

Decentralizing Climate Finance at Local Level to Reduce Climate Change Induced Loss and Damage

Bangladesh experiences different sudden and slow onset climatic events causing economic and non-economic losses and damages which are expected to grow according to future projections. Given the vulnerabilities and unsustainable coping practices of local communities, provisions of climate finance at the local level will be key in the future. A series of policy briefs based on the action research under Panii Jibon project have been formulated with an aim to provide concrete transformative adaptation solutions in the face of current and future climate change impacts. This Policy Brief proposes a set of climate financing mechanism to ensure direct access of funds at the local level for resilience building.

LOSS AND DAMAGE AT UNFCCC

Bangladesh is situated on a highly volatile climatic zone and almost every year faces climate related loss and damage. While loss and damage does not have a universally accepted definition, it normally refers to a state where adaptive capacity and the level of preparedness fall short. In 1991, the Alliance of Small Island States (AOSIS) first proposed the issue of Loss and Damage at the UN negotiation and proposed to establish an insurance pool for vulnerable countries with a mandatory funding by the developed countries. This did not stay alive in the negotiation and eventually fell off the table until 2007, when Bali Action plan called for action on disaster risk reduction strategies and other means to address loss and damage in particularly vulnerable countries. In 2013, COP 19 established the Warsaw Mechanism on Loss and Damage to address loss and damage associated to climate change, including extreme events and slow onset events.

In the following years, the topic of Loss and Damage got a lot of attention and finally at COP21 in Paris, Loss and Damage got a separate full article (Article 8). The Paris Agreement gives effect to their most important demand, namely integrating loss and damage as an independent third pillar of the climate regime. However, the finance section of the agreement (Article 9) clarifies that the finance is to be balanced between adaptation and mitigation, excluding any reference to Loss and Damage and there is no commitment in the agreement that can secure enough to compensate economic and non-economic Loss and Damage.

To understand the dynamics of climate change impact at a country like Bangladesh and the loss and damage people are facing, an action research under the Panii Jibon Project was conducted in two villages at the coastal belt of Bangladesh. The research explored how climate change is having an impact on people's lives in different sectors, associated economic and non-economic Loss and Damage and current strategies to address that. The research reveals that the current mechanism is not enough in reducing loss and damage of local people and there is a huge financing demand at the local level. The research came up with a financial mechanism for Bangladesh that can decentralize the fund flow to have a better access at the local level.

KEY POINTERS

- Emergency relief and rescue driven current disaster risk reduction strategies do not provide sustainable means to address longer term economic and non-economic losses and damages.
- Bangladesh Climate Change Trust Fund (BCCTF) set up by the government addresses loss and damage but all of these are still centralized with limited access of local level.
- Local communities as well as local government institutions urge for channelizing more and more climate finance for sustainable solutions to their losses and damages.
- Establishment of an additional 20% funding for local government division by Bangladesh Climate Change Trust Fund along with proper use of existing building blocks; climate finance can be effectively channelized at the local level.
- Capacity building of local institutions on climate change knowledge, climate project design as well as finance management is crucial for the success of this mechanism.

LOSSES AND DAMAGES FROM CLIMATE CHANGE RELATED HAZARDS IN COASTAL BANGLADESH

The coastal districts of Bangladesh are uniquely vulnerable to climate change due to their very low elevation with some of the terrain being at sea level, and the topography of the deltaic region. Many socioeconomic factors such as poverty, high population density further limit the low, albeit growing, capacity of the country to tackle the effects of climate related disasters. Incidence of tropical cyclones and storm surges, salt water intrusion, irregular rainfall as well as increasing trends of annual temperature already are having severe effects on the lives and livelihoods of coastal communities. Historical trends of loss and damage associated with tropical cyclone suggest that Bangladesh had undergone 60% of the cyclone related deaths worldwide during the period of 1980 to 2000^[1]. The devastating cyclone of 1991 caused economic losses worth of USD 761 million and 1, 50,000 lives, whereas cyclone Sidr of 2007 and Aila of 2009 were mainly economic losses (1.7 billion) with a lower death tolls (3243 lives)^{[1][2]}. Models predict that by 2050 an additional 15% of the coastal area of Bangladesh will be inundated with storm surges during cyclones with higher losses and damages^[3].

While sudden shocks often get the deserved attention for causing tangible economic losses, **slow onset hazards** such as sea level rise, salinity intrusion, rising temperature are equally devastating. IPCC Special Report on 1.5° C predicts that increase in heavy precipitation in coastal regions along with tropical cyclones and increased sea levels may lead to increased flooding. The short-term effects of climate change-induced changes in the environment to agricultural sector include damage to housing and agricultural land, food and water insecurity. In the longer term, agricultural practices have been and will continue to be disrupted further as fisheries and arable land are encroached by saline water from rising sea levels^[3]. According to World Bank's estimation, Bangladesh's agricultural GDP will go 3.1% down per year due to climate change between 2005 to 2050^[2].

While **economic loss and damage** has started getting a **growing consensus**, the non-economic part is still neglected. Gradual increase of saline content in surface and river water of coastal areas leading to shortages of drinking water and irrigation, and significant changes in the aquatic ecosystems. **Declining access to water due to climate change is expected to have major implications on health conditions** including pregnancy complications, skin diseases and increased hypertension^{[4][5]}. Moreover, gradual decrease in agricultural practices is causing seasonal/permanent migration of the male family members leaving the family more vulnerable. Such physical and mental health related uncounted damages are often overlooked but have long-term implications.

CURRENT APPROACHES TO ADDRESS LOSS AND DAMAGE IN BANGLADESH

In the face of the changing climate, Bangladesh is prone to facing more and more economic and non-economic losses and damages in the coming future. To address climate change induced loss and damage of vulnerable communities, no specific system is in place which considers longer term economic and non-economic loss and damage. The existing approaches largely fall under disaster risk reduction strategies which often don't consider long term impacts of climate change are rather short-term emergency responses in Bangladesh. Besides, initiatives such as Bangladesh Climate Change Trust Fund (BCCTF) are still centralized with limited or/no access to the local level. Initiatives such as National Mechanism to Address Loss and Damage is promising and will bring good results if implemented properly.

Disaster Risk Reduction vs. Loss and Damage

- Ministry of Disaster Management and Relief (MoDMR) and Ministry of Environment, Forest and Climate Change (MoEFCC) addresses loss and damage extraneously.
- Despite sharing common mandate, disaster risk reduction and climate change adaptation policies in Bangladesh have **little coordination and cooperation**.
- Disaster risk reduction strategies in Bangladesh have been focusing on immediate relief and response whereas loss and damage demands **longer term monetary and non-monetary support**.
- The current national policies of MoDMR and MoEFCC have no provisions for addressing **slow onset events** and associated non-economic loss and damage.

Bangladesh Climate Change Trust Fund (BCCTF)

- Government of Bangladesh has established BCCTF using its **non-developmental budget** to fund 44 programs specified under six thematic areas of BCCSAP.
- 66% of the total amount is assigned for the funding of projects and programmes, whereas the rest is reserved as a 'fixed deposit' for emergencies.
- Among 400 implemented projects, highest number of projects are related to infrastructure followed by food security, and social protection.
- Comparatively smaller volumes have been disbursed to the most vulnerable sectors of agriculture, livelihoods and health.

National Mechanism to Address Loss and Damage

- Using the **34% reserved fund of BCCTF**, Bangladesh government has decided to develop a **two-year pilot programme** to explore national mechanism on loss and damage.
- The mechanism will take into account losses and damages associated with both sudden and slow onset climatic events as well as **non-economic loss and damage**.

Despite the Government of Bangladesh's commitment to provide substantial financial support for climate action, whether such support would truly meet the needs of poor and excluded communities is dependent upon how funding is disbursed, managed and governed. The **major challenge towards getting positive results is lack of proper channelization of funds** and a **sustainable mechanism** for that. Effective channelization of funds to the local level at the most vulnerable is of utmost importance. This is where the role of Local Government Institutions (LGI) becomes critical.

CURRENT LOCAL LEVEL CLIMATE FINANCING MECHANISM

The coastal communities have adopted a myriad of coping strategies, some driven by traditional knowledge while others with support from both the Government as well as non-government agencies, for reducing loss and damage. But most of coping strategies **emerged as an immediate action** and are largely unsustainable in the face of the changing climate. Local communities and relevant government stakeholders have urged for effectively channelized climate finance at the local level which would help them building resilience.

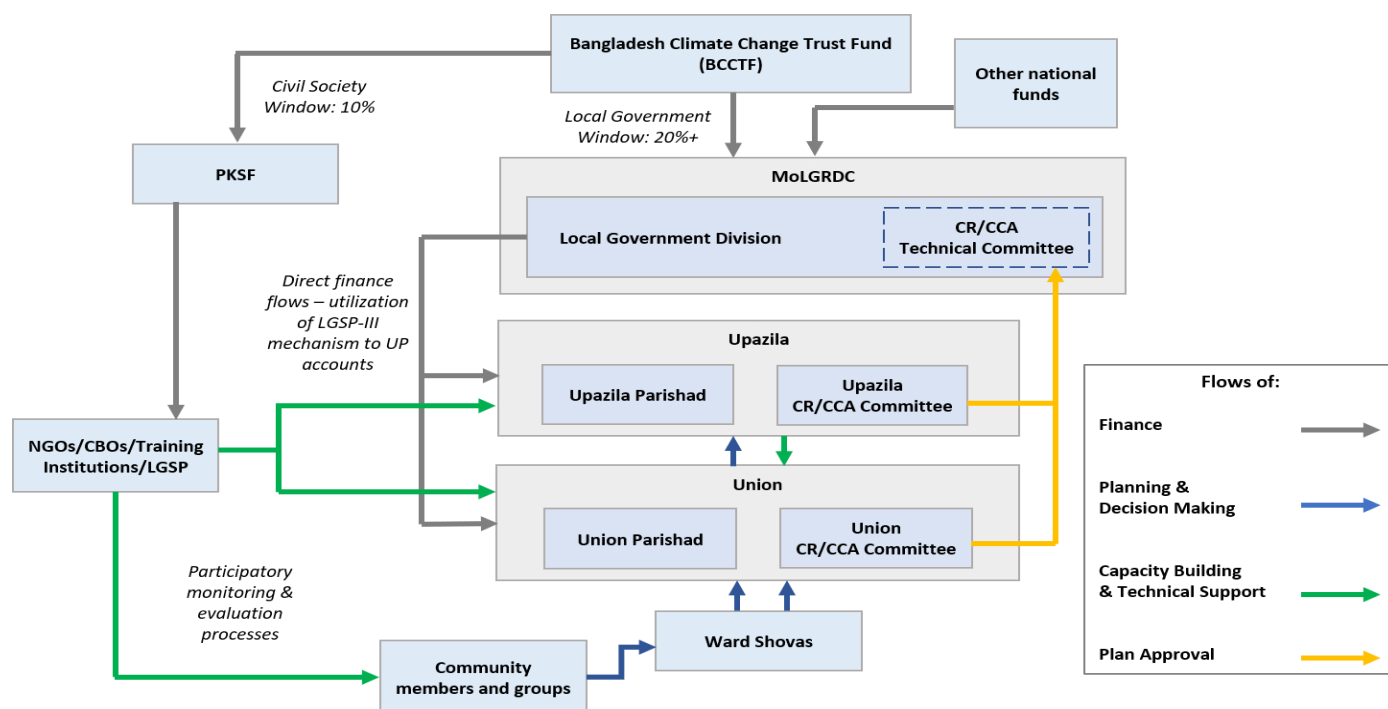
Some building blocks are already in place to help disburse funding support for climate action at the local level. This includes Government of Bangladesh's Local Governance Support Programme implemented by Local Government Division. Currently in its third phase, the programme aims to strengthen the lowest wings of local government institutions namely – Union Parisads and Upazila Parisads particularly in the areas of financial reporting, universal auditing and direct disbursement of funds. To strengthen the governance mechanisms within the lowest tiers of Local Government Institutions (LGIs), different governance projects are also in place. In addition, every union and upazila has Disaster Management Committees to facilitate disaster risk reduction in their respective localities via developing local warning system, risk reduction programming, rescue and recovery strategy as well as awareness raising strategy. These initiatives offer opportunities for effectively channeling funds to local communities. However, these are yet to be utilized properly for effective climate financing.

PROPOSED LOCAL LEVEL CLIMATE FINANCING MECHANISM

This policy brief proposes setting up a financial mechanism for effective channeling of climate funds to the local level in order to support these practices and strategies by strengthening vulnerable communities' resilience in coastal villages in Bangladesh.

- Bangladesh Climate Change Trust Fund (BCCTF) could establish a dedicated funding of 20% or more to be allocated/transferred to the Local Government Division for undertaking projects at the local level. Existing Disaster Management Committees, both at union and upazila level to be scaled up and expanded to Climate Resilience Committees.
- To be able to manage direct funds and implement projects at the local level, these institutions would require capacity building on both climate change knowledge, climate project designs as well as on financial management and disbursement. NGOs and other relevant training institutions active in the area can be advocated to carry out said capacity building interventions.
- At the relevant Local Government Division, a Climate Resilience Technical Committee will be formed consisting of climate change experts. The union and upazila level resilience committee will then develop quarterly Climate Resilience Action Plans, comprised of priority climate action interventions for their localities to be forwarded to the Climate Resilience Technical Committee for their approval. This Committee will employ

rigorous indicators on climate vulnerability to determine allocation of funds. Once approved, funds will be directly transferred to the union parishad or upazila parishads accounts. To ensure transparency and accountability, as well as effective disbursement of fund allocation, participatory processes of monitoring and evaluation will be set up, led by local community as well local NGOs and government representatives.



To facilitate the implementation of the recommendations made, ICCAD under the project Panii Jibon facilitates a series of seminars and dialogues at the union levels to explore existing local government processes to identify entry points for mainstreaming climate change action and financing within local level planning procedures. For achieving a sustainable outcome, capacity building interventions will also be undertaken with local government representatives, local NGOs, CBOs, community leaders and people with a focus on climate change adaptation and disaster risk reduction.

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The **overall objective** of Panii Jibon is to build resilience and reduce well-being loss of climate change affected disadvantaged communities, and particularly vulnerable women and youth, in the disaster-prone areas of South-West Bangladesh (Khulna and Bagerhat).

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