

## **SUMMARY of the article “Finding \$20 billion annually,” by Ali Tauqeer Sheikh, published on November 30, 2023**

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As Pakistan actively participates in the climate summit, aiming to showcase its efforts toward climate resilience, the country faces a substantial financial challenge. Despite being a victim of climate change, Pakistan acknowledges the limitations of global climate finance windows to meet its burgeoning needs, estimated at \$20 billion annually. Policymakers emphasize a preference for grants and concessional lending but recognize the inadequacy for immediate fiscal requirements. Learning from past experiences, Pakistan is urged to consider domestic resource mobilization, aligning climate considerations with ongoing and future projects. Climate economists argue that increased investment in climate adaptation can expand the fiscal space needed for economic growth. Recognizing the urgent need for reform, the focus should extend beyond macroeconomic stability, addressing issues like functional duplications, stranded assets, and carbon taxes. Water, integral to climate change adaptation, requires essential reforms, including water pricing and taxes on agricultural income. The article proposes partnerships at COP28 to enhance the country’s capacity for sustained climate investments and a reform agenda to domestically generate the required \$20 billion annually. Fiscal space can be increased through climate-risk profiling, climate-proofing development programs, and budget-tagging all climate expenditures. The author advocates for the announcement of provincial National Finance Commission awards to boost spending at district levels, simultaneously building absorptive capacity and resilience.

## **Easy/Short SUMMARY:**

As Pakistan engages in the climate summit, highlighting its climate resilience efforts, the country faces a financial challenge of finding \$20 billion annually for climate expenditures. Recognizing the limitations of global climate finance, policymakers emphasize the need to mobilize domestic resources, align climate considerations with projects, and focus on urgent reforms. The article suggests partnerships to enhance capacity and a reform agenda to generate funds domestically. Measures include water pricing, taxes on agricultural income, and fiscal space expansion through climate-risk profiling and budget-tagging climate expenditures.

## **SOLUTIONS of The Problem:**

### ***Domestic Resource Mobilization***

Mobilize domestic public and private sector resources by aligning climate considerations with ongoing and future projects.

### ***Reform Agenda***

Undertake a sustained reform agenda to augment capacity for domestically generating \$20 billion annually for climate expenditures.

### ***Partnerships at COP28***

Seek international partnerships at COP28 to enhance the ability to handle sustained investments over longer periods and undertake a reform agenda.

### ***Focus on Climate-Related Reforms***

Prioritize reforms necessary for climate adaptation, including water pricing, taxes on agricultural income, and fiscal space expansion through climate-risk profiling.



## ***Provincial National Finance Commission Awards***

Announce provincial National Finance Commission awards to increase spending at district levels, building absorptive capacity and resilience.

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

- Pakistan estimates climate investments needed at five percent of the country's GDP, equivalent to \$20 billion annually.
- The 2022 floods inflicted a loss of \$30 billion, exceeding the total disbursement by all UNFCCC funds (Global Environment Facility, Adaptation Fund, Green Climate Fund) since their inception, which collectively disbursed about \$22 billion globally.
- Pakistan accessed less than \$1 billion from these three funds in the last 30 years.
- Policymakers recognize the inadequacy of global climate finance windows to meet Pakistan's growing climate needs.

## **MCQs from the Article:**

- 1. What is the estimated annual climate expenditure needed by Pakistan according to the article?**
  - A. \$5 billion
  - B. \$10 billion
  - C. \$20 billion**
  - D. \$30 billion
  
- 2. Which UNFCCC fund was NOT mentioned in the article as contributing to climate finance?**
  - A. Global Environment Facility
  - B. Adaptation Fund
  - C. World Climate Fund**

D. Green Climate Fund

3. **What is emphasized as Pakistan's best practical option for meeting its climate financing needs?**
  - A. Relying on global climate finance windows
  - B. Mobilizing domestic resources**
  - C. Prioritizing concessional lending
  - D. Seeking international assistance annually
  
4. **What event followed Pakistan showcasing its losses from the 2022 floods at the Conference of the Parties in Sharm el-Sheikh?**
  - A. Climate summit in the UAE
  - B. Donor conference in Geneva**
  - C. COP28 international partnerships
  - D. Resilient Recovery, Rehabilitation, and Reconstruction Framework
  
5. **What loss did the 2022 floods inflict on Pakistan according to the article?**
  - A. \$10 billion
  - B. \$30 billion**
  - C. \$22 billion
  - D. \$1 billion

## VOCABULARY:

1. **Burgeoning** (adjective) (بُورِجُونِج): Rapidly growing or expanding.
  
2. **Concessional** (adjective) (مُتَعَدِّقَاتِي): Involving or giving concessions; granted on terms more favorable than usual.
  
3. **Absorptive Capacity** (noun) (قُدْرَةُ التَّوَسُّطِ): The ability of a system or



SUMMARY of the article Finding \$20 billion annually, by Ali Tauqeer Sheikh organization to handle and manage the impact of external stresses.

4. **Macroeconomic Stability** (noun) (اقتصاد مستقر): The condition in which the overall economy experiences stable growth, low inflation, and low unemployment.
5. **Functional Duplications** (noun) (تكرار وظيفي): Overlaps or redundancies in the functions and roles of different entities within an organization or system.
6. **Stranded Assets** (noun) (اكتفاء أصول): Assets that have become prematurely obsolete or non-performing, often due to external changes or shifts.
7. **Carbon Taxes** (noun) (ضرائب الكربون): Taxes imposed on the carbon content of fuels, intended to reduce the emission of greenhouse gases.
8. **Climate-Resilience** (noun) (مرونة المناخ): The ability to anticipate, prepare for, respond to, and recover from the adverse impacts of climate change.
9. **Throw-Forward** (noun) (تكاليف مستقبلية): An estimated future cost or expense associated with a project.
10. **Fiscal Space** (noun) (مساحة مالية): The budgetary room that allows a government to provide resources for desired policy initiatives without threatening financial sustainability.
11. **Ring-fence** (verb) (تخصيص): To set aside or protect funds for a specific purpose, preventing them from being used for other expenditures.



12. **Adaptation** (noun) (تتكيف): The process of adjusting to new conditions or changes, especially in response to climate change.
  
13. **Triple Dividend** (noun) (ثلاثة مزايا): Simultaneous benefits derived from a single action, often used in the context of generating revenue, adaptation, and empowerment.
  
14. **Border Tax** (noun) (ضريبة الحدود): A tax imposed on goods and services imported from one country to another.
  
15. **Nationally Determined Contributions (NDCs)** (noun) (التزامات مساهمة محددة وطنياً): Country-specific commitments to reduce greenhouse gas emissions and adapt to climate change, submitted under the Paris Agreement.

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***BY Ali Tauqeer Sheikh***

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PAKISTAN is gearing up for active participation in the climate summit, scheduled to begin today in the UAE. While raising the flag for global climate justice in negotiations, the government is planning to use more than two dozen events at its





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national pavilion to showcase how Pakistan is actually striving for climate resilience, province by province, sector by sector, and project by project.

Each case study will show, in many different ways, that Pakistan is not just a victim, but also a hero and a survivor, struggling to implement reforms and climate-smart policies as well as muster its limited resources to tackle the exacerbating climate challenge.

What are the strategic objectives of this high-level engagement? What is Pakistan's ask from the global community, given that the experience of attracting international finance has historically been less than successful? At the last Conference of the Parties in Sharm el-Sheikh in Egypt, Pakistan had showcased its widespread losses caused by the 2022 floods.

This was immediately followed by a donor conference in Geneva in January 2023 to seek international assistance based on the Resilient Recovery, Rehabilitation, and Reconstruction Framework. Results have not matched expectations. What is our learning from this experience, and have we begun to think about Plan B to meet our climate expenditures?

There is growing consensus amongst senior policymakers that while Pakistan needs to improve its access to international climate finance and strengthen its pipeline of bankable projects, global climate finance windows simply cannot meet our growing needs.

There is an evolving understanding that no global financial fund, including the anticipated Loss & Damage fund, will have resources anywhere close to meeting the climate investments needed in Pakistan and estimated by the World Bank to be five per cent of the country's GDP, or \$20 billion annually. It is an intimidating figure, but arguably manageable particularly since it is an existential and national security threat.

Senior policymakers unfailingly underline the preference for grants and concessional lending. They, however, also understand that this is neither predictable nor significant nor adequate for the country's immediate fiscal requirements. This leaves Pakistan with no option but to mobilise domestic resources, in spite of its extremely narrow fiscal space.

In fact, climate economists argue that increasing investments in climate adaptation will help expand the fiscal space needed for accelerated and sustained economic growth.

There is growing consensus that global climate finance windows cannot meet our needs.

The last floods inflicted a loss of \$30bn. This amount was more than the total disbursement by all UNFCCC funds since their inception: the Global Environment Facility (1991), the Adaptation Fund (2001) and the Green Climate Fund (2014). According to some estimates, they have collectively disbursed about \$22bn globally.

Pakistan has accessed less than \$1bn from all these three funds in the last 30 years. We are not attending the climate summit expecting that the world will extend large sums annually, even if we consider ourselves as the most deserving climate victim. Most importantly, Pakistan's absorptive capacity will not match this need for annual investment.

It is important to underline that allocations by climate funds are based on a project's merit and alignment with their objectives, and not on any country's specific needs or requests.

Clearly, as our needs far exceed our presently available external finances, Pakistan's best practical option is to weave climate considerations into ongoing and future projects and mobilise domestic public and private sector resources, rather than ignoring reforms for climate-smart development.

Pakistan will, therefore, need to seek at the COP28 international partnerships two intertwined objectives: i) enhancing our ability to handle sustained investments over longer periods of time, which are necessary to absorb climate shocks and climate finances, and ii) undertaking a sustained reform agenda to augment our capacity to domestically generate \$20bn annually for our climate expenditures.

Where is the fiscal space for generating these resources? The reality is that an almost exclusive preoccupation with macroeconomic stability and accompanying IMF conditionalities has distracted the decision-makers from the reforms necessary for climate adaptation.

The focus has been almost entirely on increasing revenue and reducing subsidies on oil and gas. A thin technical capacity has not allowed the government to prioritise reducing spending on maladaptation and government inefficiencies, ie, its bloated size, functional duplications, stranded assets (other than state-owned enterprises), and carbon taxes in high-polluting industries that will face border tax in future from the European Union (Pakistan's important trading partner).

In the realm of adaptation, water is the currency of climate change. Water pricing is essential for the efficient use of resources and to generate revenue, as are the taxes on agricultural income.

An experiment some years ago in KP in which the revenue generated by tourism was used in the same department to improve the local tourism infrastructure provides an example whereby the revenue generated by the water and agriculture sectors can give a triple dividend: additional revenue, adaptation, and empowering local governments.

The contours of these reforms are already defined in our national and provincial climate and water policies as well as the Nationally Determined Contributions and National Adaptation Plan.

The last two are sovereign commitments to the UNFCCC, requiring periodic reports on their implementation. Adaptation, after all, is about the transformation of the water and agriculture sector for providing water and food security to the growing population.

They will spur private-sector investments, enhance economic productivity in otherwise slumbering sectors and create jobs, start-ups, technology and fintech entrepreneurs.

Finally, climate-risk profiling and climate-proofing the Public Sector Development Programme will increase the fiscal space for climate expenditure. Budget-tagging all climate expenditures will show where we stand domestically as well as attract foreign direct investment.

The key to increasing fiscal space and resilience simultaneously lies in the announcement of provincial National Finance Commission awards for increased spending at district levels. This step is also necessary to build up our absorptive



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capacity and spend where we should.

The World Bank typically ring-fences 1pc of every project's budget for environmental and social aspects. Can Pakistan also ring-fence, in order to tackle the impact of climate change, its almost 1,300 approved projects that have an estimated throw-forward of Rs15 trillion? This will help create additional fiscal space for investments in climate resilience rather than leaving it to chance when it comes to international finance.

The writer is an expert on climate change and development.

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