POLICY BRIEF

Towards Equitable Climate Finance Allocation in Bangladesh

An Evidence-Based Agenda for the Next Generation of Climate Finance

Study team: Adv. M. Hafijul Islam Khan, Adv. Moumita Das Gupta, Dr. A. K. M. Saifullah, Dr. Mizan R. Khan, Eshita Tarafder, Farhana Afroz, Madiha Chowdhury, Md Ekhtekharul Islam, Md Shamsuddoha, Shekhar Chakraborty

POLICY PRIORITIES

REPOSITIONING CLIMATE FINANCE FOR THE NEXT GENERATION

The next generation of reform is to institutionalise equitable allocation of climate finance, ensuring that climate finance is guided by sectoral and geographic priorities along with climate vulnerability, local adaptation needs, and measurable resilience outcomes.

Shift 1: Institution-Driven Allocation to Vulnerability-Informed Investment

Climate finance should be guided by nationally agreed financing categories, including mitigation, adaptation, and Loss & Damage, while allocation decisions should be based on transparent vulnerability and equity criteria e.g., climate exposure, adaptive capacity, poverty, and social inclusion.

Shift 2: Centralised Planning to Locally Led Adaptation

Local governments and communities are best placed to identify adaptation priorities. Institutionalising Local Adaptation Plans of Actions (LAPAs) through the Medium Term Budgetary Framework (MTBF), strengthening local planning capacity, and establishing a predictable financing mechanism through local adaptation to improve both effectiveness and ownership.

Shift 3: Financial Reporting to Measuring Resilience

Monitoring systems should assess both how much climate finance is spent and whether investments reduce climate risks, strengthen adaptive capacity, and improve resilience among vulnerable populations. Integrating Monitoring, Reporting, and Verification (MRV) systems with climate budget tracking would support evidence-based policy decisions and enhance accountability.

CONTEXT

Bangladesh has emerged as one of the global leaders in climate policy. Over the past decade, the Government has established a comprehensive climate finance architecture and an enabling policy framework through the Climate Fiscal Framework, climate budget tagging, the Bangladesh Climate Change Trust Fund (BCCTF), the National Adaptation Plan (NAP), and successive Nationally Determined Contributions (NDCs). These initiatives have strengthened institutional capacity and expanded investments in climate action.

Yet an important policy question remains:
Is climate finance reaching the people and places facing the greatest climate risks?

Against this backdrop, Climate Action at Local Level (CALL)[1] consortium partner, HEKS/EPER Bangladesh, conducted two complementary studies to examine public climate finance allocation in Bangladesh.

Climate Budget Dynamics for Equitable Allocation Study, 2023

The study findings showed that climate finance allocation was largely driven by ministerial and sectoral priorities, with limited consideration of regional climate vulnerabilities. As a result, some highly climate-stressed regions, including the drought-prone northwest, received comparatively lower attention despite significant adaptation needs.

Toward Equitable Climate Finance Allocation in Bangladesh Study, 2026

Building on the evidence from the first study, a follow-up review assessed Bangladesh's evolving climate finance architecture against recent policy developments and international commitments in 2026. The review concludes that although the country has substantially strengthened its policy framework, the next phase of reform should focus on improving the allocation, governance, monitoring, and localisation of climate finance.

---

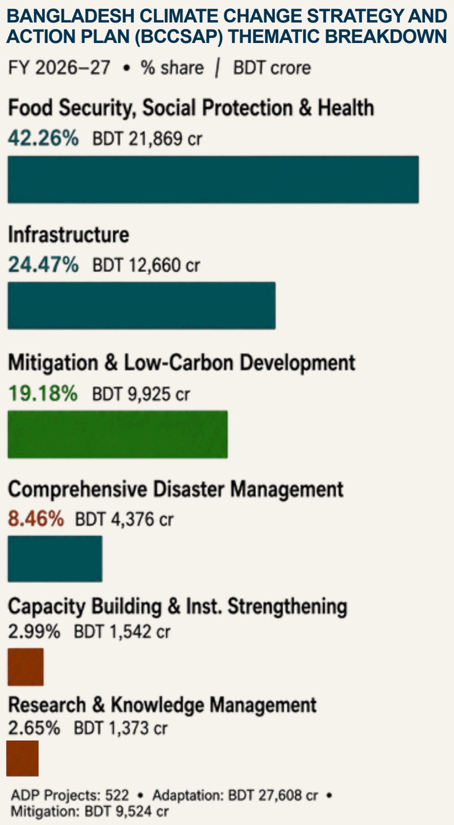
1 With support from the Embassy of Switzerland, the CALL Consortium, comprising nine Swiss NGOs and seventeen local partners, works across eighteen districts of Bangladesh to empower two million climate-affected and marginalised people. The initiative aims to strengthen community capacity for disaster management and climate resilience, enhance local economies, and share knowledge gained from local to international levels.

Bangladesh Continues to Strengthen Climate-Responsive Budgeting

Bangladesh has made significant progress in institutionalising climate-responsive budgeting and enabling systematic tracking of climate-related expenditure across 25 ministries and divisions through iBAS++ (Integrated Budget Accounts System). Recent climate budget reports for **FY 2025-26** indicate that the largest share of climate expenditure supports food security, agriculture, social protection, health, and climate-resilient infrastructure, with adaptation accounting for around three-quarters of total climate spending.

National Budget FY 2026-27 in Bangladesh: A Reflection of Climate Budget Allocations

For FY27, the proposed climate-relevant allocation for 25 Ministries/Divisions e.g. Local Government Division, the Ministry of Agriculture, the Ministry of Water Resources, the Power Division, the Roads, Transport and Highways Division, the Secondary and Higher Education Division, and other relevant divisions, is Tk51,746 crore, accounting for 11.03% of the total proposed budget under six key thematic priority areas. This marks a 35.73% increase from the revised FY26 allocation of Tk38,125 crore.



Source: iBAS++, Finance Division, Ministry of Finance

This brief argues that Bangladesh should move beyond tracking climate expenditure to ensuring that climate finance is allocated according to climate vulnerability, supports locally led adaptation, and delivers measurable resilience outcomes.

BANGLADESH'S CLIMATE FINANCE ARCHITECTURE

Bangladesh has progressively developed one of the most comprehensive climate finance systems among climate-vulnerable countries. National financing mechanisms, climate-responsive budgeting, dedicated climate funds, and long-term adaptation and mitigation planning have laid a solid institutional foundation for climate action. These achievements have strengthened the country's capacity to mobilise and manage domestic and international climate finance.

However, as climate impacts become more localised and differentiated, strengthening the volume of climate finance alone is no longer sufficient. The effectiveness of climate finance increasingly depends on where resources are allocated, who participates in decision-making, and whether investments respond to locally identified adaptation priorities.

This marks the next frontier of climate finance reform.

FINDINGS: WHAT HAVE WE LEARNED

The two studies provide a consistent picture of climate finance system in Bangladesh.

Status and challenges

Inclusion
Climate finance has increased, but not systematically allocated by vulnerability.

Localisation
Bangladesh has strengthened climate budgeting, but localisation remains limited.

Accountability
Accountability should extend beyond expenditure tracking.

INCLUSION

Climate finance has increased, but is not yet systematically allocated by vulnerability and disparities.

The 2023 study demonstrated that climate budget allocation remained largely ministry-driven rather than guided by objective assessments of climate vulnerability. Analysis of climate-related investments revealed notable regional disparities, with drought-prone and climate-stressed areas receiving less attention than expected given their exposure and adaptation needs.

The 2026 review confirms that this remains a systemic challenge. Although climate expenditure has increased, allocation mechanisms have yet to systematically integrate vulnerability indicators, local climate risks, and social equity into financing decisions.

LOCALISATION

Bangladesh has strengthened climate budgeting, but localisation remains limited.

Annual climate budget reporting, tagging, and the Climate Fiscal Framework have significantly improved transparency in identifying climate-related expenditure. However, climate finance decisions remain largely determined by central government planning and budgeting, leaving local governments and communities with limited influence over investment priorities. LAPAs are not yet systematically integrated into national budgeting.

ACCOUNTABILITY

Accountability should extend beyond expenditure tracking.

Current systems primarily track spending on climate-related activities. Less attention is paid to whether investments reduce vulnerability, strengthen resilience, or benefit the most climate-exposed communities. The review highlights the need for a more robust and bottom-up MRV framework that measures adaptation outcomes alongside financial expenditure.

REFORM AGENDA FOR THE NEXT GENERATION OF CLIMATE FINANCE

These reforms complement the implementation of the NAP, the CFF, Bangladesh's NDCs, and the Government's commitment to locally led and climate-resilient development.

REFORM 1: VULNERABILITY-RESPONSIVE

Institutionalise vulnerability-responsive climate finance allocation

Strengthen the Climate Fiscal Framework by establishing a Vulnerability-Based Climate Finance Allocation Framework that guides climate finance allocation through transparent, nationally agreed criteria, drawing on tools such as the Climate Vulnerability Index (CVI). The reform should also modernise climate budgeting by updating the climate budget tagging methodology and establishing the operational definition of climate finance, ensuring resources are allocated according to climate risk, vulnerability, adaptive capacity, and equity.

REFORM 2: LOCALLY-LED ADAPTATION

Enable locally led adaptation through local governments

Institutionalise LAPAs within national planning and budgeting, while strengthening local governments' planning, financing, and implementation capacities.

REFORM 3: RESILIENCE

Measure resilience not only expenditure

Expand climate budget tracking by integrating iBAS++ with a participatory MRV framework to measure adaptation outcomes, resilience, and equity.

REFORM 4: FUTURE-READY

Build an adaptable climate finance system to fit for the future

Strengthen climate finance governance by updating and modernising institutional arrangements, e.g. structural and procedural reforms of the BCCTF to channel both domestic and international climate finance, and updating the Climate Change Trust Act, 2010. It is also suggested to integrate emerging financing priorities, including Loss and Damage financing, and institutionalise LAPA across planning and financing systems.

REFORM 5: EQUITY

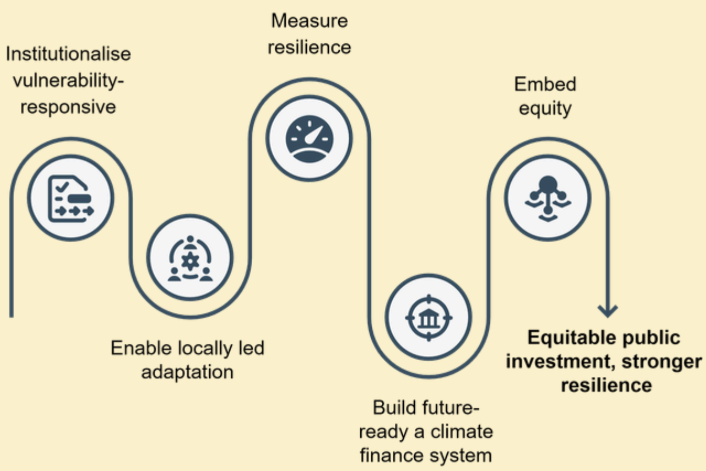
Embed equity and inclusion into climate finance allocation

Institutionalise equity as a core principle of climate finance allocation by ensuring that vulnerability assessments and investment decisions explicitly account for poverty, gender equality, disability inclusion, Indigenous Peoples, climate-induced displacement, and the differentiated adaptation needs of marginalised communities.

CONCLUSION

Bangladesh has already demonstrated global leadership in climate policy. The next step is to ensure that climate finance is directed to where climate risks are greatest, adaptation needs are highest, and local actors are empowered to lead.

Achieving this shift will enhance the effectiveness of public investment, improve resilience among vulnerable communities, and reinforce Bangladesh's position as a global leader in equitable and locally led climate action.



Pathway to an adaptable & equitable climate finance system

References

- *Government of Bangladesh. Bangladesh Climate Budget Report FY2026–27. Finance Division, Ministry of Finance.*
- *Government of Bangladesh. Climate Fiscal Framework.*
- *Government of Bangladesh. National Adaptation Plan (2023–2050).*
- *Government of Bangladesh. Nationally Determined Contribution (Updated).*
- *Climate Budget Dynamics for Equitable Allocation Study, 2023, Center for Participatory Research & Development (CPRD)*
- *Toward Equitable Climate Finance Allocation in Bangladesh Study, 2026, Centre for Climate Justice Bangladesh (CCJ-B)*

Contact us

CALL Programme Management Unit (PMU)
Helvetas Swiss Intercooperation
Gulshan 2, House 30 CWN (A)
Road 42/43, 1212 Dhaka, Bangladesh

call.bd@helvetas.org

Join us

Webpage *LinkedIn* *Facebook*

Supported by Switzerland

CLIMATE ACTION AT LOCAL LEVEL CALL

HEKS EPER Bread for all.

Centre for Climate Justice Bangladesh (CCJ-B)

Center for Participatory Research & Development CPRD