

Climate Budgeting in Pakistan: A Provincial Analysis of Allocation, Governance, and Resilience Financing

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KEY FIGURES

\$1.4B IMF RSF financing approved for Pakistan (May 2025)

~3% Punjab development budget explicitly tagged as climate-specific

83% Balochistan environment budget gap — only PKR 17.88M of PKR 102.3M utilized

BUDGET TAGGING SNAPSHOT

Federal → 6–8%

Punjab → ~3%

Khyber Pakhtunkhwa → <1%

Balochistan → Not Tagged / Minimal

Sindh → Not Tagged

CRITICAL FINDINGS

- **Reactive, not preventive:** 70–80% of disaster spending goes to post-disaster relief. Early warning systems and resilient infrastructure remain chronically underfunded.
- **Climate finance misalignment:** Mitigation is often prioritized, while adaptation remains critically underfunded despite high climate vulnerability.
- **Non-operational climate allocation:** An indicative ~1% climate allocation exists in planning discussions but is not systematically implemented or transparently tracked.
- **Misclassification:** No standardized climate budget tagging exists across provinces. Climate spending is hidden within irrigation, infrastructure, and multisectoral heads.
- **Institutional fragmentation:** Finance, planning, and environment departments operate in silos with no single mechanism to align provincial annual development programs with national climate goals.
- **Weak outcome linkages:** Input-based budgets lack Key Performance Indicators (KPIs) linking spending to measurable resilience outcomes, flood exposure, emissions reduction, or service continuity.

2025 MONSOON FLOODS: A WAKE-UP CALL

6.9M

people affected
(WHO)

1000+

deaths recorded
(NDMA)

Pakistan's reliance on ex-post financing, emergency borrowing and budget reallocations after shocks, left no pre-positioned contingency funds at provincial level, repeatedly displacing planned development expenditure.

PROVINCIAL SNAPSHOTS

Punjab

High fiscal capacity

ADP growing PKR 842B → 926B (FY25–26). Strong irrigation & agriculture focus. Environment allocation ~PKR 10–12B/yr. Mitigation severely underfunded.

Sindh

Medium–high fiscal capacity

Irrigation funding rose from PKR 35.9B to 42.1B. Coastal & urban resilience spread across sectors. The formal environment budget is only PKR 1.57B, with weak tracking.

Khyber Pakhtunkhwa

Medium fiscal capacity

Forestry funding rose from PKR 3.1B to 4.9B. Disaster relief receives PKR 3.2B, mostly reactive (70–80%). Environmental protection remains underfunded at PKR 67M, with fragmented, untagged allocations.

Balochistan

Very high risk / Low fiscal capacity

Highest climate risk, lowest fiscal space. Reliant on federal transfers. Only 17% of the environment budget is utilized. No climate budget tagging in place.

IMF RESILIENCE AND SUSTAINABILITY FACILITY (RSF) REFORM AGENDA FOR CLIMATE BUDGETING IN PAKISTAN

- Climate budget tagging integrated into IFMIS and Budget Call Circular (FY2023–24 onwards)
- Annual climate budget statements and quarterly execution reports mandated
- Mandatory climate screening for all major PSDP projects
- National disaster-risk financing framework introduced, shifting from ex-post to ex-ante approach
- Extension of climate budgeting to provincial spending underway, but implementation remains a key challenge

POLICY RECOMMENDATIONS

- 1 Implement a dual-flow accountability model to validate top-down funding through bottom-up impact verification.
- 2 Link allocations to KPIs, flood resilience, infrastructure quality, emissions reduction.
- 3 Link Public Sector Development Programme allocations to climate risk screening, ensuring no infrastructure project is approved without an adaptation lens.
- 4 Publish annual Climate Budget Statements with fully disaggregated actuals.
- 5 Build pre-positioned contingency funds & sovereign insurance instruments.
- 6 Global donors must prioritize adaptation finance in Pakistan based on vulnerability, not emissions.