

### 3. CLIMATE FINANCE LANDSCAPE IN BANGLADESH

#### 3.1 International streams

Considering the country's high vulnerability to climate change impacts, Bangladesh has been a priority recipient of financial support from several multilateral and bilateral climate financing entities over the years. An overview on the key sources of international funds that have found prominence for climate action in the country is presented below.

**Global Environmental Facility (GEF)**, which is the oldest dedicated financial institution focused on environmentally sustainable development, has been a major contributor to implementing climate change related projects and programs in Bangladesh. In the past decade or so, 43 projects amounting to a total of USD 160 million in the form of grants and USD 1,037 million in co-financing<sup>21</sup>, have been supported by the GEF Trust Fund. GEF also manages other UNFCCC funds including the **Least Developed Countries Fund (LDCF)** and the **Special Climate Change Fund (SCCF)**. Till date, LDCF has approved a total of USD 34.4 million has been across seven (7) projects in the country.

**Climate Investment Funds (CIF)** has been another major source of multilateral climate finance in Bangladesh. Under the CIF, the **Pilot Programme for Climate Resilience (PPCR)**<sup>22</sup> was established in 2008 with the aim to support developing countries in integrating climate resilience into development planning processes. PPCR has approved 11 projects in Bangladesh so far with a total fund of USD 176.66 million of funding and USD 1049.01 million co-financing. Support from PPCR has been essential in improving climate-resilient agriculture and food security, reliability of freshwater supply, sanitation and infrastructure, and enhancing the resilience of coastal communities in Bangladesh... **Scaling up Renewable Energy in Low Income Countries Programme (SREP)**<sup>23</sup> under CIF have recently disbursed USD 75 million in grants and low-cost financing from to catalyse investments in utility-scale renewable energy projects and expand off-grid solar markets in Bangladesh.

The **Green Climate Fund (GCF)** has emerged as the principal multilateral vehicle for channelling climate finance in developing countries worldwide. Bangladesh has made significant progress in engaging with the fund through setting up a National Designated Authority (NDA) in the Economic Relations Division (ERD) under the Ministry of Finance, and establishing two national organizations as Direct Access Entities (DAE), namely the Palli Karma-Sahayak Foundation and IDCOL. Till date, USD 351.1 million has been approved by

---

<sup>21</sup> GEF. (2021). Bangladesh: Country-At-A-Glance. URL: <https://www.thegef.org/country/bangladesh>. Last accessed on 07 July 2021

<sup>22</sup> Government of Bangladesh. (2010). Bangladesh: Strategic Program for Climate Resilience (SPCR). Available at: <https://www.climateinvestmentfunds.org/sites/default/files/PPCR%20SPCR%20Bangladesh%20nov2010.pdf>

<sup>23</sup> SREDA. (2015). Scaling Up Renewable Energy in Low Income Countries (SREP). Government of Bangladesh. Available at: [https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/bangladesh\\_srep\\_ip\\_final.pdf](https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/bangladesh_srep_ip_final.pdf)

the fund across five projects focused on climate resilient infrastructure, flood protection, clean cook and enhancing adaptive capacities of women in coastal communities. A total of USD 5.1 million to support readiness activities aimed building the capacity of national institutions and systems for better accessing and delivering on the fund.<sup>24</sup>

Multilateral Development Banks (MDBs) such as the World Bank and the Asian Development Bank (ADB) and UN organizations such as UNDP, UNEP, FAO, UNCDF, have been important catalysts in the social and economic development of Bangladesh ever since its independence in 1971. Their role in facilitating climate action in Bangladesh has been instrumental. Over the years, they have provided various forms of financial, technical and advisory support to both Government and non-government actors to spearhead action on climate change. They also represent primary intermediaries for channelling multilateral climate funds in the country through their status as Implementing Entities or GEF Partner Agencies. They also take undertake Readiness Support Programmes to help build capacity of national institutions better access climate finance. In addition, World Bank and ADB have established special financing facilities to promote low-carbon, climate resilient development in its member states, including Bangladesh.

Bilateral assistance from donor countries and development partners have been a vital source of international climate finance for Bangladesh. Over the years, development partners have channelled millions in Overseas Development Assistance (ODA) to support climate action in the country. They have made important contributions to the many multilateral public climate funds, and have set up number of dedicated programs and funds for supporting climate change activities. Bilateral support to Bangladesh is typically delivered through their respective development agencies, and the major ones include DFID in the United Kingdom (recently merged with the Foreign, Commonwealth and Development Office of the UK), USAID in the United States, GIZ in Germany and SIDA in Sweden. These development partners have collaborated with national government entities, multilateral organizations, NGOs and INGOs to deliver small, medium and large scale adaptation interventions across a wide array of sectors and thematic areas.

International philanthropic or charity organizations that do not represent a government or a multilateral agency have also served as important sources of complementary financing towards climate relevant projects and programming in Bangladesh. Notable ones include the Rockefeller Foundation, the Asia Foundation. In addition, several international non-governmental organizations (INGOs) are operational in Bangladesh. INGOs channel funds from bilateral and multilateral sources and cooperate with other actors, to implement climate change activities in the country. Some of the noteworthy INGOs in Bangladesh that have been actively engaged in climate action, are Action Aid, CARE, Caritas, Christian Aid, Concern Worldwide, International Union for Conservation of Nature (IUCN), Islamic Relief, Oxfam, Practical Action.

---

<sup>24</sup> Green Climate Fund (GCF). (2021). Country Profile: Bangladesh. Available at: <https://www.greenclimate.fund/countries/bangladesh>

### 3.2 Domestic resources

Resources at the national level have and continue to be primary contributors for implementing climate change interventions in Bangladesh. Climate change projects and other development projects with climate change components in Bangladesh are funded through either the revenue budget or the development budget drawn from the country's Annual Development Programme (ADP). The revenue budget is financed from domestic revenues and pays for regular government operations, and as such Ministry of Finance provides support to different line ministries to implement climate relevant projects and activities in the country. The ADP is financed through foreign and local resources and covers investment projects and technical assistance. The ADP supports capital investments that are aligned with the government's long-term development policies, programs, and investment. ADP projects are prepared by line ministries and are subject to review and approval by the Planning Commission.

Since the establishment of the CFF in 2014, the government has taken initiatives to track climate relevant expenditures across various ministries and departments. Projects and spending that respond to the six thematic areas of the BCCSAP, are considered to be 100% climate relevant. The Climate Budget Report 2020-2021 produced by the Ministry of Finance, reviewed climate related allocation and expenditure trend across twenty-five Ministries/Divisions which have climate actions and priorities of varying scale covering the period from FY2016-17 to FY2020-21. The total budget allocation of these twenty-five Ministries/Divisions accounts for 56.69% of the national budget of FY2020-21. In the period of FY2016-17 to FY2020-21, climate relevant allocation as percentage of total budget of twenty-five Ministries/Divisions have been between 7.4% and 7.8%. However, climate relevant allocation in absolute terms increased from BDT 143,231 million (approx. USD 1.7 billion) to BDT 242,257 million in FY2020-21<sup>25</sup>. This demonstrates the government's commitment towards supporting climate action using domestic resources.

One of the most remarkable initiatives taken by the Government of Bangladesh to combat climate change issues in the country, has been the establishment of the **Bangladesh Climate Change Trust Fund (BCCTF)**. BCCTF was set up in 2009 with the primary objective of implementing interventions laid out in the BCCSAP, It represents one of the earliest examples of a national climate fund and is resourced from revenues arising from the annual non-development budget. Between FY 2009-10 to FY 2019-20, a total of BDT 38 billion (approx. USD 450 million) has been allocated to the fund to support climate change interventions across a range of sectors and thematic areas. In addition, following the CPEIR and the adoption of the CFF, efforts have been made by the government to embed climate action within national public financial management systems. Since 2017, significant budgetary resources have been allocated towards climate sensitive expenditures across various ministries and departments.

---

25

[https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/6e496a5b\\_f5c1\\_447b\\_bbb4\\_257a2d8a97a1/2020-2021\\_Climate\\_BR\\_English.pdf](https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/6e496a5b_f5c1_447b_bbb4_257a2d8a97a1/2020-2021_Climate_BR_English.pdf)

For the FY 2020-2021, the government has made a cumulative climate budget allocation for 25 ministries / divisions accounting for 56.69, of which 7.52% is climate relevant.<sup>26</sup>

In addition to government resources, public and commercial banks, and non-banking financial institutions (NBFI) have also been contributing towards fostering low-emission and climate compatible infrastructure development in the country. **Bangladesh Bank**, the Central Bank of the country has been an active proponent in promoting green development in the country. In 2011, the bank launched a comprehensive green banking initiative to support and promote environmentally responsible financing. Under this initiative, the bank started offering incentive based schemes, e.g. financing facilities at a very low interest rate, to commercial banks and financial institutions in the country for lending in green projects. In 2016, Bangladesh Bank launched the USD 200 million Green Transformation Fund. That same year, banking and non-banking financial institutions in the country were instructed by Bangladesh Bank to set aside 10% of the CSR funds towards a Climate Risk Fund. Building on these lessons and practices, the **Sustainable Finance Policy for Banks and Financial Institutions** was formulated to provide guidance and regulations for greening initiatives to be undertaken by banks and financial institutions in Bangladesh.<sup>27</sup>

---

<sup>26</sup> Ministry of Finance. (2019). Climate Financing For Sustainable Development: Budget Report (2019-2020). Government of Bangladesh.

<sup>27</sup> Bangladesh Bank. (2020). Sustainable Finance Policy. Government of Bangladesh. Available at: <https://www.bb.org.bd/mediaroom/circulars/gbcrd/dec312020sfd05.pdf>