

## **Detailed SUMMARY of the [Debt, climate, inflation], [Ali Tauqeer Sheikh], [Published on April 25th, 2024]**

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The article discusses the significance of debt, climate change, and inflation in global financial discussions, particularly in the recent spring meetings of the World Bank and IMF. It highlights Pakistan's economic vulnerabilities and emphasizes the need to integrate these issues into the country's policy framework. The meetings addressed concerns such as debt sustainability, climate finance, and the impact of global crises on developing nations. Initiatives like the Bridgetown Initiative aim to reform the global financial architecture to address inequalities and climate challenges. Pakistan's involvement in such initiatives, especially those related to debt sustainability and climate finance, is crucial for its economic and environmental resilience. The article underscores the importance of aligning Pakistan's policies with international initiatives to effectively tackle these challenges.

### **Easy/Short SUMMARY:**

The article discusses the importance of addressing debt, climate change, and inflation, especially in the context of Pakistan's economic vulnerabilities. It highlights initiatives like the Bridgetown Initiative aimed at reforming the global financial system to address climate challenges and inequalities. Pakistan's participation in such initiatives is essential for managing its debt and accessing climate finance. Aligning its policies with international efforts is crucial for tackling these challenges effectively.

## **SOLUTIONS of The Problem:**

### ***Participation in Global Initiatives:***

- Actively engage in international forums and initiatives addressing debt sustainability and climate finance.
- Advocate for reforms in the global financial architecture to better address the needs of developing countries.

### ***Policy Integration:***

- Integrate debt management, climate adaptation, and inflation mitigation strategies into national policies.
- Ensure coordination between economic, climate, and foreign policies to effectively tackle interconnected challenges.

### ***Capacity Building:***

- Enhance institutional capacity to negotiate favorable terms for debt restructuring and climate finance.
- Invest in research and expertise to develop evidence-based policies addressing debt, climate, and inflation challenges.

### ***Stakeholder Engagement:***

- Foster collaboration with civil society, academia, and international organizations to build consensus on policy priorities.
- Solicit input from climate-vulnerable groups to ensure policies are inclusive and responsive to their needs.

### ***Global Advocacy:***

- Advocate for a fairer distribution of climate finance and debt relief to address the needs of developing countries.
- Promote international cooperation and solidarity to address the root causes of debt, climate, and inflation crises.

## **IMPORTANT Facts and Figures Given in the article:**

- Debt, climate change, and inflation are key topics discussed in recent World Bank and IMF spring meetings.
- Initiatives like the Bridgetown Initiative aim to reform the global financial architecture to address inequalities and climate challenges.
- Pakistan's involvement in global initiatives on debt sustainability and climate finance is crucial for its economic resilience.
- Coordination between economic, climate, and foreign policies is essential for effectively managing interconnected challenges.

## **MCQs from the Article:**

1. What are the main topics of discussion in recent World Bank and IMF spring meetings, according to the article?
  - A. Debt, climate change, and inflation
  - B. Trade agreements and economic growth
  - C. Social welfare programs and poverty reduction
  - D. Technological innovation and digitalization

- Correct Answer: A. Debt, climate change, and inflation

1. What is the Bridgetown Initiative aimed at achieving?
  - A. Reforming the global financial system
  - B. Reducing international trade barriers
  - C. Promoting gender equality in finance
  - D. Enhancing educational opportunities for developing countries

- Correct Answer: A. Reforming the global financial system

1. Why is Pakistan's participation in global initiatives on debt sustainability and climate finance important, according to the article?
  - A. To increase its foreign reserves
  - B. To align its policies with international standards
  - C. To reduce its carbon emissions
  - D. To gain political influence in global forums

- Correct Answer: B. To align its policies with international standards

1. What is the purpose of the V20 Accra-Marrakech agenda?

- A. To address debt sustainability challenges
- B. To promote renewable energy projects
- C. To strengthen diplomatic ties with African countries
- D. To advocate for climate justice in international forums

- Correct Answer: A. To address debt sustainability challenges

1. What is one suggested solution for addressing climate-triggered disasters in countries like Pakistan, according to the article?

- A. Increasing interest rates on international loans
- B. Providing grants instead of loans for rebuilding efforts
- C. Implementing austerity measures to reduce government spending
- D. Privatizing key infrastructure to attract foreign investment

- Correct Answer: B. Providing grants instead of loans for rebuilding efforts

## VOCABULARY:

- 1. **Imperatives** (noun) (فرضيات): Factors or conditions that necessitate action or effort.
- 2. **Compulsions** (noun) (فرضيات): Forces or pressures that drive someone to do something.
- 3. **Resilience** (noun) (مرونة): The ability to recover quickly from difficulties or setbacks.
- 4. **Coincided** (verb) (تزامن): Occurred at the same time or coincided with something else.
- 5. **Crowding out** (phrase) (تجاهل القطاع الخاص): The displacement of private sector investment by increased government borrowing.
- 6. **Resilience** (noun) (مرونة): The capacity to recover quickly from difficulties; toughness.
- 7. **Exacerbated** (verb) (تفاقم): Made worse or more severe.
- 8. **Initiative** (noun) (مبادرة): A plan or program intended to address a problem or improve a situation.
- 9. **Inclusiveness** (noun) (شمولية): The quality of including a wide variety of people and treating them all fairly.

10. **Offshoot** (noun) (اُتسُوت اُتسُوت): A thing that has developed from something else; a byproduct or derivative.
11. **Catalyzed** (verb) (اُتسُوت اُتسُوت): Increased the rate of a chemical reaction by the addition of a catalyst.
12. **Obstacles** (noun) (اُتسُوت اُتسُوت): Things that block or hinder progress; challenges or impediments.
13. **Credibility** (noun) (اُتسُوت اُتسُوت): The quality of being trusted and believed in.
14. **Alignments** (noun) (اُتسُوت اُتسُوت): The arrangement or position in a straight line or in parallel lines.
15. **Discourse** (noun) (اُتسُوت): Written or spoken communication or debate.

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**[Debt, climate, inflation](#)**  
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DEBT, climate, and inflation have in recent years become important planks of the

spring meetings hosted by the World Bank and IMF. The agenda for this year's meetings, which concluded last week, included finding ways to reform the global financial architecture, mobilise additional development and climate finance, and strengthen international cooperation to address multiple global crises, especially their impact on developing countries. For us in Pakistan, these issues blend with the country's economic vulnerabilities, climate imperatives, and foreign policy compulsions. Are we doing enough to integrate them at the policy level?

The agenda of the spring meetings has evolved over the years from simpler institutional issues to redesigning the architecture of the global financial system. This year's meetings were particularly important as they coincided with the 80th anniversary of Bretton Woods. While the World Bank is seeking how best to ramp up its lending, the IMF is emerging as the guardian of global financial and climate resilience. They are now faced with the unfolding challenge of financing development and climate change and the need to equip themselves to deal with the deepening impacts of debt, climate change, and inflation.

It is too early to know exactly what was decided at the spring meetings. The details will emerge slowly and be reflected in the G20 policy decisions during the year. While Pakistan was busy negotiating the Extended Fund Facility with the IMF, key issues of particular interest to it were discussed at the spring meetings: i) reversal of development gains and increase in poverty levels, ii) addressing the burden of public debt that is crowding out crucial investments, iii) strengthening global cooperation and multilateralism, and iv) reaffirming the commitment to the SDGs.

The concept of debt sustainability generally refers to the ability of a country to manage its debt without unrealistic adjustment to the balance of income and expenditure or the growth of its economy. Pakistan is eligible under the Chinese-supported Debt Sustainability Initiative and the G20-supported Debt Service Suspension Initiative, and has received debt relief under the DSSI from several creditors following its climate-triggered floods.

The Bridgetown Initiative seeks to unlock liquidity support through six key actions.

Such initiatives made way for the Bridgetown Initiative that aims to address the shortcomings of the current global financial architecture that has exacerbated

inequalities and the inability to respond to the scale of global climate challenges. A proposal was made by Prime Minister Mia Mottley of Barbados and her climate finance envoy Avinash Persaud, who had initially proposed the initiative at Glasgow at COP27 in 2022. It has won support from IMF chief Kristalina Georgieva, in addition to that of the World Bank, UN, the French and UK governments and several countries of the Global South. The initiative has since been actively advanced through key international forums including the Paris Summit on a 'New Global Finance Pact' in June and the COP28 in December 2023. Pakistan has thus far taken a back seat.

The Bridgetown Initiative seeks to unlock liquidity support through six key actions:

First, providing immediate liquidity support, including rechannelling at least \$100 billion of unused special drawing rights through equitable mechanisms. Second, increasing development lending to reach \$500bn in annual stimulus for investment for SDGs. Third, mobilising \$1.5 trillion per year of private sector investment in green transformation. Fourth, transforming the governance of international financial institutions to make them more representative, equitable and inclusive. Fifth, creating an international trade system that supports global green and just transformations. Sixth, restoring debt sustainability and supporting countries in restructuring their debt with long-term low-interest financing.

Responding to climate-triggered disasters in countries like Pakistan, the initiative has encouraged the inclusion of a clause that would stipulate a temporary suspension of interest payments on debt. The additional financial resources for rebuilding, it is argued, should be in the form of grants, instead of loans.

Pakistan has a vested interest in the success of the Bridgetown Initiative. It has built an environment for the V20 Accra-Marrakech agenda on debt sustainability. Launched at the 2023 spring meetings, it seeks to reform the global debt architecture to better address debt sustainability challenges. The Vulnerable Twenty is a coalition of 55 climate-vulnerable developing countries, and an offshoot bloc of the broader Climate Vulnerable Forum launched in 2015.

It has advocated enhancing the G20's Common Framework for Debt Treatments to address debt sustainability. The agenda emphasises the need for a new set of



rules and a roadmap to reform and transform the sovereign debt architecture. The purpose is to align it with climate and development goals, rather than just focusing on short-term debt stabilisation, an approach that is often spearheaded by IMF. It has advocated ambitious steps: i) establishing a 'Climate Mitigation Trust' to draw in \$5tr in private savings for climate action, ii) widening access to concessional finance for climate adaptation and resilience, iii) expanding MDB lending for climate and sustainable development by \$1tr, iv) funding loss and damage from climate change, and v) making the financial system more shock-absorbent.

This has catalysed a global debate on systemic reform and coordinated action on climate and development. Most remarkably, its articulation on supporting the establishment of the Loss & Damage Fund has helped create an enabling environment for about \$750 million in pledges to the fund.

The Bridgetown Initiative was a key topic of discussion at this year's spring meetings. There is indeed resistance to reforming existing power structures. It faces political and technical challenges in reshaping the global financial system to better address the debt and liquidity needs of developing countries.

Overcoming these obstacles will require sustained commitment to engaging with a wide range of stakeholders. Pakistan's case of getting a pause in repayments, or the restructuring of its debt, and accessing international climate finance will enjoy stronger credibility if its narrative is closely aligned with the global discourse. For this, we'll need to coordinate our position and seek alignments with climate-vulnerable groups.

Can Pakistan's economic, climate and foreign policies latch on to the current international initiatives to manage debt, climate and inflation challenges?

The writer is an Islamabad-based climate change and sustainable development expert.

Published in Dawn, April 25th, 2024