



# Annual Report 2018

**Inclusive Budgeting and Financing for Climate Resilience (IBFCR) Project**

Finance Division, Ministry of Finance  
Government of the People's Republic of Bangladesh  
[www.mof.gov.bd](http://www.mof.gov.bd)

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**Abdur Rouf Talukder**  
Secretary  
Finance Division, Ministry of Finance

## MESSAGE

I am indeed delighted that the Inclusive Budgeting and Financing for Climate Resilience (IBFCR) Project being implemented by Finance Division with support from UNDP is bringing out an Annual Report covering its activities during 2018.

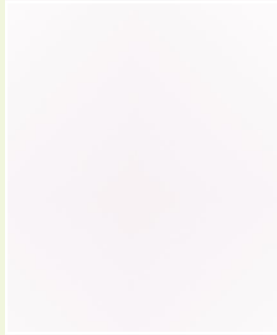
The project since its inception in 2017, amidst many challenges, has achieved a number of milestones which brought about significant changes in the country's climate finance landscape. Starting from embedding climate dimension in the budget setting process under MTBF, it broadened the remit of its activities to include developing climate public finance tracking methodology, making Ministry Budget Framework (MBF) climate inclusive, producing climate budget reports for Parliament and supporting the Office of the Comptroller and Auditor General (OCAG) to introduce climate performance audit in its existing audit protocol together with developing relevant manuals to guide the process of conducting such audit. Apart from delivering knowledge products, the project is also building capacity of the government officials working for both the Finance Division and other Ministries/Divisions concerned with climate related activities by providing comprehensive training- both theoretical and hands-on.

I would like to convey my sincere thanks to the National Project Director under whose leadership the IBFCR team has delivered excellent outputs in 2018 making them examples for others to emulate and is well-poised to deliver more so during the tenure of the project. I also put on record my sincere appreciation for the officials of different ministries/divisions including Finance Division who extended their cooperation by carrying out the task of embedding climate dimension in their budget framework in response to our request.

I take this opportunity to thank UNDP Bangladesh for extending all-out support to the Finance Division in taking forward the agenda of improving the country's climate finance governance system as trusted partner of the Government of Bangladesh.

(Abdur Rouf Talukder)





**Sudipto Mukerjee**  
Resident Representative a.i.,  
UNDP Bangladesh

## MESSAGE

It is indeed gratifying to see that IBFCR project completes another successful year of implementation, by adding great strategic value to UNDP and Bangladesh's climate change programming.

Bangladesh is a highly disaster-prone country on the forefront of climate change impacts, experiencing exacerbating natural calamities and changing weather patterns which are wreaking havoc on the lives and livelihoods of people of this nation, and necessitating increasing flows of climate finance to build climate resilience. However, globally, there are huge gaps in financing climate action. International climate finance is not adequate and there is growing recognition of the need to use domestic resources more effectively. In this context, IBFCR project is incredibly important as it is bringing about systemic changes in the country's climate finance governance to ensure better utilization of climate finance.

This annual report highlights some of the key achievements of the project in its second year of implementation. These include making the budget frameworks of 20 ministries climate inclusive, updating the national climate fiscal framework, drafting a climate inclusive macro-economic framework, reviewing fiscal policies to make them climate inclusive, embedding climate dimension in budget circular, developing a climate finance tracking methodology and incorporating a climate finance module in the government's Integrated Budget and Accounting System (iBAS++). Moreover, for the second year in a row a national climate budget report has been prepared and presented before Parliament, based on which a citizen's climate budget report has also been prepared for the first time. These reports are empowering the citizens with data and information required to register their voice for more actions to reduce rising climate vulnerabilities.

UNDP Bangladesh has had a great experience working with the Finance Division in implementing this project so far, which reaffirms the strength of the relationship between the UN system and the Government of Bangladesh, and we look forward to working together as the government's development partner of choice towards strengthening climate finance governance.

(Sudipto Mukerjee)



## PREFACE

It gives me immense pleasure to present the Annual Report of Inclusive Budgeting and Financing for Climate Resilience (IBFCR) Project covering its activities during 2018.

Amidst many challenges mainly arising from the novelty of its interventions, IBFCR project began its journey in 2017 as a flagship project of Finance Division supported by UNDP. However, the overwhelming support that we received from the stakeholders enabled us to meet those challenges successfully. The outputs it has delivered so far broadly met their expectations. The climate budget reports 2017-18 and 2018-19 and the citizens climate budget report 2018-19 published by Finance Division with support from the project drew the attention of a wide spectrum of audience which include Parliamentarians, Civil Society Organizations (CSOs), Think Tanks, NGOs, Media and Academics.

Being 6<sup>th</sup> among the top ten climate vulnerable nations in the world, Bangladesh made its mark by producing climate budget reports intended to inform the wider stakeholders of the Government's resource commitment to implement the policies and strategies set out in Bangladesh Climate Change Strategy and Action Plan (BCCSAP), 7<sup>th</sup> Five Year Plan and other climate related policy documents. Leveraging the penetration of information technology, it has embedded climate finance module in iBAS++ to produce unbiased data and information to be used as inputs to climate budget reports.

The bedrock of the climate budget reports is the climate inclusive Ministry Budget Framework (MBF) of various ministries/divisions. With support from the project, as many as 20 ministries/divisions have so far turned their MBFs climate inclusive- a significant rise from 6 ministries/divisions covered a year ago in FY 2017-18.

While inclusivity of climate change in budgeting is important, it is equally important to lay emphasis on reduction of fiduciary risks in climate investment by strengthening oversight functions of relevant institutions of the national integrity system. The project, therefore, provided technical support to the Office of the Comptroller and Auditor General (OCAG) to embed climate dimension in audit protocol so that the auditors can undertake the task of carrying out climate performance audit as part of their audit operations. Side by side, the project also provided support to the OCAG in developing relevant guidelines for the auditors elaborating the steps and procedures to be followed while conducting such audit.



Throughout the year, the project organized steering committee meetings and technical advisory group meetings to take the key stakeholders on board about the project activities. It also organized quite a few workshops to share its knowledge products with the wider audience and gather their insights and feedback. Capacity building by delivering training to the ministry officials including those from the Finance Division was another agenda that the project pursued with due diligence and trained more than 300 government officials on setting climate inclusive budget.

I would like to convey my deepest gratitude to the Secretary, Finance Division whose thoughtful guidance helped me on many counts in overcoming the challenges that I faced while implementing the project agenda. My sincere thanks to the colleagues of Finance Division who extended generous support whenever we sought. I would like to place on record my sincere appreciation for the IBFCR team which put in its best endeavors to deliver the planned project outputs without compromising their quality.

**(Ramendra Nath Biswas)**

Additional Secretary  
Finance Division, Ministry of Finance  
and  
National Project Director, IBFCR Project



## Acknowledgements

This report is the result of collaborative efforts of many individuals throughout the year. On the eve of publishing this report, we would like to convey our sincere thanks and gratitude to the Secretary, Finance Division who provided extraordinary support to the project team in taking forward the project agenda.

We gratefully acknowledge the financial and technical supports provided by the development partners including Department for International Development (DFID), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Swedish International Development Cooperation Agency (SIDA) and United Nations Development Programme (UNDP) to this project.

We are immensely grateful to the National Steering Committee of the project for providing strategic guidance for its smooth implementation. We are indeed thankful to the Technical Advisory Group (TAG) of the project for giving their valuable feedback and suggestions on the outputs delivered by the project.

We would like to place on record our sincere gratitude to the Office of the Comptroller and Auditor General (OCAG) of Bangladesh for its continued collaboration to the process of embedding climate dimension in its performance audit protocol. The whole-hearted support of the relevant desk officers of different wings of Finance Division, 20 line-ministries and various departments by attending capacity building workshops and trainings organized by the project is gratefully acknowledged.

We convey our sincere thanks to the Local Government Division (LGD) for allowing the project team to work at Deluti Union Parishad on a pilot basis with the agenda of localizing climate fiscal framework. Our special thanks to Ms. Ishrat Jahan, Deputy Director of Local Government Division (DDLG), Khulna and Mr. Ripan Kumar Mondal, Chairman of Deluti Union Parishad, Khulna and his UP colleagues for sharing their experience of identifying climate change induced risks and developing action plans to tackle them in climate affected areas. They also demonstrated a process which can be replicated for reducing the risks of climate change in other vulnerable areas.

Finally, we deeply acknowledge the contributions of the immediate past National Project Director, now Secretary-in-Charge, Ministry of Youth and Sports as well as that of the incumbent National Project Director who demonstrated their exemplary dedication to make the project work and deliver its best. It would not have been possible to bring out this report without the whole-hearted support from the members of the project team. Their support on many counts went well beyond the call of duty. We deeply appreciate their outstanding contributions.

**(Ranjit Kumar Chakraborty)**  
Project Manager

Inclusive Budgeting and Financing for Climate Resilience (IBFCR) Project



## Executive Summary

The Inclusive Budgeting and Financing for Climate Resilience (IBFCR) project has completed a successful year of implementing project related activities, with significant achievements under each of its five components, which contribute to building a more climate resilient Bangladesh.

Three key results have been achieved this year-ministry budget framework of 20 line-ministries/divisions made climate inclusive, a separate climate finance module added in integrated budget and accounting system (iBAS++) and climate performance audit mainstreamed in audit operations.

Under component 1 which focuses on the climate fiscal framework's (CFF) implementation and management, the CFF has been updated, a climate inclusive macro-economic framework drafted and fiscal policies reviewed to make tax, VAT, subsidies and pricing policies climate inclusive. Under component 2 which is about climate sensitive planning, budgeting management, climate dimension has been embedded in the budget circular, a climate finance tracking methodology has been developed and a separate climate finance module has been incorporated into the iBAS++ through mapping climate issues using the new Budget and Accounts Classification System (BACS). Moreover, climate change has been reflected in the Strategic Policy documents – Medium Term Macroeconomic Policy Statement (MTMPS) and Bangladesh Economic Review (BER) of Finance Division. Furthermore, following up on last year's work with 6 ministries, the ministry budget frameworks (MBFs) of 20 climate relevant line-ministries/divisions has been turned climate sensitive this year.

Under component 3, the second national Climate Budget Report has been prepared, climate performance audit conducted for two projects for FY2018-19 and two guidelines prepared for conducting climate performance audits. And under component 4 which focuses on strengthening the Finance Division's coordination roles in climate finance management, the project manager of IBFCR project actively took part in the international climate conference COP 24 and shared Bangladesh's contribution to implementing climate change agenda set out in UNFCCC and SDGs. Finally, under component 5 which is about more effective planning and budgeting at the local level, two pilots have been spearheaded to localize the CFF, partnership with LoGIC project established and the project's information disseminated at the Development Fair 2018.



The project faces several opportunities and challenges. The public finance reform agenda of the government, including the development of the iBAS++ and the improvements in government oversight functions is providing a good opportunity for mainstreaming climate finance and strengthening climate finances governance. But challenges remain, such as delays in personnel mobilization, delays due to involvement of multiple agencies, added pressure on budget desk officers and limited project funds.

IBFCR's planned milestones for the next year of implementation include ensuring climate inclusive debt management strategy, social audit protocol in government audit operations, climate sensitive lending policy, interfacing between different climate relevant IT systems and iBAS++, insurance policies for climate risk management, creation of a critical mass of trainers on climate inclusivity, regular monitoring by line-ministries and implementation monitoring and evaluation division (IMED), revision of ToR of public accounts committee and budget management committee, climate expenditure tracking methodology for local government institutions (LGIs), review of ministry key performance indicators and mainstreaming climate finance in PFM systems and processes.



## IBFCR Project at a Glance

Project Start Date	July 2016
End Date	September 2020
Estimated Total Project Cost	TK. 17.27 crore (USD 2.2 million)
GoB Contribution	TK. 1.25 crore
Implementing Entity	Finance Division, Ministry of Finance Government of Bangladesh
Development Partner	United Nations Development Programme (UNDP)



## Abbreviations & Acronyms

ADP	Annual Development Programme	LGD	Local Government Division
AIMS	Aid Information in Management System	LGIs	Local Government Institutions
BACS	Budget and Accounts Classification System	LoGIC	Local Government Initiatives on Climate Change
BB	Bangladesh Bank	MBF	Ministry Budget Framework
BC	Budget Circular	MoA	Ministry of Agriculture
BCCRF	Bangladesh Climate Change Resilience Fund	MoDMR	Ministry of Disaster Management and Relief
BCCSAP	Bangladesh Climate Change Strategy and Action Plan	MoEFCC	Ministry of Environment, Forest and Climate Change
BCCTF	Bangladesh Climate Change Trust Fund	MoF	Ministry of Finance
BER	Bangladesh Economic Review	MoFL	Ministry of Fisheries and Livestock
BMB	Budget Management Branch	MoWCA	Ministry of Women and Children Affairs
BMC	Budget Management Committee	MTBF	Medium-Term Budget Framework
BMW	Budget Management Wing	MTDS	Medium-Term Debt Strategy
BWG	Budget Working Group	MTMF	Medium Term Macroeconomic Framework
CFF	Climate Fiscal Framework	MTMPS	Medium Term Macroeconomic Policy Statement
CGA	Controller General of Accounts	M&E	Monitoring & Evaluation
COP	Conference of the Parties	NBR	National Board of Revenue
CPD	Country Programme Document	NDA	National Designated Authority
CSO	Civil Society Organization	NGO	Non-Government Organization
DDLG	Deputy Director of Local Government	OCAG	Office of the Comptroller and Auditor General
DFID	Department for International Development	PA	Paris Agreement
DMFAS	Debt Management and Financial Analysis System	PAC	Public Accounts Committee
ERD	Economic Relations Division	PEMSP	Public Expenditure Management Strengthening Programme
FD	Finance Division	PFM	Public Financial Management
GCF	Green Climate Fund	SBI	Subsidiary Bodies for Implementation
GED	General Economics Division	SBSTA	Subsidiary Bodies for Scientific and Technological Advice
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	SDGs	Sustainable Development Goals
GoB	Government of Bangladesh	SIDA	Swedish International Development Cooperation Agency
iBAS ++	Integrated Budget and Accounting System	TAG	Technical Advisory Group
IBFCR	Inclusive Budgeting and Financing for Climate Resilience	ToR	Terms of Reference
IDRA	Insurance Development and Regulatory Authority	UN	United Nations
IEC	Information Education and Communication	UNDAF	United Nations Development Assistance Framework
IMED	Implementation Monitoring and Evaluation Division	UNDP	United Nations Development Programme
IPF	Institute of Public Finance	UNFCCC	United Nations Framework Convention on Climate Change
IRD	Internal Resources Division	UP	Union Parishad
KPI	Key Performance Indicator	VAT	Value Added Tax

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## 01 Introduction

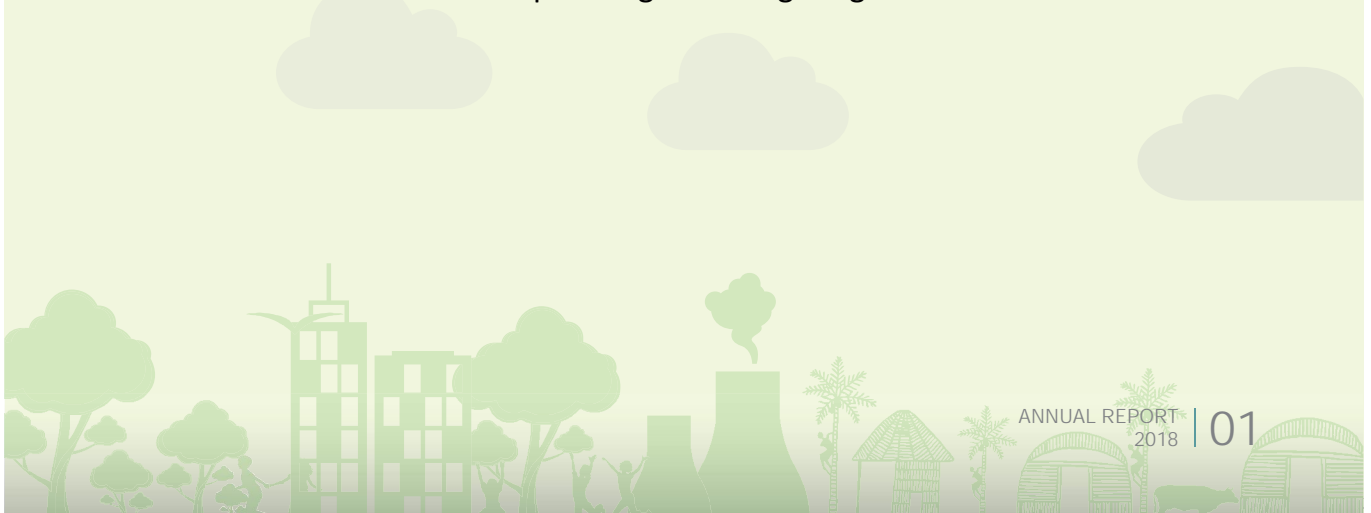
Bangladesh as a low-lying delta ecosystem on the confluence of three river systems with one of the highest population densities in the world is considered one of the most climate vulnerable countries. Climate change and its adverse impacts present a constellation of fiscal, environmental, poverty, gender, and development issues and challenges. The country is addressing the challenges through the increased flow of climate finance.

The Inclusive Budgeting and Financing for Climate Resilience (IBFCR) project is a flagship project of Finance Division which came into being in 2016. It aims to rationalize the Public Financial Management (PFM) of climate finance and introduce a climate policy-based focus to planning, budgeting and performance management of climate finance by implementing the Climate Fiscal Framework (CFF) adopted by the Government of Bangladesh in 2014.

The project though officially came into being in July 2016, it virtually came up and running after its inception in January 2017. The project will continue till September 2020.

### Key Activities

- Strengthening Bangladesh's preparedness and capability to manage climate finance
- Appropriate planning and budgeting to ensure channeling of climate finance in a timely and efficient manner
- Strengthening climate finance management and governance system
- Strengthening Finance Division's roles for effective coordination and management of climate public finance
- Effective climate inclusive planning and budgeting at the local level



## 02 Project Objectives

The IBFCR project intends to foster a sustainable basis for identifying, maximizing and managing sources and application of funds for financing climate resilient actions. It further intends to develop climate related capacity and expertise within Finance Division (FD) and develop stronger relationships and collaborative partnerships with other major climate stakeholders, but primarily with Economic Relations Division (ERD) - the National Designated Authority (NDA) of Bangladesh to the Green Climate Fund (GCF), Programming Division and General Economics Division (GED) of Planning Commission, Ministry of Environment, Forest and Climate Change (MoEFCC), Local Government Division (LGD), Ministry of Disaster Management and Relief (MoDMR), Ministry of Agriculture (MoA), Ministry of Fisheries and Livestock (MoFL), Ministry of Women and Children Affairs (MoWCA), Office of the Comptroller and Auditor General (OCAG), Bangladesh Bank, Ministries implementing social safety nets programmes in climate vulnerable regions and the national parliament. Through these actions, the project aims to enable Bangladesh to maximize the benefits of national and international climate finance.

The project will also aim to enhance the recognition of climate policy and national strategy in the key FD led budgetary processes including MTBF and attendant Performance Management Systems, Ministry Budget Framework (MBF) and the Medium Term Macroeconomic Framework (MTMF).

Moreover, it will work closely with other projects within the FD, ERD, Internal Resources Division (IRD), GED, Programming Division, Implementation Monitoring and Evaluation Division (IMED) to forge greater cohesion and with those being led by FD and Programming Division in respect of the recognition of climate issues for national interest.



## 03 Key Results

The project has already passed two years of its implementation and achieved a set of significant milestones which have all been embedded in the major policy instruments of GoB.





## Key Result 1 : Ministry Budget Framework of 20 Line-Ministries Turned Climate Inclusive

Following the issuance of Budget Circular, a total of 20 line-ministries with technical support from the project turned their MBFs climate inclusive and submitted to the Finance Division. For the first time, all these MBFs were then included in the MTBF document for FY 2018-19 published by Finance Division and presented before Parliament along with the budget documents.



Training of FD officials on embedding climate dimension in MBFs

## Key Result 2 : Developed a separate climate finance module in Integrated Budget and Accounting System (iBAS++)



Discussion with iBAS++ development team

The project accomplished the task of operationalizing a robust Climate Public Finance Tracking Methodology through the BACS and iBAS++ by working closely with the teams engaged for development of these systems. As a result, the iBAS++ will now generate climate relevant reports to meet the requirements of various stakeholders. This will facilitate tracking of climate expenditure down to lowest tier of local governments including climate hotspots. This is for the first time the climate issues have been mapped in BACS and iBAS++.

### Key Result 3 : Climate Performance Audit mainstreamed in audit operations

To strengthen climate finance governance, OCAG was requested to undertake climate performance audits on two completed projects financed by Bangladesh Climate Change Trust Fund (BCCTF) and Bangladesh Climate Change Resilience Fund (BCCRF) on a pilot basis. The audits have been completed. Using the experiences from the pilots, two guidelines namely Generic Criteria for Climate Performance Audit, and Guidelines for Planning Climate Performance Audit have been prepared.



Validation workshop on climate performance audit guidelines

## 04 Key Components and Achievements

The IBFCR Project is nested in the following five interlinked components:

**Component 1: Climate Fiscal Framework Implementation and Management**

**Component 2: Climate Change Sensitive Planning and Budgeting Management**

**Component 3: Strengthening Climate Public Finance Governance**

**Component 4: Strengthening Finance Division's Coordination Roles in Climate Public Finance Management**

**Component 5: More Effective Planning and Budgeting for Climate Finance at the Local Level**



## Component 1: Climate Fiscal Framework Implementation and Management

### 1.1 Updated Climate Fiscal Framework (CFF)

The project has completed a review of the existing CFF 2014 to make it more relevant in the context of changes on the last four years in climate finance landscape of the country and updated it through a wide consultative process involving both state and non-state actors.

The updated CFF, therefore, brings to sharper focus the supply side of climate finance given the country's vulnerability to the risks of loss and damage arising from climate change.



TAG meeting on draft updated CFF

## 1.2 Climate Inclusive Medium Term Macro-economic Framework

The project delivered inputs to the Finance Division to prepare a climate inclusive medium-term macroeconomic framework using a macroeconomic model embedded with the climate change variables. This has been done in an attempt to draw the attention of a high-level policy making body (Coordination Council) headed by the Minister for Finance to the pitfalls of business as usual approach of climate investment while highlighting the benefits of taking informed climate investment decisions now to counteract the possible shocks arising from climate change.



TAG meeting on draft Macro-economic Framework



### 1.3 Climate Inclusive Fiscal Policy (tax, VAT, subsidy, pricing)

The project has undertaken a review of existing fiscal policies (tax, VAT, subsidy and pricing) to identify areas where (i) revenue measures will recognize the effects of climate change and indicate tax incentives for low carbon green development, (ii) the government can provide subsidy for green products and reduce it where it harms the process of low carbon green development and improved climate adaptive livelihood, and (iii) the government should adjust its energy pricing policy to promote the renewable energy generation options.



Meeting with the Chairman and senior officials of NBR on tax policy



## Component 2: Climate Change Sensitive Planning and Budgeting Management

### 2.1 Climate Dimension Embedded in Ministry Budget Framework

As part of the process of linking the major climate policies and strategies (e.g. Bangladesh Climate Change Strategy and Action Plan) with the budget setting process under MTBF, the Budget Circular (BC) which provides strategic directions to the line-ministries for preparation of Ministry Budget Framework (MBF) has been turned climate inclusive.

Together with strategic directions, the project also provides operational guidelines for the relevant budget desk officers of the line-ministries setting out the steps and procedures they are to follow while embedding climate dimension in the MBFs. Training also was provided to relevant officials of FD and other ministries to make them capable of turning MBFs climate inclusive.



Training to budget desk officers of relevant ministries on embedding climate dimension in MBFs



## 2.2 Development of Climate Finance Tracking Methodology

Last year while embarking on the exercise for preparation of the climate budget report, a methodology was developed to track climate expenditure subsumed in the total budget allocation of relevant ministries. As the information available at that point in time was not enough, it could not be made comprehensive.

Based on the learning from last year's tracking exercise, the project embarked on the task of developing a robust and comprehensive tracking methodology to make the results more credible and unbiased. A wide consultative process was undertaken to finalize this. As there is no widely agreed methodology for tracking climate public finance, a conceptual framework was developed having reviewed the available literature to lend it a credible premise.



TAG meeting on climate public finance tracking manual

## 2.3 Developed a separate climate finance module in Integrated Budget and Accounting System (iBAS++) through mapping climate issues using new Budget and Accounts Classification System (BACS)

The project accomplished the task of mapping climate issues with the BACS and iBAS++ by working closely with the teams engaged for development of these systems. As a result, the iBAS++ will now generate climate relevant reports to meet the requirements of various stakeholders. This will facilitate tracking of climate expenditure down to lowest tier of local governments including climate hotspots. This is for the first time the climate issues have been mapped in BACS and iBAS++.

The screenshot displays the iBAS++ interface for the 'Climate Financing' module. The header includes the system name 'INTEGRATED BUDGET AND ACCOUNTING SYSTEM' and user information 'climateuser01\_101435'. The breadcrumb trail is 'Climate Financing >> Percentage for Development >> 22 : Annual Development Program'. The form contains several dropdown menus for 'Fiscal Year' (set to 2019-20), 'Ministry', 'Department', 'ADP', 'TA', and 'Program'. There are 'Go' and 'Clear' buttons below the dropdowns, and an 'Add' button below the 'TA' and 'Program' dropdowns. A 'Percentage' input field is also present. Below the form is a table with columns: 'TA', 'Program', 'Default Percentage', 'Distribution Percentage', and 'Action'. A 'Save' button is located at the bottom left of the table area.

TA	Program	Default Percentage	Distribution Percentage	Action
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## 2.4 Knowledge Exchange on Budget and Accounting Classification System

A day-long knowledge exchange event on new Budget and Accounts Classification System (BACS) was organized by Finance Division under the auspices of Inclusive Budgeting and Financing for Climate Resilience (IBFCR) project on 7<sup>th</sup> January 2018 at the office premises of Public Expenditure Management Strengthening Programme (PEMSP) of Finance Division, Ministry of Finance.

The participants of the event included relevant staff of IBFCR and Local Government Initiatives on Climate Change (LoGIC) projects and UNDP. The Program Director, PEMSP and Joint Secretary (Budget-1), Finance Division convened the meeting along with the key persons of his office.

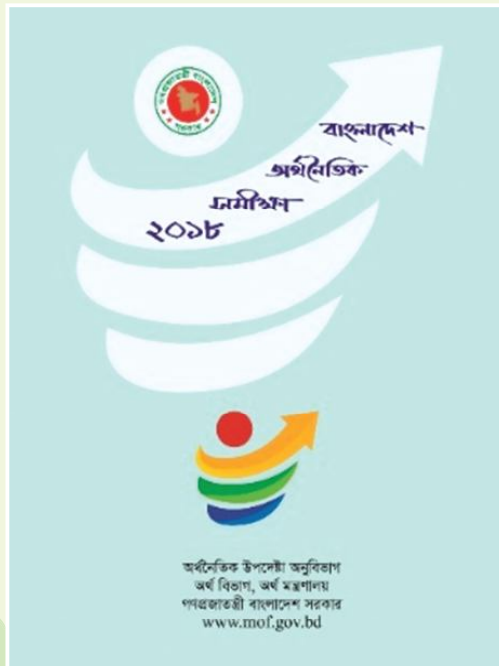
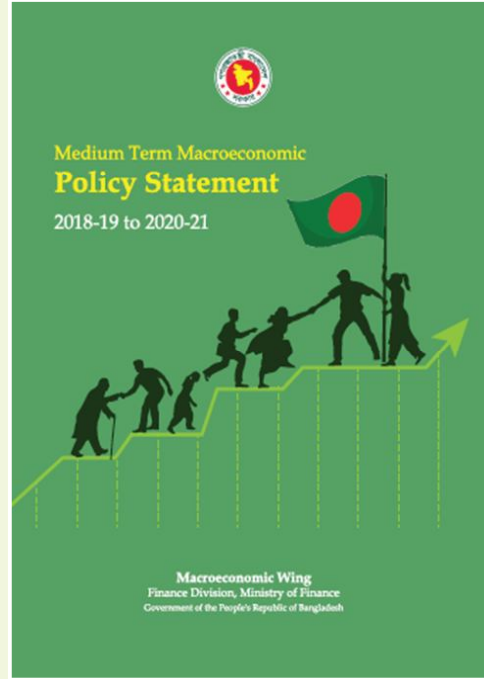


Knowledge exchange with iBAS++ team

## 2.5 Reflection of Climate Change Dimension in the Strategic Policy Documents of Finance Division

The project closely pursued with FD to include climate change dimension in two strategically important policy documents- Medium Term Macroeconomic Policy Statement (MTMPS) and Bangladesh Economic Review. Finally, this year, both the documents gave sufficient space to reflect climate change dimension in relevant sections to demonstrate its importance as a critical development agenda. The purpose of MTMPS is to provide an outline of the recent macroeconomic situation together with the growth potential of the economy, medium term targets and strategic priorities of the government. In chapter 1 of the document a separate section has been devoted to discussing how the government is addressing the impact of climate change. Presentation of

MTMPS before Parliament is a legal obligation of FD under the Public Moneys and Budget Management Act 2009.



The Bangladesh Economic Review, on the other hand, is an important and informative annual publication of the Government of Bangladesh. The trends of macroeconomic indicators, development policies, strategies and sectoral progress of Bangladesh are discussed in detail in this document. Chapter 15 of the document discussed elaborately the climate policies and strategies together with the climate financing strategy of the government.

Besides these, while delivering the budget speech for FY 2018-19, the Finance Minister made the following statement on climate financing to draw the attention of the Members of Parliament:

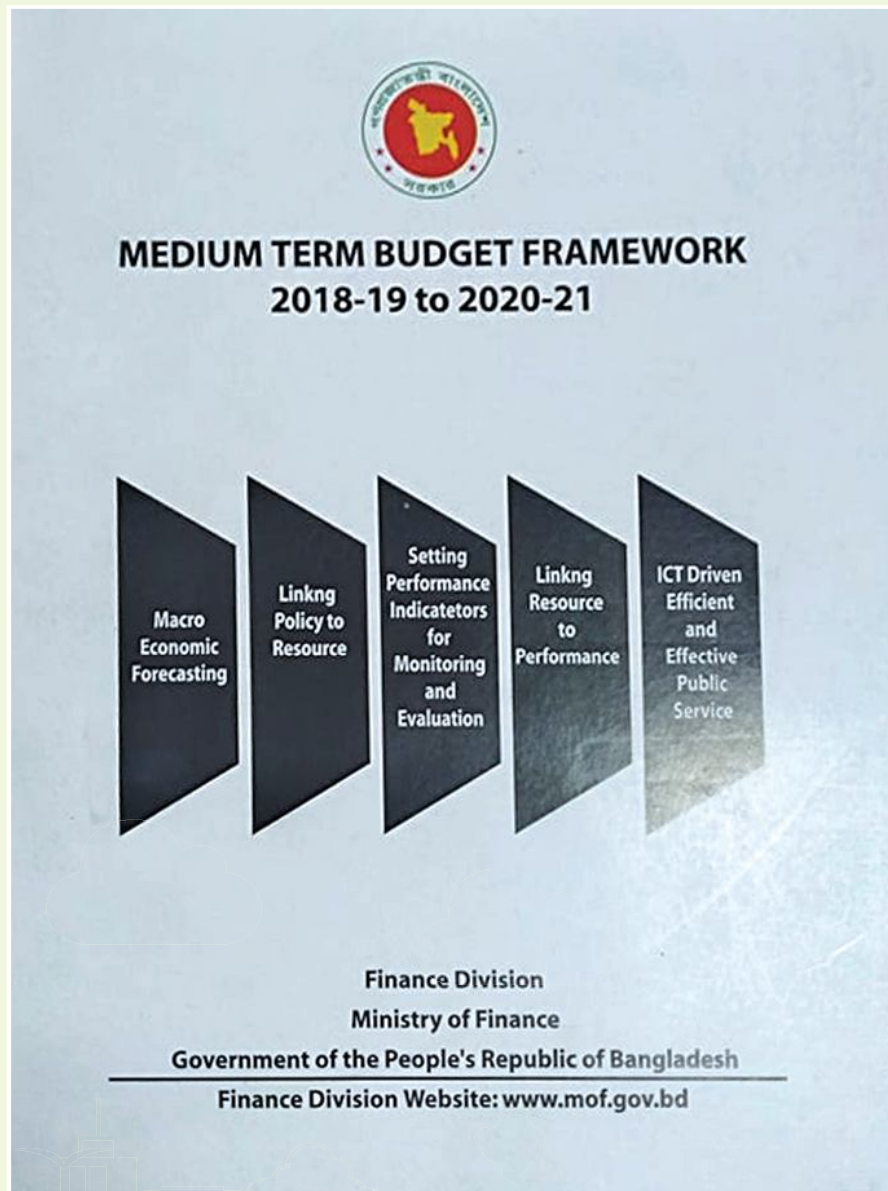
*In order to make the budget setting process climate sensitive, the Ministry Budget Frameworks (MBFs) of 20 ministries/divisions have been embedded with climate dimensions, for the first time. I am submitting a report titled 'Climate Financing for Sustainable Development' based on the contents of MBFs. This report will tell us the share of climate expenditure subsumed in the total budget of the selected ministries/divisions. This apart, training has also been provided to the relevant officials of Finance Division and line-ministries on the guidelines developed for imparting the techniques of inclusion of climate dimension in the MBFs. To ensure accountability and transparency in climate financing, climate performance audit has been introduced to assess the economy, efficiency and effectiveness of climate relevant projects. Moreover, in order to mainstream climate audit in the government audit operations two guidelines on climate performance audit together with addenda to include climate dimension in auditing standards, audit code and performance audit manual have been prepared.*

The Finance Minister's statement amply focuses on what the project has intervened to make the country's PFM system climate inclusive.



## 2.6 Ministry Budget Framework of 20 Line-Ministries Turned Climate Inclusive

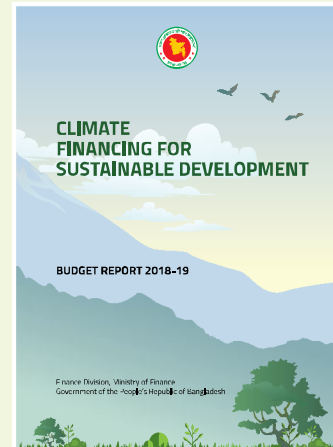
Following the issuance of Budget Circular, a total of 20 line-ministries with technical support from the project turned their MBFs climate inclusive and submitted to the Finance Division. For the first time, all these MBFs were then included in the MTBF document for FY 2018-19 published by Finance Division and presented before Parliament along with the budget documents.



## Component 3: Strengthening Climate Public Finance Governance

### 3.1 Climate Budget Report

To inform the wider stakeholders about the GoB commitment towards climate resilience, the project provided support to FD to the process of preparation of the second climate budget report, titled “Climate Financing for Sustainable Development: Budget Report 2018-19”. The report was presented before Parliament along with the budget documents for FY 2018-19. The report covered a total 20 ministries including those six ministries covered last year. Most of the leading national dailies featured news stories after the presentation of the report before Parliament. A couple of salient features of the second report include:



- (i) it has been prepared using a robust and comprehensive climate public finance tracking methodology as opposed to the one used for the first report which was rudimentary in character and contents
- (ii) the data used for presenting analyses in the report were generated by the FD’s financial management information system called integrated budget and accounting system (iBAS++) which significantly reduced the scope of applying individual judgments, and
- (iii) a separate climate budget module was developed within iBAS++ to extract data on climate relevant allocation from both development and operating budgets.

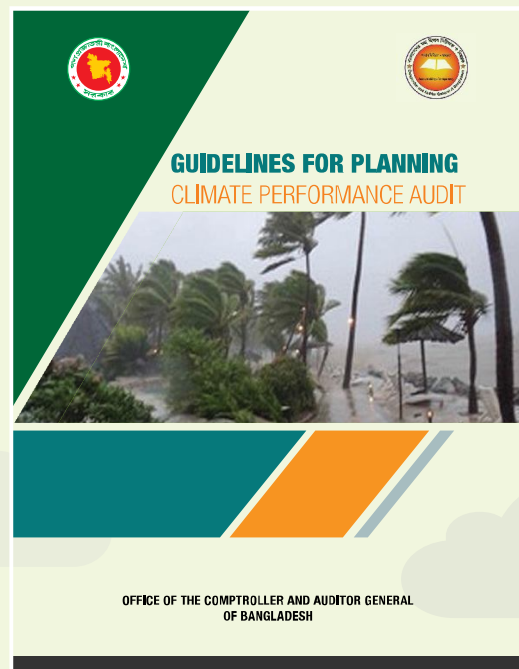
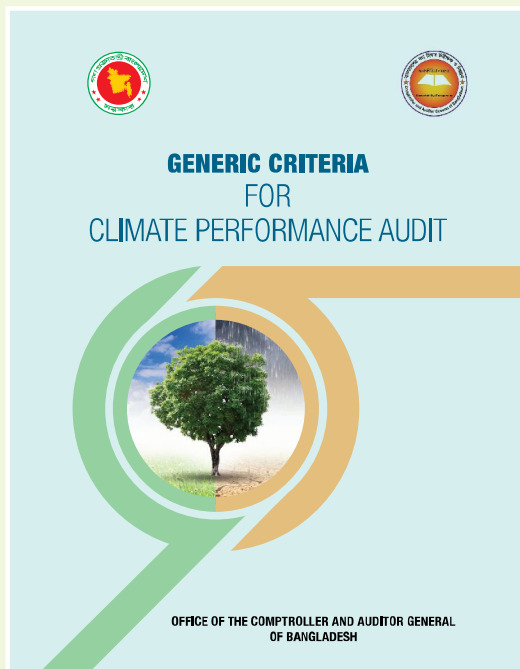


Besides, the project provided support to FD to publish Bangladesh citizens climate budget report 2018-19 for the first time. This report was published in simple language using infographics with the purpose of broadening the understanding of citizens about the governments response to the risks and challenges arising from the adverse effects of climate change by way of allocating resources thorough the national budget.

### 3.2 Climate Performance Audit

As part of the process of strengthening governance to reduce the fiduciary risks in the utilization of climate finance, the project extended its technical support to the Office of the Comptroller and Auditor General (OCAG) to conduct climate performance audit of two projects of the government financed by Bangladesh Climate Change Trust Fund (BCCTF) and Bangladesh Climate Change Resilience Fund (BCCRF) on a pilot basis. The insights gathered from this piloting exercise prompted the project to work out proposals for addenda to the existing Audit Code, Auditing Standards, and Performance Audit Manual of OCAG to incorporate climate dimensions in these important documents to guide the auditors in conducting climate performance audit of the projects/programmes included in the development budget.

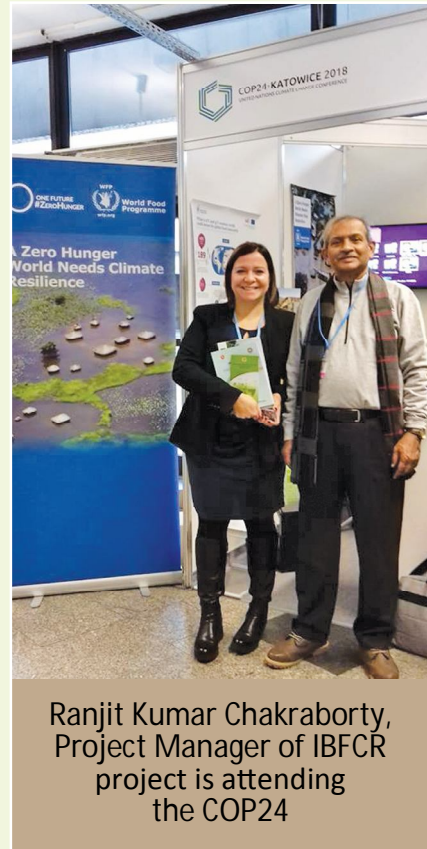
In addition, the project has also delivered two more documents setting out generic criteria for climate performance audit as well as guidelines for planning the new audit intervention. All these documents have been accepted for adoption by OCAG after CAG's approval.





## Component 4: Strengthening Finance Division's Coordination Roles in Climate Public Finance Management

IBFCR Project Manager participated in the 24<sup>th</sup> Meeting of Conference of the Parties (COP 24) held in Katowice, Poland during 2<sup>nd</sup> - 15<sup>th</sup> December 2018 as a member of Bangladesh delegation. He shared the IBFCR knowledge products with the Bangladesh Pavilion and one UN Pavilion for display and dissemination. During this period, he covered various informal and formal sessions of different bodies of UN Framework Convention on Climate Change (UNFCCC). These included joint plenary session of Ad-hoc Working Group of the Paris Agreement (PA), Subsidiary Bodies for Implementation (SBI) and Subsidiary Bodies for Scientific and Technological Advice (SBSTA), press conference on Adaptation Fund, session on Fashion Industry Charter for Climate Action, meeting on anticipated format of draft conclusions on matters relating to Article 4 paragraphs 22-35 of decision 1/CP.21, Article 6 paragraph 36-40 of decision 1/CP.21, meeting on the modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7 of the Paris Agreement and draft conclusion on the establishment of Local Community and Indigenous Community Platform. He also attended two sideline titled "Exploring Innovative Approaches to Strengthen Capacity on Direct Access to Climate Finance" and Role of Capacity Building in Enhancing Climate Finance Governance and Transparency: Experiences from Bangladesh.



Ranjit Kumar Chakraborty, Project Manager of IBFCR project is attending the COP24



Ranjit Kumar Chakraborty, Project Manager of IBFCR project shared the IBFCR knowledge products with the Bangladesh Pavilion and one UN Pavilion at the COP24

## Component 5: More Effective Planning and Budgeting for Climate Finance at the Local Level

### 5.1 Localizing Climate Fiscal Framework (CFF)

The project spearheaded a pilot for localizing climate fiscal framework at Deluti Union Parishad, the lowest tier of local government institution located in one of the climate hotspot of the country to improve the climate adaptive livelihood of the most vulnerable and marginalized communities, in particular, women. Once successfully implemented, this pilot will be rolled out to other Union Parishads (UPs) in partnership with a project called Local Government Initiatives on Climate Change (LoGIC) taken up for implementation by the Local Government Division (LGD) to scale up the intervention.

While implementing the pilot, a risk assessment was carried out involving the community to understand the pattern of their livelihood together with the intensity of the vulnerability they are facing because of climate change.



Sati Rani Mandal, one of the beneficiaries of Hydroponics, an alternative climate adaptive livelihood option

## 5.2 Partnership with LoGIC Project

With the objective of gathering insights from the UP Chairmen and UP Secretaries on the activities surrounding the various stages of the budget cycle (strategic planning, budget formulation, budget execution, accounting and reporting, and audit and evaluation), and identifying the areas of partnership between LoGIC and IBFCR, a joint workshop on local climate finance between two project was held in October 2018. Ms. Ishrat Jahan, Deputy Director Local Government (DDLG), Khulna and Chairmen and secretaries of Deluti and Kamarkhola Union Parishads attended the workshop as special invitees.



Synergy building workshop with LoGIC project and LGIs



### 5.3 IBFCR Project in Development Fair 2018

A three-day fair titled Development Fair 2018 was kicked off on 11 January 2018 at dhaka and district and upazila headquarters in the country. The fair was intended to highlight the government’s development efforts and achievements so far in its journey towards making Bangladesh a middle-income country by 2021 and a developed one by 2041.

Prior to the fair the project produced a flyer and distributed it to a large network of 492 Upazilas and 64 districts of Bangladesh through the Office of the Controller General of Accounts (CGA). The Information Education and Communication (IEC) material was produced jointly by the Finance Division and UNDP. It included information on the project’s background, objectives, components, progress, achievements, and funding sources in a clear, concise and comprehensible manner. The flyer was designed to inform the wider audience about the key interventions and achievements made by the project so far.



IBFCR project flyer



## 05 Opportunities

GoB has been implementing successive phases of reforms in public finance over the past two decades, the foremost of which is budget reforms through the introduction of Medium Term Budget Framework (MTBF) replacing the traditional input-focused budgeting. MTBF, being at the heart of reform agenda, has been influencing the resource allocation decisions by linking policies and priorities of the government together with its performance. The budget setting process under MTBF has triggered a couple of other exercises like gender and child-focused budgeting to meet the demand from various stakeholders both within and outside the government. As budget is an important entry point for IBFCR project, the reforms already effected hold out a good opportunity to embed climate dimension in the budget framework.

Within the remit of the ongoing reform agenda, GoB has also developed over time a robust financial management information system (iBAS++) to harness the potential of information technology in driving forward the agenda for establishing a transparent budget and accounting system to meet the growing expectations of the citizens. This is another opportunity that the project can seize in taking forward the tracking methodology already developed.

In tandem, there have been sustained efforts to bring about improvements in the oversight functions too. The audit methodology of OCAg though mainly geared to compliance audit is now shifting towards performance audit to meet the demands from the legislature through public accounts committee. As the OCAg has already developed and adopted auditing standards, guidelines and manuals in line with international best practices to carry out audits like environmental audit, IT audit and forensic audit; it would be much easier to introduce climate performance audit without creating any upheaval in the current system of audit.

Increasing awareness of NGOs, CSOs and think tank organizations about the international and domestic financial flows and the dynamics of changes that are taking place in the policy regime of the government is opening up new opportunities.



## 06 Challenges

### Challenges Faced

- The project became up and running in December 2016 at the middle of budget cycle when Budget Circular was already issued and training on the circular was done. However, according to the decision of the 1<sup>st</sup> steering committee held on 21 December 2016, the project team had to prepare an operational guideline to embed climate dimension in the ministry budget framework of selected line-ministries and then provide training to the relevant budget desk officers of Finance Division and the climate relevant line-ministries.
- Staff and consultant mobilization was mainly delayed due to the non-availability of competent resourceful staff and consultant in the market. Several positions had to be re-advertised to pick up the right candidates. In some cases, it took six months. In one instance, the project could not engage any suitable candidate. The project staff had to shoulder extra workload to meet the delivery deadline of output.
- Involving multiple agencies and taking on board their diverse views on wider fiscal issues took longer than expected in updating the CFF.
- The line-ministries submitted their MBF in response to the Budget Circular (BC). Embedding climate dimension in MBF added to the workload of the budget desk officers of line-ministries. As such they faced challenges in accomplishing the task following the operational guideline prepared by the project. The project staff provided additional support to them in meeting this challenge.
- The project supported the operation of the climate performance audit carried out by OCAG. The finalization of audit report is basically the prerogative of the Auditor General as OCAG is an independent entity. Therefore, meeting the deadline for preparation of final audit report turned out to be challenging.



## Challenges Ahead

- Achieving the planned milestones with limited staff resources remains a challenge. Currently, there are only three senior staff members in the project (Climate Change Expert, Fiscal Policy Expert and Audit Expert) to tackle the planned milestones using the assistance from a Research Associate.
- Since DFID's funding came to an end in November 2017, the project is being financed from UNDP's core fund as an interim arrangement and the corpus is not sufficient to make appropriate interventions required to achieve the envisaged milestones.
- Gaining support from the relevant agencies to the innovative agenda being proposed by the project to improve climate adaptive livelihood of the most disadvantaged- women, children, indigenous communities in the plain land, people living in climate hotspots.



## 07 Planned Milestones

As the project steps into the next year of its implementation, it has planned to achieve another set of critical milestones to further intensify its influence on the policy regime of the government. These are briefly as follows:

### **Climate Inclusive Debt Management Strategy**

The existing Medium-Term Debt Strategy (MTDS) will be reviewed, in consultation with treasury and debt management wing of the FD and Bangladesh Bank (BB), for inclusion of debt instruments related to financing climate expenditure. This will promote new debt instruments dedicated to finance climate expenditure on a sustained basis. The project will present the results of review with various options to the policymakers for choosing appropriate options for implementation.

### **Social Audit Protocol in Government Audit Operations**

The project will explore the possibility of introduction of social audit protocol in the audit operations of OCAg in relation to climate change. The project will also provide support to develop standards and guidelines for conducting such audit for climate change related projects. This will capture people's perception about the efficiency and effectiveness of project approach together with resource utilization to address climate change issues. The project will soon initiate discussion with OCAg to explore the possibility of undertaking social audit.

### **Climate Sensitive Lending Policy**

The project will review, in consultation with Bangladesh Bank (BB), the existing lending policies for the banking sector to identify areas where channeling of loans to different sectors can be linked with climate change effects. This will encourage channeling of loans to the projects which will promote low carbon development and enhance adaptive capacity of the vulnerable population.

### **Interfacing between Different Climate Relevant IT Systems and iBAS++**

The project will review the existing IT based systems established in other relevant agencies within the government e.g. Aid Information in Management System (AIMS), Debt Management and Financial Analysis System (DMFAS), and identify the possibility of interfacing with iBAS++ for collection of climate relevant data and information, and provide technical support for interfacing, where relevant. Since the systems are already established, it would be possible to identify the links to work out interface at less cost. This will ensure real time and regular flow of information between the systems established in different agencies.



## **Insurance Policies for Climate Risk Management**

The project will review, in partnership with Insurance Development and Regulatory Authority (IDRA), existing insurance policies to identify areas where innovative tools related to climate risk transfer issues can be included. This will improve adaptive capacity of the climate vulnerable communities. The project will review the results of pilots carried out by different NGOs and propose relevant tools to IDRA.

## **Creating a Critical Mass of Trainers**

The project will provide training using climate inclusive training curriculum in regular flagship courses offered by Institute of Public Finance (IPF) to create a critical mass of trainers. IPF is a public facility at the arm's length of the FD. The courses have stood the test of time and will continue in future. The courses are held regularly which draw around 200 government officials annually.

## **Regular Internal Monitoring by Line-Ministries**

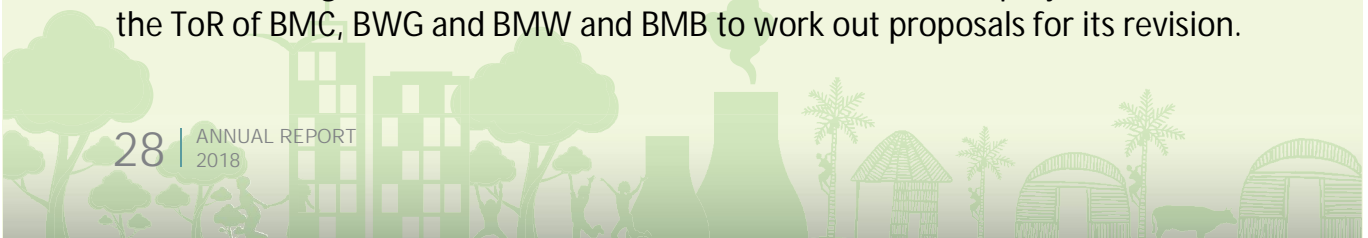
Incorporating climate finance issues in the agenda of the monthly ADP review meeting of different line-ministries is critical in the context of introduction of climate sensitive ministry budget framework. The agenda of monthly ADP review meeting is being examined to incorporate climate finance issues. Once incorporated, the Secretaries of the line-ministries will get regular information on the status of climate expenditure subsumed in the annual development budget. This in turn will instigate appropriate actions against any lapses in terms of non-inclusion of climate spending in the reporting framework on ADP.

## **Revision of ToR of Public Accounts Committee (PAC)**

The project will review the existing ToR of the PAC as set out in the Rules of Procedure of Parliament and work out proposals for consideration of Parliament Secretariat to include climate finance issues in its ToR.

## **Revision of ToR of BMC, BWG, BMW and BMB**

Incorporating climate finance issues in the ToR of the Budget Management Committee (BMC), Budget Working Group (BWG), Budget Management Wing (BMW) and Budget Management Branch (BMB) is important for carrying out internal oversight of the utilization of climate allocation. The project will review the ToR of BMC, BWG and BMW and BMB to work out proposals for its revision.



## **Climate Expenditure Tracking Methodology for Local Government Institutions (LGIs)**

The project will introduce appropriate tools and associated guidelines to track climate expenditure in the local government budget in partnership with Local Government Initiatives on Climate Change (LoGIC) Project. This will help inform the policymakers about the level of climate spending at the LGIs to address the adverse effects of climate change. The project will also replicate the tools at the local level that are already developed to track climate expenditure in the national budget.

## **Mainstreaming Climate Finance**

The project will work out options and detailed charter of duty for mainstreaming climate finance. This will support sustaining the results of project interventions, ensure smooth coordination among the key agencies within the government as well as national and international entities including development partners, provide support to the line-ministries in dealing with climate finance issues and identify new areas of intervention, where relevant.

## **Review of Ministry Key Performance Indicators (KPIs)**

The existing KPIs of the ministries are in most cases not climate sensitive. In order to monitor the utilization and impacts of climate investments, it is important to establish climate smart KPIs for relevant ministries. The project will review the existing KPIs of all relevant ministries and work out proposals for inclusion of new KPIs, where necessary.

## **Project and Programme Monitoring by Implementation Monitoring and Evaluation Division (IMED)**

The project will provide technical support to IMED to embed climate dimensions in the existing project and programme evaluation framework. Once incorporated, the climate finance issues will remain as standing agenda for project and programme evaluation.



## 08 Financial Report

Activity	Approved Budget (TK.)	Expenses + Full Asset Cost (TK.)	Budget Utilization%
Activity 1: Climate Fiscal Framework Implementation and Management	1,32,345.95	1,47,777.00	112%
Activity 2: Climate Change Sensitive Planning and Budgeting Management	75,043.00	85816.00	114%
Activity 3: Strengthening Climate Public Finance Governance	76,305.00	74,894.00	98%
Activity 4: Strengthening Finance Division's Coordination Roles in Climate Public Finance Management	1,000.00	621.00	62%
Activity 5: More Effective Planning and Budgeting for Climate Finance at the Local Level	897.00	828.00	92%
Activity 6: Programme Management, Support and Operation Cost	1,39,409.00	1,70,378.00	122%
<b>Total</b>	<b>4,25,000.00</b>	<b>4,80,314.00</b>	<b>113%</b>



## 09 Monitoring and Evaluation

The project worked out its M&E Plan to monitor and evaluate the project activities as they progress during the year under review. The project's monitoring and evaluation plan is aligned with the relevant output/outcome targets set out in the Country Programme Document (CPD), United Nations Development Assistance Framework (UNDAF) for Bangladesh, UNDP Strategic Plan, and Sustainable Development Goals (SDG). The output/outcome targets of the monitoring and evaluation plan is further aligned with the targets set forth in the project's activity plan with a focus in achieving the high-level targets mentioned above.







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Resilient nations.*

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