

Undedited Draft Version

# Climate Budget in Bangladesh: Balancing Needs and Building Resilience

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## Key Findings

1. The share of climate-relevant budget allocation for 25 ministries and divisions fell to 10.09 per cent of total budget in FY2025 from 10.81 per cent of revised budget in FY2024.
2. The overall climate budget utilisation has fluctuated during FY2016-FY2023.
3. The budget for MoEFCC is 0.038 per cent of GDP in FY2025 though 8FYP targeted to increase the ministry's allocation to 0.10 per cent of GDP by FY2025 and to 0.5 per cent of GDP by FY2041.
4. Bangladesh faces a budgetary financing gap of BDT 5792.34 billion for SDG 13.

## Key Recommendations

1. The share of the budget allocated to climate action should be increased to ensure a comprehensive response to climate change.
2. The effectiveness of the climate budget should be enhanced through efficient utilisation of both development and non-development funds.
3. To achieve the ambitious clean energy goals, allocation in the ADP should be increased.
4. The share of the SSNP budget dedicated to climate-focused programmes and climate-vulnerable people should be enhanced.

## **1. Introduction**

Bangladesh stands at the forefront of the global fight against climate change, facing immense challenges due to its geographical vulnerability. The nation's efforts to balance immediate development needs with long-term climate resilience are crucial. This policy brief delves into the intricacies of Bangladesh's climate budget, examining trends in allocations and expenditures and providing actionable recommendations for enhancing the effectiveness of climate-related funding.

Despite a noted increase in the overall budget for climate-relevant allocations, the share of this budget as a percentage of GDP has slightly declined, raising concerns about the adequacy of current funding levels. Utilisation rates of the climate budget have shown variability, reflecting the need for more consistent and efficient expenditure practices. Moreover, the budget for the Ministry of Environment, Forest and Climate Change (MoEFCC) remains significantly below the targets set by the Eighth Five Year Plan (8FYP).

This policy brief highlights the critical areas where Bangladesh's climate budgeting process needs to be strengthened. It identifies the gaps and fluctuations in funding and utilisation and suggests strategic measures to ensure that the allocated resources effectively support the nation's climate resilience and sustainable development goals. The recommendations emphasise the importance of integrating provisions for loss and damage, improving fund utilisation, prioritising long-term adaptation solutions, and enhancing capacity development for resource mobilisation. Additionally, leveraging private-sector financing is highlighted as a pivotal step in addressing climate change comprehensively.

This document serves as a roadmap for policymakers, offering insights and practical steps to enhance Bangladesh's climate budgeting process and ultimately ensure a more resilient and sustainable future.

## **2. Climate Fiscal Framework and Climate Budget in Bangladesh**

Recognising its vulnerability to the adverse impacts of climate change, Bangladesh understands the necessity of integrating climate considerations into its financial planning processes. In this regard, the Climate Fiscal Framework (CFF) and Climate Budget are important in effectively addressing climate change within the country's fiscal policies and budgetary allocations. The CFF established an overarching strategy for aligning fiscal decisions with climate action, ensuring that economic priorities are intertwined with environmental resilience. Complementing this, the Climate Budget provides a detailed mechanism for tracking and allocating funds specifically for climate-related projects and initiatives.

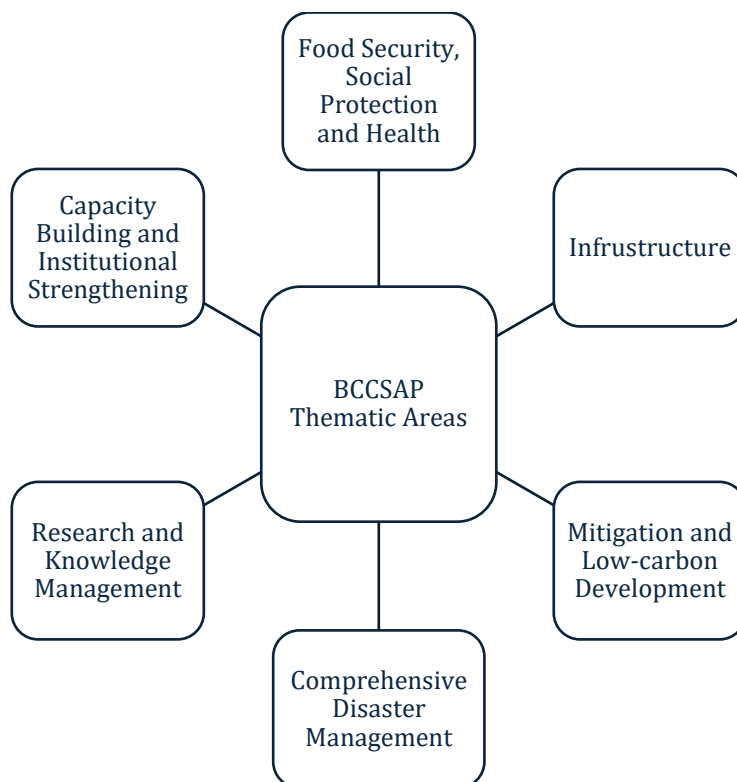
### ***2.1 Climate Fiscal Framework in Bangladesh***

Bangladesh's Climate Fiscal Framework (CFF) is an integrated approach to ensure climate change considerations are embedded within the national fiscal and budgetary processes. In 2014, the Government of Bangladesh (GoB) formulated the Climate Fiscal Framework (CFF) for the first time, based on the recommendations from the Climate Public Expenditure and Institutional Review (CPEIR) (Ministry of Finance, 2014). The framework aims to estimate costs and prioritise climate actions, access international and national sources of climate finance, deliver these finances effectively, track climate expenditures, and ensure accountability in climate finance and expenditure. The key objective of CFF is to mainstream climate change into the national budgetary process and align budget allocations with climate action priorities. Besides, CFF outlines the process for identifying, categorising, and tracking climate-related expenditures across various sectors.

## 2.2 Climate Budget in Bangladesh

The first climate-relevant budget was published in FY2018, considering 6 ministries and divisions. Currently, 25 ministries and divisions are considered for climate-relevant allocation. The Budget Report for FY2025 is the seventh Annual Climate Budget Report. Considering six thematic areas (Figure 1) mentioned in the BCCSAP, a total of BDT 42,206.89 crore was proposed for allocation. This section contains a brief overview of the climate-relevant allocation for 25 ministries and divisions.

**Figure 1: Six Thematic Areas of Bangladesh Climate Change Strategy and Action Plan**



**Source:** Authors' compilation based on MoEF (2009).

### ***Allocation and Utilisation of Climate Budget***

Bangladesh's commitment to global climate action is evident in cumulative budget allocations for 25 key ministries and divisions. In FY2025, the budget allocated to these ministries reached BDT 4,18,160.64 crore, with BDT 42,206.89 crore (10.09 per cent) designated for climate-related activities. However, a slight decline is observed in the proportion of climate-relevant funds compared to the revised budget of FY2024 (10.81 per cent).

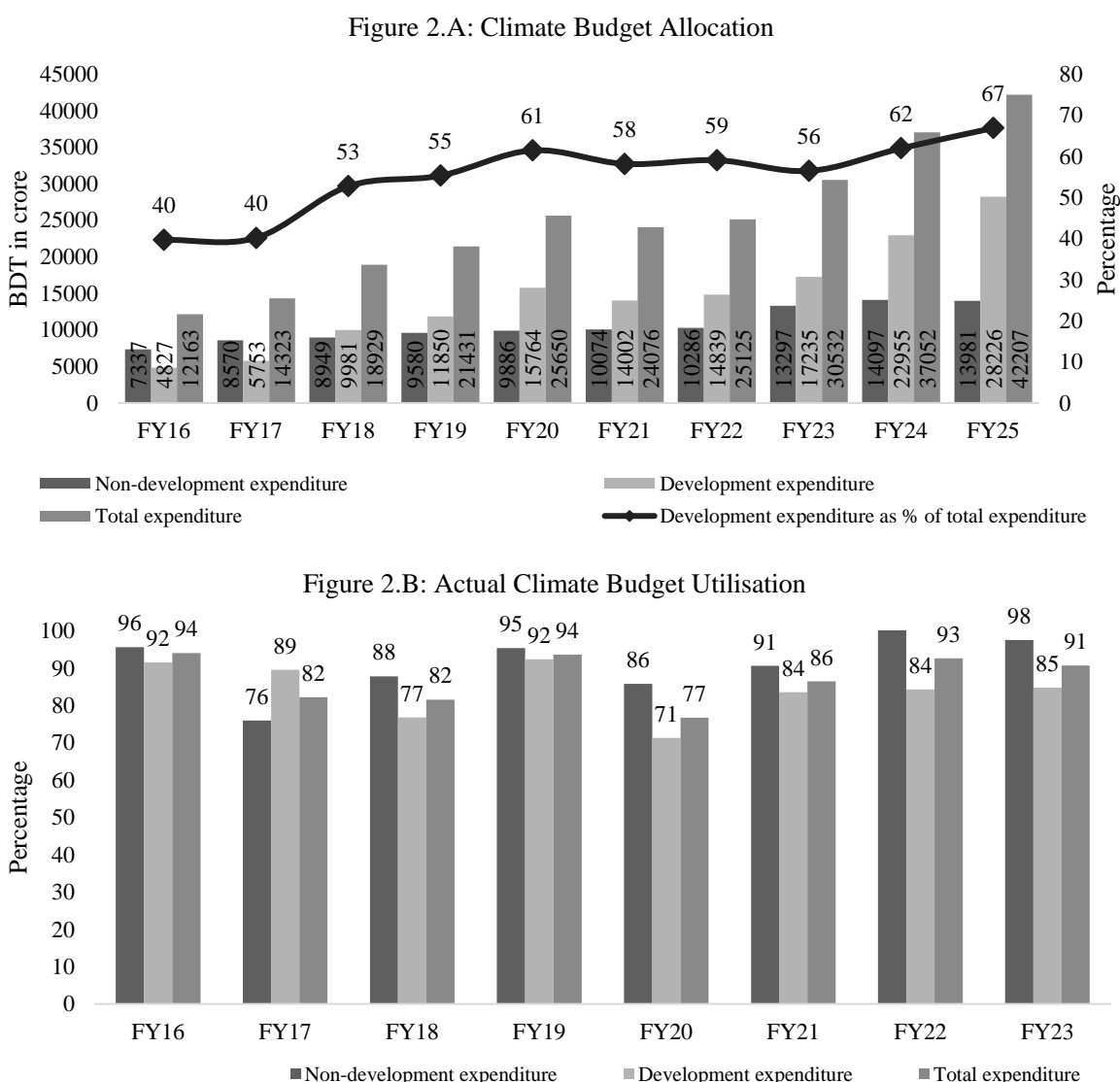
*Improving Development Expenditure Patterns:* A positive trend emerges in the realm of budget utilisation. Climate-relevant development expenditure has risen steadily, reaching 67 per cent of the total climate budget expenditure in FY2025, compared to 40 per cent in FY2016. This indicates a growing focus on increasing development funds for long-term development strategies.

*Climate Relevant Budget Utilisation Rate Fluctuations:* While the trend in development expenditure is encouraging, the overall climate budget utilisation rate has fluctuated over the years. FY2016 saw a high of 94 per cent of total budget utilisation, followed by a decrease in

subsequent years except for FY2019, which again reached 94 per cent (Figure 2). Analysing the data further reveals that the expenditure on development projects consistently lags behind non-development expenditure in most years.

These trends highlight both progress and areas for improvement in Bangladesh's climate budget. While increasing the overall budget allocation is commendable, maintaining or improving the proportion dedicated to climate action is crucial. Additionally, ensuring consistent and efficient utilisation of development funds will be essential for maximising the impact of the climate budget. By addressing these areas, Bangladesh can solidify its role in climate adaptation by effectively translating financial resources into tangible solutions.

**Figure 2: Climate Budget Allocation and Utilisation Over the Years**



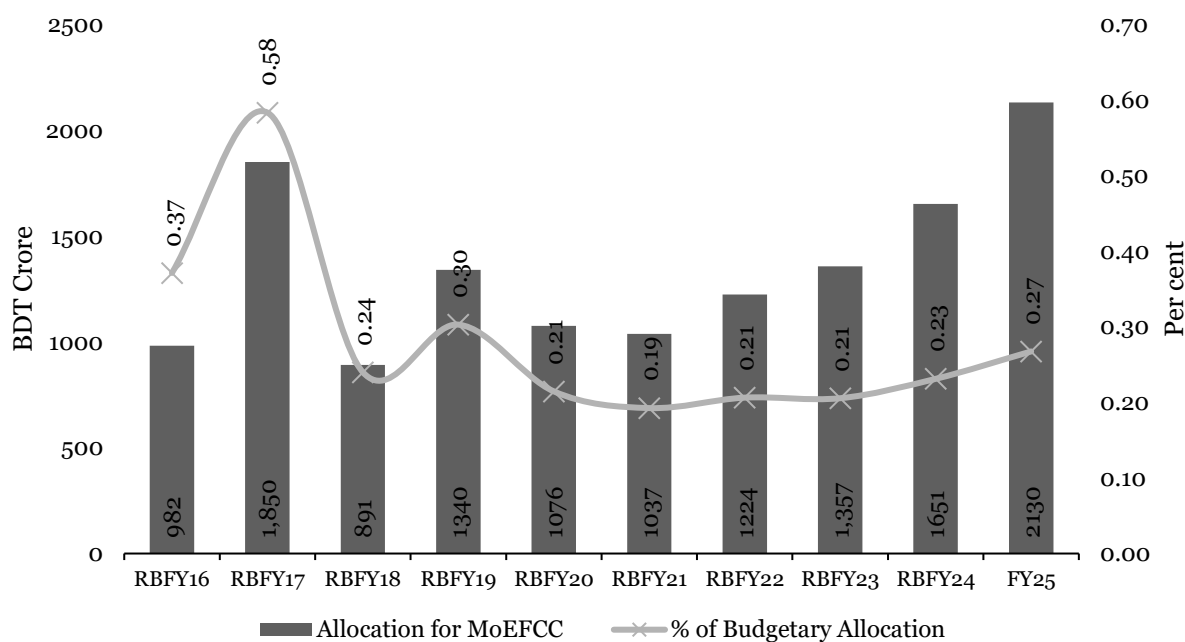
**Source:** Ministry of Finance (2024).

***Budgetary Allocation for The Ministry of Environment, Forest and Climate Change (MoEFCC)***

The Ministry of Environment, Forest and Climate Change (MoEFCC) allocation has seen a modest increase, rising from 0.23 per cent of the total national budget in FY2024 to 0.27 per cent in FY2025 (Figure 3). While this represents a positive step, it falls short of the ambitious

targets outlined in the Eighth Five-Year Plan (8FYP). The 8FYP envisioned a significant increase in MoEFCC's budget, aiming for 0.10 per cent of GDP by 2025 (actual allocation: 0.038 per cent in FY2025) and a further rise to 0.5 per cent of GDP by 2041 (GED, 2020).

**Figure 3: Budget Allocation for the MoEFCC**



**Source:** Ministry of Finance (2024).

This shortfall in budgetary allocation for the MoEFCC is a cause for concern. The MoEFCC shoulders a critical responsibility in safeguarding Bangladesh's natural resources. These resources are vital for the nation's ecological health and underpin key economic sectors like agriculture and industry. Additionally, the MoEFCC plays a central role in mitigating the impacts of climate change, a pressing issue for Bangladesh due to its geographical vulnerabilities. By strengthening its environmental protection and climate adaptation initiatives, the MoEFCC can contribute significantly to achieving sustainable development. Investing in the MoEFCC is an investment for sustainable development which fosters economic growth while prioritising environmental conservation, ensuring a healthy planet for future generations. By allocating resources commensurate with the challenges faced, the government can empower the MoEFCC to effectively protect the environment, mitigate climate risks, and pave the way for a more sustainable and resilient Bangladesh.

**Budgetary Priorities under BCCSAP Thematic Areas**

While Bangladesh's climate budget represents a significant step towards addressing climate change impact, a closer look reveals an interesting pattern in funding allocation across different thematic areas of BCCSAP.

*Food Security Takes Centre Stage:* The analysis highlights the clear dominance of the food security, social protection, and health themes in receiving the largest share of the climate budget. In FY2025, a staggering 41.44 per cent of the budget was directed towards this crucial area, reflecting the government's primary concern for safeguarding its citizens from the immediate impacts of climate change on food security and health.

*Research Lags Behind:* In stark contrast, research and knowledge management received the lowest allocation, a mere 2.47 per cent, in FY2025. This raises concerns about long-term planning and developing innovative solutions for climate adaptation.

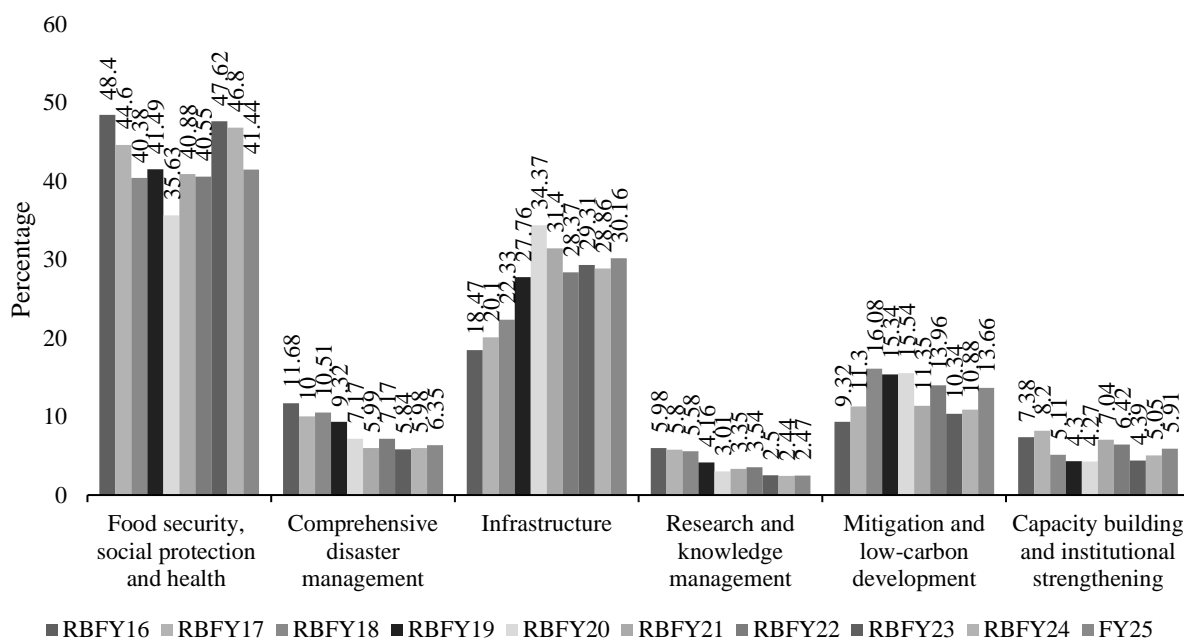
*Shifting Priorities:* While not among the top recipients, the allocation for mitigation and low-carbon development has seen a positive trend, indicating a growing understanding of the importance of addressing the root causes of climate change. In FY2025, 13.66 per cent of the total climate-relevant budget was allocated for mitigation and low-carbon development.

*A Cause of Concern for Disaster Management:* The decreasing allocation for comprehensive disaster management from 7.17 per cent in RBFY20 to 6.35 per cent in FY2025 is a cause for concern. Given Bangladesh's vulnerability to climate disasters, prioritising robust disaster management strategies seems crucial. Figure 4 visually represents these budgetary trends across various thematic areas within the BCCSAP.

*A Balanced Approach Needed:* These findings suggest a need for a more balanced approach to climate budget allocation. While ensuring immediate food security and social well-being is essential, neglecting research and disaster preparedness could hamper long-term resilience.

Moving forward, Bangladesh might consider strategically increasing research and knowledge management allocations to develop innovative solutions and stabilise or increase the allocation for comprehensive disaster management to build a more robust defence against climate-induced disasters. This multi-pronged approach will ensure that Bangladesh not only survives the immediate effects of climate change but also thrives in a future marked by a changing environment.

**Figure 4: BCCSAP Thematic Areas in Budget for Twenty-five Ministries/Divisions (% of Revised CC Budget)**



Source: Ministry of Finance (2024).

**Bangladesh's Clean Energy Ambitions: A Budgetary Tightrope Walk**

Bangladesh has set a visionary target of generating 40 per cent of its electricity from clean energy sources by 2041. Bangladesh's renewable energy efforts have focused on solar power, with initiatives like installing solar home systems and mini-grids in remote areas. Additionally, policies have been implemented to incentivise investments in wind, biomass, and hydropower projects, diversifying the nation's clean energy portfolio.

However, achieving this ambitious goal hinges on a crucial factor: investment and financing. While the government has made strides in promoting renewable energy, particularly solar power, in rural areas, the allocation of funds in the Annual Development Plan (ADP) reveals concern.

*Allocation for Renewable Energy in ADP:* Despite these positive steps, the allocation for renewable energy in the ADP remains a cause for concern. In FY2025, the sector received a mere 4.26 per cent of the total budget, while 96 per cent went towards fossil fuel-based power generation (Table 1). This stark imbalance poses a significant challenge to achieving the country's clean energy goals.

Several key measures can be considered to bridge this budgetary gap and unlock the potential of renewable energy. A significant increase in the ADP allocation for renewable energy is paramount. This will provide the necessary resources for developing and implementing large-scale clean energy projects. Fostering public-private partnerships can attract private-sector investment in renewable energy infrastructure. This can leverage private expertise and resources to accelerate the clean energy transition. Exploring innovative financing mechanisms, such as green bonds and blended finance, can provide alternative funding sources for renewable energy projects.

**Table 1: ADP Allocation in Renewable Energy and Fossil Fuel-Based Energy**

Fiscal Year	Allocation in Renewable Energy (%)	Allocation in Fossil Fuel (%)
FY2016	4.08	95.92
FY2017	5.22	94.78
FY2018	7.41	92.59
FY2019	3.34	96.66
FY2020	8.88	91.12
FY2021	1.42	98.58
FY2022	1.55	98.45
FY2023	2.91	97.09
FY2024	3.08	96.92
FY2025	4.26	95.74

**Source:** Ministry of Finance (2024).

### ***Climate Focused Social Safety Net Programmes (SSNPs)***

In FY2025, the government allocated BDT 17,992.11 crore specifically for climate-focused SSNP programmes (Table 2). This represents a noteworthy effort to address the immediate social impacts of climate change. However, this allocation constitutes only 13.23 per cent of the total SSNP budget, highlighting the potential for further investment.

*Prioritising Immediate Needs:* The largest share of the climate-focused SSNP allocation (BDT 8,000 crore or 44.47 per cent) went towards the Ministry of Food's program to mitigate economic and natural disaster impacts (Table 2). This prioritises immediate relief measures for communities affected by climate-induced events like floods, cyclones, and droughts.

The National Adaptation Plan (NAP) and the Mujib Climate Change Action Plan (MCCPP) recognise the growing challenge of climate-induced migration (MoEFCC, 2021, 2022). People displaced due to rising sea levels, salinisation, and extreme weather events require long-term support. By strengthening its climate-focused SSNPs, Bangladesh can ensure that its most vulnerable citizens have the resources and support they need to navigate the challenges of a changing climate. This investment in social safety nets goes beyond immediate relief, fostering long-term resilience and empowering communities to build a more secure future. A larger share

of the overall SSNP budget of climate-focused programmes can provide vulnerable populations with a more robust safety net. Developing targeted programmes that address the specific needs of those displaced by climate change, such as skills development and livelihood support, can foster long-term resilience. Investing in robust early warning systems can help communities prepare for and mitigate the impact of climate disasters, minimising the need for reactive support measures.

**Table 2: SSNP Allocations for the Direct Climate Vulnerable People in FY2024**

Programme Name	Implementing Agency	Allocation in RBFY2024 (BDT Crore)	Allocation in FY2025 (BDT Crore)
Enhancing Adaptive Capacities of Coastal Communities, especially Women, to Cope with Climate Change Induced Salinity	MoSW	47.9	61.2
VGF Program	MoDMR	1101.93	1184.02
Relief Operation-General	MoDMR	2250.96	2390.62
Food for Work (FFW)	MoDMR	950.01	1024.01
Char Development and Settlement Project (Social Security Part)	MoWR	191.82	33.01
Employment Generation Program for the Poorest (EGPP)	MoDMR	1500	1504.5
Employment Generation Program for the Poorest Plus (EGPP+)	MoDMR	280	264.47
Relief Activities	MoDMR	66.29	80.12
Relief Operation- Rehabilitation	MoDMR	65	70.1
Relief Operation- Rehabilitation (House Grant) <sup>10</sup>	MoDMR	27.5	28
Construction of Flood Shelter in the Flood Affected and River Prone Area	MoDMR	180	400
The Disaster Risk Management Enhancement Project	MoDMR	130	111.53
Bangladesh Environmental Sustainability and Transformation (BEST) Project	MoEFCC	539.6	793.11
Special Grant for the Development of Char, Haor and Backward Areas	Finance Division	50	50
Fund for Disaster Affected Marginal Farmer and Poultry Farm Owner	Ministry of Food	50	50
Fund for Mitigating Impacts of Economic and Natural Disaster <sup>13</sup>	Ministry of Food	1000	8000
Expansion of Irrigation in Greater Rangpur District	Ministry of Food	96.53	60.51
Establishment of Multipurpose Disaster Shelter Centre	LGD	244.4	475.15
Water Supply Project in Coastal Area Through Rainwater Harvesting System	LGD	349	216.53
Climate Resilient Sustainable Water Supply, Sanitation and Hygiene Project in Bangladesh	LGD	3	38.33
Flood Reconstruction Emergency Assistance Project for Water Supply and Sanitation	LGD	17.6	70.91
Disaster Risk Management Enhancement Project (Social Security Part)	LGD	46.75	46.26
Resilient Infrastructure for Adaptation and Vulnerability Reduction Project (RIVER)	LGD	98.62	393.78
Coastal Towns Climate Resilience Project	LGD	77.88	450
Risk Management Fund on Climate Change	MoEFCC	100	100
Sustainable Forest and Livelihoods (SUFAL) Project	MoEFCC	511.29	95.95
Total		9976.08	17992.11

**Source:** Ministry of Finance (2024).



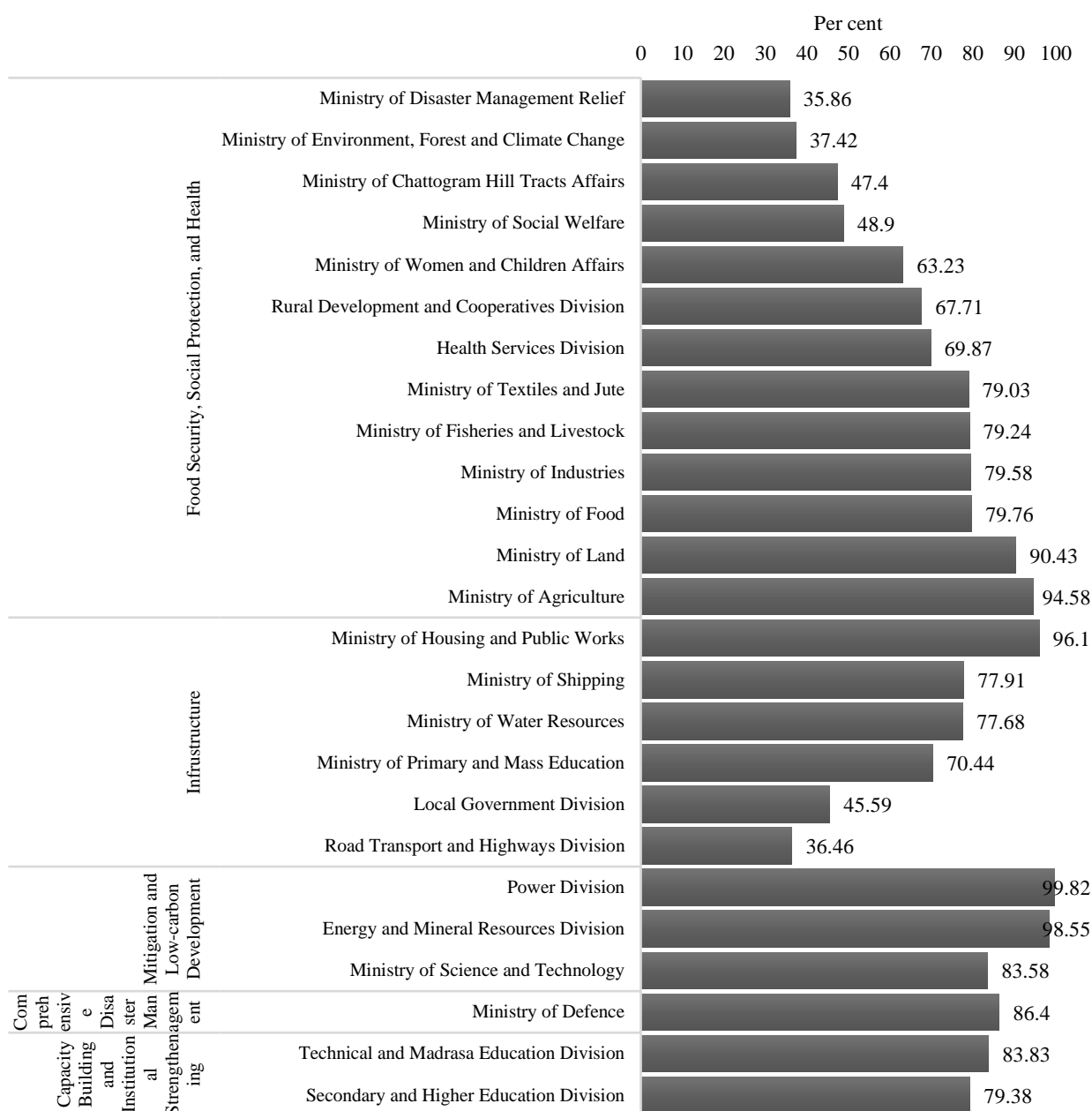
### ***Climate Budget Allocation: Priority BCCSAP Thematic Areas for 25 Ministries/Divisions***

While ensuring food security and social well-being is crucial, a closer look at Bangladesh's climate budget allocations reveals exciting trends for priority BCCSAP thematic areas across different ministries and divisions.

*Dominant Focus on Food Security:* Food security, social protection, and health are priorities for the 13 relevant ministries and divisions. The Ministry of Agriculture and the Ministry of Land lead the pack in this category, with allocations exceeding 90 per cent of their respective budgets directed towards the theme. Notably, the Ministry of Industries (MoI) programme for developing climate-resilient cropping systems accounts for over 61 per cent of its climate budget allocation in FY2025 (Figure 5).

*Balancing Needs with Environmental Impact:* While the MoI's focus on climate-resilient agriculture is commendable, a significant portion of its budget is allocated towards constructing new fertiliser warehouses. This raises concerns, as chemical fertilisers can harm the environment and human health, potentially contradicting the ministry's other environmental initiatives like waste treatment and greenhouse gas reduction. The MoI, despite its crucial role in climate mitigation, receives a meagre 0.53 per cent of the total climate budget allocation for the mitigation and low-carbon development theme of BCCSAP. This indicates a potential imbalance between immediate needs and long-term environmental sustainability. The Road, Transport, and Highway Division's (RTHDs) role in building environmentally friendly infrastructure is vital. Its allocation for climate-related activities has seen a positive increase. However, the budget dedicated to mitigation and low-carbon development themes within the RTHD has witnessed a concerning decline in recent years, dropping from over 80 per cent in FY2022 to a mere 35.35 per cent in FY2025.

The trends highlighted above call for a more balanced approach to budget allocation. While addressing immediate food security concerns is essential, neglecting investments in mitigation and low-carbon development could lead to long-term environmental problems.

**Figure 5: Priority Thematic Areas of 25 Ministries and Divisions**

**Source:** Ministry of Finance (2024).

### **2.3 How Adequate is the Budgetary Allocation Considering Financing Requirement for SDG13?**

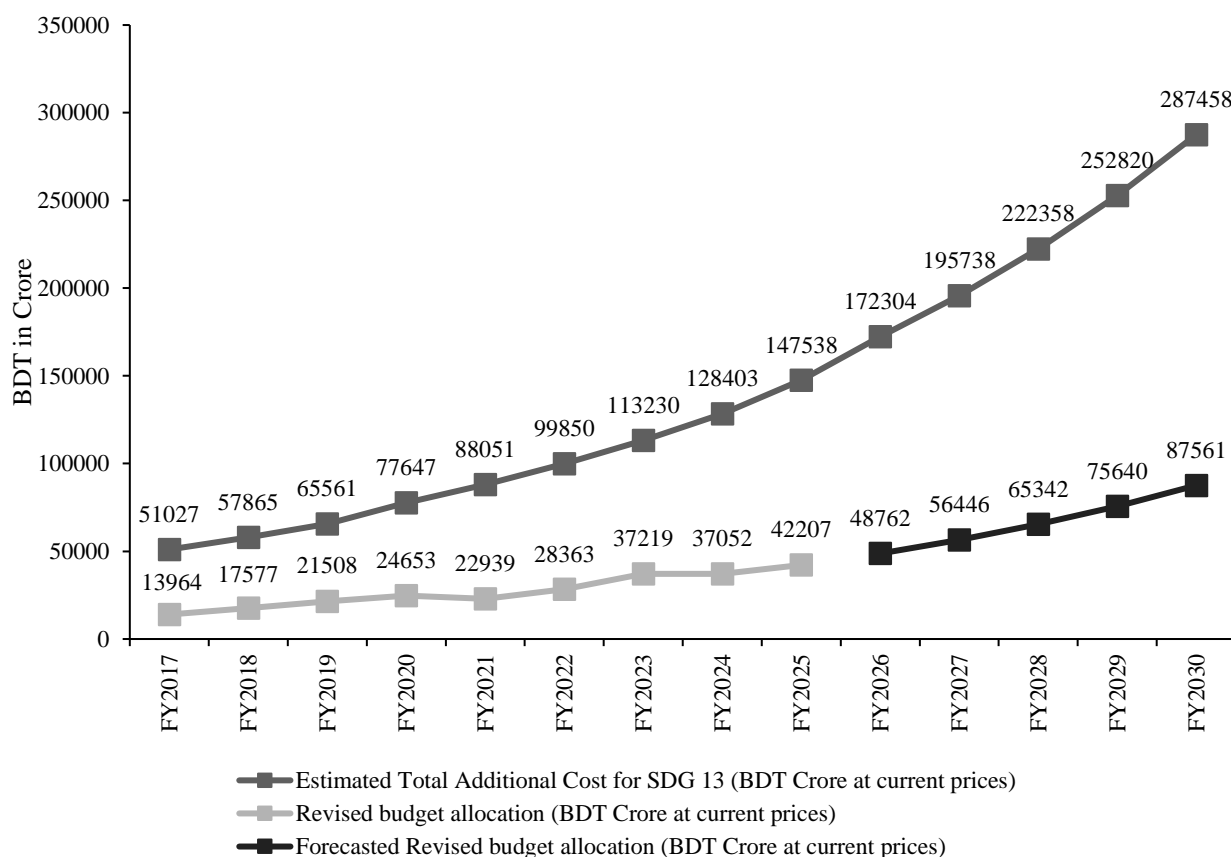
The General Economic Division (GED) under the Ministry of Planning estimated the funding gap for achieving Sustainable Development Goal 13 (SDG 13) on climate action in Bangladesh. The analysis compared climate-related budget allocations from FY2017 to FY2025 with the estimated costs of achieving SDG 13 by the same period. It found a substantial shortfall, suggesting that even if budget allocations continue to grow at the same rate till FY2030, there will likely be a significant funding gap in the future.

Bangladesh faces a substantial funding gap in achieving SDG 13 for climate action. While climate-related budgets have seen an average annual increase of 15.53 per cent since FY2017,

this growth is insufficient. Estimates suggest a cumulative shortfall of BDT 5792.34 billion by FY2030 to reach SDG 13 targets. This translates to an average annual gap of BDT 986.15 billion (Figure 6).

Even if the current growth rate in climate spending continues, the projected allocation for FY2030 (BDT 875.61 crore) will fall far short of the additional funding needed for SDG 13 in that year (BDT 2874.58 crore). This highlights the urgent need for additional resources to bridge the financing gap and ensure Bangladesh achieves its SDG 13 goals.

**Figure 6: Budgetary Gap in Achieving SDG13 up to FY2030**



**Source:** Authors' calculations are based on the Ministry of Planning and Finance.

### 3. Conclusion and Recommendations

Bangladesh's proactive approach to integrating climate considerations into its fiscal budget underscores its commitment to addressing the severe impacts of climate change. The CFF and Climate Budget serve as pivotal mechanisms in this endeavour, facilitating the alignment of fiscal policies with environmental resilience and sustainable development goals. Despite the progress in increased allocations and improved expenditure patterns, challenges persist. For example, there is a decrease in climate-relevant budget proportions and a shortfall in funding for the Ministry of Environment, Forest and Climate Change. Furthermore, the significant funding gap in achieving SDG 13 highlights the urgency for additional resources and strategic financial planning. Bangladesh must enhance its investment in immediate and long-term climate action, balancing priorities across food security, research, disaster management, and clean energy initiatives. By doing so, Bangladesh can continue to build resilience against climate change, safeguard its vulnerable populations, and foster a sustainable future. More specifically, following recommendations are made to improve Bangladesh's efforts towards improving climate adaptation and mitigation.

- Increasing the share of the budget allocated to climate action to ensure a comprehensive response to climate change.
- Enhancing the effectiveness of the climate budget, through efficient utilisation of both development and non-development funds.
- Enhancing finance in the ADP allocation to achieve the ambitious clean energy goals and mobilising funds for investments in mitigation and low-carbon development
- Increasing the share of the SSNP budget dedicated to climate-focused programmes climate-vulnerable people.
- Integrating provisions for loss and damage within the climate budget by establishing a specific allocation to support the climate affected vulnerable people.
- Strengthening research and knowledge management to foster long-term planning and innovative solutions for adaptation.

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