

## National Budget -2024-25

# Independent Climate Finance is Inevitable for Sustainable Development



## 1. Proposed National Budget 2024-25

Amid a multi-faceted economic crisis including inflation, reserves, revenue rates, dollar crisis and financial sector reforms, the National Parliament of Bangladesh proposed a budget of Tk 797,000 crore for the fiscal year 2024-25 on June 6. Which is 14.2 % of Gross Domestic Product (GDP). The total revenue target in the proposed budget has been set at 5 lakh 41 thousand crores. The Annual Development Program (ADP) in the proposed budget has been estimated at Tk 2 lakh 65 thousand crores. GDP growth for FY24-25 is estimated at 6.75%. If this is achieved, the size of the GDP will be Tk 55 lakh 28 thousand 65 crores. In the proposed budget, the climate allocation of 25 ministries related to climate is 42 thousand 2 hundred crores which are 10.09% of the total allocation, and 0.76 % of GDP.

## 2. Traditional budgeting

GDP will increase and the size of the budget will also increase, that is the conventional system of economics. According to economic analysts, Bangladesh has graduated from a least-developed country to a middle-income country, but there has been no change in the government income-expenditure structure or its nature. Generally, the budget size in middle-income or developing countries is above 20 % of GDP. Somewhere 25 or 30 % and the ratio of taxes is 15-20 % of GDP. But Bangladesh is far behind in these two places. Despite the increase in GDP size, the proposed budget is only 14.2 % of GDP and the tax-GDP ratio is still below 10 per cent. Despite the increase in the size of the GDP, the proposed budget is only 14.2% of the GDP and the tax-GDP ratio is still below 10%. Analysts believe that corporate tax exemptions, evasion, lack of collection efficiency, and non-coverage of potential taxpayers, etc., are the main reasons for the non-increasing tax-GDP ratio.

## 3. The debt trap in the name of climate finance

Developed countries are seeking to trap LDCs and climate-vulnerable countries in debt in the name of climate finance without paying the promised compensation. Moving away from grant-based activities, they are increasingly turning to profit-based change is making affected countries more debt-dependent. Only 5% of climate funding received so far is through grants and the rest is through loans or co-financing. A 50:50 allocation of funding to adaptation and mitigation is claimed but only 20% is allocated to the adaptation sector. International financial institutions are

gradually registering to receive and lend money from the Green Climate Fund.

Figure of climate allocation in last 5 years national budget [Crore BDT]				
Fiscal year	GDP at current Prices	Total National Budget	Total climate budget	Climate allocation as % of GDP
2020-21	35,30,185	568,000	24,075.69	0.68%
2021-22	39,71,716	603,681	28,010.13	0.71%
2022-23	44,90,842	678,064	32,408.90	0.72%
2023-24	50,48,027	761,785	37,051.94	0.73%
2024-25	55,97,414	797,000	42,206.89	0.75%

*Source: Climate Finance Budget Report on National Budget and Sustainable Development from FY 2021-22 to 24-25 and Bangladesh Bureau of Statistics report*

According to TIB's recent study, a total of \$1,189.5 million has been approved from national & international sources against Bangladesh's mid-term needs up to 2025 for addressing climate change, which is only 9.9% of the required amount. The report also states that since most of the adaptation projects are grant-based, GCF is more interested in approving debt-based mitigation projects. Bangladesh received \$256.4 million (76.9%) for mitigation projects, but only \$76.8 million (23.1%) for adaptation projects. Of this, GCF has provided 75% of loans and 25% of grants to national institutions in Bangladesh. In addition, GCF provided 97% of loans to national institutions in Bangladesh through co-financing and 3% in-kind.

## 4. Government's climate planning & investment needs

The Climate Fiscal Framework was developed in 2014 and updated in 2020 to make public financial management Climate-sensitive. Investment needs have been identified in the implementation of significant policies adopted by the government such as BCCSAP-2009, Nationally Determined Contribution [NDC-2021], Delta Plan-2100, National Adaptation Plan [NAP]-2022 and other policies.

- Bangladesh Climate Change Strategy and Action Plan (BCCSAP 2009)**  
According to BCCSAP's financial projections, the government has committed to allocate BDT. 8,600 crores yearly to the adaptation sector alone.
- Bangladesh Delta Plan-2100:** The short-term phase of BDP-2100 implementation identified an investment requirement of \$38 billion by

2030, requiring \$5.42 billion annually. According to the government's plan, implementing the delta plan would require 2.5% of GDP.

- C. **National Adaptation Plan [NAP]-2023-2050:** The adaptation plan identifies 113 [90 high priority and 23 mid-priorities] initiatives in 8 sectors. An estimated \$230 billion has been identified to implement the 113 initiatives outlined in the 27-year implementable adaptation plan. Accordingly, an annual allocation of \$8.5 billion will be required.
- D. **Nationally Determined Contribution [NDC] 2021-2030:** Bangladesh has pledged to reduce carbon emissions by 21.85 % by 2030 through its capabilities and with the cooperation of the developed countries. The estimated expenditure on unconditional investment is \$32.26 billion, and the conditional investment amounts to about \$140.97 billion. Accordingly, every year the government will need to allocate \$3.58 [BDT. 30 thousand 788 crores] for unconditional investment and \$15.66 [BDT. 1 lakh 34 thousand 6 hundred 76 crores] for conditional investment.

#### 5. Massive gap in climate finance allocation in the budget compared to the investment demand

Funding for the implementation of policies and strategies adopted by the government to deal with climate impacts is one of the most discussed issues at the moment. In this year's proposed budget, the climate allocation of 25 ministries related to climate has been given 42 thousand 2 hundred crores which is 10.09 per cent of total allocation.

Climate allocations of some notable ministries in budget 24-25 [Crore]				
Ministries	Allocation 24-25	Climate related %	Allocation 23-24 Revised	Climate related %
Environment Forests & climate change	971.10	45.58	1,028.56	49.66
Water Resource	4,172.05	37.27	5,449.90	37.32
Agriculture	10,295.41	37.83	12,661.23	38.04
Fisheries & Livestock	1,145.59	26.71	1,283.93	32.88
Disaster Management	2,547.03	23.15	2,285.20	21.58
electricity	2,214.88	7.58	1,701.57	6.26
Energy	127.48	11.73	60.13	5.26

According to experts, the annual allocation of climate finance in the traditional way is insufficient to tackle current and future risks. Where a minimum of 3% or more of GDP is required to be allocated to climate finance each year, governments are allocating less than 1%. According to government sources, Bangladesh will need \$534 billion to combat climate change by 2050, which is \$19.7 billion annually and the government has allocated \$3.60 billion. Considering that, the big question in the position of the government is how much climate-related issues have been prioritized in this year's budget.

#### 6. Climate vulnerability is one of the major obstacles to sustainable economic development

- A. **Increasing Loss & Damage:** Based on the World Bank's 2022 Country Climate and Development Report (CCDR), the IMF indicated that Bangladesh's annual average damage due to tropical cyclones alone has already reached \$1 billion. According to WMO data, climate-related natural disasters cost Bangladesh about \$11.3 billion in 2021, which is about 2.47% of its GDP in 2021-2022. According to the World Bank's "Country Climate and Development" report, GDP can fall by up to 9% compared to the baseline in the face of severe flooding.
- B. **Coastal Areas are Battered by Cyclone Remal, Damaged Embankment:** According to the information of the Ministry of Disaster Management and Relief, about 4.6 million people of 119 sub-districts in 19 coastal districts have been affected by Cyclone Remal. 1 lakh 33 thousand 528 houses were partially destroyed and 40 thousand 338 were destroyed. Around 111 km of embankments in the coastal districts of Khulna, Bagerhat, Barisal, Bhola, Patuakhali, and Barguna have been severely damaged, of which 61 km in the Khulna division and 50 km in Barisal division have been damaged, resulting in millions of people living under water. According to the calculations of the

Ministry of Disaster Management, the amount of financial loss due to Remal is more than BDT. 6 thousand 880 crores. Locals claim if there was a sustainable embankment, there would not have been so much damage.

- C. **Growing Internal Climate Displacement Crisis:** Climate displacement phenomena will become more pronounced in the coming years. According to IDMC research, 1 in 7 people in Bangladesh will be displaced by 2050 due to climate change. According to the recently published IOM World Migration Report-2024, more than 1.5 million people were displaced in Bangladesh due to natural disasters in 2022 alone. According to the World Bank report, 400,000 people leave villages for cities every year, approximately 2,000 people migrate to Dhaka [Capital city] every day for livelihood and 70% of them are climate-displaced. The number of internally displaced people is expected to become more pronounced in the coming years due to the scale & severity of natural disasters such as floods, cyclones, salinity, river erosion, landslides & droughts.

#### 7. Our recommendations to governments on climate finance in the national budget

**At least 03% of GDP should be allocated to the national budget as per the plan adopted for the protection of climate-vulnerable populations.**

The amount of financial support expected from the developed countries to implement the adopted policies and plans is very less considering the global context. It is undeniable that building a sustainable climate-resilient Bangladesh requires increasing priority investments in disaster resilience and protecting people's lives and livelihoods. At least 03 per cent of GDP should be allocated to climate finance in the national budget instead of relying on foreign debt to implement the plans adopted to protect the vulnerable population of the country.

**The National Action Plan adopted to implement the National Strategy on the Management of Disaster and Climate-Induced Internal Displacement [NSMDCIID] should be linked to the government's climate fiscal framework and allocated on a priority basis.**

The Ministry of Disaster Management and Relief drafted a National Strategy Paper on Internal Displacement Management in 2019 and adopted a 20-year inclusive and rights-based National Action Plan for 2022-2042 to implement the strategy. Even after 5 years, the government's initiative to implement the action plan is still not clear. It is not enough to formulate an action plan to deal with the difficult crisis of future displacement, it is important to take the initiative to implement it now.

To build a climate-resilient Bangladesh, priority-based investment in displacement mitigation should be increased, and the government should pay extra attention here. In particular, the strategy framework should prioritize prevention measures and annual allocations for long- and short-term plans to address the displacement crisis and should be integrated into the government's climate finance financial framework.

**For the construction of embankment for coastal protection, apart from the traditional allocation, adequate allocation based on local needs should be ensured.**

The recent Cyclone Remal has once again proved how weak the coastal protection infrastructure, especially the embankment, is and not at all capable of dealing with disasters. According to gov't and private data, about 70-80% of embankments in coastal areas are inadequate to resist floods and tidal waters. Because the height of these dams is already very low standard repairs and maintenance are not done regularly. Hence the need for sustainable dams to counter the negative impacts of climate change [sea level rise cyclones, tides]

At present the extent of embankments and polders in the coastal area is about 5,754 km: (as per the official). In addition, millions of people live in different detached islands where there are no dams. In all, about 6,500 km of dams are currently required along the coast, and if all the dams are to be constructed sustainably within the next 10 years, experts estimate that about Tk 130,000 crore is required. In view of this BDT. 10-12 thousand crores should be allocated separately every year out of the traditional allocation and the ownership of the embankment should be shifted to the local community.