



*Institute of Governance Studies,
BRAC University*

*Climate Change Finance and Governance:
Bangladesh Perspectives*

Faiz Ahmed Chowdhury

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Institute of Governance Studies

SK Center (5th - 7th Floor), GP, JA-4, TB Gate, Mohakhali,

Dhaka 1212, Bangladesh

Tel: +88 02 881 0306, 881 0320, 881 0326, +88 01199 810 380, +88 35303

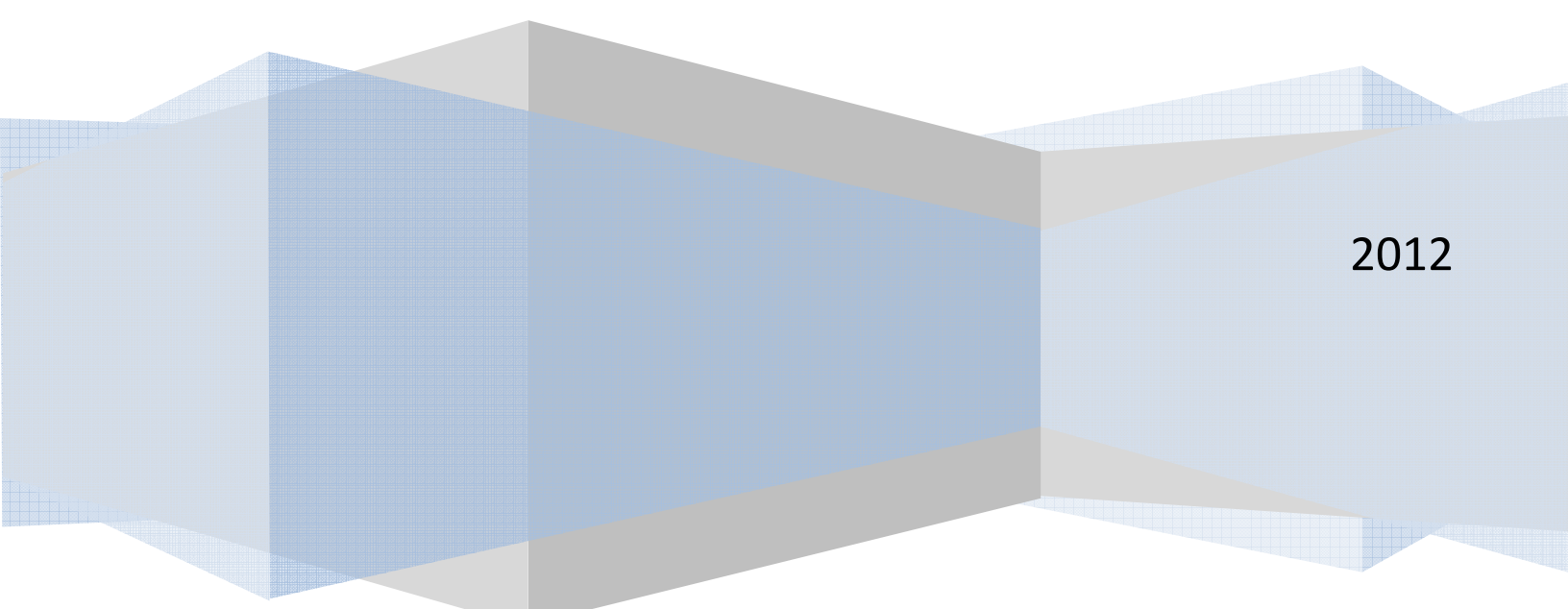
Fax: +88 02 883 2542

Web: www.igs-bracu.ac.bd

Email: igs-info@bracu.ac.bd

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Faiz Ahmed Chowdhury



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ACRONYMS & ABBREVIATIONS

ADP	Annual Development Plan
ADB	Asian Development Bank
AF	Adaptation Fund
BAP	Bali Action Plan
BCCRF	Bangladesh Climate Change Resilience Fund
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BCCTF	Bangladesh Climate Change Trust Fund
BEISP	Bangladesh Environmental Institutional Strengthening Project
BSPCR	Bangladesh Special Programme for Climate Resilience
BASIC	Group of countries: Brazil, South Africa, India and China
CBFF	Congo Basin Forest Fund
CCU	Climate Change Unit
CIF	Climate Investment Fund
COP	Conference of the Parties
CDMP	Comprehensive Disaster Management Plan
CSO	Civil Society Organization
CSP	Country Strategy Programme
CTF	Clean Technology Fund
DANIDA	Danish International Development Agency
DFID	Department for International Development
DP	Development Partners
DRR	Disaster Risk Reduction
DRM	Disaster Risk Management
EC	European Commission
ECFC	Empowerment of Coastal fishing Communities
ETF	Environmental Transformation Fund
ERD	Economic Relations Division
EU	European Union
FCPF	Forest Carbon Partnership Facility
FSF	Fast Start Funding
GEF	Global Environment Facility
GCCA	Global Climate Change Alliance
GCF	Green Climate Fund
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GoB	Government of Bangladesh
GCF	Green Climate Fund
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
HDI	Human Development Index
HI	Hatoyama Initiative
ICI	International Climate Initiative
IFCI	International Forest Carbon Initiative
IPCC	Intergovernmental Panel on Climate Change

IFC	International Finance Centre
JCS	Joint Coordination Strategy
KPAF	Adaptation Fund under the Kyoto Protocol
LDC	Least Developed Countries
LDCF	Least Developed Countries" Fund
MDB	Multilateral Development Bank
MDG	Millennium Development Goals
MDTF	Multi Donor Trust Fund
MIC	Middle Income Country
MoEF	Ministry of Environment and Forests
MoFDM	Ministry of Food and Disaster Management
MRV	Monitoring, Reporting and Verification
NAPA	National Adaptation Program of Action
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PPCR	World Bank's Pilot Programme for Climate Resilience
PRSP	Poverty Reduction Strategy Paper
RAF	Resource Allocation Framework
REDD	Reducing Emissions from Deforestation and forest Degradation
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SDC	Swiss Agency for Development and Cooperation
SEMP	Sustainable Environmental management Program
SIDS	Small Island Developing States
SPA	Strategic Priority on Adaptation
SPCR	Strategic Programme for Climate Resilience
SIDA	Swedish International Development Agency
SREP	Scaling-Up Renewable Energy Program for Low Income Countries
STAR	System for the Transparent Allocation of Resources
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNAGF	United Nations High level Advisory Group on Finance
WB	World Bank
WMI	Water Management Improvement Project
WRI	World Resources Institute

Climate Change Finance and Governance: Bangladesh Perspectives

1. INTRODUCTION

Climate change is now widely recognized as a human-made problem with significant long-term economic and social effects. The latest report of the Inter-governmental Panel on Climate Change (IPCC) concludes that human activities contribute significantly to the observed global warming and the resultant climate change and the developed North is mostly responsible for the outcome. Addressing its causes and impacts has become an international priority.

Poor people especially in the developing world are already bearing the negative impacts of climate change. Because drastic mitigation through substantive reduction in greenhouse gas emissions especially from the industrialized North is yet to take off, climatic variability and change are likely to get worse and extend further into the future. Such shifts in climatic regime threaten to undermine a wide range of human rights of present and future generations. They also threaten to push people into poverty and underdevelopment, and lock millions deeper into it. Adaptation is looking to be a long-term requirement in poor countries like Bangladesh which are most compelled but least equipped to undertake. They need a system that will deliver adequate and effective financing for climate action, especially adaptation.

An immediate as well as strategic response to the climate crisis is “financing” the losses, recovery, mitigation and adaptation measures. For this purpose, mobilization of unprecedented levels of finance is required. On the one hand, it is required to enable people, communities and nations to deal with the present and as well as already unavoidable future impacts of climate change, much of which are irreversible. On the other hand, it is needed to make the systemic and technological transformation necessary to prevent worst catastrophes, solve global warming and heal the planet.

Since climate finance is crucial to deal with the challenges posed by global climatic variability, it is imperative for climate vulnerable countries like Bangladesh to identify appropriate sources, access and utilize the available international funding windows. To explore the avenues for climate resources, the paper intends to address the following research questions –

- Review existing assessments of global financial needs for climatic actions (adaptation and mitigation).
- Identify accessible sources of international climate funds.
- Assess the current state of funding mechanisms in Bangladesh to address the challenges of climate change.
- Identify the governance constraints in Bangladesh to access sufficient international climate funds.

2. BACKGROUND

The financial resources that are being mobilised to mitigate climate change and allow developing and the least developed countries (LDCs) to adapt to the impacts of climate change are known as ‘climate finance’¹. The poor countries of the world will bear the brunt of global climatic variations despite the fact that they have had little contribution for the outcome. The data presented in Annex I depict that countries having less than 20% of the world’s population are estimated to be responsible for 75% of total historic carbon emissions.

The developed countries are required to act fast in order to reduce the adaptation and mitigation costs. It is estimated that an annual global emissions reduction of 17 billion tonnes by 2020 and 35 billion tonnes by 2030 is required to limit global mean temperature increase to 2°C above pre-industrial levels (UNFCCC 2010a). There is an urgency to raise new and additional finance at a global level in order to meet the above mentioned targets. The Copenhagen Accord pledged to raise \$30 billion from 2010 to 2012, which would be increased to \$100 billion per year by 2020 in order to address the climatic challenges in the developing countries for mitigation and adaptation measures.

The whole issue of climate finance has been unearthed from the fact that the industrialized countries have caused lasting damage to the atmosphere through their fossil-fuel based economic growth over a century. The political emergence of the developing world forced the industrialized nations to recognize the historical responsibility for climate change. The governments and citizens of the Southern countries do not consider climate finance as a charity on the part of the developed world, rather terms it as reparation for the damage caused to the atmosphere. Apart from the advocacy activities of the civil society organizations (CSOs) in developing countries, the accountability of the governments in the developed countries to their citizens is also a principle driver for climate finance.

3. METHODOLOGY

This paper presents the state of accessible sources of international climate funds, intended to identify the governance constraints in Bangladesh to access those funding windows. The analysis is predominantly based on information from the secondary literature. The sources included relevant books, articles, journals and reports. Among other documents reviewed for this study include - the Government of Bangladesh (GoB) policy documents, reports published by development partners (DPs), Annual Economic Review, Report on the flow of External Aid, and other reports on climate finance. In addition to these sources, necessary materials related to climate change finance were collected through websites. Apart from reviewing secondary literature, the concerned officials of the relevant government agencies, local offices of DPs’ and civil society organizations

¹ The term, ‘climate financing’ usually includes financial flows for reducing emissions, i.e. mitigation, as well as measures for adapting to the consequences of climate change, but there are no clear definitions. Climate financing can be viewed either as comprising of only the flows from developed to developing countries or flows within and between all countries.

(CSOs), and other stakeholders have also been consulted. All the information and data were analyzed to draw conclusion of the relevant objectives of the paper. Both quantitative and qualitative data were used for the analysis. Data was verified through cross checks from multiple data sources. The analysis was both backward tracking and forward looking.

4. GLOBAL CLIMATE FINANCE ESTIMATES

The need for global climate finance vary according to different organizations which includes the costs of adaptation, mitigation or reducing emissions from deforestation and forest degradation (REDD). Overall, the climate finance estimates ranges from US\$150-200 billion annually by 2020. The countries listed in Annex I pledged in Copenhagen 2009, to transfer US\$30 billion in fast-start finance for the developing and most vulnerable countries from 2010-2012 for adaptation and mitigation actions. It has been agreed in Cancun to scale up funding for climate actions to US\$100 billion annually by 2020. It is very important for the developed world to build confidence with the developing countries in the global climate negotiations by fulfilling the pledges made in Cancun. However, there still remain many unresolved questions regarding the sources of new financial resources, and how these flows will be managed and guided.

4.1 Global Adaptation Finance

Adaptation finance is extremely important for the developing countries that are the likely to suffer most as a result of global climatic change. Fund for adaptation is required in response to the impacts of climate change, such as flooding, coastal erosion, river bank erosion and so on. Adaptation finance is likely to be sourced from the public or private sector and may be raised by using different instruments in different forms (e.g. grants or loans). Funding is also necessary for technological adoption and to implement other activities related to adaptation.

4.2 Financial Needs for Adaptation

Estimates of financial needs for adaptation vary from one organization to the other. According to an estimate of World Bank study (2010), it will cost \$70 - \$100 billion each year (at 2005 prices) to adapt to climate change between now and 2050. On the other hand, the UNFCCC estimated that additional investments and financial flows of \$60-182 billion for adaptation are needed globally in 2030, out of which \$28-67 billion are needed in developing countries. After scrutinizing the UNFCCC's estimates of adaptation finance, Parry and colleagues (2009) opined that UNFCCC did not consider some other associated costs which include - the cost associated with ecosystems, energy, manufacturing, retailing, and tourism have not been covered; the sectors that have been included have been only partially covered; and the additional costs of adaptation have sometimes been calculated as 'climate mark-ups' against low levels of assumed investment.

There are differences in terms of the estimates of adaptation finance. The cost estimates of World Bank are different from those of the African Group, G77, and Oxfam. Each group has its own agenda in supporting different estimates and with it a differing role for public versus private financing. The World Bank, representing its donor shareholders, tends to estimate lower values overall and a larger role for the private sector, whereas other groups, taking the viewpoint of potential recipients, tend to estimate higher values with a larger share of it coming from public sources.

Table 1: Adaptation Costs (\$ Billion per year)

	2010-2012	2010-2015	2010-2020	2020	2030
European Commission (2009)	3-4			13-30	
World Bank (2006)		9-41			
Stern Review (2006)		4-37			
UNDP HDR (2007)		83-105			
UNFCCC (2007)					28-67
World Bank EACC (2010)					70-100
Project Catalyst (2009)			13-25		
G77 + China* (2009)				200-400	
African Group (2009)				>67	
Oxfam (2007)	>50				

Source: Author's compilation from different sources

Table 2: Mitigation Costs (\$ Billion per year)

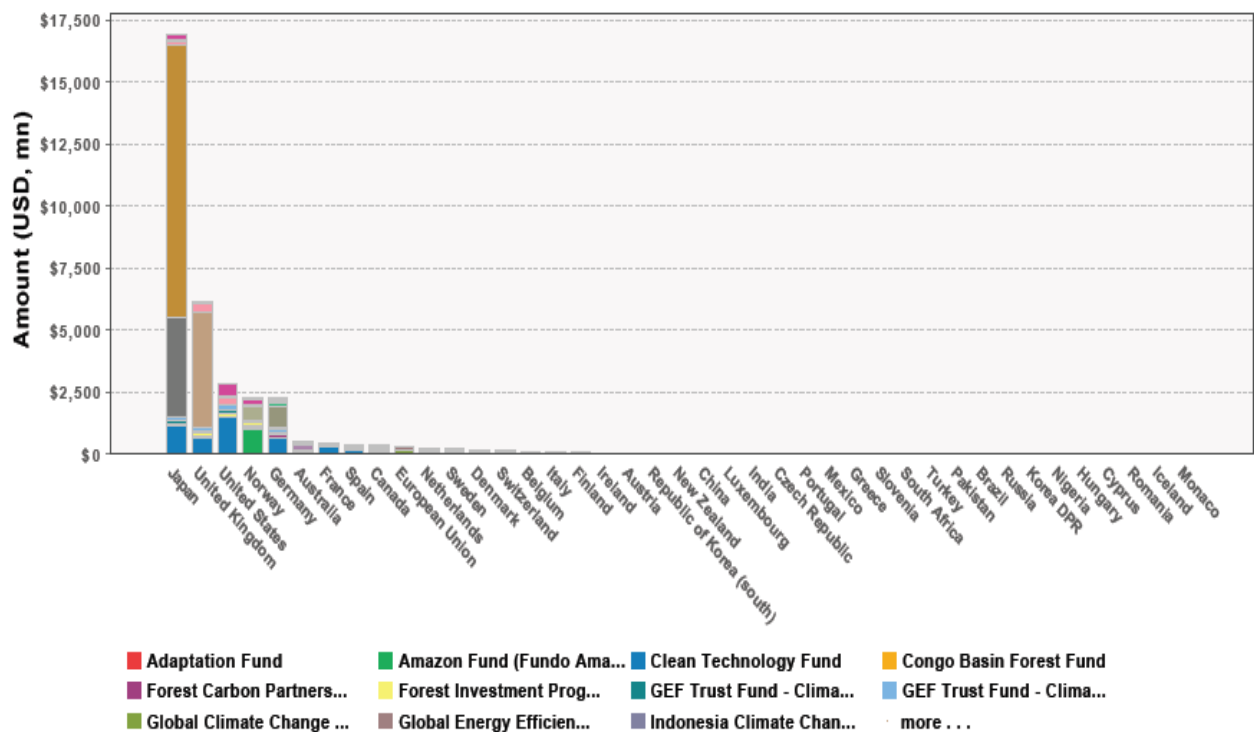
	2010-2012	2010-2015	2010-2020	2020	2030
European Commission (2009)	1.25			118	
McKinsey & Co (2009)			81-113		
Pacific Northwest National Lab (2008)					139
UNFCCC (2007)					92-97
Project Catalyst (2009)			69-100		
G77 + China* (2009)				200-400	
African Group (2009)				200	
Oxfam (2007)				100	

Source: Author's compilation from different sources

5. ANALYSIS OF CURRENTLY AVAILABLE FUNDING FOR CLIMATE ACTIONS

The developed country governments are the main actors in climate finance mechanisms and working through a number of bilateral initiatives, the World Bank through its administration of the Climate Investment Funds (CIFs) and the Global Environmental Facility (GEF), and the Kyoto Protocol Adaptation Fund. In recent times, the role of the Multilateral Development Banks (MDBs) in scaling up climate finance is increasing.

Figure 1: Pledges by Donor Countries

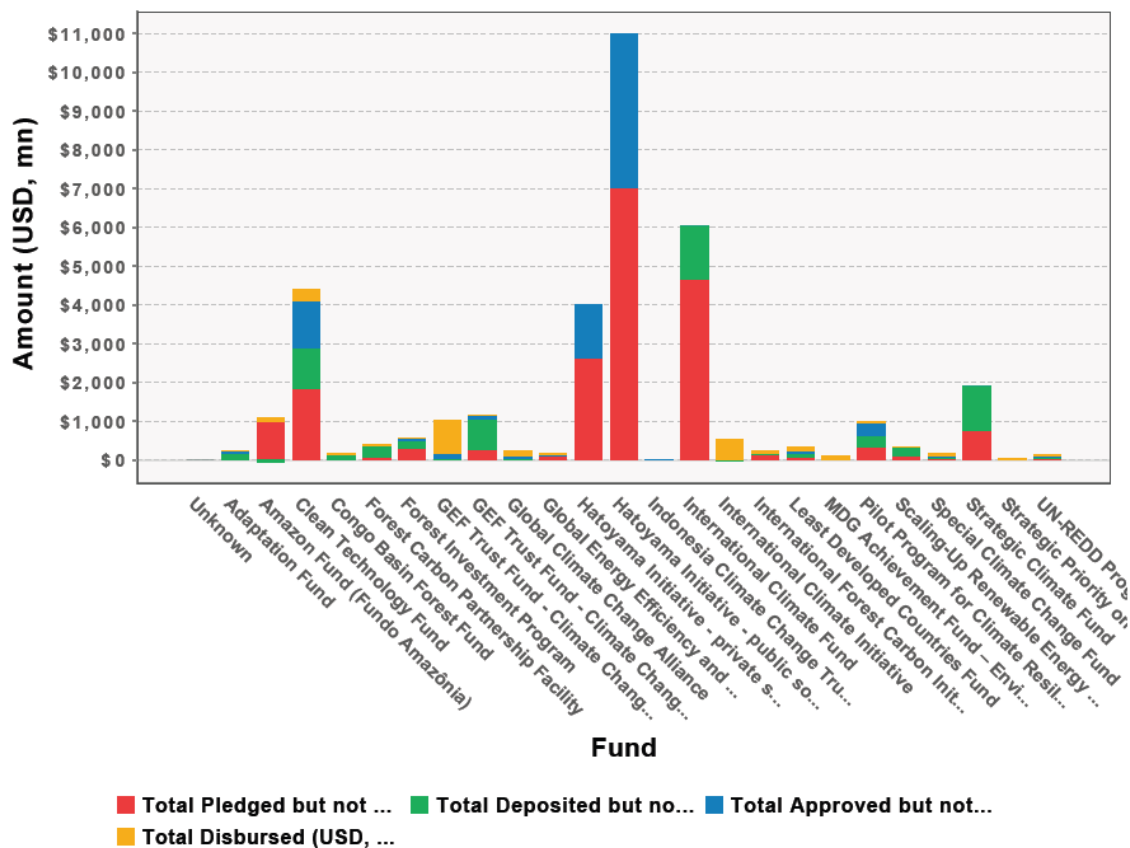


Source: www.climatefundsupdate.org, accessed on February 27, 2012

5.1 Bilateral Initiatives

Some countries like Japan, Germany and Australia prefer to fund climate change projects in developing countries through bilateral initiatives. Japan through the Hatoyama Initiative has been the largest contributor. The government of Japan has disbursed \$5.3 billion, of which \$3.9 billion is public money since 2008 and the rest amount of money coming from private loans used for mitigation projects.

Figure 2: Funds Pledged, Deposited, Approved and Disbursed



Source: www.climatefundsupdates.org, accessed on December 20, 2011

Following Japan, Germany is the second largest contributor funding through bilateral initiatives, specifically through the International Climate Initiative (ICI), with a total amount of \$270.9 million disbursed since 2008. The funding of ICI comes mainly from the sale of tradable emission certificates and provides financial support to international projects supporting climate change mitigation, adaptation, as well as biodiversity projects with climate relevance.

The third largest contributor in bilateral initiative is Australia. The government of Australia has disbursed \$66.1 million since 2007 through the International Forest Carbon Initiative (IFCI). This initiative aims to increase international forest carbon monitoring and accounting capacity to show how reducing emissions from deforestation can be included in a future international climate change framework. Indonesia and Papua New Guinea are the two main beneficiaries of this initiative.

5.2 Global Environmental Facility (GEF)

The GEF has got the largest environmental funding track record since its formation in 1991. It also serves as an operating entity of the financial mechanism under the UNFCCC and currently administers two funds under the guidance of the UNFCCC Conference of Parties, supporting the development of adaptation plans and implementation of projects in

developing countries via the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF).

The GEF-4 (fourth replenishment) disbursed \$1.0 billion to climate change related projects from 2006 to 2010. The criteria for GEF's fund allocation is quite complex. GEF's current funding mechanism - the Resource Allocation Framework (RAF) uses the logic that abatement costs will be lower in countries with higher GHG emissions than in countries with lower emissions. Because of this logic, countries with higher GHG emissions are prioritized in receiving climate finance whereas countries with lower GHG emissions but more vulnerable to climatic impacts are deprived. A new System for the Transparent Allocation of Resources (STAR) has been introduced by GEF, which will replace RAF and enable direct access to finance.

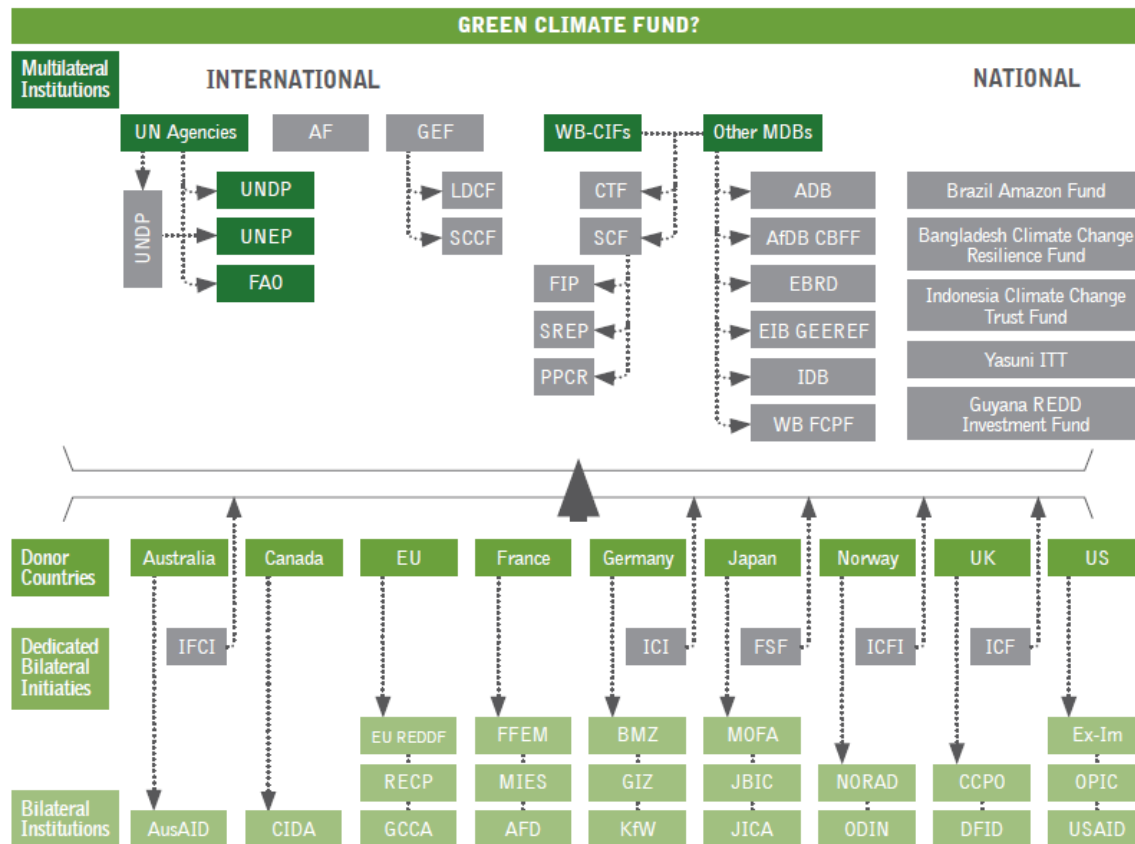
5.3 Multilateral Development Banks (MDBs)

During the last couple of years, MDBs have become very active in climate finance. In 2009, MDB mitigation financing was \$17 billion which is projected to increase by \$21 billion in 2012. Loans, equity, grants and concessional financing are the major financing instruments of the MDBs. MDBs have extended significant technical support to their clients during the identification, preparation and implementation of climate change programs and projects. MDBs have given priority to the mitigation projects while the adaptation projects remained extremely underfunded.

5.4 Climate Investment Funds (CIFs) and the Kyoto Protocol Adaptation Fund

Very insignificant amount of money have been channeled through these funding initiatives although these two delivery mechanisms have been preferred by some countries listed in Annex I, including the UK and the United States. Both the funding initiatives have set instances on how financial resources should be administered in a more transparent and accountable manner, breaking away from the traditional donor country-dominated governance structure of development funding initiatives. Moreover, in the governance structure of these two funds, a more equitable representation of all stakeholders have been established, although there remains differences between the CIFs' and the AF's approach to increasing developing countries' voice in fund governance. For example, within the two CIFs' Trust Funds, the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF), decision-making is undertaken by trust fund committees, which have equal representation from both developed and developing countries. The Adaptation Fund Board is a perfect example of balanced representation of groups including Developed countries, the Small Island Developing States and the Least Developed Countries, but giving developing countries a slight majority.

Figure 3: Global Climate Finance Architecture



Source: www.climatefundsupdate.org

5.5 Adaptation Finance Instruments

The multilateral adaptation finance instruments that have disbursed funds to-date are discussed below:

5.5.1 The Least Developed Countries Fund (LDCF)

The LDCF for the most part supports the preparation and the execution of National Adaptation Programmes of Action (NAPAs), and has disbursed \$142 million since 2002. The LDCF is governed by the Global Environment Facility (GEF), an operating entity of the financial mechanism of the UNFCCC. All the LDCs are eligible to access LDCF support. Proposals submitted for funding under the LDCF are reviewed in light of agreed project criteria drawn from the UNFCCC COP guidance.

5.5.2 The Special Climate Change Fund (SCCF)

The SCCF was established in 2002 and like LDCF this funding initiative is also administered by the GEF on behalf of the UNFCCC COP. Till now, this funding window

has disbursed \$97 million in support of long-term adaptation measures that increase the resilience of national development sectors to the impacts of climate change.

5.5.3 The Strategic Priority on Adaptation (SPA)

Administered by GEF, SPA was a three-year pilot programme that supported pilot and demonstration projects to show how adaptation planning and assessment can be practically translated into full-scale projects. Between 2004 and 2010, around \$50 million was disbursed through this funding initiative. Projects were integrated into national policy and sustainable development planning on the basis of information provided in National Communications or other national studies, including NAPAs.

5.5.4 The Pilot Program for Climate Resilience (PPCR)

PPCR is a programme under the World Bank administered Climate Investment Funds. With the objective of providing incentives for integrating climate resilience into national development planning, PPCR was established in 2008. So far, PPCR has disbursed \$9 million to a small set of 12 pilot countries and regions. Funding from this pilot programme is planned to cease after 2012. However, in the absence of a comprehensive new international climate agreement by this date, the ‘sunset clause’ might be extended.

Table 3: Sources of Available Climate Funding

Fund	Type	Administered By	Areas of Focus	Date Operational
Adaptation Fund under the Kyoto Protocol (KPAF)	Multilateral	Adaptation Fund Board	Adaptation	2009
Amazon Fund (Fundo Amazonia)	Multilateral	Brazilian Development Bank (BNDES)	Adaptation, Mitigation, REDD	2009
Clean Technology Fund (CTF)	Multilateral	World Bank	Mitigation	2008
Congo Basin Forest Fund (CBFF)	Multilateral	African Development Bank	REDD	2008
Environmental Transformation Fund (ETF) – International Window	Bilateral	Government of the United Kingdom (channeled entirely through the World Bank, FCPF, and the CBFF)	Adaptation, Mitigation	2008

Forest Carbon Partnership Facility (FCPF)	Multilateral	World Bank	REDD	2008
Forest Investment Program	Multilateral	World Bank	REDD	2009
GEF Trust Fund – Climate Change focal area (GEF 4th replenishment round)	Multilateral	The Global Environment Facility (GEF) – completed	Adaptation, Mitigation	2006
GEF Trust Fund – Climate Change focal area (GEF 5th replenishment round)	Multilateral	The Global Environment Facility (GEF)	Adaptation, Mitigation	2010
Global Climate Change Alliance (GCCA)	Multilateral	European Commission	Adaptation, Mitigation, REDD	2008
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	Multilateral	European Commission	Mitigation	2008
Hatoyama Initiative (follow up to Cool Earth Initiative)	Bilateral	Government of Japan Note: this includes some private sector loans	Adaptation, Mitigation	2008
International Climate Initiative (ICI)	Bilateral	Government of Germany	Adaptation, Mitigation, REDD	2008
International Forest Carbon Initiative (IFCI)	Bilateral	Government of Australia	REDD	2007
Least Developed Countries Fund (LDCF)	Multilateral	The Global Environment Facility (GEF)	Adaptation	2002
MDG	Multilateral	UNDP	Adaptation,	2007

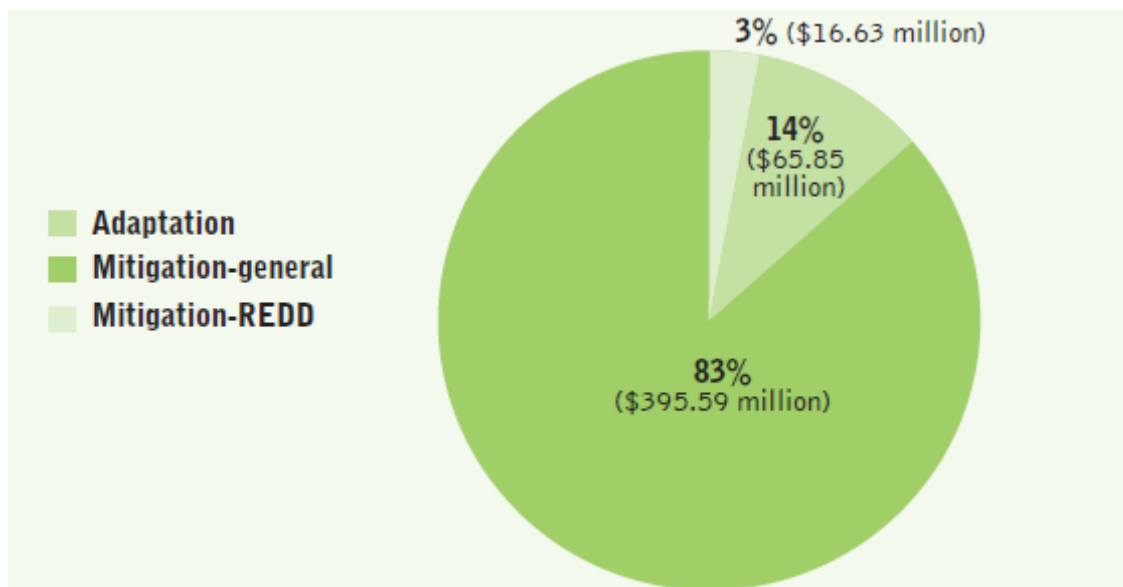
Achievement Fund – Environment and Climate Change thematic window			Mitigation	
Pilot Program on Climate Resilience (PPCR)	Multilateral	World Bank	Adaptation	2008
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	Multilateral	World Bank	Mitigation	2009
Special Climate Change Fund (SCCF)	Multilateral	The Global Environment Facility (GEF)	Adaptation	2002
Strategic Climate Fund (SCF) -- umbrella fund, including SREP, PPCR, FIP	Multilateral	World Bank	Adaptation, Mitigation, REDD	2008
Strategic Priority on Adaptation (SPA)	Multilateral	The Global Environment Facility (GEF); completed	Adaptation	2004
UN-REDD Programme	Multilateral	UNDP	REDD	2008

Source: www.climatefundsupdate.org, accessed on January 30, 2012

5.5.5 The Adaptation Fund (AF)

This funding window was set up under the Kyoto Protocol and made operational in 2009. Senegal was the first country to receive finance for adaptation project through this funding initiative in November 2010. It is the only multilateral adaptation finance mechanism that allows developing countries to access directly to its resources. All the other funding initiatives require an implementing agency such as UNDP or the World Bank to mediate.

Figure 4: Funding for Climate Projects by Theme for Asia and the Pacific



Source: www.climatefundsupdate.org, accessed on October 10, 2011

Note: These numbers do not reflect the total amount of climate finance in the region, but only the public funding channeled through some 20 dedicated bilateral and multilateral climate funds and funding mechanisms, for which tracking data is available.

5.6 Fast-Start Climate Finance

The developed countries formally committed to collectively provide resources worth USD 30 billion for the period of 2010 – 2012, to support developing countries' climate efforts reiterating a pledge made in Copenhagen in 2009. This so-called "fast-start" finance will help developing countries, particularly the poorest and most vulnerable ones, to mitigate their greenhouse gas emissions, and adapt and cope with the effects of climate change. Much depends on the developed countries as how they keep their promises in order to build trust between developed and developing countries in the international climate negotiations.

According to World Resources Institute (WRI), as of May 2011, around 21 developed countries and the European Commission have publicly announced their individual fast-start finance pledges, which totaled USD 28.14 billion. While this represents a significant step in the right direction, developed countries still have much to do in meeting their fast-start pledges.

There has to be a balanced allocation between adaptation and mitigation in fast-start funds and these funds prioritized the most vulnerable developing countries, such as the LDCs, Small Island Developing States (SIDS) and Africa as mandated in the Cancun Agreements in December 2011. However, there are ambiguities in the developed countries' fast-start finance contributions in fulfilling these criteria. In addition to meeting these criteria, the next step for developed countries is to increase the

transparency of their fast-start finance contributions. The Annex I countries are supposed to submit information to the UNFCCC secretariat, for compilation, on the resources provided to fulfill their fast-start finance commitment by May 2011 as has been mentioned in the Cancun Agreements.

Table 4: Developed Country Fast-Start Climate Finance Pledges (In Million USD)

Australia	640
Belgium	415
Canada	214
Denmark	231
European Commission	215
European Union	10,307
Finland	157
France	1,804
Germany	1,804
Iceland	1
Ireland	143
Japan	15,000
Luxembourg	13
Malta	1
Netherlands	444
Norway	1000
Portugal	52
Slovenia	11
Spain	537
Sweden	1145
Switzerland	159
United Kingdom	2,459
United States	1,707

Source: WRI, accessed on December 20, 2011

The fast start finances have targeted the developing countries which are highly vulnerable to climate change impacts because their scarce resources to adapt to the effects of climate change. These countries are especially vulnerable to increased droughts and floods, rising sea levels, and greater uncertainty in the agricultural sector. LDCs and SIDS in particular are recognized as needing special consideration due to their extreme vulnerability. For these reasons, developed countries have pledged to prioritize fast start funds for the most vulnerable countries. Several countries are channeling their fast start finance through the Least Developed Countries Fund or the Adaptation Fund, many are channeling finance directly to SIDS and LDCs. Australia in particular, argues that it will channel at least 25% of its fast-start finance to SIDS.

The involvement of WB and MDBs in climate finance has been challenged by many developing countries including G77+China, who would like to see climate financing mechanisms consolidated under a global climate fund with UNFCCC authority. The

criticisms revolve around the MDBs because of the fear of these agencies' superfluous conditionalities attached to monies channeled through the banks or the concern of high administrative fees taken out by the banks. Recently, Bangladesh refused to receive contributions from UK's Multi Donor Trust Fund program via WB (Adam/Vidal 2010).

5.7 Long-Term Financing/ Green Climate Fund

Regarding long-term financing, it has been agreed in Cancun that scaled-up, new and additional, predictable and adequate funding shall be provided by developed countries to developing country parties, especially to those countries which are particularly vulnerable to adverse effects of climate change. The level of funding was proposed to be raised to US\$100 billion by 2020, for both mitigation and adaptation activities.

The urgent need of LDCs is adaptation. The LDCs are exempted from mitigation activities, although they may undertake such activities voluntarily with financial and technological support from the international community, and without compromising their economic growth and poverty reduction goals. Clearly, it is essential that these funds are allocated in a balanced manner between mitigation and adaptation from the perspectives of the recipient countries.

The Green Fund that has been established in Cancun and made operational in CoP-17 in Durban. In the meantime, a process has been established to work out the details of the Fund. The Fund Board is comprised of 24 members, includes representatives from LDCs and SIDS. The Transitional Committee of 40 members also has two representatives each from of these two groups of countries. This seems to be a positive sign considering the inclusion of LDC and SIDS representatives in the fund mechanism.

The design of the GCF has to address a large number of concerns, the details of which remain unresolved within the negotiations. Issues relating to what role it will play in providing sustainable finance at scale; how it will fit into the existing development assistance and climate financing architecture; how it will allocate finance to developing countries; and how finance will be delivered effectively, all remain to be clarified. This represents an ambitious agenda and much progress will need to be made quickly if a working proposal is to be presented to the delegates at the next COP meeting in Doha.

LDCs are more vulnerable to climate change as they do not have the resources to deal with the challenges posed by global climatic variability. Hence, international funding for climate change is very critical for the LDCs to adapt to the climatic woes. The countries listed in Annex I, have also responded to the needs of LDCS if not adequate to deal with the catastrophes. A number of international funding windows are available for the LDCs, both for adaptation and mitigation as has been discussed above. But the challenge is whether the LDCs have the capacity to access and utilize those opportunities. Being an LDC, Bangladesh has to face tougher challenges as the country is also termed as 'one of the most vulnerable countries' due to climate change. The case of Bangladesh has been examined below in this regard.

6. CLIMATE FINANCE MECHANISM AND GOVERNANCE IN BANGLADESH

Bangladesh has been maintaining a solid GDP growth rate of 5.5 to 6 percent annually, as a result of good macroeconomic policies and a vigorous private sector. The country has been identified as one of the so-called “next 11 countries with basically promising outlooks for investment and future growth”². But climate change threatens to undermine recent economic development that the country has achieved.

Bangladesh was one of the early movers in preparing the NAPA. The Government of Bangladesh (GoB) launched the NAPA in 2005, which identified 15 priority activities, including general awareness raising, capacity building, and project implementation in vulnerable regions, with special focus on agriculture and water resources. It has been further updated in 2009 and identified 45 adaptation measures with 18 immediate and medium term adaptation measures. It has been found that the technical legacy of the NAPA process is recognized in the high-level planning arena only and its implementation is not very satisfactory³. Steps have been undertaken to increase capacity on climate change in the country, starting with the establishment of the Climate Change cell under the CDMP in 2003 which was renamed as the Climate Change Unit in 2008. An important step was made by GoB through preparing the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2008 which was revised later on in 2009. BCCSAP has six thematic areas:

- Food security, social protection & health
- Comprehensive disaster management
- Infrastructure
- Mitigation and low carbon development
- Research and knowledge management
- Capacity building and institutional

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

6.1 Cost of Climate Change in Bangladesh

Bangladesh lacks the financial resources to bear the costs incurred by climate change for which the country is barely responsible. The current financial allocations for climate change fall way short of what is needed. A recent World Bank study estimated the costs of climate change in Bangladesh which took into account some high impact sectors and only the technology costs of responses⁴.

It has been projected that \$5.5 billion and \$112 million in annual recurrent costs will be needed by 2050 to protect against storm surge risk. Although numerous cyclone shelters have been constructed to protect all current coastal area residents, an additional 2,930

² According to Goldman and Sachs, quoted in Swiss Agency for Development and Cooperation SDC Cooperation Strategy Bangladesh 2008-12

³ COWI and IIED 2009- Bangladesh case study

⁴ Ibid.

shelters will need to be constructed by 2050 at an estimated cost of \$628 million to accommodate an increasing number of populations in the coastal areas of Bangladesh. Protecting against the added risks from climate change will require further strengthening of 59 polders; afforesting sea-facing polders to reduce the hydraulic load of storm surges; constructing 5,702 additional cyclone shelters; additional measures are expected to require an additional \$2.4 billion in investments and \$50 million in annual recurrent costs.

6.2 Funding Mechanisms

There are several funding mechanisms that exist in Bangladesh, one funded by the GoB (the Bangladesh Climate Change Trust Fund - BCCTF) and the other financed by several donors (the Bangladesh Climate Change Resilience Fund - BCCRF). Apart from these, there are another two multi-donor programmes on climate change; one is part of the World Bank's Pilot Programme for Climate Resilience (PPCR), and the Bangladesh Special Programme for Climate Resilience (SPCR). There is also a second phase of the CDMP starting, which includes some activities on climate change. Consequently, now there are two trust funds for climate change activities in Bangladesh, with similar amounts of initial funding and no clear lines of distinction about roles and activities. The details of these funding windows have been discussed below.

Table 5: Commitment/ Ongoing Projects on Climate Change Supported by Development Partners

Name of Donors	Title of the Project	Amount
ADB	Supporting Implementation of Bangladesh Climate Change Strategy and Action Plan	\$ 2.0 million
	Strengthening the Resilience of the Water sector in Khulna to Climate Change	\$ 600 thousand
	Emergency Disaster Damage Rehabilitation	\$ 120 million
	Adaptation and Impact Assessment	\$ 1.2 million
CIDA	Bangladesh Environmental Institutional Strengthening Project (BEISP)	\$ 5.0 million
	Emergency Disaster Damage Rehabilitation Project of ADB	\$ 10.2 million
DFID	CDMP by supporting Climate Change Cell of MoEF	£ 12.0 million
	Climate Change Program - 'Climate and Life' (2009-2014)	£ 30.0 million
Denmark	Support to some Climate Change Projects	DKK 25 million
German Technical Cooperation (GTZ) & European	Complementary project of 'Integrated Protected Area Co-management Project '	\$ 7.0 million

Commission		
EU	Action Plan on Climate Change in Development	€ 23.3 million
EU/FAO	Support to Assist Landless and Small Farmers in Impoverished Area	\$ 10.0 million
JICA	Emergency Disaster Damage Rehabilitation Project	JPY 6.9 million
	Grant for Disaster Prevention and Construction of Multipurpose Cyclone Shelters in the cyclone Sidr affected areas	JPY 960.0million
	Grant for Flood Forecast / Warning System	JPY 260.0million
	Small Scale Water Resource Development Project	JPY 7.5 billion
USAID	Integrated protected area co-management	\$ 15.0 million
	Construction of 75 - 100 Multipurpose cyclone shelters in cyclone Sidr affected areas of Khulna and Barisal	\$ 38.4 million
Sweden International Development Agency (SIDA)	UNICEF Post Cyclone Project	SEK 24.3 million
Swiss Agency for Development and Cooperation (SDC)	Emergency Assistance for Cyclone Sidr and for Post Flood Rehabilitation	\$ 5.5 million
United Nations Development Programme (UNDP)	Community based adaptation to climate change through coastal afforestation	\$ 5.6 million
	Second National communication to the UNFCCC	\$ 0.5 million
	Comprehensive Disaster Management Program (CDMP-II)	\$ 50.0 million
	Poverty- Environment- Climate Mainstreaming	\$ 3.0 million
	Coastal and Wetland Biodiversity Management at Cox's Bazaar and Hakaluki Haor	\$ 5.0 million
	Sustainable Environmental management Program (SEMP)	\$ 26.4 million
	Empowerment of Coastal fishing Communities (ECFC)	\$ 6.0 million
World Bank	Clean Air and Sustainable Environment	\$ 62.2 million
	Water Management Improvement Project (WMI)	\$ 102.26 million
	Rural Electrification and Renewable Energy Development (RER Project)	\$ 130.0 million
	Emergency Cyclone Recovery and Restoration Project	\$ 109.0 million

6.2.1 The Bangladesh Climate Change Resilience Fund (BCCRF)

One of the donor financed funding windows in Bangladesh - the BCCRF has been established with an amount of US\$110 million, funded principally by DFID (\$87 million), and also now by Denmark (\$1.6 million), Sweden (\$11.5 million), the EU (\$10.4 million) and Switzerland. The BCCRF was created with the intention to support the BCCSAP and provide funding for climate change management, primarily adaptation but also mitigation. This fund is supposed to provide high-level coordination, eliminate overlaps, provide donor harmonization, flexible fund management and transparency. The BCCRF will have two windows, one for funding public sector projects and the other for funding projects from private sector and civil society.

The BCCRF became operational in 2010 with a two-tiered governance structure. The governing council includes - GoB ministries, development partners and the WB Country Director as an observer. The governing council is supposed to oversee the fund with a management committee which will select the proposals for funding and implementation⁵. The World Bank will act as the secretariat for an initial three years until GoB capacity is built up. However, the procedures of World Bank have been criticized for being lengthy in terms of assessing the funds. The BCCRF has now emerged as a model at the global level for other countries to follow⁶.

6.2.2 Bangladesh Climate Change Trust Fund (BCCTF)

The Government of Bangladesh has established BCCSAP with its own resource by allocating about US\$100 million in 2009-10. A similar amount has been budgeted for FY 2010-11 as well. So far, the BCCTF has approved a total of 66 projects (38 from GoB and 28 from NGOs). There are 34 GoB projects under implementation of which four are on food security, social protection and health, three for comprehensive disaster management, seven for infrastructure, six for research and knowledge development, and six for mitigation and low carbon development.

6.2.3 Strategic Programme for Climate Resilience (SPCR)

The SPCR is another funding mechanism, through the Climate Investment Funds (CIFs) at the World Bank, and DFID being the major source of funding. An amount of US\$ 110 million in the form of grants (\$50mn) and concessionary loans (\$60mn) from MDBs was approved for Bangladesh in October 2010 for piloting adaptation activities in climate vulnerable areas through the PPCR. Bangladesh was one of the first countries selected for funding through this funding window. A significant amount of these funds are being allocated to top-up major investment projects, which had already been planned, and are

⁵ Natural Resources Planners (2010)

⁶ See Gomez-Echeverri, 2010

also being funded with a loan component. The lead agency is the Asian Development Bank (ADB), with the World Bank and IFC who are taking responsibility for different components. The UK government branded these funds as Fast Start.

6.2.4 Comprehensive Disaster Management Programme (CDMP)

The CDMP is also a donor funded effort to combat climatic challenges in Bangladesh which has been underway since 2003. This particular funding window involves funding for climate change with funds from DFID, AusAid, Swedish International Development Agency (SIDA), EU, and Norway- totaling around \$70 million. The UNDP is the lead agency with the Ministry of Food and Disaster Management (MoFDM). The primary objective of CDMP was to strengthen the capacity of Bangladesh's disaster management system to reduce unacceptable risks and improve response and recovery activities.

The second phase of CDMP (II) aims to further reduce Bangladesh's vulnerability to adverse hazards and extreme events, including the impacts of climate change. CDMP II aims to institutionalize the adoption of risk reduction approaches, not just in the MoFDM but more broadly across 12 key ministries and agencies. It also intends to improve links with, and synergies between, DRR and CCA in order to mainstream DRR and CCA. This applies both at the community and the general stakeholder level. The links are clearly expressed in many of the activities outlined in the operational outcomes of the project design, as well as through strengthened institutional capacities.

7. GOVERNANCE CONSTRAINTS TO CHANNEL SUFFICIENT CLIMATE FUND

Despite being one of the countries that are likely to be seriously affected by the devastating impacts of climate change, Bangladesh received a very diminutive amount of global climate finance compared to other climate vulnerable countries in the region. Natural disasters like cyclones, floods and draughts have long been caused havoc on the country. The severity, intensity and unpredictability of such natural catastrophes have amplified manifold in recent times which have climatic connotations.⁷ The climatic woes that the country faces are further exacerbated by governance gap, institutional failures, lack of accountability, and widespread corruption.⁸ In this section, the governance constraints will be discussed in detail for which Bangladesh has largely been unable to channel sufficient climate funds from international funding windows.

Unlike many other countries, Bangladesh has been facing governance challenges in terms of climate finance. As the volume of global climate funds are amplifying, funders are

⁷ Department of Environment, GOB, Climate change and Bangladesh, September 2007.

⁸ According to the Corruption Perceptions Index (CPI) released by Transparency International, Bangladesh was ranked at the top of the list of countries where corruption perceived to be the highest in the world from 2001-5. Since then Bangladesh's score in the index in a scale of 0-10 increased from 0.7 to 2.4 in 2010 being ranked in the 12th position. With the score remaining below 3, Bangladesh is considered to be among countries where corruption is an issue of great concern. www.ti-bangladesh.org

increasingly concerned about the transparency, accountability and integrity of how spending decisions are being taken in the receiving countries. Loopholes in regulatory systems and lack of accountability might pave the way for corruption. Given the country's reputation as being ranked at the top of the list of countries where corruption perceived to be the highest in the world, Bangladesh is likely to face a number of governance challenges as far as climate finance is concerned, which includes the capacity to control abuse of power, low institutional capacity to ensure accountability, widespread scope of corruption and misuse of funds.

Development partners' concern over aid effectiveness has also been a major hurdle for Bangladesh to tap the resources that are available for developing countries for climatic actions. As far as aid effectiveness is concerned, several fundamental problems have been identified in the country by two recent analyses that impact on making aid effective.⁹ First, it has been found that there exist flaws in GoB's approach to development planning. Participation of all stakeholders is not ensured in GoB's development planning processes. Moreover, it is quite evident that in the absence of a properly functioning local government, and with no local level planning mechanism, the role of local bodies in the development process is very limited. Secondly, insufficient capacity to plan and manage development projects continues to be a major challenge to improve aid effectiveness. There is no overall capacity development plan, so donor support is often very narrowly focused on project-based, fragmented capacity development initiatives with little impact on overall capacity development.

There are many international climate funding windows that Bangladesh has not been able to access those resources because of the lack of capacity in developing project proposals. This has been identified as a major stumbling block for the public sector as well as for civil society and non government organizations. Already there is an accumulation of a huge amount of undisbursed aid into the pipeline (US\$9bn). Prior to Cancun, donors have committed to channel funds through PPCR, BCCTF and BCCRF, but those funds are yet to be accessed. It is quite clear that further development of projects will be necessary in respect of the PPCR and BCCRF and possibly the BCCTF.

Development partners have identified capacity development as a major challenge that Bangladesh needs to work on along with the other problems like project planning and management in order to ensure more climate money flows in the country. Moreover, the donors often complain about the weak monitoring and insufficient information in systems. It is absolutely important that in order to access more climate finance monitoring systems and capacity needs to be strengthened.

There is a lack of coordination among different departments of the government as numerous actors are active in the field of climate change with overlapping mandates.

⁹ See Polycarp, C 2010 Governing climate change finance in Bangladesh. An assessment of the Governance of Climate Finance and the Paris Declaration on Aid Effectiveness. A report prepared for the capacity development for development effectiveness facility, October 2010. And, Natural Resources Planners (2010) Evaluation of the Implementation of the Paris Declaration Phase-II Country Evaluation Bangladesh November 2010

Sometimes different departments and agencies of the government have parallel strategies and road maps which obscures the processes of harmonization and alignment. An effective coordination among different Ministries and departments of the government has to be ensured for smooth functioning of the processes. The capacity of the nodal ministry is relatively weak not only for coordination of development partners' programme but also for helping developing programmes of different participating ministries and agencies. The programmes on climate change of the Ministry of Agriculture, Ministry of Fisheries and Livestock, Ministry of Health and Local Government Engineering Department need to be well developed and effectively coordinated.

8. CONCLUSION

The key concepts of financing climate actions and governing them lie in the three simple features. These include power, accountability, and responsibility as part of the governance structure to provide effectiveness and legitimacy to the climate finance mechanism. According to WRI report (2010), the three features overlap, and interrelate with one another so that a proper legitimate and effective structure is being established. The idea of the climate governance is to ensure sufficient democratic structure so that it would redistribute the power, accountability, and responsibility between the contributor and the recipients. This is primarily because the climate finance mechanism is looked upon as compensation for over exploitation of natural resources and thereby the carbon space acquired by the contributors of GHG gases to atmosphere historically. Incidentally, these polluters are also the ones who have the highest responsibility to pay as compensation as well.

There should be a distinction between climate funding and development funding in order to avoid double counting of funds. Although it is quite challenging but this distinction is very important if monitoring, reporting and verification (MRV) of climate finance is to work, within the context of the MRV discussions in the UNFCCC around 'new and additional' funding. Collectively, the EU (member states and the European Commission-EC) is a major player in the Fast Start Funding (FSF) and funds already allocated to Bangladesh have been designated 'fast start'. In order to avoid a wide range of interpretations, this FSF should be designated as 'new and additional' funding so that there remains no scope counting development funding as climate funding.

Bangladesh is a very important player in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations as it is leading the LDC group. Being one of the most vulnerable nations as a result of climate change, Bangladesh has a moral stance to expect additional funding as an LDC and has already received some EU fast start funds (FSF). The government has to realise that it would not be astute to rely solely on external finance which is quite meager as per the need of the country. It is important for the government to develop mechanisms for domestic finance generation to avert potential failures on climate change action.

Climate finance is very critical for the resource scarce southern countries to combat the climatic challenges. The available funding is meager than what is required to support the

adaptation and mitigation activities of the developing countries. There has been significant developments in terms of raising climate funds as the developed countries have promised to lift up US\$100 billion by 2020 to support the climatic actions in the developing world. But the quandary is that nearly all of the LDCs including Bangladesh who are likely to suffer most as a result of climate change do not have the capacity to access and utilize the available climate funds. Bangladesh has largely been unable to tap the resources that are available for adaptation and mitigation actions in the developing countries governance constraints, institutional failures, lack of accountability and so on. The country needs to work on to build capacity as the volume of international climate funds are amplifying. Like others LDCs, it is imperative for Bangladesh to develop project planning and management capacity so that more climate money flows in the country. The failure to do so would cause the country to pay a higher price as Bangladesh is known to be a climate vulnerable country.

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Institute of Governance Studies

GP-JA-4, Level 5-7, TB Gate

Mohakhali, Dhaka-1212, Bangladesh.

Tel: +8801199810380, +88028810306, 8810320, 8810326

Fax: +88028832542

Website: www.igs-bracu.ac.bd