

National Budget 2025-2026; Climate Budget and Bangladesh Coastal Area

1. Key Features of FY2025- 2026 National Budget

If all goes well, the interim government's financial advisor, Dr. Salehuddin Ahmed, will announce budget for the new fiscal year on television tomorrow, June 2, 2025. This is the first budget of the interim government that took office after the July revolt. According to sources, the budget for the 2025-26 fiscal year is contractive. The budget size may be reduced to 7 lakh 90 thousand crore taka, which is 7 thousand crore taka less than the 7 lakh 97 thousand crore taka of the current fiscal year i.e. 2024-25 fiscal year. This year's budget is giving importance to controlling inflation, currently high inflation is about 9-10 %, it may be announced to reduce it to 6.5 %. The target for the growth of the total GDP for the 2025-26 fiscal year may be 5.5%. Those concerned say that in a contractionary budget, maintaining economic balance along with increasing trade and employment may be a challenge.

2. Squeezed budget due to debt pressure; ADP allocation is decreasing

According to sources from the Ministry of Finance, the main reason for the budget contraction is the large increase in interest payments on domestic and foreign debts. The interest payment amount for the current fiscal year was estimated at BDT. 1, 13,500 crore, which will increase by another BDT. 20,000 crore in the next fiscal year to more than BDT. 1, 33,000 crore. This is about 16.8% of the proposed budget. Annual Development Program (ADP) for the 2025-26 fiscal year has been estimated at BDT. 230,000 crore, which is BDT. 35,000 crore less than the last fiscal year. In the current 2024-25 fiscal year, original ADP was BDT. 265,000 crore, meaning there will be a decrease of about 14%. According to sources, ADP has been reduced due to slow implementation, present ADP implementation ratio is 41.31% in last 10 months.

3. Government's decision to exempt revenue as per IMF guidance

The government has decided not to grant any new revenue exemptions in the budget for the 2025-26 fiscal year as per IMF guidance. It will also be withdrawn from most of the sectors that still have revenue exemptions, saying this will increase actual revenue collection and help meet the target. The NBR's revenue collection deficit in the last 8 months of the current fiscal year has exceeded BDT. 58,000 crore. Despite the deficit, the IMF has asked for BDT. 20,000 crore in revenue collection in the next three fiscal years. Of this, the revenue collection target has been set at BDT. 5, 85,000 crore in the 2025-2026 fiscal year, BDT. 6, 59,800 crore in the 2026-2027 fiscal year, and BDT. 7, 55,400 crore in the 2027-2028 fiscal year.

4. Increased climate disaster-related loss & damage, but not annual climate allocations

Analysts say that the budget allocation for the climate sector is not planned and adequate. Although civil society has demanded adequate climate funding to combat climate change, the allocation is not increasing. In the 2024-25 budget, the climate allocation for 25 climate-related ministries was BDT. 42,206.89 crore. According to

experts, the allocation for climate financing that is being made every year in the traditional manner is very inadequate to address future risks. Whereas climate financing requires a minimum of 3% or more of GDP every year, the government is allocating less than 1%. Various sources say that Bangladesh needs \$USD 534 billion to combat climate change by 2050, that is, \$USD 19.7 billion per year, while the government has allocated \$USD 3.60 billion. Considering that, how much priority will climate allocation get in this year's tight budget?

Figure of climate allocation in last 5 years national budget

Fiscal year	GDP at current Prices [BDT. crore]	Total National Budget [BDT. Crore]	Total climate budget [BDT. Crore]	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

5. \$USD 18.24 million annually required to implement four long-term policies and plans

According to the financial projections of the Bangladesh Climate Change Strategy and Action Plan (BCCSAP 2009), there is a commitment to allocate BDT. 8,600 crore per year for adaptation sector alone. In the short-term phase, an investment requirement of \$USD 38 billion has been identified by 2030 for implementation Delta Plan, for which \$USD 5.42 billion is required annually. The implementation of the 113 initiatives of the 27-years long National Adaptation Plan [NAP] requires an estimated US\$230 billion, according to which an annual allocation of \$USD 8.5 billion is required. In the Nationally Determined Contribution [NDC], Bangladesh has pledged to reduce carbon emissions by 21.85 percent by 2030 with its own capacity and support from the developed world. Estimated cost of implementation is \$USD 32.26 unconditionally and about \$USD 140.97 billion conditionally. Accordingly, \$USD 3.58 billion [BDT. 30,788] in unconditional investment and \$USD 15.66 billion [BDT. 134,676 crore] in conditional investment is required each year.

Strategic plan	Annual financing plan [BDT]	Annual financing plan [USD]
Bangladesh Climate Change Strategy & Action Plan (BCCSAP)	8,600 Crore	0.74 Billion
Bangladesh Delta Plan-2100	63,414 Crore	5.42 Billion
National Adaptation Plan [NAP]	99,450 Crore	8.5 Billion
Nationally Determined Contribution [NDC] 2021-2030:	41,886 Crore	3.58 Billion
Annual financing plan	213,350 Crore	18.24 Billion

6. Bangladesh coastal area at risk of climate change impact; increasing Loss & Damage

About 32% of the country's total land area and 39 million people live on the coast. Bangladesh's major threat is that 60% of the country's land is only 5 meters above sea level, making it one of the lowest-lying countries in the world. Due to weak and inadequate coastal protection

infrastructure [sustainable embankments], Bangladesh's coast is becoming increasingly vulnerable by global climate change, increasing the level of loss and damage.

A) Salinity intrusion; Agriculture sector under threat:

According to the Economic Survey of Bangladesh, the agricultural sector contributes 11.50 percent to GDP. A report by the International Food Policy Research Institute (IFPRI) says that about 1.5 million hectares of coastal land are affected by salinity. Researchers say that if effective measures are not taken, agricultural income will decrease by 21 percent annually and 40 percent of coastal agricultural land will be under threat. IPCC estimates that Bangladesh could lose 30% of its food production by 2050.

B) Severe drinking water shortage across the coast:

Rising sea levels, salinity and declining groundwater levels have created an acute drinking water crisis along the coast. Tube well water is saline in most areas, and the crisis has become acute in more than 100 sub-districts of 18 out of 19 coastal districts, including Cox's Bazar, Bhola, Noakhali, Patuakhali, Bagerhat, Khulna, Satkhira.

C) Frequency and intensity of cyclone have increased:

According to researchers, the risk of cyclones along Bangladesh's coast has increased. The type of major cyclone that used to occur once every 100 years is now occurring every 10 years. Based on the World Bank's 2022 Country Climate and Development Report the average annual loss in Bangladesh due to tropical cyclones alone has already reached \$USD 1 billion [0.7 percent of GDP], which is expected to increase further in the future.

D) Climate-induced internal displacement crisis:

According to the IDMC report-2025, the number of internally displaced people in Bangladesh due to several disasters has increased by about 600,000 by one year. Now the displaced people is about 2.4 million, compared to 1.8 million in the previous year (2023). Bangladesh ranks fifth in the global list of displaced people due to disasters. According to the IDMC study, 1 in 7 people in Bangladesh will be displaced due to climate change by 2050. The World Bank report says that 400,000 people are leaving villages and moving to cities every year.

7. Significant gap in global climate financing and prospects for Bangladesh

Various studies say that the GCF has provided 75% in loans to Bangladeshi national institutions and 25% in grants. An analysis by the Change Initiative says that the cumulative amount of debt in the country has stood at \$12.78 billion in the last 14 years. This includes a per capita climate debt of \$79.61, which is 9,485 taka in Bangladeshi currency. It is clear that the developed world is trying to trap the least developed and climate-vulnerable countries in the name of climate finance without providing the promised compensation. They have gradually shifted from grant-based activities to profit-based activities. Only 5% of the climate funds received so far have been grants and the rest has been provided through loans or co-financing.

8. Climate finance allocation in the upcoming budget and our recommendations

8.1 No dependence on foreign debts; take initiatives to implement the adopted plans based on own resources and a minimum of 3% of GDP should be allocated for climate finance in the national budget.

Despite the increase in GDP every year, the allocation for the climate sector in national budget has not increased. To ensure food security, address health risks, and achieve resilient capacity, as well as to implement plans adopted to protect climate vulnerable people, at least 03% of GDP [1.67 lakh crore taka] of climate finance must be allocated in the national budget, as per the investment needs of the plan. \$USD 300 billion pledged under NCQG against 1.3 trillion global requirement at Baku climate conference will create a funding gap. Bangladesh will have to compete fiercely with other LDCs to obtain funding, so have to take initiatives to implement plans based on its own resources.

8.2 Ensured priority allocation for sustainable coastal protection to protect the lives & livelihoods of 39 million coastal people who are highly vulnerable

A. Construction of sustainable stone embankment; Ensure separate allocation [BDT. 10,000-12,000 crore] Outside the traditional allocation

Every year, scenes of coastal people protecting dam with bamboo fences and tarpaulins during disasters prove how incapable existing coastal earthen dam are in tackling with disasters and according to the gov't and local sources, about 70-80% of dams unable to cope with disasters [sea level rise, cyclones, tidal surges and salinity increase]. The height is too low to withstand tides/surges, somewhere 4/5 feet. The extent of dam and polders in the coastal region is about 5,754 km (according to the government). In addition, millions of poor people live with extreme risk in various remote outreach are where there are no embankments. In total, about 6,500 km of sustainable embankments are needed on the coastal areas at this time. And experts estimate that about BDT. 1, 30,000 crore is required to build all the dam sustainably in the next 10 years. In view of which, BDT. 10-12 thousand crore should be allocated separately every year outside the traditional allocation. Opportunities for public participation should be created in construction work of Water Development Board and the Water Development Board should be accountable to the local government institutions for its work.

B. National Action Plan of displacement management [NSMDCIID] should be linked to the gov't climate finance framework and allocated on a priority basis

The Ministry of Disaster Management and Relief adopted National Strategy on Internal Displacement Management [NSMDCIID] in 2019 and adopted a 20-year inclusive and rights-based National Action Plan for 2022-2042. Even after 4/5 years, the government's initiative/progress is still not clear. It is not enough to just adopt an action plan it is important to take effective initiative to implement it now. 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 gov't climate finance financial framework.

C. Priority based allocation need to build required infrastructure development to expand fresh water and sanitation facilities in the coastal areas-

Various studies say that 1.5 crore people in the coastal areas are forced to drink saline water and are suffering from various diseases and health risks. The government should take initiatives to expand other technologies including the establishment of climate-resilient water treatment plants to eliminate the drinking water crisis of the people.