

CLIMATE FINANCING: A WAY OUT FOR PAKISTAN

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



Background

“Helping Pakistan in climate crisis is ‘not a charity from western countries; the people of Pakistan are paying the price for the industrialization of richer nations.’”

Bilawal Bhutto Zardari; Foreign Minister of Pakistan¹

Climate change has become an overwhelming force, pressing for immediate action. Unfortunately, many countries face limitations when it comes to taking action and implementing climate-resilient structures, mechanisms, and policies. Globally, Pakistan is among the top ten most climate-vulnerable countries,² with a negligible 0.8% of global carbon contribution.³

In recent times the economic difference between the climate inducers and sufferers has increased exponentially becoming an issue of concern and altercation between the Global North and Global South. While the contributors – Global North – have the power to take appropriate and timely actions their lack of will have only created friction between the victim countries – Global South - and Pakistan is no exception.

¹ Shamil Shams, “Pakistani FM Bilawal Bhutto calls for Climate justice”, DW-made for minds, October 7, 2022, <https://www.dw.com/en/pakistan-bilawal-bhutto-calls-for-climate-justice-rejects-western-pressure-over-ukraine/a-63375633>

² “Global Climate Risk Index 2021, Who suffers most from Extreme Weather Events? Weather-Related Loss Events in 2019 and 2000-2019,” German Watch Office Bonn, 2021, (Web Link)

³ Hannah Ritchie and Max Roser, “Pakistan: CO2 Country Profile”, Our World in Data, <https://ourworldindata.org/co2/country/pakistan#what-share-of-global-co2-emissions-are-emitted-by-the-country>

Due to the deteriorating climatic conditions, Pakistan finds itself in the eye of the storm. Unusual weather patterns, extreme rainfalls and monsoons, floods, and droughts are not only contributing to the loss of lives, and displacement, it is also putting huge economic pressure on the country as it impacts agriculture directly.

It is well established that climate change and the economy are intricately linked and have a profound impact on each other. The economic consequences of climate change are far-reaching and for a developing country like Pakistan, the threat posed by climate change as well as its limited ability to act is a challenge of immense proportion. In addition, Pakistan's economy faces both international economic pressures – including the rise in oil prices, tight fiscal and monetary policies – and internal climatic stresses. On one side there is immensely growing inflation and on the other unusual rainfalls and heat waves are destroying standing crops and fields.

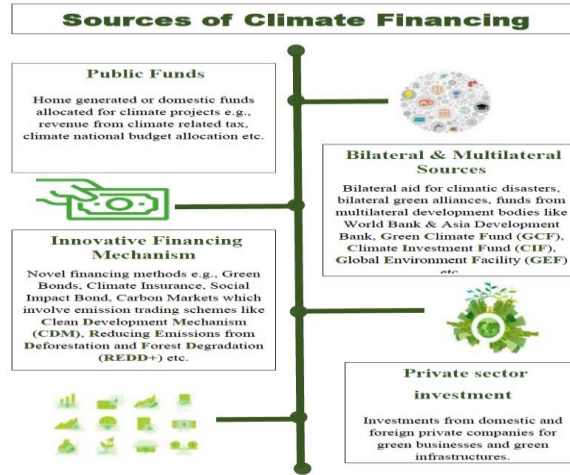
Climate Financing

Climate financing is a financial route offered by developed countries, as well as international and private organizations to support developing countries in their efforts to mitigate and adapt to climate change. It is based on the principle, of “common but differentiated responsibility and respective capability,”⁴ meaning that all countries will work for a common objective according to their tendencies like climate change. Under the framework, the developed world will support climate-resilient efforts in the developing world by providing financial assistance.

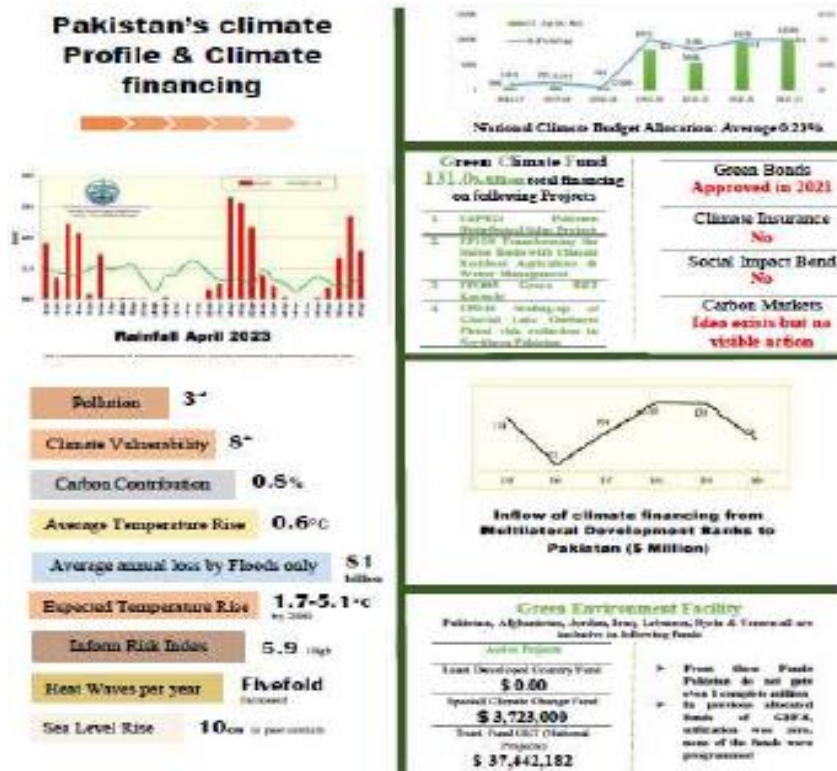
Climate financing mechanisms provide opportunities for countries like Pakistan to access financial resources. Such financing can accelerate global climate action to a greater extent, leading towards global sustainability and climate resilience.⁵ The chart below shows multiple sources of climate financing that can be used by developing countries:

⁴ “Introduction to Climate Finance,” United Nations Framework Convention on Climate Change, <https://unfccc.int/topics/intodctionto-climate-finance>

⁵ “Climate Finance: Sources of Funding and Instruments”, Inter-American Development Bank Infrastructure and Environment Sector Climate Change and Sustainability Division, https://unfccc.int/files/gender_and_climate_change/application/pdf/a1_moderator_amin.pdf



At the national level, Pakistan has developed its National Climate Change Policy⁶ to adapt and mitigate measures on climate change. However, the magnanimity of the crisis and challenges beg global financial help to effectively implement these measures and build resilience against climate change.



The above profile reflects Pakistan’s limited access to international and regional climate finance organisations. There is a dire need for multifaceted mechanisms to curb and curtail the nature of

⁶ “National Climate Change Policy”, Ministry of Climate Change, Government of Pakistan, October 2021, <https://mocc.gov.pk/SiteImage/Policy/NCCP%20Report.pdf>

devastation and crisis caused by climate change that can deal with both climate and economic problems simultaneously.

Pakistan has been unable to secure financial help from multiple international financing sources like Carbon Markets, Climate Insurance, and Green Alliances. While many other grants, concessional loans, and technical assistance like Loss and Damage Funds are mere pledges with zero implications.

The Donor's Conference of January 2023, in which \$9 billion were pledged to support the 4RF (Resilient, Recovery, Rehabilitation and Reconstruction) Framework⁷ remains to be met. While the pledge was made months ago, no progress on the ground has been made.⁸ On the contrary, other countries in South Asia that have similar climate profiles as Pakistan are receiving more funds. Bangladesh is currently receiving \$ 374 million under Green Climate Fund, nearly 3 times higher than the GCF Pakistan has received.⁹

Issues Impeding Climate Finance in Pakistan:

Some of the major problems behind the provision of insufficient funds are listed below:

- ***Lack of Institutional Capacity***

Pakistan's insufficient technical expertise and weak institutional frameworks hinder its ability effectively manages, allocate, and utilise funds resulting in low-climate investments.

- ***Weak Governance***

Pakistan has longstanding issues of weak governance mismanagement, effective management and transparency which influence the flow of international funding; hampering financial institutions' trust.

- ***Political and Economic Instability***

Political and economic instability and uncertainty regarding policy continuity, regulatory frameworks, and weak economic structures are among the major reasons that have created a challenging environment for potential investors in Pakistan as it discourages the financiers from committing to long-term climate finance projects in the country.

⁷ International Conference on Climate Resilient Pakistan, Geneva, 09 January 2023, <https://www.undp.org/international-conference-climate-resilient-pakistan>

⁸ "International Conference on Climate Resilient Pakistan Geneva, 9 January, 2023," Ministry of Foreign Affairs, Government of Pakistan, January, 2023.

⁹ "Bangladesh", Green Climate Fund, <https://www.greenclimate.fund/countries/bangladesh>

- ***Global Competition***

The landscape of international funding is always competitively challenged by political influences and alliances. Not only do receivers compete with receivers but donors have also competition with donors because every major power in the world wants to sustain its power and enhance its influence. For becoming a priority for international donors, countries must align their needs and proposed projects with the demands of investors.

- ***Lack of Awareness and Public Engagement:***

In Pakistan, the most vulnerable ones are the most uninformed about climate change, its effects, and ways of coping. This is because, for the most part, climate talks include and engage only people at the higher levels whether at the governmental level, public and private engagement or institutional level. There is no individual or community-level involvement, which creates difficulty in accessing and effective management of climate funds.

Recommendations

Despite slow progress, challenges remain in accessing and effectively utilizing climate financing. To achieve substantial climate finance, it is imperative that:

1. Discussion of climate at a local level with the public, of course not in very fancy environmental terms but in simple language which could be understood by general people.
2. Enhancing the capacity of district, tehsil, and union administrations to develop localized climate action plans, access funding, and implement projects that address the specific needs and vulnerabilities of their communities.
3. Providing farmers and vulnerable communities with climate-related disaster insurance through creating financial bonds between the government and climate-vulnerable groups and sectors such as farmers/agriculture.
4. Decentralizing ideas like the carbon market, green bonds, and green businesses through engaging people in climate-centric activities.
5. Promoting and strengthening climate entrepreneurship among youth.
6. Encouraging and facilitating collaboration and partnership between the public and private sectors to leverage climate finance for sustainable climate-resilient projects.

7. Establishing climate knowledge hubs and centres where people can learn and get help in taking climate-centric actions.
8. Launching targeted media campaigns on all media forums; electronic, print and social so that people pay attention towards this pressing issue and get encouraged about creating an environment which is attractive for climate financiers.
9. Engage people in climate-centric projects, to help not only educate people about climate-sustainable and resilient mechanisms but also attract more international climate investors.
10. Propagate effective climate financing to the public, by addressing the devastating survival threats of climate change and the immediate need to act.

Conclusion

Pakistan is among the most climate-stressed countries and faces several challenges in accessing sufficient climate finances, which is a great hurdle in dealing with climate change impacts. Thus, targeted awareness campaigns, strengthening of national institutions, encouraging private sectors, and public and youth engagement is highly needed in effective mobilization and access of international climate finance. By implementing the given recommendations, Pakistan can make significant strides in mitigating and adapting to climate change, while ensuring a sustainable, resilient and prosperous future.