Executive Summary

Justice in Balance: Climate Debt Relief and the Rise of Natural Rights Led Governance

Dhaka, 20 September 2025

Bangladesh faces a loan-driven **climate debt trap**: high debt-to-grant ratios, delayed disbursement, and sustained underfunding of climate adaptation. Without a **grant-first approach** and rules against **misattribution** of fossil fuel-based projects as “climate finance”, fiscal space will tighten, human losses will compound, and resilience will stall.

Key Takeaways

- **Per-capita cumulative climate debt: USD 79.61** (≈3× of LDC average)
- **Debt-to-grant (overall): 2.7: 1** (highest among 55 countries)
- **MDB debt-to-grant: 0.94** (≈5× MDB average)
- **Adaptation-to-mitigation (overall): 0.42** (adaptation starved)
- **Disbursement-to-commitment: 0.63** overall; **0.32** via Multilateral finance.

Systemic Distortions

- **Sector skewness:** Energy absorbs the majority share, **loan-dominated** (loan-to-grant ≈ **11.99**), while agriculture, disaster preparedness, health, and industry are **significantly underfunded**.
- **Misattribution:** ~**18.84%** funds channeled to fossil fuel project and attributed as “climate finance” (loan-to-grant ≈ **28.8**), **inflating** Bangladesh’s national loan ratio from **2.07** to **2.70** and compromising resilience.

Bottom Line: Immediate, enforceable **grant-first** rules, **anti-misattribution** standards, and **direct local access** are required to avoid deeper debt and escalating losses.

2) What the Index Measures

- **Scope & Data Sources:** 2002–2023 flows and forecast outlook to 2031; multi-source economic and governance data integrated with climate-related indicators.

- **Core indicators:** Disbursement to commitment, debt to grant, adaptation to mitigation, climate-debt to GDP, climate-debt to tax revenue, per-capita climate debt vs income and emissions, and cumulative per-capita burden.
- **Forecasting:** Economic, fiscal, and governance composite to project debt-trap risk trajectory (2025 → 2028 → 2031).
- **Materiality:** Indicators are selected to reflect decision relevance (fiscal pressure, delivery risk, human exposure) and to communicate real policy and portfolio decisions.
- **Quality guardrails:** Cross-checks the fossil fuel misattribution as “climate finance”; sectoral analysis (energy, water, transport, agriculture, health, industry, multi-sector).

3) Bangladesh Findings

A. Structure & Delivery

- **Debt>Grant:** Overall **2.7 : 1**; **MDB** finance **0.94 : 1**.
- **Slow disbursement: 0.63** of committed finance actually disburses; **MDB** disburses **0.32**.
- **Adaptation gap: 0.42** adaptation/mitigation ratio (resilience stalled).

B. Sectoral Analysis

- **Energy: USD 2.54B**; loan-to-grant ≈ **11.99**; almost entirely **mitigation**; medium delivery.
- **Transport & storage:** Loan-to-grant ≈ **1123 : 1**; high debt exposure despite good delivery.
- **Water supply:** Loan-to-grant ≈ **7.78**; adaptation-focused but **slow** delivery (0.41).
- **Agriculture & disaster preparedness: All-grant** but **tiny volumes** vs need; decent delivery.

- **Health, industry, population: Negligible** climate allocations (clear resilience gap).

C. Misattribution Forensics

- **18.84%** of the portfolio labeled “climate” is actually **fossil**, with loan-to-grant **28.8**.
- This **artificially worsens** national debt metrics (overall ratio **2.07 → 2.70**) and **diverts** money from embankments, mangroves, water security, primary health preparedness, and community resilience.

D. Needs vs Flows

- **NAP (2023–2050): ≈ USD 230B** (**≈ USD 8B/yr**), ~**USD 6B/yr** external.
- **Historical adaptation finance secured: ≈ USD 1.41B** total (<< 1% of need).
- **Mitigation NDC gap:** Large under-provision vs unconditional/conditional needs; current mobilization covers a small fraction.

4) Risk Outlook

- **CDRI-25 score: 65.37 out of 100 (High)**; drifting up to **65.63** by 2031 absent reform.
- **Fiscal crowd-out risk:** Rising climate debt service **displaces** social spending (health, education) and slows recovery after shocks.
- **Human impact:** Higher displacement, food insecurity, and mortality from floods, cyclones, heat, and disease outbreaks if adaptation remains underfunded.

5) Pathway toward Just Climate Finance (NRLG)

Principle: People and ecosystems hold **natural rights** to exist, recover, and thrive. Finance must **follow those rights** - as **obligation, not charity** - with **debt-free by default** for adaptation and loss & damage, **direct local access**, and rules that **ban misattribution**.

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Policy Remedies: What must change now

A. Rules for Bilateral and Multilateral Finance

1. **Grant-first standard:** ≥ **70%** of adaptation and **100%** of loss & damage funds as **grants**.
2. **Anti-misattribution code:** Exclude fossil fuel projects from climate finance tags; publish carbon screens; independent audits.
3. **Fast-track delivery:** Simple templates; 180-day decision clocks; rolling tranches tied to transparent milestones.
4. **Debt exits:** Targeted **debt-for-nature swaps** and climate-debt cancellations linked to verifiable restoration/resilience outcomes.
5. **Earth Solidarity Fund:** Grant-only, capitalized by carbon pricing and transaction levies; country windows for LDCs.

B. Country Platform for Bangladesh

1. **BNRF launch:** Transform BCCTF into **Bangladesh Natural Rights Fund (BNRF)**; rights-based allocation; community stewardship mandates.
2. **Local access windows:** Community-level windows with small-grant ceilings; fiduciary and MRV trainings.
3. **Adaptation pipeline:** National pipeline for embankments, mangroves, safe water, heat-health systems, climate-smart agriculture, shock-responsive safety nets.
4. **Disclosure & integrity:** Public dashboards for all climate projects (amounts, terms, carbon screen, delivery status).

6) 12-Month Implementation Roadmap: An Accountability-First Approach

Day 0–100

- Issue **Government Circular** adopting grant-first finance, anti-misattribution standard, and BNRF transition.
- Publish **Bangladesh Priority Adaptation Pipeline** (top 25 projects; budgets, terms).
- Convene **MDB Taskforce** to convert eligible pipeline items to grants-based funding; agree on 180-day decision clock.
- Launch **Local Access Pilots** in 10 municipalities with rapid small-grant windows (water, heat-health, embankments).

Month 4–8

- Sign first **debt-for-nature swap** tied to coastal wetlands and riverbank protection.
- Operationalize **BNRF** governance (board incl. communities; integrity & audit committees).
- Stand up **public dashboard** (real-time disbursement, milestones, carbon screens).

Month 9–12

- Secure **Earth Solidarity Fund** grant for 2–3 flagship adaptation projects.
- Independent **misattribution audit**; reclassify portfolios; publish fixes.
- Table COP-aligned **Country Justice Statement** (NRLG pathway + verified delivery wins).

7) Monitoring, Verification & Learning Strategies

Six KPIs (publish quarterly)

1. **Grant share in adaptation (%).**
2. **Misattribution rate (%)** - target: → **0**.

3. **Disbursement speed** (days from approval to first tranche).
4. **Debt-to-grant ratio (overall/MDB).**
5. **Household co-financing burden** (Tk/year) - target: **downward trend**.
6. **Lives & livelihoods protected** (people with improved flood/heat/water security).

Verification: Third-party carbon/adaptation screens; community scorecards; open contracts; machine-readable data.

8) Risks & Mitigations

- **Risk:** Grant scarcity or donor fatigue → **Mitigation:** Pooling via Earth Solidarity Fund; phased tranches tied to transparency milestones.
- **Risk:** Delivery bottlenecks → **Mitigation:** Simplified templates; municipal fiduciary coaches; standardized procurement.
- **Risk:** Policy slippage → **Mitigation:** Legal codification of anti-misattribution; public dashboard; independent oversight.
- **Risk:** Exchange-rate shocks → **Mitigation:** Local-currency grant windows; hedging in fund design.

Annex: Definitions

- **Debt-to-Grant Ratio:** How many dollars of loans per dollar of grants.
- **Disbursement-to-Commitment:** How much of pledged money actually arrived.
- **Adaptation-to-Mitigation:** Share of funds for protecting people and systems vs cutting emissions.
- **Misattribution:** Tagging fossil or non-climate projects as “climate finance”.