

PRIVATE CLIMATE FINANCE

Bangladesh Context



CLIMATE FINANCE TRANSPARENCY MECHANISM (CFTM)

Working Brief

Climate change presents both risks and opportunities; the private sector is no stranger either to risk management or to innovation. The role of private sector in climate change mitigation and adaptation is widely recognised at the national and global levels.

The private sector in Bangladesh is gradually recognising that climate change presents a number of significant threats and opportunities. They are actively taking part in emission reduction, resource use efficiency, and other related initiatives. In fact, the Government of Bangladesh (GoB) in its Seventh Five-Year Plan pledges to “engage the private sector in various facets of green growth.”

Given the vulnerability of private sector to climate change, climate financing is a high priority as climate change acts as an additional stress to existing risks and impacts objectives and priorities. As prioritised in the Bangladesh Climate Changed Strategy and Action Plan (BCCSAP), investing in the climate change adaptation (CCA) and low-carbon development (LCD) initiatives by the private sector would require a significant size of financing.

Bangladesh Centre for Advanced Studies (BCAS) conducted a pilot study in 2017 to estimate the size of investment by private sector in CCA and LCD activities – or private

climate finance – in Bangladesh between the Conference of Parties (COP) 15 and COP 23¹. The research looked into four important aspects of private climate finance by businesses of different sectors in Bangladesh:

1. Enterprise-level engagements in CCA and LCD
2. Macro outlook of climate finance relating to investment
3. Climate-smart technology
4. Network and other relevant issues

The estimated² investment of the following four³ business sectors in LCD activities is between USD 2 and 2.5 billion⁴:

1. Construction industry
2. Consumer electronics industry
3. Renewable energy technology distribution
4. Financial sector

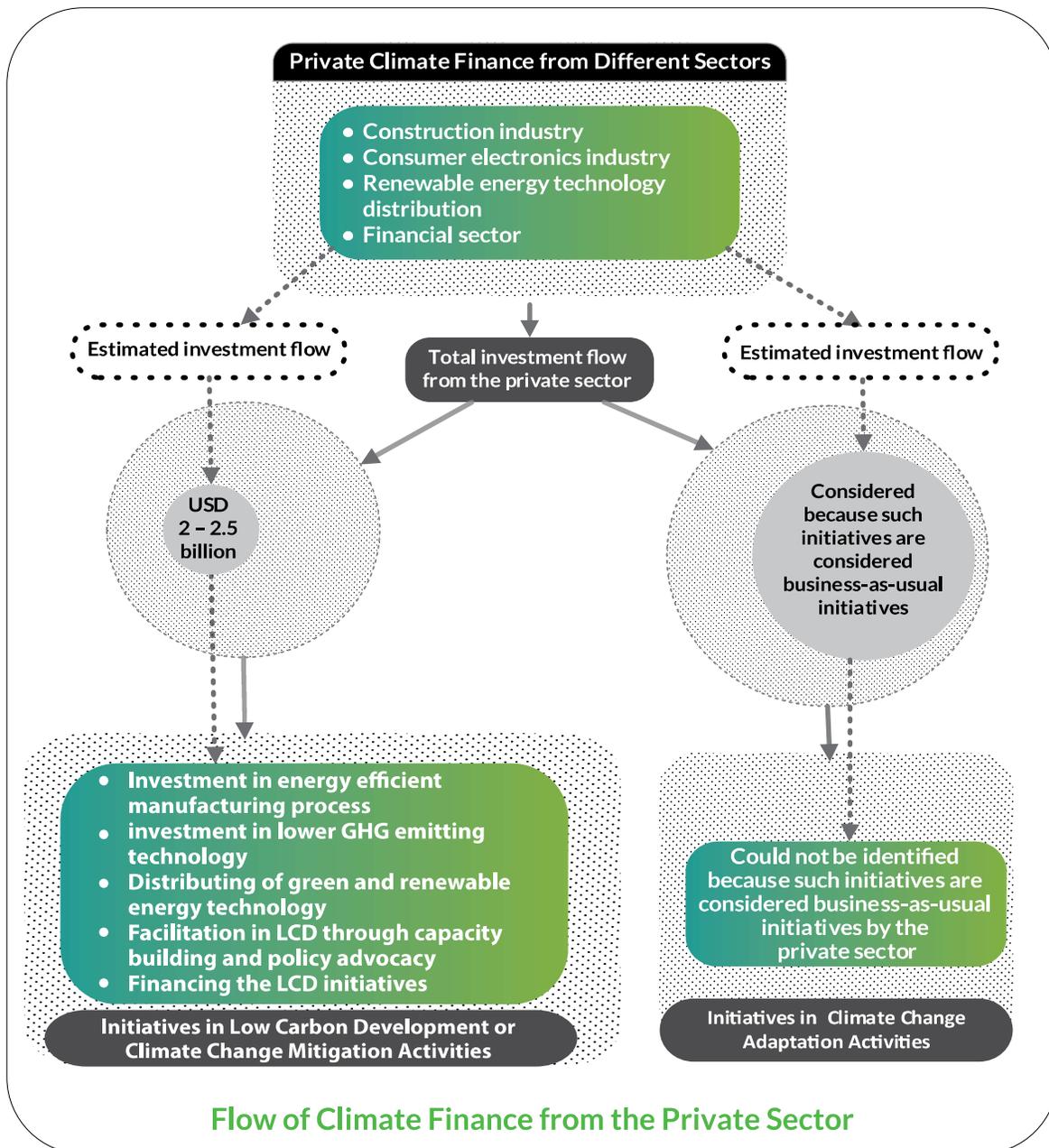
Footnotes:

- 1 COP 15 was held in Copenhagen, Denmark in December 2009 and COP 23 was held in Bonn, Germany in November 2017.
- 2 The estimation was derived from the investment range estimated by the respondents about their own as well their competitors' (from the same industry/sector) investment in LCD activities in Bangladesh for the same time period.
- 3 Respondents of this research also included representatives from other sectors outside of these four sectors.
- 4 This is not an economy-wide estimation; this amount has been estimated only from the KIs taken. No extrapolation tech this amount has been estimated only from the KIs taken. If all the sectors' – including RMG, transportation, telecommunication, and agriculture – investments were incorporated, the estimation of private climate finance in Bangladesh may have escalated by a few folds for the same time period.

This estimated amount has been invested in these four sectors or industries between COP 15 (2009) and COP 23 (2017).

Investment or expenditure in different adaptation activities is mostly considered business-as-usual cost or investment by the private sector. Consequently, a significant

investment often remains unnoticed. Only after asking several auxiliary questions during a key-informant interview (KII), one respondent realised and mentioned, *“Around USD 3.5 million has been invested in our new plant to raise the height of factory ground above the flood-level.”*



Enterprise-Level Engagements in CCA and LCD Activities

The geographical dispersion of the LCD and CCA activities of the respondents is spread all over Bangladesh with concentration mostly within and around Dhaka city.

Own capital has been found to be the top source for private climate financing. One interpretation for 'capital' to be the top source of financing is that the business houses of Bangladesh are willing to invest from their own resources to combat the threats and tap the opportunities created by global climate change. It is an indication of the positive attitude of private sector towards climate finance.

Top Three Sources of Climate Financing by the Private Sector

1. Own capital
2. Commercial banks
3. Donor grants

Financial Instruments Used Most for Climate Finance by the Private Sector

1. Equity
2. Commercial loans
3. Grants
4. Subsidised or soft loans
5. Special funds

Macro Outlook on Climate Finance Ecosystem by Private Sector

To rate the current access-to-finance scenario to invest in CCA and LCD activities in a scale of 1 through 5⁵, the average rating for access-to-finance to invest in CCA and LCD activities is just less-than 3. However, when one key respondent and its business partners are taken out from the scenario, the rating falls below 2.

Respondents' Opinion about Public Policy and Policy Implementation Impacting Private Climate Finance

SUPPORTS:

- Concessional funding for renewable energy financing has been consistent for a considerable time by the government of Bangladesh (GoB)
- Positive and liberalised policies for agriculture sectors when it comes to LCD and CCA
- Policy support and institutional arrangement for renewable energy is solid

CHALLENGES:

- Policies sometimes conflict in encouraging green products
- No sovereign guarantee for private banks or non-banking financial institutions (NBFIs) for climate financing is yet been issued by GoB or its relevant agencies
- Bangladesh Climate Change Trust Fund (BCCTF) is not for private sector; Bangladesh Climate Change Resilience Fund (BCCRF) offers limited access for private sector

Footnote:
5 Rated in a continuum from 1 to 5, where 1 indicates lowest and 5 indicates highest

Climate-Smart Technology and Private Sector

The key informants have claimed that they had played pioneering roles in technology transfer, innovation, and research and development (R&D) to be climate-smart.

The popular method of acquiring new technologies to address climate change issues and become climate-smart is purchasing the technology, either through importation or local purchase, followed by in-house R&D. Technology is also sometimes acquired by joint-venture but only in few cases.

Networking Access to Relevant Information

The GoB agencies and United Nations organisations in Bangladesh are the most accessed networks to seek advice on climate finance related issues by the private sector. Nonetheless, climate change experts, commercial banks, and development partners are also important networks to them for seeking advice on climate finance related issues.

Respondents' Roles in Facilitating Climate-Smart Technology in Bangladesh

Introducing energy efficient cement production technology in Bangladesh

Financing through the partners to make Bangladesh the country with highest number of SHS

Financing green and clean brick production

Providing total solution for green bricks production technology

Producing many climatic stress-tolerant seed, especially vegetable, varieties since pre-2000s

Expediting the SHS growth in Bangladesh through durable energy storage or wider distribution network

Providing capacity development and advisory services to the ready-made garment factories on how to become energy efficient

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Published in January 2018



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We gratefully acknowledge the support from PROKAS, British Council and UKAID