



## Strengthening the Bangladesh Climate Fiscal Framework

Monday, Feb 28, 2022

By *Dr. Sadiq Ahmed*

Disconnect between expenditure, strategies and outcomes is a major weakness of the present approach to integration of climate change in national development, and there are ways to resolve it

Bangladesh is highly vulnerable to climate change and the government is well aware of the need to integrate climate change considerations in the national development process.

Several climate change strategies have been developed and climate change considerations are increasingly being integrated with national development strategies. Bangladesh is also a strong player in the international fora in managing the global climate change outcomes.

It has provided its own nationally determined contribution (NDC) commitments to help reduce greenhouse gas emissions (GHG) required to achieve global climate goals, even though Bangladesh is a small contributor to these emissions.

To implement climate strategies and associated goals and targets, Bangladesh has made notable progress with developing policies and regulations, providing climate finance and establishing climate change institutions. The government's efforts are complemented by a vibrant non-government (NGO) sector that is active both nationally and internationally.

A particularly notable institutional progress was the adoption of the Climate Fiscal Framework (CFF) in 2014 that was updated in 2020. But unfortunately, the elements of the fiscal framework have been implemented only to a limited extent.

While the revised CFF 2020 recognised the importance of integrating climate change considerations in resource mobilisation strategy, in practice very little has been done. It similarly notes the significant role that climate taxes, subsidies and pricing policies can play in resource mobilisation as well as in providing incentives to the private sector for adopting climate sensitive technologies and avoiding pollution behaviour.

Yet, very little progress has been made in these areas.

The CFF resource mobilisation strategy does not account for the implications of climate change for the medium-term resource availability. Fossil fuel subsidies continue to prevail.

Major resources including irrigation and drinking water are underpriced. The implementation of the polluter pays principle is almost non-existent. Tax policy to discourage excessive forestry logging does not exist. The continued use of fossil fuel subsidies suggests a major disconnect with the NDC targets.

While there is commendable progress in integrating climate change concerns in expenditure allocation, the integration is done somewhat mechanically as an accounting framework. It is not clear how the identified level of climate financing from the

budget, estimated between 7-9% of total public spending, relates to the goals of the NDC,

the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) or the national development plans.

This disconnect between expenditure, strategies and outcomes is a major weakness of the present approach to integration of climate change in national development.

The costing of major climate change programmes such as the NDC, the Bangladesh Delta Plan and the Bangladesh Country Investment Plan for Environment, Forestry and Climate (CIP- EFCC) and their implications for annual budget allocations and financing options have not been worked out.

Indicative estimates suggest that these three programmes alone could require 5-6% of GDP annually, which is the size of the total annual development programme (ADP). The strategy on how these programmes can be funded is not available.

What are the possible options to strengthen the strategic focus and implementation of the Bangladesh Climate Fiscal Framework? The revised CFF2020 provides an excellent starting point to sharpen up and implement a meaningful Climate Fiscal Framework.

As a first step, Bangladesh should move forward to converting the Mujib Climate Prosperity Plan into a meaningful and well-articulated Green Growth Strategy that integrates climate considerations into the national development strategy. This Green

Growth Strategy must be fully consistent with the Bangladesh Delta Plan (BDP2100), the Perspective Plan 2021-2041 and the 8th Five Year Plan.

The strengthening of the CFF should then concentrate on costing out the resource needs for implementing the Green Growth Strategy and developing a domestic resource mobilisation strategy for that.

While efforts can continue to fight for grant resources from developed countries through the Global Climate Fund (GCF) and other funding channels, realistically speaking the main reliance will have to be on domestic resource mobilisation including from the domestic private sector, focused foreign direct investment and targeted financing from development

partners, especially multilateral sources.

On the domestic policy front, strong emphasis on environmental fiscal reforms is necessary.

Some particularly powerful instruments include the elimination of fossil fuel subsidies, the introduction of a carbon tax, implementation of the polluter pays principle, and proper pricing policies for all state-owned enterprises (SOEs), especially public utilities.

On the expenditure front, a set of core well-defined climate-focused public expenditures linked to outcomes defined in the Green Growth Strategy should be undertaken every year. Climate spending should be linked to achieving specific climate change objectives and targets rather than ad-hoc spending labels from line ministries.

Until such time as a Green Growth Strategy is adopted, well-identified core climate programmes such as the Bangladesh Delta Plan, the NDC and the CIP-EFFR should be properly costed, and an implementation timetable established.

The annual funding requirements emerging from this exercise should be incorporated in the national budgets and the ADPs. The CFF resource mobilisation targets should focus on financing these programmes.



Dr Sadiq Ahmed/TBS sketch

*Sadiq Ahmed is Vice Chairman of the Policy Research Institute of Bangladesh.*

<https://www.tbsnews.net/features/panorama/strengthening-bangladesh-climate-fiscal-framework-377545>

