

Climate Change Public Finance

Case: PAKISTAN

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PAKISTAN: Background

- South Asian country
- Population : 220 m
- Low middle income : US\$1,300 per capita
- Low HDI : 154 / 189
- One in top 10 most affected by extreme weather events
- Glacier melting, sea intrusion, unusual rains, drought

Climate change issues

- Low emission – High vulnerability
- 2010-14 Floods: US\$18bn loss : 38m people affected
- Heatwave in southern Pakistan in 2015: 1200 fatalities
- 7000 glaciers (most except polar region): 1.5° C increase from pre-industrial levels will melt 1/3rd of ice
- Glacial melt feeds Indus River. Water security A CHALLENGE

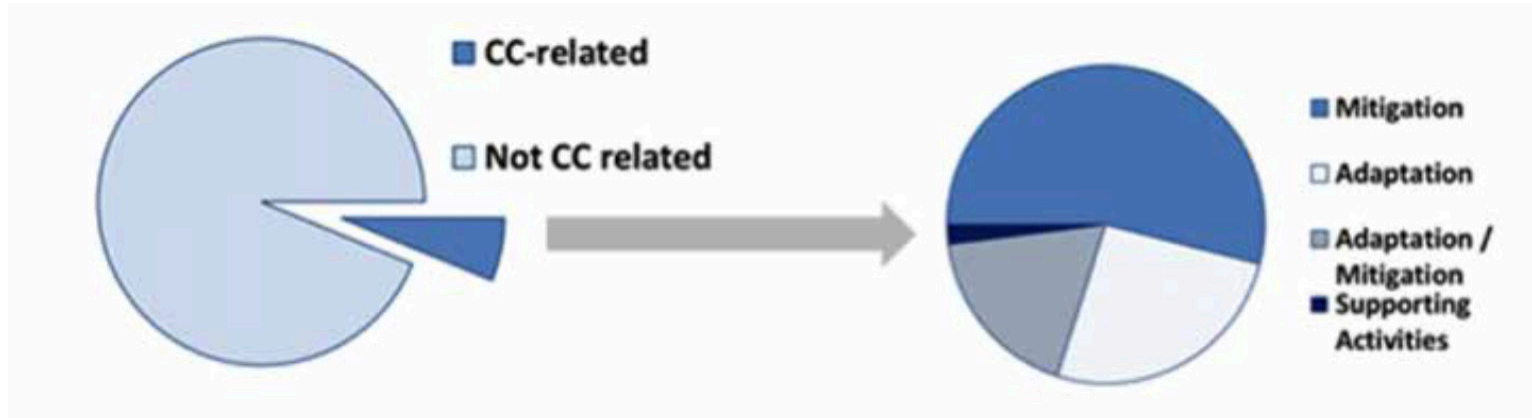
Financing requirements

- Financing need: INDC 2016:
 - Decrease of 20% by projected emissions by 2030: US\$40 bn
 - Adaptation needs: US\$7 - \$14 bn per annum
- Pakistan's government expenditure : FY19 : US\$62 bn

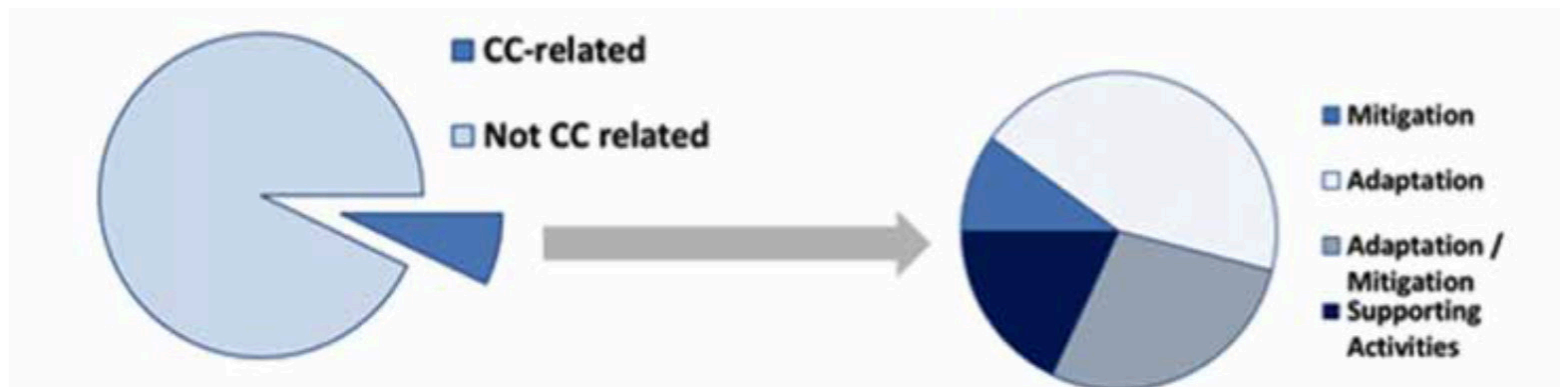
Public Expenditure

- CPEIR: Climate Public Expenditure and Institutional Review
- After National Climate Change Policy 2012
- Federal Govt and one Province : 2015 – then other provinces
- Parliament and other forums debated. Results used in govt budget, economic survey, other statistics
- Reforms highlighted in the report – later pursued

Federal: 6% of it's budget in 2014



KP Province: 7% of it's budget in 2014



Expenditure Tracking System

- Building on CPEIR
- IFMIS system: Computerised Financial Management System (on-budget - government sector only)
- Budget Wing in MoF took the lead
- A CC tracking and coding typology developed & debated
- Positive contribution criteria (France also negative contribution)

Cost Centre (Govt Chart of Accounts)	Main Element	Sub-Main Element	Funding	Relevance
	Adaptation	Health and Social Services	Local / Foreign	High (>75%), Medium (50% - 74%), Low (25% - 49%) and Marginal (<25%)
		Energy		
		Water Resources		
		Disaster Preparedness		
		Transport		
		Agriculture and Livestock		
		Vulnerable Ecosystems		
		Biodiversity		
	Adaptation/ Mitigation	Transport	Local / Foreign	High (>75%), Medium (50% - 74%), Low (25% - 49%) and Marginal (<25%)
		Disaster Preparedness		
		Town Planning		
		Energy		
		Water Resources/Energy		
		Water Resources		
	Mitigation	Energy	Local / Foreign	High (>75%), Medium (50% - 74%), Low (25% - 49%) and Marginal (<25%)
		Transport		
		Town Planning		
		Water Resources		
		Carbon sequestration and forestry		
		Industries		
	Supporting Areas	International and Regional Cooperation	Local / Foreign	High (>75%), Medium (50% - 74%), Low (25% - 49%) and Marginal (<25%)
		Awareness Raising and Education		
		Capacity Building and Institutional Strengthening		
		Finance and Technology Transfer		

Three criteria: 1) Thematic

- Adaptation
- Mitigation
- Adaptation/Mitigation
- Supporting Areas

Three criteria: 2) Identification

Adaptation	
Task	Example Activities
Water resources	<ul style="list-style-type: none">- Water storage and infrastructure- Water conservation strategies- Integrated water resource management- Legislative framework- Capacity enhancement- Awareness raising
Agriculture, Forestry and livestock	<ul style="list-style-type: none">- Research- Technology- General management- Risk management- Awareness raising- Reforms in governance- Adaptive capacity enhancement- Forest management

Three criteria: 3) Contribution

% Contribution	Examples
<p data-bbox="377 405 784 439">High Contribution (>75%)</p> <p data-bbox="377 458 1039 565">Clear primary objective of delivering specific outcomes that improve climate resilience or contribute to mitigation.</p>	<ul data-bbox="1156 411 2160 1339" style="list-style-type: none"><li data-bbox="1156 411 2160 482">• Energy mitigation (e.g., renewables, hydropower and nuclear, and energy efficiency)<li data-bbox="1156 496 2160 604">• Disaster risk reduction and disaster management capacity, particularly flood and drought risk reduction and management actions.<li data-bbox="1156 625 1951 661">• Forestation and conservation of protected areas.<li data-bbox="1156 682 2117 789">• Management, research and construction of water resources and infrastructure, including water reservoirs to combat increasing variability in drought and floods.<li data-bbox="1156 811 2074 918">• Actions taken in response to recent flooding/droughts, because they will have added benefits for future extreme events.<li data-bbox="1156 939 2058 1011">• Relocating villages to provide protection against climate stresses (droughts, floods and sea level rises).<li data-bbox="1156 1032 2160 1068">• Health care directly associated with climate-sensitive diseases.<li data-bbox="1156 1089 2033 1160">• Building institutional capacity to plan and manage CC, including early warning systems and monitoring.<li data-bbox="1156 1182 1561 1218">• CC awareness raising<li data-bbox="1156 1232 2117 1339">• Actions meeting the criteria of CC funds (e.g., the Green Climate Fund [GCF], the Global Environment Facility [GEF], Pilot Programme for Climate Resilience [PPCR]).

Process of tagging and coding

- MoF took the lead and involved stakeholders including MoCC
- MoCC - Approved the System
- System configured in IFMIS
- Personnel Trained
- Committees / working groups formed
- Reports prepared and included in government publications

Institutionalisation

- **Major challenges:**

- Sustainability : Update of coding system requires a team of professionals
- Only Government sector information (i.e. excluding PSEs and off-budget donor assistance)
- How to understand efficiency of public expenditure?
- % Contribution – difficult to ascertain, convey, and base policy on
- Using the information in the next round of budget/policy

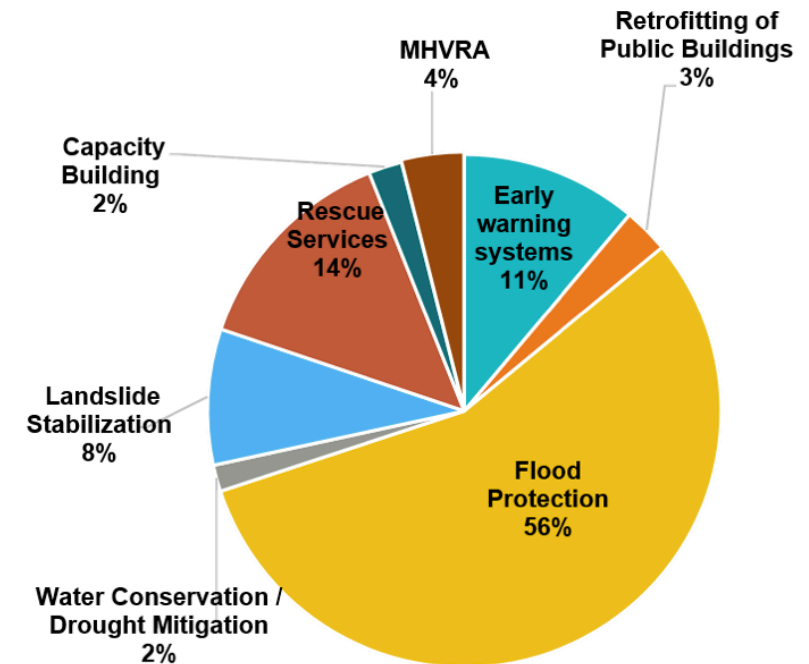
Institutionalisation

- **Lessons:**

- Initially, keep it simple
- Link coding and tracking with Government's Chart of Account & IFMIS
- Include CC criteria in Project Feasibilities/Documents
- Communicate – present analysis/report to stakeholders

Disaster Risk Financing

- Pakistan faces fiscal challenges – with repeated IMF programs
- National Disaster Risk Management Fund - \$0.5bn
- Pool for national & international donors to contribute for various DRR projects



Thank you
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