

Governance Challenges in Climate Finance in Bangladesh and Way Forward

(Executive Summary)

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Background of the Study

Bangladesh remains highly vulnerable to the negative effects of climate change. According to the Climate Risk Index (2021), the country ranks seventh among countries most at risk due to climate change, and ranks ninth in terms of risk to climate-induced natural disasters under the World Risk Index (2023). By 2050, Bangladesh's GDP is projected to decline by two per cent and then rise to nine per cent by 2100. Bangladesh will lose 17 per cent of its land by 2050 due to rising sea levels and reduce the country's total agricultural production by 30 per cent. The Government of Bangladesh has identified climate change as a critical obstacle to socio-economic development and has accordingly formulated a range of strategies and plans to mitigate and cope with its impacts. These include the Bangladesh Climate Change Strategy and Action Plan (BCCSAP, 2009), the Nationally Determined Contributions (NDC, 2021), the Mujib Climate Prosperity Plan (2022–2041), the National Adaptation Plan (2023–2050), the Bangladesh Delta Plan 2100, and the Climate Change and Gender Action Plan, 2021 etc. To implement these policies and plans, the Government of Bangladesh (GOB) has established the Bangladesh Climate Change Trust (BCCT) fund with its own revenue budget and mobilized international climate funds.

Even with ongoing efforts, there are still gaps in climate plans and strategies, which makes it difficult to achieve the expected goals. Significant governance challenges exist in the management and execution of climate funds and projects. Climate-related allocations and overall climate finance is insufficient while projects are implemented in contradiction to plans, and needs of local communities are often ignored. TIB is conducting research and advocacy activities to promote good governance in both national and international climate financing along with the implementation of climate initiatives. While TIB's earlier studies primarily focused on the climate financing of specific funds and project implementation, a gap remains in comprehensive research that provides an overall picture of progress and state of governance in climate financing in Bangladesh in a transparent and accountable manner. Therefore, this study assesses the progress of climate financing in Bangladesh, with a particular focus of good governance principles.

Objectives of the Study

The main objective of this study is to assess the governance status of climate finance in Bangladesh. The specific objectives are:

1. To conduct a comprehensive assessment of the progress of climate finance
2. To evaluate the good governance in the operation of climate funds and projects
3. To examine the nature and extent of irregularities and corruption in the implementation of climate finance initiatives
4. To formulate policy recommendations based on the findings of the study.

Scope of the Study

This study covered 12 national and international climate funds under which 942 projects are implemented in Bangladesh between 2003 and August 2024. Besides, the climate relevant allocation from national budget for the period of 2015 to 2024 is also analyzed. Overall, the analysis under this research is done based on the open-source data and information on the projects and funds which are publicly available.

Research Methodology

This study employs a mixed-methods research design that integrates both quantitative and qualitative analytical approaches and methods. Triangulation of findings from both quantitative and qualitative analysis was made.

Data Source

Data was collected from both primary and secondary sources and analyzed in line with the research objectives. Priority has been given to collecting information and data on funds and projects from the open sources. However, qualitative data was also collected from various primary sources as per need. The types of data, sources of information, and data collection methods are detailed in the table below.

Table 1: Data Collection Methods and Sources

Data Collection Method	Sources of Information
Key Informant Interviews (KII)	Relevant experts, journalists, officials from the Bangladesh Climate Change Trust (BCCT) and project implementing agencies.
Compilation of Fund and Project Data	National Budget Analysis: Budget Reports of Climate Financing for Sustainable Development, budget allocations for Social Safety Net Programmes (2015–2024). National Funds: Data on 891 projects under the Bangladesh Climate Change Trust (BCCT) were collected (until 10 August 2024). International Funds: Data were collected on 51 projects implemented in Bangladesh (until 10 August 2024), based on information available on fund websites, implementing agency websites, and open sources such as Climate Funds Update.
Document Review	Relevant sources include studies; government and non-government reports on climate funds; media publications; project proposals; and projects and fund related documents; laws; policies, plans; financing guidelines; and websites of national and international climate funds.

Research Period

The research data collection, analysis and report preparation were carried out during the period from June 2024 to October 2025.

Primary Data

Qualitative data is collected directly from individuals involved with the research subject, as well as from relevant experts, national fund/BCCT representatives and officials, and media personnel. Primary data is collected through interviews with the informants.

Secondary Data

This study is conducted primarily using secondary data, mainly publicly available open-source data. Information is gathered from relevant websites to create three databases, which were then analyzed according to the study's objectives. The three databases include:

National Budget Analysis: Data were compiled from budget allocations for climate-related expenditures for the fiscal years 2015-16 to 2023-24, based on budget reports and social safety net programme budgets.

National Fund: Data were collected from 891 projects available on the BCCT website (as of August 10, 2024).

International Funds: Data on 51 projects implemented in Bangladesh under international climate funds were collected from respective funds websites, implementing agency portals, and open-access platforms such as Climate Funds Update.

In addition, the study reviewed various secondary sources, including relevant laws, regulations, and guidelines, fund related reports from governmental and non-governmental entities, published research studies, media articles, and monitoring reports from the BCCT. Also, data obtained from secondary sources was reviewed.

Data Processing and Analysis

Data from the prepared database were analyzed using the Statistical Package for the Social Sciences (SPSS), Stata, and Python. The analysis primarily focused on calculating the percentages and averages of relevant indicators and variables. Additionally, the relationship between district-level climate vulnerability levels and approved funding was assessed using Spearman's Rank Correlation Coefficient.

Analytical Framework

For this study, data were systematically collected, verified, and analyzed based on specific areas of observation anchored in seven governance indicators. This framework was applied to examine of climate finance governance in Bangladesh.

Table 2: Indicators and Components of Climate Finance Governance in Bangladesh

Governance Indicators	Specific Areas of Observation
Compliance with Laws and Policies	Review of implementation progress of key plans and strategies: Bangladesh Climate Change Strategy and Action Plan, 2009; Nationally Determined Contributions, 2021; National Adaptation Plan of Bangladesh (2023-2050); Goal 13 of Sustainable Development Goals; Social Safety Net Programs; Bangladesh Delta Plan 2100; Climate Change and Gender Action Plan, 2021
	Review of fund-related laws, policies, plans, and guidelines including BCCSAP 2009, implementation plans of BCCT, and operational policies/guidelines of respective funds
Coherence	Theme-based fund allocation, vulnerability-based fund allocation, disaster risk-based fund allocation
Effectiveness	Fund allocation, type of financing, fund disbursement, ministry-wise fund allocation
Transparency	Availability and accessibility to information on funds and projects
Accountability	Monitoring and evaluation of funds and projects, auditing of projects, documentation and record management of funds and projects

Governance Indicators	Specific Areas of Observation
Participation and Coordination	Stakeholder participation in fund and project implementation, inter-institutional and multi-stakeholder coordination in fund and project management
Irregularities and Corruption	Project acceptance and cancellation, conflict of interest, nature, causes, and extent of irregularities and corruption

Compliance with Policies and Plans

Gaps in Implementing National and International Climate Change Plan

Insufficient Allocation Compared to Demand: The finance allocated for implementing national and international climate change plans has not met the necessary demand. On average, annual allocations have been consistently lower than the projected required finance. As a result, the annual shortfall in finance ranges from USD 8.5 billion to USD 0.94 billion, depending on the specific plan (Table 3).

Challenges in Securing finance from International Climate Funds and Development Partners for Plan Implementation: The Delta Plan 2100 aimed to mobilize two billion dollars each year from the Green Climate Fund (GCF). However, the institutions responsible for implementing the Delta Plan (e.g., Ministry of Water Resources, Water Development Board, Water Resources Planning Organization) have not been able to secure any funds from the GCF between 2018 and 2024. Moreover, although there was a target to raise six billion dollars annually from climate funds and development partners for the implementation of the National Adaptation Plan (NAP), there has not been any significant progress in mobilizing these funds (Table 3).

Deficiencies in Demand Assessment and Resource Allocation for Other Plan Implementation: There is a deficit in the implementation of the Climate Change and Gender Action Plan. The plan has not assessed the demand for gender-responsive climate finance, and the amount allocated for its implementation has been minimal. Notably, this allocation was less than one percent during the period from 2020 to 2025. Additionally, the demand for funding related to Social Safety Net Programs (related to climate change) addressing climate change has not been evaluated. From 2015 to 2024, the climate change-related allocation for these Social Safety Net Programs averaged USD 0.6 billion (10.1 percent), but this allocation is gradually decreasing (Table 3).

Table 3: Gaps in Implementing National and International Climate Change Plans

National and International Plan	Total Estimated Requirement (Billion USD)	Annual Estimated Requirement (Billion USD)	Annual Average Allocation (Billion USD) / Time	Allocation Shortfall / Year (Billion USD; %)
Bangladesh Climate Change Strategy and Action Plan 2009 (First five years)	5	1.0	0.06 (2010–2014)	0.94 (94.0%)
Nationally Determined Contribution (NDC) – Adaptation (2015–2030)	29.4	1.96	1.47 (2016–2022)	0.49 (25.0%)

National and International Plan	Total Estimated Requirement (Billion USD)	Annual Estimated Requirement (Billion USD)	Annual Average Allocation (Billion USD) / Time	Allocation Shortfall / Year (Billion USD; %)
Nationally Determined Contribution (NDC) – Mitigation (2011–2030)	18.90	0.95	0.19 (2016–2022)	0.76 (80.0%)
National Adaptation Plan (NAP, 2023–2050)	230	8.5	3.6 (2024)	4.9 (57.6%)
Sustainable Development Goals, Goal 13 (2016–2030)	163.2	11.7	3.2 (2016–2030)	8.5 (72.7%)
Bangladesh Delta Plan-2100 (2018–2030)	37	GDP 2.5%	GDP 0.8% (2019–2024)	GDP 1.7% (68.0%)
Social Safety Net Programs (Climate Change-related)	Undetermined		0.6 (2015–2024)	
Gender-based Allocation in the Climate Sector in light of the Climate Change and Gender Action Plan (2021)	Undetermined		0.0008 (2025)	

Limitations of Bangladesh Climate Change Strategy and Action Plan (BCCSAP, 2009)

The BCCSAP was prepared in 2009, reflecting the climate change context of that time. However, the scale, impact, and local context of climate change have evolved over the last 16 years, and the strategy document has not been updated. The plan only projected funding needs for the first five years (2010-2014). Additionally, emerging topics in the climate sector, such as green finance and loss and damage, were not significantly addressed in the plan. Moreover, the strategy did not incorporate the implementation of climate-sensitive activities that involve youth, nor did it include provisions for training and capacity building.

Lack of Long-Term Planning in the Allocation of the National Fund/BCCT

The National Fund/BCCT lacks a long-term planning framework for allocating climate finance. Specifically, it does not perform independent assessments of area-specific projects and funding requirements based on climate risk levels. Additionally, the fund does not have a sectoral prioritization framework to guide annual allocations across six thematic areas (infrastructure, mitigation, food security, social protection and health, research, institutional capacity building, and disaster management). Furthermore, the fund lacks its own system for calling for project proposals according to sector-wise priorities and a method for approving competitive, innovative projects.

Constraints on the Allocation of National Fund/BCCT for Project Implementation

The BCCT does not have provisions to approve projects exceeding BDT15 Crore. As a result, proposal for medium and long-term innovative, transformative, and replicable projects are not submitted. Consequently, only a few institutions familiar with the fund's operations, such as Water Development Boards, Local Government Engineering Department and municipal

authorities receive approval for short-term, conventional projects, primarily related to infrastructure and solar street light projects.

Limitation of the Bangladesh Climate Change Trust Act, 2010

Absence of Comprehensive Guidelines for Fund Management under the Law

There is a directive about overall fund use under the roles and responsibilities of the Board of Trustee of BCCT; however, it lacks a separate and clear guideline regarding the utilization of 34 per cent bank deposit and interest from it, and managing administrative cost of the Trust. Besides, there is no separate guideline for human resource management with distinct responsibilities of staffs.

Deficiency in Implementation Guidelines for Project Fund Allocation

Although the guidelines stipulate that project funds should be disbursed in four installments based on field inspections and progress, BCCT does not conduct field visits for all projects. In such cases, there are no clear directives on the conditions under which funds are released. The fund also lacks provisions for independent third-party monitoring. Moreover, BCCT has no specific guidelines to ensure public participation at any stage of project selection or implementation.

Lack of Authority to Recruit BCCT Staff

There are no guidelines in the Trust Act regarding workforce recruitment and promotion. Regulations concerning its own recruitment and promotion have also not been formulated under this Act. Despite lacking the authority for recruitment and promotion, the BCCT Board of Trustees approved a workforce structure of 82 human resource positions in 2013 and 150 positions in 2017. In these cases, even though there is a rule to obtain approval from the Finance Division and the Ministry of Public Administration, the Trust did not obtain it in either instance. Although letters were sent to these ministries for fulfilling the due process, the Finance Division did not provide any response or opinion. Recruitment and promotion of essential staff are delayed due to non-compliance with legal procedures.

Deficiencies in Policies and Guidelines Governing the Implementation of Fund Activities

Among the 12 climate funds, BCCT, GCCA, and ASAP lack policies for socio-economic and environmental impact assessments. BCCT, BCCRF and GCCA have partial grievance redress mechanisms. Aside from the BCCT, most funds have whistleblower protection policies, and gender-responsive climate finance policies except the BCCRF. Overall, the national fund/BCCT faces significant policy and guideline gaps, which are important to ensure accountability. In contrast, most international funds-except BCCRF, GCCA, and UN-REED have the necessary policies and guidelines in place to ensure accountability.

Lack of Policies and Guidelines to Prevent Irregularities and Corruption in Funds

There is a lack of effective laws and policies to prevent irregularities and corruption in the national fund; for example, there are no policies to prevent conflicts of interest or to recover funds lost to corruption. While most international funds have anti-corruption policies in place, the CTF, PPCR, and SREP lack policies for recovering funds lost to corruption. Although international funds have mechanisms to prevent irregularities and corruption, there are weaknesses in their implementation at the national level.

Lack of Policies and Guidelines to Ensure Stakeholder Participation in Funds

There is a lack of necessary policies and guidelines in BCCT, BCCRF, CTF, PPCR, and SREP to ensure the inclusion of marginalized communities, acceptance of observer feedback, and participation of local vulnerable communities. BCCT, CTF, PPCR, and SREP do not have policies for the inclusion of marginalized and indigenous communities. Furthermore, BCCT, BCCRF, CTF, and PPCR, SREP lack policies for the meaningful participation of local/affected communities in project implementation.

Coherence of National and International Funds and Plans

Lack of Coherence in Thematic Allocation under BCCSAP

The primary objective of the BCCT is to achieve the goals of the BCCSAP, 2009. Accordingly, BCCT's projects need to be adopted under the six thematic areas of BCCSAP- (a) Food Security, Social Protection, and Health; (b) Integrated Disaster Management; (c) Infrastructure; (d) Research and Knowledge Management; (e) Mitigation and Low-Carbon Development; and (f) Capacity and Institutional Strengthening. However, fund allocations for the Infrastructure and Mitigation themes exceeded the prescribed maximum ceilings. While funding under Infrastructure, Mitigation and Low-Carbon Development was guided at rates of 20 percent and 15 percent respectively, the actual share of fund allocation under these themes was 57.8 percent and 23.7 percent, respectively. In these cases, priority has been given to implementing projects related to the construction of shelters and embankments under the infrastructure theme, the installation of solar streetlight under the mitigation theme.

On the other hand, limited projects were undertaken in the areas of Research, Institutional Capacity development, and Development of Emergency Response Systems. Although up to 25 percent of total fund allocation was instructed to be allocated for research, only 4 percent of allocations have actually been undertaken under this theme.

Lack of Coherence in Fund Allocation Considering Climate Vulnerability

There is a noticeable inconsistency between climate vulnerability and the amounts allocated for funding. Although the level of vulnerability varies by location, this has not been adequately considered in the approval of projects and the distribution of funds from both national and international funds. As a result, highly vulnerable areas have received less financial support from national fund/BCCT.

Less Priority Given to Highly Vulnerable Areas in Fund Allocation

Results indicate that districts with relatively lower vulnerability to climate change have received higher allocations compared to those that are highly vulnerable. For instance, Chattogram district, despite having a lower vulnerability ranking (vulnerability score of 0.46), received the highest allocation of USD 41.67 million. In contrast, allocations from international funds appear to be more consistent with the degree of vulnerability (Table 4).

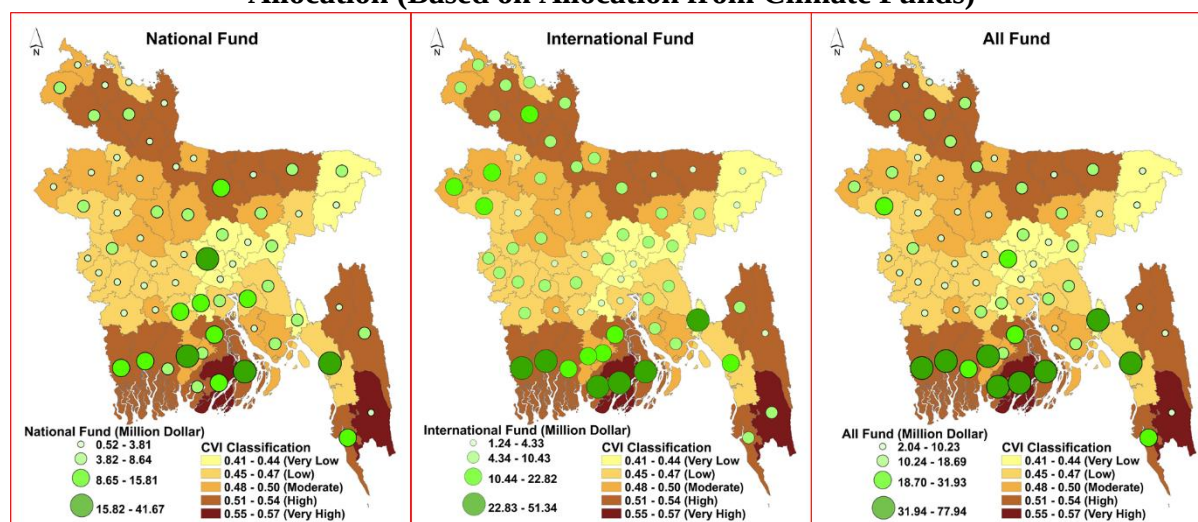
Table 4: Vulnerability Score and District-wise Allocation from Funds

National Fund				International Fund			
Top Five Districts by Allocation Received	Approve amount (Million USD)	Vulnerability Score	Vulnerability Level	Top Five Districts by approve amount	Approve amount (Million USD)	Vulnerability Score	Vulnerability Level
Chattogram	41.67	0.46	Low	Barguna	51.34	0.51	High
Bhola	33.89	0.53	High	Satkhira	46.73	0.51	High
Pirojpur	24.65	0.50	Moderate	Bhola	44.05	0.53	High
Dhaka	22.93	0.44	Very Low	Khulna	41.25	0.52	High
Barishal	15.81	0.53	High	Patuakhali	39.49	0.57	Very High

Inconsistency Based on Climate Vulnerability and Approved Fund Allocation

Based on the approved fund allocation, the national fund/BCCT was not distributed according to the level of vulnerability. Some less vulnerable districts, such as Chattogram and Dhaka, received comparatively higher allocations. In contrast, international fund allocations were more concentrated in highly vulnerable districts such as Barguna, Khulna, and Satkhira.

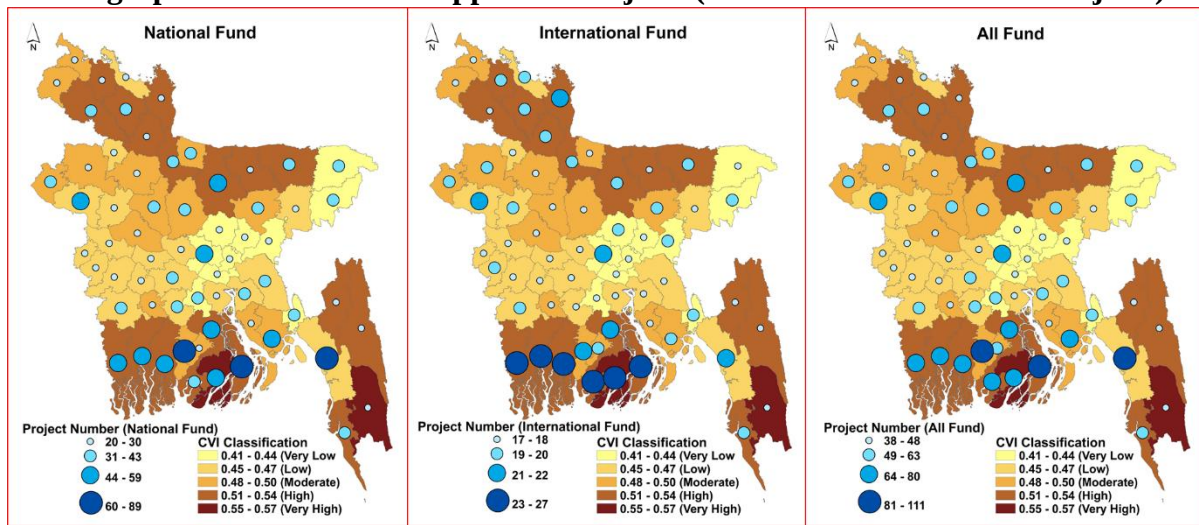
Figure 1: Inconsistency between District-wise Levels of Vulnerability and Fund Allocation (Based on Allocation from Climate Funds)



Discrepancy between Climate Vulnerability and Number of Approved Projects

The approval of projects funded by the national fund did not take into account the level of climate vulnerability. As a result, districts with lower vulnerability received more project approvals. In contrast, project approvals from international funds were more concentrated in districts with higher vulnerability.

Figure 2: Inconsistency between District-wise Levels of Vulnerability and the Geographic Distribution of Approved Projects (Based on the Number of Projects)



Lack of Coherence Between Scale of Vulnerability and Fund Allocation

Correlation analysis between district-wise fund allocation and the district-wise Climate Vulnerability Score (from the Nationwide Climate Vulnerability Assessment – NCVA) reveals a correlation coefficient of 0.2 for national funds, and 0.4 for international funds. This suggests that fund allocation does not align well with the levels of vulnerability caused by climate change. Additionally, highly vulnerable districts have not been given priority in fund allocation. In the context of Spearman's Rank Correlation, a value close to one (1) indicates a strong relationship between vulnerability levels and fund allocation, whereas a value close to zero (0) indicates a weak or nearly nonexistent relationship. Based on these findings, it is evident that coherence between fund allocation and climate vulnerability has not been achieved.

Inconsistency in Project Implementation with Geographic Distribution of Disaster Risks

There is a noticeable lack of coherence between the geographic distribution of risks and the approval of projects funded by both national and international sources. For instance, projects addressing salinity and cyclones have been implemented in areas that are not vulnerable to these issues. Similarly, projects have been implemented in regions not prone to floods or flash floods, while many flood-prone areas have not received any projects at all. Furthermore, drought-related projects have been implemented in districts that are not prone to drought, whereas drought-prone areas have not received any projects aimed at mitigating its impacts. Overall, project implementation has not been consistent with the geographic distribution of specific risks.

Effectiveness of Funds

Insufficient Fund Allocation from Different Funds Compared to Requirements

Bangladesh requires an estimated USD 12,500 million annually to effectively combat climate change. However, between 2015 and 2023, an average of only USD 86.2 million per year was allocated from national and international funds, which is just 0.7 percent of the annual requirement. The funding allocated from the national fund/BCCT has been gradually decreasing, declining at an annual rate of 8.2 percent. Meanwhile, although annual allocations

from international funds have increased by 43.8 percent, they still fall short of meeting the actual need.

Prioritizing Loan-based Climate Finance

Despite global commitments to prioritize grant-based climate finance for vulnerable countries, Bangladesh has disproportionately relied on loans from international climate funds. Notably, 43.6 percent of the climate finance approved for Bangladesh from these funds comes in the form of loans. Additionally, Bangladesh is the second-largest recipient of climate-related loans in South Asia.

Delays in Project Fund Disbursement

Significant delays were observed in the disbursement of funds from both the national and the international funds. For national fund/BCCT, the average time from project approval to the first installment was 388 days (n=409), with a range of 22 to 1,561 days. For international funds, the time from approval to the first installment ranged from 33 to 2,128 days (n=18).

Lack of Mainstreaming of Climate Change-related Activities

Project approvals from both national and international funds have been heavily concentrated in a few ministries. Ministries crucial for addressing climate change, such as the Ministry of Women and Children Affairs, and the Ministry of Health and Family Welfare, have undertaken only 0.4 percent (4 projects) of the total approved projects. Many other government institutions show little interest in preparing project proposals or implementing projects. Out of 942 projects funded by national and international funds, 86 percent are implemented by three ministries. These ministries are - the Ministry of Local Government, Rural Development and Cooperatives; the Ministry of Water Resources; and the Ministry of Environment, Forest and Climate Change.

Shortcomings in Achieving the Expected Outcomes from National Fund/BCCT

Although the BCCT is the largest national fund among those established in South Asian countries, it has struggled to adopt innovative projects. Its effectiveness has been questionable due to concerns about integrity and the expected outcomes. In contrast, the Sri Lanka Climate Fund operates with limited resources but is relatively innovative and accountable. This fund mobilizes resources from carbon markets, private investments, and international funding to implement its initiatives. By ensuring integrity and encouraging innovation, Sri Lanka Climate Fund has become a model for other South Asian countries.

Failure to Implement Funded Projects within the Scheduled Time

Although projects are initially approved for relatively short durations, their implementation frequently encounters substantial delays. Among nationally funded/BCCT projects, the majority have required deadline extensions; specifically, 549 out of 891 projects (61.6 percent) received extensions. In the time of project approval, the average project duration was 648 days, but later extended to 1,515 days, an increase of 867 days or 133.8 percent. Similarly, for international projects, 21 out of 51 (41.2 percent) were extended, with the average duration increasing from 1,958 to 2,978 days, the count of increase is 1,020 days or 52.1 percent.

Accountability of Funds

Inadequate Project Monitoring in National and International Funds

According to BCCT policy, there needs to be regular monitoring of each project, along with an evaluation process after project completion. However, BCCT has never monitored 24.3 percent of its projects. Although a monitoring checklist/template exists, it is not comprehensive, and the reports generated are routine work. Consequently, weaknesses in project implementation and the actual outcomes of the undertaken activities are not effectively identified. Since BCCT lacks divisional branch offices, there are difficulties to monitor project activities across all divisions from Dhaka office. There are also significant shortcomings in the monitoring of projects from international funds. Aside from the Bangladesh Climate Change Resilience Fund (BCCRF), no other international fund at the national level has a dedicated project monitoring system. Furthermore, there is a lack of coordination among relevant ministries, local administrations, and funding agencies in carrying out monitoring activities.

Insufficient Auditing of National Fund/BCCT Projects

The Office of the Comptroller and Auditor General (CAG) of Bangladesh is responsible for auditing government expenditures and all government development projects. However, projects of BCCT have not been regularly audited by CAG. Although one project was audited in 2015, there have been no audits of any other projects since then.

Insufficient Project Evaluation of National Fund/BCCT

The Monitoring and Evaluation Division (IMED) does not consistently supervise and evaluate the BCCT projects. Additionally, most projects lack third-party evaluations. As of 2024, out of 585 completed projects, only 90 (15.4 percent) have been evaluated by third party organizations. The impact of the remaining 495 projects (84.6 percent) has not been assessed. Instead of evaluating all projects, the BCCT has biasedly selected only well-performing projects as samples for evaluation. Furthermore, project monitoring reports are not comprehensive, which raises concerns about accountability, the effectiveness of achieving sustainable results, and overall value for money of the projects.

Lack of accountability in National Fund/BCCT

Questionable Role of BCCT in Fund Management

BCCT, as a fund manager, does have lacking in terms setting the terms and conditions for project implementation and contracting with the implementing agencies. The implementing agency has no accountability to BCCT for matters such as contractor appointments, the issuance of work orders, adherence to project implementation terms, quality assurance of work, or the submission of financial and technical reports, including expenditure documents and other related issues.

Inadequate Documentation and Management

The implementing agencies are not providing BCCT with the necessary documents related to contractor appointments, bill payments, and project audit reports. BCCT officials assert that these responsibilities fall solely on the project implementing agencies. As a fund manager, it bears no responsibility in these areas. Since the fund's establishment in 2009, BCCT has not collected any documents or information regarding these matters, and therefore, it lacks any available information on them. As a result, there is no institutional repository for the knowledge

gained through the implementation of the fund and its activities, nor is there a system in place for exchanging the information.

Lack of Transparency in Fund Implementation

There is a lack of transparency in the activities of the National Fund. Specifically, project proposals, monitoring reports, and annual progress reports are not published regularly. While international funds have policies and practices in place for information disclosure, some funds, such as the PPCR and SREP, only partially disclose information in certain instances.

Participation and Coordination in Climate Funds

Lack of Ensuring Stakeholder Participation

Vulnerable communities, including local populations, indigenous peoples, and women, were often excluded from meaningful participation in selecting and assessing the needs of climate change projects funded by national and international funds. Furthermore, the involvement of affected communities, civil society, and local residents in the management of national funds and project implementation is limited.

Lack of Coordination among Project-Related Stakeholders

There is currently no unified platform that brings together the institutions responsible for developing climate change-related laws, policies, and plans, implementing projects and managing funds, and ensuring coordination at both national and international levels. As a result, coordination among key institutions, funding bodies, project-implementing ministries or divisions, and other relevant stakeholders is lacking. Additionally, there are gaps in establishing national priorities and coordinating the activities of various funding sources. Furthermore, effective information exchange between the funds, ministries, and responsible institutions is insufficient.

Irregularities and Corruption in Funds

Irregularities in BCCT Decision-Making Process

The BCCT Board, in political consideration, decided to keep fixed deposit a significant portion of its fund in an inefficient bank like Padma Bank. This has created concerns about the recovery of these funds. Specifically, USD 72.8 million of BCCT's money was deposited in Padma Bank, which has failed to return the money after the maturity of the fixed deposit. Although a higher interest rate was cited as a reason for choosing this bank, there is no evidence that other state-owned and private banks were considered as alternatives. Furthermore, no institutional actions have been taken against the decision-makers involved in this process, including the Trustee Board.

Cancellation of Projects from Climate Funds

A total of 35 BCCT projects, representing 3.9 percent of the total, have been canceled due to various irregularities, including flaws in project design and implementation. The total funding allocated for these canceled projects was USD 19.8 million, with only USD 0.7 million disbursed across four projects. Additionally, in 2016, 13 million pounds from the BCCRF were withdrawn by the development partners due to higher service charges, bureaucratic

complexities, and delays in project approval and fund disbursement by World Bank alongside lack of coordination, and disagreements among stakeholders.

Conflict of Interest in BCCT fund Allocation and Project Implementation

The Minister, ministry of Environment, Forest, and Climate Change, is ex officio as the Chair of the Board of Trustee of BCCT. The Board consists of 16 members, Ministers or State Ministers, and Secretaries from different ministries, and the Governor of Bangladesh Bank. The Board is responsible for approving BCCT projects. During the period from 2010 to 2013, the Board Chair misused his authority to approve an excessive number of projects and larger funding allocations for their own electoral area. Specifically, the Board Chair approved an allocation of USD 23.6 million for his own constituency district. In contrast, equal vulnerable districts received an average allocation of only USD 1.5 million. Overall, the Board Chair allocated 1,473.3 percent more funds to his own district compared to other equal vulnerable districts during his tenure. During the tenure, the Board Chair received an average annual allocation of USD 5.9 million. While he was not the Board chair after his tenure, the average allocation fell to USD 1.6 million.

Conflict of Interest in BCCT Project Approval

The Minister and the Deputy Minister of the Ministry of Environment, Forest, and Climate Change engage in unethical interference during the decision-making process for approving projects with their personal interests. In some instances, project proposals are submitted to the BCCT just one day before the Board Meeting, forcing the Technical Committee to hold a nominal meeting and forward these proposals to the Board. Informants indicate that these projects are often predetermined for approval by the Board. Furthermore, The Minister and State Minister from various ministries that receive substantial funds from BCCT, including the Board Chair, exert undue influence to approve projects that are submitted by their own ministries. The Board Chair and members tend to approve projects that benefit their own ministries and electoral areas. Overall, this often results in the approval of projects that are pre-determined, projects with personal interests of the Board members or have conflict of interest with the Board Members. Meanwhile, BCCT officials assert that they do not play a role in approving project proposals, claiming instead that they merely act as "Cashiers."

"All of them are political figures, each trying to secure projects for their own constituencies. When a project is not allocated to their area, they often refuse to give approval. Members of Parliament and ministers tend to prioritize projects from their own constituencies, sometimes adjusting proposals to make them look aligned with climate change goals, even when these are not. As a result, corruption starts at the project selection stage and continues through implementation." - **An official involved in BCCT fund evaluation**

Political Considerations of the Board Chairs in the Approval of the BCCT Projects

From 2010-2023, four Board Chairmen have allocated the highest funds to infrastructure and mitigation themes for political and business interests, including providing financial benefits to party activists. Project proposals are submitted to BCCT through the collusion of local leaders of the ruling party and contractor firms, aiming to expand political influence. According to relevant informants, climate funds are approved based on their demands, and projects are

implemented under their direct or indirect control. In project implementation, priority is given to contractor firms associated with the ruling party. In some cases, "signboard-only" projects are undertaken, and relevant stakeholders claim that funds have been embezzled through the collusion of the Board Chairman, local leaders, and contractors, without actually implementing project activities.

Commercial Interests in the Approval and Implementation of the BCCT Project

Between 2019 and 2023, the BCCT Board approved a total of 373 projects. Of these, 216 projects, or 57.9 percent, were focused on the installation of solar streetlights in municipalities and other areas. Notably, most of these solar streetlight projects were approved during the tenure of one Board Chairperson, whose personal business interests in the sector have, allegedly influenced the approval process.

Irregularities and Corruption at Various Stages of BCCT's Project Implementation

Approval of Projects Unrelated to Adaptation: Projects such as the construction of safari parks and Eco parks have been undertaken with project funds.

Substandard Project Implementation: Although the expected operational lifespan of solar panels is five years, evidence indicates that many units became non-functional within just one year of installation, either producing insufficient light or shutting down after operating for a short period. Furthermore, evidence reveals that procurement documents for solar equipment from other projects were presented as part of BCCT project records. Such false documentation led to unauthorized withdrawals of project money from BCCT.

Approval of Overestimated Project Proposals and Embezzlement of Funds: Out of a total of 216 solar street light projects approved by BCCT, between 2019-2023, most project proposals were approved with an overestimation of equipment. Overall, the overestimation ranged from 47.1 percent to 57.1 percent. Funds were also embezzled by installing low-quality street lights. In some instances, while approval was granted to procure and purchase solar street light equipment originated from Germany, instead, low-quality solar streetlights from China were procured and installed. The estimated amount of money embezzled from solar street light projects alone is between USD 17.0- 20.7 million.

Irregularities in Tender and Work Order: Tender related irregularities often arise from collusion between project implementing agencies and contractors once the project is approved from BCCT. In some cases, the selection process lacks competitiveness, and contracts are awarded to bidders with personal or political interests instead of to the lowest bidder.

Submission of False Information in Project Proposals and Project Implementation: Project proposal was submitted for the reconstruction of polders and embankments; however, such structures had never existed in the project area. The BCCT approved the proposal without conducting proper verification. Although the stated objective was to enhance the protection of business and trade, there were no commercial establishments in the area. Similarly, projects aimed at increasing agricultural production were inconsistent because there was no agricultural land within the project area. Additionally, contractor have embezzled funds by showing projects as completed without performing the work according to the approved project proposals and contracts.

Implementation of Project Activities in Violation of Design: Approved designs and specifications were not followed in the construction of drains, roads, and embankments under several projects. In certain instances, the amount of work completed was less than the approved one. The original project proposal included plans for 600 meters of canal excavation and maintenance; however, only 345 meters of canal excavation and bank protection were completed. Instead of installing 330 tube wells at the proposed depth of 965 feet, they were installed at depths ranging from 650 to 750 feet. Additionally, the projects were executed without aligning the approved designs with the actual work performed. For example, while approval was granted for the construction of 1.92 kilometers of road and 37.80 meters of drainage culvert, only 252 meters of road with a drainage were actually constructed.

Collection of Unauthorized Payment from Project Beneficiaries: Instances of collection of unauthorized money from project beneficiaries were reported. For example, although the stipulated cost for an improved cook stove was BDT 800, beneficiaries were charged up to BDT 1,200 in some cases. Despite the promise of providing tube wells free of charge, in some cases, BDT 1,500 was collected.

Estimation of Corruption in the National Fund/BCCT

Between 2010 and 2024, a total of USD 458.5 million was approved for 891 projects. However, the estimated amount lost to corruption during this period is USD 248.4 million, equivalent to BDT 2,110.6 crore (Table 5). Despite the approval of most of the projects being influenced by collusion among Trustee Board and Technical Committee members, and taken in political considerations, BCCT officials responsible for managing the funds, failed to take any measures to prevent such corruption.

Table 5: Estimation of Corruption in BCCT Projects by Sectors of Corruption

Sector of Corruption	Rate of Corruption (%)	Amount of Corruption (Million USD)	Amount of Corruption (Crore Taka)
Bribery and Illegal Transactions in Project Approval	4.5	20.6	175.0
Collusion in tendering, contractor selection, and sub-contracting	15.4	70.6	599.9
Embezzlement of Funds during Project Implementation	32.9	150.8	1281.3
Bribery to Monitoring Officials during Monitoring	1.4	6.4	54.4
Total	54.2	248.4	2110.6

Irregularities and Corruption in the Implementation of International Climate Funds

The Green Climate Fund (GCF) exhibits significant deficiencies to prevent irregularities and corruption at the field level implemented by the implemented entities. Work order is awarded to a contractor in collusion with a local political leader involved with decision making of the project implementation, resulting in funds being transferred from contractors account to the

personal bank accounts of the local political leaders account. Allegations further suggest that local political leader involved with decision making received unauthorized compensation amounting to 2–3 percent of the total project cost from the contractor. Additionally, the process of contractor selection appears to be biased, influenced by political connections and collusion with local administration. Concerns have been raised regarding the use of substandard construction materials in various projects. Besides, there are instances of corruption in the Pilot Program for Climate Resilience (PPCR) project. A government engineer allegedly established a school-cum-cyclone shelter center adjacent to his residence, to show his power and influence. While selecting the location of cyclone shelter cum school, it prioritized personal gain over the actual needs of the intended beneficiaries. Despite the numerous allegations of irregularities and corruption concerning the management of international climate funds at the local level, the official response has been insufficient, with minimal actions taken to address these critical issues.

Overall Observations

Although the government has developed various plans aligned with national and international commitments, inconsistencies persist among these plans regarding their timeframes, budgets, implementation priorities, and target settings. It was not possible to access and mobilize the necessary climate finance from national and international sources to implement these plans. While the government allocates some climate-related funds within development projects from the national budget, the amount remains minimal compared to the total estimated annual requirements. Consequently, significant gaps exist in integrating and mainstreaming climate change issues into regular development programs to reducing climate risks, and ensuring sustainable outcomes. On the other hand, although there was an opportunity to implement specific programs focusing on vulnerable areas and affected communities from climate funds and achieve sustainable results, this has not been achieved due to irregularities and corruption.

The existing laws and policies concerning climate change also exhibit significant weaknesses. Notably, the Bangladesh Climate Change Strategy and Action Plan (BCCSAP, 2009) and the Bangladesh Climate Change Trust Act, 2010 are no longer aligned with changed climate change context. Overall, due importance has not been given to climate finance and related activity implementation in Bangladesh which is reflected through negligible budget allocation compared to needs, demand, geographical realities, and project selection inconsistent with plans and policies, and a lack of long-term planning. Significant gaps is also observed in all indicators of good governance in the activities of the climate funds, such as limitations in laws, policies, and planning, the absence of various policies/guidelines, inconsistency in fund allocation considering the scale of vulnerability, lack of capacity in project implementation, lengthy procedures in fund collection, disbursement, and implementation. Additionally, there are weak accountability structures and practices, lack of transparency and disclosure of information, deficiencies in stakeholder participation and coordination, and prevalence of irregularities and corruption along with inadequate measures to prevent corruption.

The prevalence of irregularities and corruption in this sector suggests it has become a new avenue (window) for corruption. Various stakeholders- including decision makers of funds, implementing officials, and contractors have engaged in conflicts of interest, abuse of power, embezzlement, and bribery, escalating the issue. The widespread corruption and the failure to

prevent it in the allocation and implementation of climate funds not only lead to a significant waste of limited climate finance but also undermine the effectiveness and utility of these climate funds. Consequently, these challenges jeopardize the integrity of climate finance and raise concerns that future allocations for the climate change may decrease.

Recommendations

1. The BCCSAP 2009 and other national climate plans should be updated to address recent climate change issues. Increase the climate finance allocation in BCCT and development projects to implement the climate related national and international plans.
2. Amend the Climate Change Trust Act, 2010
 - Include the provisions regarding the appointment and promotion of human resources
 - Establish an independent Trustee Board, consisting of members with subject-specific expertise
 - Include at least one employee from the BCCT in the Technical Committee to evaluate BCCT project proposals
 - Increase the financial allocation ceiling under the fund for implementing medium- and long-term transformative projects
 - Clearly specify and enforce the applicable national laws within the Trust Act to prevent irregularities and corruption
 - Clearly define the responsibilities of BCCT officials as financial and technical managers with respect to project proposal evaluation, determination of project implementation contracts and terms, project approval, monitoring of project implementation progress and fund disbursement, field-level project supervision, and document management
 - Incorporate new provisions on corruption, conflicts of interest, stakeholder engagement financial management, environmental and social impact assessments, and auditing and monitoring in the Trust Act
3. In addition to the revenue budget, pursue diversified and innovative climate finance got BCCT. Adopt proper strategies to mobilize resources from international climate funds, participate in carbon trading and Clean Development Mechanism (CDM) initiatives, and foster partnerships with private-sector investors to enhance the sustainability of the fund
4. Prepare a comprehensive roadmap to ensure theme-based, vulnerability and disaster risk-based and institutional priority-based project implementation for BCCT. The roadmap should include short-, medium-, and long-term activities, with corresponding funding, project approvals, and implementation plans.
5. BCCT must restrict the approval of short-term and small-scale projects. Prioritize medium- and long-term initiatives in remote and hard-to-reach areas, such as climate-vulnerable districts and sub-districts, where development projects cannot adequately address climate change related challenges.
6. Establish an independent oversight body to regularly monitor and audit both national and international climate finance and climate-relevant activities

7. Prioritize geographical vulnerability indices and disaster risks indicators to ensure transparency and accountability and integrity in project approval and implementation
8. Designate an institution as the focal point for coordinating climate change issues at the national level. Ensure coordination and communication through this institution, to formulate and communicate the national and international strategies and plans alongside stakeholder communication.
9. Initiate a full investigation against those involved in irregularities and corruption in projects funded by national and international climate funds, and held them accountable. In particular, anti-corruption commission must investigate allegations of irregularities and corruption of infrastructure and solar street lighting projects.
