

An Analysis of ERD's Capacity in Accessing **Green Climate Fund**

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ABSTRACT

With the adoption of Copenhagen Accord in 2009 at 15th COP to UNFCCC and decisions taken at the 16th COP to the UNFCCC in Cancun in 2010, the international community embarked on the development of a new funding framework, stating that a scaled up, new and additional, predictable and adequate funding is envisaged. Accordingly, at UNFCCC COP-17, in Durban, South Africa in December 2011, a new channel to disburse these resources, the Green Climate Fund (GCF) was formally established. GCF has adopted “a goal of mobilizing jointly USD100 billion per year by 2020 to address the needs of developing countries” and has mobilized USD10.3 billion as pledges and has raised USD 10.1 billion out of that till June, 2017. In GCF’s financing architecture, each country has its own in-country representative, called National Designated Authority (NDA). NDA acts mainly as the country interface between the recipient and the GCF. NDA provides strategic oversight aligned to national priorities, convenes national stakeholders, nominates appropriate national entities to act as intermediaries of GCF, decides the projects or program that would go to GCF for funding and leads country’s readiness in accessing GCF’s resources. In

performing all these roles NDA is expected to possess adequate knowledge about national plans, strategies and priorities, capacity to facilitate and coordinate country coordination mechanisms and multi-stakeholder engagement for country consultations, familiarity with climate change mitigation and adaptation activities, international climate finance flows and country’s need. In November 2014, Government of Bangladesh nominated its Economic Relations Division (ERD) of Ministry of Finance as Bangladesh’s NDA to GCF.

This paper tries to analyze ERD’s capacity to perform its role as NDA of Bangladesh for GCF. The objective was translated into two research questions as ‘what is the role of ERD in accessing GCF’ and ‘what the capacities ERD needs to perform that role’. A combination of quantitative and qualitative method has been used in this study to find out the answers. Both primary and secondary sources of data have been gathered. Specifically the study is based on semi structured interviews and questionnaire survey methods.

The study finds that stakeholders have a high expectation on ERD as NDA to play an important coordinator's or catalytic role among the stakeholders by taking everybody on board and to make everybody knowledgeable about the opportunities and procedures of GCF. They also expect ERD to act as a facilitator rather than a regulator in the way of accessing GCF. ERD's performance so far has built a confidence among the stakeholders on ERD's capacity to fulfill their demands. Although ERD has made a reasonably good start, there are couple of challenges like making the country system GCF compliant and enhancing institutional capacity and engagements that ERD as NDA needs to overcome. The study finds that capacities like knowledge on national strategies, plans and priorities, familiarity with CC activities and country's needs, ability to monitor and evaluate project proposals against GCF and country criteria, over viewing capacity of international climate finance flows in the country and all the sources of international climate finance, ability to contribute and drive national strategies and plans, ability to run own and stakeholders' readiness, ability to understand and internalize GCF's

procedures and decisions and ability to converting NDA into a service centre or helping body are essential in overcoming the challenges. ERD as the NDA also needs to develop an accessible and open governance mechanism and to act as 'a one stop service center' for issuing NOL in a timely and transparent manner.

The study finds ERD at its NDA Secretariat has an acute human resource shortage. As NDA secretariat has no permanent setup till today, there is a high risk of institutional memory loss. NDA Secretariat needs permanent setup immediately with engaging more people at some technical posts as well. NDA also needs to show strong leadership or capacity to initiate or push for reforms like, in making the present planning process GCF aligned or making country's fiduciary system GCF compliant.

LIST OF ABBREVIATIONS

AE	Accredited Entities
BB	Bangladesh Bank
BCCRF	Bangladesh Climate Change Resilience Fund
BCCT	Bangladesh Climate Change Trust
BCCTF	Bangladesh Climate Change Trust Fund
BCFF	Bangladesh Climate Fiscal Framework
CC	Climate Change
CDM	Clean Development Mechanism
COP	Conference of Parties
CP	Country Programs
CPEIR	Climate Public Expenditure and Institutional Review
CPI	Climate Policy Initiatives
CRIM	Climate Resilient Infrastructure Mainstreaming
C&AG	Comptroller and Auditor General
DAE	Direct Access Entity
DoE	Department of Environment
DP	Development Partner
DPP	Development Project Proposal
DS	Deputy Secretary
ECNEC	Executive Committee of the National Economic Council
EE	Executing Entity
ERD	Economic Relations Division
FAPAD	Foreign Aided Project Audit Directorate
FD	Finance Division
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHGs	Greenhouse Gases
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross National Income
GoB	Government of Bangladesh
G2G	Government to Government
IDCOL	Infrastructure Development Company Limited
IPCC	Intergovernmental Panel on Climate Change

IUCN	International Union for Conservation of Nature
JS	Joint Secretary
KfW	German Development Bank
LDCs	Least Developing Countries
LGED	Local Government Engineering Department
MIE	Multilateral Implementing Entity
MoEF	Ministry of Environment and Forests
MoF	Ministry of Finance
MRV	Measurable, Reportable and Verifiable
MS	Micro Soft
MTBF	Medium-Term Budgetary Framework
NAP	National Adaptation Plan
NEC	National Economic Council
NDA	National Designated Authority
NIE	National Implementing Entity
NOL	No Objection Letter
PC	Planning Commission
PKSF	Palli Karma Songstan Foundation
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Co-operation and Development – Development Co-operation Directorate
SAS	Senior Assistant Secretary
SDGs	Sustainable Development Goals
SIDs	Small Island Developing States
SREDA	Sustainable & Renewable Energy Development Authority
UNFCCC	United Nations Framework Convention on Climate Change
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
USD	United States Dollar

CHAPTER 1

INTRODUCTION

1.1. Introduction

Climate change is 'no longer something to happen in the future, it is here and now' (GoB, 2009) and has appeared as one of the most important global issues of our generation (GoB, 2012). A relatively rapid increase in temperature has been documented during the past century, both at earth's surface and in the oceans (NAS, 2009). The average surface temperature for earth as a whole has risen some 0.8° celcius since 1850, the starting point for a global network of thermometers (IPCC, 2007). If emission rates for Greenhouse Gases (GHGs; which trap heat inside earth's atmosphere) continue on their current track, models indicate that the globe will be 1.8 to 4° celcius warmer by 2100 than it was in 1990 (IPCC, 2007).

Warmer temperatures not only cause glaciers and land ice to melt (adding more volume to oceans) but also cause sea water to expand in volume as it warms (NAS, 2009). The global average sea level rose by just under 0.07 inches per year during the 20th century, but that number has risen to 0.12 inches per year since the early 1990s. Under a "business-as-usual" GHG emissions scenario, models indicate that sea levels could rise 2 feet or more by 2100 compared to 1990 levels (IPCC, 2014). Sea level rise will tend to inundate unprotected low lying coastal areas and will create discernible problems to maintain economic progress as well as human livability (Ahmed et al., 2015).

Climate change has complex effects on water supply and demand (WDR, 2010). Studies show that climate change affects some places to experience more days with very heavy rain; other places to see more frequent, intense, and long-lasting droughts (IPCC, 2007). Warmer temperatures also mean higher evaporation rates and thirstier plants and people, increasing demands for water. Climate change causes a warmer world to experience more precipitation on a global scale, but the changes are not being the same everywhere (IPCC, 2014). Projections indicate that on an average dry areas are tend to get drier, and wet areas are tend to get wetter (NAS, 2009). Such erratic climatic behaviour adversely affects lives and livelihoods of people by putting subsistence based agriculture at severe risks (Huq et al., 1996; GoB, 2012). Sea level rise pushes saline front propagating inland, which further complicates coastal productive system (CEGIS, 2006). With increasing flow volume in monsoon, the erosion problem becomes aggravated along the braided rivers (Ahmed, 2008). Coastal erosion in the sea facing areas forces people to leave their ancestral lands as agriculture in those areas becomes extremely hazardous (Ahmed, 2008). Climate change is also causing frequent large-scale natural disasters (Huq et al., 1998). All these snapshot effects have secondary implications such as food and health insecurity, loss of lives and livelihoods, damage to infrastructures, loss of productive assets, increase poverty and vulnerability of the people and damage to

national or local economy (GoB, 2012). Climate change thus clearly affects economic growth of a country (Dell et al., 2008; WDR, 2010) and imposes added burden on its development (UNDP, 2008). Very specifically, adverse impacts of climate change are likely to wash away economic progress made through development programs and projects (Ahmed et al., 2015).

Given this links between climate change and development, world community adopted the Sustainable Development Goals (SDGs) in 2015. SDG-13 distinctively says about taking urgent action to combat climate change and puts specific emphasis on mobilizing resources that is climate finance in achieving this goal (UN, 2015). Continuing negotiations in the climate change debate have also prominently exposed this climate financing need to fight against climate change. United Nations Framework Convention on Climate Change (UNFCCC) acknowledges that responses to climate change have to consider financial implications for and financial responsibilities of different state actors. Financing matters therefore play an important role in combating climate change (Ludemann and Ruppel, 2013). It is broadly accepted that taking climate change activities (mitigation and adaptation activities) require large volumes of capital. The International Energy Agency estimates that the total cost of investment to meet climate goals may amount to USD220 billion per year between 2010 and 2020 and to almost USD1 trillion per year between 2020 and 2030 (IEA, 2010). A UNFCCC review concluded that “the additional investment and financial flows in 2030 to address climate change amounts to 0.3 to 0.5% of global domestic product in 2030 and 1.1 to 1.7% of global investment in 2030” (UNFCCC, 2009). Being aware of this financial need, the international commu-

nity has come up with a variety of climate financing instruments and mechanisms over the last two decades (Ludemann and Ruppel, 2013).

In 2009, UNFCCC 15th Conference of Parties (COP-15) adopted a non-binding Copenhagen Accord that leads the industrialized countries to provide the affected countries USD100 billion per year by 2020¹ and this should be ‘new’ and ‘additional’ to traditional Official Development Assistance (ODA) (UNFCCC, 2009). Accordingly, at UNFCCC COP-17, in Durban, South Africa in December 2011, a new international fund, named Green Climate Fund (GCF) was “established as an operating entity of the financial mechanism of the Convention to support projects, programs, policies and other activities in developing countries related to mitigation including Reducing Emissions from Deforestation and forest Degradation (REED)-plus, adaptation, capacity building, technology development and transfer”, promoting a paradigm shift towards low-emission and climate-resilient development pathways (UNFCCC, 2009). It is widely acclaimed that GCF is going to be the largest global source of climate finance and aims “to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change” (UNFCCC, 2011).

1.2 Problem statement and significance of the study

Bangladesh ranks sixth among those 10 countries in the world; those are most vulnerable to climate change-induced natural

1 This is not an official figure but widely acclaimed by COP/GCF as the funding target.

calamities (German Watch, 2017). Bangladesh's high vulnerability to climate change is due to a number of hydrological, geological and socio-economic factors (Ahmed et al., 2015). Its geographic location in South Asia is a flat delta with very low elevation and characterized by extreme climate variability. Seasonal monsoon causing acute temporal and spatial distribution of water, high population density, high poverty incidence and climate-dependent crop agriculture mainly make up the utterly volatile regime of vulnerability (GoB, 2009).

Climate change phenomena like temperature rise, sea-level rise, erosion, precipitation and drought impact the primary variables like physical, biological and human systems of the country (GoB, 2009). These, in turn, impact the secondary variables like aquatic, terrestrial and marine environments. Its final incidence falls upon the various sectors like agriculture, livestock, poultry, wildlife, livelihood and health, and ultimately affects the GDP of the country (Ahmed et al., 2015). With a conservative estimation, five major disasters in Bangladesh since 1998 caused damage to roughly 15% of GDP with an average of 2.7% per event (GoB, 2011). Another global level estimate shows that the corresponding cost for Bangladesh of damages due to climate change induced hazards and disasters is in the order of USD 4 to 14 billion per annum (Haq, 2009). Compared to current level of investments in development by means of Annual Development Plan, such cost appears equivalent to at least 40% per annum (Ahmed et al., 2015).

However, this task of tracking climate change for Bangladesh is a very complex one as it has economic, social and environmental aspects (Ahmed et al., 2015). For de-

veloping countries like Bangladesh this will need not only appropriate policy response and proper institutional arrangements or enabling environment but also ensuring adequate financing or huge resource mobilization (Mejbahuddin, 2015).

Since early 2000s, Government of Bangladesh (GoB) recognized risks associated with climate change and has taken keen interest to address those with whatever limited means it has (Ahmed et al., 2015). Since 2009-2010 fiscal year, GoB has set aside a budgetary allocation of BDTaka700 crore (USD100 million equivalent) annually to advance climate change activities with its own resources, creating a unique dedicated national fund, Bangladesh Climate Change Trust Fund, BCCTF (GoB, 2010). Now the deposit in BCCTF stands at around BDTaka 3,000 crore (GoB, 2014). GoB has also created another fund, Bangladesh Climate Change Resilience Fund (BCCRF) with the financial support from the development partners (BCFF, 2014). A Climate Public Expenditure and Institutional Review (CPEIR) reveals that GoB typically spends around 6 to 7% of its annual combined development and non-development budget on climate sensitive activities (GoB, 2012a). The amount is estimated to be about USD1 billion/annum (GoB, 2012a). Whilst there is little reference to climate change in the budget documents, the climate dimension expenditures actually represent 22% of total government budget and 6.51% of GDP on an average (GoB, 2014). Although the development partners have been supporting GoB efforts, in real terms the monetary support has been too little compared to the need of GoB to address its ever increasing adaptation gap (GoB, 2014). Clearly, the support received so far has been infinitesimally small and inadequate. An estimate shows that GoB incurs 77% of the total Climate Change expendi-

tures and only 23% is born by international community (GoB, 2014).

Bangladesh's contribution to global carbon emissions is negligible at per capita/annum emission of 0.3 tons compared to the global average of 1.6-2.0 tons for the developing countries, and about 20 tons in the USA (Alam, 2014). The historic responsibility for global warming through carbon emissions and the resulting change in climate lies with the industrialized nations (Ludemann and Ruppel, 2013). Although Bangladesh is not a contributor to global warming, the country is one of the most vulnerable countries in the world to climate change. It is an innocent victim of climate change caused by the developed nations (GoB, 2012) and demands "climate justice" through an increased transfer of financial resources from industrialized countries (Grasso, 2011). UNFCCC also recognizes this position by emphasizing on "common but differentiated responsibilities" for industrialized countries to developing or effected countries including Bangladesh (UNFCCC, 1992). Accordingly, Bangladesh looks forward to have an adequate supply of financial resources from GCF, the largest climate financing source established as a mechanism of UNFCCC.

However, for accessing the resources from GCF, the GCF Board has made a requirement for the recipient countries to appoint National Designated Authorities (NDAs) (GCF, 2015). NDAs are chosen by governments to act as the core interface between countries and the GCF. NDA is to provide broad strategic oversight of GCF's activities in a country and to serve as the point of communication with the Fund. Funding proposals will have to be submitted through the NDA, ensuring that investments are aligned with

local needs, national priorities and climate change planning (GCF, 2015). In November 2014, GoB nominated Economic Relations Division (ERD) to be the National Designated Authority or NDA of Bangladesh to Green Climate Fund (ERD, 2015).

As one of the important Divisions of the Ministry of Finance of the GoB, ERD is responsible to mobilize external resources or ODA for socio-economic development of the country (GoB, 1996). ERD leads as the focal point of the Government for interfacing with the development partners as well as for co-ordination of all external assistance inflows into the country. It assesses the needs of external assistance, devises strategy for negotiations and mobilizing foreign assistance, formalizes and enables aid mobilization through signing of loans and grants agreements, determines and executes external economic policy (ERD, 2015). As ERD is dealing all sorts of overseas financing including the climate finance both at bilateral and multilateral level since its inception in 1976², the organization has been best suited as the NDA of Bangladesh for GCF (Yapp, 2016). However, in a country like Bangladesh where climate change is a 'cross cutting' issue, it involves a large number of stakeholders both from public and private sectors, within and outside government, civil society, Non-Government Organizations, Development Partners and requires good coordination and a 'whole of government approach'. Hence, accessing GCF is merely not a financing is-

.....
2 Originally ERD was abbreviated as External Resources Division and began its journey as a Division of Ministry of Planning of Bangladesh Government in 1972. In 1976 ERD was brought under Ministry of Finance and in 1990 ERD's abbreviation was changed to Economic Relations Division.

sue and the responsibility of acting as the NDA for GCF or discharging all the duties successfully will require a proper planning, good coordination, capacity development, certain specific arrangements and new role playing for ERD. Is ERD ready for that? This study tries to assess the readiness of ERD to handle that role.

1.3 Research objectives

The overall objective of this study is to analyze ERD's capacity to perform its role as NDA of Bangladesh for GCF.

1.4 Research questions

- What are the roles of ERD in accessing Green Climate Fund?
- What are the capacities ERD needs to perform its role in accessing Green Climate Fund for Bangladesh?

1.5 Scope

Climate finance involves a large number of stakeholders both from public and private sectors. However, this study covers the public sector only and the primary data have mainly been collected from relevant ERD and Ministry's officials and a few selected outside stakeholders related to public sector of Bangladesh. However, this study also uses secondary data like ERD and GCF related documents, information, publications in order to come to more logical conclusions and gives conclusive and satisfactory answers to the research.

1.6 Rationale of the study

Bangladesh is exclusively a climate-dependent economy and climate change is an

urgent development need for the country. However, the gap between demand and supply of finance to make the country a climate resilient one is huge and demands significant overseas contributions. Since GCF is going to be the largest source of climate finance globally and Bangladesh being the sixth among those 10 countries in the world most vulnerable to climate change-induced natural calamities (German Watch, 2017), Bangladesh should take utmost advantages of GCF. ERD, being the NDA of Bangladesh for GCF should identify its role and duties effectively, needs and means properly in this regard. Some general instructions and documents are there but it lacks a specific study that critically summarizes these points. This study makes an attempt to fill these gaps.

1.7 Research methodology

A critical analysis of the literature related to climate change, climate finance and international climate financing sources, Green Climate Fund, relevant rules and regulations, national plans and priorities has been done to have a more in-depth understanding of the topic and fulfilling the research objectives. Simultaneously, to discover ERD's role and capacity in accessing international climate finance source like GCF, identifying its needs and finding ways out, questionnaire based survey and semi-structured interviews have been conducted among or with ERD officials as well as other relevant stakeholders, like officials of Ministry of Environment and Forests (MoEF), Planning Commission officials, climate change project implementing agencies, climate change experts and development partners working in Climate Change related projects.

1.8 Research limitations

This research has limitations that should be taken into consideration. The time was too short to provide more complete picture. Particularly, the study looks into limited number of public sector stakeholders' opinions. Yet, all sorts of efforts have been given to provide a true and in-depth picture.

1.9 Outline of the paper

This paper begins with an introductory chapter. After the introductory chapter, literature related to the research objectives are reviewed in Chapter two. It critically engages the relevant sources in analyzing the issue. Chapter three presents the chosen research methodology. Chapter four presents and analyzes the research findings or the answers to the present research questions. The paper ends with Chapter five where conclusions are drawn and recommendations are made.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

“Climate change means a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods” (UNFCCC, 1992) and world community is trying hard not to worsen this “composition of global atmosphere” by setting goals in Paris Agreement to strengthen temperature goal limit warming to “well below” 2 degrees, making efforts to get to 1.5 degrees and rapid reduction of global emissions as soon as possible (UNFCCC, 2015). However, limiting climate change to well below 2°C and reducing carbon emission require a major shift in investment patterns towards low-carbon, climate resilient options. Achieving this goal will require policies that involve unprecedented economic, social and technological transformation, as economies shift towards low-carbon and climate-resilient infrastructure investments (OECD, 2017). This chapter tries to understand the relevant issues and takes a stock of the previous and present attempts to mobilize resources in talking climate change, particularly achieving the goals as stated at the beginning.

2.2 Climate Finance: Concept and International Landscape

2.2.1 What is Climate Finance?

Surprising as it may sound, there is no standard definition of climate finance (Venugopal & Patel, 2013). In fact, there are many differing views on defining climate finance or what type of funding constitutes climate finance. In its broadest interpretation, ‘Climate finance’ typically refers to the financial resources paid to cover the costs of transitioning to a low-carbon global economy and to adapt to, or build resilience against, current and future climate change impacts (CPI, 2014). UNFCCC does not have an official definition of climate finance. However, it frames, “Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts” (UNFCCC, 2014). The OECD-DAC has no definition on climate finance as well; instead the OECD-DAC defines and reports on climate-related ODA and other official development finance. They have defined

five statistical markers³ for monitoring external development markers for environmental purposes (UNFCCC, 2014). UNDP on the other hand, uses a country-led definition based on Climate Expenditure and Institutional Reviews (CPEIRs) - results based approaches (e.g. Cambodia), Policy base approach (e.g. Viet Nam) and activity objectives (e.g. Bangladesh, Nepal).

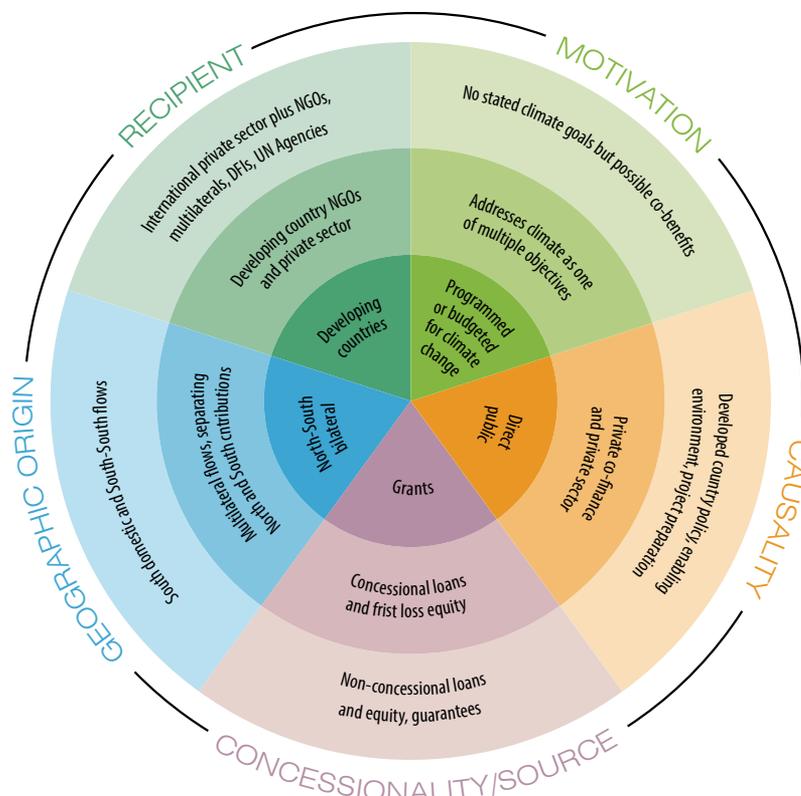
Simultaneously, the term “Climate Finance” is most frequently used in the context of international political negotiations on climate change. In that context, climate finance or international climate finance is used to describe financial flows from developed to developing countries for climate change mitigation or adaptation activities, like building solar power plants or walls to protect from sea level rise (Venugopal & Patel, 2013). This interpretation builds off the premise that developed countries have an obligation to help developing countries to transform their economies to become less carbon-intensive and more resilient to climate change. In that sense, climate finance is defined even more narrowly, incorporating the notion of “incrementality” or “additionality.” A review of the literature (Brown et al 2010, Stadlemann et al, Nakhooa et al 2014) suggests the following possible considerations for determining that the funds are additional: (a) Only funds mobilized from new sources, such as a levy on emissions trading; (b) Only funds delivered through new channels, such as the GCF; (c) Only funds in excess of a 0.7% of

GNI contribution to ODA; (d) Only funds in excess of current ODA; (e) Only funds in excess of ODA levels from a specified baseline year; (f) Only funds in excess of projected ODA calculated using a specified formula; (g) Only a specified share of the increase in ODA; (h) Only funds in excess of current climate finance; (i) Only climate finance that is not reported as ODA (Brown et al., 2010; UNFCCC, 2014).

On existing works as mentioned in this section and others, CPI (2015) has developed five key variables that have emerged as relevant to what countries consider to “count” as climate finance; Motivation (the extent to which a financial flow was explicitly designed to reduce greenhouse gas emissions or support climate adaptation), Concessional source (the legitimacy of public versus private sources of climate finance, and the degree of “softness” of the finance reflecting the benefit to the recipient compared to a loan at market rate), Causality (the extent to which a contributor’s intervention; whether public finance or policy, can be said to have mobilized further investment in climate-relevant activities), Geographic origin and Recipient. In all the diagrams used to represent them, different categories are organized into concentric circles according to political consensus. The closer a category is to the center of the diagram, the more notional consensus there is among stakeholders that it should count toward the goal (CPI, 2015). The key issues considered are summarized in the figure as presented in the next page:

3 the environment markers and 4 Rio Markers – Biodiversity, adaptation, Mitigation, Desertification. The Rio Markers distinguish between activities targeting climate change objectives as either “principal” or “significant”. The activity will score “principal objective” if it directly and explicitly aims to achieve one or more of the criteria outlined.

Figure – 1: Variables to define climate finance



Source : What Counts: Tools to Help Define and Understand Progress Towards the \$100 Billion Climate Finance Commitment, CPI, 2015

2.2.2 Legal Framework and Guiding Principles of Climate Finance

2.2.2.1 Legal Framework

The UNFCCC provides for basic rules on climate financing. In 1992, when the UNFCCC was adopted, the parties acknowledged that the climate change phenomenon calls for the “widest possible cooperation between the countries and their participation in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions” (Preamble to the UNFCCC, 1992). These words from the preamble link cooperation and participation to specific responsibilities and respective ca-

abilities, as well as to economic conditions of the countries involved. Responses to climate change have to consider financial implications for and financial responsibilities of different state actors. Accordingly, the legal framework provides financial assistance for developing countries to support the implementation of adaptation and mitigation programs and projects under the UNFCCC (Ludemann & Ruppel, 2013). Kyoto Protocol also provides for the mobilization of financial resources (Article 11 Kyoto Protocol). The need for financial assistance and cooperation is reaffirmed in Paris Agreement (UNFCCC, 2015).

The main provisions in the UNFCCC regarding climate finance are paragraph 3 and 4 of Article 4 and Article 11 of UNFCCC (UNFCCC, 1992). Article 9 of Paris Agree-

ment echoes those provisions with broader scopes (UNFCCC, 2015).

Article 4 of UNFCCC contains the commitments of the parties under the climate change regime. In terms of financial commitments paragraph 3 of Article 4 of UNFCCC stipulates a comprehensive framework for financial assistance by developed country parties. Firstly, developed country parties and other developed parties included in Annex II are required to provide new and additional financial resources to meet the agreed full costs of developing country parties related to the required communication of information under paragraph 1 of Article 12 of UNFCCC (paragraph 3, Article 4; UNFCCC, 1992). Secondly, and more broadly, those parties are also asked to provide such financial resources as are needed by the developing country parties to meet the agreed full incremental costs of implementing measures that fall under paragraph 1 of Article 4 of UNFCCC (paragraph 3, Article 4; UNFCCC, 1992). These measures comprehensively cover mitigation and adaptation approaches and policies. Paragraph 4 of Article 4 of UNFCCC specifically emphasizes the financial support for those developing country parties that are particularly vulnerable to the adverse effects of climate change. Developed country parties are required to assist the countries concerned in meeting the costs of adaptation to those adverse effects (Paragraph 4, Article 4; UNFCCC, 1992). Financial assistance under Article 4 UNFCCC therefore is intended as full financial support of developed countries for developing countries living up to their commitments under the climate change regime.

Paragraph 1 of Article 9 of Paris Agreement reaffirms “Developed country Parties shall

provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention” with stressing on “developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels taking into account the needs and priorities of developing country Parties” (Paragraph 3, Article 9; Paris Agreement, UNFCCC, 2015). The Paris Decision, serving as guidance for the implementation of the Paris Agreement and pre-2020 action, “strongly urges developed country Parties to scale up their level of financial support, with a concrete roadmap to achieve the goal of jointly providing USD 100 billion annually by 2020 for mitigation and adaptation” (Paragraph 115; UNFCCC, 2015). The Decision furthermore mentions that prior to 2025 the COP shall set a new ‘collective quantified goal ‘from a floor of USD 100 billion per year’ (Paragraph 54; UNFCCC, 2015). Paragraph 4 of Article 9 of Paris Agreement provides “the provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small

-
- 4 The reason both quantitative targets are missing from the actual Agreement is a pragmatic one – in doing so the COP has enabled the US President to adopt the Agreement as ‘sole-executive agreement’ under US law, without the requirement for the US Senate to approve (Climate Focus, 2016).

island developing states, considering the need for public and grant-based resources for adaptation” (UNFCCC, 2015).

The organization and management of the financial mechanism is regulated in Article 11 of UNFCCC. This provision defines a mechanism for the provision of financial resources on a grant or concessional basis, which is supposed to function under the guidance of, and be accountable to, the Conference of the parties (COP) (Paragraph 1, Article 1; UNFCCC, 1992). While the COP decides on the policies of the financial mechanism as well as its program priorities and eligibility criteria for funding, paragraph 1 of Article 11 of UNFCCC requires the operation of the financial mechanism to be carried out by one or more existing international entities. At the same time, paragraph 2 of Article 11 of UNFCCC requires the financial mechanism to “have an equitable and balanced representation of all Parties within a transparent system of governance” (UNFCCC, 1992). Accordingly this requirement has to be met by the international entity to be entrusted with the operation of the financial mechanism.

Finally, paragraph 5 of Article 11 of UNFCCC and paragraph 3 of Article 11 of Kyoto Protocol clarify that, in addition to the envisaged financial mechanism, financing can also be provided through bilateral, regional or other multilateral channels. This provision offers many opportunities for state actors and other stakeholders to play an active role in climate financing (Ludemann & Ruppel, 2013).

2.2.2.2 Guiding Principles

As indicated in the Preamble to the UNFCCC, the topic of climate finance is linked to

the guiding principle of the climate change regime, the concept of “common but differentiated responsibilities and respective capabilities” (UNFCCC, 1992). This principle reveals that the climate change debate is strongly influenced by ethical considerations around responsibility, justice and fairness (Grasso, 2011). While responsibilities for climate impacts can be attributed to the developed world to a large extent, climate vulnerabilities are unevenly distributed and predominantly feature in developing countries (Ludemann & Ruppel, 2013). Correspondingly, paragraph 4 of Article 4 of UNFCCC contains a specific value of the principle of common but differentiated responsibilities and respective capabilities in that developed countries are obliged to assist the developing country parties – which are particularly vulnerable to the adverse effects of climate change – in meeting adaptation costs. Climate financing, therefore, is guided by the question on how to share burdens fairly and to distribute costs related to climate change (Grasso, 2011).

The main indicator for a distribution of climate change costs has been the responsibility of developed countries for historical greenhouse gas emissions which have accumulated since the beginning of carbon-based industrial activity (Grasso, 2011). These emissions have contributed to adverse changes in the climate system and weather patterns. In the light of common environmental law principles, like the polluter pays principle and the no-harm principle, the climate change regime follows up on the responsibility of developed countries for past and present greenhouse gas emissions (Ludemann & Ruppel, 2013).

Recent negotiations of the climate change regime have focused on increasing

the financial capacities and have also strengthened the case of adaptation (Ludemann & Ruppel, 2013). The way of administering adaptation funding, especially, has become a crucial element for the development of international climate policy (Grasso, 2011). As soon as discussions concern increased funding for adaptation measures in developing countries, they touch on issues around responsibility, justice and fairness. Whereas mitigation is still mostly a topic in industrialized countries and larger developing countries, adaptation measures are needed particularly in less developed regions (Dellink, 2009). Moreover, developing and especially least developed countries are most vulnerable to climate change impacts, although they contributed least to historical greenhouse gas emissions that are responsible for climate change at present (Dellink, 2009). Fairness, therefore,

demands an increased transfer of financial resources from industrialized to developing countries (Grasso, 2011). Besides the UNFCCC's principles, Paris Agreement includes 'results based payments' (Article 5.2) and developed country parties to be 'transparent and consistent' (Article 9.7) in providing climate finance, as core principles (UNFCCC, 2015).

However, Donald Pols (2008) lays down a broader and complete picture on guiding principles of climate finance. He emphasizes on three elements; (1) How to raise funds – mechanisms and who should pay, (2) How to manage funds – an institutional arrangement and governance of funds and (3) How to use funds – disbursement of funds and implementation. The principles are summarized in Table-1.

Table – 1: Guiding principles of climate finance

Raising Funds	Institutional arrangements and Governance	Disbursement and spending
Leadership	Representative	Sovereignty
Adequacy	Transparency	Equity
Predictability/ effectiveness	Accessible	Sustainable development
New and additional	Appropriate	Transparency
Polluter Pays	Under authority and accountable to the COP	Effective
Effort Sharing	Effective	Measurable, Reportable and Verifiable (MRV)
Precautionary principle		Priorities Least Developed Countries, Small Island Developing States, drought and flood prone African countries
		Readiness/absorption

Source : Adapted from Donald Pols, 2008

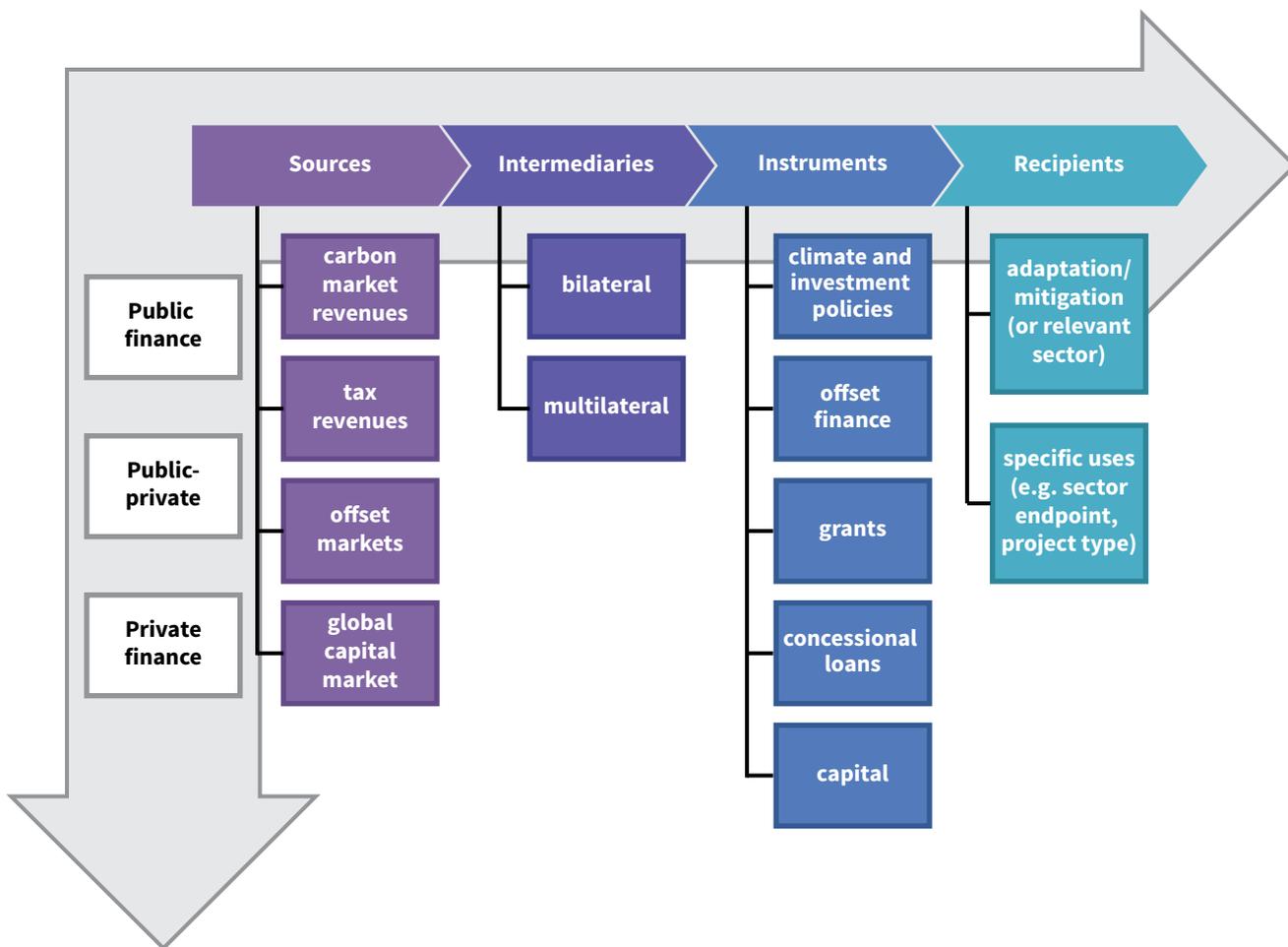
2.2.3 International Climate Finance Architecture

International climate finance architecture is complex and manifold (Ludemann & Ruppel, 2013) as a comprehensive picture of climate finance is multidimensional, involving many pieces of information both on the type of finance and how finance flows from the donor to the recipient and, ultimately, within the recipient structure (CPI, 2011). Buchner et al. (2011) have described and surveyed the difficult material in detail, establishing the diagram presented below:

Figure-2 shows that two dimensions can help to structure and systematize the climate finance landscape:

- A horizontal dimension that represents the life cycle of finance flows. How is finance flowing from the source to the final use? How are these flows assembled by source of finance and country of origin? How are they transferred and disbursed?
- A vertical dimension that describes what types of financial flows and intermediary channels are being used. Are they public finance, pri-

Figure – 2 : Dimensions of international climate finance



Source : Buchner et al., 2011

vate finance or public-private finance flows? Climate-specific vehicles or general bilateral flows? Flows managed by International Finance Institutions or directly by the government or private sector? Incremental finance or investment finance?

Thus, combinations of six variables; source, types of finance, intermediaries, instruments, channels, recipients and uses can assist to understand the climate finance landscape (CPI, 2011). Nakhooda et al. (2016) has developed a comprehensive picture using all these variables and CPI (2015) has put the amount of financing as given in the next page:

2.2.4 Key Debates on Climate Finance

Over the years, many of the issues connected to climate finance have been debated internationally. These include how climate finance is sourced and mobilized (through which channels and financial instruments), what it supports (objectives, sectors, activities and recipient institutions), the extent to which it represents 'new and additional' support to developing countries and how it is distributed and targeted. Another important debate has been over the amount of funding that individual countries should provide, and how to assess whether countries are providing their 'fair share' of climate finance (Nakhooda et al., 2013).

Parties to UNFCCC agreed to provide balanced support for adaptation and mitigation, recognizing that finance has historically supported mitigation and that there is a need to expand support for adaptation. However, there is a lack of agreement on how 'balance' should be interpreted in practice, and there is a need to increase in-

vestment in reducing GHG emissions even as investment in adaptation is increased (Nakhooda et al., 2013).

Financing for 'adaptation or development' is also another area of big debate. Many projects blend characteristics of classical development activities with climate adaptation aspects. In those cases, the donors' often deny to provide climate finance as they argue of having separate funds for specific development activities. However, many a times it is not so easy or logical to make it 'climate adaptation=development' as for instance, the vulnerability of a society is strongly determined by structural underdevelopment. Such development deficits exacerbate the risk potential facing certain population groups or communities in the context of climate change. This means that any development projects that aim at mitigating these structural problems also make an important contribution to increased adaptive capacity (Weischer & Wetzel, 2017).

The issue of how to mobilize climate finance at scale, including from new and innovative sources, has been a topic of significant interest (German watch, 2017), and was the focus of the High Level Advisory Group on Climate Finance convened after the Copenhagen Conference of the Parties (COP) by the United Nations Secretary General. Parties and experts have proposed alternative sources such as trading scheme auction revenues, carbon taxes and pricing of aviation and shipping emissions. The G20 has also discussed the potential to mobilize these sources (World Bank and International Monetary Fund, 2011). However, US President Donald Trump's decision to pull the United States out of the Paris Agreement has made the scenario a little complicated. Though its impact on the efforts of other major countries is likely to be mini-

Figure – 3 : Global Climate Finance Architecture

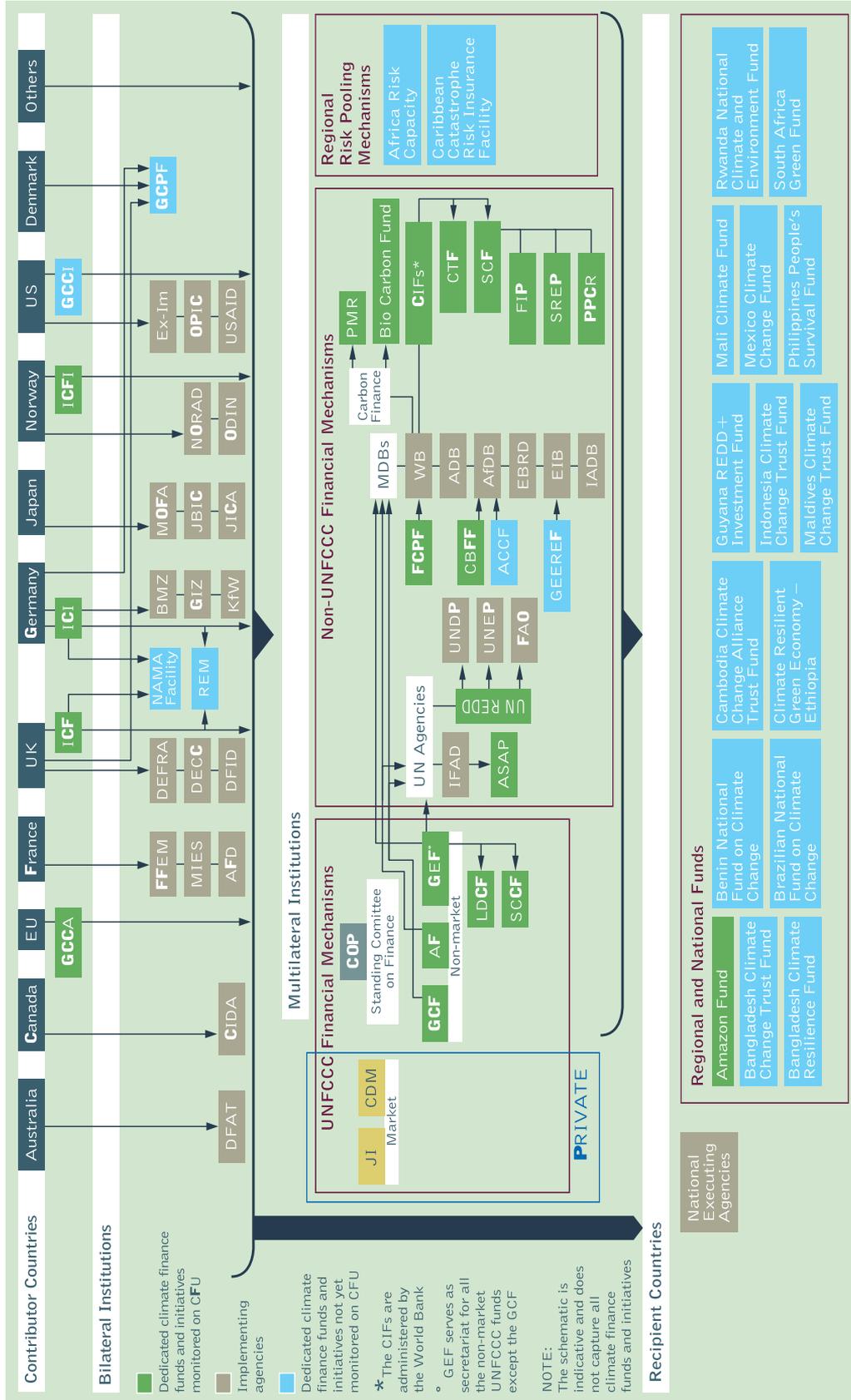
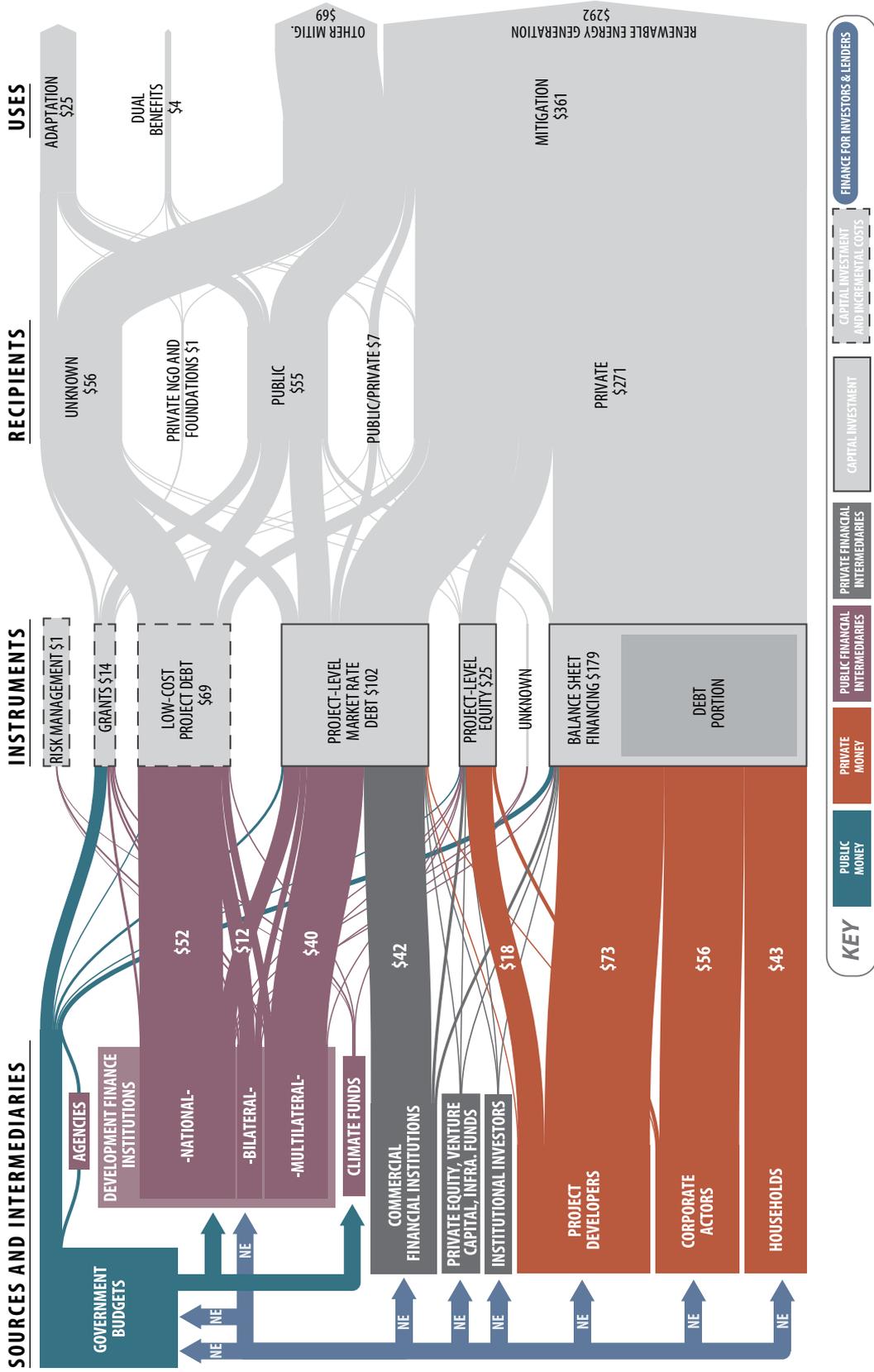


Figure - 4: Global Climate Finance Architecture - Annual Financial Flows

GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015 **USD 391** BN TOTAL

Landscapes of Climate Finance 2015 illustrates climate finance flows along their life cycle for the latest year available, mostly 2014, in USD billions



Source: CIP, 2015

mal, the absence of the US from the Paris Agreement will hurt the global climate architecture in other ways as well. The ability of the US to raise financial and technological resources is unmatched. The ability of developing and poor countries, which also happen to be some of the most vulnerable, to cope with the impacts of climate change depends directly on the financial and technological resources made available to them, at an affordable cost, by the United States and other developed countries. As the world's financial superpower, the United States is a key to mobilizing these funds, and also making available the latest, even patented, technology to the rest of the world. Thus, the absence of the US from the scene will hurt the world the most (The Indian Express, June 2, 2017).

Financial instruments have also been a source of debate: many developing countries and NGOs argue that climate finance, especially adaptation finance should be delivered primarily in the form of grants. This approach avoids burdening developing countries with additional debt. Furthermore, it aligns with the view that climate finance should compensate developing countries for costs incurred due to developed countries' GHG emissions, and so should not be subject to repayment (Schalatek, 2010). On the other hand, number of contributor countries has counted both concessional and non-concessional loans, as well as capital contributions, guarantees, and insurance as climate finance (Fransen et al. 2012; Kuramochi et al. 2012).

Developed and developing countries have tended to express different views about channeling institutions, with the latter generally (though not universally) preferring their own institutions, to facilitate di-

rect access to climate finance (Ballesteros et al. 2010). There is also a growing emphasis on the need to build capacity in developing countries to address climate change and manage climate finance, with some expressing the view that this requires increasing reliance on institutions based in developing countries (Bird et al. 2013). Developed countries, however, have tended to prefer to work through their own development institutions and international organizations. These entities are perceived to have robust systems for financial management, good programming capacity and generally give contributor countries greater voice (Ballesteros et al., 2010).

The geographic distribution of climate finance is also a topic of concern. UNFCCC parties agreed to give priority to the most vulnerable countries for adaptation finance. There is also a need to target finance where it can most effectively achieve adaptation and mitigation goals, and a possibility that a reliance on ODA for the delivery of climate finance could shift its distribution away from countries that are small GHG emitters (Nakhooda et al., 2013).

Finally, parties to the UNFCCC have agreed that climate finance should be 'new and additional' (UNFCCC, 2015). While there is no universally accepted definition of 'new and additional', international negotiations reflect a consensus that responding to climate change will require new effort and substantial resources, and that these resources should not divert funding from other development goals that are not climate-related (German watch, 2017). In practice, however, the debate on what constitutes 'new and additional' has been highly contentious, and experts have proposed a range of definitions and criteria.

2.3 Green Climate Fund

2.3.1 Background

Since the 1990s, growing awareness in the climate change discussion has also exposed the topic of climate financing. The permanent discussions and negotiations in the climate change debate have led to a variety of climate financing instruments and mechanisms (Ludemann & Ruppel, 2013). Adjustments of old and introduction of new climate-related funds have been on the agenda at regular intervals. With the adoption of Copenhagen Accord in 2009 at 15th COP to UNFCCC and decisions taken at the 16th COP to the UNFCCC in Cancun in 2010, the international community embarked on the development of a new funding framework, stating that a scaled up, new and additional, predictable and adequate funding is envisaged (UNFCCC, 2010). The Cancun Agreement contains a commitment of the developed country parties to “a goal of mobilizing jointly USD100 billion per year by 2020 to address the needs of developing countries” (UNFCCC, 2010) that in principle represents one of the largest development programs in history of mankind (Donner, 2011). Accordingly, at UNFCCC COP-17, in Durban, South Africa in December 2011, a new channel to disburse these resources, the Green Climate Fund (GCF) was formally established.

2.3.2 Governance and Source of Fund

GCF has been established by 196 sovereign governments that are party to UNFCCC and is guided by the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC, 2010). It is governed by a Board of 24 members, with equal representation between

developing and developed countries and the Board is accountable to the COP (GCF, 2015). A secretariat, headed by an Executive Director and a team of professional staff, manages the day-to-day operations of the Fund. The World Bank currently serves as the interim trustee to manage the financial assets of GCF. Both secretariat and the trustee are accountable to the Board (GCF, 2015).

Contributions from parties to UNFCCC are the main source of GCF. GCF is also targeting cities, businesses, philanthropic sources and private citizens to mobilize resources. They have marked 2015 to 2018 as the initial resource mobilization period and have fixed to ‘jointly mobilize USD100 billion per year by 2020’ (GCF, 2015). As of June 2017, GCF has raised USD10.3 billion equivalent in pledges from 43 state governments, including 9 developing countries. Out of this, USD10.1 billion has been raised so far and USA, Japan, United Kingdom, Germany and France are the top five contributors (GCF, 2017).

2.3.3 Key Features

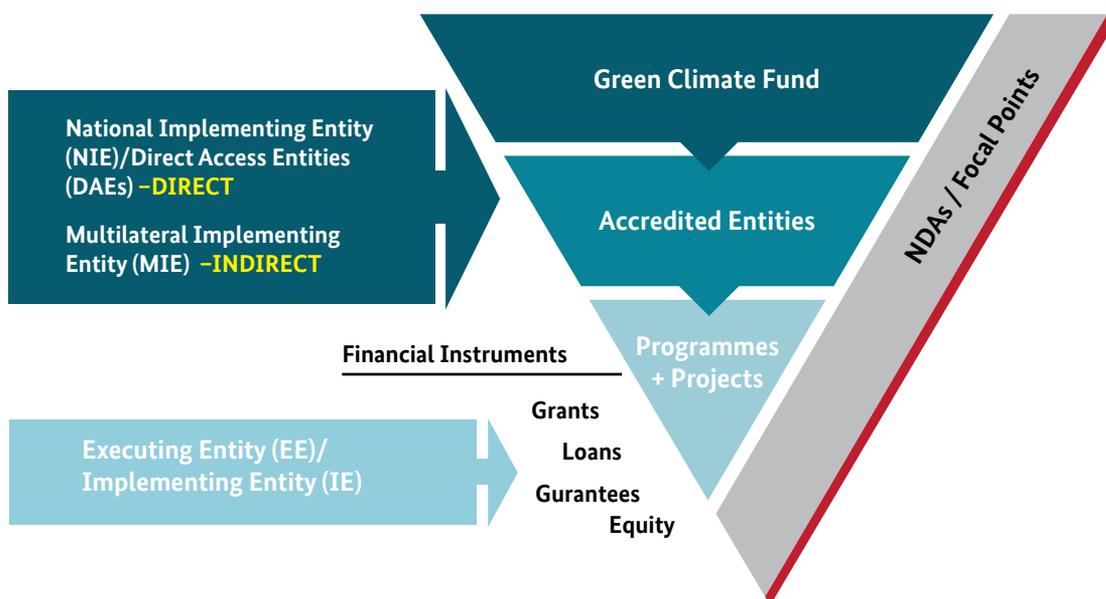
About the key features of GCF, Mejbahuddin (2015) highlights “GCF is expected to play a key role in channeling new, additional, adequate and predictable financial resources to developing countries. The GCF is different from many other global funds as it will be scalable and flexible in nature and necessarily meant to maximize the impact of adaptation and mitigation actions in a way that it transforms the business-as-usual development, while bring environmental, social, economic and development benefits in a more inclusive and gender-sensitive way”. Nakhoda et al., (2014) also have listed some key features as pointed out in the next page:

- GCF has adopted an active risk-management framework from the outset. Loan contributions will be complemented with a capital cushion that will be calibrated to help ensure the fund can make higher risk investments, even if it accepts loan contributions. This should give it the potential to offer the range of forms of finance required to target national needs.
- GCF and its stakeholders adopt a proactive approach to understanding the potential for diffuse innovation within its recipient countries: for example, the deployment of new technologies to provide early warning systems to vulnerable communities; further improvements in storage technologies for renewable energy; or new approaches to deployment that reduce costs through wide-scale procurement.
- GCF has a dedicated Private Sector Facility that can help the GCF to meet the particular challenge of finding more effective ways to engage.
- GCF is well placed to use a range of types of funding for capacity and institutional strengthening, and to support deeper engagement of national stakeholders. It has launched a readiness program to provide up-front investments in national processes and institutional capacities to make effective use of its resources, and to extend the range of partners through which it can deliver projects and programs.
- GCF accreditation framework allows it to work with a potentially vast range of implementing partners.

2.3.4 GCF Architecture

GCF architecture comprises of three elements; accredited entities (entities or agents for accessing), means and tools of financing (programs or projects and financial instruments) and country interface (National Designated Authority). Their interrelationship has been depicted in figure – 5.

Figure - 5 : GCF Architecture



Source : GCF (2015)

2.3.4.1 Access modality

In general, there are two different ways to access GCF resources. The first route is called as 'Direct Access' that uses a National Implementing Entity (NIE) or Direct Access Entity (DAE) to have funding from GCF for implementing climate change related projects or programs. Any national, sub-national or regional institution may be accredited by the GCF as an NIE/DAE. The other route has been termed as 'Indirect Access' that uses a Multilateral Implementing Entity (MIE) to have funding from GCF for implementing climate change related projects or programs. International cooperation agencies, multilateral development banks and the United Nations agencies are accredited by the GCF as MIEs. The GCF Board has accredited 54 (fifty four) entities so far (and another 184 entities are waiting for getting accreditation), 27 (twenty seven) each as NIEs (18 are national organizations and 9 are regional organizations) and MIEs (GCF, 2017). These organizations, as MIEs and NIEs/DAEs, have been accredited by showing a specific level of standards and criteria that are required by the GCF. For getting the accreditation under the indirect access route or becoming an MIE, an entity needs to apply to GCF directly. Whereas, for getting the accreditation as an NIE/DAE, an entity needs a nomination letter from National Designated Authority (NDA) first to apply to GCF (GCF, 2015).

Direct access of resources from any international climate finance mechanism is of particular interest to all developing countries. However, due to lack of institutional capacity in climate finance governance, developing countries are unable to get accreditation of NIE/DAE to ensure direct access of resources from international climate finance mechanisms such as the GCF. Most

of the developing countries are now relying on MIEs for accessing resources from GCF.

Irrespective of NIE/DAE or MIE, an accredited entity of GCF is expected to carry out the functions as stated below:

- Developing and submitting funding proposals for projects and programs;
- Overseeing management and implementation of projects and programs;
- Deploying a range of financial instruments within their respective capacities (grants, concessional loans, equity and guarantees); and
- Mobilizing private sector capital and co-financing from different sources (GCF, 2015).

2.3.4.2 Projects and Programs

GCF finances projects and programs that are aiming for climate adaptation, climate mitigation or both. Any implementing entity can submit project or programs proposals to GCF through accredited entities. An accredited entity can also be an implementing entity. However, any proposal to be send to GCF must accompany a 'No Objection' letter from concerned NDA. As a part of ensuring 'country ownership' NDA looks into country's interest and priorities before issuing the 'no objection'. At GCF's end, GCF ultimately evaluates a proposal against their interests or areas of strategic investment which is elaborated in the next section. Accredited entities can submit funding proposals to GCF at any time, spontaneously or when there is a call for proposals from GCF (GCF, 2015).

2.3.4.3 Financial Instruments

There are four financial instruments that can be utilized by the Fund through different modalities and at various stages of the financing cycle: grants, concessional loans, guarantees and equity investments. These options are not mutually exclusive (GCF, 2015). Countries look forward to have grants for mainly those climate change activities that have no scope of generating income. Location of the recipients and their level of vulnerability are also major factors in granting loans. However, depending on the needs and types of activities considered, GCF grant resources could be further intermediated via accredited entities which would intermediate GCF resources by transforming or blending them with other resources and mechanisms, in order to provide a wide range of financial instruments beyond grants (soft loans, equity, guarantee schemes, other modalities and facilities, in

hard or local currency), tailored to the specific requirements of end recipients. The respective implementation and intermediation entities would be chosen by the recipient country. At the same time, in all cases, depending on needs and as determined by recipient countries, implementing entities and other interested entities have the possibility to co-finance GCF activities (IDFC, 2015). General terms and conditions of grants and concessional loans are highlighted in Table – 2 and 3.

2.3.4.4 National Designated Authority (NDA)

A National Designated Authority is the core interface between a country and GCF. It seeks to ensure that activities supported by GCF align with strategic national objectives, priorities, and help to advance ambitious action on adaptation and mitigation in line with national needs (GCF, 2015).

Table – 2: Terms and conditions of GCF's grants

	Grants
Currency	Major convertible currency
Interest Rate	Grants without repayment contingency: no imbursement required
Maturity	Grants with repayment contingency: terms adapted to the required concessionality of the project or program
Grace Period	

Source : GCF (2015)

Table – 3: Terms and conditions of GCF's concessional loans

	High concessionality	Low concessionality
Currency	Major convertible	Major convertible
Maturity (years)	40	20
Grace Period (years)	10	5
Annual principal repayment years 11-20/6-20 (%of initial principal)	2%	6.70%
Annual principal repayment years 21-40 (%of initial principal)	4%	N/A
Interest	0.00%	0.75%
Service fee (per annum)	0.25%	0.50%
Commitment fee (per annum)	Up to 0.50%	Up to 0.75%

Source : GCF (2015)

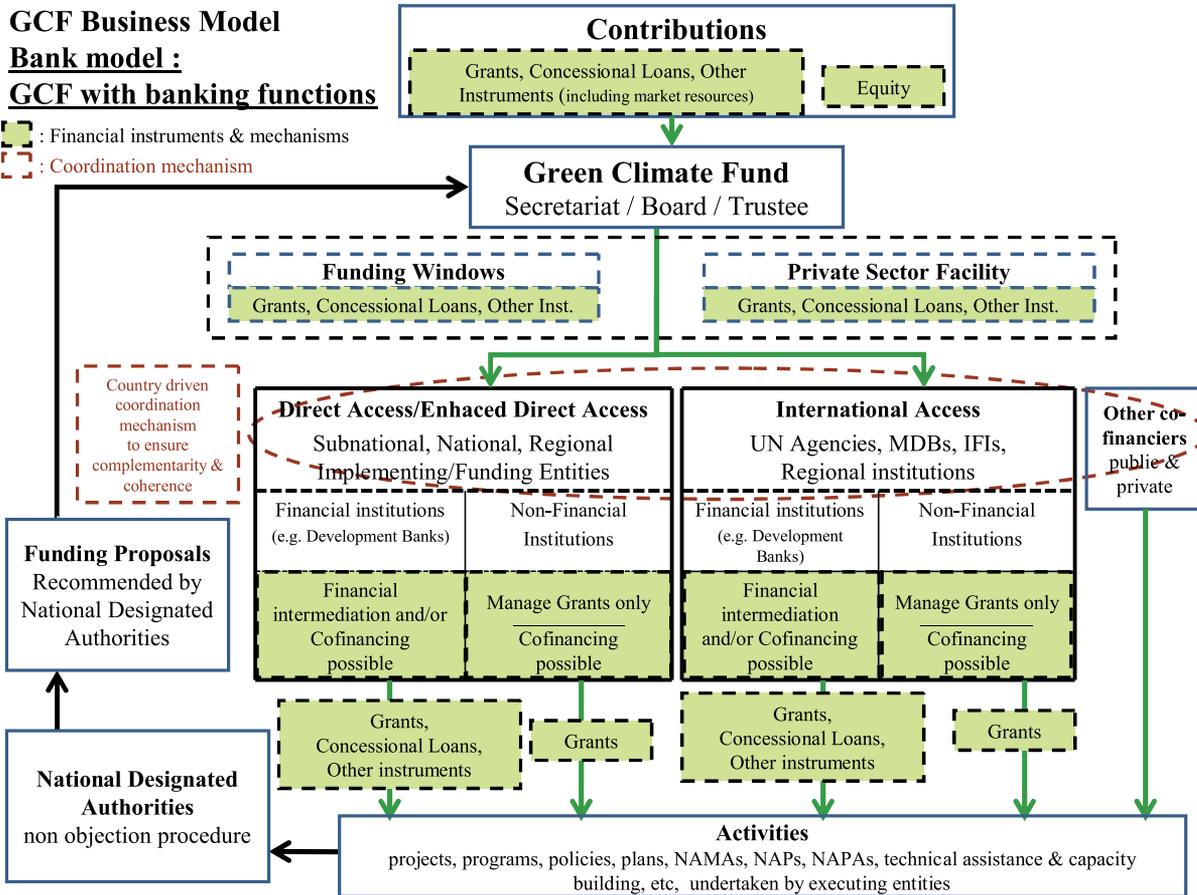
2.3.5 Ways of country's engagement with GCF

2.3.5.1 What does GCF support?

GCF finances low-emission (mitigation) and climate resilient (adaptation) projects and programs developed by the public and private sectors to contribute to the sustainable development goals of countries (GCF, 2015). In doing so, it aims to equally

balance its allocation between adaptation and mitigation over time, and allocate significant resources to the private sector. It also aims to allocate at least half of its resources for adaptation for countries that are particularly vulnerable to the impacts of climate change. These countries will include Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African States (GCF, 2015). Figure-7 illustrates the position.

Figure - 6 : GCF Business Model



Source: IDFC (2015)

GCF has identified eight areas of strategic investment of its resources through appropriate projects and programs – four for mitigation (aiming to reducing CO₂ emissions) and four for adaptation (protecting countries and companies from impacts of climate related disasters). The mitigation areas are low emissions energy and electricity, low emissions modes of transport, buildings, cities, industries and appliances energy intensity and land use including agriculture & forestry. The adaptation areas will focus on protecting livelihoods of people in vulnerable zones food and water security, making infrastructure resilient to climate change and preserving ecosystems. GCF will also actively promote synergies across areas of adaptation and mitigation wherever possible, and promote environmental, social, economic and development co-benefits, and take a gender-sensitive approach (GCF, 2015).

2.3.5.2 How can countries engage with GCF?

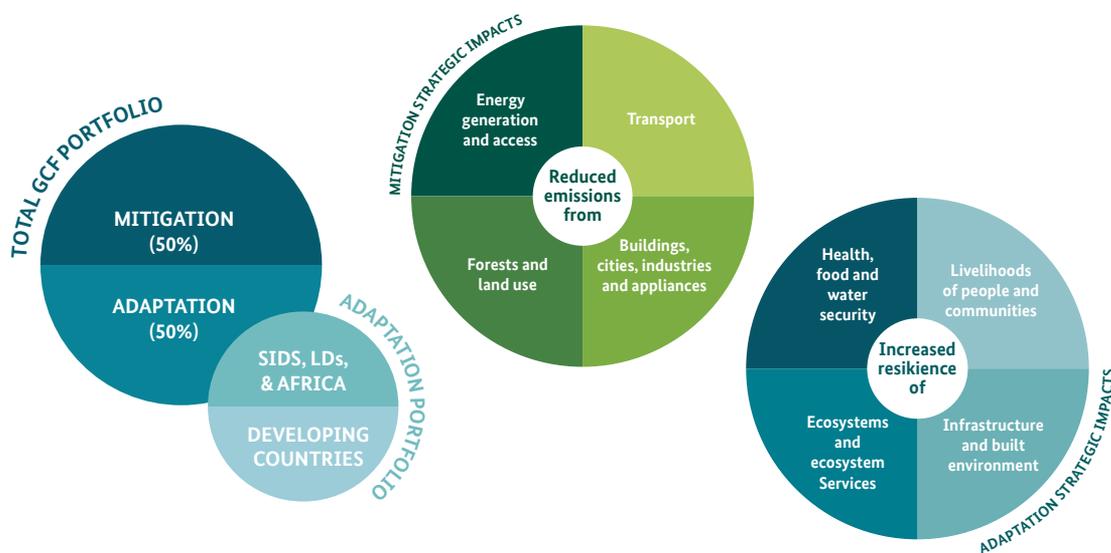
Getting engagement with GCF requires a systematic approach and requires three steps to follow for a country. These are:

- Establishing a National Designated Authority (NDA)
- Identifying and seeking accreditation of entities to access resources from GCF
- Developing projects and programs to bring forward for funding through accredited entities

2.3.6 NDA: Role and Capacity

Selecting a National Designated Authority is the first major step in engaging with the Fund. NDA serves as the point of communication with the Fund. However, NDA's mandate and responsibilities cover a range of functions, which have been highlighted in Figure-8.

Figure – 7: GCF's resource allocation and areas of strategic investment

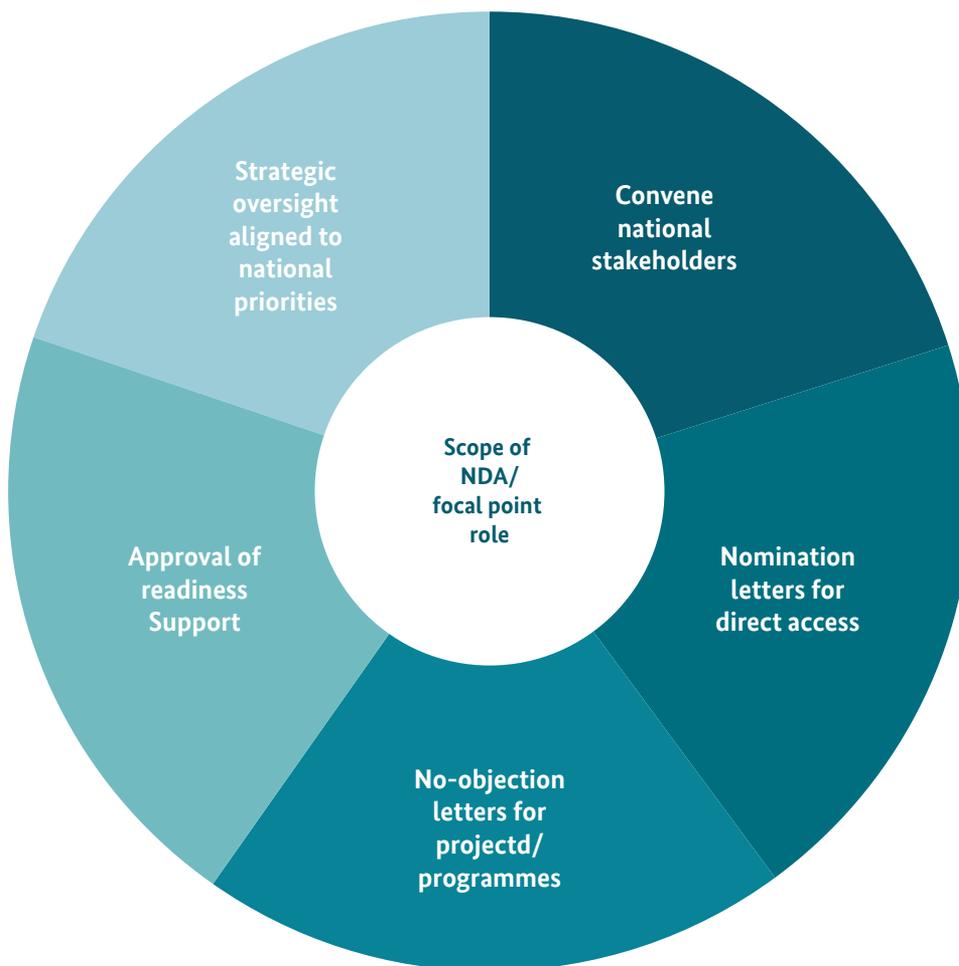


Source : GCF (2015)

Government has the full authority to select any national organization as its NDA. An analysis of GCF's NDAs has been summarized in table-4. However, GCF recommends the NDA to be placed within a ministry or an authority conversant with the country's national budget, economic policies and their interrelation with climate change-related priorities and development plans. The selected institution should ideally have a mandate that enables it to work on and influence an appropriate combination of economic policy and development planning, along

with climate change, energy, sustainability and environmental resource management priorities, strategies and plans. Where this combination is not possible, GCF recommends that the NDA should be in a position to lead and coordinate a country coordination mechanism that allows for an overview of key sectors as they relate to the country's climate change strategies and plans. The ability to convene representative stakeholders across these priority areas is a critical function of an NDA (GCF, 2015).

Figure – 8: Scope/Activities of NDA



Source: GCF (2015)

Box - 1 : Expected capacities of NDA

Ideally, the NDA should possess or attain through country coordination mechanisms and institutional networks within the country:

- (a) Adequate knowledge of national priorities, strategies and plans;
 - (b) Ability to contribute to and drive national development strategies and plans;
 - (c) Familiarity with both mitigation and adaptation efforts and needs in the country;
 - (d) Familiarity with relevant institutions and stakeholders in the countries (including contacts with multilateral and bilateral institutions, civil society organizations, and sub-national, national or regional entities that may be potential candidates for accreditation as intermediaries or implementing entities);
 - (e) Capacity to facilitate and coordinate country coordination mechanisms and multi-stakeholder engagement for country consultations;
 - (f) Ability to monitor and evaluate in accordance with relevant guidelines of the Fund; and
 - (g) An overview of activities of other relevant multilateral, bilateral, regional and global funding mechanisms and institutions working in the country.
- The NDA should be able to maintain regular communication with the Secretariat in English through Internet based correspondence, facilitate country visits and meetings with Fund officials and provide written communication, as required.
 - The NDA should also be able to disseminate in local languages key operational procedures of the Fund, including its environmental and social safeguards and no-objection procedure.
 - The NDA should also retain an overview of all funding proposals relating to the country, and facilitate available information on the projects and programs through appropriate media and relevant networks, including in local languages.
 - The NDA should be familiar with multilateral finance and be able to interact with private sector actors in the country.

Source: adapted from 'Engage with Green Climate Fund', GCF, 2015

Table - 4: Who are the NDAs

Region	Envrn. Ministry / Depts.	Finance Ministry / Depts.	Planning Ministry / Depts.	PM Office	Others	Total
Asia & Pacific	34	14	1	2	3	54
Europe	6	2	1	0	0	9
Africa	36	8	1	2	2	49
South, North and Central America	16	13	3	0	1	33
Total	92	37	6	4	6	145
Percentage	63%	26%	4%	3%	4%	100%

Source: Country Directory, GCF (2017)

2.3.7 ERD: Bangladesh's NDA to GCF

Economic Relations Division (ERD) is one of the four divisions of the Ministry of Finance (MoF), Government of the People's Republic of Bangladesh. ERD is mandated to act as the focal point of the Government of Bangladesh for interfacing with the development partners as well as for co-ordination of all external assistance inflows into the country. It pursues its goal directly to mobilize external resources for socioeconomic development of the country. ERD assesses the needs of external assistance, devises strategy for negotiations, formalizes and enables aid mobilization through signing of loans and grants agreements. Thus, in November 2014 GoB made the conscious decision of nominating ERD as the National Designated Authority (NDA) to the Green Climate Fund. This allows accommodating the requirements of the GCF from the NDA within the Allocations of Business of the Government (Yapp, 2016). Since its establishment as NDA, ERD has taken quite a number of activities which include:

- launching an inclusive consultation process with all the stakeholders including government agencies, private sector, civil society organizations and development partners
- undertaking organizations' self and expert's assessments to find out the potentiality of public sector entities to become NIEs of GCF
- organizing national consultative stakeholder workshop to short-list 14 (fourteen) national institutions as potential of being NIE(s) while meeting basic and specialized standards set by GCF
- nominating finally 6 (six) public sector entities (IDCOL, PKSf, LGED, Department of Environment, Bangladesh Climate Change Trust and Bangladesh Bank) to apply for GCF's accreditation. IDCOL has been accredited as an NIE in July 2017 and PKSf in November 2017.
- organizing a workshop to orient private sector entities about the opportunities of GCF for them
- forming an Advisory Committee including representatives from all corners; government, public sector, civil society and experts
- sending four project proposals to GCF for funding and getting one of the projects, titled "Climate Resilient Infrastructure Mainstreaming (CRIM)" (send through KfW) approved by GCF Board. Notable that it was one of the first seven projects that GCF Board approved globally. GCF will provide USD40 million as grants for implementing this LGED's project. Other three projects are now under the active consideration of the GCF Board.
- undertaking a capacity assessment and subsequently received readiness supports from GCF and GIZ for establishing a dedicated-functional and digital NDA Secretariat
- nominating LGED to receive GCF's readiness support for accreditation gap assessment and fulfilling the identified gaps
- sending a proposal to receive GCF's readiness support for preparing National Adaptation Plan (NAP) of Bangladesh
- developing a Country Program (CP) that presents an overview of a country's

national context, policy framework, plans and summarizes their respective climate action agendas. CP also includes a pipeline of projects or Programs that a country would like to undertake with the GCF.

2.3.8 Analytical Framework

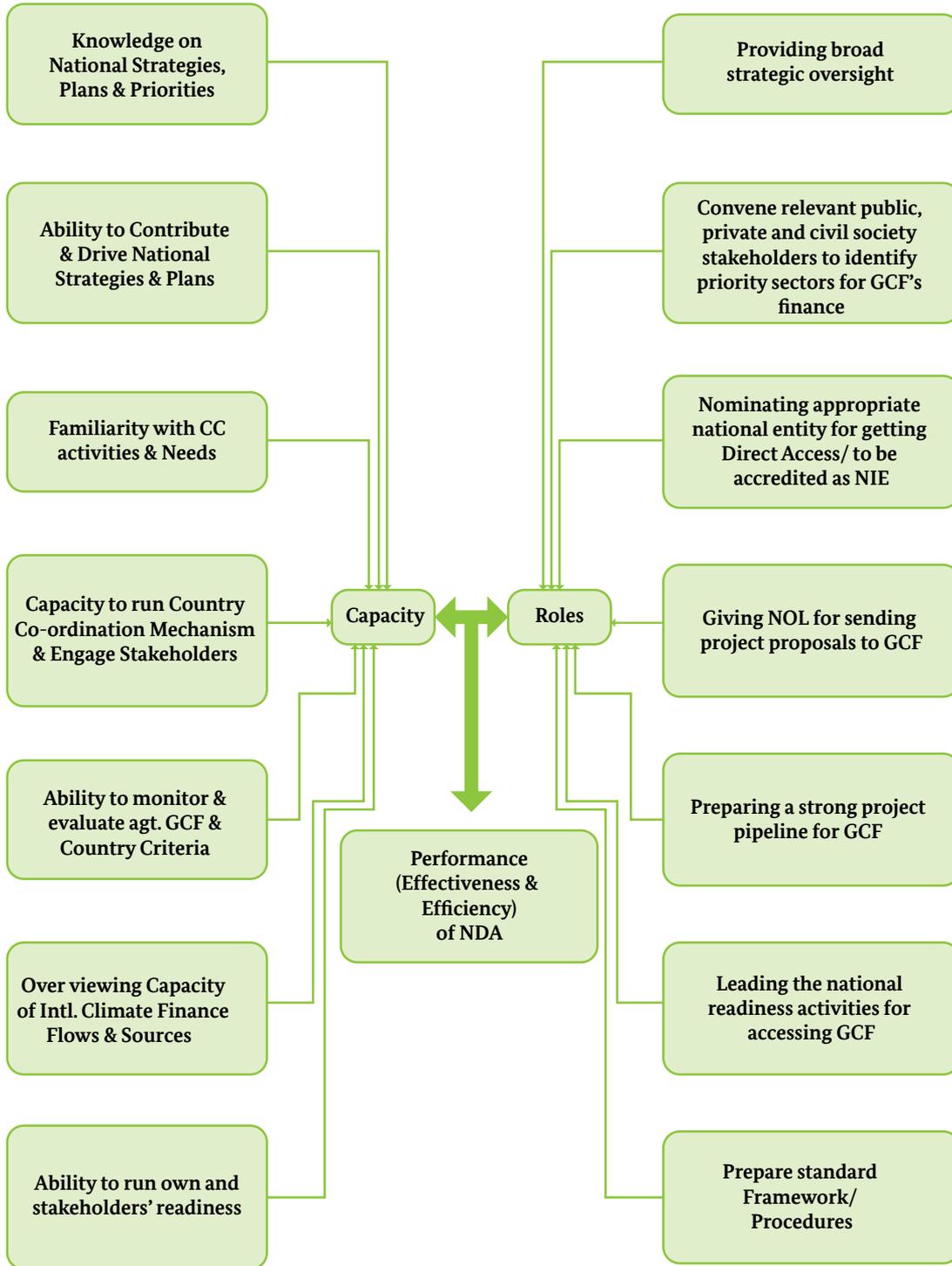
Depending on the theoretical discussion an analytical framework for this study has been drawn as presented in the next page. The conceptual or analytical framework depicts the interplay of two variables that affects the performance (generally measured through level of efficiency and effectiveness) of ERD as NDA. The dependent variables here are the 'role' and 'capacity' of ERD as NDA. However, the measurement of the independent variables by certain indicators would help to elaborate the relationship between dependent and independent variables. Using the knowledge from the existing literatures, certain indicators of the two variables have been identified as included in the framework. However, the framework is not treated as an exhaustive and rigid representation of all indicators that exclusively influence the capacity and role playing within the organizational relationship. It is rather used as an initial structure for the study. Some other indicators might have evolved during the study, particularly in data collection stage.

2.4 Conclusion

This chapter starts with conceptualizing the term "climate finance" which is generally termed as the flow of financial resources from developed countries to developing countries to undertake adaptation or mitigation or both types of activities. Although there are considerable difference

among the international climate change negotiators, institutions and experts on what type of funding constitutes climate finance, they have agreed that certain principals like adequacy, transparency, accessibility, effectiveness and equity should govern the very complex and multidimensional landscape of climate finance. UNFCCC also provides the legal framework of this architecture through calling for widest possible cooperation between the countries in responding to climate change in accordance with their "common but differentiated responsibilities". The recently adopted Paris Agreement reaffirms that urge. To meet this global urge, quite a number of sources are providing climate finance to different recipients using different types of financial flows, intermediaries, instruments and channels. Although the amount seems quite big, like USD 391 billion for 2015, it appears that demand is actually higher and calls for scaling supply up rapidly. At the same time, it is debated whether the present flow which is termed as 'climate finance' is 'new and additional' to the traditional ODA, maintains a balance between adaptation and mitigation, being provided as grants for adaptation activities as they should be, promotes affected country ownership or helps to build up their institutions or going to the right places where those are needed most. In this backdrop, 16th COP to the UNFCCC in Cancun in 2010, the international community embarked on the development of a new funding framework, stating that a scaled up, new and additional, predictable and adequate funding is envisaged and accordingly at UNFCCC COP-17, in Durban, South Africa in December 2011, a new channel to disburse climate finance, the Green Climate Fund (GCF) was formally established. GCF sets "a goal of mobilizing jointly USD100

Figure – 9: An Analytical Framework to Evaluate Role & Capacity of NDA



billion per year by 2020 to address the needs of developing countries” and has been able to raise USD 10.1 billion till June, 2017. GCF disburses these resources to recipient countries through intermediaries. National, sub-national, regional, international cooperation agencies, multilateral development banks and the United Nations agencies after getting GCF's accreditation can act as intermediaries. So far GCF has accredited 54 entities round the globe as their intermediaries. These entities take the projects or programs' proposals to GCF board for its approval and provide funds in the form of grants, concessional loans, guarantees or equity. GCF has developed its own criteria of using these financial instruments and has decided eight areas of investments. However, in GCF's financing architecture, each country has its own in-country representative, called National Designated Authority (NDA). NDA acts mainly as the country interface between the recipient and GCF. NDA provides strategic oversight aligned to national priorities, convenes national stakeholders,

nominates appropriate entities to act as intermediaries of GCF, decides the projects that would go to GCF for funding and leads country's readiness in accessing GCF's resources. In performing all these roles NDA is expected to possess adequate knowledge on national plans, strategies and priorities, capacity to facilitate and coordinate country coordination mechanisms and multi-stakeholder engagement for country consultations, familiarity with mitigation and adaptation activities, international inflows and country's need. In November 2014, Government of Bangladesh has nominated its Economic Relations Division (ERD) as Bangladesh's NDA to GCF and since then ERD has been quite active as NDA. This chapter ends with presenting a conceptual or analytical framework that incorporates certain indicators to examine and to determine ERD's role and capacity ultimately ERD's performance as NDA of Bangladesh for GCF. The next chapter outlines the methodological approach that guided the data collection and analysis.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In simplest terms, research methodology generally means the way of achieving the research objectives. To be more precise, it primarily focuses on the methods of data collection along with the justification of using the methods. It also includes basic parameters to be chosen related to the selected methods. In addition to that, the instruments for gathering data also fall within the definition of methodology of a research (Aminuzzaman, 1991). This chapter presents the methodology applied for collecting and processing data. It also elaborates research methods and techniques used for data collection and analysis.

3.2 Sources of information

3.2.1 Primary source

The present study attempts to identify role of ERD in accessing GCF and the needs of ERD to perform its roles in accessing GCF for Bangladesh. For this, some primary data are collected from relevant ERD officials as well as other relevant stakeholders, like officials of Ministry of Environment and Forests (MoEF), Finance Division, Power division, Planning Commission officials, climate change project implementing agencies, climate change experts and development partners working on climate change related projects.

3.2.2 Secondary source

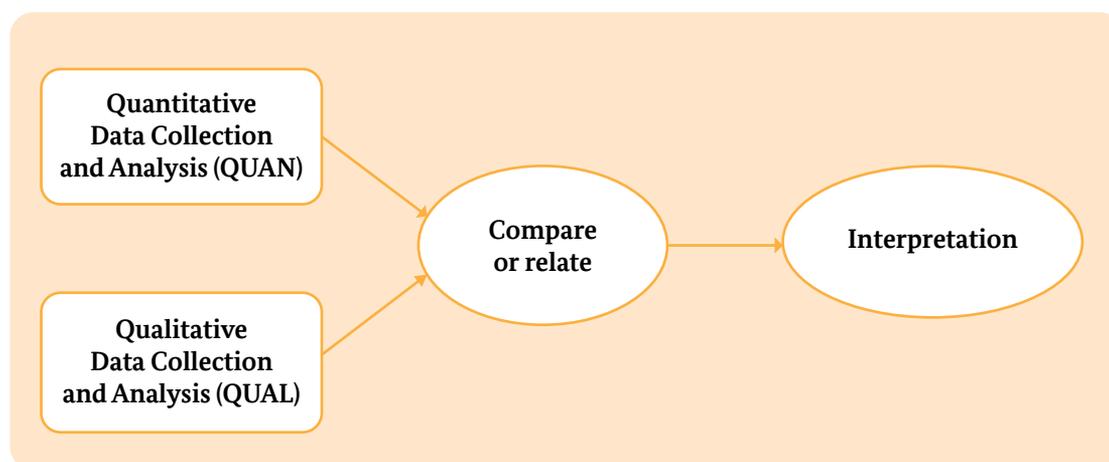
Existing literature or publications related to climate change, climate finance and international climate financing sources, Green Climate Fund, relevant rules and regulations, national plans and priorities are used as secondary sources to have a more in-depth understanding of the topic and fulfilling the research objectives.

3.3 Method

The study uses a mixture of both quantitative and qualitative methods which is known as 'convergent parallel mixed methods approach' of research (Creswell, 2014). In this approach, both quantitative and qualitative data are collected concurrently with equal emphasis, collected data are analyzed and then the results are compared to see if the findings confirm or disconfirm each other (Figure-10).

“Such a mixing or blending of data, is a useful strategy to have a more complete understanding of research problems or questions, such as explaining quantitative results with a qualitative follow-up data collection and analysis and developing a more complete understanding of changes needed for a marginalized group through the combination of qualitative and quantitative data” (Creswell, 2014).

Figure – 10: Convergent Parallel Mixed Method



Source : *Research Design: Quantitative, Qualitative, and Mixed Methods Approach*, Creswell, 2014

For collecting data, the study has generally relied on questionnaire survey and semi structured interview methods. The questions were both open and close ended. Closed ended questions were used to save time and open ended questions were used to have in-depth knowledge and insight of the respondents. Questionnaire survey method was used to gather primary data directly from respondents who were directly related with and have the experience about the process or have previous knowledge about the subject matter in general and this helped to get information which was very much helpful in the study. Semi-structured interviews were also used to all the respondents “to understand how events, actions, and meanings are shaped by the unique circumstances in which these occur” (Maxwell, 1998). The framed questionnaire and a pre-determined list of topics were used in conducting the interviews. But it also allowed new questions to be included during the meetings as a result of what the respondents say. By adopting this approach, it was possible to ensure that important thematic areas were covered while providing the interview-partners with the opportunity to come up with new ideas or thoughts (Wills, 2006).

3.4 Sampling

The respondents of this study can be classified into four broad categories; (a) government officials from ERD, Finance Division, Ministry of Environment and Forest (MoEF), Planning Commission and Power Division; (b) officials from climate change project implementing agencies; DoE, LGED, PKSF, IDCOL, BB, BCCT and SREDA; (c) Academia or climate change experts and (d) representatives from development partners, namely UNDP, KfW, GIZ, IUCN and World Bank. Their numbers are as follows:

Table – 5: Respondents’ profile

Category	Number
Government Officials	13
Implementing Entities	07
Academia/Experts	05
Development Partners	05
Total	30

Persons who are informed or knowledgeable of climate change, climate finance or Green Climate Fund, National Designated Authority and have working experiences or are related to climate change projects, climate finance issues, GCF & NDA were purposefully chosen. Such a purposeful

sampling enables to explore the required important information to be received from the particular settings or context of the study (Maxwell, 1998). Respondents were selected in such a way so that all the relevant stakeholders can be covered and the sample can be representative. Their differences in profession, background and engagement were carefully observed.

3.5 Data processing and analysis

Statistical tools with MS Excel have been used for processing and analyzing the data of the quantitative part. While, qualitative information has been followed the descriptive discussions to answer the research questions. For this part, the researcher has thoroughly read each of the transcripts to have a general understanding of the interview data and then analyzed those to correlate to questions of this research. Finally, results with summary and conclusion have been presented. The entire process obviously has been guided by the conceptual or analytical framework as developed and described in the second chapter.

3.6 Methodology limitation

Due to time constraint the data collection period was very short. It would have required a longer period for more in-depth analysis. However, to overcome this particular limitation, utmost efforts were put to make the data truly representative.

CHAPTER 4

FINDINGS AND ANALYSIS

4.1 Introduction

This chapter is mainly designed to present the data collected through different methods and analyzes them in line with the research questions. The study was designed to find out ERD's capacity to perform its role as NDA of Bangladesh for GCF and the research questions and objective were also designed in that direction. In line with the research questions, analytical framework was developed with relationship between dependent and independent variables. Independent variables were measured by developing certain questionnaires, which were asked to the respondents to get the answers of the research questions. The findings came from the study are arranged and analyzed systemically in this chapter.

4.2 Role of ERD as Bangladesh's NDA to GCF

4.2.1 What should be ERD's role as NDA of Bangladesh?

Respondents were asked to rank selected desired indicators (as described in the conceptual or analytical framework as developed for this study and mentioned in chapter-2) on what ERD should do as the NDA of Bangladesh in accessing GCF. Table - 6 summarizes the (weighted) average ranking points for those selected indicators.

However, 'Negotiating continuously with GCF to make the entire process easy and user friendly'⁵ was also suggested during the interviews to be included as one of the capacity indicators for the NDA.

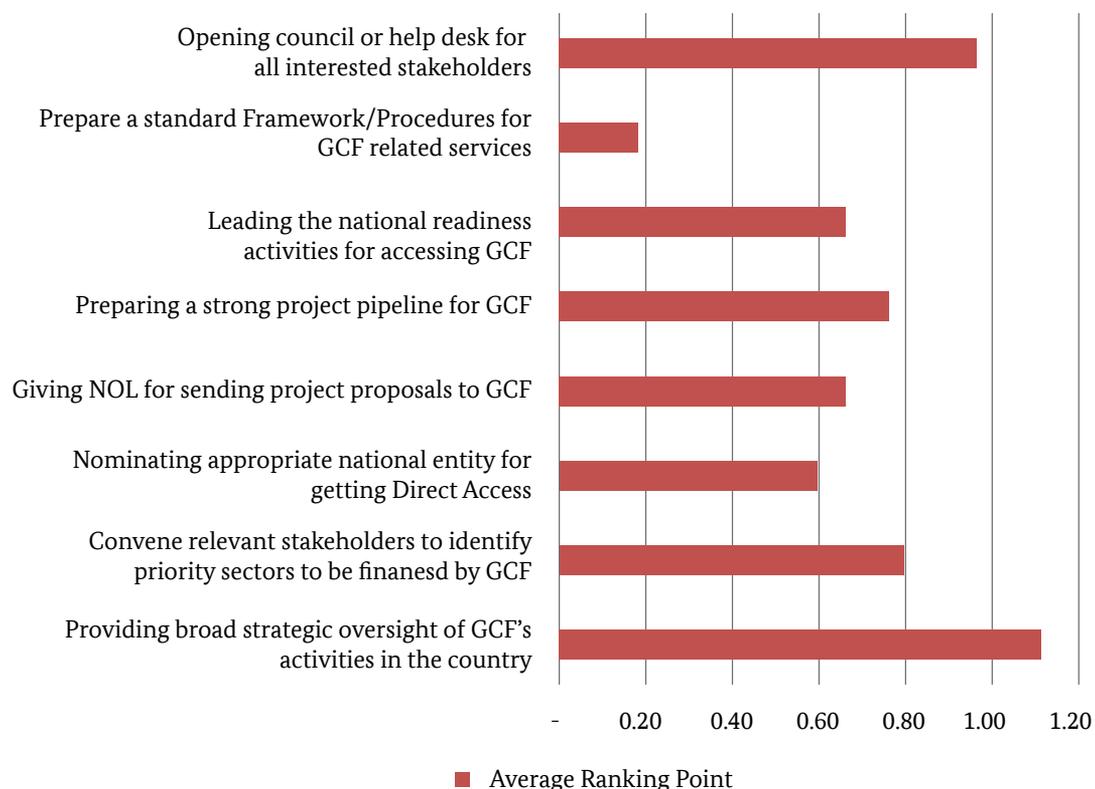
Table-6: Average Ranking Points of Selected Desired Role Indicators for ERD as NDA

Role Indicator	Average Ranking Point
Providing broad strategic oversight of GCF's activities in the country	1.12
Convene relevant stakeholders to identify priority sectors to be financed by GCF	0.80
Nominating appropriate national entity for getting Direct Access	0.60
Giving NOL for sending project proposals to GCF	0.67
Preparing a strong project pipeline for GCF	0.77
Leading the national readiness activities for accessing GCF	0.67
Prepare a standard Framework/ Procedures for GCF related services	0.18
Opening a council or help desk for all interested stakeholders	0.97

GCF related activities also call for showing a strong coordination role for ERD as 'ERD is to play important coordinating role with stakeholders to make them updated about

5 Respondent from FD

Figure -11: Average Ranking Points of Selected Desired Role Indicators for ERD as NDA



GCF's initiatives or calls and motivate them to be prepared to secure climate finance from GCF.⁶ While coordinating, ERD should emphasis on 'keeping a close liaison with MoEF as CC focal point so that MoEF can raise those issues during meetings in different forums and CC negotiations.'⁷ Besides MoEF, 'ERD should ensure frequent interaction with planning wings of different ministry, Planning Commission and Finance Division on GCF readiness and seek supports from them in advancing the readiness.'⁸ To ensure important stakeholders' participation effectively, ERD as an NDA needs to develop 'a country coordination

mechanism'⁹ which also calls ERD to play the 'cartelistic role'¹⁰. It can be done by:

developing a regular and functional mechanism to ensure the assistance of (a) MoEF or DoE for supporting in climate change additionality in the investment proposal and supporting in addressing social and environmental safeguards, (b) IMED to ensure the additionality attribution in the results framework, (c) Finance Division, for supporting in the co-finance and financing instruments, (d) Auditor General's Office to support fiduciary risk

6 Respondent from MoEF

7 Respondent from MoEF

8 Respondent from DP

9 Respondent from DP

10 CC Expert

management and fund flow analysis, (e) Programming Division for ensuring the similar nature of investment and justification for co-financing, and (f) BBS for supporting with data and information.¹¹

It is ultimately the project or program proposals that matter most as those are the vehicles for GCF's funding. One of the key roles of NDA is issuing No Objection Letters (NOLs) in favour of the intermediaries. Hence, respondents emphasize on ERD's guidance role by 'developing an accessible and open governance mechanism and a one stop service center for issuing NOL. It should be a time-bound process of proposal review and issuing NOL, which can ensure clarity of approval processing.'¹² This would 'turn the NDA's role as a helping body rather than a regulating one.'¹³

4.2.2 How effectively ERD is playing the NDA's role?

Since November 2014, ERD as 'NDA of Bangladesh was very strategic in identifying the potential NIEs/DAEs. Two of the six (IDCOL, PKSF, DoE, BB, LGED, BCCT) shortlisted; IDCOL's accreditation got approved by GCF Board in the 17th Board meeting (4-6 July, 2017) and PKSF's in the 18th (3-5 October, 2017) Board meeting.¹⁴ However the process was 'rushed but context demands rush.'¹⁵ At the same time ERD 'needs to continue the engagement.'¹⁶

GCF started to accept proposals from early 2015 and approved the first set of proj-

ects for funding in June 2015. Bangladesh was an 'early bird'¹⁷ in sending a proposal through an MIE and got it approved to get USD40 million as grants for one of its CC adaptation project:

In the absence of an accredited NIE then, it was the right decision taken by NDA which helped Bangladesh to be in the list of first seven projects approved by GCF. It was a timely step taken by NDA to strengthen its own to perform. This would help NDA's secretariat to act in a fast and strategic manner.¹⁸

And the project itself 'marks an important milestone, as it is a credible step towards achieving dedicated climate finance from a competitive source like GCF.'¹⁹ However, 'more convening role to bring other stakeholders in discussion, consultation, and activating the EE with more engagement would have done and ERD could convene the whole process in close collaboration with AE and EE.'²⁰ But overall 'it was a good role played by ERD and other MIEs needed to be perused.'²¹

On preparing a strong pipeline for GCF:

NDA secretariat is very active. As a part of that NDA has followed a very systematic approach to develop a country program through ensuring country ownership. Developing a GCF country program is very important which would help maintaining a project pipeline in line with national priority as well as GCF's investment criterion.

11 Respondent from DP
12 Respondent from DP
13 Respondent from DP
14 Respondent from NDA Secretariat
15 Respondent from DP
16 CC Expert

17 CC Expert
18 Respondent from NDA Secretariat
19 Respondent from DP
20 Respondent from DP
21 CC Expert

This would demonstrate the country's readiness to GCF for utilizing climate finance.²²

Preparing the Country Program is 'a right step as it would provide Bangladesh's own choices and priorities to move forward rather being guided by MIEs or DPs.'²³

ERD has tried to gather resources for 'making the country and entities ready'²⁴ for accessing GCF. 'Bangladesh has received GCF Readiness supports against three specific activities, e.g.: (i) Strengthening NDA's Secretariat (ii) Preparing GCF Country Program and (iii) Accreditation Gap assessment for LGED. NDA secretariat is now approaching for another readiness support which is for formulating and implementing National Adaptation Plan for Bangladesh.'²⁵ Bangladesh has been 'one of the few countries to apply and get three readiness supports from GCF.'²⁶ 'ERD's long experience should have played a role behind this and all these readiness supports would definitely assist the country to get prepared rapidly.'²⁷

ERD is quite active in nominating entities to get supports from GCF. In 2016, GCF offered NDAs to select one of their prospective entities to get (NIE) accreditation support. Bangladesh's NDA nominated LGED to get that:

LGED is a capable organization through which Government of Bangladesh is implementing many mega projects. In

.....

22 Respondent from NDA Secretariat
23 Former NDA
24 Respondent from GoB
25 Respondent from NDA Secretariat
26 Respondent from GoB
27 CC Expert

spite of that, this institution is facing, till date, difficulties in getting accredited. NDA has rightly selected this organization for utilizing gap assessment so that the identified gaps can be addressed for making it ready for accreditation which would help the country in the long run in mobilizing and utilizing GCF assistance.²⁸

Selecting LGED 'was a right and strategic move' as 'it truly represents the government fiduciary system of Bangladesh. And this is an area where Bangladesh is facing troubles in accessing GCF. Through GCF supports, this system will get tested and ultimately the country will have the way to make it CGF compliant.'²⁹

In December 2016, Bangladesh's NDA formulated an 'Advisory Committee' and:

Formation of this cross-sector high-level Advisory Committee would help recommending the right kind of projects [that fulfills both GCF's and Country's priorities] for GCF with the presence of relevant climate experts in it. Furthermore, presence and agreement of the line ministries as well as planning commission would facilitate the process of subsequent approval of DPPs once it is approved by the GCF Board. This would demonstrate a better coordination at the country level.³⁰

The Advisory Committee 'has accommodated people with independent choices with independent knowledge'³¹ and 'has

.....

28 Respondent from NDA Secretariat
29 Former NDA
30 Respondent from NDA Secretariat
31 CC Expert

been a good example for other NDAs as well.³²

NOL from NDA has been the most crucial service for the intermediaries as without NOL, no single project can be forwarded to GCF for its consideration (GCF, 2015). ERD is still in a process to develop 'a well-coordinated user friendly NOL issuance system'³³ and is working closely with GIZ and GCF to build a 'digitized system' that 'with the help of advanced software would help identifying and recommending projects which have been developed in compliance with GCF procedure and country priorities. This would definitely help in discharging quality performance in a timely manner.'³⁴ The system will also help 'NDA Secretariat to be paperless and will give feedback in real time. This should also promote transparency.'³⁵

'Making all the stakeholders aware'³⁶ is one of the fundamental roles that NDA needs to play and:

along with starting its journey with the public sector, NDA Bangladesh has continued to work simultaneously to prepare the wider group of stakeholders for engaging them in the GCF process. Till date, private sectors, NGOs, civil society have been motivated for participating in the GCF process. This has been done through organizing dissemination workshop, meeting and others.³⁷

These efforts were 'quite successful'³⁸ but 'knowing the inertia, it needs more awareness events, learning sharing and opportunity for discussions.'³⁹

An assessment of all the activities as stated above was done through the questionnaire survey under this study. The results are shown in Table-7.

Evaluating the role of ERD as NDA it was mentioned that due to ERD's efforts, 'process has started well and good progress has been made.'⁴⁰ Moreover 'getting financing from GCF is a multidimensional issue, harmonize and accommodate all the issues is a challenging task. As ERD is new in climate change arena, it needs some time to grasp all the technical issues of climate change particularly climate finance. However, so far NDA Bangladesh is progressing quiet well.'⁴¹ The reason behind this might be 'after ERD was appointed as NDA, they immediately took steps to enhance their own capacity on climate finance and also took steps to reach out to public and private sector to apply GCF accreditation while also pursuing projects through MIEs.'⁴² Overall, 'the scale of efforts, sincerity, and seriousness of ERD, as has been demonstrated so far, in this complex move is highly appreciable.'⁴³ Table-8 shows the respondents' views on ERD's overall performance so far. 53 percent of the respondents rated ERD's performance as "Good" and the (weighted) average value is 4.03 out of 5 (as has been used by the Likert scale).

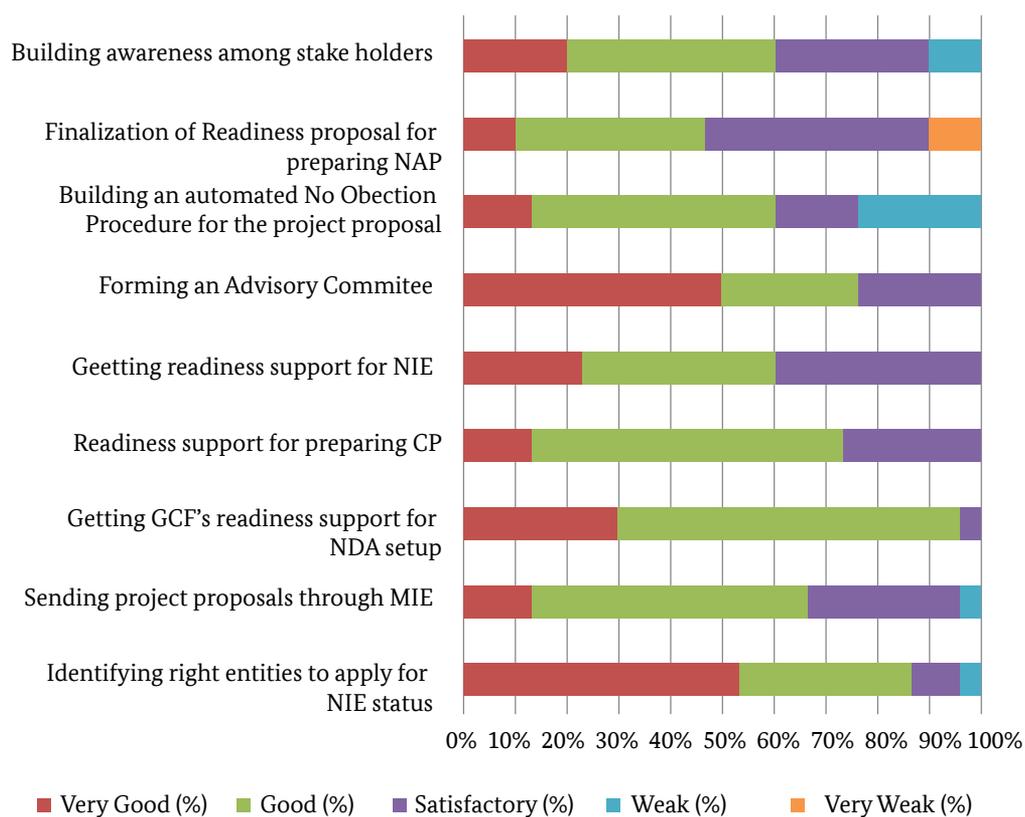
32 Respondent from DP
33 CC Expert
34 Respondent from NDA Secretariat
35 Respondent from GoB
36 Respondent from NDA Secretariat
37 Respondent from NDA Secretariat

38 CC Expert
39 Respondent from DP
40 CC Expert
41 Respondent from Implementing Entity
42 CC Expert
43 Respondent from Implementing Entity

Table-7: Assessment of the activities of ERD as NDA

Role/Activity	Very Good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very Weak (%)	Mean Value (out of 5)
Identifying right entities to apply for NIE status	53	33	10	3	0	4.37
Sending project proposals through MIE	13	53	30	3	0	3.77
Getting GCF's readiness support for NDA Setup	30	67	3	0	0	4.27
Readiness support for preparing CP	13	60	27	0	0	3.87
Getting readiness support for NIE	23	37	40	0	0	3.83
Forming an Advisory Committee	50	27	23	0	0	4.27
Building an automated No Objection Procedure for the project proposal	13	47	17	23	0	3.50
Finalization of Readiness proposal for preparing NAP	10	37	43	0	10	3.37
Building awareness among stakeholders	20	40	30	10	0	3.70

Figure-12: Assessment of the activities of ERD as NDA



4.2.3 What are the barriers and challenges ERD faces as NDA in accessing GCF?

From the country's experience, '(a) fiduciary system of the country, especially in the public sector and (b) capacity of the institutions; are the two that can be termed as impediments or barriers or challenges in accessing GCF for Bangladesh.'⁴⁴

4.2.3.1 Country System or Readiness

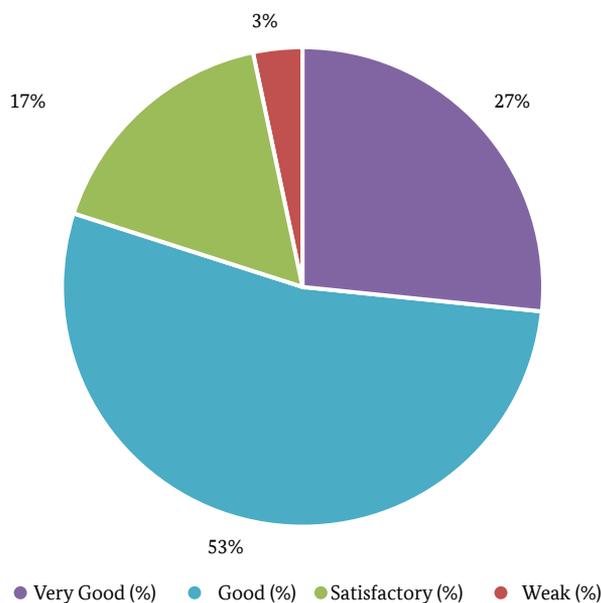
There are specific procedures to be followed for accessing GCF. Accreditation (as a GCF's intermediary or NIE) is a must for the institutions to access GCF (GCF, 2015).

However, 'Institutions need to meet-up the GCF standards for accreditation which are not always at par with national systems.'⁴⁵ 'Bangladesh's 'national framework, plans and strategies are wonderful and exemplary'⁴⁶ but 'the country's fiduciary fund management is traditional.'⁴⁷ Although entities, particularly entities of public sector 'are following Generally Accepted Accounting Principles in maintaining their accounts'⁴⁸ but 'do not maintain financial details or accounts of assets and liabilities at the organizational level'⁴⁹ and so fails 'in producing Annual Financial Statements including Income Statements and Balance Sheets at the organizational level'⁵⁰ which is 'a must for getting accreditation of GCF.'⁵¹ Bangladesh

Table-8: Assessment of Overall Performance of ERD as NDA

ERD's performance so far as the NDA	Very Good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very Weak (%)	Mean Value (out of 5)
	27	53	17	3	0	4.03

Figure-13: Assessment of Overall Performance of ERD as NDA



44 Respondent from NDA Secretariat

45 Respondent from NDA Secretariat

46 Former NDA

47 CC Expert

48 Respondent from FD

49 Respondent from NDA Secretariat

50 Respondent from FD

51 Respondent from NDA Secretariat

public sector entities also do not practice 'independent or third part auditing system' and 'effective internal control system';⁵² they are only being audited by 'national audit departments, like FAPAD.'⁵³ As a whole 'inefficient fiduciary system, nonexistence of effective internal control system including grievance redress system, no evidence based practice of ensuring transparency, accountability and low standard of procedures in overall governance'⁵⁴ are creating 'a great hurdle'⁵⁵ for public sector entities of Bangladesh to be accredited as intermediary or NIE/DAE of GCF.

Ensuring timely or speedy implementation of GCF approved projects by 'integrating GCF proposals into country's present planning process'⁵⁶ is another barrier 'rather a challenge'⁵⁷ that ERD as the NDA will have to face. At this very moment, public sector implementing entities through their respective divisions or ministries forward project proposals to Planning Commission or ECNEC for its consideration and approval. At the time of considering the proposal at PC or ECNEC, 'the funding, be it national or international, is already guaranteed and without this guarantee PC or ECNEC does not approve a project for implementation.'⁵⁸ Through 'incorporating PC members'⁵⁹ into "Advisory Committee" Bangladesh's NDA is trying to get PC 'on board'⁶⁰ as well as 'be well informed or agreed in principle'⁶¹ while sending project proposals to GCF. But only

after the proposal gets approved by GCF, the implementing entity can 'guarantee the funding of the project' and can actually 'get its project approved by PC or ECNEC.'⁶² It means 'starting the process once more' which 'is quite time consuming' and 'has a high possibility of ruining everything'⁶³ as 'there would be little chance to make fundamental changes in the project design as felt by PC or ECNEC as it has been approved by GCF already.'⁶⁴

4.2.3.2 Institutional Readiness and Engagements

Accreditation 'is a lengthy as well as tough procedure'⁶⁵ and 'especially from the perspective of institutions of developing countries like Bangladesh.'⁶⁶ 'The criteria are very stringent with too many documentations are required and all are needed in English.'⁶⁷ Institutions also suffer from 'lack of policies, strategies, guidelines, manuals and regulatory frameworks to address the issues or impact of environment, social, gender, disability and marginalized people'⁶⁸ and 'evidences of good practice'⁶⁹ which are essential to 'upload with accreditation application to GCF.'⁷⁰ Equally, 'with the lengthy procedure of GCF for reviewing the accreditation or project proposal, it is really difficult to retain the interest and motivation level of institutions for remaining engaged in the process.'⁷¹ As 'access to other financ-

52 CC Expert
53 Respondent from FD
54 Respondent from GoB
55 CC Expert
56 Former NDA
57 Former NDA
58 Respondent from PC
59 Former NDA
60 Former NDA
61 Former NDA

62 Respondent from PC
63 CC Expert
64 Former NDA
65 Respondent from Implementing Entity
66 CC Expert
67 Respondent from NDA Secretariat
68 Respondent from GoB
69 Respondent from NDA Secretariat
70 Respondent from NDA Secretariat
71 Respondent from NDA Secretariat

ing sources (multilateral, bilateral, G2G) are relatively easy, simple, and familiar for long time than to GCF, or in other words, benefits vs. magnitude of efforts required for GCF fund seem to be disproportionate, to some extent the benefits are not clear and uncertainty is also there⁷² major implementing agencies 'have taken a backseat with regard to accessing the GCF.'⁷³ 'It is also coupled with a sort of avoiding tendency in view of perceived complications.'⁷⁴

There is also 'lack in having technical expertise among relevant sectoral ministries and line agencies or institutions to prepare concrete and bankable projects to access GCF.'⁷⁵ The situation becomes complicated for 'not having good understanding on GCF's procedure and modalities.'⁷⁶ Moreover, 'writing or using appropriate language in the proposal is also a great difficulty for implementing entities of Bangladesh.'⁷⁷ Proposals need to be 'in climate language' rather than 'in development language' as 'GCF often get confused whether the proposal is dealing with climate change or development.'⁷⁸

On NDA's part, 'building the appropriate and user friendly system in quick time'⁷⁹, 'fulfilling the expectations of the stakeholders'⁸⁰ by 'providing quick support services'⁸¹ and 'rapid capacity development'⁸² are the immediate challenges, ERD has to face as NDA. These issues are elaborated in later parts of this chapter.

4.2.4 How ERD can overcome the barriers or meet the challenges?

To make the 'national [accounting or financial reporting] system GCF compliant'⁸³, NDA should 'initiate dialogue with C&AG to find out a way so that the present system can be twisted in such a way that the required Financial Statements for public sector entities can be generated to fulfill GCF's requirement.'⁸⁴ NDA can also work closely with C&AG 'to minimize the number of audit objections, some which can easily be solved or avoided'⁸⁵ to provide a more 'clean picture'⁸⁶ to GCF. Meantime, 'NDA Secretariat has initiated discussion with Finance Division as well as leading climate experts of the country on how to address this hurdle'⁸⁷ needs to 'be expedited.'⁸⁸ Another alternative may be that 'ERD can take up the fiduciary gap issues at a higher level [NEC, Cabinet Meeting] and seek necessary directives for relevant government organs to bring reforms in the regulatory frameworks.'⁸⁹

NDA can initiate 'dialogues with PC'⁹⁰ on 'how to avoid dual processes'⁹¹ or 'get a project quickly cleared by PC, once the project is approved by GCF.'⁹² In this connection 'NDA should sit with Planning Minister or Secretary or Members [of PC] to find out a feasible solution or an appropriate mechanism.'⁹³ 'Strengthening and activating the Advisory Committee fully is also very instrumental'⁹⁴ in this regard.

72 Respondent from Implementing Entity
73 Respondent from Implementing Entity
74 Respondent from Implementing Entity
75 Respondent from Implementing Entity
76 Respondent from NDA Secretariat
77 CC Expert
78 Former NDA
79 Respondent from DP
80 Respondent from MoEF
81 Respondent from Implementing Entity
82 CC Expert

83 Former NDA
84 Former NDA
85 Respondent from Implementing Entity
86 Respondent from Implementing Entity
87 Respondent form NDA Secretariat
88 CC Expert
89 Respondent from Implementing Entity
90 Former NDA
91 Former NDA
92 Former NDA
93 Former NDA
94 CC Expert

At the institutional level, although 'NDA Secretariat has been organizing regular orientation workshops, training on GCF procedures for the potential entities for making the institutions acquainted with the GCF procedures and enhance their capacities'⁹⁵, the 'number should be increased.'⁹⁶ More precisely, 'ERD should have a nonstop motivational campaign program [not only a one-time event] to sensitize all stakeholders and subsequent monitoring activities.'⁹⁷ ERD can also think 'to engage some dedicated people for the technical and other supports.'⁹⁸ Also 'awareness about the access to GCF fund needs to be improved for all stakeholders and more workshops are necessary. The website of ERD or NDA needs to be rich as well.'⁹⁹ However, keeping the motivation to go for GCF, 'awareness about the benefits of implementing projects with GCF fund rather than from other DPs' funds and the benefits of having an organization getting accredited as GCF's NIE'¹⁰⁰ needs to be circulated widely. NDA can highlight 'accessing GCF has a higher impact as this will open up new and more windows of finance for entities'¹⁰¹ and 'getting accreditation as a GCF's NIE means a great recognition of upgrading the institution to a world class level'¹⁰² to the prospective NIEs and implementing entities. Actually, 'following GCF's guidelines or developing documents and procedures for GCF's NIE accreditation is a great exercise for an entity. If an entity really follows and develops the necessities to fulfill GCF's

requirements to be an NIE and still does not get the accreditation, it is of no loss. As this would really strengthen the status of the organization and ultimately will increase institutional prestige.'¹⁰³ This can be used 'as a motivational factor'¹⁰⁴ for the organization to 'go for GCF.'¹⁰⁵

To develop the capacity for developing project proposals, 'a technical team led by NDA can organize series of capacity building workshops and consultations for relevant sectoral ministries and line agencies. Appropriate technical papers and handouts may be developed to facilitate the capacity building initiatives.'¹⁰⁶ Alternatively, 'ERD could commission others to do more capacity building to project development.'¹⁰⁷ However, 'ERD cannot do everything by itself and ERD is not mandated to address this. ERD should advice the respective ministries to work on how to develop a proposal.'¹⁰⁸ Yet, 'ERD should take the lead in learning as well as teaching others on how to play the game'¹⁰⁹ specially 'how to use climate language over the development language.'¹¹⁰ 'MoEF should also be made aware on 'climate vs. development' issues so that they can be vocal as the focal point of UNFCCC.'¹¹¹ As GCF is putting more and more emphasize on 'co-financing'¹¹² for the GCF's projects, 'Government should build a 'Co-finance mechanism' like, interested ministry may keep an allocation in MTBF or a pool of conditional national fund can

95 Respondent from NDA Secretariat
 96 Respondent from Implementing Entity
 97 Respondent from Implementing Entity
 98 Respondent from Implementing Entity
 99 Respondent from PC
 100 Respondent from PC
 101 CC Expert
 102 CC Expert

103 Respondent from Implementing Entity
 104 Respondent from GoB
 105 Respondent from NDA Secretariat
 106 Respondent from Implementing Entity
 107 CC Expert
 108 CC Expert
 109 CC Expert
 110 Former NDA
 111 Respondent from GoB
 112 Respondent from DP

be developed for co-financing. A guideline about co-financing in the projects may also be developed.¹¹³

As part of the original duty of resource mobilization, 'ERD needs to mobilize resources for providing NIEs the access to knowledge and capacity and thus, assisting the NIEs in developing E&S and fiduciary standards as well as preparing funding proposals as per GCF's requirements.'¹¹⁴

ERD's own institutional aspects have been covered in the later part of this chapter.

4.3 Analyzing the Capacity of ERD to perform as Bangladesh's NDA to GCF

4.3.1 ERD's capacity to be the NDA

'If one takes a quick look at the NDAs across the countries around the world in connection with GCF, it would become evident that different agencies, ministries or divisions have been nominated by respective countries based on their consideration. For doing so, it is completely the prerogative of the government or country to decide on their NDAs.'¹¹⁵ Following the same process, the Government of Bangladesh nominated ERD as Bangladesh's NDA to GCF in November 2014. In finding out the reasons behind it, 'capacity of ERD'¹¹⁶ to 'mobilize and manage external resources including official climate finance'¹¹⁷ is found as one of the key factors.

According to the Rules of Business of the Government of Bangladesh, ERD is the

gateway for all foreign funding for project implementation. GCF is meant for funding climate change adaptation and mitigation projects. Since this fund is channeled to finance specific projects, the responsibility naturally goes to ERD. A single point entry for all foreign assistant for project financing is very cogent logic for ERD to be nominated as NDA.¹¹⁸

Moreover, 'since independence ERD has been mobilizing external assistance for public sectors projects and programs. By doing so, ERD has gained expertise and capacity in dealing with development partners. No other organizations of the government have such type of expertise and experiences.'¹¹⁹ Thus, 'ERD has a total picture of DPs' engagement in financing climate related activities and also has clear idea about the priorities and relevance of DPs especially when it comes to processing any projects through MIEs for accessing GCF.¹²⁰

'Coordination capacity'¹²¹ has also been one of the reasons behind this choice.

Climate change adaptation or mitigation project may be involved with any Ministry or Division. So, there is a point of nominating a particular Ministry or Division as NDA. If Ministry A is made NDA, Ministry B's project may suffer from getting priority if there lays any conflicts of interest between these two ministries. ERD has been playing the pivotal and neutral role for processing foreign funding for all ministries or divisions since long.¹²²

113 Respondent from DP

114 Respondent from GoB

115 Respondent from NDA Secretariat

116 Former NDA

117 Respondent from GoB

118 Respondent from PC

119 Respondent from GoB

120 Respondent from GoB

121 Respondent from NDA Secretariat

122 Respondent from PC

Therefore 'they [ERD] are in a better position to play convening role within Government.'¹²³

Thinking about the options, 'ERD and MoEF are inherently considered the most appropriate two organizations to be the NDA of Bangladesh to GCF. However, as the single NDA, selection of ERD is reasonably agreeable taking the mandate and rules of business of ERD into account.'¹²⁴ However, 'MoEF is involved in climate change negotiations but they do not have adequate knowledge on Climate Finance.'¹²⁵ Moreover, 'the NDA's major role is financial diplomacy and ERD is better positioned in that respect.'¹²⁶ As a whole, 'the mandate, required qualifications and leadership or coordination capacity of the ERD as a division under the Ministry of Finance are perfect for being an NDA as it is expected by GCF.'¹²⁷ Responses to the question on "ERD's appropriateness to be the NDA" have been shown in table-9. The table shows that 79 percent of the respondents strongly agree about the appropriateness of ERD to be the NDA of Bangladesh to GCF. The questionnaire used a Likert scale to find out the answers of which the mean value is also found to be very high, exactly 4.79 out of 5.

Table-9: Assessment of ERD as Bangladesh's NDA to GCF

Answers	Percentage (%)
Strongly Agree	79
Agree	21
Neither Agree nor Disagree	0
Disagree	0

123 Respondent from DP

124 Respondent from MoEF

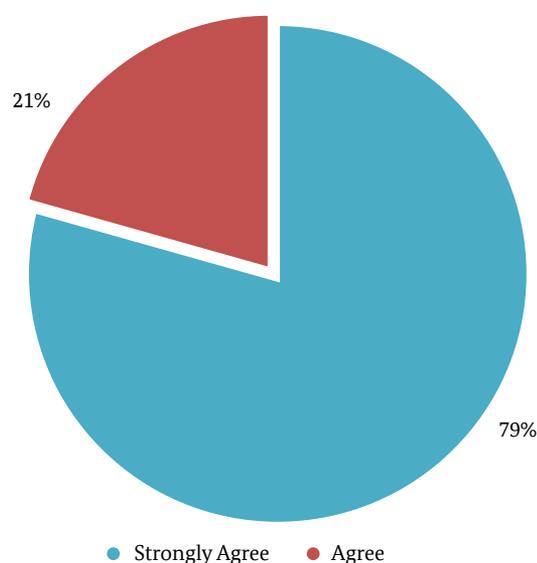
125 CC Expert

126 Respondent from DP

127 Respondent from DP

Strongly Disagree	0
Total	100
Mean Value (in the Likert scale of 1-5)	4.79

Figure - 14: Assessment of ERD as Bangladesh's NDA to GCF



4.3.2 Capacity requirement for smooth functioning as NDA

4.3.2.1 What Capacities ERD should have to perform as Bangladesh's NDA to GCF?

Respondents were asked to rank selected desired capacity indicators for NDA's smooth functioning as described in the conceptual or analytical framework as developed for this study and mentioned in chapter-2. Table-10 summarizes the (weighted) average ranking points for those selected indicators.

Table – 10: Average Ranking points of Selected Desired Capacity Indicators for ERD as NDA

Capacity Indicator	Average Ranking point
Knowledge on National Strategies, Plans & Priorities	1.42
Familiarity with Climate Change activities & Country's Needs	1.08
Ability to monitor & evaluate project proposals against GCF & Country Criteria	0.96
Capacity to run Country Co-ordination Mechanism & Engage Stakeholders	0.91
Over viewing Capacity of International Climate Finance Flows in the country & all the sources of international climate finance	0.90
Ability to Contribute & Drive National Strategies & Plans	0.86
Ability to run own and stakeholders' readiness	0.78

However, 'understanding and internalizing capacity of GCF's procedures and decisions',¹²⁸ 'ability to engage and interact with experts'¹²⁹ and 'ability to converting NDA into a service centre or helping body'¹³⁰ were also suggested during the interviews to be included as capacity indicators for the NDA.

4.3.2.2 What are the capacity shortcomings or challenges of ERD to perform as NDA?

'Lack of human resources'¹³¹ was found to be the main capacity shortcoming as far as NDA of Bangladesh is concerned. Respondent from NDA Secretariat also confessed the status by uttering, 'the necessity for strengthening NDA's secretariat to man-

age the role of NDA in an efficient manner was strongly felt. While interacting with the national institutions who are willing to become NIEs, NDA felt serious capacity constraints at the institutions' end.¹³² It was admitted that:

the number of people working at the NDA Secretariat has remain constraint at more or less three since inception. However, two [including the NDA himself] out of those three who were at the beginning or organized the NDA Secretariat have either retired from government service or promoted to higher post at another organization. So, it is now just one person who is remaining from that group. As a civil servant he (the remaining one) is quite vulnerable to be transferred to other workplace and if it happens, this will affect NDA Secretariat badly. Particularly, institutional memory will be lost.¹³³

As a major issue, 'NDA Secretariat should have adequate human resources capable to provide advisory supports with regard to accreditation process as well as preparation of funding proposals. The NDA secretariat should be able to develop capacity to conduct gap assessment of entities interested to access GCF fund and should be able to provide directions and guidance to the NIEs in preparing funding proposals keeping GCF priority areas in mind.'¹³⁴ For meeting these requirements, NDA secretariat needs 'more technically capable hands.'¹³⁵

It was found that 'UN Wing of ERD has been working as the NDA Secretariat for the time

128 Respondent from PC

129 CC Expert

130 Respondent from DP

131 CC Expert

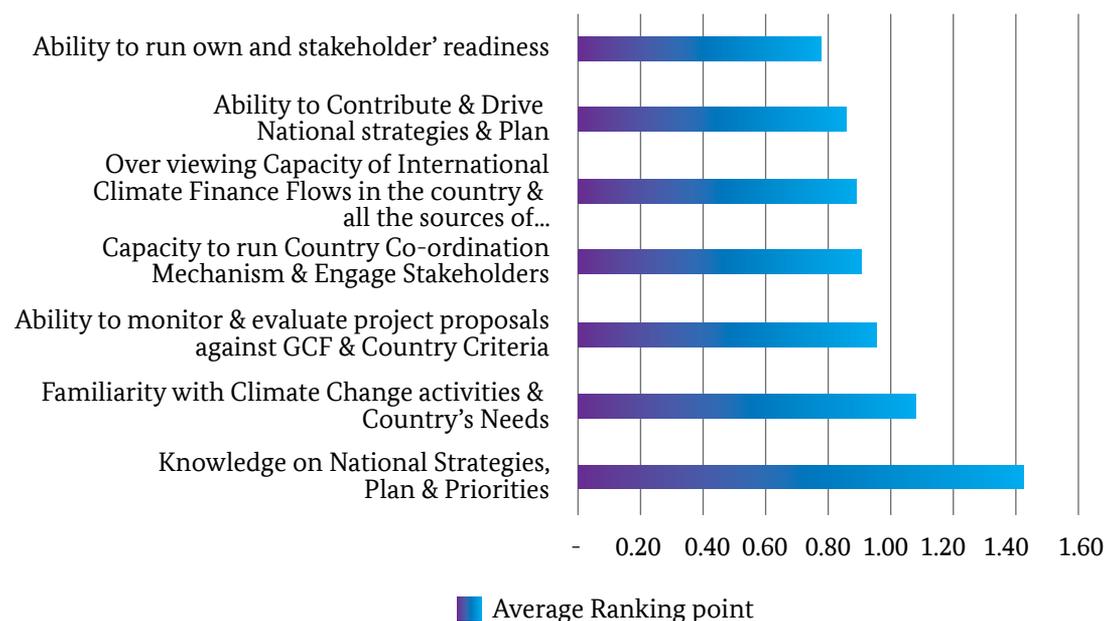
132 Respondent from NDA Secretariat

133 Former NDA

134 Respondent from Implementing Entity

135 Respondent from Implementing Entity

Figure-15: Average Ranking points of Selected Desired Capacity Indicators for ERD as NDA



being and officers of that wing are working on part time basis at the NDA Secretariat.¹³⁶ Although it has been more than three years since the establishment of NDA Secretariat at ERD, 'no permanent setting for NDA Secretariat and no regular coordination mechanism has been established so far.'¹³⁷ One of the reasons might be 'at the beginning the work load was not that high and GCF was just evolving. The scenario was not that much clear to identify the need of human and other resources to be employed. As GCF has progressed and the country's engagement with GCF has increased considerably, more people and logistics are essential now.'¹³⁸ Hence, it was rightly felt that, 'NDA Secretariat lacks full time dedicated and permanent staff members with knowledge and expertise on

136 Former NDA

137 Respondent from GoB

138 Former NDA

relevant sectors as well as on green economy and climate resilient development.'¹³⁹

More preciously, 'a special wing or some sorts of a separate setup with appropriate human resources and logistics are necessary. Interactions and consultations with relevant key institutions within and outside the government are critically important and need to be strengthened.'¹⁴⁰ 'Lack of strong stewardship in moving the national processes'¹⁴¹ has also been identified as a recent shortcoming 'rather a challenge'¹⁴² for NDA, Bangladesh. As 'the subject matter of GCF needs a very close collaboration between MoEF, PC and FD, ERD's authority as the key focal point for GCF is needed to be strongly established. For an example; it will require a strong

139 Respondent from DP

140 Respondent from Implementing Entity

141 Respondent from GoB

142 Respondent from DP

leadership role or capacity on ERD's part to make the present planning system GCF compatible so that once GCF approves a project does not get it started from the beginning in PC to get Bangladesh Government's planning approval.¹⁴³

4.3.3 How to improve or overcome the Capacity shortcomings or challenges?

On improving NDA's capacity or overcoming the challenges:

ERD, as NDA, has moved in a strategic way from the very start to acquire and strengthen its capacity in an effective manner. ERD has arranged to conduct an Institutional and Capacity Assessment of the National Designated Authority (NDA) Secretariat of Bangladesh to GCF. Initially ERD identified a particular wing to provide the secretarial support and through readiness support, ERD is gradually preparing for installing different systems to perform its role faster with better capacity in coming days.¹⁴⁴

One of the major components of this 'different systems'¹⁴⁵ may be:

increasing human resources of NDA and including non-transferable positions [such as, research officer, consultants, financial experts, M&E experts etc.] in the structure to support the convening role of NDA and to build permanent capacity. At the beginning,

NDA can get a few climate scientists (for case to case basis), adaptation and mitigation experts and gradually train the research officers, financial and M&E experts and other regular staff [Assistant Secretary, SAS, DS, JS, and Additional Secretary] on the NDA's functions and competencies.¹⁴⁶

Some incentives like 'introducing a higher or attractive financial package may be worthy to retain skilled manpower at NDA Secretariat.'¹⁴⁷ 'A pool of national experts [working in private, public, non-governmental or international organization] also needs to be developed so that they can provide technical supports in analyzing the funding proposals received at NDA Secretariat. A modality can be developed so that these experts can provide their support in cost or voluntarily.'¹⁴⁸

As discussed in the earlier section 'installation of advanced software for reviewing the GCF project proposals and issuing NOL will make the process to perform faster and better and also to strengthen ERD's capacity to perform as NDA.'¹⁴⁹ Such initiative should be implemented immediately. However, 'totally automated process may be tried. But oversight has to be kept so that technicality does take over and NDA should create an opportunity to talk.'¹⁵⁰

NDA is 'of the stakeholders and for the stakeholders'¹⁵¹ and so NDA 'has to set enhanced communication strategy to

143 Former NDA

144 Respondent from NDA Secretariat

145 Respondent from NDA Secretariat

146 Former NDA

147 Former NDA

148 Respondent from DP

149 Respondent from NDA Secretariat

150 CC Expert

151 Respondent from Implementing Entity

reach to stakeholders smoothly and build its capacity rapidly.¹⁵² In this regard, 'self-motivation, capacity development and innovation'¹⁵³ of NDA is crucial as NDA's function would require to 'revise ERD's approach to work. Traditional ERD approach will not work here.' Accordingly:

ERD has to learn to be more reactive and proactive at the same time in terms of capacity and responses comparing with other agencies. It should utilize country's resources properly and effectively. The role of ERD as NDA of GCF is very different than the traditional role of ERD what they are used to practice. Mountain should know how to move.¹⁵⁴

4.4 Conclusion

The study finds that stakeholders have a high expectation on ERD as NDA to discharge an important coordinator's or catalytic role among the stakeholders by taking everybody on board and to make everybody knowledgeable about the opportunities and procedures of GCF. 79 percent stakeholders think ERD as the most appropriate entity to be Bangladesh's NDA to GCF. They also expect ERD to act as a facilitator rather than a regulator in the way of accessing GCF. ERD's performance so far has built a confidence among the stakeholders on ERD's capacity to fulfill their demands. The study finds that 53 percent respondents are highly pleased on ERD's performance so far. Although ERD has made a reasonably good start, there are couples of challenges

.....

like making the country system GCF compliant and enhancing institutional capacity and engagements that ERD as NDA needs to overcome. Capacities like knowledge on national strategies, plans and priorities, familiarity with CC activities and country's needs, ability to monitor and evaluate project proposals against GCF and country criteria, over viewing capacity of international climate finance flows in the country and all the sources of international climate finance, ability to contribute and drive national strategies and plans, ability to run own and stakeholders readiness, ability to understand and internalize GCF's procedures and decisions and ability to converting NDA into a service centre or helping body are essential in overcoming the challenges. ERD as the NDA also needs to develop an accessible and open governance mechanism and a one stop service center for issuing NOL in a timely and transparent manner.

The study finds ERD at its NDA Secretariat has an acute human resource shortage. As NDA secretariat has no permanent setup till today, there is a high risk of institutional memory loss. NDA Secretariat needs immediate permanent setup, and engaging more people with some technical posts as well. NDA also needs to show strong leadership or capacity to initiate or push for reforms like, in making the present planning process GCF aligned or making country's fiduciary system GCF compliant.

152 Respondent from MoEF

153 CC Expert

154 CC Expert

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This paper tries to analyze ERD's capacity to perform its role as NDA of Bangladesh for GCF. The objectives were translated into two research questions like; what is the role of ERD in accessing GCF and what are the capacities ERD needs to perform that role. Based on existing literatures a conceptual or analytical framework was developed that depicts the relationship of two variables, 'roles' and 'capacity' with 'ERD's performance as 'NDA of Bangladesh to GCF'. Certain indicators to measure the two variables were also identified and were examined through a set of questionnaires along the line of the research questions and objectives of the study. The questionnaires and semi-structured interviews with respondents as chosen by using the purposive sampling technique also revealed some other indicators that can be used to measure the two variables and ultimately affect the independent variable of this study.

5.2 Summary of the findings

The study finds that stakeholders have a huge expectation on ERD as NDA to furnish all the roles as depicted in the conceptual or analytical framework of this study. Moreover, they also expect as NDA, ERD should negotiate continuously with GCF to make the entire process easy and user friendly.

It is revealed that there is an urge to have a very strong coordination among the key government players like, ERD, MoEF, Planning Wings of different Ministries, Planning Commission and Finance Division in making Bangladesh ready in accessing GCF, in ensuring smooth functioning and ultimately achieving climate finance at a scale from GCF. Accordingly, all the stakeholders want ERD as the NDA of Bangladesh to play important coordination role to make them updated about GCF's initiatives or calls and motivate them to be prepared to secure climate finance from GCF. Establishing a regular and functional mechanism is necessary in this regard. ERD is expected to play like a catalyst to have everybody on board.

NDA's NOL for a project proposal is a prerequisite for sending a proposal to GCF for funding. The study reveals that stakeholders want ERD to act as a facilitator rather than a regulator in issuing NOL. They expect ERD to develop an accessible and open governance mechanism and a one stop service center for issuing NOL in a timely and transparent manner.

Since inception as the NDA in November 2014, ERD has taken quite a number of steps in accessing GCF, like identifying and nominating six potential public sector entities to apply to GCF for getting accreditation as NIE/DAE, sending four

project proposals to GCF to get funding, getting readiness support from GCF for own to set up NDA Secretariat, develop Country Program and make LGED eligible to get GCF's accreditation, forming a cross-sectoral high-level 'Advisory Committee' for recommending the right kind (that fulfills both GCF's and country's priority) of proposals for sending to GCF, planned to build a digitized NOL issuance system and making all stakeholders aware about the opportunities, rules and procedures of GCF as well as country's priorities and NDA's activities. The study finds that 53 percent respondents are highly pleased on ERD's performance so far and they expect these would be strengthening in the future.

However, the study finds couple of challenges for ERD to face as NDA in accessing GCF. Those broadly can be categorized into two groups; (a) country system or readiness and (b) institutional readiness or engagements. The first category covers the fiduciary system of Bangladesh, particularly the financial reporting and auditing system which are not 'at par' to GCF's requirement and need modifications. The planning process of the country also needs to be aligned or fast tracked to accommodate GCF approved projects. The second category highlights the instructional capacity to develop institutional system to address environmental and social safeguards, gender issues and evidences of 'good practice' which are very much needed for getting GCF's NIE accreditation. Institutions also lacks in adequate technical expertise to understand GCF procedures well and to prepare concrete and bankable projects for sending to GCF. This 'institution part' also covers NDA itself.

The study finds that ERD was chosen as

Bangladesh's NDA for GCF for having its government's mandate for dealing with foreign assistance and a vast experience and capacity in mobilizing overseas resources. ERD's coordination capacity also played an important role behind the selection. This study finds that 79 percent stakeholders think ERD as the most appropriate entity to be Bangladesh's NDA.

However, being relatively new on CC issues, ERD as NDA is expected to have knowledge on national strategies, plans and priorities, familiarity with CC activities and country's needs, ability to monitor and evaluate project proposals against GCF and country criteria, over viewing capacity of international climate finance flows in the country and all the sources of international climate finance, ability to contribute and drive national strategies and plans, ability to run own and stakeholders readiness, ability to understand and internalize GCF's procedures and decisions and ability to converting NDA into a service centre or helping body.

The study finds ERD at its NDA Secretariat has an acute human resource shortage. As NDA secretariat has no permanent setup till today, there is a high risk of institutional memory loss. The study reveals that one desk level officer (of DS rank), an Additional Secretary (Wing Chief), both of them from ERD's UN Wing and the Secretary himself are running the NDA Secretariat. The latter two are relatively new as the officials who occupied those two posts earlier have either retired or transferred to other work place. So, the only remaining officer, if he is also transferred to another place, NDA Secretariat would suffer heavily. The study finds that NDA Secretariat needs immediate permanent setup and to engage more

people with some technical posts as well. NDA also needs to show strong leadership or capacity to initiate or push for reforms like, in making the present planning process GCF aligned or making country's fiduciary system GCF complaint.

5.3 Recommendations

On the basis of the findings of this study the following recommendations are made:

1. ERD as NDA should develop a regular and functional coordination mechanism immediately to ensure all the stakeholders' participation effectively and achieving climate finance at a scale from GCF. NDA Secretariat should ensure frequent interaction with MoEF, Planning wings of different Ministry, Planning Commission and Finance Division on GCF Readiness and seek supports from them in advancing the country readiness. At the same time, NDA should develop enhanced communication strategy to reach to stakeholders smoothly and build its capacity rapidly.
2. NDA Secretariat should complete developing the 'digitized NOL issuing system' fast. However, the system should be 'an accessible and open governance mechanism and a one stop service center' for issuing NOL. It should be a time-bound process of proposal review and issuing NOL, which can ensure clarity of approval processing as well. At the same time 'installation of advanced software for reviewing the GCF project proposals' should also be implemented immediately. In designing these systems and software, oversight has to be kept so that technicality does not take over and NDA should create an opportunity to talk.
3. NDA should work fast in preparing the country program for GCF's investment as this would help maintaining a project pipeline in line with national priority as well as GCF's investment criteria.
4. NDA should 'initiate dialogue with C&AG' to find out a way so that the present system can be twisted in such a way that the required Financial Statements for public sector entities can be generated to fulfill GCF's requirement. Alternatively, ERD can take up the fiduciary gap issues at a higher level (NEC, Cabinet Meeting for example) and seek necessary directives for relevant government organs to bring reforms in the regulatory frameworks.
5. NDA should initiate 'dialogues with PC' on how to avoid dual process by getting a project quickly cleared by PC, once the project is approved by GCF. In this connection NDA should consult with Planning Minister or Secretary or Members of Planning Commission to find out a feasible solution or an appropriate mechanism.
6. NDA should organize regular orientation workshops, training on GCF procedures for the potential entities for making the institutions acquainted with the GCF procedures and enhance their capacities. ERD should have a nonstop motivational campaign on 'go for GCF' that should describe the benefits of implementing projects with GCF fund rather than from other DPs' funds and the benefits of having an organization getting accredited as GCF's NIE/DAE.

7. To develop the capacity for developing project proposals, NDA can form a technical team who can organize series of capacity building workshops and consultations for relevant sectoral ministries and line agencies. Appropriate technical papers and handouts may be developed to facilitate the capacity building initiatives. Alternatively, ERD could commission others to do more capacity building to project development. ERD should also suggest the respective ministries to work on how to develop proposals for GCF.
8. As GCF is putting more and more emphasize on 'co-financing' for the GCF's projects, ERD should push for building a 'Co-finance mechanism' like, interested ministry may keep an allocation in MTBF or a pool of conditional national fund can be developed for co-financing. A guideline about co-financing in the projects may also be developed.
9. ERD should search resources or more readiness supports for providing NIEs the access to knowledge and capacity and thus, assisting the NIEs in developing E&S and fiduciary standards as well as preparing funding proposals as per GCF's requirements.
10. (a) NDA should have a dynamic website (b) Advisory Committee should be strengthen by incorporating more CC Experts and experienced-knowledgeable persons and the committee should be activated fully.
11. ERD should increase human resources of NDA Secretariat and include nontransferable positions (such as, research officer, consultants, financial experts, M&E experts etc.) in the structure to build permanent capacity. Some incentives like 'introducing a higher or attractive financial package' may be provided to attract and retain skilled manpower at NDA Secretariat. A pool of national experts (whether working in private, public, non-governmental or international organization) should be developed to support in technical aspects of the different funding projects to develop. A modality can be developed so that these experts can provide their support in cost or voluntarily.
12. ERD as the NDA should be more reactive and proactive at the same time in terms of capacity and responses comparing with other agencies. It should utilize countries resources properly and effectively. As, the role of ERD as NDA of GCF is very different than the traditional role of ERD what they are used to practice, NDA should not hesitate to go to others' door rather waiting for others to come at him.

5.4 Conclusion

Bangladesh fights with climate change for its own existence and it is a continuous fight that demands huge resource mobilization. The largest fund ever build in the history of mankind, the Green Climate Fund offers a great solution to Bangladesh in meeting this demand. ERD, as the NDA of Bangladesh needs to steer the country's journey to GCF with proper planning, effective strategies and policies, good systems, strong institutions, stakeholders' coordinated efforts and hard determination. The study finds that the

country expects ERD to play its role as NDA with efficiency and effectively. ERD also needs to build its own and all other stakeholders' capacities rapidly to meet this expectations. Therefore, the suggestions may be taken into consideration so that ERD's capacity can be strengthen and ERD can be able to play its role as Bangladesh's NDA to GCF effectively-efficiently and help the country to follow a green pathway to the prosperity.

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APPENDIX

Questionnaire

01. How would you rate on Bangladesh's readiness in accessing GCF?

1. Very Weak	2. Weak	3. Neither Weak nor Strong	4. Strong	5. Very Strong
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02. Would you please mention the reason(s) behind your rating point given against question no.01?

03. How would you rate ERD as the most appropriate organization to be nominated as the National Designated Authority (NDA) of Bangladesh to Green Climate Fund?

1. Strongly Disagree	2. Disagree	3. Neither Agree nor Disagree	4. Agree	5. Strongly Agree
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04. Would you please mention the reason(s) behind your rating point given against the question no.03?

05. What do you think that ERD should do as the NDA of Bangladesh in accessing GCF? Please add anything with the following that you think is missing and rank them all according to the priority (same ranking point can be assigned to two or more tasks/activities).

Providing broad strategic oversight of GCF's activities in the country	
Convene relevant public, private and civil society stakeholders to identify priority sectors to be financed by GCF	
Nominating appropriate national entity for getting Direct Access/National organization(s) to be accredited as NIE	
Giving NOL for sending project proposals to GCF through Indirect Access modality (MIE) and getting the proposals approved by GCF Board	
Preparing a strong project pipeline for GCF	
Leading the national readiness activities for accessing GCF	
Prepare a standard Framework/Procedures to get NOLs for project proposals, nomination letters for NIE applicants and other papers necessary for accessing GCF	
Opening a council/help desk for all interested stakeholders about GCF matters	

06. What are the impediments/barriers that you think Bangladesh should overcome or Bangladesh is facing in getting access to GCF's resources?

07. Would you please mention what ERD as the NDA should/can do to remove the impediments or to overcome the barriers or challenges that you identified in the question no.06?

08. What are capacities that you think ERD should have/possess in discharging its duties effectively and efficiently as the NDA of Bangladesh to GCF? Please add anything with the following that you think missing and rank them all according to the priority (same ranking point can be assigned to two or more criteria).

Knowledge on National Strategies, Plans & Priorities	
Ability to Contribute & Drive National Strategies & Plans	
Familiarity with Climate Change activities & Needs of the Country	
Capacity to run Country Co-ordination Mechanism & Engage Stakeholders	
Ability to monitor & evaluate project proposals against GCF & Country Criteria	
Over viewing Capacity of International Climate Finance Flows in the country & all the sources of international climate finance	
Ability to run own and stakeholders' readiness	

09. What are capacity shortcomings that you think ERD has/will face in discharging its duties as NDA of Bangladesh for GCF?

10. Would you please mention what ERD as the NDA should/can do to remove the capacity shortcomings that you identified in the question no.09?

11. How would you rate (in the scale of 1-5, being 1: Very Weakly, 2: Weak, 3: Satisfactory, 4: Good, 5: Very Good) ERD's steps or activities taken (so far and immediate) as NDA in "building its own capacities and systems to handle the GCF matters" in particular. Please also express your thoughts/suggestions (if any).

Activities taken/to be taken immediately	Point	Thoughts/Suggestions (if any)
Identifying and nominating six public sector entities to apply for NIE status of GCF (and hopefully getting at least one accredited very soon)		
Sending project proposals through MIE (as there is no Bangladeshi NIE) and getting one approved by the GCF Board		
Getting GCF's readiness support for setting up/strengthening NDA Secretariat		
Getting GCF's readiness support for preparing Bangladesh's Country Program for GCF		
Getting GCF's readiness support for finding Accreditation Gap for a public sector entity (LGED) of Bangladesh		
Forming an Advisory Committee (consisting a wide range of stakeholders) for the NDA		
Building an automated No Objection Procedure for the project proposal to be send to GCF		
Finalization of Readiness proposal for preparing National Adaptation Plan (NAP) of Bangladesh		
Making a wide number of in country stakeholders aware of GCF's opportunities		

12. How would you rate ERD's performance so far as the NDA of Bangladesh to GCF?

1. Very Weak	2. Weak	3. Satisfactory	4. Good	5. Very Good
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13. Any other comments:

Thank you very much for proving your valuable time and thoughts.

Optional

Name of the respondent :

Designation :

Organization :



About the Author

Mr. Mohammad Iftekhar Hossain is a Deputy Secretary at Economic Relations Division (ERD) of Ministry of Finance. He is also working at Bangladesh's NDA Secretariat to GCF in ERD since its inception in November, 2014 and is dealing with climate finance issues since then. Mr. Hossain joined the Civil Service in 2001 as a member of 20th Batch of BCS Administration Cadre. Prior to his present assignment, he worked in Ministry of Public Administration, Ministry of Expatriates' Welfare and Overseas Employment and Ministry of Home Affairs. He has also worked in field administrations at different capacities in Comilla, Feni, Brahmanbaria, Gaibandha and Dhaka District. Although his native village is in Rajshahi, he was brought up and educated in Dhaka. Starting from Tejgoan Government High School he went through Notre Dame College and University of Dhaka. He obtained honours and Masters in Accounting from University of Dhaka. He also obtained another Masters in Poverty and Development from University of Birmingham, UK under a DFID scholarship. Mr. Hossain is married and blessed with three sons.

