay others. The UP recounted an experience with a proposal to raise coastal embankments to protect the area from tidal surges during cyclones. The Water Development Board, which has authority over the embankments, declined to take up the project, but the UP suspected that the decision was subject to the political influence of the MP.

In the opinion of representatives of the BUPF, when finances are channeled through the MPs there is no accountability to communities and MPs do not respect the plans and priorities developed by UPs, resulting in a weakening of the UP as an institution. For example, as already noted, MPs and UZP chairmen may play a role in allocating social safety net benefits. GGD members in one union agreed that powerful members of the ruling party at the upazila level were able to exercise influence over the UP. Members of one UP explained that relying on legislation is unlikely to resolve these problems, as the people wielding the political influence are unlikely to adhere to the rules. One expert, however, while acknowledging that MPs should not be interfering in local government, pointed out that some degree of political influence over the selection of project beneficiaries is unavoidable. Yet such influence does not necessarily affect a large proportion of service delivery and does not automatically preclude most resources from reaching people in need.

As discussed previously, the system of direct finance to UPs piloted by the LGSP has reduced the opportunities for political influence over these funds. At the same time however, even this system may be subject to some indirect political influence. A governance expert pointed out that the recent increase in the power of the MPs could pervade all aspects of local governance, including the LGSP. Representatives of one UP similarly noted that the MP, through his advisory role at the upazila level, is able to exert influence over the approval of all schemes, including those funded by the LGSP. Another group of UP chairmen and members reported that some political influence from the upazila level had occurred during the transition period after elections. This group and representatives of the BUPF also expressed worries that a newly strengthened role of the UNO in LGSP funding decisions could provide opportunities for undue influence.

Several upazila-level officials acknowledged the broad problem of political influence, reporting that they experience political pressure from various sources in the course of their job, including death threats from powerful elites in one case. However, one official expressed confidence that this political influence could be overcome; by doing his job in an honest and transparent way, in clear accordance with government rules, he can reduce the leverage that others have over him.



The Role of Bureaucrats and Central Government Line Ministries

As earlier sections noted, politicians are not the only actors with significant influence over local government activities; central government bureaucrats also play an important role. As Ahmed et al. explain, another key actor with significant powers at the upazila level is the UNO.⁵⁶ In fact, despite being an unelected central government bureaucrat, the UNO reportedly “enjoys power but owes no accountability to anyone at the upazila level.”⁵⁷ The UNO has the prerogative to ensure that all UZP decisions conform to government rules and in the case of disagreements can refer the issue to higher authorities.⁵⁸ According to a press report, UZP chairmen have complained that the UNOs, who were recently given the role of principal executive officers at the upazila level, are circumventing the power of the elected UZP.⁵⁹ Reportedly, even MPs have complained that the central government is not respecting the authority of the UZP according to the law.⁶⁰ In addition, representatives of the BUPF highlighted their concerns about a provision in the 2009 UP Act that allows UNOs to suspend a UP chairman if allegations are made against him or her.

As previously noted, central government ministries and departments undertake activities at the local level, often without strong coordination with local government institutions. As Ahmed et al. explain, this problem has been partially addressed at the upazila level by giving the UZP greater authority over the activities of the upazila-level branches of certain ministries and departments, such as the Ministry of Agriculture and the MoFDM. However, coordination remains relatively weak and in practice the UZP continues to lack significant authority over these central government entities.⁶¹ As Ahmed et al. write, “As long as the departmental officials remain on the payroll of the central government, the UZP will not have any significant control over the way they behave.”⁶²

Several people interviewed described the challenges that UPs also face in trying to work with central government departments and line ministries at the union level. One UP reported no serious problems in interacting with other government offices but noted that the UP has no authority over their activities, and the offices do not always coordinate or cooperate with the UP. Another UP complained that the line ministries often do not even notify the UP of line ministry activities taking place within the union. Provisions exist in the 2009 UP Act for placing some line ministries under UP supervision and for the creation of a committee to coordinate activities at the union level.⁶³ In a recent circular, the government formally called for the formation of the Union Development Coordination Committee (UDCC) and outlined its role in coordination.⁶⁴ According to representatives of the BUPF, however, in practice UPs do not have strong authority over the line ministries and cannot compel them to participate in the UDCC. One expert interviewed explained that to increase effectiveness, UPs and UZPs should have greater authority over the activities of line ministries active within their jurisdictions.

Division of Roles Between the Union and Upazila Tiers

Closely linked to the issues of political influence at the upazila level and the difficulties of coordination with line ministries is the question of how to divide authority and



responsibilities between the union and upazila tiers of local government. This question is essential to consider in the design of a climate change adaptation finance mechanism, which would need to clearly differentiate the roles of the union and upazila tiers in adaptation activities. People interviewed provided a diverse array of opinions on this issue, although two primary perspectives emerged. On the one hand, some people believe that UPs must retain a high degree of autonomy and authority to undertake activities and spend funds without interference from upper tiers. Others, however, argue that UPs lack the necessary capacity to plan and carry out significant development activities and therefore require oversight from officials at the upazila level.

According to Ahmed et al., the focus on strengthening UPs and expanding their role in local governance and service delivery, through initiatives such as the LGSP, has created the potential for a sense of competition with the upazila tier. Furthermore, the fact that the UP chairmen collectively form a majority of the UZP means that they can have significant influence over its decisions.⁶⁵ According to some reports, the UZP chairmen must give considerable attention to cultivating the support of the UP chairmen, which fosters a “patron-client relationship.”⁶⁶ This view, however, may not fully account for the strong role of the MP, as discussed previously.

According to representatives of the BUPF, there is a high degree of diversity in context throughout Bangladesh, and local people know much better than the central government what solutions will meet their particular needs. This provides a rationale for greater autonomy and power for the most local levels of government. However, those interviewed from the BUPF said that the UPs’ rights as representatives of the people are not being respected. The BUPF representatives did acknowledge that for large projects, upazila officials could play a coordination role or provide technical support, but the UP must also be involved in the process.

Upazila-level officials interviewed provided a somewhat different perspective. A UZP chairman and a UNO both emphasized the role of the upazila in coordinating the activities of the UPs and ensuring that there is no unnecessary overlap or redundancies in projects. The UNO explained that one of his responsibilities is checking to ensure that UP budgets were in fact prepared through a participatory, transparent process. The UZP chairman indicated that in his opinion, all funding should go to the upazila level before being used for union-level projects. Whereas the upazila can draw from the technical expertise of many line ministries, UPs usually lack sufficient capacity and knowledge for undertaking projects and handling finances. Furthermore, in his view there are sufficient checks and balances at the upazila level, but not at the union level. As already discussed, another UZP chairman also highlighted the role of the UZP in ensuring a fairer distribution of revenues among the unions in the upazila. A UZP vice chairman noted there is a need to better harmonize activities between the UP and the upazila-level officials, and that UPs sometimes require guidance from the upazila and may require supervision to ensure that funds are used properly.



The UNO interviewed initially indicated that he favored providing funds, including those related to climate change, by channeling them through the line ministries of the central government. However, he later went on to say that he believes that giving money directly to the UPs, with supervision from the upazila level to hold them accountable, could be a good idea and would help to increase their capacity. He also noted that increasing UP authority over resources such as haat bazaars and water bodies could also bring benefits. Interestingly, he voiced his own personal opinion that there are too many tiers of local government and that ideally there should probably be only one. Since the UP is the tier closest to the people, it is the most important tier and should be the focus of local governance.

Disagreements about who should have authority over financial resources are at the heart of this debate over proper roles. An example of these divergent views can be seen in discussions about the ADP Block Grants. As previously noted, ADP Block Grants continue to be allocated to the UZPs, but ADP Block Grant allocations to UPs were phased out over the past several years. Some UP representatives voiced concerns about the loss of ADP allocations. One UP noted that the loss of its ADP Block Grant caused a significant reduction in available revenues, which are now going to the upazila. Representatives of the BUPF pointed out that since UPs began receiving LGSP funding, money from other sources, such as the ADP and safety net programs, has been reduced. They contended that the MPs are playing a role in encouraging the central government to reduce the amount of money flowing to UPs in favor of keeping it under MP control.

A group of UP chairmen and members expressed frustration with the upazila-level committee charged with selecting schemes to receive ADP Block Grant funding. They noted that this committee now has complete authority to select schemes for implementation at the UP level. Whereas previously they at least knew how much funding to expect each year, now they do not even know how much money is coming in or what projects it is being used for. They also expressed deep concerns about the high degree of political influence over this process, in particular from the MP, and the low level of consultation with the UP. Indeed, other studies have found that even though the UP chairmen, as members of the UZP, in theory have authority to grant final approval of selected schemes, in practice the MP, UZP chairman, and other powerful people may sometimes control the process.⁶⁷

While the UPs may have valid concerns, however, these changes can also be seen from a different perspective. As previously noted, the ADP Block Grant allocations to UPs were intentionally phased out and were replaced by direct LGSP grants to UPs. According to the design of the LGSP, these new grants were intended as an improvement over the ADP Block Grants, and multiple people interviewed confirmed that the LGSP model has indeed proved beneficial. Furthermore, as Ahmed et al. explain, the ADP Block Grant allocations to upazilas were intentionally designed to encourage larger projects spanning multiple unions and reduce the number of small projects based in only in one union, of the kind which would likely be favored by individual UP chairmen that sit on the UZP. In addition, the committees chosen to implement these small projects are often tools of political influence.⁶⁸ Thus, what the UPs may see as an unfair reduction in their funding allocations could be interpreted differently from the perspective of improving coordination at the upazila level.



Another example of this difference in views can be seen in recent changes to the LGSP. As previously discussed, the second phase of the LGSP will put more focus on instituting the upazila-level BGCCs, headed by the UNOs, to review all UP schemes funded by LGSP grants. While acknowledging that UPs would likely prefer to avoid this additional oversight, a government official explained that the BGCC serves an important role in coordination and checking to ensure all proper rules and procedures are followed. Furthermore, the official noted that neither the MP nor the UZP chairman should be able to interfere in the BGCC. However, as noted before, the BUPF and a group of UP chairmen and members raised concerns about the new role of the UNO in reviewing LGSP funding priorities, and the BUPF is protesting this involvement. According to representatives of the BUPF, MPs could potentially have political influence over LGSP funds through working with or pressuring the UNO. The study by TIB on transparency issues in climate finance reports a similar occurrence in the case of BCCTF funding, where political influence apparently led the UNO's office to alter the list of beneficiaries for cyclone-resistant houses.⁶⁹

Two UZP chairmen interviewed provided a different perspective, and both emphasized the recurring theme of a need for more coordination. One of the UZP chairmen acknowledged that providing UPs with their own grants is a good idea, but he complained that UPs have not been providing any reporting about their activities to the upazila. In his view, the upazila should have greater oversight over the LGSP funding. A second UZP chairman went as far as to say that the LGSP has been a failed project, because it has given UPs authority to use money without consulting the upazila-level officials, leading to a lack of coordination and misuse of funds. In contrast to the opinions from some UP representatives, these views provide a potential rationale for the coordination and oversight role of the BGCC.

Several experts consulted framed the relationship between the union and upazila tiers in terms of capacity, with some arguing that UPs lack the capacity to undertake certain activities. One expert said that on big issues like climate change, either the district or upazila tier would be in a better position to undertake planning than the unions, which lack the needed technical capabilities. Another explained that UPs should be granted greater authority to oversee smaller projects such as primary schools, which are currently managed even at the local level by line ministries. However, larger activities, including secondary schools, water development, and addressing disasters and climate change, should be overseen at the upazila level. In the view of a third expert, relative to their capacities UPs have actually been made responsible for too many activities that should be carried out by line ministries.

A fourth expert downplayed the role of local governments in assessing adaptation needs or undertaking planning, favoring instead central government agencies and technical experts. Local governments could then be involved in decisions about where to place infrastructure such as cyclone shelters and would have authority over maintenance once projects are in place. A fifth expert warned, however, that bureaucrats commonly attempt to preserve their own authority by arguing that local government institutions lack needed capacity. In his view, the upazila also has a role to play, but first major debates about its functioning must



be resolved. Meanwhile, the UPs are the only truly functioning local government tier, and priority should be given to strengthening their capacity. Providing them additional funding and resources could give these institutions a more powerful voice.

The CPEIR undertook an investigation of UP capacity to manage climate change finance and discusses many of the same problems noted here, including a lack of UP authority over funding decisions, low capacity to undertake adaptation planning and manage large projects, and few available resources. The report suggests capacity building and technical support is needed to effectively utilize climate finance, and that communities should be involved in the process as well.⁷⁰

These debates about the proper relationship between the union and upazila tiers will likely take some time to resolve and will have an impact on the allocation of climate adaptation finance at the local level. Multiple experts, however, indicated that both UPs and upazilas have roles to play on climate change adaptation issues and must be involved in the process. Thus, rather than choosing a single tier to focus on, an ideal mechanism must consider how the two tiers could work together most effectively.

A Lack of Coordination and Clarity in Roles

Throughout our interviews, it became apparent that in addition to debates about what the proper roles and authorities within the local government system should be, considerable confusion persists regarding current rules and procedures. For example, there was some confusion over the system for ADP Block Grant allocations, and conflicting information was sometimes provided about the membership and functioning of certain committees. It was not always clear whether this represented confusion on the part of those interviewed, or differences in actual practices. One UP provided a description of a committee at the upazila level charged with approving all UP schemes, regardless of the source of funding, that did not seem to match other information. In another example, Ahmed et al. report that some upazilas continue to announce meetings of the Upazila Development Coordination Committee (UzDCC) despite that fact that under official rules, the UzDCC has been discontinued and replaced by the democratic UZP. Rather than just a minor confusion over names, this discrepancy may indicate a more serious misunderstanding about the new powers and authority of the UZP as compared to the previous UzDCC.⁷¹

Ahmed et al. indicate a much wider problem with discrepancies between rules and procedures as laid out on paper and actual practices on the ground. The report finds, for example, common deviation from the rules established to govern the use of ADP Block Grants at the upazila level, some of which were discussed previously. Furthermore, although UZPs are supposed to prepare annual and five-year plans, few apparently do so. The authors propose several explanations for these failures to adhere to the rules, including a lack of awareness and understanding of the rules, the absence of strong enforcement, the dynamics of individual relationships between various officials and departments, and the influence of politics.⁷²



Some of the confusion may arise from a lack of clarity in the laws and rules themselves. Representatives of the BUPF noted that disputes have arisen due to ambiguities in the laws about ownership and authority over resources that are within UP jurisdictions but at the same time within the larger upazila. According to one expert, before local governance can work effectively, the government must clarify the relationships between the central and local governments and among the local government tiers. Currently, tensions between the central and local level and between bureaucrats and elected officials are hindering progress, as people do not know who should have authority over what. While some divisions do exist, upazila officials often get involved in tasks designated for the UPs. Another expert agreed that more clarity in roles is needed and suggested that the government pursue a comprehensive national decentralization policy.

Above all, these problems highlight the need for greater coordination between actors within the local government system. UP representatives have complained that line ministries and upazila officials undertake local-level activities without adequately consulting and coordinating with the UP. Similarly, upazila-level officials have stressed the need for the upazila to play a role in supervising and coordinating the many activities taking place in the various unions. Both tiers, therefore, could benefit from greater cooperation with each other while avoiding power struggles to the greatest extent possible. As Ahmed et al. write, “The UZP does not have the scope to impose something on the UP; there is thus the need for developing a mechanism for coordinating their activities by mutual consent.”⁷³

These discussions about proper roles and authorities of local government actors clearly extend beyond the creation of a climate adaptation finance mechanism and will likely require years to resolve. Nonetheless, major issues such as the problem of political influence over local priorities and the need for greater coordination between the union and upazila tiers must be taken into careful consideration in order to ensure that adaptation finance effectively reaches the local level.

The Local Disaster Risk Reduction Fund

As noted previously, the CDMP supports a Local Disaster Risk Reduction Fund (LDRRF) intended to provide finance to support community-level disaster risk reduction efforts. According to the final review of the CDMP’s first phase, as of September 2009, the LDRRF had provided support to an estimated 600,000 beneficiaries through 562 funded projects.⁷⁴ Project staff from the CDMP report that the LDRRF had US\$3.6 million in funding available for the first phase and has US\$37.3 million available in the second phase. The final review gave an overall positive assessment of the LDRRF and its achievements in setting up a process for funding community-level projects. Some challenges noted include ensuring sustainability of the projects and strengthening monitoring and evaluation.⁷⁵ The CDMP has also published a set of case studies highlighting projects funded by the LDRRF.⁷⁶

In an interview, CDMP staff involved in the LDRRF explained the processes through which projects are developed, funded and monitored. Building upon the work done in the CRA and the development of the RRAP, CDMP staff members undertake additional consultations



with the DMC to determine whether any new priorities have arisen. At the union level, following the consultation, the UDMC submits a formal proposal, often drawing from the technical support of the Project Implementation Officer (PIO), who is the MoFDM official at the upazila level. The proposal must be recommended by the UP chairman, verified by the PIO, and approved at the upazila level by the UNO and in some cases the UZP chairman. The engineering section of the CDMP then completes a technical review, and the proposal is reviewed by an LDRRF Technical Committee. Final review is undertaken by an Approval Committee, which is headed by the CDMP National Project Director and includes concerned ministry officials, a civil society representative, a UNDP representative, and relevant technical experts. Proposals can come from union, upazila, and even district level DMCs.

As the CDMP representatives explained, the LDRRF can distribute funds either to DMCs themselves or to NGOs, or to a combination of both. In the first phase of the CDMP, most funded projects were implemented by NGOs. However, in the second phase, the CDMP is trying to focus exclusively on working with the DMCs, although it does still work with NGOs. The fund aims to focus on schemes that can be implemented at the union level, but in the case of larger or more technical projects, it may choose to work at the upazila level. Projects are usually carried out by a project implementation committee, a seven-member group, which for union-level projects consists of two members of the UP, one male and one female (with at least one coming from the ward where the project will be carried out), a member of local civil society, a local NGO representative, and participants in the CRA process including women and vulnerable groups.

The CDMP staff members noted that the LDRRF aims to provide a direct funding channel to the local level, preferably the DMCs, to support projects that were generated through a participatory process that involves the community from the beginning. Funds are deposited in an account set up in the name of the project. In the case of upazila-level projects, the account can be accessed through a joint signature of the UNO and the PIO, while in the case of union-level projects, it is accessed by the UP chairman and UP secretary. The CDMP disburses funds in installments and requires progress reports and verification before additional funds are released. Monitoring is also carried out by the MoFDM and by local monitoring committees comprising the UNO, PIO, and other relevant upazila officials.

When asked whether issues arise from political influence at the upazila level, CDMP staff acknowledged that this can be a major challenge but that they have safeguards in place to prevent it. Another expert interviewed also noted that although he has not seen evidence of political influence from the MP over these funds, there is certainly potential for such influence to occur. According to CDMP staff, the LDRRF will not fund any projects not linked to an RRAP, which the staff assume to be non-political as it was developed with community input. Furthermore, in the development of schemes and project proposals, the CDMP undertakes an additional crosscheck of the information with communities to verify that the project has their support. Additionally, in the experience of staff interviewed, when schemes are proposed from the union level, the UNO does not generally make any changes and therefore does not exert political influence. The staff explained that getting the endorsement



of the UNO is important to ensure awareness of activities at the union level and because the UNO will play an important role in monitoring projects.

As previously noted, concerns have been raised by multiple people about a lack of capacity of the DMCs to undertake sound planning and project implementation. The CDMP staff agreed that this is a major barrier, and that while DMCs at the union level may be able to identify needed schemes, project preparation often requires the involvement of the PIO at the upazila level. Despite the goal of focusing LDRRF resources on the DMCs, staff reported that they continue to rely heavily on the technical support of NGOs and PIOs. Additional capacity building will be necessary to strengthen the role of the DMCs.

Although no extensive monitoring and evaluation information is available on the LDRRF, the funding mechanism appears to have strong attributes including its focus on the local level and goal of involving local government institutions. A representative of an NGO that has worked with the LDRRF reported that it is an overall relatively easy and effective system.

Nonetheless, the setup has some drawbacks. The project-by-project nature of the funding does not allow for a direct and predictable flow of finance to local government institutions. It also sets up a separate, parallel funding stream that is not fully linked to the normal budgeting and planning processes, including a separate bank account. This means that UPs may be further burdened by having to manage multiple different funding systems with different timelines, reporting, and auditing requirements. Furthermore, although CDMP staff members report no major problems, the role of the UNO and sometimes the UZP chairman in approving schemes raises concerns about possible political influence over local priorities, in the same way that a similar role for the UNO in reviewing schemes from the LGSP has led to complaints among some UP officials.

The Poverty, Environment and Climate Mainstreaming Project

Since July 2010, the GoB, through the General Economics Division of the Planning Commission, has been partnering with UNDP and UNEP on the Poverty, Environment and Climate Mainstreaming (PECM) Project. The goal of PECM is to improve mainstreaming of poverty, environment, and climate issues into Bangladesh's national planning and budgeting processes. As part of these efforts, PECM is working on revisions to government planning and budgeting processes, the CPEIR, and the creation of a Climate Fiscal Framework (CFF) at the national and local levels.⁷⁷

According to staff members, PECM plans to undertake a pilot study in late 2012 to inform the development of a CFF for local government institutions. This process, which will involve four unions within two upazilas, aims to build capacity for local governments to access and utilize additional resources for addressing climate change. The pilot project will test methods for identifying adaptation needs and associated costs; prioritizing adaptation actions; identifying funding sources including own revenues, donor funds, and government grants; and monitoring and evaluating progress. The PECM staff interviewed noted that this



work could potentially help local government institutions receive funding from the BCCTF and BCCRF, and the project will aim to link with other initiatives working on local governance. The outcomes and lessons learned from this pilot should be used to further inform efforts to channel adaptation finance to local governments.

Avoiding Parallel and Repetitive Systems

As discussed previously, mainstreaming and coordination are key goals in creating an effective mechanism for channeling adaptation finance to the local level. However, as this report has shown, a large number of initiatives are being undertaken in relation to local governance, climate change adaptation, and DRR, often without sufficient coordination. Multiple governance experts consulted reaffirmed the need for increased mainstreaming, with one pointing out that donor funding in Bangladesh tends to be allocated for specific issues in an uncoordinated way and another noting that this has created a problem of parallel structures in many cases. Efficient and effective linking of local and national level activities will require a more coordinated and integrated approach.





part III

RECOMMENDATIONS AND CONCLUSIONS





9

BUILDING ON LESSONS LEARNED AND OPPORTUNITIES FOR SYNERGIES

As the preceding sections have demonstrated, a large number of initiatives in Bangladesh have produced important lessons learned and built foundations for an effective mechanism to channel climate change adaptation finance down to the local level. Many projects and programs have elements related to the issues of adaptation, DRR, and decentralization and local governance, all of which could have important links to local adaptation finance (see Figure 6).

Initiative	Climate Change	Disaster Risk Reduction	Local Governance
BCCTF	Climate change finance available at national level	Potential for projects to support DRR	Potential involvement of local government institutions
BCCRF	Climate change finance available at national level	Potential for projects to support DRR	Potential involvement of local government institutions
CDMP-II	Objectives specifically include climate change adaptation	Flagship national program for disaster management	Focus on local level planning through CRAs and RRAPs
LDRRF	Finance to address local climate change impacts	Finance for local DRR	Project-based funding mechanism for local DMCs and NGOs
PECM	Mainstreaming climate change into development planning	Potential links to DRR	Piloting of a CFF for local government institutions



Initiative	Climate Change	Disaster Risk Reduction	Local Governance
LGSP-II			Direct finance mechanism and capacity building for UPs
UPGP			Good governance capacity building for UPs
UZGP			Good governance capacity building for UZPs
NGO efforts	Community-based adaptation planning	Community-level DRR planning	Support to improve governance and participatory planning and budgeting

Figure 6: Summary of Major Initiatives on Adaptation, DRR, and Local Governance

In many cases, however, these efforts remain uncoordinated, and a truly mainstreamed approach has not yet emerged. The key elements of an ideal local adaptation finance mechanism should draw from the best practices and frameworks of several existing initiatives, thus promoting integration and synergies instead of creating parallel and redundant systems (see Figure 7). A successful mechanism would not only facilitate effective adaptation and DRR, but it would also strengthen the capacity and functioning of local government institutions, to the benefit of broader development and democracy goals in Bangladesh.

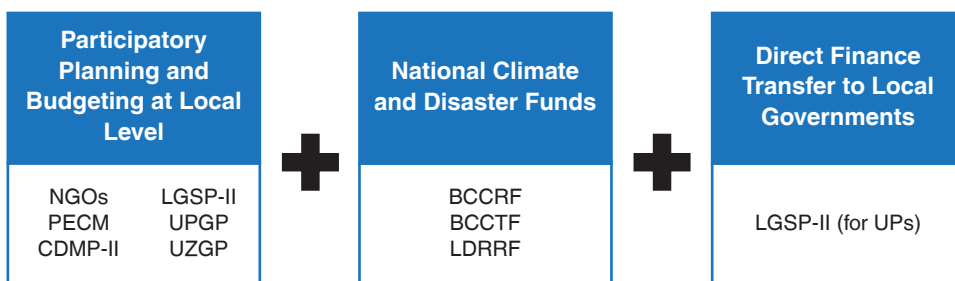


Figure 7: Building on Existing Systems and Initiatives

Through extensive literature and document reviews, interviews with key actors and experts, and discussions with community members at the local level, this study has compiled many lessons learned from existing initiatives that should provide guidance in the design of a local adaptation finance mechanism. Drawing on these lessons, we propose the following core principles for shaping an effective and equitable mechanism for channeling climate




adaptation finance from the national to the local level in Bangladesh. These principles in turn have shaped the recommendations for how to channel adaptation finance that are presented in the next chapters.

Core Principles

- **Strong community participation is essential** in all aspects of the planning, budgeting, implementation, monitoring, and evaluation processes.
- **Local government institutions must be transparent and accountable**, adhering to principles of participatory planning and budgeting and democratic processes.
- **Safeguards should be put in place to prevent political influence** from elites, pressure groups, and other tiers of government.
- **Local government institutions should receive finance through direct transfers** that give them the authority and flexibility to use these funds at their own discretion.
- **Adaptation finance should be mainstreamed into existing systems** including disaster risk reduction frameworks, local government financing mechanisms, and broader development planning.
- **Local government institutions should create sound plans** for disaster risk reduction and climate change adaptation that include a multi-year perspective.
- **Activities must be well coordinated between the union and upazila tiers** with each playing a clearly defined role in line with its jurisdiction, authority, and capacity.
- **Capacity and knowledge building is vitally necessary at all levels** and should be undertaken through a coordinated effort with the support of relevant government agencies and NGOs.
- **NGOs should play a supporting role** that helps to strengthen local government institutions where needed but does not undermine the authority of those institutions as the primary centers for planning and decision-making at the local level.
- **The definition of adaptation should be broad** in order to allow communities and local government institutions enough flexibility to use finance for adaptation needs they prioritize, without restrictive limitations.
- **Rigorous systems for monitoring and evaluation (M&E) are needed** and should combine top-down approaches with participatory methods undertaken by communities themselves.





10

A RECOMMENDED MECHANISM FOR LOCAL ADAPTATION FINANCE

Based on the opportunities for synergies and core principles outlined in the preceding section, and drawing from all of the lessons learned and input collected throughout the study, we propose the following mechanism for channeling adaptation finance from the national level to local government institutions (see Figure 8). The proposal is meant to outline an ideal mechanism as it might exist in the medium term. Given current policy and institutional restrictions, such a system could not be set up immediately and would require time to evolve. The goal of this study is to propose a mechanism that builds on existing systems, is practical and feasible, and yet strives for greater coordination, mainstreaming, and focus on local institutions than currently exists. The next chapter will explore how to begin putting such a channel into practice through a proposed pilot project that could be funded by the BCCTF and BCCRF.

Box 10

Key Aspects of the Local Adaptation Finance Mechanism

- A unified National Climate Fund provides finance through a local government window.
- Union and Upazila DMCs are expanded to form Disaster Risk Reduction and Climate Change Adaptation (DRR-CCA) committees.
- NGOs and government agencies play a supporting role through capacity building and technical input.
- DRR-CCA committees prepare DRR-CCA plans covering a multi-year timeframe and based on community input.



- Adaptation finance is allocated to unions and upazilas based on a formula incorporating climate vulnerability, poverty level, population, and area.
- Funds are transferred directly to UP or UZP bank accounts through a mainstreamed approach using the existing LGSP-II mechanism in the case of UPs.
- Auditing and biannual reporting occurs in line with existing frameworks.
- Additional M&E is undertaken at the national level, at the level of local government institutions, and by communities themselves.

Unified National Climate Fund with Local Government Window

In the medium to long term, the BCCTF and BCCRF should be pooled into a single National Climate Fund with a unified governance structure and procedures for disbursing money. This would improve coordination by reducing the number of parallel funding streams. Donors could make contributions to this fund, but it would be managed and overseen exclusively by the GoB, through a Board of Trustees that should be expanded to include greater participation from civil society and vulnerable communities. Furthermore, an ideal future fund would be increasingly mainstreamed. In the case of the local government window, rather than requiring applications on a project-by-project basis, a consistent and predictable level of funding should flow to local government institutions on an annual basis. In the longer term, the process should be further mainstreamed into government planning and budgeting processes, with donors providing direct budget support.

Initially, a set percentage (for example 20%) of the available funding would be allocated to a local government window, just as 10% of the BCCRF has been allocated for a civil society window. A starting allocation of 20% would make substantial finance available to local government institutions, but securing a larger share may require first demonstrating the effectiveness of this local adaptation finance approach in comparison to other options. Over time, this percentage could be increased if local government institutions collectively demonstrate good performance and capable handling of the funds. The majority of the funding would be designated for UPs, with a proportion also going to UZPs. Within each tier, funding would be allocated among local government institutions on the basis of a set formula drawn from several relevant indicators developed in consultation with experts. Using a formula is intended to reduce the potential for political influence over the allocation of funds. These indicators should be clear and transparent and include climate change vulnerability, poverty level, population, and area.

The funds for the local government window would be transferred to the LGD, in order to take advantage of its experience in managing finance transfers to UPs and UZPs. In addition, the LDDRF and other funding sources aimed at local-level adaptation or DRR should strongly consider transitioning into a system where funds flow into this same common pool, rather than being distributed on a project-by-project basis through separate channels.



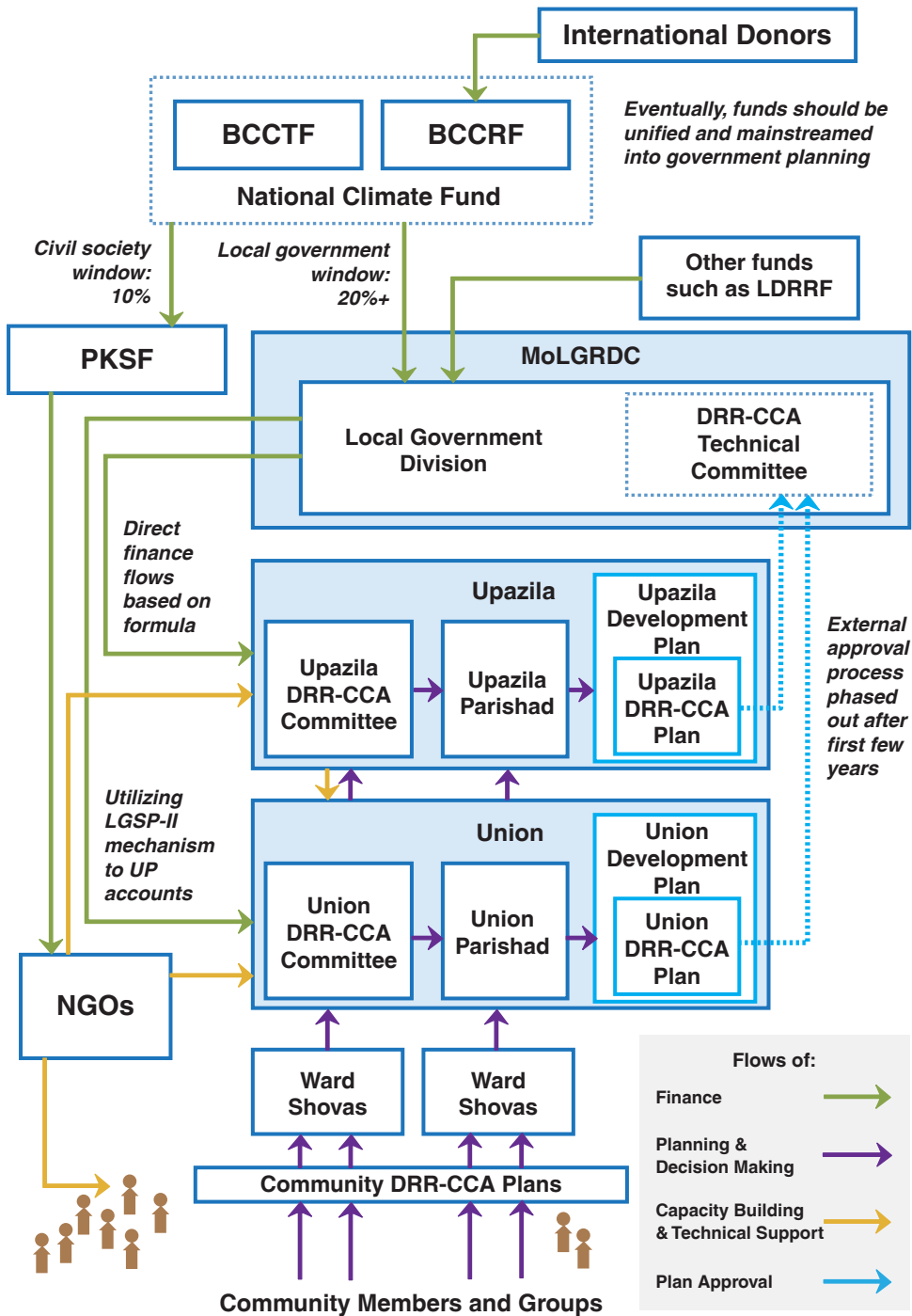


Figure 8: Recommended Local Climate Adaptation Finance Mechanism for Bangladesh



In order to qualify for receiving funds, local government institutions would have to meet certain criteria, including having an approved Disaster Risk Reduction and Climate Change Adaptation plan (DRR-CCA plan) and a functioning committee capable of supervising disaster and climate adaptation issues. Furthermore, UPs would need to meet basic qualifying criteria for funding from the LGSP-II, including a clean audit record, evidence of participatory planning and budgeting, and submission of biannual progress reports. As good governance measures are developed for UZPs, these should also become basic criteria for UZPs to receive finance for DRR-CCA activities.

Box 11

Criteria for Receiving Local Adaptation Finance

- ✓ UPs must meet the basic criteria for the LGSP-II funding
 - Positive audit report
 - Evidence of participatory planning and budgeting
 - Biannual performance and financial reports submitted
- ✓ A functioning DRR-CCA committee
- ✓ A DRR-CCA plan

Local Disaster Risk Reduction and Climate Change Adaptation Planning

The planning and decision-making process for using climate adaptation finance would begin at the community level. Two separate but integrated processes would take place. First, UPs and UZPs would create DRR-CCA plans that have a multi-year outlook and are integrated with wider development plans where possible. Second, UPs and UZPs would make annual budget decisions, in line with their normal budgeting process, to undertake activities that support the DRR-CCA plans.

Step 1: Multi-Year DRR-CCA Plans

In order to ensure a mainstreamed and coordinated approach, the climate change adaptation planning process should build upon the existing frameworks for DRR created as part of the CDMP-II and Bangladesh's overall disaster management approach, including the DMCs and the CRA and RRAP processes. Although there are some differences between DRR and CCA as discussed earlier, the many similarities warrant an integrated process that avoids the creation of parallel and repetitive systems. However, the foundations from DRR should be strengthened to include a more robust and participatory process and a longer-term view incorporating future climate change.

The existing DMCs would be expanded to create DRR-CCA committees. Capacity building would be provided to support the DMCs to improve their planning capability and to incorporate a longer-term view that accounts for future climate impacts. The DRR-CCA



committees should be considered standing committees, with the mandate and responsibility to meet on a regular basis.

At the UP level, the DRR-CCA committee membership should match that of the existing DMCs, with the addition of civil society and NGO representatives specializing in climate change, scientific experts as necessary, and representatives from climate vulnerable groups. The committee would be responsible for preparing the DRR-CCA plan, advising the UP on how to support the plan during the annual budgeting process, helping to coordinate implementation of projects in line with the plan, and monitoring progress over time.

The creation of the DRR-CCA plans should be driven from the ground up with significant input from communities. The CRAs and RRAPs, where they exist, could form the initial foundation for the planning process. However, due to the limitations in these plans and processes as described earlier, they should be further strengthened through a more participatory and long-term process. In addition, whenever possible, DRR-CCA plans should be integrated into the broader development plans of the union or upazila in order to increase mainstreaming. At the most grassroots level, NGOs and government agencies would provide capacity building and technical knowledge to help communities address adaptation and DRR. This would include working with communities to undertake participatory vulnerability assessments and create community-level DRR-CCA plans.

To initiate the process of creating the DRR-CCA plan at the union level, each ward representative would hold an open ward shova meeting to solicit input about needs and priorities from the community. In this process, communities would have the opportunity to provide input based on their community DRR-CCA plans. The elected ward representatives would then communicate this information to the union DRR-CCA committee, which would incorporate and synthesize it to create the draft DRR-CCA plan. This plan should aim to incorporate identified priorities from each ward while also addressing needs that span the entire union. Again, NGOs and relevant government agencies could play a role in providing additional knowledge and technical support as needed. After completing the draft plan, the DRR-CCA committee would hold a meeting open to all constituents of the union to solicit feedback. After making any needed revisions, the committee would submit the plan to the UP, which would have the final authority to enact it. As noted before, where possible this planning process should be integrated into the broader process for UP development plans and budgets.

At the upazila level, the DRR-CCA committee would consist of the UZP, the UNO and upazila officers representing the relevant line ministries, representatives from civil society and NGOs, and representatives from vulnerable communities. Since all UP chairmen are members of the UZP, they would be charged with communicating the priorities outlined in their respective DRR-CCA plans. In order to reduce problems of political influence as discussed previously, the MP should have no role in the DRR-CCA committee. However, it must be noted that as long as the MP continues to have a mandatory advisory role to the UZP, the influence of the MP over upazila-level and even union-level processes is likely unavoidable. The upazila planning process should take place after all of the unions have completed their plans. The upazila DRR-CCA committee would draft an upazila DRR-CCA



plan, then hold a meeting (or several meetings if needed) open to all upazila constituents to solicit feedback. After making any necessary revisions, the UZP would have the final authority to enact the plan.

As discussed in this study, the appropriate roles and authority of the union and upazila tiers of government remain an issue of significant debate. The upazila tier does have access to greater technical resources in the form of line ministry officials. However, given the problems of political and bureaucratic influence, and since participatory planning and budgeting processes exist primarily at the union level, the union tier should be the primary focus for bottom-up climate adaptation finance. If governance processes occur as intended, then vulnerable communities should have a direct voice in decision-making through ward shovas and open UP meetings. In cases where capacity is currently lacking, UPs and communities should be supported in strengthening their knowledge and capabilities with regard to climate change and disaster planning. Upazila officials could provide technical support to UPs as needed. Although upazilas would also receive some adaptation finance through this proposed mechanism, the upazila plans should focus on activities that would not be feasible to do at the union level (such as issues spanning multiple unions or those requiring very high technical capacity) and should help ensure coordination throughout the upazila.

After creating their DRR-CCA plans, UPs and UZPs would then have these plans approved by an external DRR-CCA Technical Committee within the LGD. The committee would consist of staff with expertise on issues of DRR, adaptation, and local governance, along with representatives from civil society and NGOs, and representatives from vulnerable populations across the country.

The Technical Committee would review the plans for feasibility, effectiveness of proposed adaptation activities, alignment with national climate priorities, and for ensuring that the plans were created through a participatory process with community input. Given the potential for introducing new bureaucratic or political barriers to the local planning process, the Technical Committee must be set up to be highly transparent and efficient. It would use a publicly available and very clear set of criteria for deciding whether to approve the DRR-CCA plans. It would also have a short time window to make a decision on the plans and for any plans not approved would be required to send to the respective union or upazila a clear list of which criteria were not met. The Technical Committee would also have the responsibility for external monitoring and evaluation (M&E) of progress, supplementing the work of the DRR-CCA committees at the local level. Over time, as capacity is built up within the local DRR-CCA committees, this Technical Committee would be phased out and external approvals would no longer be required for local level DRR-CCA plans.

These DRR-CCA plans should initially have a medium-term time horizon of three to five years, with the goal of moving toward a longer-term perspective in the future. As processes are strengthened for broader development planning at the union and upazila levels, these DRR-CCA plans should be integrated as elements of development plans rather than as separate entities.



Step 2: Flexible Annual Budgeting and Direct Finance to UPs and UZPs

The presence of a functioning DRR-CCA committee and plan should be a requirement for UPs and UZPs to receive finance from the National Climate Fund, in order to ensure that sufficient institutional capacity and high-quality plans are in place. However, once these conditions and other basic good governance criteria are met, local government institutions should have a high degree of flexibility and discretion in how they use the money in any particular year. Before the start of each annual budget process, UPs and UZPs would be informed of their allocation of DRR-CCA finance, based on the set formula. For all UPs and UZPs that qualify, this finance would be channeled directly to their general accounts and be fully mainstreamed with the rest of the annual budget process.

Given the advantages of a direct transfer approach in increasing local authority over funding decisions, the LGSP-II should be the favored mechanism for channeling money to UPs for DRR-CCA activities. This mechanism has the benefit of being tested and gradually institutionalized over time, and UPs are now familiar with it. In addition, both the World Bank and the GoB have reaffirmed their confidence in the LGSP approach by initiating a new, second phase. If UPs can meet the fiduciary and governance standards for receiving funds through the LGSP-II, then they should also meet standards for direct finance from other sources such as climate funds.

To simplify planning processes and promote mainstreaming, all funding to UPs would be provided on the same timeline as LGSP-II funds, and budget decisions would occur as part of regular budget meetings. At ward shovas and UP budget meetings, DRR-CCA plans would be made publicly available to help inform community decisions. However, these annual budget decisions would be left to the discretion of local government institutions to determine through the participatory budgeting process as outlined in the 2009 UP Act, and no external approval would be required for use of the funds. In order to promote full integration with the LGSP-II system, UP projects will also need to undergo the review process by the BGCC at the upazila level as previously explained. However, taking into account concerns from some UP representatives, this process should be closely monitored to ensure that it does not provide an opening for political influence from the upazila level that may hinder the implementation of projects prioritized by communities.

At the upazila level, funding should also occur through a direct finance mechanism to the elected UZPs. Given current policies, the best system for this is likely channeling the finance through the existing ADP Block Grants to upazilas. However, the findings from the pilot projects under the UZGP will likely provide further insights into how to improve finance transfers to the UZP. As with the UPs, the finance mechanism should be mainstreamed into broader development planning and budgeting wherever possible.

It should be noted that UPs and UZPs could also supplement this funding by raising their own revenues through tax collection and other means. Although this may be a more sustainable option than depending on grants from the central government and outside donors, it is not consistent with the notion that vulnerable communities should not have to bear the costs of adapting to climate change. Communities and local government



institutions should be free to utilize their own resources however they choose, but this study focuses on how they can gain increased access to external funding sources.

Auditing, Monitoring, and Evaluation

In order to promote mainstreaming and integration, the auditing and reporting systems at the UP level should be built into those being developed under the LGSP-II. Audits being conducted for LGSP-II funds should also cover the DRR-CCA funds. In addition, biannual progress and financial reporting for DRR-CCA funds should be fully integrated into LGSP-II processes, including the web-based Management Information System (MIS) for collecting data. In this way, DRR-CCA funds would be treated as a component of the broader UP budget rather than as a separate funding stream. At the upazila level, auditing and reporting should also be integrated as much as possible into existing systems.

In addition to financial auditing, further M&E should track the effectiveness of adaptation and DRR activities undertaken with the support of this local finance mechanism. It should consist of both top down, external M&E as well as bottom-up, participatory M&E undertaken by communities themselves.¹ At the grassroots level, NGOs would assist communities in undertaking participatory M&E to determine whether adaptation activities are meeting their needs. Local-level M&E would be undertaken by the union and upazila DRR-CCA committees, which would hold open meetings to report on progress and solicit feedback from community members about whether adaptation activities are serving their needs. At the national level, the Technical Committee would conduct M&E focused primarily on whether the funds are being used and accounted for properly, whether the process is indeed participatory, and whether adaptation activities continue to be well-coordinated and in line with national adaptation objectives. Again, these efforts should be integrated into M&E for broader development activities where possible.

As Brooks et al. explain, attempts to measure adaptation outcomes for M&E must address a number of challenges, including the lack of any single indicator that completely captures adaptation and the fact that adaptation will in many cases be a long-term process that cannot be easily evaluated in the short timeframe of most projects or programs. As a result, M&E for adaptation should supplement measurement of adaptation outcomes with alternative indicators that can be assessed more readily. These include measures of the capacity of institutions and governance systems to address current and future climate risks, as well as indicators of the vulnerability of populations to climate hazards. The authors propose a framework for evaluating adaptation that combines an “upstream” track looking at the capacity of institutions, processes, and policies to address and integrate climate risks, and a “downstream” track that will encompass development and vulnerability indicators.² This framework provides a strong foundation for considering options for effective M&E of local climate adaptation finance. ARCAB has also begun efforts to adapt and apply this framework to M&E of CBA in Bangladesh.³ In addition, Donner et al. (2011) suggest a rigorous evaluation approach using a randomized trial model to determine what adaptation measures are most effective,⁴ and this approach could also be beneficial for evaluation of local adaptation financing.



Role of NGOs

NGOs should play a supporting role in this mechanism for local adaptation finance. Local government institutions should have clear authority over planning and decision-making, and NGOs should not engage in activities that might undermine government institutions by creating parallel systems. Furthermore, local government institutions should have the ability to coordinate the activities of NGOs within their jurisdiction. NGOs can, however, play an important role in capacity building for adaptation planning both for local government institutions and among community groups. This should include a focus not only on adaptation and DRR planning, but also on educating communities about their rights to demand services from local government representatives and participate in the planning and budgeting process. In addition, NGOs can play an important role in M&E by supporting communities in undertaking participatory M&E activities.

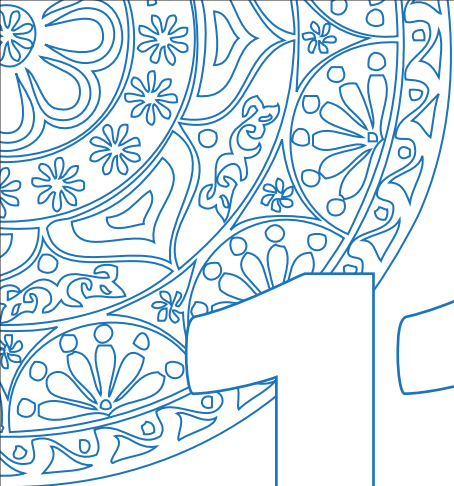
Capacity and knowledge building efforts should be carried out by carefully selected NGOs with an established track record working on these issues. To improve coordination and avoid redundant or overlapping activities, NGOs should form a coalition and partner with relevant government agencies to develop a standardized toolkit and approach for DRR-CCA capacity building and M&E that could be applied consistently across the country. NGOs would still qualify to receive funding from the National Climate Fund through the civil society window, and this money could be used in part for these capacity building and M&E activities.

Distinguishing Adaptation from Development

The question of how to distinguish adaptation activities from normal development projects could pose challenges to utilizing the finance provided through this local adaptation mechanism. In order to avoid maladaptation and build true resilience, UP and UZP plans must go beyond supporting basic development needs and adopt a long-term perspective that accounts for future climate change impacts. However, it is important that definitions of what qualifies as adaptation are not so rigid as to hinder the ability of local government institutions to utilize climate adaptation finance.

This recommended finance mechanism is designed to provide a high degree of discretion to local government institutions, acting with strong input from communities, to decide how to spend adaptation finance according to their needs and priorities. The close link to DRR activities highlights the need for flexibility and the challenges in separating adaptation from other activities at the local level. Within this framework, effective adaptation can be best ensured through capacity and knowledge building of communities and local government institutions. People at the local level should be empowered and supported with necessary scientific and technical knowledge. A deep understanding of climate change will allow them to take decision-making about adaptation into their own hands. Building this capacity may take time, which is why the proposed DRR-CCA Technical Committee will help to review plans in the interim. Ultimately, however, decisions about what qualifies as adaptation for the purposes of local adaptation finance should rest with local government institutions and the empowered and knowledgeable communities that they represent.





11

PUTTING IDEAS INTO PRACTICE: SUBMITTING PROPOSALS TO THE CLIMATE FUNDS

The setup outlined in the previous chapter provides an overview of an ideal adaptation finance channel that would reach the local level. However, such a channel could not be instituted immediately. The current architecture of both the BCCTF and BCCRF accepts proposals for specific projects to be submitted by government agencies, as discussed previously. This presents an opportunity for submitting a proposal to pilot many aspects of the framework outlined above and to rigorously test it. If successful, the pilot project would demonstrate the feasibility of the proposal, suggest areas for improvement, and lay the groundwork for a more permanent and mainstreamed system in the future.

To maximize potential resources, a proposal should be submitted to both the BCCTF and the BCCRF. Although the precise application forms, procedures, and timelines for the two funds differ, the local government finance mechanism proposed for each should be identical. Since the ultimate goal is to provide a single, mainstreamed flow of adaptation finance to the local level, care must be taken to ensure that duplicate, parallel systems are not created in the process of applying for money from separate funds.

Since unions and upazilas may have difficulty accessing the funds individually, a single application should be prepared by the MoLGRDC on behalf of local government institutions. We propose a project that would include two primary phases.

Phase I

In the first phase, which should last one to two years, a number of unions and upazilas would be selected for the pilot based on the same criteria that would eventually be used to allocate adaptation funds, including climate vulnerability, poverty level, population, and area. These unions and upazilas would then be supported with capacity building, the final outcome and



deliverable of which should be the formation of a DRR-CCA committee and the creation of a three-year DRR-CCA plan for each of the selected local government institutions through the process outlined in the previous chapter. In addition to the capacity building of local government institutions, vulnerable communities would also be supported with capacity and knowledge building to assess vulnerabilities and create community-level DRR-CCA plans, which would then feed into the other plans.

Capacity building would be undertaken by a coalition of NGOs, government agencies, and other relevant organizations. The coalition could be led by the NILG, working in cooperation with other key agencies and programs working on climate and disaster issues, such as the CCU, the CDMP-II, and PECM. In addition, the coalition should include representatives from local governance projects such as the LGSP-II, UPGP, and UZGP. Other relevant agencies, such as the Bangladesh Academy for Rural Development (BARD) and the Rural Development Academy (RDA), should be involved as well. Working together, these groups would design a standardized toolkit for capacity building at the community, union, and upazila levels. The central goal would be to draw from the best practices and experiences of different organizations to create a highly integrated process for capacity building that combines adaptation, DRR, and local governance work. This coordinated approach would be crucial for improving mainstreaming and breaking down current barriers among parallel systems. Once designed, these capacity building activities would be implemented in pilot unions and upazilas. In addition, the first phase would include the standing up of the DRR-CCA Technical Committee in the LGD.

Phase II

In the second phase, which would last three years, all of the pilot unions and upazilas that have successfully created a functioning DRR-CCA committee and have had a DRR-CCA plan approved by the Technical Committee, while also meeting basic good governance criteria required by the LGSP-II, would be eligible to begin receiving finance. Funds should be set up to flow from the BCCTF and the BCCRF into a pooled fund at the LGD. The funds would then be sent directly into UP bank accounts using the same mechanism and on the same timeline as the LGSP-II and directly into UZP bank accounts using the ADP Block Grant mechanism. UPs and UZPs would then undertake their normal participatory planning and budgeting processes to determine how these funds will be utilized and would implement selected activities.



Monitoring and Evaluation

Monitoring and evaluation, at the community level through participatory M&E, at the local level by union and upazila DRR-CCA committees, and at the national level by the DRR-CCA Technical Committee, would be a critical element of the pilot project. Since this project is intended to pilot a new approach for channeling adaptation finance to local governments and, if successful, motivate the scaling up and scaling out of the approach in subsequent years, extra attention must be focused on clearly demonstrating the impact of the project.



This should include a rigorous evaluation approach that compares the pilot unions and upazilas to a control sample.¹ Given the long timeline for adaptation, as previously discussed, evaluation should focus more on indicators such as levels of community participation in planning meetings, community members' and government officials' knowledge of climate change, community perceptions of government responsiveness to needs, and level of reflection of community priorities in UP and UZP plans and budgets.





12 CONCLUSIONS AND NEXT STEPS

Ensuring that climate change adaptation finance actually flows to and serves the needs of the world's poorest and most vulnerable communities will require careful consideration of the institutions and processes used to channel the funds. A strong case for a bottom-up approach arises from experiences with aid effectiveness, community-based adaptation, decentralization and local governance, and principles of democratic participation in decision-making. Only when those most affected by climate change have a strong voice in driving solutions will adaptation be truly effective, equitable, and sustainable. This study explores the role that local government institutions can play as a vital gateway for helping vulnerable communities to access needed resources.

In the context of Bangladesh, these research findings have demonstrated that many initiatives with the potential to increase local access to climate adaptation finance are already underway. At the grassroots, NGOs and government agencies are helping communities to better understand the threats they face from climate change and to address these challenges within a broader framework of risk reduction. At the level of local government institutions, major projects are underway to improve governance, promote participatory planning and budgeting, and increase the level of resources available to carry out development activities, including adaptation and DRR. At the national level, policy frameworks have been strengthened and both the government and development partners have contributed financial resources.

The challenge, then, is to tie these emerging initiatives together and then scale them up and out. More work is needed to ensure that these efforts build upon synergies instead of creating parallel and uncoordinated systems. This study has proposed a mechanism that would integrate with several existing frameworks to provide adaptation finance directly to local government institutions using a system that has already been tested and expanded



across the country. The goal throughout has been to promote mainstreaming and a simplified process that reduces the burdens on local government institutions.

Additional research could help to further refine the design of this local adaptation finance mechanism. For example, a more rigorous review could be undertaken to assess the current capacity of several relevant local governance institutions across the country, including DMCs and ward shovas. A better understanding of the extent to which such institutions are functioning would provide a much better picture of gaps and capacity building needs. More analysis is also needed to improve capacity building activities and determine how to best provide communities with the knowledge and resources they need to undertake adaptation planning. Further monitoring should be undertaken to determine to what extent the involvement of the UNO and other upazila officials in reviewing projects for the LGSP-II, LDRRF, and other finance mechanisms may introduce political bias or override UP and community priorities. In addition, further research could help to create a formula that accurately captures local climate vulnerabilities and can be used for the fair allocation of adaptation finance resources to unions and upazilas. Research is also needed to better assess and budget both the costs of capacity building and the costs of adaptation at the local level in order to determine optimal grant allocations. As additional evaluations and lessons learned become available from related initiatives, such as the UPGP, UZGP, and PECM, these too could provide insights.

The most valuable knowledge, however, would be generated by piloting the mechanism put forward in this report and testing its effectiveness through rigorous monitoring and evaluation. The lessons learned from the pilot would help to inform future efforts and refine the model. If successful, the pilot would demonstrate the feasibility of utilizing a direct fiscal transfer mechanism for climate change adaptation finance in the Bangladesh context. This in turn would make the case to policymakers and development partners that the mechanism should be scaled up and out across the country. This framework could provide benefits not only in terms of climate change adaptation and DRR, but also with regard to local democratic governance and development progress more broadly. These efforts have the potential to empower communities to take adaptation into their own hands and build the foundation for a truly sustainable and climate-resilient future.





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Chapter 10

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Annexes

Annex I: List of Focus Group Discussions and Field Interviews

Specific locations have been omitted from this list in order to preserve anonymity of research participants.

Location	Participants	Notes
Naogaon District		
Union	UP chairman and members	This UP had received training from AAB and AAB had provided direct budget support to the UP account, transferred through the local NGO partner.
	GGD members	Participants came from the same GGD within the union.
Union	GGD members	Participants came from several GGDs in the union. In this union, AAB had not provided direct budget support to the UP. Rather, GGDs continued to receive resources directly through AAB's local NGO partner.
Upazila	UZP chairman, UNO, and two UP chairmen	
Patuakhali District		
Union	UP chairman and members	AAB had not worked on any direct local governance or climate change adaptation planning projects with this UP.
	Displaced community members	These community members had been displaced by a cyclone. AAB had helped to secure government land for them and built new, disaster-resistant housing. However, AAB had not undertaken any additional capacity building or climate change adaptation planning with them, except for providing training on homestead gardening and cattle rearing.
Union	UP chairman and members	This UP had received training from AAB's local NGO partner and AAB had provided direct budget support to the UP account.
	GGD members	These GGD members represented four different GGDs active in the union.
Upazila	UNO	
	UZP chairman	
	Upazila Agriculture Officer	
	Assistant Commissioner for Land	



Location	Participants	Notes
Upazila	Group including a UZP vice chairman and representatives from the media, NGOs, and academia	
Dhaka		
Dhaka	UP chairmen and members	This group was in Dhaka to attend events organized by the BUPF.

Annex II: List of Key Informants

Some key informants have been omitted from this list to preserve anonymity. Individuals interviewed together are listed together.

Name	Title	Organization
AFM Shahidur Rahman	Global Coordinator, International Food Security Network, Right to Food theme	ActionAid International/ActionAid Bangladesh
Dr. Ainun Nishat	Vice Chancellor	BRAC University
Md. Mahbubur Rahman Tulu, Ataharul Islam Bulbul, Dalar Kumar Saha, Abdul Wadud, Samiul Haque Abul	BUPF President and UP chairman; BUPF Adviser; Office Manager; UP chairman; BUPF Adviser and UP chairman	BUPF
Selim Reza Hasan	Director, Program Development Unit	CARE Bangladesh
Dr. Engr. Md. Liakath Ali and Sanjib Kumar Saha	Climate Change Adaptation Specialist; Response/Adaptation Management Analyst	CDMP
Otin Dewan, Dr. Mohd. Shahadt Hossain Mahmud, and Mohammad Mohiuddin	LDRRF Fund Management Specialist; Rural Risk Reduction Specialist; Community Risk Assessment Analyst	CDMP
Md. Shamsuddoha	Chief Executive	Center for Participatory Research & Development
Joanne Manda	Climate Change and Environment Advisor	DFID Bangladesh



Name	Title	Organization
Khurshid Alam	Climate Change and Disaster Specialist	Independent Consultant
Syed Shahnawaz Ali	Program Manager, DRR	Islamic Relief Worldwide, Bangladesh
Shamima Nargis	Joint Secretary	Local Government Division, Ministry of Local Government, Rural Development, and Cooperatives
Monisha Biswas and Afroz Mahal	Manager, Policy and Advocacy Department; Program Coordinator	Oxfam GB Bangladesh
A.K.M. Mamunur Rashid, Dr. Nurun Nahar, and Md. Abdul Awal Sarker	Project Manager; Planning Expert; Young Professional Officer	PECM
Dr. Hossain Zillur Rahman	Executive Chairman	Power and Participation Research Center
Wahida Musarrat Anita	Program Officer, Aid Effectiveness and Climate	Royal Danish Embassy, Dhaka
Dr. Iftekhar Zaman	Executive Director	TIB
Shaila Khan and Dr. Tofail Ahmed	Assistant Country Director, Local Governance; Local Governance Advisor	UNDP Bangladesh
Dr. Salahuddin Aminuzzaman	Professor, Department of Public Administration	University of Dhaka



